Report No. 5537-MAU

Islamic Republic of Mauritania
Country Economic Memorandum

July 10, 1985

Western Africa Regional Office

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CURRENCY EQUIVALENTS

Currency Unit	=	Ouguiya (UM)
US$ 1.00	=	UM 80 1/
UM 1 million	=	US$ 12,500

UM/US$

(Annual Average)		(End Period)
45.89	1979	45.85
45.92	1980	46.03
48.26	1981	48.94
52.15	1982	52.96
54.96	1983	57.03
63.83	1984	67.15

MEASURES AND EQUIVALENTS

1 meter (m)	=	39.37 inches (in)
1 square meter (m^2)	=	10.9 square feet (sq ft)
1 kilometer (km)	=	0.62 mile (mi)
1 hectare (ha)	=	10,000 m^2 or 2.471 acres
1 acre	=	4,047 m^2 or 0.405 ha
1 kilogram (kg)	=	2.2 pounds (lbs)
1 pound (lb)	=	0.454 kg
1 tonne (metric)	=	2,205 lbs or 1,000 kgs

FISCAL YEAR

Government of Mauritania	=	January 1 - December 31

DEVELOPMENT PLANS

IIIrd Plan	1976 - 80
IVth Plan	1981 - 85

1/ Effective February 14, 1985. The end-1984 exchange rate of UM 83 = US$1.00 is used for projection purposes in this paper.

PREFACE

The World Bank last issued a full economic report on Mauritania in June 1979. 1/ At that time the Government had begun to implement a medium-term financial stabilization program, formulated with the assistance of the World Bank and heavily supported by the international community. The present report discusses (i) developments in the economy in the five-year period 1979-84 and the adjustment effort undertaken in the context of the stabilization program; (ii) policy issues which the Government proposes to address in the context of its 1985 Economic and Financial Rehabilitation Plan; and (iii) prospects and issues in three sectors -- mining, fisheries and irrigated agriculture -- in which the Government took major initiatives in the late 1970s towards growth and diversification of the economy in the 1980s. The report is intended to serve the dialogue between the Government of Mauritania and the international community on prospects for the economy, the adjustment effort and foreign assistance requirements in the medium term. This dialogue will be pursued in the framework of a Consultative Group Meeting planned for late 1985.

This report is based on the findings of a Bank mission which visited Mauritania in April-May 1984 and updated by a mission of December 1984. The main mission team consisted of Kathryn Larrecq (mission leader and principal author), Peter Boone, Consultant (food and agriculture, projections) and Janvier Kpourou-Litsé (external debt). The main mission was joined in the field by Rudolf Hablützel, Senior Economist, Western Africa Programs Department II. Editorial assistance was provided by Richard Herbert (Bank). Translation into French was undertaken by Claude Daniel. The report was discussed with Government on June 1-6, 1985.

World Bank Sector Reports on Mauritania

Education Sector Memorandum, Report No. 2565-MAU, June 1979
Transport Sector Memorandum, Report No. 4510-MAU, June 1981
Telecommunications Sector Memorandum, Report No. 4510-MAU, July 1983
Issues and Options in the Energy Sector, Report No. 5224-MAU, April 1985

1/ World Bank, Islamic Republic of Mauritania: Recent Economic Developments and External Capital Requirements, Report No. 2479a - MAU, June 4, 1979.

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MAURITANIA

COUNTRY ECONOMIC MEMORANDUM

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LIST OF ACRONYMS AND ABBREVIATIONS

Acronym/Abbreviation	Definition
BAAM	Banque Arabe pour la Mauritanie
BALM	Banque Arabe Lybienne pour le Commerce et le Développement
BCM	Banque Centrale de Mauritanie
BIMA	Banque Internationale pour la Mauritanie
BMDC	Banque Mauritanienne du Développement et du Commerce
CFA	CFA Franc
CRSP	Cellule de Réhabilitation du Secteur Parapublic
CSA	Commissariat à la Securité Alimentaire
EEC	European Economic Community
EEZ	Exclusive Economic Zone
EMN	Etablissement Maritime de Nouakchott
EPAP	Entreprise publique à caractère administratif et professional
EPIC	Enterprise publique à caractere industriel et commercial
FAO	(United Nations) Food and Agriculture Organization
FND	Fonds National du Développement
IMF	International Monetary Fund
OECD	Organization for Economic Cooperation and Development
OMRG	Office Mauritanien de Recherche Géologique
OMVS	Organisation pour la Mise en Valeur du Fleuve Sénégal
OPEC	Organization of Petroleum Exporting Countries
OPT	Office des Postes et Télécommunications
RMSM	Revised Minimum Standard Model
SAMIA	Société Arabe des Industries Métallurgiques
SAMIN	Société Arabe des Mines de l'Inchiri
SDR	(IMF) Special Drawing Right
SEM	Société d'economie mixte
SMCP	Société Mauritanienne pour la Commercialisation des Poissons
SMCPP	Société Mauritanienne pour la Commercialisation des Produits Pétroliers

SNIM	Société Nationale Industrielle et Minière
SOCOGIM	Société de Construction et de gestion Immobilière
SOMIMA	Société Minière de Mauritanie
SOMIR	Société Mauritanienne des Industries de Raffinage
SOMIS	Société Mauritanienne des Industries de Sucre
SONADER	Sociéte Nationale pour le Développement Rural
SONELEC	Société Nationale d'Eau et d'Electricité
SONIMEX	Société Nationale d'Importation et d'Exportation
TLU	Tropical Livestock Unit
UM	Ouguiya

COUNTRY DATA - MAURITANIA

AREA		POPULATION	DENSITY (1982)
Total	1030.7 Sq. Km.	1.7 million (mid-1984)	1.5 per sq. km
Agricultural	394.5 Sq. Km.	Rate of Growth 2.4% (1980 to 1985) a/	4.0 Rural Population per sq. km agricultural land

POPULATION CHARACTERISTICS (1982)	
Crude Birth Rate (per 1,000)	50.7
Crude Death Rate (per 1,000)	27.1
Age 14 and Under (%)	46.2
Urban Population (%)	25.8

HEALTH (1980-82)	
Population per Physician	13,350
Population per Hospital Bed	2,610
Infant Mortality Rate (per 1,000)	132

INCOME DISTRIBUTION	
% of National Income	
Highest Quintile	..
Lowest Quintile	..

DISTRIBUTION OF LAND OWNERSHIP
Not available

ACCESS TO PIPED WATER (1970)	
Occupied Dwellings without Safe Water(%)	83.0

ACCESS TO ELECTRICITY (1977)	
% of Population - Total	..
- Rural	(negligible)

NUTRITION (1980)	
Caloric Intake as % of Requirements	97.0
Per Capita Protein Intake (grams/day)	75.0

EDUCATION (1978-80)	
Adult Literacy Rate %	17.0
Primary School Enrollment %	33.0

GNP PER CAPITA in 1983 b/: US$475

GROSS NATIONAL PRODUCT IN 1983 — ANNUAL RATE OF GROWTH (%, Constant Prices)

	US$ Mln.	%	1975-78 (Av.)	1979-81	1983
GNP at Market Prices	740.4	100.0	-0.7	6.0	7.4
Gross Domestic Investment	140.0	18.9	5.7	13.5	-60.2
Gross National Savings	-78.8	-10.6			
Current Account Balance	-210.5	-28.4			
Exports of Goods, NFS	367.9	-49.7	-5.2	13.9	31.8
Imports of Goods, NFS	-594.4	-80.2	-4.0	5.4	-9.7

OUTPUT, EMPLOYMENT AND PRODUCTIVITY IN 1983

	Value Added		Labor Force		V.A. Per Worker	
	US$ Mln.	%	Thousand	%	US$	%
Agriculture	243.9	32.4	313.3	69.0	778.5	47.0
Industry	140.9	18.7	36.3	8.0	3,881.5	234.1
Services and Unallocated	367.9	48.9	104.4	23.0	3,523.9	212.6
Total / Average	752.7	100.0	454.0	100.0	1,657.9	100.0

CENTRAL GOVERNMENT FINANCE

	UM Mln.	Percent of GDP 1983	Percent of GDP 1980-82 (Av.)
Current Receipts	8,935	20.7	18.6
Current Expenditure	-11,115	25.8	27.0
Current Balance	-2,180	5.1	8.5
Capital Expenditure	-5,218	12.1	16.9
Overall Balance	-7,516	17.5	25.6
External Assistance (net)	7,666	17.8	25.5

a/ Rate of natural increase, exclusive of net migration.

b/ Per capita GNP estimate calculated by the same conversion technique as the World Bank Atlas, 1985 edition.

. Less than the smallest unit shown.
.. Not available

All conversions to dollars in this table are at the average exchange rate prevailing during the period covered.

COUNTRY DATA - MAURITANIA

MONEY, CREDIT AND PRICES

	1980	1981	1982	1983	1984
	UM Million Outstanding End-Period				
Money Supply	5,677	7,654	7,135	8,089	9,300
Bank Credit to Government (net)	1,628	2,434	4,609	5,142	5,142
Bank Credit to Private Sector	10,081	11,263	11,832	12,942	14,500
	(Percentage or Index Numbers)				
Money as % of GDP	17.4	21.2	18.4	18.8	20.2
General Price Index (1980-1984)	100.0	111.0	121.3	127.2	143.1
Annual Percentage Change in:					
General Price Index	11.1	11.9	8.4	4.9	12.5
Bank Credit to Government (net)	14.3	50.0	91.7	10.9	-
Bank Credit to Private Sector	2.2	11.9	4.4	9.3	12.4

BALANCE OF PAYMENTS

	1981	1982	1983
	(US$ millions)		
Petroleum Imports	63.9	63.0	53.6
Petroleum Exports	-	7.1	20.8
Exports of Goods, NFS	342.0	302.5	367.9
Imports of Goods, NFS	-561.0	-630.8	-594.4
Resource Gap	-219.0	-328.3	-226.5
Interest Payments (net)	-23.4	-34.9	-38.7
Other Factor Payments (net)	18.9	17.6	16.4
Private Transfers (net)	-20.9	-30.7	-23.1
Official Transfers (net)	61.3	84.5	61.1
Balance on Current Account	-183.2	-290.9	-210.5
Direct Investment	22.3	14.8	.8
Capital Grants	32.9	31.0	18.5
Public M & LT Borrowing (net)	151.4	206.1	172.2
Disbursements	(187.0)	(222.0)	(195.5)
Amortization	(-35.7)	(-15.9)	(-22.7)
Other Capital (net)	-16.9	-8.9	-11.1
Change in Official Reserves (net) (+ = increase)	6.4	-47.9	-29.3
Net Official Reserves (end year)	34.2	-16.2	-45.7

MERCHANDISE EXPORTS (1981-83 AVERAGE)

	(US$ Mln.)	%
Iron Ore	145.3	53.3
Fish and Fish Products	118.7	43.5
All Other Goods	8.7	3.2
TOTAL	272.7	100.0

EXTERNAL DEBT AS OF DECEMBER 31, 1983

	US$ Mln.
Public Debt, Incl. Guaranteed	1,178.1
Non-Guaranteed Private Debt	..
Total Outstanding and Disbursed	1,178.1

DEBT SERVICE RATIO FOR 1983	%
Public Debt, Incl. Guaranteed	12.4
Non-Guaranteed Private Debt	..
Total Outstanding and Disbursed	12.4

IBRD/IDA LENDING AS OF DECEMBER 31, 1984

	US$ Mln. IBRD	US$ Mln. IDA
Oustanding and Disbursed	57.0	56.2
Undisbursed	.	15.5
Outstanding Incl. Undisbursed	57.0	71.7

RATE OF EXCHANGE

	Annual Averages 1981	1982	1983	1984	End Period 1984
US$ 1.00 = UM	48.3	52.2	54.8	63.8	67.2

SUMMARY AND CONCLUSIONS

i. Endowed with a limited though not unimportant resource base in relation to its small population (1.7 million in 1984), Mauritania has seen its economy shift from rapid and sustained growth in the 1960s, its first decade of independence, to stagnation and extreme reliance on foreign resources. It has been unable to achieve any appreciable growth in per capita incomes since the mid-1970s and as of 1984 was the recipient of foreign assistance equivalent to 40 percent of the economy's annual output, or US$170 per capita.

ii. The weak growth and savings performance of the economy over the past ten years is largely attributable to depressed world markets for iron ore, the country's major source of growth up to the mid-1970s and its principal foreign exchange earner, and to the effects of repeated drought on the rural economy, which had sustained 90 percent of the population prior to the 1968-73 Sahelian drought. At the same time that the two mainstays of the economy, mining and livestock, were being eroded in the 1970s, Mauritania turned much of the ample foreign resources available to the country at that time to the nationalization of the mining operation and to ambitious projects in transport infrastructure and a few large industrial ventures which were to prove unviable. It also diverted much of its human and financial resources to a brief but costly war in the Western Sahara.

iii. The effects of reduced export earnings, drought, war and heavy investment which contributed little to expanding the country's productive capacity led in 1977-79 to financial crisis, the fall of the country's 18-year political regime and its withdrawal from the war in the Western Sahara. A new Government immediately launched in late 1978 an important stabilization program which called for a major external debt rescheduling and tight controls on wages and government spending. The stabilization program was followed in 1981 by adoption of Mauritania's IVth Development Plan (1981-85). On the assumption of recovery in world iron ore markets, the Plan called for continued heavy investment to ensure mining capacity through the 1980s and a gradual diversification of the economy through development of the country's substantial fisheries resources and its eventual irrigation potential in the Senegal River Valley.

iv. The stabilization program, complemented by substantial foreign support, enabled the country to enjoy a three-year period of relative stability and growth in 1979-81. The improved performance of the economy could not be sustained, however, in the face of a moderate fallback in mining production in 1982-83 and the onset of the exceptional drought of 1983-84. Production in the mining sector, which had been relied upon to motor the economy's expansion in the 1980s, was by 1983 at a level only 65 percent of that registered ten years earlier. The alternative sources of growth to which heavy investment had been directed, fisheries and irrigated agriculture, were expanding rapidly but were as yet small in terms of their

contribution to total output. As overall production of the economy faltered beginning 1982, even a modest relaxation of the austerity measures taken in 1979, coupled with the effects of an overvalued currency, was sufficient to permit consumption to creep upward to levels well in excess of GDP by 1983-84. Given, in addition, the heavy investment requirements in mining and irrigation, final demand exceeded output by an average of 40 percent over the 1982-84 period.

v. To this exceptional dependence are to be added the implications of an accumulated US$1.8 billion in medium- and long-term external public debt, equivalent to nearly 250 percent of GDP, about five times the average of developing countries of similar income levels. Principal and interest payments on debt contracted up through late 1984 are alone projected to pre-empt 35-40 percent of export earnings through 1988. Such service obligations are clearly beyond the country's payments capacity in the absence of drastic adjustment in competing claims on foreign exchange. With an actual debt service ratio of only 16 percent in 1982-84, Mauritania incurred a cumulative loss of more than $100 million in official reserves, the equivalent of two months' imports. Additionally, arrears on payments of close to $100 million were incurred in the same period.

vi. The scale of Mauritania's reliance on foreign resources, the severe repercussions of this reliance on the balance of payments and the limited prospects for a major turnaround in the economy in the medium term now make imperative the need to reinforce the adjustments taken beginning 1979 with a far more comprehensive set of policy reforms to ensure sustained recovery and maximum growth. The 1979 program aimed at curtailing external and domestic deficits through fiscal and monetary restraint. It did not address basic issues of price and exchange rate policy, labor policy and interest rate policy or institutional issues such as the adequacy of investment programming, the operating efficiency of the parastatal sector and the external efficiency of the education system. Past failure to address these issues appropriately or fully is responsible for poor performance throughout the Mauritanian economy independent of the effects of drought and international market recession. Illustrative of this is a decline by half in labor productivity of the mining company, SNIM, 1/ over a ten-year period up through 1983 and a consequent threat to the company's survival in a highly competitive market.

vii. Since late 1983 the Government has undertaken a broad re-examination of public policy and institutional performance and has launched

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1/ SNIM: Société Nationale des Industries Minières.

a number of key reforms. It is formalizing its reform effort in a Medium Term Economic and Financial Recovery Plan under preparation as of mid-1985 and due to be adopted in the second half of the year. The issues addressed fall into two categories (i) those which can be corrected by direct Government action to increase public savings and raise levels of efficiency in public sector operations (Government fiscal administration, expenditure control, parapublic sector rehabilitation), and (ii) those in which the Government can effect improvements in the institutional and policy framework of the economy as a whole, and the private sector in particular, so as to permit maximum efficiency (exchange rate and price policy, the banking sector and the public investment program). These issues are discussed in Chapter III of this report. Principal actions taken as of the first half of 1985 include (i) devaluation of the Mauritanian ouguiya since January 1984 by nearly 40 percent in relation to the US dollar, (ii) upward adjustments in cereals prices at both producer and wholesale levels, (iii) an across-the-board increase in interest rates of the domestic banking system, (iv) measures to substantially improve productivity of the mining operation and ensure the financial viability of SNIM, (v) adoption of a program to consolidate the parastatal sector and to upgrade its operational efficiency and savings performance, and (vi) a rationalization of the public investment program to accord priority to the maintenance of existing capital assets. Further measures expected to be taken in the course of the year will be aimed at a restructuring of the civil service and a progressive liberalization of existing administered price and marketing regimes.

viii. In support of the above policy reforms, a reinforcement of the development strategy adopted in 1981 in the context of the IVth Development Plan is needed to ensure renewed growth and improved living standards. That strategy was centered on three major initiatives to maximize exploitation of Mauritania's natural resource base: to ensure the future of iron mining through the $500 million Guelbs project, to gain Mauritanian control of the country's extensive fisheries resources through the Government's 1978 New Fisheries Policy and to exploit the agricultural potential of the Senegal River Valley through rapid irrigation development and eventually harnessing the enormous water resources promised by the OMVS scheme. 2/

ix. These three initiatives have met with considerable success. If, however, the objectives which they were designed to address are to be fully realized, further measures are now demanded in all three sectors. The mining sector, confronted with substantial downward revisions in iron ore market prospects, is successfully cutting production costs to remain competitive and achieve the savings needed to meet investment requirements foreseen for the 1990s. The Government's initiatives in the fisheries sector have been relatively successful in terms of capturing increased

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2/ OMVS: Organisation pour la Mise en Valeur du Fleuve Sénégal.

budgetary revenue and foreign exchange receipts from the sector. Full development of fisheries potential nonetheless remains contingent upon implementation of a coherent fisheries sector strategy. If this strategy is to promote Mauritanian employment and incomes, it will need to address options for the development of land-based fishing, the fish processing industry and the artisanal sector and for development of the Port of Nouadhibou as a maritime service center. In agriculture, providing that a coherent cereals price policy is maintained which offers adequate incentive to domestic producers, the rate at which domestic production expands will be governed by the cost-effectiveness with which controlled water resources in the Senegal River Valley can be exploited. Apart from irrigation works on an initial 10,000 hectares envisaged for completion as of 1990, relatively inexpensive options for the use of controlled water resources such as expanded flood recession cropping appear promising, this pending solution to severe constraints to the development of large-scale irrigation.

x. As in mining, fisheries and agriculture, issues confronted throughout the economy are considerably more challenging today than envisaged five years ago. Many of the most important arise with the consequences of a decade of drought. Regardless of the long-term implications of drought and desertification for the use of land resources in Mauritania, it is clear that changing perceptions of risk among the rural population and attendant rapid urbanization are profoundly changing the human geography of the country. At least 30 percent of the population are now urban dwellers, and their numbers are projected to double to one million in 15 years' time. As the urban centers expand, demand for employment opportunities in construction, services and light industry will exacerbate an already severe imbalance between the supply of unskilled labor and the demand for manpower skills on the part of the modern sector. The increasing agglomeration of the population should nonetheless make feasible the dissemination of basic skills to a wide segment of the population formerly untouched by education and other social services. Human resource development is a dimension remarkably lacking in Mauritania's development strategy for the 1980s. It must now be made an integral part of that strategy if rising incomes and living standards among the mass of the population are to be realized over the longer term.

xi. Recent trends in the economy and current medium- to long-term prospects as assessed by this report suggest three broad conclusions which should serve the basic design of the Government's Medium-Term Economic and Financial Recovery Plan:

- First, that a renewal of growth adequate to support a satisfactory level of per capita income over the longer term will be heavily conditional upon gains in productivity which can be achieved in the medium-term;

- Secondly, that given Mauritania's limited resource base, all opportunities for growth, however modest, must be exploited to the maximum; and

— Thirdly, that the ultimate objective of improved living standards throughout the population demands that reliance on the exploitation of the country's minerals and fisheries resources and the controlled water resources of the Senegal River be complemented by greater emphasis on the development of Mauritania's human resources.

xii. To address these conclusions, this report further recommends a detailed three-part program of action for the medium term (Chapter VI) with respect to:

(a) Public sector reform to attack those deficiencies which can be corrected through direct Government action to increase public sector savings and strengthen public sector institutions and management;

(b) Improved management of resources through establishment of an institutional and policy framework within which the economy as a whole can operate under maximum efficiency; and

(c) Maximum exploitation of resources and development potential at the sector level through policy adjustments within the respective sectors and the formulation of coherent sector strategies towards ensuring maximum exploitation of their development potential.

xiii. A recovery program to restore the economy's growth and savings must be comprehensive and sustained if it is to be effective in attacking the stagnation and instability which have plagued the economy over the past decade. Successful implementation of such a program will depend critically on the Government's capacity for economic management and the partnership it effects with the international community in support of its recovery effort. A longstanding need to address fundamental issues of economic management has been obscured by the relative availability of resources from abroad which the country has enjoyed since the mid-1970s. Few other developing countries have attained the rates of investment of 35 percent or more of GDP consequently experienced by Mauritania over the past ten years. Yet the expansion of the economy has been sufficient to cover little more than the effects of population growth, and the economy has not generated savings sufficient to service the debt associated with that investment and avoid its current debt crisis. To ease this crisis and raise the efficiency of investment requires the joint efforts of the Government and the international community. The partnership is essential to ensuring timely and full implementation of the reforms being undertaken by the Government and of the foreign support programs designed in turn to mitigate the impact of adjustment.

xiv. Provided that a program of policy reforms such as that outlined in Chapter VI of this report can be successfully implemented and that the international community complements these reforms with adequate financial support, it should be possible to reduce budgetary deficits to sustainable

levels by about 1988 and balance of payments deficits by the early 1990s, this before account of debt relief. A public investment program equivalent to about 20 percent of GDP on average (US$160 million per annum in current terms) could be sustained over the next three-year period, 1986-88, provided that it is financed on highly concessional terms. With the full complement of reform measures in place, growth of the economy could average between 2.5 and 3.0 percent per annum through the early 1990s, permitting incomes on a per capita basis to be sustained in real terms through that period.

* * *

xv. While a recovery program such as that proposed can succeed in restoring growth and reducing the country's reliance on foreign resources, the need to bridge the duality of the economy and raise living standards among the mass of the Mauritanian population will remain a severe challenge. That challenge must constitute the focus of Mauritania's development strategy over the longer term.

I. THE ECONOMY IN PERSPECTIVE

Introduction

1.1 Mauritania faces today a complex of grave economic issues which are due largely to repeated drought and to market recession in the industrialized countries. They also stem in part from the Government's own weak economic management through much of the 1970s. These factors were responsible for a rapid deceleration in economic growth from the annual average rate of 8 percent achieved in the 1960s to a period of stagnation and marked financial instability in the second half of the 1970s. Since 1978, the Government has undertaken, with mixed success, a series of policy adjustments aimed at regaining stability and sustained growth. Additional, more comprehensive policy reforms are now called for if the conditions for sustainable recovery are to be established. This report discusses the major developments in the economy over the past five years, the adequacy of adjustments made to date and the policy options which need to be pursued to strengthen the country's development prospects.

Physical and Demographic Profile of the Country

1.2 The country's exceptional physical characteristics are foremost in the evolution of the Mauritanian economy and the development issues it raises. Mauritania's vast territory of over one million square kilometers is three-quarters Saharan or semi-Saharan desert. The remainder is suitable only for extensive agro-pastoralism apart from a narrow bank along the Senegal River border in the south-west which sustains sedentary crop farming. While average density of the resident population (1.7 million in 1984) is the lowest in Western Africa by a factor of five, 85 percent of the population inhabits that one-third of the country's territory south of the 18° latitude which cuts across the country eastward from the capital of Nouakchott on the Atlantic.

1.3 As recently as the mid-1970s 60 percent of the population, chiefly Moors of Arab-Berber heritage, were engaged in migratory herding and a further 20 percent, predominately Black African ethnic groups, in sedentary farming along the Senegal River. Standards of living, though not exceptionally low in comparison with those in neighboring countries, are among the lowest in the world. Life expectancy at birth is 45 years, a figure which, though rising significantly elsewhere, has not substantially changed in Mauritania since independence in 1960. The literacy rate, 5 percent at that time, remains half or less that of the lowest income countries in Africa: only about 25 percent of the Mauritanian population is literate in either of the two official languages, Arabic and French.

1.4 At least 30 percent of Mauritania's population, some half million people, are presently urban dwellers (excluding temporary refugees from drought). Nouakchott encompasses a population conservatively estimated at 375,000, more than 20 percent of the nation's total population. Water supply is the city's most critical problem. About half of its inhabitants are housed in provisional shelter. As little as 60 percent of its labor force is regularly engaged in any form of income earning activity, and less than one-third of those are in turn engaged as salaried workers. Conditions in secondary centers, though not documented, are observed to be similar to those of the capital.

The Institutional Inheritance

1.5 Mauritania is aptly described as the bridge (trait d'union) between Arab Africa and Black Africa. The majority of the population is culturally and ethnically associated with the north of the country, though communication and commerce northward are inhibited by the Sahara desert. Commercially, the country's main ties are to the south, particularly Dakar, the capital of former French West Africa. Mauritania's own tradition of public administration is yet brief, more so than its 25-year history as an independent political state would suggest. Through the 1960s, its first decade of independence, Mauritania's close political and cultural ties with France were formalized in a series of economic, financial and technical agreements and heavily reinforced through the educational system. It was only beginning in the early 1970s that Mauritania asserted its independent national identity on a broad scale and established the framework of its present public sector: its withdrawal from the West African Monetary Union (UMOA) and creation of its national currency and independent Central Bank, the nationalization of the country's mining operations, and of those enterprises engaged in basic public services, the formation of a nucleus of young Mauritanian graduates as its economic planning machinery, the "Mauritanianization" of staff positions throughout the newly expanded public sector. Despite such initiatives, the public sector and the Government in particular remain severely impeded in the exercise of their functions by a paucity of technical and professional manpower skills. These, combined with a very brief history of Mauritanian public administration, are primary among the institutional constraints to the country's development which are frequently as limiting as the ecological.

The Resource Base

1.6 Given its geographic position in the Sahel-Saharan zone, Mauritania has one of the poorest agricultural bases in West Africa. Crop farming contributes only 5 percent of the economy's overall output, whereas animal husbandry contributes four times that share, a far higher livestock-to-crop ratio than in any other West African country. The

livestock population of 2.2 million TLU 1/ in fact outnumbers the human population by a ratio of 1:3, well above that found elsewhere in the region. Livestock is thus one of the two pillars of the Mauritanian economy; the other is mining. Since the mines were opened in 1963, the exploitation of relatively high grade iron ore deposits near Zouerate in the Kedia mountains in the north has been relied upon as the economy's principal motor of growth. Mining has in the past provided as much as one-third of GDP and 80 percent of export earnings, although its role in the economy has been severly diminished since the mid-1970s by slack demand in industrial markets abroad. Mauritania's coastal fisheries resources are some of the richest in the world, with favorable hydrological conditions over a vast continental shelf providing marine resources which sustain an annual catch officially estimated at 525 thousand tons per year, comparable to those of Senegal and three-quarters those of Morocco. These resources have been heavily and almost exclusively exploited by foreign interests for over 50 years, and only in the 1980s has Mauritania, which lacks virtually any tradition in fishing, attempted to harness them and to capture fully their benefits.

The Modern and Traditional Economies

1.7 The mining and fishing industries, both located in the extreme north, are the bases of two of Mauritania's three centers of modern economic activity. The third is the administrative capital of Nouakchott, isolated 450 kilometers from the mining and fishing complexes in the north and 300 kilometers from the geographic center of the agro-pastoral zone in the south. By contrast with the rest of the country, the southern zone of Mauritania, western Mali and northeastern Senegal form an integral economic system, Mauritania's livestock being grazed southward during the dry season and traded in Senegal and Mali for cereals, textiles and other consumer goods.

1.8 The modern sector employs a total of 60,000 workers, less than 10 percent of the potentially active population. The Government is by far the country's largest employer. The civil service accounts for 30 percent of all formal employment; the parastatal sector, including SNIM, the national mining company, for more than 20 percent. Only about 20 percent of all new entrants to the labor force find employment in the modern sector, this more as a result of inadequate manpower skills than of the restricted number of job openings. To help meet the skills deficit, foreign nationals are employed to fill some 15 percent of all positions in the modern sector.

1.9 The country's transport system consists of networks serving the three major zones of economic activity, the mining and fishing centers in the north, the agricultural region in the south and Nouakchott. The northern system includes a 675-kilometer railway and

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1/ Tropical Livestock Unit, a common denominator for expressing the size of the herd composed of cattle, camels and smallstock.

its terminal, a deepwater port at Nouadhibou, both built in the 1960s to evacuate iron ore from the then newly opened mines inland. The southern system, serving the agricultural zone of the Senegal River Valley, comprises a network of earth roads, river transport and a number of small local airports. Nouakchott, in addition to an international airport and a wharf (to be supplemented by a deepwater port under construction) is served by three paved roads radiating to the north, south and east. The last named, the final segment of which was completed in 1984, connects the capital across 1,160 kilometers with Nema, the major secondary urban center in the extreme southeast of the country. It represents for the Government a major step towards the realization of a principal policy objective since independence: to unify the sparsely populated nation through the development of transport infrastructure and to draw its focus to the capital of Nouakchott, newly created in the 1960s roughly mid-way between the economic centers of the north and south.

