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Washington, D.C.

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McNamara Papers

Contracts  
Mauritania (1971-1975)

The World Bank Group  
**Archives**



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President's papers - Robert S. McNamara Contacts with member countries: Mauritania - Correspondence 01

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MAURITANIA

MAURITANIA

1. 1/71 Mr. McNamara's Impressions of Mauritania (*Filed in McN office*),  
1/20/71 President Moktar Ould Daddah -- courtesy call  
(Nouakchott)  
" Taki Ould Sidy, Director of Protocol, Ministry of Foreign Affairs  
" Reda Kochman, Office of the President  
1/21/71 President Moktar Ould Daddah -- private luncheon  
(Nouakchott)
2. " Working Meeting:  
Dr. Toure Mamadou, Minister of Planning and Rural Development  
Abdallahi Ould Daddah, Minister of Equipment  
Moktar Ould Haiba, Minister of Finance  
  
Staffs of each Minister  
  
1/21/71 Souleymane Ould Cheikh Sidya, head Government representative  
(Boutilimit)  
  
Others met:  
  
Hamdi Ould Mouknass, Minister for Foreign Affairs  
Marouf Ould Cheikh Abdallahi, Minister of Defense  
Maloum Ould Braham, Minister of Justice  
Abdal Azziz Sall, Minister of Interior  
Mohamed Salem Ould M'Khayttiratt, Minister of Fishing  
Sidi Mohamed Diagana, Minister of Industrialization and Mining  
Mohamed Abdallahi Ould Kharchi, Minister of Education  
Ahmad Ben Amar, Minister of Health and Labor  
Youssouf Keita, President of the National Assembly  
Johannes Hennet, UNDP Resident Representative  
Robert A. Stein, U.S. Chargé  
Paul Leroy-Beaulieu (French), President of MIFERMA  
Jean Audibert (French), Director General of MIFERMA  
Mohammed Ba, President of SOMIMA  
Kenneth E. McKay, General Manager of SOMIMA
3. 3/29/71 M. Jean Audibert, Director General of MIFERMA
4. 9/28/71 President Moktar Ould Daddah (with delegation from Organization  
of African Unity)  
Hamdi Ould Mouknass, Minister of Foreign Affairs
5. 5/24/72 Ambassador <sup>Moulaye</sup> El Hassen  
^
6. 3/7/73 Diaramouna Soumaré, Minister of Finance and Trade



7. 1/17/75 Sidi Ould Chiekh Abdallahi, Minister of Planning and Industrial  
Development  
Ambassador Ould Abdallah  
Mr. Razafindrabe, Bank ED  
Mr. Kpognon, Alternate ED

6/12-13/75 Sidi Ould Cheikh Abdallahi, Minister of Planning and Industrial  
(Paris-Dev. Development  
Cte.)

7/22/76 Mohamed Nassim Kochman, Ambassador to the U. S.

2/7/77 Mohamed Nassim Kochman, Ambassador to the U. S.

8/9/77 Mohamed Nassim Kochman, Ambassador to the U. S.

9/9/77 Mohamed Nassim Kochman, Ambassador to the U.S.

11/17/77 Mohamed Nassim Kochman, Ambassador to the U.S.

5/1/78 Mohamed Nassim Kochman, Ambassador to the U.S.

5/10/78 Mohamed Nassim Kochman, Ambassador to the U.S.

7/20/78 Mohamed Nassim Kochman, Ambassador to the U.S.

7/27/78 Mohamed Nassim Kochman, Ambassador to the U.S.

6/20/80 Mohamed Nassim Kochman, former ED





2.

## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: February 9, 1971

FROM: Martijn J. Paijmans

SUBJECT: Mauritania - Meeting between Mr. McNamara and Cabinet Members

1. During Mr. McNamara's visit to Mauritania January 19 through 21, 1971 there was a working party meeting on January 21 attended, for the Bank, by Messrs. McNamara, Chaufournier, Clark, Christoffersen and Paijmans; by Mr. Kochman, Executive Director; and for the Mauritania Government by Minister Touré (Rural Development and Plan), in the chair, Minister Ould Daddah (Equipment), and, part-time by Minister Ould Haiba (Finance), all accompanied by their respective staffs. The following is a summary of the main points.
2. Minister Touré briefly reviewed a summary document of the Plan which had been presented to Mr. McNamara and which, for the first time, put a price tag on the investments - public and private - scheduled for the Plan period. The Minister stated that though not being perfect the Plan offered a balanced and also a flexible investment program. He recalled that at independence, Mauritania was practically virgin territory, that the Government had learned to live without budget subsidies from France and to depend exclusively on its own efforts. This phase of adaptation is now over and the Government has to shift focus towards matters of economic and social development. However, habits have been formed and the redirection of expenditure proves to be very difficult. The Minister drew a picture of the Plan effort explaining that development in the rural sector should move Mauritania towards self sufficiency and possibly towards the realization of export earnings from the livestock sector. The modern sector which depends to a large extent on foreign private investments and expertise gives some hope that budget revenues will be subject to drastic changes in the future. In order to advance the economy some infrastructure improvements are necessary while also the social sectors, health and education, cannot be neglected as demands in these fields already outpace the available supply of services.
3. Mr. McNamara stated that during his visit to the country and his discussions he had increased his knowledge of Mauritania and its future plans. He understood the country's efforts to stop increases in non-development expenditure, but inquired about the trends in the current budget and asked for a further elaboration of the Government budgetary policies. (This question was put forward against the background of the 1971 Government budget, adopted in January 1971, and which shows a deterioration over the budgetary situation in previous years which already was strongly criticized in the Bank's draft economic report dated November 1970).
4. Minister Touré replied that the Government had been pressed into taking certain decisions, committing the 1971 budget, before the Development Plan had been accepted by the National Assembly in July 1970, thus the