1.10 The extreme duality of the Mauritanian economy, represented by the modern mining enclave and the traditional rural sector, is unquestionably its most striking characteristic and the most persistent challenge to its development. The mining enclave, which employs less than 6,000 workers, has been the economy's most important contributor to growth, while the rural sector, supporting three-quarters or more of the population, has provided no more than subsistence standards of living for two decades. The attempt to bridge this duality has been at the core of the Government's development strategy since the 1960s. The first such attempt was launched in the late 1960s when the Government replaced its Ist Development Plan (1963-67), focussed on the establishment of basic infrastructure, with a strategy aimed more directly at expanding output and incomes within the rural sector itself. The implementation of this strategy was postponed, however, as the country was struck by the exceptional Sahelian drought of 1968-73 and by consequent demands on public resources to meet the immediate needs of rural out-migrants for food and services.

The Mid-1970s

1.11 The drought of 1968-73 was followed by a series of developments which led the Mauritanian economy into stagnation and financial instability through most of the 1970s. Three factors were principally responsible: drought, recession in Mauritania's markets for iron ore, and the conflict over the Western Sahara.

1.12 The first of these was the frequent recurrence of dry weather spells of varying severity. While the livestock herd tended to be resistant, crop production fluctuated with rainfall around a downward trend to an average level in the latter 1970s of no more than one third of the national requirement, resulting in a new and heavy dependence on food from foreign sources and one of the most rapid rates of urbanization in Africa.

1.13 The second factor was the recession in industrial markets, which in 1975 forced an abrupt cut of nearly 30 percent in Mauritania's

iron ore production to an annual level of a little over 8 million MT, a level from which it has never recovered on a sustained basis. Subsequent declines in ore prices and rising import prices turned the terms of trade against Mauritania from 1977 onwards. While iron ore remained the country's principal foreign exchange earner, depressed earnings beginning in the mid-1970s were heavily responsible for major reversals in Mauritania's formerly positive foreign reserve position in that period. Reduced world prices also led to the eventual closure of a second, though far less important export operation, the SOMIMA copper mine at Akjoujt.

1.14 The third factor was Mauritania's involvement in the conflict over the Western Sahara. Her longstanding dispute with Morocco over the territory was briefly resolved in 1976 when the two countries agreed to annex and divide responsibility for the territory. The takeover severely overtaxed her newly formed military force, however, and Mauritania withdrew from active engagement in August 1979. The withdrawal notwithstanding, the war had cost the country much of its internal political stability and pushed government spending for civilian and military purposes to a level double that of domestic receipts: subsequent contraction was to prove difficult.

1.15 Heavy demands for food and defense as well as for public investment were met by an exceptional inflow of foreign resources in the 1974-78 period when annual commitments of grants and loans jumped to levels three to four times those of the early 1970s. Most of the increment came from OPEC sources; an important contribution was also secured from commercial banks and suppliers. Altogether an average of $222 million a year in balance of payments and budgetary support, food aid, technical assistance and investment financing was extended to Mauritania over a five-year period beginning in 1974. This amount was equivalent to $160 per capita, or nearly one half per capita GNP.

1.16 Apart from the funds extended by OPEC lenders to meet the cost of nationalization of the mining sector ($50 million out of total compensation of $90 million), the $425 million extended over the five-year period beginning 1974 for new investment projects was devoted heavily to transport infrastructure and a few large, capital intensive industrial ventures. Principal among these projects was the construction of the 600-kilometer Nouakchott-Kiffa portion of the Nouakchott-Nema road ($100 million), a one million MT capacity petroleum refinery ($87 million) and a sugar refinery ($25 million). Both refineries, financed by commercial creditors, immediately proved unviable and were closed in 1978, a year following completion. Thus, while the availability of foreign resources permitted a brief doubling of investment expenditure to rates approaching 40 percent of GDP in 1975-76, the mis-allocation of these resources was such as to result in the loss of a major opportunity to expand the country's directly productive capacity.

New Initiatives in 1978

1.17 The effects of drought, depressed iron ore earnings, war and the Government's generally poor record of economic management in the mid-1970s brought the country to financial crisis by 1977. The new regime which took power the following year immediately adopted a medium-term stabilization program, implemented beginning 1979, which called for tight controls on the Government wage bill, a reinforced tax collection effort and a major debt rescheduling. These measures, together with a slowdown in military spending and a recovery in world iron ore markets, were expected to enable the country to regain a substantial degree of financial stability and growth through the early 1980s.

1.18 At the same time, the Government undertook preparation of an ambitious new IVth Five-Year Development Plan (1981-85), the cornerstone of which was the $500 million Guelbs Phase I Project. The opening of the Guelbs iron ore deposits in two phases, the second commencing in the mid-1980s, was intended to replace existing mine capacity at Kedia, where deposits were expected to decline and be depleted by the end of the decade. The Guelbs operation would thus preserve mining as the country's principal source of growth through the 1980s and would ensure the domestic resources to effect the development strategy adopted for that decade: to shift gradually the base of the economy from its exhaustible mineral resources to alternative, renewable sources of growth: agriculture, livestock and fisheries.

1.19 A second major undertaking was launched in irrigation both to diversify the economy and to ensure future food supply. Climatic vagaries even in the farming zones of the Senegal River Basin are such that the Government views irrigation as the only means of significantly narrowing the country's cereals deficit. Its target for the IVth Plan period was to expand the area under development from 2,000 to 12,000 hectares, a target which, though optimistic, represented only a fraction of the 120,000-hectare potential for irrigation development within Mauritania promised by the trinational OMVS scheme, under which dam construction commenced in late 1981. 2/

1.20 In an effort to gain control of the country's fisheries resources, the Government launched a third major initiative with its New Fisheries Policy of 1978. These resources, though long exploited by foreign interests, had yielded comparatively little benefit to the country in terms of incomes and employment. The principal benefit from the sector was the Government's receipt of royalties amounting to 10 percent of the annual value of the catch within Mauritania's then 30-mile offshore territorial limits. Under the new policy, the Government established its Exclusive Economic Zone (EEZ) at the 200-mile

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2/ OMVS: Organisation pour la Mise en Valeur du Fleuve Sénégal. The OMVS scheme will provide a total irrigable potential of 375,000 hectares in Mauritania, Senegal and Mali.

limit and called for the gradual replacement of foreign fleets by newly created joint ventures of majority Mauritanian ownership, establishment of a national fleet, and expansion of port and processing facilities on the northern coast at Nouadhibou -- one of the most ambitious of the Government's development objectives for the 1980s.

II. RECENT DEVELOPMENTS IN THE ECONOMY

Growth Performance 1/

2.1 With the Government's stabilization program in place as of 1979, favorable weather, modest boosts in iron ore and fisheries production and the stimulus of the new investment effort temporarily enabled the economy to pull out of the stagnation which had characterized it since 1975 and to enjoy a brief three-year period of growth averaging 4 percent per annum beginning in 1979. The improvement could not be sustained, however, in the face of a fallback in mining production and the onset of drought comparable in severity to that of 1968-73. By 1982 the economy was again clearly on a downward path. This underscored, first, its inability to register continuing growth in the absence of an expanding mining sector, and second, its extreme vulnerability to drought. 2/

2.2 Taken over a ten-year period, the Mauritanian economy has consequently expanded at an estimated average rate of 2.3 percent per annum, matching the rate of population growth in that period. Per capita incomes today are thus essentially unchanged in real terms from their level a decade ago. 3/

1/ Official national accounts estimates are weak and are no more than indicative of general trends. The material presented here and in the statistical annex incorporate adjustments by Bank and IMF staff to the extent available information permits.

2/ Estimated GDP fell by 2.2 percent in 1982, rose by 6.6 percent in 1983 and is estimated to have stagnated in 1984. The upturn in 1983 was the result of exceptional factors, chiefly distress sales and accelerated offtake in the livestock sector due to the extreme drought of 1983-84.

3/ At the current exchange rate, its estimated GDP per capita of US$430 in 1984 placed Mauritania at the lower margin of the low-middle income economies.

Table 2.1: Growth and Structure of GDP

	Annual Percentage Growth (Constant 1982 Prices)				Composition (Current Prices)	
	1979-81 Average	1982	1983	1984 (est.)	1975	1984 (est.)
Agriculture	12.4	-14.0	-26.1	33.8	3.5	3.1
Livestock	2.4	2.7	6.7	-22.1	23.4	20.0
Fishing	130.1	9.5	84.2	-13.2	3.0	7.6
Mining	5.5	-18.9	8.2	33.9	15.3	16.0
Fishing Industry	5.2	5.0	5.0	5.0	1.4	1.7
Other Industry	3.5	- 3.2	2.6	2.5	3.4	3.6
Construction, Public Works	-6.1	20.6	-28.6	26.0	6.7	7.1
Transport, Communications	1.4	4.5	8.5	-6.1	6.6	8.2
Trade, Other Services	1.1	-18.2	-0.8	-7.6	22.3	17.2
Government Administration	6.8	2.7	7.4	-8.0	14.9	15.2
GDP at Factor Cost	4.0	-3.7	5.4	-2.9	100.0	100.0
GDP at Market Prices	4.1	-2.2	6.6	-0.1		

Source: Statistical Annex, Tables 2.1 and 2.2.

Sectoral Developments and Structural Change

2.3 The underlying stagnation of the economy stems from the absence of any major source of sustained growth since the early 1970s. Livestock and crops, which together provided 35-40 percent of GDP in the 1960s, have never recovered the production levels achieved prior to the 1968-73 drought and have since shown relatively slow expansion due to repeated dry spells, to out-migration of the rural populace and to degradation of much of the country's former pastureland. Whereas the livestock sector had served as a major source of growth in the 1960s as favorable weather and a successful animal health campaign enabled a rapid build-up of the herd, those gains were heavily negated by the great drought of 1968-73 when the size of the herd was reduced by one-third. Output has since expanded at an average annual rate of only a little more than 2 percent, though more rapidly in favorable years, and livestock has contributed only 20 percent of GDP on average. Crop production (principally millet, sorghum, maize, rice paddy, dates, pulses and vegetables), while oscillating widely with rainfall, has shown virtually no growth over the past ten years. Irrigated rice production has risen to offset much of the decline in dryland cereals production, but as yet represents less than 20 percent of all agricultural production. Agriculture as a whole in turn contributes only 5 percent of aggregate GDP, and even less in periods of drought such as that of 1983-84.

2.4 The mining sector, the principal force behind the economy's rapid expansion since 1963, when the new mines came into production, has had only intermittent impact on the course of aggregate output since its contraction from a peak production level of 11.9 million MT in 1974. Over the ten-year period through 1984, production averaged only 9.1 million MT annually as a result of the industrial market recession. The failure of the mining sector to underpin sustained growth in the economy in the 1980s indeed marks a major reversal of expectations in the late 1970s when the Government's IVth Five-Year Development Plan and the Guelbs project were under preparation. On the assumption of gradual recovery in the steel industry abroad and a consequent near-doubling of Mauritania's ore production, mining was expected to resume its role as the economy's motor of growth through at least the first half of the decade. As of 1984, production was only 70 percent of that projected five years earlier and international prices were, in real terms, 23 percent below those forecast. The share of mining in GDP has in fact an average of only 11 percent in the past five years, compared with more than 20 percent in the early 1970s and 30 percent in the late 1960s.

2.5 As output in the mining sector has continued to falter, two major alternative sources of growth to which new investment was directed at the beginning of the 1980s, fisheries and fish processing, together contribute as yet less than 10 percent of the economy's output. 4/ Fish processing in particular remains a minimal contributor to growth (less than 2 percent of GDP in 1984), as excessive costs of production render it uncompetitive with processing at sea or at neighboring ports in the region. Other industries are made similarly uncompetitive by high costs of production and, being aimed at import substitution, by the small size of the domestic market. The petroleum and sugar refineries and mini-steel plant built by SNIM to transform scrap metal represent the principal attempts to establish industrial activity, although more modest undertakings have for the most part also proved unsuccessful. Moreover, being conducted principally by public enterprises, industrial activity has been adversely affected by the generally poor technical and financial management which pervades the parastatal sector. Correspondingly, private industrial activity is impeded by major interruptions in the delivery by parastatals of key services such as electricity and water. The construction industry, the largest single segment of the secondary sector other than mining in terms of value added, is dominated by foreign financed projects figuring in the Government's investment program and tends to expand and contract with their execution.

4/ Exceptionally rapid rates of growth in fishing beginning 1979 (Table 2.1) reflect the formation of resident joint ventures following adoption of the Government's New Fisheries Policy of 1978. The data for 1983 further reflect the fact that total production of the joint ventures is fully recorded in official statistics only beginning that year.

2.6 Despite erosion of the two key primary and secondary activities, livestock and mining, the services sector has concurrently shown an upward trend, resulting in a marked shift in the structure of production in its favor: services presently account for more than 40 percent of GDP, as against 30-35 percent in the early 1970s. Much of the impetus in trade, transport and other private sector and public enterprise services has been spurred by the rapid rural out-migration and the growth of Nouakchott of the 1970s and early 1980s. The principal and more permanent factor however has been the expansion of central government administration, the only sector of the economy to have registered almost uninterrupted growth over a ten-year period up to 1984. As a consequence, government consumption alone has risen to represent close to one-quarter of GDP. The economy is thus left highly vulnerable to a contraction in government spending, which has become imperative in order to contain newly expanded external and domestic deficits.

Investment and Savings

2.7 The need to exploit newer sources of growth and at the same time to ensure future mining capacity has resulted in Mauritania's maintaining some of the highest rates of investment registered among developing countries. Fixed investment has averaged 34 percent of GDP over the past five years (1980-84), a rate similar to those of the mid-1970s, as the completion of large projects in the transport sector begun during the IIIrd Five-Year Plan (1976-80) coincided with the execution of the Gorgol Irrigation, Guelbs and other major projects undertaken in the framework of the IVth Plan (1981-85) (Table 2.2). 5/ Concurrently, a brief surge of investment in fisheries was undertaken by the private sector in 1981-82 following adoption of the Government's New Fisheries Policy of 1978. A total of UM 4 billion (US$85 million) is estimated to have been invested in shore facilities, vessels and equipment, this investment having been all but fully financed by foreign commercial banks. Similarly, foreign grants and loans as well as equity participations in the mining enterprise (SNIM), which together averaged more than $200 million annually (1980-84), financed 94 percent of the public investment program, as Government resources remained severely constrained and savings in the parastatal sector declined to negligible levels.

5/ The public investment program is discussed further in Chapter III.

Table 2.2: Investment and its Financing, 1979-84
(UM billions)

	1979-80 Average	1981	1982	1983	1984 (est.)	1979-84 (cum. in %)
Public Investment	8.3	11.3	13.9	12.2	12.7	100.0
(of which: Guelbs)	(2.8)	(4.1)	(6.5)	(4.7)	(2.6)	
Financed By:						
Foreign Resources	7.7	10.7	13.2	11.5	12.1	94.5
M & LT Lending, Grants	5.4	9.3	12.2	11.4	12.1	
Equity Participations	2.3	1.4	1.0	0.1	-	
Domestic Resources	0.6	0.7	0.6	0.7	0.6	5.5
Government Budget	0.5	0.5	0.6	0.7	0.6	
Public Enterprises	0.2	0.1	-	-	-	
Private Investment	0.5	2.2	1.9	0.9	0.7	
(of which: Fisheries) a/	(0.2)	(1.8)	(1.4)	(0.5)	(0.3)	
Total Fixed Investment	8.8	13.5	15.8	13.1	13.4	
as % GDP	30.5	37.4	40.7	30.4	29.0	

a/ Estimated.
... Not available separately.

Source: Statistical Annex, Tables 9.1 and 9.2.

2.8 Domestic savings have in fact made a significant contribution to the financing of investment in only three of the past eight years, 1980-82. These savings were generated in the brief period in which the economy showed moderate recovery and consumption increases were curtailed by the slowdown in budgetary spending and a freeze on minimum wages imposed under the Government's 1979 stabilization program (Table 2.3). A relaxation of those measures beginning 1982 spurred steep rises in both public and private consumption, pushing the economy's savings back to negative levels and, taken together with already heavy investment expenditure, driving an expansion of the resource gap to an exceptional 40 percent of GDP over the 1982-84 period.

Chart 2.1

EXPENDITURE ON GROSS DOMESTIC PRODUCT

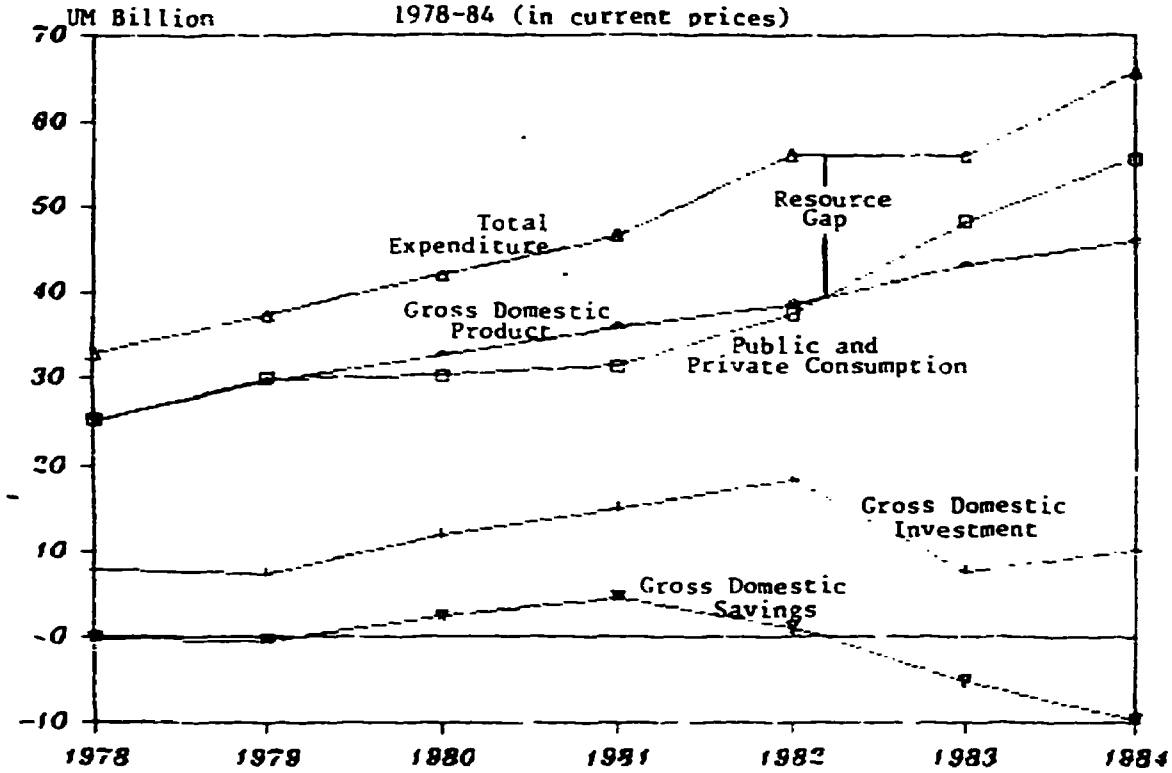

Table 2.3: Expenditure on Gross Domestic Product 1978-84
(as a percentage of GDP)

	1978	1979	1980	1981	1982	1983	1984 (est.)
Resource Gap	31.0	26.4	29.3	29.3	44.1	30.2	45
Consumption, Public and Private a/	100.0	100.9	93.1	87.5	97.0	112.1	122
Gross Domestic Investment	31.0	25.5	36.2	41.8	47.1	17.9 b/	23 b/

a/ Private consumption calculated as a residual.
b/ Change in stocks: -13.5 percent of GDP in 1983 and -6.7 percent of GDP in 1984, reflecting losses in the livestock herd as a result of drought.

Source: Annex Table 2.3.

Trade and Payments

2.9 Mauritania's increasing reliance on foreign resources has become an issue of major proportions as the economy has been eroded by a weakened mining sector, the effects of repeated drought on the rural economy and the failure of investment in the 1970s to generate returns adequate to enable the country to service the associated external debt. The consequences of this reliance first surfaced in the mid-1970s, culminating in the financial crisis of 1977, when net foreign reserves of the Central Bank shifted to a negative position for the first time since independence. With the implementation of the Government's 1979 stabilization program, reinforced by a subsequent IMF Standby program, the external current deficit was held in check at an average 22 percent of GDP in 1979-81 and, with the support of heavy capital inflows, the overall balance of payments was maintained in approximate equilibrium over the three-year period.

2.10 While an important measure of stability was regained in 1979-81, corresponding to the brief renewal of the economy's growth in that period, the factors underlying Mauritania's weak balance of payments position persist. In particular, the country's limited resource base and modest scope for agricultural or industrial import substitution leave it highly reliant on imports of virtually all types of goods as well as services. Over the five-year period up through 1984, commodity imports alone amounted to an average $392 million annually, more than 50 percent of GDP, a proportion not significantly changed from that registered ten years ago. Although about one-third of total imports are represented by food and equipment financed directly by foreign grants and loans, Mauritania's precarious payments position is highly vulnerable to any downturn in its comparatively limited export earnings or in its non-project related balance of payments support from abroad. In 1982 these factors worked adversely in unison to provoke a major payments crisis which was met only by a rapid drawdown of foreign reserves and accumulation of external payments arrears. Although the crisis has been somewhat eased since 1983 by strong earnings from fish exports and a tapering down of general imports, the current account deficit in 1983-84 remained close to US$230 million on average, or more than 30 percent of GDP (Table 2.4).

Table 2.4: Balance of Payments Summary
(US$ million)

	1976-78 Average	1979-81 Average	1982	1983	1984 (est.)
Exports, incl. NFS	188.2	281.0	302.5	367.9	348
Imports, incl. NFS	-386.0	-483.7	-630.8	-594.4	-611
Resource Gap	197.8	-202.6	-328.3	-226.5	-263
Factor Service Payments	-37.0	-37.0	-54.0	-45.4	-39
Current Public Transfers	127.6	82.8	85.4	61.3	58
Current Account Deficit	-107.2	-156.9	-290.9	-210.5	-244
Capital Inflow	98.0	174.3	243.0	181.0	217
of which:					
Official Grants	(13.1)	(24.0)	(31.0)	(18.6)	(44)
Net M & L/T Borrowing	(94.1)	(106.8)	(206.1)	(172.8)	(153)
Net Change in Official Reserves (+ = decrease)	9.2	17.4	47.9	29.5	27
Net Official Reserves Year-End	-5.3	26.9	-16.2	-45.7	-73
As % of GDP:					
Current Account Deficit	20.0	22.0	41.8	28.4	34
Current Account Deficit before Official Transfers	43.9	33.5	54.0	36.7	41

Source: Statistical Annex Table 3.1.

2.11 Payments deficits have widened despite the fact that merchandise export earnings have over the past five years doubled to a level of US$300 million, chiefly on the strength of rising receipts in the fisheries sector (Table 2.6). Gross fisheries earnings have climbed from an annual level of $20 million prior to enactment of the Government's Fisheries Policy of 1978 to an estimated US$143 million in 1984. They consequently now rival those of iron ore, which as recently as the late 1970s accounted for more than 80 percent of the country's overall export earnings. 6/

6/ Mauritania's expanded access to foreign exchange earnings in the fisheries sector is explained by the formation of 51 percent Mauritanian-controlled joint ventures to replace wholly foreign operations under license in the sector and the required

(Footnote Continued)

2.12 Fish and iron ore are currently Mauritania's only significant exports other than unrecorded exports of live cattle of an estimated annual value of $50-60 million, equivalent to about 20 percent of recorded exports. Apart from gum arabic, the supply of which has vanished with drought, other former exports have been forced out of the market since the late 1970s by excessive costs of production in the face of weak industrial demand. Exports of copper concentrate, which at a peak in 1974 contributed 20 percent of the country's export earnings, ceased in 1978. Gypsum exports were halted in 1981. Petroleum products were exported briefly in 1982-83 as the oil refinery built in the 1970s was operated on a trial basis but subsequently forced to shut down again. Under market conditions likely to prevail through at least the medium term, prospects for export diversification and further growth are highly limited. In 1984, the volume of Mauritania's iron ore exports expanded by 28 percent over their 1983 level, though only with a concurrent 10 percent fall in prices for its richer ores and exceptional sales from its existing stock of low-grade, silicious ore. Fish exports by Mauritanian and Mauritanian-controlled companies could expand by a maximum of 10 percent beyond their peak of 320 thousand tons in 1983, or 70 percent of total recorded tonnage that year, assuming the Government continues to license foreign interests to cover about 20 percent of the catch consisting largely of lower value species (pelagique).

(Footnote Continued)

repatriation of all foreign exchange receipts apart from profit remittances to foreign partners. Net of these remittances and relatively heavy payments for the chartering of fishing vessels among other services, fisheries receipts are estimated at 55-60 percent of gross earnings, or about US$90 million a year.

Table 2.5: Terms of Trade
(Indices: 1978 = 100) a/

	1979	1980	1981	1982	1983	1984 (est.)
Export Prices	94.5	108.3	126.6	130.1	124.0	125.9
Import Prices	111.4	133.4	142.0	143.2	143.2	149.8 b/
Terms of Trade	84.8	81.2	89.2	90.9	86.6	84.1
Import Capacity of Exports	110.9	121.8	167.2	158.2	221.8	221.8

a/ In SDR terms.
b/ In UM terms: 170.5.

Source: IMF.

2.13 Export and import prices have moved in approximate tandem in the past five years, the terms of trade thus having shown no improvement since shifting heavily against Mauritania in 1977-78. Export prices strengthened through 1981 as those for iron ore rebounded by 30 percent from their exceptionally low levels of the late 1970s. Import prices rose in 1979-80, primarily as a result of increased petroleum prices, and subsequently stabilized until 1984. In domestic currency terms, import prices climbed in 1984 by an estimated 17 percent, chiefly in reflection of a downward adjustment of the ouguiya exchange rate in the first half of the year. Inducing a moderate contraction in the volume of general imports, the ouguiya price increase was one of two important factors in 1984 towards containing the import bill charged directly to the economy, i.e. that which is not foreign-financed. The second factor was a 25 percent reduction in the food bill, representing a saving of $20 million, as cereals imported under food aid programs rose by 70 percent and permitted a substantial reduction in commercial rice imports. 7/

2.14 Despite doubled export earnings over the past five years, Mauritania's trade balance has remained heavily negative: imports have risen to offset two-thirds of the gain in exports (Table 2.6). Half the

7/ Rice imports are assumed to have also declined in response to the imposition in late 1983 of a 33 percent tax levied at the wholesale level, which had the effect of equalizing Nouakchott and Dakar prices and thus of stemming the outflow of an estimated 25 percent of Mauritania's annual rice imports.

increment in imports is represented by equipment goods and cereals which are foreign financed. Additionally, the import bill has risen with exceptional imports such as fishing vessels and crude petroleum stocks to feed the brief re-opening of the refinery. Finally, general imports climbed strongly in the early 1980s. Their rise was led by commercially imported rice and other foodstuffs, which commanded 40 percent of the general import bill at that time. Commercial food imports then declined in 1984 due to the substantially increased supplies of food aid noted above. Non-food imports also grew sharply in the early 1980s, presumably spurred by a strong appreciation of the ouguiya via-à-vis the currencies of principal trading partners beginning 1981 and by general wage increases granted in January 1982. They have since contracted sharply, however, as a result of acute foreign exchange shortages and the moderate devaluation of the ouguiya in early 1984 and a similar devaluation in early 1985 (para. 3.16). 8/

8/ Non-food consumer goods and other imports have been increasingly financed through unrecorded trade credits extended by foreign banks rather than the domestic banking system. Official data are therefore assumed to understate such imports by a considerable margin.

Table 2.6: External Trade, 1979-84
(US$ million)

	1979	1982	1983	1984 (est.)	Net change 1979-84
Exports incl. NFS	165	303	368	348	183
of which:					
Iron Ore	133	134	133	157	18
Fish	13	96	162	143	130
Merchandise Imports	285	423	378	390	
Aid-financed Food, Equipment a/	44	90	111	113	
SNIM Operations	65	46	33	45	
Fishing Industry (boats)	--	21	5	5	
General Imports	176	266	229	227	
of which:					
Foodstuffs	78	92	93	60	
Other Consumer Goods	28	38	25	22	
Petroleum Products	44	56	51	36	
Equipment, Materials	46	36	33	41	
Other	46	21	18	42	
Imports incl. NFS	383	631	594	611	228
Aid-financed Food, Equipment a/	85	149	162	168	83
SNIM Operations	65	77	49	52	-13
Fishing Industry	--	56	58	33	33
Rest of the Economy	233	347	324	358	125
Resource Gap	218	328	227	263	45

a/ Includes only estimated imports financed directly abroad.

Source: Central Bank and IMF and Bank staff estimates.

2.15 Nothwithstanding the gains from fisheries receipts and recent measures to curtail excessively rapid expansion of the import bill, Mauritania's external current deficit by 1984 remained equivalent to as much as 34 percent of GDP. Aside from the trade deficit, sizable service payments by the fisheries industry, chiefly for the chartering of fishing vessels, have emerged since 1981 to a level of UM 3 billion or close to $50 million annually, and offset one third of gross receipts. Additionally, declining royalty receipts from fisheries, a significant fall in foreign transfers for budgetary support and rising debt service payments contributed to an extreme widening of the deficit on current transactions beginning in 1982. Unmatched by a corresponding increase in capital in lows, this expansion of the deficit has forced a massive drawdown of Central Bank reserves (Table 2.4). As of end-1983 net official reserves were negative by $46 million, a position comparable in terms of import requirements to that at the peak of the 1977 financial crisis. By end-1984, official reserves were down to a negative US$73 million. In addition, payments arrears on medium- and long-term public debt had mounted to $96 million, equivalent to 28 percent of export earnings in 1984.