discrepancy between the budget and Plan objectives; in the future the Plan will be available and annual capital budgets will reflect the Plan objectives. The Minister explained that realization of the Plan would imply an increased Government contribution for the financing of investment and a study on taxation is in progress; it is expected to show the way for improved tax collection, some results of which may be already felt by the end of 1971. Minister Touré further observed that all expenditure required for contributions to foreign-financed investment will be made available on time. Mr. McNamara explained that financial policy is a very important issue in a developing country such as Mauritania and that he could not sufficiently emphasize the need for a firm and adequate budgetary policy responsive to development needs.

5. The Minister of Finance explained that in 1963 an austerity policy was introduced helping the country to overcome the difficulties created by declining French budget subsidies. This policy was very effective for several years, but had gradually eroded and lost most of its effectiveness since 1968. From that very moment the alarm had been sounded, he said, but when assuming the post of Minister of Finance early in 1970 he had found the "train already on the rails and moving." The Minister admitted that the 1971 budget did not show what he called a revolutionary spirit but that the only thing that could be done had been done, namely, to endyke the flow of current expenditure and to start studies on how to improve budgetary performance. The French FAC will finance two such studies, one on public finance in general, the other on fiscal reform. While waiting for the results of these studies, the Minister said he would make a start with restructuring the budget by making it a more effective tool for development. The Minister emphasized that the political will to redress the present situation does exist but that it will take 2 to 3 years before this matter can be solved to full satisfaction. He said that the problem is basically a political question which requires a clear understanding of the present situation and of the possible remedies, he did not want to hide the fact that these remedies might be very difficult to accept in certain instances. He added, however, that in his view the choice for the Government should be easy as there are no real options open. The Minister observed that the Government was satisfied with the Bank's analysis of the situation and its recommendations as expressed in the draft economic report and that documents confirming this statement would be given to Mr. McNamara's party before departure (said documents appeared not to be ready in time).

6. Mr. McNamara expressed his appreciation to the two Ministers for their frankness in presenting their views. He stated that the Bank understands that some time is needed to review the Government's expenditure situation and to increase income. He added that judging from what the Ministers had said, he need not really repeat that progress of developing countries depends to a large extent on the efforts they are able to make themselves.

MJPaijmans:pmc

Cleared with and cc: Mr. Chaufournier  
cc: Mr. Christoffersen





## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Roger Chaufournier *R*

SUBJECT: Meeting of Mr. McNamara with Mr. Jean Audibert

DATE: April 7, 1971

Mr. Jean Audibert, Director General of Miferma, visited Mr. McNamara on Monday, March 29. Mr. Audibert has been asked by the French and Gabonese Governments to review the present plans of SOMIFER for the opening of the Mekambo iron ore mine, and to make proposals for the reorganization of SOMIFER in order to encourage an early opening of the mine. Mr. Audibert came to report on the progress of his work.

He said there was no problem on the marketing side. With the Japanese interest in buying up to 5 million tons a year, there would be no problem in selling whatever was necessary for an economic operation of the mine, (estimated to be at least 10 million tons annually).

The problem was to find a leader interested in the mining operation, an interest which depends on alternative iron ore mining opportunities elsewhere in the world, particularly in Australia -- Mr. Audibert had come to the conclusion that the present structure of SOMIFER had to be modified in order to attract participants interested in mining operations instead of steel makers exclusively.

Mr. Audibert said he was meeting with representatives of Bethlehem Steel the next day. If Bethlehem Steel was not prepared to proceed with the development of Mekambo as principal shareholder of SOMIFER, Mr. Audibert would ask them to consider divesting themselves of some of their interest in SOMIFER in order to bring in other partners with a greater interest in the development of Mekambo. Mr. McNamara agreed that this would be a possible solution. If it were in the interest of Gabon and of the rest of the world to develop the Mekambo deposits, the concession should not remain dormant.