Foreign Assistance and External Debt

2.16 The foreign assistance which heavily supports Mauritania's external requirements for food, equipment goods and technical assistance is extended by some forty national and multilateral institutions and has averaged some $270 million annually over the past five years, equivalent to $170 per capita. Its level has fluctuated from an average of $250 million a year in the 1979-81 period to a peak of $340 million in 1982 and an estimated $174 million in 1984, reflecting the expansion and current contraction of the public investment program as major projects such as the Guelbs project approach completion. Assistance in support of current expenditure requirements (food, technical assistance and direct budgetary support) amounted in about equal shares to a total of $75 million as of 1983, although food aid shipments have since nearly doubled to offset continuing drought-induced shortfalls in domestic cereals production. Budgetary support is the only form of assistance which has consistently declined over the past five years, a development which has had serious repercussions on the Government's financial position (para. 3.5).

2.17 Two thirds of all foreign assistance is represented by investment project financing. Mauritania's rate of borrowing, at an average of nearly $200 million a year over the past ten years, has resulted in an extraordinary level of outstanding medium- and long-term public debt of $1.8 billion as of end-1984, equivalent to 245 percent of GDP and five times the average of developing countries of similar income

level. 9/ The sheer scale of the debt is principally responsible for the severe debt servicing difficulties which Mauritania has confronted since the late 1970s. On average, the debt carries highly concessional terms, summarized in an overall grant element of 40 percent, as some 90 percent of it has been accorded by governments and multilateral institutions. 10/

2.18 This concessionality notwithstanding, annual debt service obligations are already well beyond Mauritania's payments capacity. Arrears on debt service have mounted from $23.1 million at end-1981 to an estimated $96 million as of end-1984 and can be expected to accelerate in the medium term in the absence of major adjustment. As against $37 million in actual payments in 1983 and an estimated $88 million in 1984, scheduled service obligations on debt contracted as of September 1984 are projected to jump to $117 million in 1985 and an annual average of $164 million over the following four years through 1989 (Table 2.7). Much of the increment reflects initial maturities on borrowing undertaken by SNIM in 1979-81 for the Guelbs project. In addition, exceptionally large payments are due on borrowing incurred as much as ten years ago to finance the nationalization of the mining sector and the war in the Western Sahara. Sizable deposits with the Mauritanian Central Bank extended by other central banks in the late 1970s and regularly rolled over since are also now due to be retired by 1988. Total scheduled payments on existing debt imply a debt service ratio averaging 35 percent over the next four years without taking account of the regularization of arrears or of new borrrowing after September, 1984, as against a ratio of actual payments to export earnings of only 11 percent in 1983 and an estimated 25 percent in 1984.

9/ Countries of the lower middle income group. Debt outstanding including undisbursed, excluding use of IMF credit and short-term debt of Mauritanian commercial banks.

10/ Average terms: 20.6 years' maturity, including 5.6 years' grace, at 3.8 percent interest.

Table 2.7: Projected Service on External Debt Outstanding as of September 1984 (US$ Million)

	1983 (Actual)	1984	1985	1986	1987	1988	1989
Total Principal and Interest	37.0		116.9	189.2	162.6	174.5	130.5
of which owed by:							
Government	18.0		49.8	120.6	75.6	91.8	80.2
SNIM	13.5		30.4	35.2	35.1	34.2	33.4
Central Bank	4.0		31.7	13.3	27.4	24.2	-
Debt Service Ratio a/	10.8		30.9	45.1	35.3	34.5	23.2
Payments Arrears as of Sept. 1984		83.2					
Bilateral Creditors		66.9					
of which:							
OPEC Governments		52.8					
OECD Governments		3.4					
Multilateral Institutions		9.4					
Suppliers, Commercial Banks		7.0					

a/ Principal and interest to exports of goods and non-factor services.

Source: World Bank, Debtor Reporting System.

III. TOWARDS ECONOMIC RECOVERY

3.1 The extreme reliance of the Mauritanian economy on foreign resources to support high levels of both consumption and investment is the product of its poor growth and savings performance over the past decade and a generally weak record of economic management. As the balance of payments situation amply demonstrates, this longstanding reliance has reached proportions which require a comprehensive set of policy reforms not only to ensure financial stability in the near term, but also to establish conditions conducive to growth and savings in the longer term perspective.

3.2 The Government fully recognizes that measures taken in the context of the 1979 stabilization program, while affording relief following a period of extreme crisis, are in need of reinforcement. It is therefore preparing a comprehensive medium-term Economic and Financial Recovery Plan to address issues throughout the areas of government finance, the banking system, exchange rate and price policy, the public enterprise sector and the public investment program. Preparation of the Plan is well advanced as of mid-1985. The Plan is due to be adopted early in the second half of 1985 and implemented over the period through 1988. It is supported in its initial phase by a 12-month IMF adjustment program, effective April 1985, and by debt rescheduling and fresh balance of payments support on the part of Mauritania's bilateral creditors/donors. 1/ The Government further intends to present its Recovery Plan to the international community at a Consultative Group meeting planned for late 1985.

3.3 The Government has made considerable progress, particularly beginning 1984, in the assessment of existing policies and adoption and implementation of needed policy reforms. This chapter of the report reviews the experience since 1979 in terms of the adequacy of measures taken at that time and more recent efforts undertaken by the Government to address broader issues of institutional and policy reform. It also points to those issues which will require further examination and action if the Government's new medium-term Recovery Plan is to be of sustained impact.

1/ The IMF Stand-By arrangement is for SDR 12 million. Additionally, the Government is negotiating with bilateral creditors the rescheduling of external debt service obligations as well as pledges of fresh balance of payments support. Rescheduling and fresh support are needed to fill an estimated $200 million financing gap in 1985. Financial assistance in amounts approaching this financing requirement was pledged by creditors and donors convened by the World Bank in March, 1985. In late April 1985, the Paris Club agreed in principle to the rescheduling over the 1986-94 period of payments in arrears at end-1984 and those due in 1985.

Government Finance 2/

3.4 In line with the stabilization program launched in 1979, the Government has been relatively successful in restraining expenditure since that time. Budgetary spending was reduced in nominal terms in each of the three years following adoption of the program, then climbed upward in 1982 only with a modest 3 percent salary increase effective 1982, the first general increase in eight years, and a 9 percent expansion in civil service positions in 1982-83 following a three-year freeze on new recruitment. In spite of these increases, the wage and salary bill, measured against consumer prices, has declined in real terms by a little more than 10 percent over the past five years, and other categories of expenditure have shown similar contraction (Table 3.1).

3.5 Restraint has not been sufficient, however, to reduce budgetary deficits from unsustainably high levels. Budgetary expenditure has averaged UM 10.5 billion (US$200 million) a year since 1979. While domestic revenue covered only two-thirds of this expenditure in 1979-80, external budget support pledged at that time to complement the Government's then new stabilization effort had been adequate to cover all but a small portion of the deficit. By 1981-83 the deficit was narrowed, but budgetary support had declined sharply. The uncovered deficits were consequently financed out of Central Bank advances to the Treasury up to the statutory limit and through an accumulation of domestic and external payments arrears, estimated at UM 3.3 billion (US$60 million) as of end-1983. 3/ 4/

2/ The following discussion is based on Central Government budgetary operations financed out of domestic resources, supplemented by foreign budgetary support. The Government's Budget comprises operating expenditure almost exclusively; budgeted capital expenditure, 6 - 7 percent of the total, represents the Government's contribution to the public investment program while foreign-financed investment expenditure is administered outside the Budget. Treasury operations cover the Budget and those extra-budgetary operations recorded in special Treasury accounts, the latter being primarily related to food aid programs. Consolidated Government operations (Statistical Annex Table 5.4), which will be officially recorded beginning fiscal year 1986, will incorporate all budgetary and extrabudgetary operations, including foreign-financed investment expenditure (para. 3.31).

3/ The statutory limit on Central Bank advances (not including the UM equivalent of drawings on the IMF), is set at a fixed UM 2.2 billion, which currently amounts to 19 percent of the preceding (1984) year's revenue. The limit was approached in early 1984, when it was equivalent to $35 million at the prevailing exchange rate.

4/ Payments arrears are not fully recorded and do not appear in the Treasury's known outstandings. Year-to-year increases in arrears on interest (Table 3.1) reflect only those amounts which the Government budgets for payment and fails to meet. Budgeted amounts fall well short of payments actually due.

Table 3.1: Summary of Treasury Operations, 1979 - 1984
(billion ouguiya)

	1979	1980	1981	1982	1983	1984 (est.)
Total Revenue	6.1	5.1	7.0	7.9	8.9	11.4
of which:						
Taxes on Income, Profits	1.5	1.1	1.6	1.9	2.5	2.7
Import Taxes	2.2	2.2	2.3	3.0	2.9	2.7
Fishing Sector Revenue	0.9	0.7	1.4	0.8	1.4	1.5
Mining Royalties (net)	0.2	0.3	0.3	0.3	0.2	0.5
Current Expenditure	-8.8	-8.2	-7.8	-9.3	-9.8	-10.0
of which:						
Wages and Salaries	-3.7	-4.3	-4.3	-4.7	-5.3	5.5
Equipment and Supplies	-3.2	-2.1	-2.0	-2.0	-2.3	2.3
Subsidies and Transfers	-0.9	-1.2	-0.8	-1.0	-1.4	1.5
Capital Expenditure, Lending	-0.8	-0.8	-1.0	-0.9	-0.6	1.7
Total Expenditure and Net Lending	-9.6	-9.0	-8.8	-10.2	-12.0	-11.6
Overall Treasury Deficit a/	-3.5	-3.9	-1.9	-2.3	-1.4	-0.2
Financing (net):						
External Grants, Loans	3.0	3.2	2.6	1.0	1.2	.
Domestic Banking System	0.5	0.7	-0.7	1.3	0.2	0.1
Memorandum Item:						
Net Increase in Arrears b/	--	.	0.4	0.5	0.5	0.6

-- Nil.
. Less than the smallest unit shown.

a/ Cash basis.
b/ Budgeted external and domestic debt service payments not met. Only a portion of total scheduled debt service is budgeted for payment, and payments arrears are not fully accounted for by the Treasury. Government arrears of principal and interest on external borrowing alone are estimated at UM 4.1 billion (US$61 million) at end-1984. (Source: World Bank Debtor Reporting System). Domestic arrears at end-1984 are estimated at UM 742 million (US$11 million).

3.6 The strain on the Government's financial situation was significantly eased in 1984 first, by the effects of a 19 percent devaluation taken in the first half of the year (para. 3.15), and secondly, by the introduction of new tax measures under the Finance Law of 1984. The latter was an important step in addressing a persistent short coming in the Government's fiscal performance. Up though 1983, Mauritania's tax effort of 20 percent (tax receipts plus royalties to GDP), while not exceptionally low by comparison with that of other non-oil producing countries of the region, had not risen for a decade despite the relatively rapid expansion in that period of modern sector activity apart from mining. 5/ The failure of the fiscal system to realize a greater increment in revenue from commercial and other modern sector sources has been partially corrected by measures incorporated in the 1984 Finance Law and reinforced by measures taken in early 1985 to raise tax rates, to broaden the tax base itself and to tighten tax collection and penalty enforcement. 6/

3.7 Devaluation, the Finance Law of 1984 and continued restraint on the expenditure side enabled the Government to bring the deficit down to UM 0.2 billion in 1984, though with a further accumulation of arrears on budgeted debt service payments (UM 0.6 billion). As important as the actions taken to date are, there is still scope for reducing the deficit and accumulated arrears through both expenditure cuts and an intensified revenue effort. On the expenditure side, measures further to those taken to date would include: (1) a freeze on the overall wage bill in real terms and (2) a reduction in existing transfers and subsidies, particularly those to parapublic enterprises (EPICs and SEMs) and those for scholarships. In addition, if appropriate priority is to be accorded to the development effort, the Government will need to review the adequacy of budgetary resources allocated to economic services and in particular to those applied to equipment and supplies in support of such services. Currently, expenditure for economic services accounts for only about 10 percent of the

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5/ Through 1983, mining royalties had provided only 5 percent of total budgetgary revenue since 1979, when the Government agreed to a reduction in export tax rates and, at the same time, to repay past debts to SNIM to ensure the company's contribution to the financing of the Guelbs project. SNIM's effective tax rate consequently amounted to only 5 percent of gross sales over the five-year period through 1983. The special tax regime was replaced in January 1984 by a flat tax of 10 percent of f.o.b. sales.

6/ Measures to increase taxation in the modern sector such as those taken under the 1984 Finance Law could yield an estimated UM 900 million in incremental receipts. In addition to a broad set of administrative reforms, the meaures taken in 1984 relate to the domestic turnover tax (TCA), taxes on income and profits (BIC, IMF), taxes on services (TPS) and gasoline and selected specific taxes. Increased excise taxes were also introduced in late 1983, including the important 33 percent tax on the wholesale price of rice noted earlier (para. 2.13). Measures approved in 1985 include revision of customs duties to accord with those of the Community of West Africa States and revisions related to specific taxes and business profit taxes (BIC).

Budget, as against close to 25 percent in the late 1970s. In contrast, appropriations for military expenditure account for 20 percent of the Budget. 7/

3.8 Secondly, a reduction in the deficit can be achieved through a sustained revenue effort. Measures further to those adopted under the 1984 Finance Law and in early 1985 appear to be needed with respect to the administration of wage and salary taxes (ITS) and the general income tax (IGR). Throughout the system, such measures must be accompanied by reinforced means of collection if they are to be effective. An important factor underlying the Government's weak revenue performance is widespread and persistent tax evasion, particularly in the fisheries sector. Export taxes and royalties in the sector are potentially second in importance to import duties as a source of revenue. This remains the case despite that fact that, in its effort to promote a national fisheries industry, the Government has largely relinquished comparatively high revenue-yielding licensing agreements (royalties) in favor of the establishment of joint ventures and a processing industry at Nouadhibou, the exports of which are subject to duties at generally more favorable rates.

Table 3.2: Fisheries Revenue, 1977/78-84
(UM million)

	1977-78 Average	1979-81 Average	1982	1983	1984 Budget	1984 Actual (est.)
Export Tax on Fish	--	168	544	1,057	1,400	1,072
Fishing Royalties	961	844	227	315	600	416
TOTAL	961	1,012	771	1,372	2,000	1,488
As % of Total Budget Revenue	19.7	16.6	9.8	15.4	20.5	13.1

Source: Statistical Annex Table 5.2.

3.9 Fisheries export taxes and royalties together have normally yielded receipts only half their budgeted level of UM 2 billion or more, which is estimated by the Government on the basis of the annual catch capacity of the registered fleet: the shortfall in 1983 was UM 1.1 billion. To improve collection, the Government established in June, 1984 a fish marketing monopoly, SMCP, to which in principle the exportable catch is sold and taxes paid. Although SMCP has succeeded in accelerating receipts, it is not in a position to ensure full revenue

7/ While a rapid deceleration in largely foreign-financed military spending was realized immediately following Mauritania's withdrawal in mid-1979 from the war in the Western Sahara, military expenditure remains extremely high six years following active engagement.

recovery. If export taxes are collected only at the point of sale, full recovery can be ensured only if all catches other than those under licensing agreement are required to pass through Nouadhibou. This requirement is beyond the handling capacity of the port. The Government's landing requirement and the marketing mandate of SMCP are in fact limited at present to higher-value species representing 25 percent of the volume of the estimated catch. A more efficient means of ensuring full receipts would be the imposition of a forfeitary export tax based on the catch capacity of the vessels owned and chartered by the respective enterprises in the sector. Although the forfeitary tax approach faces severe opposition from the industry, its enactment would appear to be the Government's best weapon for realizing the full potential of fisheries revenue.

Reform of the Banking System 8/

3.10 The operations of Mauritania's banking system have in principle been governed since 1980 by a generally restrictive monetary policy adopted in the context of the stabilization effort of that period. In practice, the system has served principally as a channel of resources to the Government and accorded little credit to the private sector (Table 3.3). Credit to the Government was permitted to rise steeply beginning 1981 until it approached the statutory limit in 1983 in order to accommodate its fiscal deficits as foreign budgetary support declined, while credit to the economy (private sector and public enterprises) has expanded by an annual average of only 7 percent over the past five years, as against an inflation rate averaging about 10 percent a year in that period.

8/ In addition to the Central Bank (Banque Centrale de Mauritanie - BCM), the banking system comprises five deposit money banks (BMDC, BIMA, BAAM, SMB, BALM). The Government holds a majority interest in four of these. The BMDC is engaged in both commercial and development banking; a sixth institution, the FND, is exclusively a development bank.

Table 3.3: Credit Expansion and Net Foreign Assets of the Banking System, 1979-84

	1979	1980	1981	1982	1983	1984 (est.)
	(UM billion)					
Total Domestic Credit	10.3	11.7	13.7	16.4	18.1	19.6
Claims on Gov't. (net)	1.4	1.6	2.4	4.6	5.1	5.1
Claims on Private Sector	8.9	10.1	11.3	11.8	12.9	14.5
	(percentage annual growth)					
Total Domestic Credit	4.3	13.6	17.1	19.7	10.4	8.2
Claims on Gov't. (net)	37.2	14.3	50.0	91.7	10.9	—
Claims on Private Sector	-0.3	2.2	11.9	4.4	9.3	12.4
	Net Foreign Assets of the Banking System					
Central Bank	0.8	1.3	1.7	-0.8	-2.5	-3.8
Assets	5.3	7.0	8.7	6.5	5.0	4.9
Liabilities	-4.5	-5.6	-7.0	-7.4	-7.5	-8.7
Deposit Money Banks	-2.5	-2.9	-3.0	-4.9	-4.1	-6.1
Assets	0.1	0.4	0.7	0.2	0.3	0.1
Liabilities	-2.6	-3.3	-3.7	-5.0	-4.4	-6.2
Total Net Assets	-1.6	-1.6	-1.3	-5.7	-6.6	-9.9

Source: Statistical Annex Table 6.1.

3.11 Despite the limited expansion of credit outside of that extended to the Government, the private sector (principally the fishing industry and commercial traders) and, recently, major public enterprises have increasingly made recourse to the facilities of foreign banks. Conducted outside the credit and foreign exchange controls of the Central Bank, this borrowing abroad has created substantial contingent liabilities for Mauritanian commercial banks in their capacity either as guarantor or as the domiciliary bank. 9/ The banks have subsequently incurred a rapid accumulation of registered liabilities in respect of private importers as these importers have fallen into default. Thus the Mauritanian banks have tended to cover overdue debt of the private

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9/ In either instance according to Central Bank procedures, such contingent liabilities are registered as full liabilities of the Mauritanian banks in the event of borrower default. Contingent liabilities have been monitored by the Central Bank only since December 1983. In the first six months of 1984, guaranteed short-term foreign credits alone rose by 56 percent to UM 6.7 billion, largely on account of borrowings by SONIMEX and other public enterprises.

sector in place of extending new credit, and at the same time they have added a potential threat to the country's foreign reserves. Moreover, the banks themselves, confronted with severe liquidity problems, have increased their own foreign short-term borrowings, which they have in cases been unable to repay. Total outstanding external arrears on commercial credits identified as of early 1985 amounted to UM 1.5 billion, or close to US$20 million.

3.12 The liquidity problems of the commercial banks have in fact long acted to deter depositors and to severely restrict their ability to support the normal credit requirements of the private sector. These problems have stemmed largely from lax operational practices on the part of the banks, inadequate credit analysis and recovery efforts in particular, and from a weak legal framework in which the banking system has operated in the past. Since 1982 the Government and the Central Bank have made significant progress towards rectifying these deficiencies and have recently stepped up efforts to restore viability in the system. Measures initially taken placed legal responsibility on the management of the respective banks for their portfolios and at the same time enhanced the banks' legal power to collect overdue payments. Additionally, the banks have been permitted to increase their recourse to Central Bank rediscount facilities, and in a few cases their capital subscriptions have been raised. Further measures to speed collection, tighten operating procedures and strengthen risk assessment are under review by the Central Bank, supported by a thorough-going examination of the banking sector initiated in 1984 with assistance from the Arab Monetary Fund and due to be completed in 1985 with assistance from the World Bank. 10/

3.13 In late 1984, the Central Bank also undertook a review of its interest rate policy with the aim of making adjustments towards ensuring the liquidity and profitability of the banks and to promote domestic savings mobilization. Apart from modest adjustments in 1980, interest rates had remained essentially unchanged in Mauritania since 1973. Rates paid on deposits ranged from 5.0 to 9.0 percent depending on the duration and amount of the deposit. Lending rates ranged from 6.5 to 14.0 percent, preferential rates being accorded agricultural and industrial enterprises and those qualifying under the Investment Code. In early 1985, these rates were raised across-the-board by 2 percentage points to bring them into line with the current underlying rate of inflation.

Exchange Rate Adjustment

3.14 The ouguiya (UM) was established as the national currency upon Mauritania's opting out of the West African Monetary Union in June,

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10/ The principal elements of the study in 1985 are: 1) a complete audit of the banking system, 2) an analysis of the operations of each of the banks, and 3) a review of the respective responsibilities of the banks and the Central Bank in the execution of credit and rediscount policy, foreign borrowing and all other major aspects of the system's operations.

1973. Though briefly pegged to the French franc, the ouguiya has since 1974 been tied to a basket of currencies weighted in accordance with their relative importance in Mauritania's trade settlements, the US dollar having dominated the basket with a weight slightly above 70 percent in recent years. With the rise of the dollar beginning late 1980 and the weakening of the French franc beginning early 1981, the ouguiya appreciated rapidly in relation to the currencies of Mauritania's principal trading partners, among which France is primary. As of the end of 1983, the trade-weighted effective exchange rate for the ouguiya had appreciated in both real and nominal terms by 44 percent relative to its average level of 1980. Among symptoms of the ouguiya's overvaluation are the emergence of parallel currency markets and the rapid growth and scale of Mauritania's external current account deficits.

3.15 The appreciation of the ouguiya appears to have initially had little effect towards expanding on domestic consumption through a cheapening of imports. Despite a peak in the rate of appreciation of the ouguiya in 1981, consumer prices also reached their steepest rate of increase that same year (11.5 percent), spurred by substantial increases in administered prices for basic goods and services (rice, tea, sugar, petroleum products, water and electricity) which were undertaken chiefly in order to strengthen the ailing financial position of key public enterprises, SONIMEX and SONELEC in particular. 11/ By 1982-83, however, the ouguiya's appreciation appears to have contributed to a significant slowdown in inflation to an annual rate of only 4.9 percent as of 1983. This deceleration in prices coincided with an abrupt 25 percent increase in the industrial minimum wage effective January 1982 12/ (Statistical Annex Tables 8.1 and 8.2). The slowdown in prices and the large increase in wages, in combination with the overvaluation of the ouguiya, were major factors in boosting consumption and external deficits to their exceptional levels beginning 1982.

3.16 The Mauritanian authorities sought to correct the overvaluation of the ouguiya through a series of small adjustments in the exchange rate over the first six months of 1984, bringing the nominal effective rate down by 19 percentage points in terms of the US dollar. This adjustment substantially narrowed the gap between the official rate and those on the parallel market, where the CFA was formerly traded at a

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11/ Principal increases in administered prices in 1981: electricity (40%), water (68%), rice (14%), tea (16%) and sugar (36-57%). The Mauritanian CPI can be taken as only indicative of price trends. Actual market prices are observed to be significantly above the administered price levels in many instances, particularly with respect to foodstuffs, owing largely to artificially high profit margins taken by private traders, and their movements are believed to be not fully reflected in the official CPI.

12/ The SMIG was raised by 25 percent, the SMAG by 20 percent; neither had been raised since 1974.

premium of as much as 25 percent. 13/ In February, 1985 the Government devalued the ouguiya by a further 19 percent in terms of the U.S. dollar and adopted a flexible exchange rate policy which could result in a further modest depreciation of the ouguiya's effective exchange rate in the course of the year.

3.17 These adjustments have been an important factor in easing the budgetary situation in 1984 and 1985, as noted earlier, chiefly as a result of incremental import and export tax receipts. The adjustments have also contributed to alleviating a tight cash position of the mining company, SNIM, given that the major share of SNIM's sales are denominated in US dollars, while 40 percent of its costs, almost entirely for labor, are denominated in ouguiya. 14/ The effect of the ouguiya's overvaluation had contributed significantly to SNIM's declining profitability in recent years, while competitors such as Brazil whose currencies are not tied to the US dollar have realized a decline in real labor costs as the US dollar has strengthened. More generally, the adjustment should at least partially correct the high cost of domestic production relative to the price of imports which in particular is observed to have posed a significant disincentive to the development of light industry in Mauritania.

3.18 The exchange rate adjustments made in 1984 and early 1985 represent major steps towards eliminating the serious price distoritons which have emerged in recent years throughout the economy. Most critical in the near term will be their impact towards reducing excess consumption as the required price increases are passed through to consumers/importers. Full pass-through still requires difficult but necessary upward adjustments in administered prices and tariffs for basic foodstuffs and public services. Indeed the maintenance of an appropriate exchange rate will demand continuing attention if the longer term objective of ensuring the profitability of SNIM, of stimulating the fisheries sector and other, potential export industries and of promoting import substituting production of cereals and light industry are to be served.

Public Enterprise Rehabilitation

3.19 Public enterprises emerged rapidly during the 1970s with the creation or nationalization of key industrial and commercial operations,

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13/ Trade on the southern border represents the major share of Mauritania's sizable foreign exchange transactions which take place outside official circuits. Unrecorded sales of cattle for slaughter in Senegal are estimated to be on the order of $55 million annually, while unrecorded imports from Senegal, largely financed by the cattle sales, are estimated to be on the order of $100 million a year, equivalent to one-quarter of recorded merchandise imports.

14/ The impact of the 1985 adjustment is expected to eliminate approximately US$26 million of a loss of US$74 million in after-tax profits of SNIM otherwise projected for 1985-86.

including the mining company and the petroleum and sugar refineries built in that period, as well as all agencies charged with the conduct of general social services. Enterprises came under the umbrella of the public sector as the Government brought under national control the exploitation of the country's natural resources and the provision of basic public services, both of which remained largely in foreign hands as late as the mid-1970s. The mining company and the electricity and water company, for example, were brought under Mauritanian control only in 1974 and 1975, respectively. Today Mauritania's public enterprise sector comprises more than 100 entities manned by about 14,000 employees. 15/

3.20 The majority of the larger, fully Government-owned enterprises, including the national electricity and water company (SONELEC), the port authority at Nouakchott (EMN) and the national airline (Air Mauritania), while in principle operating on a commercial basis, have continually made losses since the late 1970s, and many have been unable to maintain satisfactory delivery of the essential public goods and services for which they are responsible. 16/ While direct operating subsidies extended to these enterprises represent a comparatively modest charge on budgetary resources (UM 300 million or US$5.5 million in 1983, less than 3 percent of total expenditure), the enterprises have long failed to discharge a major share of their normal tax liabilities, and the servicing of their foreign debt has frequently been assumed by the Central Government as guarantor. 17/

3.21 The generally poor performance of the Mauritanian enterprises and its underlying causes are not dissimilar to those which frequently characterize public enterprises elsewhere -- poor definition of their responsibilities and relationship to the Central Government, inadequate output pricing, weak accounting and overstaffing being among them. Having undertaken a sample diagnosis of such problems among principal

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15/ Approximately half of these are enterprises of a commercial or industrial character and include Government-foreign partnerships such as SNIM and the joint ventures in the fisheries sector. The other half is comprised of entities such as educational institutions which offer public services at less than cost and are financed through operating and capital budget subsidies, for which appropriations amounted to UM 700 million (US$12.7 million) in 1983.

16/ The aggregate deficit of seven of the larger enterprises in 1981, the most recent survey data available, was UM 400 million (US$6.9 million). These enterprises included SOCOGIM, Air Mauritania, EMN, SONELEC, SOMIR (petroleum refinery) and Pharmarim.

17/ Taxes and penalties due amounted to an estimated UM 1.2 billion (US$20.7 million) as of end-1983. For its part the Government had incurred arrears on payments due the enterprises in an amount of UM 600 million (US$10.4 million) as of the same period.

Mauritanian enterprises, the Government launched in late 1983 a major effort to reduce the size of the sector and to improve the technical and managerial performance of selected enterprises. It began with an assessment of the functions of the respective enterprises with a view to consolidating the sector through privatization or liquidation. For those enterprises deemed essential to the public interest, principal measures adopted and under implementation include the establishment of contrats-plans between Government and respective enterprises to better define their interface. Additional measures include a policy of cost-based pricing, reductions in personnel and a freeze on new hiring, improved budgeting, billing and collection procedures and settlement of the cross-debts of the Government and enterprises. A central monitoring unit, the CRSP has been established in the Ministry of Planning to oversee and coordinate operations throughout the sector. Complementary to the abovenamed initiatives applicable to the sector as a whole, action plans specific to three of the largest enterprises -- SONELEC, EMN and OPT (post and telecommunications) -- are under formulation. (A program undertaken independently by SNIM is discussed in Chapter IV.)

3.22 Towards consolidating the sector, the Government will need to review rigorously the justification for State involvement in the activities of a number of larger enterprises. The principal enterprise which has been privatized to date is Pharmarim, which retails pharmaceutical products. Other major enterprises which should be reviewed are SOCOGIM (housing and construction), SMCPP (petroleum product marketing), SOMIS (sugar refining), and the fish export marketing monopoly, SMCP. In the case of the latter, whatever the merits of creating the parastatal to correct for shortfalls in Government revenue and the repatriation of foreign exchange, its operations could entail significant financial risk, as has been the experience of similar operations elsewhere in the world. 18/ SMCPP, which accounts for 80 percent of petroleum product marketing to consumers apart from SNIM, is a relatively clear cut example of operational inefficiency in the parastatal sector. Despite sizable margins (est. $80/MT in 1983), SMCPP has incurred losses since its inception due chiefly to its maintenance of an administrative staff which is excessive for the product volumes handled.

3.23 For those enterprises which are retained in the parastatal sector, tariff and price adjustments, staff reductions, modifications in operating procedures and other measures will need to be tailored closely to their individual requirements. For example, for the Nouakchott Port Authority (EMN), which handles 80 percent of all cargo traffic entering the country, an inadequate tariff structure and overstaffing were primarily responsible for substantial financial losses and a massive accumulation of tax obligations of UM 400 million ($70 million) up through 1983. However, it is expected that profitability can be

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18/ It is argued that, by buying and selling in quantity, SMCP is able to realize profit margins higher than those of individual companies in the sector. However, inasmuch as the catch is generally processed at sea rather than onshore, extra handling costs are incurred in exporting through SMCP in Nouadhibou, rather than transhipping directly at sea.

restored from 1985 onwards as a result of a 25 percent cut in staff taken in 1983-84, and an across-the-board tariff increase of 25 percent taken in early 1985. The increase in tariffs brings EMN's tariff structure into close alignment with those of comparable ports of the region.

3.24 The case of SONELEC is somewhat different. A major adjustment on the cost side is essential to the longer term financial viability of the enterprise and to facilitate cost reductions elsewhere in the economy. SONELEC's tariffs are already among the highest in the region. Industrial electricity tariffs in particular pose an important constraint to the expansion of light industry, including the electricity-intensive fish processing industry. If the promotion of such industries is not to be impeded, solutions to SONELEC's financial difficulties must be sought through greater operating efficiency. There is immediate scope, for example, for expanding capacity utilization (currently less than 50 percent) by replacing the present uniform tariff policy with a system of differentiated pricing favoring industrial over residential consumers. Significant cost savings can be realized in the near to medium term through conversion from the use of gas oil to the less costly fuel oil in electricity generation (para. 3.30), and through reductions in generation and distribution losses. Rapid implementation of such adjustments, the full scope of which is to be defined in SONELEC's recovery action plan, should enable the enterprise to restore its financial position without imposing on the rest of the economy a continuing burden of excessive utility tariffs.

Investment Strategy

3.25 Given the relative availability of official foreign capital resources to Mauritania in recent years, the public investment program has potentially represented a powerful government instrument of resource allocation. In the IIIrd Plan period (1976-80), the Government was only in the early stages of establishing its central planning machinery, and levels of actual expenditure as well as the sectoral allocation of investment varied widely from those originally planned, often tending to reflect initiatives of individual technical ministries and foreign donors which were of questionable priority. In the IVth Plan period (1981-85), the Ministry of Economic Planning has grown increasingly effective in controlling the allocation of investment funds, despite the fact that the scale of the program has remained heavy and a severe challenge to Government's planning capacity.

3.26 Reflecting the investment push launched in 1981 in the context of the IVth Plan, expenditure levels have been exceptionally high: an average of UM 12.5 billion (US$240 million) a year over the 1981-84 period. Up through 1983, more than 40 percent of this expenditure, or an average UM 5.1 billion a year (close to US$100 million), was accounted for by the Guelbs I project and a further 15 percent by

irrigation development. 19/ Notwithstanding the carryover of a few large transport projects initiated in the late 1970s, 20/ the sectoral allocation of expenditure under the IVth Plan generally shows a better balance between projects in basic infrastructure and those in the directly productive sectors.

Table 3.4: Public Investment Under the Third and Fourth Plans a/

	1976-80 Third Plan		1981-83 (Actual) Fourth Plan	
	UM Billion	%	UM Billion	%
Rural Sector	0.6	9.8	2.4	19.0
of which: Agriculture	(0.5)	(8.0)	(2.1)	(16.8)
Fisheries	0.1	2.2	0.1	0.8
Mining (Guelbs)	0.6	8.5	5.1	41.2
Other Industry	1.0	15.2	1.1	8.8
Transport, Communications	3.0	45.4	2.6	20.9
Public Utilities	0.3	4.7	2.6	20.9
Education, Health	0.5	7.1	0.6	4.8
Other	0.5	7.1	0.5	4.0
TOTAL	6.5	100.0	12.5	100.0

a/ Average annual expenditure in current prices through the five-year Third Plan period (1976-80) and initial three years of the Fourth Plan period (1981-85).

Source: Statistical Annex Table 9.2.

3.27 As the IVth Development Plan reaches termination in 1985, the Government proposes to establish a three-year rolling investment program, rather than a new five-year development plan, so as to

19/ Principal irrigation projects under implementation include the Gorgol Noir (total cost $93 million) and the Plaine de Boghé ($44 million).

20/ Principal transport projects carried over include the deepwater port at Nouakchott (total estimated cost $200 million) and the 500-km extension to Nema of the Nouakchott-Kiffa road ($110 million).

strengthen control of project starts and execution. The level of investment from 1985 onwards is forecast to show an unusually sharp decline as several large projects, including the Guelbs, the Gorgol and Plaine de Boghé irrigation projects reach completion almost simultaneously. Moreover, an indefinite postponement of the Guelbs Phase II project originally envisaged for the mid-1980s is clearly dictated by current and foreseeable conditions in world iron ore markets. Project implementation schedules indicate that total expenditure under on-going and a relatively few newly funded projects will therefore have dropped by 1986 to a modest US$60 million (UM 5.0 billion), equivalent to less than 10 percent of projected GDP. While a sharp fall in investment is inevitable as a result of the completion of the large projects initiated in recent years, a pipeline of sound new projects is needed, providing investment financing can be secured on highly concessional terms. In the choice of projects to be initiated from 1985 onwards, the Government rightly proposes to give priority to those projects which serve to raise the efficiency of existing infrastructure and services, notably of those assets which have been generated by the heavy new investment of the past decade. The indicated shift in the investment program to lend emphasis to "rehabilitation" projects will require an intensified planning effort on the part of the Government and close coordination with foreign donors. Particular attention will be needed on three fronts.

3.28 First, observance of firm criteria for the selection of projects consistent with well-defined sector strategies is required to ensure optimal utilization of investment resources and conformity of the project portfolio with overall Government policy. Well formulated assessments of potential and constraints at the sector level are absent throughout with the exception of the irrigation subsector. A consequent lack of well prepared projects, particularly in the rural subsectors and in medium- and small-scale industry, has in the past been the principal factor responsible for the fact that actual expenditure undertaken has not fully reflected declared investment priorities.

3.29 In recent years, the Government in fact has continued to engage a considerable volume of resources in large-scale industrial projects contrary to declared policy. The two industrial projects closed in the late 1970s, the petroleum and sugar refineries, have since been the object of further investment ($19 million and $10 million, respectively) and have been operated intermittently or at partial capacity at sizeable cost to the economy. Active government consideration has also been given to its extending financial guarantees required for a new US$160 million copper mining operation at Akjoujt, a successor to the SOMIMA operation closed in the 1970s. In addition to raising the issue of priorities in the allocation of public resources, the economic justification of all three of these undertakings is highly questionable. Operation of the petroleum refinery remains an uneconomic proposition at present and foreseeable refining margins and could be justified only in the event that a satisfactory custom refining agreement were concluded with a foreign partner. 21/ Alternatively,

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21/ The Nouadhibou refinery would operate at a loss estimated at a

(Footnote Continued)

storage and other facilities of the refinery complex could be productively employed, particularly in supplying fuel to the fishing industry. This option notwithstanding, the Government signed an agreement with Algeria in early 1985 permitting operation of the refinery, all financial risks being borne, however, by the Algerian operators. The copper mine at Akjoujt can be expected to yield negative returns under forecast market conditions and could entail heavy economic costs for the Government. The project has been undertaken by SAMIN, an international company in which the Mauritanian Government holds a 38 percent interest by virtue of its transfer of assets formerly belonging to SOMIMA. In addition to the financial risk of guaranteeing future borrowing of SAMIN, the Government could become engaged in financing heavy infrastructure ancillary to the mines. In particular, in order to evacuate the ore by road to the new deepwater port at Nouakchott, the Akjoujt-Nouakchott road needs to be upgraded beyond otherwise essential requirements. Such an undertaking would entail costs unlikely to be recovered through taxation of the mining operation. In the context of its 1985-88 economic recovery effort, the Government has therefore renounced any direct or indirect involvement in the project.

3.30 The second front on which Government action needs to be taken is the identification of priority requirements for rehabilitating existing infrastructure and essential public services. These requirements can be investigated in at least three respects. First, projects proposed for new investment must be scrutinized for their priority over alternative improvements in existing facilities. In the case of the new Nouakchott power plant, for example, the rehabilitation of existing capacity in fact already planned would permit installation of at least 25 percent of the new generating capacity to be postponed until the early 1990s. Further rehabilitation (or recurrent expenditure) requirements are to be expected among investment projects completed in recent years but presently operating at less than maximum efficiency. Examples are numerous in the irrigation subsector, where areas developed in the late 1970s perform at only 60 - 70 percent capacity utilization. The case of SONELEC's conversion from the use of gas oil to the relatively cheaper fuel oil at its Nouadhibou power plant, as mentioned earlier, requires further investment of a modest $0.2 million to put equipment already in place into operation, yielding savings of an estimated $0.6 million a year. Finally, rehabilitation requirements are to be identified in the backlog of maintenance, spare parts supply and equipment replacement created as a result of budgetary stringency in recent years: many of these such as the reopening of firebrakes in rural areas for the protection of grazing land and expansion of village water wells were identified in the context of the Government's 1983 Drought Action Plan.

3.31 Finally, a strong improvement in the Government's investment planning and programming procedures is crucial to the effectiveness of the type of investment program indicated for the next few years and to

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(Footnote Continued)
minimum of $3-4/barrel at 90 percent capacity utilization. Total cost of the refinery project, including interest during construction, training and provision for working capital, is estimated at $140 million as of 1984.

assessing its implications for the budget and balance of payments. An important step in this respect will be the Government's preparation beginning fiscal year 1986 of a consolidated budget integrating the annual investment budget, the national budget and balance of payments forecasts. This consolidated budget should enable the Government to better monitor the execution of foreign-financed investment as well as to ensure adequate recurrent and capital budget funding and the coverage of debt service obligations. In addition, recommendations for systematizing planning and programming need to be implementated, among the most important being: (i) the creation of planning units in the respective technical ministries, and (ii) establishment of procedures under which all individual project proposals of a given minimum scale would be made subject to full screening by the Ministries of Planning and of Finance and approval of the Council of Ministers prior to their start up.

IV. SECTORAL DEVELOPMENT PROSPECTS AND ISSUES

4.1 From the mid-1980s onward, Mauritania confronts a set of development issues considerably more challenging than those addressed as recently as five years ago when the IVth Development Plan was under preparation. The challenge stems from downward revisions in the outlook for the mining sector, the continuing threat to rural production of severe drought and the slow process of realizing the full potential of the newer sources of growth, fisheries and irrigated agriculture. The current outlook demands maximum exploitation of all opportunities for growth in these and other sectors which, however modest, can in sum provide the basis for satisfactory performance of the economy over the longer term. Two factors will be critical: the achievement of substantial gains in productivity and the successful implementation of sectoral strategies to exploit the full potential of all available resources. As a matter of priority, new policy initiatives are needed in the mining, fishing and agricultural sectors to which heavy investment has been directed since the late 1970s. Such initiatives are essential if these sectors are to play their full role in the Government's overall development strategy: to ensure continued production capacity in mining and, at the same time, to gradually shift the base of the economy in favor of renewable sources of growth. The following discussion assesses prospects in each of these key sectors as well as issues of employment and human resource development posed by the accumulating consequences of drought. The projected medium term outlook and a summary of specific recommendations are presented in the two following chapters.

A. The Future of Mining

4.2 There is no better illustration than that of the mining sector of the need to achieve in the medium term the gains in productivity which can ensure favorable growth prospects for the economy over the longer term. Mauritania's continuing ability to exploit its iron ore resources in fact rests with the financial, technical and operational performance over the next few years of the mining company, SNIM, under severely weakened market conditions.

4.3 The demand outlook in the seaborne West European iron ore market, which presently accounts for 95 percent of Mauritania's sales, is one of stagnation or continuing moderate contraction over the next ten years. As throughout the global market, the continuing contraction reflects a structural change in demand for steel, already evidenced by its reduced use in automobiles and other products in order to achieve lighter weight and hence lower fuel consumption and by the substitution of technologically improved and cheaper plastics for many requirements formerly met by steel. Moreover, the market can be expected to remain in oversupply as large, low-cost producers such as Brazil expand production capacity to capture an increasing share of

existing markets. 1/ For Mauritania, not only will oversupply persist in its ore markets, but continued oversupply in freighter capacity means that it has lost the former advantage of its geographical proximity to European markets.

4.4 The outlook in the ore market has already prompted the closure of older, inefficient mines elsewhere in the world, and it has led to intense efforts on the part of companies still in the market to make stiff reductions in production costs. SNIM is doubly challenged. First, it faces an inevitable increase in production costs as the Guelbs plant comes on stream beginning early 1985. Mining and beneficiation costs are expected to rise by about 30 percent as the Guelbs production replaces that at Kedia, due to the lower iron content of the in situ ore and relatively costly beneficiation required to produce the Guelbs concentrate. 2/ Second, the company confronts a substantial increase in debt service obligations as principal repayments fall due on its $338 million borrowing to finance the Guelbs project. These payments will amount to a cumulative $120 million over the next five years (1985-89) in addition to $60 million in interest due in that period. Given the implied increment in production costs and debt service obligations, and given the prospect that under market conditions foreseen in mid-1984 SNIM might be able to generate sales revenue averaging only $210 million annually through the remainder of the 1980s, the company was confronted in mid-1984 with a projected cumulative cash deficit of $110-120 million over the 1985-89 period unless substantial cost savings could be acheived through increased operational efficiency. 3/

4.5 Aside from the incremental production costs and debt service due beginning 1985, SNIM's overall production costs had climbed to a level too high to ensure viability of the company. Excessive labor costs have been the largest single factor. As of 1983 SNIM's labor productivity had declined to only about half that of its competitors elsewhere in Africa and still lower than that of mines elsewhere in the world. Productivity at SNIM had in fact been halved over a period of ten years as the company increased its staff to a peak of nearly 6,000 employees. There consequently was scope for reducing production costs from 1983 levels by 15 - 20 percent in real terms further to the effect of the early 1984 devaluation of the ouguiya without adversely affecting the company's production capability. Such a reduction would represent cumulative savings of an estimated $120 million over the 1985-89 period and thus erase the projected deficit of that five-year period.

1/ In particular, the Carajas project, due to come on stream in 1986 will have an initial capacity of 35 million tpy, easily expanded in a second phase to 50 million tpy, and will put Brazil in a position to capture over 30 percent of the EEC market through 1995.

2/ Beneficiation: technical process of concentrating and of removing impurities from the ore. Beneficiation of the Guelbs ore will raise its Fe content from 38 to 65 percent.

3/ Sales assumption: average 9.5 million MT p.a., increase in prices of 5 percent in real terms over 1984 prices. Cumulative 1985-86 labor cost

(Footnote Continued)

4.6 Recognizing the need to reduce costs, SNIM's management embarked in mid-1984 on a major effort to reduce its administrative and overhead costs by taking a series of immediate remedial measures and the preparation of a detailed medium-term Action Program. This program is to be drawn up following a mid-year review of the company's organizational structure, management systems, manpower levels and mining operations conducted with the assistance of an international management consulting firm. In the meantime, SNIM's management has undertaken important cost-cutting measures with respect to mining operations, procurement, management and budgeting systems. It has also halted all staff recruitment and proposes to reduce staff levels through attrition, while wages and salaries would decline in real terms against the effects of devaluation and inflation. As a result of these measures to reduce operating costs, the 20 percent 1984 devaluation of the ouguiya and a moderately improved sales performance, SNIM's financial results for 1984 were substantially stronger than those of the preceding year: a net profit after royalties of US$6.7 million, as against a net loss of US$2.1 million in 1983. As SNIM's financial outlook is highly sensitive to shifts in international market prices and sales volume, however, a modest downward revision in forecast prices as of early 1985 indicates that SNIM could still confront a cumulative cash deficit of $47 million in 1985-89, this after account of the positive impact of the further devaluation of the ouguiya in 1985. Providing however that SNIM can continue to realize cost savings and thereby remain competitive, Mauritania, like other smaller producers, can be expected to retain its share of the market as West European buyers seek to diversify their sources of supply from the dominant producer, Brazil.

4.7 Continuing gains in operational efficiency and profitability are critical to SNIM's prospects not only for the medium term but also in the longer term perspective. Demand for iron ore in SNIM's traditional market is not expected to increase significantly through the mid-1990s. Even in the event of an unforeseen increment in demand, new competitive operations could be put on stream quickly to meet the increment. Given continued oversupply in the market, present forecasts are for no increase in real iron ore prices above 1985 levels over the next ten years. These forecasts indicate that economically recoverable reserves at Kedia could be exhausted. by the mid-1990s. Therefore, with exhaustion of the Kedia reserves, SNIM will be faced not only with higher unit production costs, as noted earlier, but also with a decline in annual sales volume to 6 million MT, the capacity of the Guelbs operation alone. SNIM would probably be unable to operate viably at this level of production/sales and would therefore need to open new mining sites and invest in a second beneficiation plant. The scale of investment implied, possibly in magnitudes of $200-400 million (in 1984 prices) indicates in turn that SNIM must continue to make substantial improvements in its cash generation capability and creditworthiness in order to finance in the early 1990s the investment which is likely to be required if iron mining is to continue to play its role in the economy as an important source of growth and foreign exchange earnings over the longer term.

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savings (in UM terms) due to 20 percent 1984 devaluation relative to the US dollar estimated at $20 million.

4.8 Commercial exploitation of Mauritania's known mineral resources other than iron, principally copper, gypsum, sulphur, phosphates, oil and natural gas, is in most instances severely constrained by market and technical factors. Production of copper concentrate, Mauritania's second export up to 1975 when world market prices plummeted, appears to be an unprofitable proposition. Although SAMIA proposes to reopen the mines at Akjoujt with new investment of $160 million, the project would yield negative financial returns at present and forecast market prices, as noted earlier (para. 3.29). Concentrates produced from the Akjoujt ore would contain impurities such that the product could in fact be sold only at a substantial discount. 4/

4.9 Gypsum, of which large deposits exist north of Nouakchott, was exported to Senegal in significant quantities worth $20 million annually in the latter 1970s until rising costs of road transport forced Mauritania out of the market. A semi-public company presently proposes to resume exports of ore as well as the production of a proposed plaster plant beginning 1986-87 through the new deepwater port at Nouakchott for a modest export value of $3-4 million annually (in current prices).

4.10 Alluvial deposits of sulphur, closely associated with the gypsum formations northeast of Nouakchott, are currently being exploited by private investors and are being examined by the Mauritanian Office of Geological Research (ORGM) to determine prospects for further commercialization. Exploitation of the deposits, which are at most 6 meters below the surface, requires little investment in mining infrastructure. Sulphur prices are at present relatively high and are expected to remain firm in the medium term. Moreover, given the proximity of Mauritania's sulphur supply to both the Moroccan and Senegalese phosphate-based industries, it could enjoy a significant transport cost advantage. Inasmuch as the scale of the deposits appears to be small, however, further study is needed to determine the feasibility of continuing commercial exploitation.

4.11 Small reserves of phosphate ore (about 90 MT raw, equivalent to 38 MT concentrate) have long been identified in the Aleg-Boghé-Kaedi region. At 300 kms. inland, they are likely to require investment in transport infrastructure on the Senegal River not justified under current conditions of oversupply in markets for phosphate rock. Markets are expected to remain weak, moreover, through the next ten years: prices are projected to rise in real terms by less than one percent annually through 1995. While markets for finished products are likely to become comparatively strong towards the end of the 1980s, production levels well in excess of those indicated by the size of Mauritania's deposits would be required to reach the economies of scale which would justify the necessary investment in infrastructure and processing plant.

4/ The Akjoujt concentrate would have a relatively high arsenic content, a factor reducing the electrical conductivity of the product which has in the past forced Mauritania's concentrates to be sold at below world market prices. Additional risk is posed by the fact that there are only two known market outlets for such concetrates.

4.12 The chances of proving hydrocarbon resources, both onshore and offshore, are rated as fair and are being systematically explored by two foreign companies (Mobil and Oxoco), although no commercial deposits have yet been identified. Prospects for expanded exploration are likely to be strongly determined by the results of trial drilling by Mobil beginning 1985.

B. Control and Development of Fisheries Resources

4.13 Mauritania's abundant coastal fisheries resources are the product of favorable hydrological conditions extending the length of the northwest African coast. The potential annual catch within Mauritania's EEZ is variously estimated to be between 400-700,000 tons. The official Government figure is 525,000 tons, only slightly below the estimated annual catch of Senegal, the base of West Africa's largest fishing industry. In terms of tonnage, Mauritania's catch consists of pelagic or "surface" species (75 percent), the remainder being represented by demersal or "bottom" fish, cephalopods, and other higher value species. Currently, the total value of the catch by Mauritanian exporters, artisanal fishermen and licensed foreign companies amounts to an estimated $180 million annually.

4.14 The Government's New Fisheries Policy of 1978 and the several elaborations of that policy adopted since then constitute a logical initiative to gain Mauritanian control of the harvesting and of processing the country's wealth of fisheries resources. Prior to 1978 these resources had been exploited almost exclusively by fleets of as many as 300 vessels representing 20 foreign countries and ranging from small seiners to super trawlers, all but the smallest of them based in Las Palmas in the Canary Islands. As the larger vessels were equipped with freezer and storage capabilities, the catch was generally processed on board or transhipped at sea; only about 10 percent was unloaded at Nouadhibou for processing. For Mauritania, the economic benefit yielded by its extensive fisheries resources was thus limited to little more than royalty receipts, these amounting to only 10 percent of the estimated value of the annual catch secured by the foreign operators.

4.15 Of the three principal objectives of the Government's fisheries policy -- the formation of Mauritanian-controlled joint ventures, creation of a national fishing fleet and establishment of a Mauritanian-controlled fish processing industry at Nouadhibou -- the first two have met with a significant measure of success. The first of these objectives calls for the eventual replacement of fishing by foreign interests under Government license by the operations of newly formed, Mauritanian-controlled joint ventures (State: 43 percent, private 8 percent, foreign: 49 percent). Adoption of the policy has prompted formation of a spate of new joint venture companies which together with wholly-owned Mauritanian companies now account for 70 percent of the recorded 450,000-ton annual catch in Mauritanian waters and generate $150 million in gross export receipts annually. 5/ Mauritanian control of these

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5/ The remaining 30 percent is fished under licensing agreements which are due to expire in 1987-88. At least an additional 100,000 tons a year is fished by unlicensed trawlers.

companies is as yet nominal in terms of asset acquisition and the conduct of day to day operations: all capital and equipment are provided by the foreign partner, while the Mauritanian State and private shares are to be purchased out of future company profits over as much as a 20-year period. The formation of joint ventures has nonetheless enabled Mauritania in only a few years' time to secure a major share, though by no means the whole, of the substantial foreign exchange receipts generated in the sector, as noted earlier (para. 2.11), and to establish the basis on which national interests should eventually be in a position to control sector operations.

4.16 The creation of a national fleet has also moved ahead rapidly: more than 100 vessels bearing the national flag or under charter by Mauritanian-controlled companies are currently in operation. This fleet is drawn largely from the current worldwide excess fleet capacity which was developed prior to adoption of the New Law of the Sea Treaty and the assumption by coastal nations of a 200-mile EEZ. These relatively large vessels, designed to operate at great distances from their home ports, are nearly autonomous in their capacity to stock supplies, fuel and water as well as being equipped with onboard processing and storage capability. Being no longer suited to the newer demands of coastal nations such as Mauritania for the development of shore-based operations, such vessels are in ready supply, and their purchase or charter offers an inexpensive alternative to the costly investment required for new vessels of the shore-based type. For the same reason, foreign fleets operating under license in Mauritanian waters still employ large autonomous vessels. These older vessels could continue to dominate the fleet for at least five more years, given worldwide oversupply and the low cost of their reconditioning relative to the cost of replacement with the newer shore-based types. On the other hand, these autonomous freezer vessels are not well suited to Mauritania's needs for a fleet which would land its catch at Nouadhibou for processing, as called for under current Government policy.

4.17 Given the type of vessel employed at present, coupled with extremely high costs of processing onshore, there is little to induce operators to land their catches at Nouadhibou, despite Government stipulations that all companies operating in Mauritanian waters land their catch for freezing and packing prior to export. 6/ Large operators have a strong incentive to under-declare their catches, and the Government is not yet able to control fully these activities. Moreover, the Government's requirement that all new joint ventures construct an onshore processing plant at Nouadhibou has prompted massive over-investment of an estimated $40-45 million in freezing and storage installations at the port. The cost of freezing and packing whole fish at Nouadhibou today is such that heavy financial losses are

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6/ Owing to the scale of landing facilities at the Port of Nouadhibou, the Government revised its landing policy in 1983 to apply only to demersal and other higher value species, notably cephalopods (octopus, squid). Landings increased significantly in 1983 in response to strengthened enforcement of the Government's landing requirement, although the catch landed was largely processed at sea, and no appreciable increase in processing activity was registered.

incurred in treating all but the highest value species. Fixed costs of the newly built freezing and storage plant, inefficient local labor and some of the highest electricity and water tariffs in the region generally place the cost of processing in Nouadhibou nearly three times that of freezing on board ship or processing at neighboring Las Palmas. 7/ Consequently, despite preferential tax rates for fish landed at Nouadhibou for processing, landings have declined sharply since the late 1970s, and an estimated 70 percent of plant capacity remains unutilized. 8/

4.18 Thus while the Government has partially succeeded in asserting national control over its fisheries resources as well as the sector's foreign exchange earnings, the state of the processing complex in particular suggests that the long-term development of a fisheries industry which is fully Mauritanian based requires closer examination of sector potential and constraints and the formulation of a coherent strategy for addressing them. Such a strategy must incorporate a wide range of interdependent elements — resource management, fleet options, port infrastructure requirements, fiscal policy, legal and marketing arrangements, labor policy and manpower training. As a first step, the Government undertook a review of its options with the assistance of the World Bank in mid-1985 as the basis for a new strategy in the fisheries sector.

4.19 The design of such a strategy must inevitably accord with a thorough stock assessment of fisheries resources and their sustainable rate of exploitation. Although resource estimates vary widely, as noted earlier, it is often argued by both Mauritanian and international authorities that many species are currently overexploited. Available information indicates that exploitation of pelagic species in particular, if pursued at current authorized and unauthorized rates, is likely to lead to decreased stocks within the next few years. On the other hand, the high-value cephalopods, to which the Government currently attaches prime importance, may not be immediately threatened. An important resource assessment will undertaken in 1985 with the assistance of FAO which should provide the essential basis for monitoring and controlling levels of exploitation more effectively. A second priority is the identification of vessels appropriate to Mauritania's long term needs. The choice lies essentially between the more economic autonomous vessels of the type currently employed and smaller, shore-based boats whose operations could stimulate the development of processing and other industry at Nouadhibou. The choice among fleet options will in turn determine requirements for investment in infrastructure such as ship repair facilities and in other maritime services needed at the port of Nouadhibou.

4.20 The inadequacy of the port of Nouadhibou as a service center for both the fishing fleet and the processing industry presently poses a major constraint to their development, whereas the provision of services to the

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7/ As estimated by FAO in 1979.

8/ The export tax rate on fish frozen and exported on the high seas is 10-17.5 percent depending on the species as opposed to a 7.5 percent rate of fish processed at Nouadhibou.

industry should in fact be explored as an area of potential growth and expanding employment. As a service center, Nouadhibou currently suffers from a lack of repair facilities, irregular supplies of fuel, spare parts and fishing equipment, poor telecommunications and freight services and inefficient operation of the port facility itself. While the relaxation of such constraints is inevitably an objective for the longer term, their negative effects could be mitigated or in cases even reversed within a comparatively short time frame. Fuel marketed to the fishing fleet could itself be made price competitive and marketing therefore expanded by supplying marine diesel rather than automotive gas oil as at present. Appropriate fiscal incentives and expanded credit facilities could be employed to accelerate the development of small- and medium-scale enterprises such as ship chandlers and radio and equipment repair establishments ancillary to the fishing industry proper which have in fact begun to emerge over the past few years. With appropriate incentives to the private sector in particular, the port of Nouadhibou as a commercial and maritime service center could represent an important nucleus of development.

4.21 Finally, means must be sought to integrate industrial and artisanal fisheries activity if the full growth potential of the latter is to be exploited. The development of artisanal fishing holds particular attraction as a source of expanded employment and income, although it is as yet a small sector, the number of fisherman engaged being estimated at only about 2,400. Annual production is 10,000 - 12,000 tons, of which 6,500 tons are consumed domestically and the remainder sold to industrial processors in Nouadhibou for export. In contrast with the domestic market in Senegal where fish are an important component of the traditional diet, Mauritania's domestic market is as yet limited and confined largely to the Nouakchott and Senegal River Basin, although it is expanding in urban centers elsewhere in the country. It is not likely, however, to generate increases in demand within the next ten to fifteen years which would absorb the potential annual catch of 40,000 tons which the artisanal sector could supply. Growth of the sector will therefore depend chiefly on the extent to which its output can be absorbed by industrial processors.