Mr. McNamara also inquired about the development of the Guelb deposits in Mauritania, and Mr. Audibert said that exploration was continuing, and that it would still be some time before a project is ready.

cc: Mr. Paijmans (W.A. Dept.)

RChaufournier:sm

President has seen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

FROM: Roger Chaufournier *RC*

SUBJECT: Mr. Audibert's Visit

DATE: March 26, 1971

1. On Monday, March 29, 1971, you will meet with Mr. Jean Audibert who would like to discuss the prospects of iron ore exploitation in Gabon.
2. Mr. Audibert is approaching the end of a study which the Governments of France and Gabon have asked him to undertake on the proposed exploitation of the rich iron ore deposit in the Mekambo region. Mr. Audibert is well suited to undertake this study. Born in 1921, he is a graduate of the "Ecole Polytechnique", and has held high staff positions in the French Ministry of Industry and Commerce between 1954 and 1956. Since 1956 he has been the Director-General of MIFERMA, the iron ore company operating in Mauritania for which the Bank made a loan of \$66 million in 1960. During the period 1959-61, he was also a member of the council for technical cooperation with member states of the Common Market.
3. He has been an effective manager of MIFERMA, and has earned the respect of the Mauritanian Government and other shareholders. He is an internationally recognized expert in more than the technical sense on iron ore exploitation. The Gabonese Government believes that Mr. Audibert's work can contribute to the opening of the proposed iron ore mine, although SOMIFER, the mining concessionaire, continues to refuse committing itself as to the opening date.
4. Mr. Audibert visited the Bank on December 18, 1970 when he had just started his study, to hear from us about our approach to the preparation of the Owendo-Booué railway project, and to explain the purpose of his study. We told him that construction of the first section to Booué of the railway to the Mekambo area would, in the absence of a commitment by SOMIFER to open the mine, have to be justified by the transport requirements of the forestry industry which would have to demonstrate its interest by a substantially higher fiscal contribution. Iron ore would, however, eventually have to make an appropriate contribution to the capital and operating costs of the entire railway.
5. With respect to his study on Gabonese iron ore, Mr. Audibert explained that he would review the technical studies on the characteristics of the ore; investigate its market prospects by interviewing potential sources of demand, which might be SOMIFER shareholders or other steel companies; review the capital structure of SOMIFER and the possibility of broadening its equity base by bringing in companies that would be more interested in opening the mine soon, and report to the French and Gabonese Governments.
6. So far, we have had no information on the progress of Mr. Audibert's study. His report is due in April 1971.
7. Mr. Audibert may also wish to discuss a proposal to expand MIFERMA's activities. I attach a note from Mr. Paijmans to me summarizing the status of these plans.

WPThalwitz:mb  
Attachment.

President has seen



## OFFICE MEMORANDUM

TO: Mr. Roger Chaufournier

DATE: March 24, 1971

FROM: Martijn J. Paijmans

SUBJECT: MIFERMA

1. MIFERMA (249-FR): MIFERMA (Mines de Fer de Mauritanie) is a Mauritanian company with a share capital of 13.3 billion CFA francs, the capital stock of which is held by a large number of shareholders (French, British, German and Italian), mostly consumers of iron ore or their representatives. The Bank loan of \$66 million was made before full independence and was guaranteed by the French and the Mauritanian Governments. The purpose of the loan was to finance imported goods and services for a new iron ore mine near Fort Gouraud, a railway to transport the ore to Nouadhibou and requisite port facilities. The loan will be fully amortized in mid-1975.
2. The MIFERMA operation is based on mining and shipping of high grade iron ore, containing about 66% of Fe. During extraction a lower grade ore containing 50-60% Fe and silica is inevitably mined as well, which until now has been dumped as waste. However, many steel companies have found in recent years that they need to add silica to fine high grade ore in the sintering operation, which often precedes the blast furnace. The low grade MIFERMA ore serves this purpose very well.
3. MIFERMA is now planning a \$30 million expansion project to make use of the above-mentioned low grade iron ore. Although IBRD funds are not involved in this project in terms of the loan agreement, MIFERMA has asked for our approval to proceed with the project and also to open up a line of credit for \$5 million with the Japanese financing company Nichimen to help finance the project. Agreement on both requests has been notified to MIFERMA.
4. MIFERMA has also informed the Bank of its investigation of another iron ore deposit - the so-called "Guelb" deposit which could possibly be opened in 1976 to produce 6 million tons per year. During a visit to the Bank on December 4, 1970, Mr. Audibert, General Manager of MIFERMA, indicated that the Bank would probably be approached for financing of part of this project, the total cost of which is tentatively estimated at some \$300 million.
5. The Guelb project is based on the so-called "Guelb" deposit of magnetite located about 30 km north of the present mining operation. The deposit is estimated to contain around 1.7 billion tons of magnetite with an average content of 40% Fe. Because of the low iron content, beneficiation facilities requiring very substantial investments will be necessary. It is hoped that by 1976 this deposit will produce some 6 million tons of marketable iron ore to be increased to 12 million tons by 1983 and possibly to 20 million tons after that. MIFERMA has not yet precisely estimated the capital required for this project. As for the expansion project the Japanese are likely to be interested.