C. Cereals and Agriculture Policy

4.22 Outside of periods of extreme drought, such as that of 1983-84, Mauritania's per capita food production in recent years has been only about 40 percent of that recorded just 15 years earlier, prior to the 1968-73 drought. Dryland production including flood recession farming (chiefly millet and sorghum), which met half the national requirement in the 1960s, has since typically covered 20-30 percent of demand, though it has fluctuated widely with rainfall conditions. Irrigated rice and maize production, while tripled since the intensified irrigation development effort was launched at the beginning of the 1980s, as yet covers less than 5 percent of the country's current annual cereals demand of about 250 thousand tons. 9/

Table 4.1: Cereals Supply/Demand a/
(thousand metric tons grain equivalent)

	Actual			Projected	
	1978/79-1980/81 (Av.)	1981/82-1982/83 (Av.)	1983/84	1984/85	1989/90
Domestic Production	45	41	16	30	80
Dryland: Millet, Sorghum, Other	42	32	7	20	45
Irrigated Rice, Maize	3	9	9	10	35
Commercial Imports	69	87	86		
Rice	52	61	46		
Flour	17	26	40		
Food Aid	65	76	165		
Total	179	204	267	255	288
Projected Gap				225	208

a/ Crop years ending May 31; food aid years ending November 30.

9/ Demand has risen somewhat ahead of population growth in recent years, a major factor being changes in consumption habits of rural emigrants whose dietary requirements were formerly met largely by milk and meat. It is also likely that their former reliance on subsistence crops is not fully indicated by official data on domestic cereals production, which tend to be understated.

4.23 The current annual import requirement under all but exceptional conditions thus presently amounts to about 200 thousand tons. In recent years, the cereals deficit has been covered about equally by commercial imports (35 percent of total demand) and cereals provided under aid programs (40 percent), except under conditions of extreme drought when food aid covers most of the incremental requirement. 10/ Commercial imports are represented chiefly by flour, imported by private millers and dealers, and broken rice, imported and marketed at the wholesale level by the State-trading monopoly, SONIMEX. Government-regulated retail prices for imported rice were heavily subsidized until October 1983, at which time the subsidy was effectively eliminated by the imposition of the 33 percent consumption tax on rice. 11/ While the subsidy had posed a potential disincentive to domestic producers, its removal was not an urgent issue from the standpoint of producer incentive as long as the volume of domestic rice production remained only 10 percent or less of the volume of imports and was not transported from the south to compete with imports on the Nouakchott market. The rice price issue will demand continuing attention, however, as increasing quantities of domestic rice enter the Nouakchott market, where the retail price must in fact carry a premium over that for the imported variety if adequate producer prices and, additionally, transport costs are to be sustained. 12/

4.24 Food aid, which in years of normal weather conditions covers 40 percent of Mauritania's cereals requirement -- the highest share in Western Africa -- will clearly remain a major element in the economy for the foreseeable future, given the scale of the cereals deficit and limited availability of foreign exchange. The Government has used food aid with considerable success in meeting short-term objectives of ensuring the food security of dislocated segments of the population in the course of the 1983-84 drought; at the same time, it attempted to stem the flow of migrants to Nouakchott by directing the distribution of all but 15 percent of the food aid supply to secondary centers and setting retail prices in

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10/ Under the drought conditions of 1984-84, food aid met over half of Mauritania's total demand for cereals.

11/ Paragraph 2.13. Proceeds of the tax being collected directly by the Treasury, SONIMEX continues as in the past to cross-subsidize rice sales out of profits from the sale of sugar and tea.

12/ This requirement was met with adoption in February 1985 of major increases in prices ranging from 12-50 percent for all cereals at both producer and wholesale levels. This action brought prices for domestic and commercially imported cereals to full import parity. The increase in the wholesale price for imported rice brought it to a par with prices at the border with Senegal. With respect to input pricing, the Government has been committed to the elimination of all subsidies in crop agriculture, of which by far the most important is a 50 percent fertilizer subsidy. The cost of the subsidy has in the past been born essentially out of the receipt of foreign grants for fertilizers, but can no longer be sustained as the scale of irrigation operations expands.

the outlying districts at a level nearly 60 percent below that of commercially imported rice in the capital.

4.25 At the same time, the Government is committed to mitigating the market displacement effects of food aid. Consumer prices for food aid wheat and sorghum were only 60 percent of import parity as of 1984, but were raised by 50 percent in conjunction with the broad-scale cereals price increases of February 1985. 13/ The impact of the increase in prices for food aid cereals has been substantially offset, however, by an increase in the share of food aid which is distributed free, currently at least 60 percent. A second issue demanding attention is the allocation of counterpart resources generated out of the sale of food aid by the Government's marketing agent, the CSA. 14/ Of gross proceeds from the internal sale of food aid deliveries (UM 1 billion in 1983 and an estimated UM 2 billion in 1984) half is required to cover CSA costs of distribution and the maintenance of security stocks. The remaining proceeds of UM 0.5-1.0 billion ($8-15 million) annually, depending on the scale of deliveries, represents a significant volume of resources which up to the present has been largely retained by the CSA, but which should be made fully available for support of local cost requirements of rural development projects. 15/ These proceeds should moreover be pooled in a common fund administered jointly by food aid donors and the Government, a practice recently adopted by Senegal and Mali.

4.26 The 200,000 ton annual deficit presently met by commercial imports and food aid will be difficult to narrow substantially in the medium term. As the irrigation projects currently underway approach full grain-producing potential, irrigated output could rise from its present level of less than 10,000 tons to 35-40,000 tons by 1990, bringing total domestic cereals production to around 80,000 tons at that time barring severe drought-induced shortfalls in dryland production (Table 4.1). 16/ The increment in rice output will not be sufficient, however, to match a projected 2.5 percent annual increase in cereals demand arising with population growth in that period, this without account of improvement in nutritional standards. The cereals deficit as of 1990 would consequently

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13/ Until early 1985, consumer prices for food aid grains were sufficiently low to induce diversion in significant quantities to markets in neighboring countries and to be substituted for imported animal feed within Mauritania.

14/ CSA: Commissariat à la Securité Alimentaire.

15/ Counterpart resources earmarked by food aid donors for application to rural sector projects amounted to UM 335 thousand annually 1983-84. For comparison, the Government's total budgeted expenditure for rural development projects amounted to UM 3.4 million in 1984.

16/ Assuming expansion of irrigated production by 1,000 hectares/year; cropping intensity 150 percent and average edible grain yields of 3.5 tons/year.

be slightly above its present level of 200 thousand tons and could continue to widen unless crop production can be strongly accelerated.

4.27 Providing that a coherent cereals price policy is maintained which offers adequate incentive to Mauritanian producers, the rate at which domestic production expands will be governed by the effectiveness with which controlled water resources in the Senegal River Valley can be newly exploited. In recent years attention has been focussed on irrigation development and in particular on accelerating the pace at which land is brought under irrigation. The target set by the Government at the opening of the IVth Development Plan period in 1981, an additional 10,300 hectares by 1985, implied a tripling of the 600-700 hectare/year rate at which land was equipped for irrigation at that time. The target was optimistic given the state of preparation of irrigation projects, the Gorgol project of an originally envisaged 3,600 hectares having been the only large project ready for execution as of 1981, and given technical and institutional factors which tend to slow the implementation of projects in Mauritania. The pace of irrigation development has nonetheless quickened since the early 1980s to a current rate of about 800 hectares a year. By the end of 1985, the area fully equipped for irrigation is expected to reach about 6,500 hectares. Of these, one third consists of small perimeters of about 20 hectares each, the remainder being represented by larger scale perimeter projects: M'Pouri (1,400 hectares), Kaedi (700 hectares), Boghé (1,000 hectares), and the Gorgol (1,400 hectares of an eventual 2,000 as redesigned). Additional small-scale projects under preparation will bring the fully-equipped area close to a level of 10,000 hectares by 1990, as cited earlier.

4.28 With the completion of these works, possibilities for exploiting terrain suitable for the relatively successful and easily implemented small perimeters will have been exhausted. Some of the advantages of small-scale development can, and are, being incorporated in the design of larger scale perimeters by organizing these in 20-hectare smallholder units. The experience of the larger scale Gorgol project indicates, however, that proceding beyond the small-scale perimeter stage will be difficult and slow. In particular, large-scale development in Mauritania entails extremely high capital costs, due largely to exceptionally difficult physical conditions and poor supporting infrastructure such as access roads. 17/ Additionally, large-scale development would require correspondingly expanded farmer training in modern irrigation techniques which is probably beyond the foreseeable capacity of Mauritanian institutions to deliver. Finally, and perhaps most significantly, the continuity of large scale development is problematic until means can be found to meet massive maintenance requirements, particularly of the main canals.

17/ Capital costs of irrigation infrastructure in Mauritania average $15-20,000/hectare, 50 percent higher than those of comparable projects in Senegal.

4.29 Such issues are being addressed by SONADER, a semi-autonomous agency responsible for irrigation planning. SONADER's effectiveness has been threatened in recent years as its responsibilities have proliferated to include a variety of functions such as input delivery and credit administration. In order to streamline operations to fit better its means, SONADER has embarked on a reorganization under which it will in the future devote its resources exclusively to overall planning and the preparation and supervision of individual projects.

4.30 The important efforts of SONADER notwithstanding, the constraints to larger scale irrigation will remain severe through at least the 1980s, beyond the completion of the OMVS Manantali dam upriver in Mali. Consequently, while Manantali will create the potential of 120,000 double-cropped hectares on the Mauritanian side of the Senegal Valley, water availability will far exceed the requirements of land actually equipped for irrigation in Mauritania for at least a decade. 18/

4.31 Apart from options which as yet remain unexplored in Mauritania, such as the leasing of irrigable land to local investors, cost-effecitve means of expanding irrigation development beyond the small-scale perimeter phase are by no means clear. However, with completion of the Manantali, artificial flooding of the Senegal River Valley will be made possible which could in turn enable expansion of flood-recession cropping ("oualo") in the Valley. Moreover, recent research indicates that the application of urea fertilizers to crops cultivated under conditions of controlled flooding could double productivity. 19/ This relatively riskless option will need to be explored towards ensuring maximum use of available water resources over at least the next ten-year period. In a more general context, priority attention needs to be given by the OMVS member states to establishing a master plan for the operation of the dams to meet demand for irrigation, flood recession cropping and other uses of the enormous water resources which could be released under the OMVS scheme.

18/ Of the two dams under construction, the Manantali will control water availability in the Senegal basin from upriver in Mali, whereas the second dam, Diama, is a salt intrusion barrier near the Senegal River estuary at the Atlantic Coast. Although the Diama will not provide additional capacity to regulate the flow of water, the reduction in salinity should permit double-cropping in the lower Senegal River Valley.

19/ At present, anywhere from 10,000 - 40,000 hectares are cultivated under flood recession techniques depending on water flows.

D. Towards Expanded Employment and Accelerated Human Resource Development

4.32 The longstanding need to bridge the duality of the Mauritanian economy and to raise the standard of living of the mass of its population has met with limited progress since the 1960s, the first decade of independence. Although per capita incomes are as much as US$430 on average (1984), they have shown no appreciable improvement in real terms over the past ten years. Moreover, living standards for the great majority of the population, while comparable to those in neighboring countries, are some of the lowest in the world. Given the country's limited resource base, the challenge of ensuring incomes and improved living standards will become increasingly severe as the country's population expands, and it poses a rising need to address issues of population policy and related economic planning. While Mauritania's present rate of population growth of 2.4 percent per annum is not unusually high, it is on the rise as mortality rates decline. Projected population growth indicates an increment of nearly 50 percent, or an additional 800,000 inhabitants, over the next fifteen years.

4.33 The challenge of maintaining adequate living standards is compounded by accumulating consequences of more than a decade of repeated drought. Among these consequences is a continuing concentration of the population south of the 18° latitude, which cuts across the country eastwards from Nouakchott. According to the most recent census (1977), 85 percent of the population inhabited this zone at that time, and available evidence indicates that this proportion has risen significantly since then with sustained exodus from the north and central interior. The implications of continued desertification in terms of open unemployment and of increasing needs for social and economic services in the face of already strained public sector resources are uniquely severe for Mauritania. While food aid and emergency health care can mitigate the immediate impact of extreme drought, the longer term implications of continuing drought demand expanding employment opportunities and accelerated development of educational and manpower skills.

The Agro-Pastoral Economy

4.34 Continuing drought is reflected in the southward shift of the 200 mm. isohyet by roughly 100 kilometers over the past ten years (Map). With this shift, Mauritania's agro-pastoral production system has been compressed within a narrow band of pastureland, whereas in fact this system depends on mobility and dispersion for its survival. The resultant severe pressure of the livestock herd on available grazing and water resources has been accentuated by practices aimed at maximizing the size of the herd and, at the same time, a continuing neglect and abuse of the supporting environment. The rapid build-up of the herd through the 1960s which made animal husbandry a major source of income in that period was enabled by a

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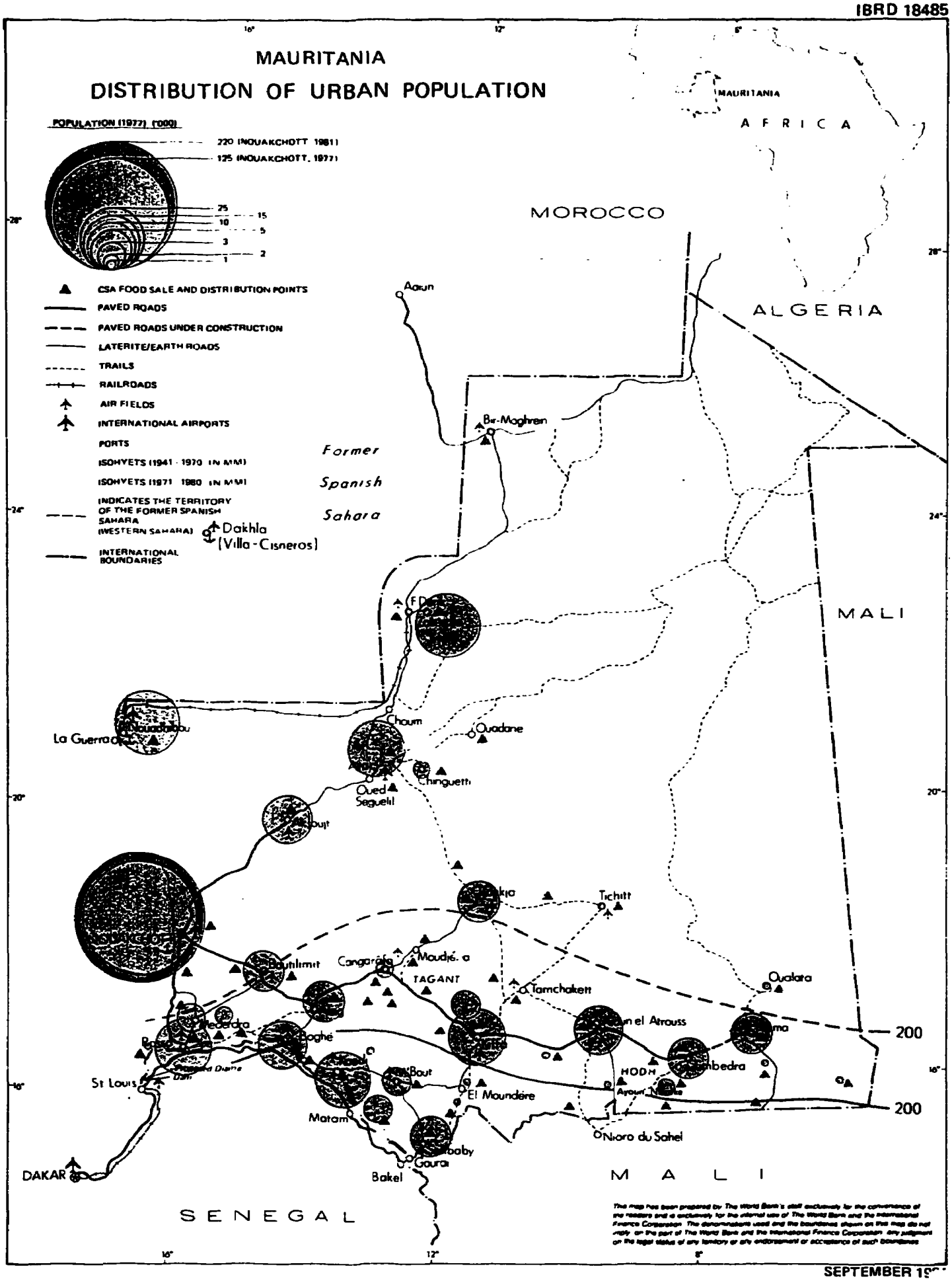

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successful disease prevention campaign, but one which was unaccompanied by measures to protect the environment. The herd, though normally resistant to temporary dry spells, was consequently unable to withstand the effects of the great Sahelian drought of 1968-73 and was reduced in that period to two thirds its pre-drought level. The process was repeated throughout the 1970s with similar results in 1983-84. This time, the process was accentuated by a proliferation of inadequately spaced water wells and consequent intense pressure of the herd on land resources in their immediate vicinity. Land degradation is now particularly severe in peri-urban areas where herds purchased from traditional pastoralists are frequently stocked by urban-based investors and speculators. Such changes in livestock ownership have become widespread in the 1980s. For the pastoralist, repeated inadequacy of forage and water, declining productivity of the herd and the risk of future losses are strong provocations to abandon the occupation of herding and to cash in on his herd. For the investor, the "modern livestock economy" is not only a source of financial gain but an avenue to foreign exchange upon eventual sale in the south for convertible currency (CFA).

4.35 The accumulating effects of rangeland overstocking, proliferation of water wells and population pressure on scrub cover for use as firewood have set in motion in Mauritania the self-reinforcing process of desertification to a degree which is probably the most widespread and severe in the Sahel. The implications of this process for long term prospects in the livestock sector are the subject of wide controversy. However, the extent to which the carrying capacity of the land may have been reduced is not uniform throughout the country. It is in fact argued that some land resources in the southeast of the country are at present underutilized. More generally, the genetic adaptation of Mauritanian livestock to harsh conditions and the knowledge and experience of traditional pastoralists in exploiting the range efficiently remain assets which can yet yield employment and incomes for a significant share of the population. Future projects in the sector could have important impact at little cost if focused on protecting pastoralist ownership through the promotion of local pastoralist organizations, ensuring rational use of grazing land and water points and establishing a more effective distribution system for the delivery of drugs and veterinary services. Similarly, means to protect the environment, including the provision of appropriate rural infrastructure such as firebreaks, require relatively modest investment and maintenance expenditure.

Urbanization

4.36 While prospects in the livestock sector are by no means erased, it is clear that they have been significantly reduced over the past decade or more. Changing perceptions of risk among the rural population are in turn reflected in rates of urbanization which are among the highest in Africa. Under conservative assumptions as to the future rate of rural exodus, Mauritania's urban population in the year 2000 will number fully one million. Already at least 30 percent of the population, more than a half million people, are urban dwellers. Nouakchott, with a population estimated at 375,000, alone accounts for more than 20 percent of the

country's total population. 20/ It expanded at exceptional rates of 15-20 percent a year through the 1970s, largely under the stimulus of a food distribution system which tended to be more efficient in the capital than in the secondary centers, and its excessive growth has been further provoked by the extreme drought prevailing since 1983.

4.37 For Nouakchott, the most immediate concern is water supply. The city's water production system at Idini, 60 kms to the east, as well as the system's transmission line to the capital operate at 50-65 percent of capacity due to lack of maintenance and spare parts. Rehabilitation is underway in the context of the SONELEC action program (para. 3.24). At the same time, the much needed improvements in water supply in Nouakchott inevitably provide a magnet for migration to the capital as long as prospects for supply in the secondary centers remain yet more restricted. The situation demands formulation of a comprehensive strategy for urban and regional development which addresses housing, health and other social needs and the role of urban centers as nuclei of potential employment generation.

Light Industry

4.38 The rapid agglomeration of the population over the 1970s and early 1980s and the likelihood that it will continue through the foreseeable future bring to the fore a need to realign economic opportunity with the changing geographical distribution of the population as large numbers shift out of the rural sector and require cash incomes to meet their new demands for marketed food and fuel. Employment opportunities will inevitably be created chiefly through the development of light manufacturing, construction trades and commerce. As yet, the labor force engaged in industrial activity apart from that of SNIM is small: it numbers about 12,000, of which 10,000 are employed in the construction industry. The manufacturing sector, which includes the petroleum refinery, sugar crystallization plant and mini-steel mill, tends to be highly capital intensive; small- and medium-scale enterprises in the sector together employ less than 1,000 workers.

4.39 Outside of mining, industrial activity of all types is severely constrained by the size of the domestic market, inadequate transport infrastructure, high costs of labor, fuel and electricity and a severe scarcity of trained workers, technicians and managers. The cost of job creation has been extremely high: $15,000 - 32,000 per job among small- and medium-scale enterprises, far too high to be sustained on any scale. Both Government and private initiatives to promote the sector have conseqentely

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20/ Trends extrapolated from the 1977 census data indicate an average annual rate of urbanization of 8.1 percent since 1970 and a ratio of urban to total population of 30 percent as of 1984. The census data do not reflect the influx of temporary dwellers in periods of severe drought. As of mid-1985, following a two-year period of extreme drought, estimates of Mauritania's urban population range as high as 40 percent of the total.

met with little success to date. The two institutions in the sector charged with its promotion themselves suffer from staff shortages and lack clear definition of their roles. Moreover, despite the Government's declared policy of promoting small- and medium-scale enterprises, the Investment Code has until recently been heavily biased in favor of larger enterprises. 21/ The institutional framework of the sector should be considerably improved from 1985 onwards, however, by measures taken early in the year to remove this bias and by the start-up of full operations of a second development bank, the Fonds National du Développement (FND), to supplement those of the long-established Banque Mauritanienne du Développement et du Commerce (BMDC).

4.40 Although the development of light industry is at present heavily constrained, there is scope for expansion: (i) in the manufacture of those goods such as building materials which involve heavy transport costs and in which the domestic producer is therefore favored; and (ii) in providing inputs to, or processing the outputs of, the fishing and agricultural sectors.

4.41 The creation of small- and medium-scale industry ancillary to fishing and agriculture could well provide a major source of employment over the longer term. The creation of consumer markets among an increasingly agglomerated population can be expected to give rise to production in the secondary urban centers of processed food and beverages, construction materials, household chemical products and other light manufactures, which are in fact already produced in Nouakchott. Indeed, an important factor underlying the new effort launched in the late 1970s to promote irrigation development was the Government's expectation that the creation of a large oasis of irrigated land would have at least as strong multiplier effects as had the development of the isolated iron and copper mining enclaves at Zouerate and Akjoujt in the 1960s.

4.42 The development of light industry which permits new employment and income opportunities for a sizable share of the population will be achieved only at the pace at which its primary constraints, inadequate transport infrastructure, high costs of energy and a severe scarcity of manpower skills can be relaxed. Several major improvements in infrastructure are underway and due for completion by 1987-88: the deepwater port, the new central power station and an important project to rehabilitate power and water supply facilities -- all of these serving the capital of Nouakchott. Improvements underway in secondary centers and rural areas are at most comparatively modest.

21/ Prior to 1985 revisions in the Code, only investments of more than UM 10 million (US$150,000) were eligible for such benefits as exemption from import duties and income taxes.

Transport

4.43 Of particular importance to the development of light industry will be the adequacy of the transport network to move raw materials and finished goods. Mauritania's transport infrastructure has been slow to develop, despite the priority accorded it in the 1970s. Investment is frequently difficult to justify, given generally low volumes of traffic and high construction and maintenance costs. Port and road development are made highly costly by physical factors prevailing along the Mauritanian coast as well as on the interior. Large investments in transport on the scale of the new deepwater port and the 1,150 km Nouakchott-Nema road have been made only as foreign financing was amply available. The volume of traffic on the Nouakchott-Nema road, the principal object of the heavy investment in the sector in the 1970s, is such that air transport would probably have been a less expensive option. The overall benefits from the road would in any case have been significantly greater had it been located in the Senegal River Valley. The alignment of the road some 100 kilometers north of the agricultural zone has since required additional investment to link it with the southern network and thus provide access to and from the Senegal Valley irrigation potential. Such investments are essential not only to marketing the crops produced in the zone but also to the development of ancillary light industry within the zone. However, the cost of completing a balanced road network must now be weighed against competing claims for rehabilitation and maintenance of the existing network, notably the Nouakchott-Nema road itself, the recurrent costs of which alone well exceed the Government's foreseeable budgetary means. It is therefore recommended that no major new construction be undertaken over the next five years, and that all available resources for the highway sector be devoted to maintenance and rehabilitation.

Energy

4.44 The adequacy of low-cost energy supply is already an important issue and will take on increasing importance as demand outstrips the country's extremely weak energy production capacity. Mauritania's fragile forest cover is its only energy resource. The economy is therefore dependent upon imports to meet all commercial energy requirements and, as its own forestry resources deteriorate, it has begun to import charcoal from Senegal to meet non-commercial requirements.

4.45 Demand for commercial energy can be expected to rise significantly into the 1990s, particularly in the mining sector due to the relatively high beneficiation requirements of the ore mined from the Guelbs deposits. Increases in demand can be also expected as petroleum imports must be substituted for the country's dwindling supply of woodfuels. Fuelwood is now consumed only by rural households, while urban consumers have switched almost entirely to imported charcoal and commercial enterprises to butane and electricity. Deforestration is in fact Mauritania's principal energy problem: woodfuels still meet over 50 percent of the country's energy demand, yet accessible forest cover could be totally destroyed within the next 20 years in the absence of a well-designed strategy to reduce consumption and raise sustainable forest yields. The implications of rising demand for substitute petroleum

products could weigh heavily on Mauritania's balance of payments: petroleum imports on the part of former woodfuel consumers will give rise to a strong increment in demand for commercial energy forms and could pre-empt as much as 25 percent of the country's foreign exchange earnings by the early 1990s, as against 12 percent at present, unless improvements can be made in the interim towards enhancing the efficiency of energy use.

4.46 Both pricing and non-price policies are needed to reduce the cost of energy and ensure supply adequate to meet future requirements, including those of a potentially expanding light industrial sector. 22/ Of particular importance is the issue of electricity pricing. SONELEC's exceptionally high electricity tariffs, though set below the economic cost of supply, pose a major impediment to the development of light industry. Industrial tariffs are in fact high relative to residential tariffs. Adjustments in the tariff structure to reverse the advantage could not only reduce costs for light industry but reduce SONELEC's costs as well by expanding utilization of its present capacity, especially by deterring the current proliferation of small commercial and industrial self-producers. Secondly, modest investments could enable conversion to the use of cheaper fuels and thus significant energy savings: the industrial sector currently relies exclusively on relatively costly gas oil. Finally, savings can be realized through improvements in petroleum product marketing by SMCPP and possibly by utilizing storage and handling facilities of the Nouadhibou petroleum refinery.

Manpower and Employment

4.47 The expansion of light industry and other employment-generating activity will further require much improvement in the supply of indigenous manpower skills. Skill shortages pose a major constraint to the expansion of virtually all sectors of the economy and are most acute in agriculture, fishing and light industry, the sectors of greatest development potential. In the agricultural sector, the widest need is for skills in the use of modern production techniques, notably in irrigation. In fisheries, though some 2,000 Mauritanians are officially registered as sailors, the majority are untrained and inexperienced and are in practice replaced in their jobs by expatriate crew. In the industrial and service sectors, manpower shortages are most severe among lower- and middle-level personnel having basic technical or clerical skills. The education sector itself suffers a lack of qualified personnel: at the secondary level, over half of all teaching positions are filled by expatriates.

4.48 The inadequacy of manpower skills throughout the economy is in fact such that the supply of indigenous skilled workers is insufficient to meet even the very modest number of employment openings, about 4,500 annually, in the modern sector. The number of graduates with at least four

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22/ Detailed recommendations have been made by a World Bank Energy Assessment, Mauritania: Issues and Options in the Energy Sector, April 1985.

years' completed secondary education is sufficient to fill only one in every four of these openings annually. The deficit is met in part by non-Mauritanians in substantial numbers, equivalent to as much as 15 percent of the modern sector work force in recent years. The supply of workers to meet the remaining demand is in general poorly trained or educated: recent surveys among small- and medium-scale enterprises indicate that about 70 percent of the workers have no formal skill training and that nearly 50 percent are illiterate. The resultant low productivity of the work force as a whole, coupled with the necessity of hiring large numbers of expatriate personnel to fill higher level positions, is the principal factor responsible for the high cost of labor which severely impedes development of the tiny and narrowly-based modern sector.

4.49 The paucity of skills among the majority of Mauritania's labor force can be explained in part by deep-rooted cultural traditions which tend to inhibit the exercise of manual labor and modern routine. It can also be traced to the low external efficiency of the education system. The lack of responsiveness of the system to the country's manpower needs is reflected in an extremely low share, 15 percent, of secondary school enrollees receiving vocational training. Most training for industrial activity is extended by private institutions. In the agricultural sector, the Government has introduced farmer training programs, but it has given relatively little attention to the kind of overall manpower planning and training requirements which are critical to the development of irrigation.

Education

4.50 At the core of Mauritania's manpower skills problem is a persistently limited provision of basic education. The workforce today is the product of an educational system registering extremely low enrollment ratios: as little as 10-15 years ago, enrollment ratios were 15 percent at the primary level and about 5 percent at the secondary level. Mauritania, like many African states, has boosted primary school enrollment rapidly since independence, although its primary enrollment ratio today is only about 35 percent. 23/ Consequently, the adult literacy rate, less than 5 percent at independence and 10 percent 15 years ago, remains only about 25 percent today, or approximately half the average for Sub-Saharan Africa.