MJPaijmans:pmc



4



INTERNATIONAL MONETARY FUND  
WASHINGTON, D. C. 20431

OFFICE OF THE  
MANAGING DIRECTOR

CABLE ADDRESS  
INTERFUND

September 29, 1971

MEMORANDUM

To: The Files  
From: Gordon Williams  
Subject: Visit by OAU

On Tuesday, September 28, a delegation from the Organization of African Unity led by the President of Mauritania, Moktar Ould Daddah, came to the Sheraton Park to see Mr. Schweitzer and Mr. McNamara (see attached note for details).

He had two questions for the Fund and two for the Bank: (1) the current Fund study on size and structure of the Board concerns the African members who fear that their representation may become less important. He hoped that Mr. Schweitzer would see that their interests were protected. He did not feel it was proper that African countries should be represented by EDs from other countries; this should be corrected.

Mr. Schweitzer pointed out that as a result of the current pattern, out of the twenty members of the Board five speak for African countries and their potential influence is thus quite strong if they use it. These EDs have been elected by the countries concerned; the Fund as such has nothing to say as to what individual a sovereign country chooses as its spokesman. As for any changes in the Board that might come out of the present study, he could not conceive of any conclusion that would deprive Africa of the present two places--one for French-speaking, one for English-speaking black Africa.

(2) The President asked Mr. Schweitzer to be sure that the interests of the LDCs were protected in the process of finding solutions to the present monetary crisis.

Mr. Schweitzer said he hoped that he would have the support of the African members in his efforts to maintain the central position of the IMF in these negotiations. He pointed out the influential position the Africans were in with 5 spokesmen out of 20 on the Board, where votes are seldom taken, but a consensus is important.

President has seen



(3) Mr. McNamara was asked why combined IBRD/IDA loans to African countries were declining in 1969/70/71. He explained that this impression resulted from a misreading of the figures-- that, in fact, the trend was upward and he expected that the goal of trebling the level of lending by 1973 would be reached.

(4) Finally the question was raised as to why the Bank was continuing assistance to South Africa and Portugal despite the General Assembly resolutions. Mr. McNamara said he could give a theoretical response based on the Bank's legal position. No political considerations can be taken into account by the Bank in evaluating loan applications and Mr. Woods had therefore told the UN earlier that this precluded the Bank's giving weight to GA resolutions in this connection. This policy, he said, had been agreed to by the 117 members (sic) who had approved the Bank's Articles of Agreement and its Agreement with UN. But the practical situation is that the Bank has not made any loans to South Africa or Portugal since 1966. Further, the Bank had refused to proceed with loans to Zambia and Botswana, when it developed that these would have substantially benefited Rhodesia and South Africa, unless this had been explained to the Security Council by those countries. The Bank's record of operations is therefore entirely consistent with the OAU position. [Note: This question was not directed at the Fund and no Fund response was called for or made.]

cc: MD  
DMD  
LEG  
EUR  
AFR  
Mr. Franco--IBRD



September 27, 1971

The President of Mauritania, His Excellency Moktar Ould Daddah, currently Chairman of the OAU, will be arriving at the Sheraton-Park Hotel, Tuesday, September 28, at 4:25 p.m., for a joint meeting with Messrs. Schweitzer and McNamara in the VIP Lounge adjacent to the Sheraton-Park Ballroom. The President comes immediately from the White House where, at 3:30 p.m., he meets with President Nixon. The Mauritanian President is accompanied by an OAU delegation consisting of the Foreign Ministers of Cameroon, Kenya, Mali, Mauritania, and Zambia, and also the Secretary-General of the OAU. Mr. Schweitzer will be accompanied by Mr. Gordon Williams, Special Representative to the United Nations, and Mr. Mamoudou Toure, Director African Department, of the Fund staff. Mr. McNamara will be accompanied by Mr. Chauffournier, Director Western Africa Department, and Mr. Lejeune, Director Eastern Africa Department. The President will depart from the VIP Lounge no later than 4:50 p.m. in order to reach a press conference at Blair House scheduled for 5:00 p.m.

A welcoming committee consisting of Messrs. Williams, Touré, Chauffournier and Lejeune will be waiting at the back entrance to the VIP Lounge. As the President approaches the vicinity of the Hotel, Messrs. Smith and Christoffersen will be notified by the State Department Protocol Office. Messrs. Schweitzer and McNamara will then be notified at the podium.

The Liaison Officer at State Department's Protocol Office handling these arrangements is:

Mr. Leahy  
632-1676

cc:

Mr. Smith ✓  
Mr. Chauffournier  
Mr. Lejeune  
Mr. Mendels

*Mr. Toure*  
*✓ Mr. Williams*

L.E. Christoffersen

5

## OFFICE MEMORANDUM

TO: Memorandum for the Record

FROM: Roger Chaufournier *RC*

SUBJECT: Mauritania: Visit of the Ambassador

DATE: May 26, 1972

The Mauritanian Ambassador to the U.S., Mr. Moulaye El Hassen paid a courtesy call on Mr. McNamara at 5:45 p.m. on Wednesday, May 24, 1972. Mr. Kochman and the writer were also present. This was the Ambassador's first call on Mr. McNamara since the Ambassador's recent appointment.

The Ambassador expressed his Government's appreciation for the excellent state of relations between the Bank Group and Mauritania.

730

Mr. McNamara asked the Ambassador for his views on prospects for regional cooperation in West Africa. Mr. McNamara commented on some favorable development, pointing out at the same time, there were some disappointments such as, for instance, the recent split of Air Afrique. The Ambassador replied that in West Africa there was a profound conviction about the need for greater cooperation, but that it was an area fraught with many problems, political and personal, and one had to expect that progress would be a succession of successes and failures. What was important was that forward progress be made in the long run and he was convinced that it would be.

RChaufournier:sm

President has seen



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: May 24, 1972

FROM: Roger Chaufournier

SUBJECT: MAURITANIA: Briefing Paper - Ambassador El Hassen's VisitMay 24, at 5:45 PM

1. Ambassador El Hassen will call on you on May 24 for a courtesy visit. He is not likely to raise any particular issues. This note is to give some information on the Ambassador's personal background and briefly review economic developments and the status of the Bank Group's relations with Mauritania.

2. Born in 1936, Ambassador El Hassen carried out his higher level studies in France and Senegal. He has an advanced degree in French from the University of Dijon and a degree from the faculty of law of the University of Dakar. After having taught French at the Lycée in Nouakchott, Mr. El Hassen entered diplomatic service in 1962 and served as Director of Protocol in the Ministry of Foreign Affairs 1962 to 1968. He was Consul-General to Mali from 1969 to 1971 when he was appointed Ambassador to the Ivory Coast, accredited simultaneously to Dahomey, Ghana, Liberia, Niger, Togo and Upper Volta. In September, 1971, he was appointed Ambassador to the United Nations and in February, 1972, also Ambassador to the United States.

The Economy

3. Mauritania represents an extreme case of a dual economy. Mining provides 75 percent of the country's export earnings and 25 percent of its tax revenues. However, this sector has remained a foreign-owned enclave industry with transfers abroad accounting for over half of total value added, limited employment, only, and little secondary effects on the traditional sector of the economy. In contrast to the modern sector, growth in the traditional sector has hardly been in excess of population growth. Thus, the standard of living of the bulk of Mauritania's population has scarcely improved.

4. The Government is increasingly becoming aware, that mining alone cannot solve its development problems. Its 1970-73 Development Plan is giving priority to agriculture and fishing, the need for which is further accentuated by the expected slow-down in the growth of mining, once present explorations are reaching their full capacity towards the mid-1970's. In addition, the Plan gives priority to increased Mauritanization of middle and higher level staff so as to reduce dependence on foreign technical assistance.

5. Next to the still very limited technical and managerial capacity to prepare and implement projects, the lack of budgetary resources will remain the binding constraint to Mauritania's development. Fiscal developments over the last five years were marked by rapidly rising current revenues (about 10 percent p.a.), and by an even higher growth

President has seen



of current expenditures. While savings, with the exception of 1969, remained positive, they were insufficient to meet the growing needs of expanding public investments. This resulted in a drawdown of treasury reserves.

6. A sizeable increase in public savings is a precondition for implementing a satisfactory public investment program over the next five to ten years. At the same time, the present level of taxation (13 percent of GDP) suggests that it should be possible to increase government revenues somewhat, provided there is improved tax administration and reviewing of the tax structure.

7. A substantial improvement in both scope and quality of planning and project preparation can be expected with the recent arrival of a UNDP-financed expert team which is working in close cooperation with Mauritanian officials. However, stepping up the pace and broadening the base of Mauritania's development will at best be a lengthy and difficult process requiring major efforts to improve public and private resource mobilization and allocation for development.

8. In spite of these constraints, the medium-term outlook is for a moderately higher rate of growth. Livestock production is expected to recover from the recent drought and, with the help of the IDA-credit just made effective, should expand considerably. In mining, both SOMIMA and MIFERMA are expected to considerably increase their production over the next two to three years, the latter recovering from the effects of the recent strikes.

#### Bank Group Lending

9. After the US\$66 million loan to MIFERMA in 1960, Bank Group activity in Mauritania was limited to three operations: a US\$6.7 million credit for roads (FY1964) which has just been completed; a US\$3.0 million credit for road maintenance (FY1969) which is about half disbursed; and the livestock credit in the current fiscal year.