4.51 Not only is the output of the educational system far short of the country's development needs and rising only slowly to meet them, but it is achieved at high cost. Expenditure on education, at UM 2.6 billion (US$45 million) annually since 1983, represents 20 percent of the Central

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23/ Mauritania's primary school enrollment ratio is comparable to those of other countries in the immediate region (Mali, Chad, Burkina-Fasso), though decidedly lower than that of neighboring Senegal, which registers a ratio of 48 percent.

Government's current budget and about 6 percent of GDP. 24/ Per pupil costs at the primary level are the highest in Francophone West Africa and at the secondary level are exceeded only by those of the Ivory Coast. The high costs are owed principally to the level of teachers' salaries, which matches that of the most senior civil servants. The cost of secondary education in particular is made excessive by expatriate teacher salaries and a generous system of scholarships.

4.52 In practice the educational system has tended to favor secondary and higher education, although declared Government policy gives priority to primary education and vocational training. Reaffirming this policy, the Government established in mid-1984 a special commission on educational reform to identify means to reduce the overall cost of the system and to make it more responsive to the country's development needs. Continuing failure to give appropriate emphasis to these education priorities could mean indefinite postponement of a more rapid expansion of labor-intensive industry to meet the employment needs of an increasingly urban population. At the same time, urbanization should itself provide new opportunities for the education system to reach large segments of the population which, having been highly dispersed in the past, were virtually untouched by modern education as well as health and other social services. A clearly defined education strategy and appropriate allocation of the considerable resources available to the system are thus essential to reducing the already severe imbalance between the supply of unskilled labor and the basic educational and vocational skill requirements of an expanding modern economy.

24/ Additional recurrent expenditure is financed out of regional budgets and very considerably through foreign assistance programs. Capital expenditure, which is financed almost exclusively by foreign donors, amounts to a further UM 200 million (US$4 million a year).

V. THE PROJECTED MEDIUM-TERM OUTLOOK

5.1 The preceding discussion has indicated clearly that appropriate government policy action is essential to maximizing prospects for the economy over the medium term. In order to simulate the effects of such action, a macro-economic model has been prepared to illustrate the implications of these actions with respect to growth, savings and investment, government finance and the balance of payments, including the amount of external debt relief and fresh financial support which will be needed through the 1985-88 Recovery Plan period. 1/ The Baseline Scenario assumes successful implementation of a medium-term recovery plan incorporating measures as summarized in Chapter VI. It also assumes rainfall equal to average annual levels registered between 1960 and 1982. Although the economic growth projected under the Baseline (or improved policy) Scenario is similar to that achieved during the 1973-1983 period, considerable new policy reform would be imperative to achieve the performance projected under the Baseline Scenario because of the more difficult current situation confronting Mauritania (e.g. higher external debt, low iron ore prices, severe drought).

A. Baseline Scenario

Production

5.2 In the Baseline (or improved policy) Scenario GDP growth averages 2.7 percent annually from 1985 to 1993, slightly higher than the rate of population growth projected for that period. Under the assumptions of this scenario, crop production is projected to rise in the range of 10-12 percent per annum with recovery from the drought-induced lows of 1983-84 and successful implementation of ongoing and envisaged irrigation projects in the Senegal River Valley. Output in the livestock sector would expand at an average annual rate of less than 2 percent over the 1985-93 period, assuming that by 1993 the herd size would be only about 80 percent of its pre-drought, 1982 level. Growth in the fisheries sector is projected to average 11 percent per annum through 1988 and less than one percent thereafter. This trend reflects continuing replacement of fishing under license by operations of Mauritanian-controlled joint venture companies

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1/ These projections are based on simple sectoral models for the mining, fisheries and livestock sectors and a two-gap model (RMSM) to project overall financing requirements. The projections are based on a target rate of growth and exogenously determined levels of exports, production and ICOR. The projections take into account the effects of the February 1985 effective devaluation of the ouguiya, though not of the effects of bilateral debt rescheduling agreements under negotiation as of mid-1985.

(paras. 4.13-21), so that by 1988 Mauritanian-controlled companies will have taken over about 80 percent of the estimated annual catch in Mauritanian waters. Mauritanian exports would consequently rise from their 1984 level of 320,000 tons to 450,00 tons and would remain at that level from 1988 onwards.

Table 5.1. Baseline Scenario: Projected Growth of GDP and Trade

	Baseline Scenario	
	1985-88	1989-93
	Annual Average Growth (in percent)	
Value Added		
Primary Sector	4.7	2.2
of which:		
Agriculture	(11.9)	(3.9)
Livestock	(.4)	(2.5)
Fisheries	(11.1)	(.8)
Secondary Sector	2.2	1.5
of which:		
Construction	(-0.5)	(3.9)
Mining	(2.4)	(.5)
Tertiary Sector	2.6	2.4
of which:		
Public Administration	(0.0)	(1.0)
GDP at Market Prices	3.3	2.5
Foreign Trade		
Exports		
of which:		
Fish	6.5	2.0
Mining	1.0	.5
Imports		
of which:		
Foodstuffs	1.0	1.0
Consumer Goods	0	0

5.3 In the secondary sector, mining is projected to grow at an average rate of only about 1-2 percent per annum through 1993 assuming that SNIM is successful in implementing its Action Plan to reduce production costs and retains its share of the European market, representing 9-10 million MT annually. In addition, it is assumed that gypsum production is resumed in 1986 and results in modest exports of about 200,000 tons per year from 1988 onwards. Construction activity is expected to expand at a more moderate pace than in the recent past in line with reductions in fixed investment beginning 1985-86.

5.4 It is further assumed in the Baseline scenario that tertiary sector output will rise at a modest pace, 2.5 percent per annum through 1993. Net output in government services is assumed to remain constant through 1988 and to expand only slightly thereafter, reflecting

restrictions on increases in the wage bill (para. 5.9). Transportation and trade are projected to grow at the pace of the overall economy, i.e., by an annual average of 2.7 percent through 1993.

5.5 As a result of the trends in growth assumed, the structure of GDP would be only slightly modified by the early 1990s (Table 5.2). Livestock, mining and tertiary activity would continue to be predominant while crop agriculture and fisheries would assume slightly larger roles and government services would decline in relative importance.

Table 5.2 Structure of GDP

	1984	1993
Agriculture	3.1	4.7
Livestock	20.0	18.3
Fisheries	7.6	9.7
Mining	16.0	14.2
Other Industry, including Fish Processing	5.3	6.5
Construction, Public Works	7.2	6.8
Trade, Transportation, other Services	25.5	27.0
Government Administration	15.3	12.7
GDP at Factor Cost	100.0	100.0

Consumption, Savings and Investment

5.6 Given the relatively modest overall rate of growth projected in the Baseline Scenario, a reversal of the negative savings record of recent years can be achieved only with persistent restraint in fiscal and monetary policy and maintenance of exchange rate and price policies aimed at bringing down consumption relative to production. Assuming these are achieved under the Government's Economic and Financial Recovery Plan, domestic savings could reach positive levels by a modest but sustained margin (6 percent of GDP) (Table 5.3). Fixed investment gradually declines from its level of 29 percent of GDP in 1984 to about 22 percent by 1988 in line with public investment policy. The emphasis to be given by the Government to rehabilitating existing capital assets and improving investment programming should result in substantially higher efficiency of investment, viz. an incremental capital-output ratio (ICOR) of about 9 over the 1985-93 period, as against an estimated 12 in 1974-84.

Table 5.3 Expenditure on Gross Domestic Product, 1984-93

	Estimated Actual 1984	Projected 1985	1988	1990	1993
GDP (UM million at constant 1982 prices)	41,337	42,201	47,026	49,242	52,752
		(As a percentage of GDP)			
Gross Domestic Investment	23	25	23	18	18
Fixed Investment	29	25	22	17	17
Change in Stocks	-7	0	1	1	1
Consumption	122	98	94	94	94
Public	18	18	17	16	16
Private	104 a/	81	77	78	78
Resource Balance	-45	-26	-17	-15	-13
Exports of Goods, NFS	50	52	49	50	52
Imports of Goods, NFS	-95	-78	-66	-65	-65
Gross Domestic Savings	-22 b/	2	6	6	6
Memorandum Items: (in US$ at 1982 prices and exchange rate)					
Gross Disposable Income per Capita	482	472	495	488	480
Consumption per capita	571 a/	459	454	4[illegible]6	441

a/ Private consumption is calculated as a residual. For 1985, approximately 5 percent, or US$26 per capita, must be considered to be spurious consumption, as it represents inventory reduction in the form of herd loss due to drought.

b/ Reflecting chiefly livestock losses due to drought.

Terms of Trade and Prices

5.7 Mauritania's terms of trade are projected to remain fairly stable through at least the 1980s (Table 5.4): export prices for both iron ore and fish are forecast to rise at a pace approximating that of international prices. International inflation is forecast at 5 percent in 1985, rising to 8 percent in 1987-90 and slowing to 5 percent thereafter. The domestic inflation rate is projected to be somewhat higher, averaging 10 percent in 1985-1987, 9 percent in 1988-1989 and 8 percent from 1990 onwards.

Table 5.4: Terms of Trade 1984-93
(Index 1984 = 100)

	1984	1985	1988	1900	1993
Export Price Index	100	103	129	150	173
of which					
Iron ore	(100)	(100)	(125)	(146)	(169)
Fish	(100)	(105)	(132)	(153)	(177)
Import Price Index	100	105	133	154	183
Terms of Trade	100	98	97	97	95
Memorandum Items:					
International Price Index	100	105	132	153	177
Mauritanian Price Index	100	112	145	171	215

Government Finance

5.8 In the medium term, Government revenue is assumed to rise at about the same pacc as GDP. Prospects for a substantial expansion of the tax base beyond the improvement made under the Finance Law of 1984 are limited in the medium term, given the small size of the modern sector. Significant improvement would be made, however, in the rate of overall tax collection, and export tax receipts are projected to show a comparative rise on the strength of increased export volume in the fisheries sector.

5.9 On the expenditure side, the Baseline (or improved policy) Scenario reflects the Government's targeted control over wages, transfers and subsidies in order to achieve an overall budgetary surplus by 1988 (Table 5.5). The wage bill is assumed to remain constant in real terms through 1988. Expenditure on supplies and equipment is assumed to be increased at a rate of 10 percent per annum in real terms through the same period. Subsidies and transfers
are held constant in nominal terms, those to enterprises of an industrial and commercial character (EPICs and SEMs) declining progressively as

rehabilitation programs are implemented in the parastatal sector, and those for scholarships declining as reform measures are undertaken in the education sector.

Balance of Payments and External Debt

5.10 Under the assumptions of the Baseline Scenario, a significant improvement in the trade balance is achieved through 1988 owing to increased exports of fish and, concurrently, a decline in merchandise imports by 4 percent annually in real terms following a sharp drop in response to the devaluation of the ouguiya in February 1985 (Table 5.6). Factor service payments would remain exceptionally heavy until the early 1990s in the absence of debt relief, although interest payments originally due in 1985 will be substantially relieved by debt rescheduling exercises underway. Current transfers are projected to decline, assuming food aid shipments are reduced from their exceptionally high levels of 1984-85. Thus the current account deficit could be reduced to 14 percent of GDP by 1988 as against 20 percent in 1985, this without account of debt relief.

5.11 On capital account, official grants are projected to decline with investment and, at the same time, as increasing budgetary savings are applied to the public investment program. New foreign lending commitments in the Baseline Scenario would average US$165 million dollars per year through 1988 and US$200 million in the early 1990s. Such levels of commitments could be forthcoming from Mauritania's traditional foreign partners provided that appropriate policy measures are effectively implemented. This borrowing could be sustained, however, only if extended on highly concessional terms. Average terms would in fact have to be significantly softer than those on which external debt has been contracted in the past. New borrowing is assumed to carry an average maturity of 30 years, including 7 years' grace, and an average interest rate of 2 percent. The debt service ratio, 35 percent in 1988 (before rescheduling), would decline to only 14 percent by 1993 (Table 5.6).

Table 5.5: Projected Treasury Operations
(Baseline Scenario, 1985-93)
(ouguiya millions in current prices)

	Estimated	Projected		
	1984	1985	1988	1993
Current Revenue	11,388	13,517	20,166	35,313
(% of GDP)	25%	25%	25%	26%
Taxes on Income and Profits	2,710	3,142	4,676	8,543
Taxes on Imports	2,720	3,240	4,906	8,295
Taxes on Exports	1,530	1,614	2,651	4,421
Other Taxes	2,030	3,115	4,620	7,705
Non tax Revenue a/	1,450	1,340	2,021	5,076
Special Accounts b/	943	1,066	1,292	1,273
Current Expenditure (-)	10,610	12,004	16,674	28,653
(% of GDP)	22%	22%	21%	21%
Wages and Salaries	5,540	5,934	7,826	12,152
Equipment and Supplies	2,280	2,564	4,672	9,031
Subsidies and Transfers	1,490	1,490	1,490	1,490
Interest on External Public Debt c/	990	1,664	2,216	5,270
Other Expenditure	310	352	470	710
Current Balance	-778	1,513	3,492	6,660
Capital Expenditure and Net Lending d/ (-)	1,654	1,885	2,613	4,020
Overall Balance e/	-876	-372	879	2,640
Memorandum Items:				
Increase in Arrears on Budgeted Debt Service Payments	649	-	-	-
Budgetary Grants	82	-	-	-

a/ Including capital revenue of UM 176 million in 1984 and UM 180 million in 1985.
b/ Mainly food aid counterpart accounts.
c/ Interest on debt contracted as of September 1984, before rescheduling.
d/ Including special accounts expenditure.
e/ On a commitment basis.

5.12 Despite projected improvements in the current account deficit and debt service situation, a sizable overall financing gap would persist until the early 1990s. For 1985 this gap, before debt relief and including accumulated arrears, is estimated at about US$200 million, or 32 percent of GDP. The estimated total financing gap over the three-year period 1986-88 could amount to about US$275 million (Table 5.6).

B. Sensitivity Analysis

5.13 The Baseline (or improved policy) Scenario presented above is illustrative of the results which can realistically be achieved in the medium term with full implementation of the policy recommendations outlined in Chapter VI of this report. Sensitivity analysis was tried to test the responsiveness of the Baseline results to changes in some of the assumptions. Under certain assumptions alternative to those of the Baseline Scenario, projected growth of the economy through the early 1990s would vary little from that projected in the Baseline case. The balance of payments gap projected in the Baseline case for the 1986-88 period (about US$90 million a year on average) is somewhat sensitive, however, to downward revisions in the assumptions regarding export prices and volumes in particular (Table 5.7). A two percent lower annual rate of increase in iron ore or fish prices would widen the balance of payments gap by more than 10 percent, or by about US$11 million a year on average in 1986-88. These results indicate that a downward change in exogenous variables would not lead to a situation which is substantially different from the Baseline Scenario. However failure to implement the necessary policy reforms could result in a situation which is considerably worse. For example, if in the fishing sector there was no further replacement of existing licensing agreements by the formation of Mauritanian controlled joint ventures, the balance of payments gap over the next three years could be US$18 million a year higher than under the Baseline Scenario. On the import side, less restraint in consumer goods imports could have a large impact on the BOP gap: for every increase of one percent in consumer goods over the postulated level, the BOP gap would increase by US$5 million.

5.14 Prospects for a significant improvement in the balance of payments projected under Baseline Scenario assumptions are limited. However, if SNIM were able to realize sales of one million MT annually over those assumed in the Baseline Scenario, i.e., an annual average of 10-11 million MT, the balance of payments gap projected for 1986-88 could be reduced by an average of US$18 million a year. Prospects for a significantly accelerated rate of growth of the economy are also limited, even in the event of a return to substantially more favorable weather conditions. For purposes of illustration, if rainfall were to return fully to levels registered in the 1960s, higher rates of growth in dryland cereals and livestock production would push overall growth of the economy to only a little over 3 percent a year on average through the early 1990s.

Table 5.6: Balance of Payments
(Baseline Scenario)

	Estimated	Projected		
	1984	1985	1988	1993
	(US$ millions current)			
Exports, Goods and NFS	348	379	506	818
Imports, Goods and NFS	-611	-530	-632	-954
Resource Balance	-263	-151	-126	-136
Net Factor Service Income a/	-39	-43	-21	-29
Net Current Transfers	58	47	40	40
Current Account Balance	-244	-155	-107	-125
Net Capital Inflow	217	83	28	152
of which:				
Official Grants	44	41	28	20
Net M&L/T Borrowing	153	28	-15	110
Disbursements	180	104	129	198
Amortization a/	-27	-76	-144	-88
Overall Balance	-27	-72	-79	27
Change in Official Reserves (- = increase)	27	-12	-9	-17
Net Financing Gap b/	0	84	88	10
Memorandum item:				
Accumulated Arrears end of year	116 c/	-	-	-
	(in percent)			
Current Account Deficit/GDP	34	24	11	10
Debt Service/Exports, NFS	25	31	35	14
Debt Outstanding and Disbursed/GDP	171	180	122	88

a/ Medium and long-term debt interest and amortization includes estimated actual payments in 1984, scheduled payments in 1985-93 and debt service associated with projected new commitments 1985-93. Amortization of the US$76 million in 1985 takes account of debt cancellations granted in the final quarter of 1984.

b/ After allowance for increases in reserves beginning 1986 equivalent to 16 percent of the annual increase in imports of goods and non-factor services.

c/ Including US$96 million in arrears on external public debt and US$20 million in arrears on commercial debt.

Table 5.7. Sensitivity Results

	Change in Assumption from Baseline	Overall GDP Growth 1985-93 (constant 1982 prices)	Average Financing Gap 1986-88 (US$ millions)
Baseline Case	--	2.7	91
Lower Iron Ore Prices	2% lower annual increase in world prices	2.7	101
Lower Fish Prices	2% lower annual increase in world prices	2.7	102
Curtailment of Fisheries Export Growth	4% growth p.a. in fisheries sector output 1985-1988 vs. 11% in Baseline case	2.6	109
Relaxation of Demand Restraint	1% higher annual imports of consumer goods	2.7	96
Higher Rainfall	Rainfall returned to levels of 1960s	3.1	85
Higher Iron Ore Exports	Iron ore export volume 10 percent higher than in Baseline Case	2.9	73

VI. A PROGRAM OF ACTION FOR RECOVERY

6.1 The preceding chapter demonstrated that appropriate policy action is critical to satisfactory growth and savings performance of the Mauritanian economy in the medium term. This chapter will outline the principal economic policy reform measures which are needed to redress the current situation. The action needed must be based on an economic recovery plan which is fully comprehensive and sustained if it is to be effective in attacking the stagnation and instability which have plagued the economy over the past decade. Selective adjustments and austerity measures taken in the past to trim public and private consumption have for the most part had only temporary effect, as in the 1979-81 period. To the modest extent that the economy's growth has been stimulated in the past ten years, this stimulation has been largely an offshoot of a heavy public investment program and a continually expanding Government sector, both of which must now be curtailed to correct severe balance of payments and budgetary imbalances.

6.2 The relative availability of resources from abroad has tended to obscure Mauritania's longstanding need to address fundamental issues of economic management -- notably the efficiency of investment -- which are at the core of its economic and financial difficulties. Few other developing countries have attained the rates of investment of 35 percent or more of GDP experienced by Mauritania for a decade. Yet the expansion of the economy has been sufficient to cover little more than the effects of population growth: per capita incomes have shown no rise in real terms since the mid-1970s. Nor has the economy generated savings sufficient to service the debt associated with that investment and avoid the massive current debt crisis.

6.3 The Government is severely challenged in its exercise of economic management by the country's brief tradition of public administration and its own paucity of trained personnel. The result has frequently been a lack of consistent and comprehensive policies governing public investment, the public enterprises, the banking sector or the control and exploitation of resources at the sector level, as in fisheries. A further result has been the very low level of efficiency in the public sector, which the country can no longer afford. The Government has demonstrated over the past two years in particular its growing recognition of the need to strengthen its own financial management and investment programming as well as the management of institutions on its periphery, the public enterprises, including SNIM, and the banking sector. It has further undertaken in 1985 a broad re-examination of its own recruitment policy and the organizational structure of the civil service in a major initiative aimed at strengthening public economic management.

6.4 The Government's readiness to address the wide range of constraints confronting the economy is to be articulated in its Medium Term Economic and Financial Recovery Plan due for adoption the second half of 1985. It is reinforcing this with the 12-month 1985-86 IMF adjustment

program and, beginning 1986, with a three-year rolling investment program. In formulating all major elements of the Plan, the Government is engaged in an intensive and fruitful dialogue with the World Bank and International Monetary Fund.

The Role of the Donors

6.5 To ease Mauritania's current financial crisis and raise the efficiency of its investment requires the joint efforts of the Government and the international community. The partnership is essential to ensuring timely and full implementation of the reforms introduced under the Government's Recovery Plan and of the foreign support programs designed to mitigate the impact of adjustment. The number and diversity of Mauritania's sources of assistance is unique among countries in Africa of its population size. The country's external public debt of US$1.8 billion, amounting to an extraordinary US$1,000 per capita, is held by some 35 governments and institutions, though more than half of it by eight OPEC lenders alone. 25/ Nearly all of Mauritania's principal creditors/donors have engaged in co-financing operations in the country in recent years. They have not previously been convened, however, in an aid coordination exercise of the type proposed by the Government in support of its Economic and Financial Recovery Plan.

6.6 The medium-term projections presented in Chapter V of this report demonstrate the need for substantial support on the part of Mauritania's creditors/donors to alleviate the several balance of payments gap indicated over the adjustment period, 1985-88. If, moreover, the assistance extended to Mauritania in the context of its medium term recovery effort is to have lasting impact, it will need to be extended only on the most highly concessional terms. In addition to providing the framework for balance of payments adjustment, the proposed aid coordination exercise is critical to ensuring optimal allocation of investment resources and hence in raising the efficiency of investment. Given the exceptionally heavy public investment of recent years, the rehabilitation of existing capital assets and financing of recurrent costs associated with new investment are of utmost priority in the case of Mauritania if returns on that investment are to be maximized. The donor community will also need to keep under close review the effectiveness of their substantial food aid and technical assistance programs.

6.7 The specific design of a comprehensive Recovery Plan will evolve from the Government's current economic reform initiatives and its continuing dialogue with the international community. Recent trends in the economy and current medium- to long-term prospects as assessed by this report suggest three pertinent conclusions which should serve the design of that Plan:

25/ Loan commitments made by Mauritania's principal creditors over the past ten years appear in Table 4.3 of the Statistical Annex.

(a) that a renewal of growth adequate to support a satisfactory level of per capita income over the longer term will be heavily conditional upon gains in productivity which can be achieved in the medium-term;

(b) that given Mauritania's limited resource base, all opportunities for growth, however modest, must be exploited to the maximum; and

(c) that the ultimate objective of improved living standards for the population as a whole demands that reliance on the exploitation of the country's principal natural resources, minerals and fish, as sources of growth be complemented by greater emphasis on the development of human resources.

6.8 To address these conclusions, this report further recommends a three-part program of action to be undertaken in the medium-term with respect to:

(a) Public sector reform to address those deficiencies which can be corrected through direct government action to increase public sector savings and strengthen public sector institutions and management;

(b) Improved management of resources through establishment of an institutional and policy framework within which the economy as a whole can operate under maximum efficiency; and

(c) Maximum exploitation of resources and development potential at the sector level through policy adjustments within the respective sectors and the formulation of coherent sector strategies towards ensuring maximum exploitation of their development potential.

6.9 The specific elements of this recommended program are outlined below. Paragraph references indicate relevant discussion appearing in Chapters III and IV of this report.

A. Public Sector Reform

6.10 To increase public savings and strengthen public sector institutions and management, immediate action is needed on four fronts: fiscal policy and administration, Government expenditure control, public debt management, and parapublic sector rehabilitation.

(1) Fiscal Policy and Administration (3.6-8)

6.11 Strong measures to increase fiscal receipts are required if budgetary equilibrium is to be achieved. Specifically,

(a) Reinforcement of tax administration and collection, particularly with respect to wage and salary taxes (ITS) and the general income tax (IGR), as recommended by the IMF; and

(b) Adoption of a forfeitary tax on exports of fresh and processed fish.

(2) Government Expenditure Control (3.7)

6.12 Expenditure control must be exercised chiefly through personnel recruitment and wage policy, specifically:

(a) A freeze on the overall Government wage bill in real terms through 1988; and

(b) A restructuring of the civil service, including elimination of redundant positions.

Additionally, the following should be undertaken:

(c) Close scrutiny of existing transfers and subsidies with the specific goals of (i) eliminating all transfers and subsidies extended to parapublic enterprises of a commercial or industrial character (EPICs and SEMs) by 1988, and (ii) reducing outlays for scholarships for higher education which are not financed by external aid; and

(d) Incorporation in a consolidated Government budget beginning fiscal year 1986 of all debt service obligations, as scheduled, as well as all foreign-financed investment expenditure.

(3) Public Debt and Debt Management

6.13 In order to relieve the excessive burden of public debt, including service payments in arrears, and to improve its capacity for debt management, the Government should:

(a) Conclude bilateral negotiations for the debt rescheduling as agreed in principle with creditors in March-April 1985.

(b) Contract no new foreign borrowing of maturities of 1-12 years, apart from new borrowing in conjunction with debt rescheduling.

(c) Improve external debt management through (i) explicit definition of a policy with respect to Government guarantees for parapublic and commercial sector borrowing, and (ii) strengthened Central Bank debt analysis capabilities and monitoring procedures, particularly of borrowing abroad by Mauritanian commercial banks and importers.

(4) Parapublic Sector Rehabilitation (3.21-24)

6.14 Reform of the parapublic sector is critical to an improvement in the aggregate savings performance of the public sector as well as to ensuring satisfactory delivery of public services. To attain these goals, the Government will first need to realize the gradual elimination of

operating subsidies to entities of an industrial and commercial character (EPICs and SEMs) as in 2(c) above, and secondly, to provide appropriate incentives to those which are or are potentially fully viable entities. Specifically:

(a) The Government should further consolidate through divestiture (or liquidation, as appropriate) those enterprises engaged in activities that can be more efficiently carried out by the private sector.

(b) The Government and enterprises, under the coordination of the CRSP, should rapidly implement measures initiated with respect to the establishment of contrats-plans, cost-based pricing, personnel reductions, settlement of Government-enterprise cross-debts and improved budgeting, accounting and auditing procedures according to a well-defined action program to be established.

(c) High-level Government support must be maintained to ensure success of the individual action programs being undertaken by key entities (SNIM, SONELEC and EMN) in effecting tariff and price adjustments and/or staff reductions, and, in the case of SONADER, in implementing its functional and financial rehabilitation plan.

(d) The effort to reform and rehabilitate key enterprises should be accelerated in the case of OPT and broadened to encompass the CSA and SMCPP.

B. Improved Management of Resources

6.15 Improvements in economic management are of the utmost urgency not only within the public sector, but also to put in place the institutional and policy framework within which the economy as a whole, and the private sector in particular, can operate under maximum efficiency. Improvements will not be quickly and easily achieved. The demands placed on the Government's capacity for economic management are made exceptionally heavy and complex by the country's relatively limited resource base and the sizable flow of foreign resources extended to it in the form of financial and technical assistance and food aid. Effective management of these resources, domestic and foreign, will require close planning and continuing policy adjustment to ensure their full mobilization and optimal allocation. Priority attention is needed with respect to (1) exchange rate and price policy, (2) reform of the banking system and (3) investment programming.

(1) Exchange Rate and Price Policy (3.18, 4.25)

6.16 In accordance with agreements reached with the IMF in February, 1985, action is needed to eliminate fully those distortions throughout the price system which have arisen with inappropriate exchange rate policy and rigidities in official pricing and marketing policies. Further to the

important steps taken up through February, 1985, the following are indicated:

(a) Adjustments in consumer prices, as appropriate, are needed so as to ensure full pass-through of the effects of devaluation. The early 1985 increases in producer prices for domestic cereals should be followed up by the phasing out of fertilizer and other input subsidies, to which in fact the Government has committed itself.

(b) Existing administered price regimes should be progressively replaced by a liberalization of prices for basic consumer goods and petroleum products and a tariff policy in the case of public utilities which reflects economic costs of supply. Similarly, official marketing of basic commodities should be progressively liberalized to permit greater participation on the part of the private sector.

(2) Reform of the Banking System (3.12-13)

6.17 Continuing efforts towards thorough-going reform of the banking system are needed to strengthen its institutional framework, to relieve the system of crippling illiquidity and thus to enable it to play its proper role in mobilizing domestic savings and stimulating private sector initiative. In particular:

(a) The findings of the on-going study to revitalize the banking sector by recovering overdue debts and tightening operating procedures should be followed up immediately upon completion of the study late 1985. The Central Bank should also assist the banks in instituting procedures to strengthen risk assessment.

(b) Interest rate policy should be adjusted regularly to ensure maintenance of positive rates and adequate profit margins for the banks.

(c) Generally restrictive monetary and credit policies will need to be pursued diligently in support of the broad objective of reducing balance of payments and budgetary deficits.

(d) Further increases in the banks' paid-in capital subscriptions should be sought.

(3) Investment Programming (3.27-31)

6.18 Optimizing the allocation of investment resources and thereby raising the efficiency of investment deserves special attention. This effort requires collaboration between Government planning authorities and the donor community to a far greater degree than has been achieved in the past. To ensure the quality of the program and its consistency with overall development objectives: (i) investment strategies for the respective sectors need to be elaborated, and (ii) clear criteria for the

selection of projects need to be established to ensure maximum economic rates of return. Action is needed in the following areas:

(a) Identification of requirements to rehabilitate existing capital assets and essential public services, particularly in the irrigation, power and water supply sectors.