10. The opportunities to develop economically viable projects in Mauritania are limited. Accordingly, the competition among the various external donors, including the Popular Republic of China, for the few available projects is keen. While the Bank Group's lending program is reasonably firm for the next two to three years, we are still working on identifying projects which will fill up the latter years of the Five-Year Program. The emphasis of our proposed lending is on the rural sector and fishing.

11. Preparations are underway for the Gorgol Agricultural project (FY1974), which will develop 6,500 ha. of irrigated rice production. The studies, which should be ready soon, point to high capital cost as the remaining issue. Furthermore, the feasibility study for the

Nouadhibou port extension (FY1974) is now underway, after almost one year delay in agreeing to the consultants contract. It is expected to take one year. An Education project (FY1974) aiming at regionalization of secondary schools is also being prepared. A Bank/UNESCO identification/preparation mission will visit Mauritania in June which should enable us to firm up this project. Identification for the second Road project (FY1974) is still not complete and the project may be delayed.

Attachment

CRosenblad/KHuber:cjf



POPULATION: 1.1M

GNP PER CAP: \$ 140  
IVA

MAURITANIA - 5 YEAR OPERATIONS AND LENDING PROGRAMS  
(BY FISCAL YEAR - AMOUNTS IN \$ MILLIONS)

OPERATIONS PROGRAM

	1972	1973	1974	1975	1976
7-MTA-A1-01 GORGUL I IRRIGATION			3.5		
7-MTA-AL-01 LIVESTOCK	4.2				
7-MTA-AL-02 LIVESTOCK II					3.0
7-MIA-EE-01 EDUCATION			2.0		
7-MTA-TH-03 ROAD CONSTRUCTION			3.5		
7-MTA-TP-01 NOUADHIBOU PORT EXT.			3.0		

	1964-68	1969-73	1972-76
IBRD			
IDA	6.7	7.2	19.2
TOTAL	6.7	7.2	19.2
NO	1	2	6

	1972	1973	1974	1975	1976
IBRD					
IDA	4.2		12.0		3.0
TOTAL	4.2		12.0		3.0
NO	1		4		1

LENDING PROGRAM (12/15/71)

IBRD			
IDA	6.7	10.2	15.2
TOTAL	6.7	10.2	15.2
NO	1	3	5

IBRD					
IDA	4.2	3.0	2.0	3.0	3.0
TOTAL	4.2	3.0	2.0	3.0	3.0
NO	1	1	1	1	1

6



## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: March 6, 1973

FROM: Roger Chaufourmier *R*SUBJECT: Mauritania - Your meeting with Mr. Diaramouna Soumaré, Minister of Finance and Trade (Wednesday 1240)

3/6

1. A Mauritanian Delegation led by Mr. Diaramouna Soumaré, Minister of Finance and Trade and composed of Mr. Ahmed Ould Daddah, Director of the public import-export company SONIMEX, and Mr. Mustapha Ould Cheikh, Director of the newly created Exchange Control Board, is presently visiting with Senior Officials of the IMF to discuss a possible IMF assistance in setting up the new currency and running the new Central Bank. The Delegation will pay you a courtesy visit tomorrow at 12.40 p.m. This note is to brief you on the likely topics the Delegation may raise, namely the Government's decision to create its own currency thus breaking away from the West African Monetary Union (WAMU), the recently concluded revision of the 1961 Cooperation Treaty with France, and its consequences for Mauritania. A biographical note is attached.

The 1961 Cooperation Treaty

2. After its independence in 1960, Mauritania signed in 1961 a broadly based Cooperation Treaty with France in the economic, financial, monetary, military, technical and cultural fields. The major features of this Treaty in the field of development assistance included the following:

- membership of Mauritania in the WAMU, with a common currency, the CFA franc, the convertibility of which is guaranteed by France; in counterpart, foreign exchange reserves of the monetary union are held in the French Treasury and the monetary and credit policies of the Union are largely controlled by France;
- French technical assistance which reached about \$2.5 million per annum in recent years;
- grants by the French Government for budgetary support (totalling an estimated \$28 million for the period 1961-69, and interrupted in this latter year) and for public investments (totalling an estimated \$23 million for the period 1961-72);
- loans by the French Government at subsidized interest rates for financing investments in the public and private sectors; as of June 1972, outstanding loans amounted to about \$33 million, two thirds of which in the private sector.



### The New Agreement

3. The decision to revise the Cooperation Treaty and to leave the Franc zone was made in June 1972 by the National Political Bureau. It has to be seen in the context of a country whose survival has been threatened in its 12 years of existence by internal and external forces and which feels the need to assert itself as an independent unit. Several major clauses of the Treaty were considered as a serious infringement on Mauritanian sovereignty. A secondary reason for leaving the franc zone is to be found in the attempt by the Government to gain control over foreign trade, as smuggling affects a significant portion of this trade.