(b) Design and selection of projects of maximum employment generation and labor intensity, particularly within the industrial sector.

(c) Improved planning and programming procedures, in particular: (i) the creation of planning units within the respective technical ministries, (ii) full screening of project proposals by the Ministry of Planning, (iii) implementation of a three-year rolling investment program, and (iv) full integration of the national budget and balance of payments forecasts to ensure adequate budgetary funding for capital and recurrent costs and debt service. Thus all projects should be fully budgeted for, and only those projects should be included which have been subjected to rigorous appraisal to demonstrate their economic justification and that their recurrent budget costs and debt service can be met.

C. Maximum Exploitation of Resources and Development Potential at the Sector Level

6.19 The above policy reforms are essential to the framework for renewed growth of the economy as a whole. Further action is needed at the sector level to complement the initiatives taken in the late 1970s in mining, fisheries and agriculture. Additionally, in light of changing environmental conditions and geographic distribution of the population, new initiatives are needed to identify and exploit those opportunities, especially in livestock and light industry, which can have maximum direct impact on employment and the incomes of the majority of the population. Although further research and analysis is required in many instances, including close study of population-related issues, prospects for expanded employment and accelerated human resource development must be explored if the base of the economy is to be continually broadened and living standards improved.

(1) Towards Ensuring the Future of Mining (S...-7)

(a) Continued rigorous execution by SNIM of remedial measures initiated during 1984 to reduce administrative and overhead costs, and finalization of SNIM's detailed medium-term Action Program.

(b) Continued close analysis of medium- and long-term market conditions to refine, as appropriate, SNIM's present mining and sales plan, its estimated ore reserves and future investment requirements.

(2) Towards Full Development the Fisheries Resources (4.13-21)

(a) A full stock assessment of resources and determination of their sustainable rate of exploitation, and the establishment of a surveillance system adequate to monitor and control exploitation;

(b) Formulation of a comprehensive strategy for the development of a Mauritanian-based fishing and fish processing industry, including determination of optimal fleet type, port infrastructure requirements and complementary measures needed with respect to fiscal policy, legal and marketing arrangements, labor policy and manpower training.

(c) Evaluation of the feasibility of developing the Port of Nouadhibou as a maritime service center, with emphasis on the promotion of private sector small- and medium-scale service industries.

(d) Examination of means to promote integration of artisanal production and industrial processing.

(3) Towards Stimulating Agricultural Production (4.22-31)

(a) Maintenance of a co[illegible]ent cereals price policy particularly with a view to mit[illegible]ting the market displacement effects of food aid by raisin[illegible] retail prices to import parity by 1987 and limiting fr[illegible] distribution in accordance with restrictive cr[illegible]eria of household need.

(b) Establishm[illegible] of a common fund for the proceeds of food aid sales to [illegible] administered jointly by food aid donors and the Government [illegible]nd directed to the support of rural development pr[illegible]ects.

(c) [illegible]mentation of the financial and organizational [illegible]ing of SONADER to ensure future planning capacity in[illegible]ation development.

(d) Rehab[illegible]ation of existing irrigation infrastructure to per[illegible]ull capacity utilization of small-scale irrigated per[illegible]meters.

(e) [illegible]entification of the scope for utilizing controlled water resources to be made available following completion of the OMVS dams, particularly in flood recession cropping, pending wider-scale irrigation development.

(f) Determination of the relative costs and benefits of alternative means of organizing large-scale irrigation development.

(4) Towards Expanded Employment and Accelerated Human Resource Development (4.32-52)

(a) Examination of the implications of population growth and demographic change and their full incorporation in the economic planning process.

(b) Formulation of a clear-cut strategy for the urban sector which takes full account of future needs for housing, water supply and other urban infrastructure.

(c) Promotion of pastoral organizations to protect pastoralist ownership and ensure rational use of grazing land and water resources.

(d) Elaboration of a strategy for the development of light industry, taking particular account of employment and manpower training needs in the urban centers.

(e) Implementation of recommendations of the World Bank's 1985 Energy Assessment towards increased efficiency of energy use through such measures as adjustments in tariffs, inter-fuel substitution and improved petroleum product marketing.

(f) Formulation of a detailed program for raising the external efficiency of the education system (being addressed by the 1985 Commission on Educational Reform) and a reallocation of education sector resources in favor of primary education and vocational training.

6.20 The recommendations proposed here constitute an ambitious program for recovery and sustained growth. Their full implementation promises to pose a major challenge to institutions responsible for Mauritania's economic management. These recommendations go well beyond the selective adjustments and austerity measures taken in the past to avert the growth of severe financial imbalances. They are proposed, moreover, at a time when prospects for the economy are yet more limited than in the past, given the current outlook in Mauritania's iron ore markets and the profound implications of a decade or more of severe drought. Such a program is nonetheless essential to alleviating Mauritania's extreme dependence on foreign resources. The Government has increasingly recognized that economic recovery demands a far more complex, comprehensive and sustained program of action than has been undertaken in the past, and it has increasingly demonstrated the political will to tackle such a program. The responsiveness of the international community to the Government's initiatives will be an important measure of its continuing support for the country's development effort.

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Table 1.1 Population by Age and Sex, 1984
(In thousands)

Age Group	Total		Men		Women	
		%		%		%
0-4	281	17.0	141	17.2	140	16.8
5-14	442	26.7	224	27.3	218	26.2
15-49	744	44.9	366	44.5	378	45.4
50 and over	188	11.4	91	11.0	97	11.6
	1655	100.0	822	100.0	833	100.0

Source: World Bank

Table 1.2
MAURITANIA: LABOR FORCE

(thousands)

	1960	1965	1970	1975	1980	Projected 1985	1990
TOTAL LABOR FORCE	299	328	362	398	440	485	543
Labor Force by Sector							
Agriculture	272	295	318	298	304	na	na
Industry	9	10	15	24	35	na	na
Services	18	23	29	76	101	na	na
Labor Force by Sex							
Male	288	316	347	382	421	464	518
Female	11	13	15	17	19	21	24

(percentages)

TOTAL LABOR FORCE	100	100	100	100	100	100	100
Labor Force by Sector							
Agriculture	91	90	88	75	69	na	na
Industry	3	3	4	6	8	na	na
Services	6	7	8	19	23	na	na
Labor Force by Sex							
Male	96.2	96.1	95.9	95.8	95.8	95.6	95.5
Female	3.8	3.9	4.1	4.2	4.2	4.4	4.5

Source: World Bank, ILO.

Table 1.3
MAURITANIA: EDUCATION SECTOR INDICATORS

		1970	1975	1980
Adjusted Enrollment Ratios				
Primary:	Overall Ratio	14	19	33
	Male	20	24	43
	Female	8	13	23
Secondary:	Overall Ratio	2	4	10
	Male	3	6	16
	Female	.	1	4
Pupil-Teacher Ratio				
	Primary	24	35	41
	Secondary	24	24	25
Adult Literacy Rate (percent)		10	14	17 a/

a/ 1978.

Source: World Bank.

Table 2.1
Mauritania: Gross Domestic Product by Sector of Origin (1973-83)

in Current Prices (million Ouguiyas)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Primary Sector	5,201	5,872	5,467	6,023	6,556	7,158	7,811	9,285	10,601	11,657	13,035
Agriculture and Forestry	551	654	674	698	827	822	1,284	1,481	1,305	1,148	872
Livestock	3,879	4,330	4,063	4,674	5,044	5,459	6,305	7,116	7,619	8,768	9,078
Fishing	771	888	730	651	685	337	222	688	1,677	1,747	3,085
Secondary Sector	4,068	5,488	6,298	7,163	6,688	6,082	7,916	7,941	8,712	8,228	8,188
Mining	2,863	3,878	4,266	4,522	3,707	2,706	4,223	3,523	4,111	3,550	3,852
Fish Processing	150	210	180	231	271	399	454	610	626	535	761
Other Industries and Handicrafts	486	560	738	837	1,009	1,052	1,310	1,494	1,249	1,255	1,351
Construction, Public Works	569	840	1,114	1,573	1,700	1,925	1,929	2,314	2,726	2,888	2,224
Tertiary Sector	4,208	5,126	6,708	7,963	9,185	9,977	11,731	13,333	13,937	15,316	17,346
Transport and Communications	710	860	966	1,368	1,742	2,010	2,392	2,609	2,735	3,035	3,454
Trade and Other Non-government Services	2,171	2,698	3,655	3,959	4,280	5,262	5,610	6,390	5,911	6,687	7,883
Government Services	1,327	1,568	2,087	2,636	3,163	2,705	3,729	4,334	5,291	5,594	6,009
GDP at Factor Cost	13,477	16,486	18,473	21,149	22,429	23,217	27,458	30,559	33,250	35,201	38,569
Indirect Taxes net & Subsidies	1,400	2,317	2,041	2,461	2,217	1,915	2,100	1,996	2,875	3,637	4,495
GDP at Current Market Prices	14,877	18,803	20,514	23,610	24,646	25,132	29,558	32,555	36,125	38,838	43,064

Source: Direction de la Statistique, Central Bank of Mauritania, IMF, Bank staff estimates.

Table 2.2
MAURITANIA: GROSS DOMESTIC PRODUCT BY SECTOR OF ORIGIN, 1973-83

In Constant 1982 Prices (million Ouguiya)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Primary Sector	10,472	10,437	8,785	9,015	9,537	9,271	9,440	10,527	11,466	11,656	13,414
Agriculture, Forestry	1,157	1,136	1,056	1,005	1,073	981	1,267	1,608	1,335	1,147	848
Livestock	7,695	8,064	7,005	7,258	7,608	7,935	8,011	8,200	8,541	8,768	9,357
Fishing	1,620	1,237	890	752	856	355	162	719	1,590	1,741	3,207
Secondary Sector	7,665	8,843	7,989	8,929	7,944	8,295	9,177	8,580	8,576	8,228	7,752
Mining	5,103	5,858	4,558	4,947	3,845	3,768	4,637	4,338	4,377	3,550	3,841
Fish processing	234	300	419	296	318	436	459	483	508	535	562
Other Industry and Handicrafts	873	1,031	1,019	1,073	1,207	1,165	1,321	1,284	1,297	1,255	1,288
Construction, Public Works	1,455	1,654	1,993	2,613	2,584	2,926	2,760	2,475	2,394	2,888	2,061
Tertiary Sector	10,595	11,493	13,100	14,264	14,823	15,126	15,259	16,740	16,529	15,316	15,936
Transport and Communications	2,165	2,014	1,971	2,496	2,697	2,772	2,870	2,962	2,904	3,035	3,293
Trade and Other Non-Government	5,145	5,815	6,670	6,609	6,730	7,930	7,771	8,618	8,176	6,687	6,634
Government Services	3,285	3,664	4,459	5,159	5,396	4,424	4,618	5,160	5,449	5,594	6,009
GDP at Factor Cost	28,732	30,773	29,874	32,208	32,304	32,692	33,876	35,847	36,571	35,200	37,102
Indirect taxes net of subsidies	3,097	4,347	3,179	3,486	3,008	2,449	2,823	2,416	3,121	3,637	4,299
GDP at Constant 1982 Market Prices	31,829	35,120	33,053	35,694	35,312	35,141	36,699	38,263	39,692	38,837	41,401
Annual Growth Rate		10.3	-5.8	8.0	-1.0	-.4	4.4	1.5	3.7	-2.2	6.6

Source: Direction de la Statistique, Central Bank of Mauritania, IMF and Bank staff estimates.

Table 2.3
MAURITANIA - EXPENDITURE ON GROSS DOMESTIC PRODUCT, 1973-83
in Current Prices (million Ouguiya)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
GDP at Market Prices	14,877	18,803	20,514	23,610	24,646	25,132	29,558	32,555	36,125	38,838	43,064
RESOURCE GAP	-170	1,939	4,404	9,302	9,942	7,795	7,817	9,546	10,568	17,121	12,411
Exports incl. NFS	7,064	9,207	7,995	9,083	8,191	8,502	9,945	12,154	16,506	15,776	20,163
Imports incl. NFS	6,894	11,148	12,390	18,391	18,133	16,297	17,672	21,700	27,074	32,897	32,574
TOTAL EXPENDITURE	14,707	20,742	24,918	32,912	34,588	32,927	37,375	42,101	46,693	55,959	55,475
CONSUMPTION	13,423	17,719	17,849	22,909	24,976	25,194	29,837	30,315	31,570	37,665	48,255
Public 1/	2,785	3,264	4,033	7,512	8,870	8,731	8,793	8,242	7,828	9,288	9,845
Private 2/	10,638	14,455	13,816	15,397	16,106	16,463	21,044	22,073	23,742	28,377	38,410
GROSS DOMESTIC INVESTMENT	1,284	3,023	7,069	10,003	9,630	7,783	7,538	11,786	15,123	18,294	7,695
Fixed Investment	2,415	2,050	4,141	9,319	8,499	6,623	7,375	10,187	13,507	15,774	13,065
Public	(2,210)	(3,113)	(3,836)	(8,946)	(8,111)	(6,220)	(6,907)	(9,686)	(11,289)	(13,924)	(12,215)
Private	(205)	(275)	(305)	(373)	(388)	(403)	(468)	(501)	(2,218)	(1,850)	(850)
Change in Stocks	-1,131	973	2,928	684	1,131	1,110	163	1,599	1,616	2,520	-5,845
GROSS DOMESTIC SAVINGS	1,454	1,084	2,665	701	-330	-62	-280	2,240	4,555	1,173	-5,191
Net Factor Income from Abroad	-964	-900	-1,095	-1,521	-1,756	-1,800	-2,094	-1,714	-1,228	-2,505	-2,488
Net Current Transfer Receipts	1,391	3,272	3,447	6,287	5,502	5,672	4,704	3,751	2,956	4,452	3,361
GROSS NATIONAL SAVINGS	1,881	3,456	5,017	5,467	3,416	3,810	2,890	4,277	6,283	3,120	-4,318
NATIONAL SAVINGS GAP (-)	-597	-433	2,052	4,536	6,214	3,923	4,648	7,509	8,840	15,174	11,538
GNP at Market Prices	13,913	17,903	19,419	22,089	22,890	23,332	27,464	30,841	34,897	36,333	40,576

1/ Residual.
2/ Government only.

Source: IMF and Bank staff estimates.

Table 2.4:
MAURITANIA - EXPENDITURE ON GROSS DOMESTIC PRODUCT 1973-83
in Constant 1982 Prices (million Ouguiya)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
GDP at Market Prices	31,829	35,120	33,053	35,694	35,312	35,141	36,699	38,263	39,692	38,838	41,401
RESOURCE GAP	-890	5,884	11,887	22,689	18,948	11,972	8,830	8,401	10,433	17,121	11,148
Exports Incl. NFS	13,057	14,297	10,437	11,368	10,778	11,647	13,260	13,970	17,194	15,776	20,787
Imports Incl. NFS	12,167	20,181	22,304	34,057	29,726	23,619	22,090	22,371	27,627	32,897	31,935
TOTAL EXPENDITURE	30,939	41,004	44,940	58,383	54,260	47,113	45,529	46,664	50,125	55,959	52,549
CONSUMPTION	28,295	32,601	32,331	42,303	39,953	37,194	37,087	34,919	35,626	37,665	45,270
Public 1/	6,860	7,591	8,581	14,729	15,034	14,313	13,323	9,812	8,070	9,288	9,845
Private 2/	21,435	25,010	23,750	27,574	24,919	22,881	23,764	25,107	27,556	28,377	35,425
GROSS DOMESTIC INVESTMENT	2,644	8,403	12,609	16,080	14,307	9,919	8,442	11,745	14,499	18,294	7,279
Fixed Investment	5,367	6,274	6,879	14,911	12,554	8,310	8,222	9,795	12,742	15,774	12,846
Public	(4,911)	(5,765)	(6,372)	(14,314)	(11,981)	(7,804)	(7,700)	(9,313)	(10,650)	(13,924)	(12,010)
Private	(456)	(509)	(507)	(597)	(573)	(506)	(522)	(482)	(2,092)	(1,850)	(836)
Change in Stocks	-2,723	2,129	5,730	1,169	1,753	1,609	220	1,950	1,757	2,520	-5,567
GROSS DOMESTIC SAVINGS	3,534	2,519	722	-6,609	-4,641	-2,053	-338	3,344	4,066	1,173	-3,869
Net Factor Income from Abroad	-2,321	-1,969	-2,143	-2,982	-2,722	-2,951	-2,830	-2,090	-1,349	-2,505	-2,370
Net Current Transfer Receipts	3,349	7,160	6,746	10,747	8,530	8,220	6,357	4,574	3,213	4,452	3,201
GROSS NATIONAL SAVINGS	4,562	7,710	5,325	1,156	1,167	3,216	3,139	5,828	5,930	3,120	-3,088
NATIONAL SAVINGS GAP (-)	-1,918	-693	7,284	14,924	13,140	6,703	5,303	5,917	8,569	15,174	10,317
GNP at Market Prices	29,508	33,151	30,910	32,712	32,590	32,190	33,869	36,173	38,343	36,333	39,031

1/ Government only.
2/ Residual only.

Source: IMF and Bank Staff estimates.

Table 3.1

MAURITANIA: SUMMARY BALANCE OF PAYMENTS, 1973 - 1983
(in million ouguiya)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
EXPORTS, incl. NFS	7,064	9,207	7,995	9,083	8,191	8,502	9,945	12,154	16,506	15,776 1/	20,163
Merchandise, f.o.b.	6,594	8,447	7,221	8,032	7,184	5,474	6,754	9,013	13,036	12,428	17,411
Non-Factor Services	470	760	801	1,070	1,007	3,028	3,191	3,141	3,470	3,348	2,752
IMPORTS, incl. NFS	-6,894	-11,148	-12,390	-18,391	-18,133	-16,297	-17,672	-21,700	-27,074	-32,897	-32,574
Merchandise, c.i.f.	-6,504	-10,278	-10,440	-14,301	-14,580	-13,540	-13,955	-15,957	-19,849	-22,083	-20,732
Non-Factor Services	-390	-870	-1,959	-2,131	-3,553	-2,757	-3,717	-5,743	-7,225	-10,814	-11,842
RESOURCE BALANCE	- 170	-1,939	-4,404	-9,308	-9,942	-7,795	-7,817	-9,546	-10,568	-17,121	-12,411
FACTOR SERVICES (net)	-964	-900	-1,095	-1,521	-1,756	-1,800	-2,094	-1,714	-1,228	-2,505	-2,488
Interest	-91	-196	-249	-353	-655	-608	-861	-969	-1,130	-1,820	-2,123
of which: M & L/T Public Debt	(-89)	(-198)	(-238)	(-351)	(-415)	(-444)	(-712)	(-589)	(-883)	(-1,246)	(-1,243)
Direct Investment Income	-152	-273	-10	-22	-36	-13	-99	-46	-61	-42	-40
Workers' Remittances	-648	-730	-1,054	-1,277	-1,260	-1,324	-1,652	-1,468	-1,009	-1,601	-1,265
Other	-73	299	-218	-131	-195	-145	-518	-769	-972	-958	-940
PUBLIC TRANSFERS (net)	1,391	3,272	3,447	6,287	5,502	5,672	4,704	3,751	2,956	4,452	3,361
CURRENT ACCOUNT BALANCE	-597	433	-2,052	-4,542	-6,196	-3,923	-5,207	-7,509	-8,840	-14,665	-11,538

Table 3.1 (cont.)
MAURITANIA: SUMMARY BALANCE OF PAYMENTS, 1973 - 83
(million ouguiya)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
CURRENT ACCOUNT BALANCE	597	33	-2,052	-4,542	-6,196	-3,923	-5,207	-7,509	-8,840	-14,665	-11,538
DIRECT INVESTMENT (NET)	457	1,605	-553	-2,237	203	-156	3,829	1,244	1,076	777	44
PUBLIC TRANSFERS	372	410	470	540	621	635	697	1,040	1,588	1,618	1,017
M & L/T PUBLIC BORROWING (NET)	2,043	2,275	904	5,191	2,531	5,050	2,032	5,365	7,305	10,749	9,472
Disbursements	2,527	2,720	2,375	8,316	3,996	5,818	4,353	6,152	9,026	11,576	10,715
Amortization	-484	-445	-1,471	-3,125	-1,465	-768	-2,321	-787	-1,721	-827	-1,243
CAPITAL n.i.e. (net) 1/	-3,498	-6,329	-1,084	1,533	-878	-1,387	-2,946	-2,036	-818	-976	-1,005
NET CHANGE IN OFFICIAL RESERVES (- = increase)	29	-2,006	2,315	-485	1,963	-219	-1,595	-506	-311	2,497	1,614
p.m. Use of Fund Credit	--	--	--	612	923	998	948	1,550	1,697	871	-600
Exchange Rate UM/$ (period average)	44.54	45.18	43.18	44.96	45.68	46.16	45.89	45.92	48.26	52.15	55.00

1/ Private M & LT borrowing, short term capital, errors and omissions.

Source: Central Bank of Mauritania, IMF, Bank staff estimates.

Table 3.2
Mauritania : MERCHANDISE EXPORTS, 1973 - 1983

QUANTITIES

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Iron Ore ('000 MT)	10,350	11,740	8,677	9,664	8,423	6,240	9,314	8,725	8,878	7,149	7,425
Fish, Fish Products ('000 tons)	27	28	27	22	29	35	16	71	157	172	317 1/
Copper ('000 MT)	20	24	6	6	8	5	-	-	-	-	-
Gypsum ('000 MT)	n.a.	n.a.	12	11	10	13	16	12	2	-	-
Gum Arabic (tons)	711	485	80	1,400	416	360	100	459	-	n.a.	-

VALUES (Mil. UM f.o.b. at current prices)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Iron Ore	4,580	5,900	6,194	6,867	5,716	4,202	6,074	6,928	8,143	6,989	7,326
Fish, Fish Products	547	730	692	750	921	960	633	1,957	4,803	4,984	8,850 1/
Copper	1,216	1,460	193	332	483	273	-	-	-	-	-
Gypsum	1	5	7	18	17	21	23	18	3	-	-
Gum Arabic	36	49	6	63	21	18	3	24	-	18	-
Steel Rods	-	-	-	-	-	-	-	-	67	62	50
Petroleum Products	-	-	-	-	-	-	-	-	-	368	1,142
Other	214	303	127	2	26	-	21	96	20	7	43
TOTAL MERCHANDISE EXPORTS, f.o.b.	6,594	8,447	7,219	8,032	7,184	5,474	6,754	9,013	13,036	12,428	17,411

1/ Total sales of joint ventures are recorded as Mauritanian exports only beginning 1983.

Source: Central Bank of Mauritania. IMF, Bank staff estimates.

Table 3.3
Mauritania : MERCHANDISE IMPORTS BY END USE, 1973 - 1983
(million ouguiya)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
Financed through the Banking System 1/	4,900	7,120	9,040	11,300	11,650	10,293	11,846	12,668	14,294	13,738	13,248
Foodstuffs	1,660	3,510	2,570	2,490	3,120	2,809	3,817	4,272	5,807	5,034	6,087
of which:											
Tea	...	...	(270)	(70)	(350)	(348)	(269)	(872)	(335)	(504)	(885)
Sugar	...	...	(1160)	(1,180)	(1090)	(639)	(1,251)	(592)	(1,466)	(1,231)	(1,496)
Rice	...	...	(180)	(250)	(340)	(483)	(585)	(615)	(859)	(667)	(1,157)
Other Consumer Goods	690	580	560	1,210	1,300	1,205	1,417	1,618	1,357	2,096	1,615
Petroleum Products	440	830	1,070	640	430	1,210	2,103	1,585	3,268	3,449	2,104
Transport and Equipment	370	540	1,350	1,860	1,370	2,344	1,791	3,215	2,107	1,592	1,649
Construction Materials	770	470	460	420	780	642	448	551	523	450	547
Other 2/	970	1,190	3,030	4,680	4,650	2,082	2,268	1,425	1,233	1,117	1,247
SNIM Foreign Account	--	--	--	--	--	--	--	--	1,728	2,116	2,541
Financed Directly Abroad 3/	1,604	3,158	1,040	3,001	2,930	3,248	2,109	3,289	3,827	6,229	4,943
TOTAL IMPORTS, c.i.f.	6,504	10,278	10,440	14,301	14,580	13,540	13,955	15,957	19,849	22,083	20,732

1/ Payments recorded by the Central Bank.
2/ Including military equipment.
3/ Including imports of the Central Government, SNIM and other public enterprises, the fishing sector and receipts of food aid.

Source: Central Bank of Mauritania, IMF and Bank staff estimates.

Table 3.4: MAURITANIA: SONIMEX TRADE BY PRODUCT, 1978 - 83

		Unit	1978	1979	1980	1981	1982	1983
	Rice (Broken)							
1.	Imports	1000T	54.1	52.2	49.5	50.4	71.7	56
2.	CIF	1000UM	686.2	659.2	725.7	791.9	124.3	890.4
3.	Unit Cost	UM/Kg	12.7	12.6	14.7	15.7	17.3	15.9
4.	Ex-Customs price	UM/Kg	12.7	12.6	14.7	15.7	17.3	17.15
5.	Sales	1000T	41.9	45.9	60.9	47.0	60.4	68.5
6.	Sales value	1000UM	581.9	572.7	808.3	712.2	875.3	1,129
7.	Sales price	UM/Kg	13.9	12.5	13.3	15.2	14.5	16.5
8.	Margin (7/4)	Index	109	99	90	97	84	96
	Cone Sugar							
1.	Imports	1000T	19.8	42	15.6	22.5	21.7	12.7
2.	CIF	1000UM	571.6	1313.4	577.9	1155.3	929.7	592.9
3.	Unit Cost	UM/Kg	28.9	31.3	37.1	51.4	42.8	46.7
4.	Ex-Customs price	UM/Kg	32	33	41	56	47	50.7
5.	Sales	1000T	20.3	28.2	30.6	18.7	13.4	16.7
6.	Sales value	1000UM	1063.2	1366.6	1383.7	1146	1011.4	1256.2
7.	Sales price	UM/Kg	52.4	48.5	45.2	61.3	75.5	75.2
8.	Margin (7/4)	Index	164	147	110	109	161	148
	Cube Sugar							
1.	Imports	1000T	7.8	8.0	8.8	21	37.5	16.5
2.	CIF	1000UM	161.2	165.9	341.3	881	1321.5	573.1
3.	Unit Cost	UM/Kg	20.7	20.7	38.8	42	35.2	34.7
4.	Ex-customs price	UM/Kg	23	23	43	46	39	38.6
5.	Sales	1000T	7.5	7.2	11.3	16.8	18.9	14.5
6.	Sales value	1000UM	315	252	395.5	924	1436.4	1087.5
7.	Sales price	UM/Kg	42	35	35	55	76	75
8.	Margin (7/4)	Index	183	152	81	120	195	194
	Tea							
1.	Imports	1000T	2.7	2.8	3.5	3.0	1.5	4.75
2.	CIF	1000UM	514.4	659.7	1040.1	727.3	374	956
3.	Unit Cost	UM/Kg	190.5	235.6	241.9	242.4	249.3	201.3
4.	Ex-customs price	UM/Kg	279	347	356	356	360	321.9
5.	Sales	1000T	2.7	2.1	2.5	2.6	2.5	2.96
6.	Sales value	1000UM	936.4	854.8	1158.1	1401	1471	1670.4
7.	Sales price	UM/Kg	346.8	407.1	463.2	538.8	525.4	564.3
8.	Margin (7/4)	Index	124	117	130	151	146	175

Source: SONIMEX

Table 4.1: External Public Medium and Long-Term Debt

SERVICE PAYMENTS, COMMITMENTS, DISBURSEMENTS AND OUTSTANDING AMOUNTS OF EXTERNAL PUBLIC DEBT

PROJECTIONS BASED ON DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1983

INCLUDES ONLY DEBT COMMITTED JAN. 1, 1900 - SEPT. 30, 1984
DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

YEAR	DEBT OUTSTANDING AT BEGINNING OF PERIOD		TRANSACTIONS DURING PERIOD					OTHER CHANGES	
	DISBURSED ONLY	INCLUDING UNDISBURSED	COMMITMENTS	DISBURSEMENTS	SERVICE PAYMENTS: PRINCIPAL	SERVICE PAYMENTS: INTEREST	SERVICE PAYMENTS: TOTAL	CANCELLATIONS	ADJUSTMENT *
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1974	105,756	213,827	142,859	60,179	9,854	4,357	14,211	-	25,760
1975	168,488	372,592	86,166	55,008	34,071	5,535	39,606	820	-11,273
1976	188,056	412,594	180,913	184,970	69,511	7,838	77,349	35	94,509
1977	392,750	618,470	75,000	87,384	32,051	9,079	41,130	3	22,696
1978	460,166	684,112	160,958	127,996	16,627	9,614	26,241	459	38,631
1979	592,977	866,615	454,628	91,861	50,579	15,431	66,010	39,645	15,432
1980	630,924	1,246,451	216,903	133,864	17,142	12,836	29,978	6,278	-26,367
1981	731,131	1,413,567	241,666	187,020	35,666	18,308	53,974	111	-80,054
1982	847,852	1,539,402	210,562	221,925	15,849	23,870	39,719	446	-54,089
1983	1,029,260	1,679,580	154,134	202,229	14,267	22,749	37,016	1,989	-57,491
1984	1,178,052	1,759,967							
		* * * * * * THE FOLLOWING FIGURES ARE PROJECTED a/ * * * * * *							
1984	1,178,052	1,759,967	70,441	289,271	58,163	41,027	99,190	-	-35,221
1985	1,373,930	1,737,024	-	143,226	94,589	44,697	139,286	-	1
1986	1,422,565	1,642,436	-	83,703	137,014	43,611	180.625	-	8
1987	1,369,262	1,505,430	-	55,528	135,668	39,323	174,991	-	4
1988	1,289,125	1,369,766	-	36,338	152,611	33,490	186,101	-	-
1989	1,172,846	1,217,155	-	21,283	114,764	28,209	142,973	-	7
1990	1,079,377	1,102,398	-	14,102	93,560	24,771	118,331	-	3
1991	999,921	1,008,841	-	5,993	93,835	22,079	115,914	-	1
1992	912,077	915,007	-	2,619	94,277	19,188	113,465	-	9
1993	820,430	820,739	-	310	93,919	16,221	110,140	-	-
1994	726,820	726,820	-	-	97,349	13,042	110,391	-	-5
1995	629,466	629,466	-	-	69,036	10,517	79,553	-	5
1996	560,435	560,435	-	-	68,966	9,066	78,032	-	-1
1997	491,468	491,468	-	-	65,169	7,613	72,782	-	-2
1998	426,297	426,297	-	-	60,956	6,252	67,208	-	4

a/ Excluding account of debt cancellations 1984/IV.