4. A new agreement with France was signed on February 15, 1973. In the field of development aid, the main features of the new agreement are the following: loans at subsidized interest rates to the public and private sectors and French technical assistance will largely continue as in the past, except for the accelerated Mauritanization of education; grants for public investments however could be substantially decreased, as this kind of aid is reserved in priority to Franc Zone member countries; no agreement was reached on the monetary question, the French Government having refused the opening of a line of credit of US\$45 million equivalent, in replacement of the convertibility guarantee of the monetary union.

5. Grants by the French Treasury decreased in the late 1960's and early seventies to about \$1.4 million per year or less than 10 percent of public foreign aid in recent years. A further reduction would seriously affect the public finance situation which is already difficult.

6. Given the favorable outlook in the balance of trade and the promises of substantial aid by Libya and Algeria, the balance of payments and monetary situation is expected to remain viable as long as the Authorities are successful in carrying out their intention of prudent monetary and fiscal policies. Indeed stability will depend primarily on this factor as the new Central Bank is likely to get under considerable pressure to finance status symbol type of projects with low or negative profitability.

7. Finally, the introduction of a new currency could cause at least momentarily a slowdown in foreign direct investments, in spite of guarantees by the Government about profit repatriation and transfers of up to 60 percent of wage payments for foreign workers. Even if foreign investments continue as in the past, the burden of foreign exchange controls could slowdown the movement of goods in and out of the country and thereby affect growth.

8. On the other hand, the creation of a new currency will permit to control foreign trade, and therefore the merchants' turnover, and their profits, three main sources of tax revenues. Also the new system will permit to orient credit in a more direct way toward productive investments and away from consumption credit, thereby limiting imports to the more essential goods.

Attachment

LCurrat/KHuber:mg



Biographical Note

Mr. Diaramouna Soumaré was born in 1931 in the most southern region of Mauritania. After holding a post as customs inspector, he became Director of Trade in 1969 and a member of the Economic and Financial Affairs Commission of the National Political Bureau, executive branch of the Peoples' Party. In 1970, he became Minister of Trade and Transport. Since August 1971, he is Minister of Finance, a title which was changed into Minister of Finance and Trade at the cabinet reshuffling of December 1972.

Mr. Ahmed Ould Daddah, brother of the President of Mauritania, Director of the public import-export company SONIMEX, led the Mauritanian delegation at the negotiation of the new Cooperation Treaty with France and is expected to become Governor of the new Central Bank.

Mr. Mustapha Ould Cheikh is presently Director of the recently created Exchange Control Board in the Ministry of Finance; he is expected to become a senior official in the new Central Bank.

March 6, 1973

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## OFFICE MEMORANDUM

TO: Memorandum for the Record

DATE: February 7, 1975

FROM: Roger Chaufournier *RC*SUBJECT: MAURITANIA: Visit of Minister of Planning

On January 17, Mr. Sidi Ould Cheikh Abdallahi, Minister of Planning and Industrial Development of Mauritania, called on Mr. McNamara. He was accompanied by the Mauritanian Ambassador to Washington. Mr. Razafindrabe, Mr. Kpognon and the writer were also present.

The Minister brought the personal greetings of the President of Mauritania and expressed his Government's satisfaction for the excellent relations which existed between Mauritania and the Bank Group.

*M/10*  
The Minister referred to the recent decision of the Government of Mauritania to nationalize Miferma, a decision which was not taken lightly but which resulted from the realization, during recent months of negotiations, that Miferma shareholders were unlikely to agree to the changes which the Mauritanian Government wished to bring about. It was therefore decided to acquire the ownership of the company, while, for the time being all other arrangements, i.e. staffing, commercial contracts, would remain as before. The Government clearly indicated it would offer fair compensation. The Minister believed that negotiations could begin promptly in the Spring, once the Mauritanian Government had completed its review of the financial accounts of the company.

The Minister added that the Government contemplated a further expansion of the activities of Miferma, now SNIM, to exploit the Guelbs deposits and that he thought Bank assistance together with that of other donors would probably be needed. (A record of discussions of the Miferma issue is contained in a memorandum of Mr. de la Renaudière to Files dated January 23, 1975). The Minister then referred to the financial difficulties of SOMINA. He said he hoped to find a solution to this problem with the help of some outside finance (see Mr. Kreuter's memo to IFC Files on the subject dated January 20, 1975).

RChaufournier:sm

## OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: January 16, 1975

FROM: Roger Chaufourmier

SUBJECT: MAURITANIA - Your Meeting with Mr. Sidi Mohamed Ould Cheikh Abdallahi,  
Minister of Planning and Industrial Development and Bank Group  
Governor for Mauritania

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1. At the request of the Government a meeting has been scheduled between yourself and the Minister for Friday, January 17 at 6:30 p.m.

2. The Minister is likely to raise with you his Government's recent decision to nationalize MIFERMA, an iron ore mining company to which the Bank in 1960 made a loan of \$66 million; the loan was guaranteed by France and the Islamic Republic of Mauritania. He may in addition raise other points in connection with Bank Group operations in his country. This note is to provide you with a biographical sketch of the Minister, background information on the MIFERMA nationalization, and a brief summary of current and planned Bank Group activities in Mauritania.

Sidi Mohamed Ould Cheikh Abdallahi

3. The Minister is a young, French-educated technocrat who has ascended rapidly through the administrative apparatus of his country to an important policy-making position. In 1968, following completion of his studies in France, he was named Director of the Plan in the Ministry of Planning. Three years later he was appointed Minister of Industry; in 1972, he was named to his present position of Minister of Planning and Industry. He was almost simultaneously made a member of the Political Bureau, the central policy-making organ of the country, and charged with responsibility for economic policy.

4. Our contacts with the Minister have been very fruitful; he is capable and energetic, and his interventions on behalf of ongoing operations have assured us a minimum of delays due to bureaucratic inertia. He has in addition been effective in mobilizing finance for our projects from other external sources, particularly Arab sources. You may recall, incidentally, that the Minister was the spokesman for the African Group at the most recent African Caucus.

Nationalization of MIFERMA

5. On November 28, 1974, the Government announced, by decree, that it was taking over this iron ore mining company whose role has been central to the economic progress of Mauritania: MIFERMA has in recent years accounted for more than 25 percent of GDP, for about 70 percent of export earnings, and for 40 percent of the Government's current revenues; in 1973, it employed 4,300 people of whom 3,800 were Mauritanian nationals. The Government intends to manage the nationalized company through the National



Industrial and Mining Company (SNIM), a public enterprise set up in 1972 mainly to mobilize financial resources for mineral exploitation. By law, all obligations of MIFERMA are assumed by SNIM, and an indemnity will be paid to the former shareholders (we have heard that Arab funds may be put at Mauritania's disposal to cover this indemnity).

6. The President of MIFERMA, Mr. Audibert, wrote to me this past December, saying that his Board objected to the nationalization of the company because it was contrary to the terms of the 1959 Convention of Establishment of MIFERMA and because of the uncertainty surrounding the determination of shareholders' indemnity. He went on to say that, nevertheless, the Company's Board would proceed with efforts to reach a satisfactory settlement with the Mauritanian Government (should such a settlement be forthcoming, we understand that the private shareholders of MIFERMA are ready to set up a technical assistance company to help Mauritania run the project).

7. For our part, we have taken note of the public statements of the Mauritanian President, Mr. Moktar Ould Daddah, on the nationalization which indicate that his Government intends to negotiate in good faith a final settlement with the former shareholders. Furthermore, the original \$66 million IBRD loan is nearly paid in full; with receipt of a \$5 million payment on schedule this January 1, there remains only one further \$5 million payment due July 1, 1975 for the loan to be retired. Although nationalization appears among the possible events of default in the Loan Agreement, we see no reason to declare the loan in default at this stage.

#### Bank Group Operations in Mauritania

8. Through FY73, the Bank Group had participated in the financing of four projects, including the IBRD loan to MIFERMA and three IDA credits amounting to about \$14 million (two for road construction and maintenance and one for livestock development). From our early focus on basic infrastructure (which was in line with the Government's own investment priorities) we are aiming towards greater involvement in the rural sector and an increased tempo of operations. In FY74, we completed processing three IDA credits, \$2.5 million for Drought Relief, \$1.1 million for detailed engineering of a major irrigation scheme on the Gorgol river in the South East portion of the country, and \$3.8 million for education. During FY75, we expect to process two further IDA credits, \$3.0 million for road maintenance and detailed engineering of rural roads (approved by the Board in November), and \$4.0 million for extension of the Port of Nouadhibou.

9. Over the next five years, we expect to participate in the Gorgol irrigation project itself and to assist, through integrated rural development schemes, the improvement of rainfed agriculture along the Senegal river

Mr. Robert S. McNamara

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January 16, 1975

and the control and management of livestock development in those parts of the country in the Sahel. We intend also to make some contribution to the continuing development of transport infrastructure in this large country where the absence of communications makes it very difficult to promote a sense of national unity; our continued involvement in the education sector will have positive effects in this regard as well. Finally, we are continuing to follow developments in the mining sector with a view to possibly helping finance another iron ore mining project; this latter project, called Guelbs, offers the prospect of continued foreign exchange generation from exploitation of lower grade ore once the MIFERMA deposits are exhausted sometime in the 1980s. Obviously, our involvement will depend to a great extent on successful resolution of the MIFERMA nationalization issues.

10. Attached is the latest approved five-year operations and lending program for Mauritania.

Attachment

MJGillette:sjb