* THIS COLUMN SHOWS THE AMOUNT OF ARITHMETIC IMBALANCE IN THE AMOUNT OUTSTANDING INCLUDING UNDISBURSED FROM ONE YEAR TO THE NEXT. THE MOST COMMON CAUSES OF IMBALANCES ARE CHANGES IN EXCHANGE RATES AND TRANSFER OF DEBTS FROM ONE CATEGORY TO ANOTHER IN THE TABLE.

Table 4.2: External Public Medium and Long-Term Debt

EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1983

DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR / CREDITOR COUNTRY	DEBT OUTSTANDING			IN ARREARS	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL	INTEREST
SUPPLIERS CREDITS					
AUSTRIA	60,510	-	60,510	-	-
FRANCE	677	-	677	677	169
GERMANY, FED.REP. OF	-	2,497	2,497	-	-
NETHERLANDS	10,390	-	10,390	-	-
TOTAL SUPPLIERS CREDITS	71,577	2,497	74,074	677	169
FINANCIAL INSTITUTIONS					
BAHRAIN	329	-	329	-	49
BRAZIL	18,349	7,500	25,849	-	-
FRANCE	21,164	12,908	34,072	2,896	641
ITALY	-	5,842	5,842	-	-
KUWAIT	237	237	474	68	25
SAUDI ARABIA	9,710	-	9,710	-	-
UNITED KINGDOM	6,078	1,747	7,825	-	-
UNITED STATES	1,404	-	1,404	1,091	460
TOTAL FINANCIAL INSTITUTIONS	57,271	28,234	85,505	4,055	1,175
MULTILATERAL LOANS					
AFRICAN DEV. BANK	10,404	19,498	29,902	66	241
AFRICAN DEV. FUND	17,584	12,839	30,423	60	55
ARAB AFRICAN BANK	473	-	473	68	25
ARAB FUND EC SOC DEV	65,415	52,010	117,425	414	786
ARAB MONETARY FUND	40,218	5,496	45,714	1,721	540
EEC	1,127	-	1,127	-	-
EUROPEAN DEV.FUND	1,693	847	2,540	-	7
EUROPEAN INVEST BANK	16,861	9,035	25,896	-	-
IBRD	59,160	840	60,000	-	-
IDA	51,598	29,737	81,335	-	-
IMF TRUST FUND	12,917	-	12,917	-	-
INTL FUND ARG(IFAD)	585	8,628	9,213	-	-
ISLAMIC DEV. BANK	4,595	17,094	21,689	14	435
OPEC SPECIAL FUND	31,882	9,300	41,182	393	23
UNI.MON.OUE.AFR(UMOA	158	-	158	-	-
TOTAL MULTILATERAL LOANS	314,670	165,324	479,994	2,736	2,112
BILATERAL LOANS					
ALGERIA	35,397	24,378	59,775	1,388	-
CANADA	3,375	-	3,375	-	-
CHINA	62,000	46,087	108,087	9,941	-
FRANCE	26,547	6,234	32,781	187	68
GERMANY, FED.REP. OF	31,452	9,169	40,621	134	196

Table 4.2 (continued)

EXTERNAL PUBLIC DEBT OUTSTANDING INCLUDING UNDISBURSED AS OF DEC. 31, 1983

DEBT REPAYABLE IN FOREIGN CURRENCY AND GOODS
(IN THOUSANDS OF U.S. DOLLARS)

TYPE OF CREDITOR / CREDITOR COUNTRY	DEBT OUTSTANDING			IN ARREARS	
	DISBURSED	UNDISBURSED	TOTAL	PRINCIPAL	INTEREST
IRAQ	59,915	98,132	158,047	3,062	760
JAPAN	6,361	9,144	15,505	-	-
KUWAIT	169,675	47,334	217,009	1,456	14,073
LIBYA	78,646	22,543	101,189	-	-
MOROCCO	39,000	-	39,000	6,000	2,250
QATAR	7,921	-	7,921	3,669	974
SAUDI ARABIA	160,884	96,068	256,952	-	44
SPAIN	22,757	243	23,000	-	608
UNITED ARAB EMIRATES	27,085	26,532	53,617	-	930
UNITED STATES	3,519	-	3,519	1,766	1,220
TOTAL BILATERAL LOANS	734,534	385,864	1,120,398	27,603	21,123
TOTAL EXTERNAL PUBLIC DEBT	1,178,052	581,919	1,759,971	35,071	24,579

NOTES: (1) ONLY DEBTS WITH AN ORIGINAL OR EXTENDED MATURITY OF OVER ONE YEAR ARE INCLUDED IN THIS TABLE.
(2) DEBT OUTSTANDING INCLUDES PRINCIPAL IN ARREARS BUT EXCLUDES INTEREST IN ARREARS.

Table 4.3
MAURITANIA: EXTERNAL PUBLIC LOAN COMMITMENTS, 1974-84

(US dollar millions)

	1974-78 (Annual Average)	1979	1980	1981	1982	1983	1984 1/
Governments							
of which:	84.1	280.7	108.6	208.5	103.7	21.3	44.7
Algeria	-	-	2.0	30.0	10.0	16.0	-
P. R. China	11.2	0.1	33.4	-	-	-	-
France	18.2	36.8	0.3	6.2	-	4.1	26.8
F. R. Germany	2.6	2.2	0.3	13.9	12.7	1.2	-
Iraq	1.0	22.3	20.1	120.1	-	-	-
Kuwait	23.5	71.2	-	28.4	19.8	-	12.0
Liberia	5.0	-	30.0	-	-	-	-
Saudi Arabia	17.4	117.0	-	9.9	49.4	-	-
United Arab Emirates	-	31.5	6.5	-	11.8	-	-
Multilateral Institutions	21.8	154.8	69.1	24.4	78.8	84.6	25.7
of which:							
African Dev't. Bank, Fund	4.4	8.3	6.5	9.9	3.6	18.5	-
Arab Fund for Ec'c. & Social Dev't.	10.1	36.2	-	-	5.9	30.9	22.2
Arab Monetary Fund	-	2.9	20.5	-	34.6	2.4	-
European Investment Bank	-	34.3	-	-	6.2	-	-
World Bank	4.4	68.0	14.8	3.1	13.7	7.9	-
Islamic Dev't Bank	0.2	-	6.0	-	3.6	13.1	3.5
OPEC Special Fund	1.3	-	5.5	8.0	10.0	11.8	-
Financial Institutions, Suppliers	23.3	19.1	39.3	8.7	28.1	48.2	-
Total Commitments	129.2	454.6	216.9	241.7	210.6	154.1I	70.4

1/ As of September 30.
Source: World Bank Debtor Reporting System.

Table 4.4
MAURITANIA: EXTERNAL DEBT PAYMENTS ARREARS, 1979-83
(in US$ millions)

	1979	1980	1981	1982	1983	1984 (Sept.)
TOTAL principal interest	18.4	47.2	23.1	39.4	57.0	83.2
of which owed to:						
Governments	16.1	25.7	15.0	31.0	48.3	
Commercial Creditors	1.8	11.0	5.8	6.6	6.0	
NET INCREASE IN TOTAL ARREARS	-10.3	28.8	-24.1	16.3	17.6	26.0

Table 5.1
MAURITANIA: TREASURY OPERATIONS, 1978 - 83
(ouguiya millions)

	1978	1979	1980	1981	1982	1983
BUDGETARY REVENUE	5,300	6,154	5,105	6,981	7,880	8,935
EXPENDITURE AND NET LENDING	-10,564	-9,627	-8,977	-8,845	-10,195	-11,133
Current Budget	-8,731	8,793	-8,242	-7,828	-9,288	-9,845
Capital Budget	-418	-446	-535	-475	-612	-704
Net Lending	-805	-112	-56	-93	-67	-118
Special Treasury Accounts	-610	-276	-144	-449	-228	-466
DEFICIT (-) 1/	-5,264	-3,473	-3,872	-1,864	-2,315	-2,198
FINANCING:						
External	4,976	3,018	3,169	2,639	1,011	2,348
Grants	4,588	3,902	1,402	1,370	325	626
Budgetary Aid	(4,267)	(3,636)	(1,258)	(960)	(97)	(160)
Special Accounts	(321)	(266)	(144)	(410)	(228)	(466)
Borrowing (net)	388	-884	1,767	1,269	686	1,722
Drawings	(1,199)	(688)	(1,882)	(1,369)	(1,069)	(2,253) 1/
Amortization	(-811)	(-1,572)	(-115)	(-100)	(-383)	(-531)
Domestic (net)	288	455	704	-775	1,304	-150
of which:						
Banking System	(-500)	(363)	(754)	(703)	(1,352)	(533)

1/ Cash basis.
2/ As recorded in the balance of payments.

Source: Ministry of Finance and IMF.

Table 5.2
MAURITANIA: CENTRAL GOVERNMENT REVENUE, 1978 - 83
(ouguiya millions)

	1978	1979	1980	1981	1982	1983
CURRENT REVENUE	5,528	5,798	5,361	6,625	6,987	8,223
Tax Revenue	3,499	4,505	4,230	5,336	6,274	7,333
of which:						
Tax on Income and Profits	1,038	1,538	1,101	1,579	1,874	2,132
Taxes on Goods and Services	428	437	477	502	446	827
Mining Royalties 1/	--	221	313	339	290	155
Taxes on International Trade	1,946	2,228	2,243	2,807	3,541	3,934
of which:						
Import Taxes	(1,892)	(2,197)	(2,180)	(2,256)	(2,997)	(2,905)
Export Tax on Fish	(--)	(--)	(63)	(540)	(544)	(1,029)
Non-Tax Revenue	2,209	1,293	1,131	1,289	713	890
of which:						
Fishing Royalties and Penalties	1,566	922	659	824	227	313
Revenue from Public Enterprises	122	162	226	357	350	458
CAPITAL REVENUE	46	6	22	40	225	85
TOTAL REVENUE 2/	5,574	5,804	5,383	6,665	7,212	8,308
Adjustment 3/	-274	-350	-278	316	668	627
TOTAL REVENUE 4/	5,300	6,154	5,105	6,981	7,880	8,935

1/ Net of Government debt.
2/ Fiscal year basis.
3/ Unclassified receipts and adjustments to calendar year basis.
4/ Calendar year basis.

Source: Ministry of Finance and IMF.

Table 5.3
MAURITANIA: CENTRAL GOVERNMENT EXPENDITURE, 1978 - 83
(ouguiya millions)

	1978	1979	1980	1981	1982	1983
CURRENT EXPENDITURE 1/	8,731	8,793	8,242	7,828	9,288	9,845
Wages and Salaries	3,573	3,729	4,321	4,333	4,735	5,295
Equipment and Supplies	3,643	3,164	2,091	1,977	2,007	2,323
Subsidies and Transfers	813	947	1,249	826	1,001	1,421
Interest Payments	323	432	307	451	466	903
General Expenditure	681	714	541	318	395	352
Unclassified 2/	-302	-193	-267	-100	684	-449
CAPITAL EXPENDITURE	418	446	535	475	612	704
NET LENDING	805	112	56	93	67	118
SPECIAL TREASURY ACCOUNTS	610	276	144	449	228	466
TOTAL EXPENDITURE AND NET LENDING	10,564	9,627	8,977	8,845	10,195	11,133

1/ Budgetary year expenditure adjusted to calendar year basis.
2/ Including adjustment from fiscal to calendar year basis and from commitments to cash basis.

Source: Ministry of Finance and IMF.

Table 5.4

MAURITANIA: CONSOLIDATED GOVERNMENT OPERATIONS, 1978-83

(ouguiya millions)

	1978	1979	1980	1981	1982	1983
Budgetary Revenue	5,300	6,154	5,105	6,981	7,880	8,935
Current Expenditure 1/	-10,861	-10,383	-9,440	-8,882	-10,738	-11,115
Budgetary	-8,731	-8,793	-8,242	-7,828	-9,288	-9,845
Extrabudgetary 2/	-1,951	-1,590	-1,198	-1,054	-1,450	-1,270
Current Operations Deficit	-5,381	-4,229	-4,335	-1,901	-2,858	-2,180
Investment Expenditure	-3,121	-4,264	-5,483	-5,219	-7,520	-5,218
Budgetary	-418	-446	-535	-475	-612	-704
Extrabudgetary 3/	-3,313	-3,542	-4,804	-4,295	-6,680	-4,048
Special Accounts 4/	-610	-276	-144	-449	-228	-466
Net Lending	-805	-112	-56	-93	-67	-118
Total Expenditure and Net Lending	-14,607	-14,759	-14,979	-14,194	-18,325	-16,451
OVERALL DEFICIT	-9,307	-8,605	-9,874	-7,213	-10,445	-7,516
Financing:						
Foreign (net)	9,019	8,150	9,170	7,988	10,287	7,666
Grants	7,463	6,199	3,640	4,051	3,389	3,126
Budgetary	4,267	3,636	1,258	960	97	160
Capital Projects	635	697	1,040	1,588	1,618	1,230
Technical Assistance	1,951	1,590	1,198	1,054	1,450	1,270
Special Accounts Resources 4/	610	276	144	449	228	466
Loans (net)	1,556	1,951	5,530	3,937	6,898	4,540
Disbursements	3,877	3,516	5,646	4,096	7,313	5,071
Amortization	-2,321	-1,565	-116	-159	-415	-531
Domestic Resources (net)	288	455	704	-775	158	-150
Banking System	-500	363	754	160	257	533
Other	788	92	-50	-935	-99	-683

1/ Cash basis.
2/ Technical assistance and related expenditure.
3/ Foreign grant and loan disbursements. Estimated from balance of payments data.
4/ Counterpart from food aid sales applied to investment projects.
Source: Ministry of Finance, Banque Centrale de Mauritanie, IMF and Bank staff estimates.

Table 6.1: MONETARY SURVEY, 1978-83
(Ouguiya millions)

	1978	1979	1980	1981	1982	1983
A. Foreign Assets and Liabilities of the Banking Systems						
Central Bank	-759	835	1,341	1,652	-845	-2,459
Assets	3,655	5,330	6,953	8,650	6,545	5,018
Liabilities (-)	4,414	4,495	5,612	6,998	7,390	7,477
Deposit Money Banks	-1,709	-2,468	-2,902	-2,973	-4,879	-4,098
Assets	533	142	424	708	235	276
Liabilities (-)	2,242	2,610	3,326	3,681	5,114	4,374
B. Domestic Credit						
Claims on Government	1,052	1,443	1,628	2,434	4,609	5,142
Central Bank	1,459	1,742	1,810	2,725	5,362	5,405
Deposit Money Banks	59	57	-84	24	-406	-72
Post Office and Treasury	-466	-356	-98	-315	-347	-191
Claims on the Rest of the Economy	8,855	8,887	10,081	11,263	11,832	12,942
Central Bank	766	766	926	926	-	-
Deposit Money Banks	7,712	7,835	8,869	10,051	11,425	12,735
Treasury	377	286	286	286	407	207
C. Money and Quasi Money	5,160	5,874	7,080	9,431	9,245	10,084
Money	4,135	5,066	5,677	7,654	7,135	8,089
Quasi-Money	1,025	808	1,403	1,777	2,110	1,995

Table 7.1: Estimated Agricultural Production, 1973/74 - 1984/85 1/

	1973/74	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	Estimated 1984/85
Production												
Millet/Sorghum	50,000	45,000	36,000	21,000	31,000	21,200	36,660	66,100	40,000	20,000	6,000	19,000
Maize	1,500	2,500	2,000	4,000	5,000	5,000	5,057	5,209	3,400	3,100	2,000	2,000
Rice Paddy	3,000	3,840	3,960	3,600	3,800	3,800	4,200	5,900	9,250	11,450	12,450	14,316
Wheat and Barley	310	320	430	500	330	400	420	600	620	640	500	500
Total Cereals	54,810	51,660	42,390	29,100	40,130	30,200	46,337	77,809	53,270	35,190	20,950	35,816
Pulses and other	3,460	4,800	4,050	3,350	3,650	4,750	6,750	8,500	12,000	11,000	9,000	9,000
Dates	10,400	10,000	11,000	12,000	12,000	12,000	13,500	12,000	10,000	11,000	9,000	9,000
Vegetables	1,400	1,600	1,800	2,000	2,000	1,700	2,000	2,500	3,000	3,100	3,000	3,000

Source: Data provided by Ministry of Rural Development and FAO.

1/ Crop years; ending May 31.

Table 7.2 Mauritania: Agricultural Prices
(UM/Kg)

	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
I. Producer prices						
Rice paddy	10	10	10	12.5	12.5	12.5
Millet (floor and ceiling price)	7-12	8.5-13	8.5-13	13-15	13-15	13-15
Sorghum (floor and ceiling price)	7-12	9-13	9-13	13-15	13-15	13-15
Maize (floor and ceiling price)	11-19	11-19	11-19	13-17	13-17	13-17
II. Purchase price of locally milled rice (ex-factory) 1/	17	20	20	24	24	24
III. Import cost of milled rice (broken)	14.7	20.4	19.6	20.2	21.3	23.2
IV. SONIMEX wholesale price (milled rice - broken)	13.9	12.5	13.3	15.2	14.5	20

Source: Ministry of Rural Development.

1/ The conversion rate of paddy to milled rice is 60 percent.

Table 7.3: MAURITANIA: NATIONAL CEREAL SUPPLY
(thousand tons of edible grain)

(thous. tons)	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84	Estimated 1984/85	Annual average 1978/79-1983/84
Domestic production 1/	28.7	44.7	75.4	49.6	30.6	15.9	30	40.8
Imported milled rice (SONIMEX)	54.1	52.2	49.5	50.4	71.7	56	104	55.6
Imported flour (private)	16	17	19	22	30	40	30	24
Food aid	61	67	68	56	95	181	180	88
Total edible cereal supply	159.8	181.4	211.9	178	227.3	293	344	208
Population (in thousands)	1,458	1,493	1,529	1,566	1,603	1,642	1,683	
Per capita supply (kg)	110	122	139	114	142	178	182	

1/ Millet, sorghum, maize, rice, wheat and barley. Rice milling rate is 60%.

2/ Total deliveries including stock provisions.

Sources: MDR, SONIMEX, WFP, CEDES.

Table 7.4: MAURITANIA: ESTIMATED LIVESTOCK POPULATION, 1973 - 84
(In thousands of head; end of period)

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	estimated 1984
Cattle	1500	1100	1100	1100	1200	1100	1133	1246	1370	1411	987	889
Sheep and Goats	6500	5800	6100	6600	7000	7200	7400	7600	7600	7550	6120	5692
Camels	700	670	700	707	714	728	735	743	750	757	719	697
TLU *	2880	2365	2440	2522	2664	2633	2695	2818	2918	2947	2377	2217

* Tropical livestock unit = 250 kg liveweight. 1 adult camel = 1.00 TLU; 1 adult bovine = .75 TLU; 1 adult sheep or goat = .15 TLU.

Source: Livestock Directorate, Ministry of Rural Development.

Table 7.5
MAURITANIA: FISH AND FISH PRODUCTS: EXPORTS AND LANDINGS, 1978-83

	1973	1978	1979	1980	1981	1982	1983
EXPORTS f.o.b., FISH AND FISH PRODUCTS 1/							
Quantity ('000 tons)	27	35	15	77	143	179	312
			of which:				
			Demersal			29	39
			Pelagic			136	275
			p.m.:				
			Under Export License			(95)	(130)
Value (UM million in current prices)	547	960	633	1,957	4,803	5,043	8,850
LANDINGS OF FISH AT NOUADHIBOU Q ('000 tons)	83	61	54	23	19	10	39

1/ Including total exports of joint ventures.

Source: Central Bank of Mauritania, IMF, Bank Staff estimates.

Table 7.6
MAURITANIA: IRON ORE PRODUCTION AND EXPORTS, 1973 - 83

	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983
PRODUCTION (million MT)	10.2	11.9	8.6	9.4	7.3	7.4	9.0	8.9	8.5	7.7	6.7
EXPORTS											
Quantity	10.4	11.7	8.7	9.7	8.4	6.2	9.3	8.7	8.9	7.1	7.4
Unit Price (US$/ton) 1/	9.9	11.2	16.5	15.7	14.9	14.7	14.2	17.3	19.0	18.7	18.0
Value (US$ million)	102.8	130.6	143.5	152.7	125.1	91.0	132.4	150.9	168.7	134.0	133.2
					(INDICES 1978 = 100)						
PRODUCTION	137.8	160.8	116.2	127.0	98.6	100.0	121.6	120.3	114.9	104.1	90.5
EXPORTS											
Quantity	167.7	188.7	140.3	156.5	135.5	100.0	150.0	140.3	143.5	114.5	119.4
Unit Price	67.3	76.2	112.2	106.8	101.4	100.0	96.6	117.7	129.3	127.2	122.4
Value	113.0	143.5	157.7	167.8	137.5	100.0	145.5	165.8	185.4	147.3	146.4

1/ Average sales price realized, f.o.b. Nouadhibou.

Source: Société Nationale Industrielle et Minière (SNIM).

Table 8.1
MAURITANIA: EVOLUTION OF MINIMUM WAGES AND SALARIES, 1974-1984
(In ouguiyas)

	1974 Sept.1	1980 Jan. 1	1981 Jan. 1	1982 Jan. 1	1983 Jan. 1	1984 Jan. 1
Private Sector (hourly wages)						
SMIG	19.6	19.6	19.6	24.46	24.46	24.46
SMAG	18.6	18.6	18.6	22.46	22.46	22.46
Public Sector (civil servants' monthly salary)						
Category A	12,317	12,817	13,317	13,717	13,717	13,717
Category B	7,975	8,475	8,975	9,244	9,244	9,244
Category C	5,698	6,198	6,698	6,899	6,899	6,899
Category D	2,691	3,191	3,691	3,802	3,802	3,802
Category E(teachers)	12,302	12,802	13,302	13,701	13,701	13,701

Source: Direction de la Statistique et de la Comptabilité Nationale.

Table 8.2
MAURITANIA: EVOLUTION OF MAURITANIAN CONSUMER PRICE INDEX 1980 - 1983 1/

	1980	1981	1982	1983
TOTAL	100	115.5	120.9	126.8
of which:				
Food	100	108.2	115.1	124.5
Clothing	100	107.0	122.7	116.1
Housing	100	107.7	120.8	119.6
(Percentage Average Annual Increase)				
TOTAL		11.5	8.4	4.9
of which:				
Food		8.2	6.4	8.2
Clothing		7.0	14.7	-5.4
Housing		7.7	12.2	-1.0

1/ August indices.

Source: Direction de la Statistique.

Table 9.1
MAURITANIA: FIXED INVESTMENT AND ITS FINANCING, 1978-83
(million Ouguiya)

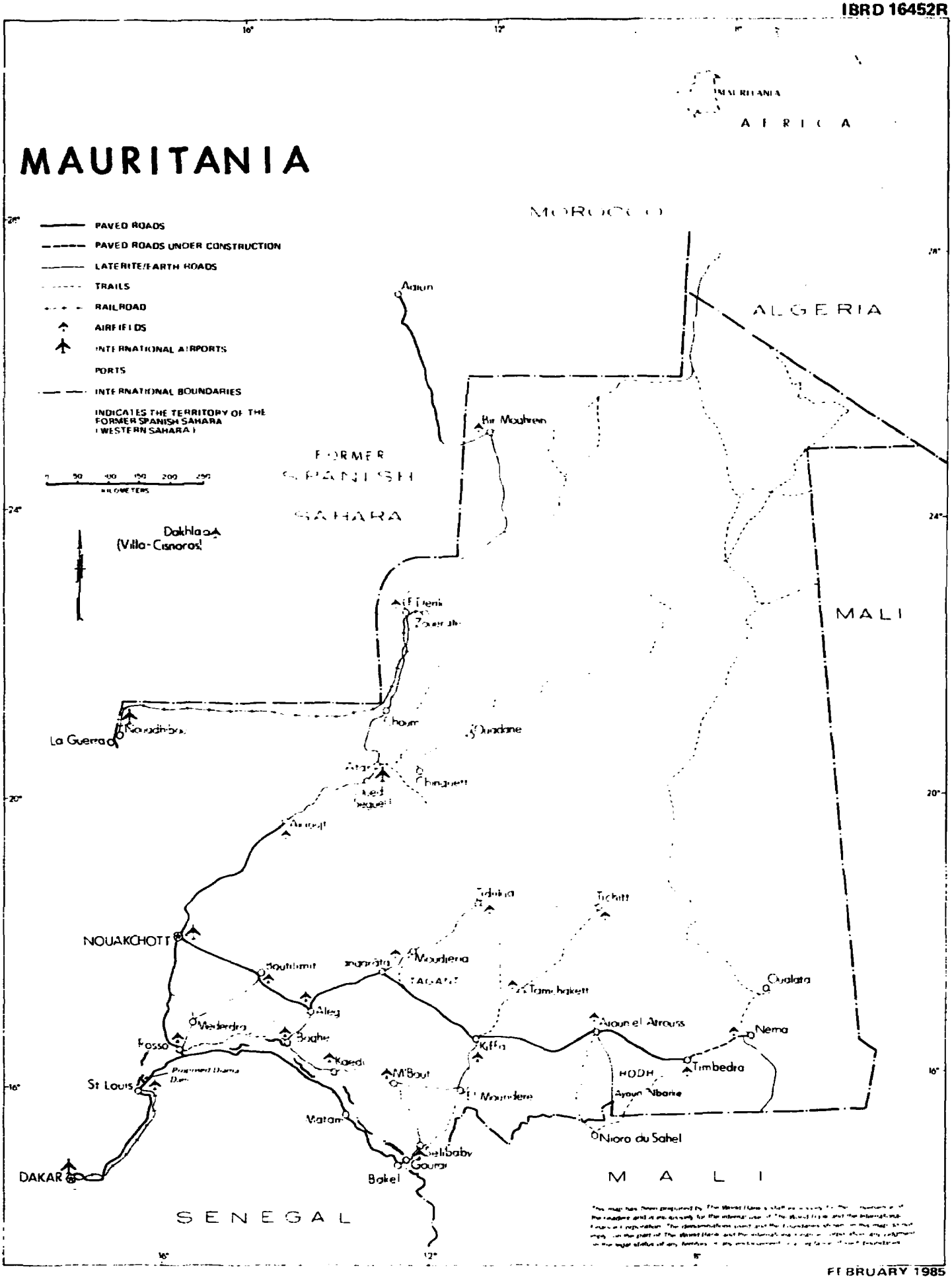
	1978	1979	1980	1981	1982	1983
Public Investment	6,220	6,907	9,686	11,289	13,924	12,215
Foreign Financing	5,708	6,351	9,026	10,732	13,237	11,461
M & L/T Lending	4,917	3,917	5,242	7,762	10,637	10,363
Capital Grants	635	697	1,040	1,588	1,618	1,017
Equity Participations	156	1,737	2,744	1,382	982	81
Domestic Financing	512	556	660	557	687	754
Government	418	446	535	475	612	704
Public Enterprises	94	204	125	82	75	50
Private Investment	403	468	501	2,218	1,850	850
Gross Fixed Investment	6,623	7,375	10,187	13,507	15,774	13,065

Source: IMF and Bank Staff estimates.

Table 9.2: Mauritania: Planned and Actual Public Investment Under the Third and Fourth Development Plans

	Third Development Plan, 1976-80			Fourth Development Plan, 1981-85		
	Planned (mil. UM)	Actual (mil. UM)	Actual %	Planned (mil. UM)	Planned %	Actual 1981-83 (mil. UM)
Agriculture	5,072	2,612	8.0	15,759	17.6	6,265
Livestock	664	496	1.5	1,108	1.2	111
Other Rural Sector	247	134	0.4	2,468	2.8	691
Fisheries	926	720	2.2	1.142	1.3	339
Mining	7,108	2,766	8.5	29,419	33.0	15,408
of which: Guelbs	(7,084)	(2,766)	(8.5)	(22,720)	(25.5)	(15,291)
Other Industry	6,570	4,969	15.2	8,164	9.2	3,342
Transport, Communications	12,189	14,823	45,4	17,393	19.5	7,789
Public Utilities	1,712	1,531	4.7	2,290	2.6	233
Housing	1,600	246	0.8	1,006	1.1	1,052
Education	2,760	1,053	3.2	6,182	6.9	1,198
Health	1,339	1,204	3.7	3,338	3.7	651
Other	1,595	2,058	6.3	926	1.0	351
TOTAL	41,782	32,612	100.0	89,205	100.0	37,428

Source: Ministère du Plan et de l'Aménagement du Territoire.



FEBRUARY 1985