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THE WORLD BANK

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Travel briefs
Mauritania

Melamora Papers

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Travel briefs, Mauritania

Folder 5 of 5

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WBG Archives

MAURITANIA

January 19-21, 1971

1. Itinerary, Statements, Maps and RMcN Notes
2. Basic Data
3. Political Situation
4. Economy
5. Population
6. Bank and IDA Operations
7. Matters for Discussion
8. Cabinet (with RMcN comments)
9. Biographical Notes
10. Country Program Paper

ISLAMIC REPUBLIC OF MAURITANIA

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 - Translation of "PROGRESSIVE" DIPLOMACY AND LIBERAL REGIME,
an article published in "Le Monde" of November 3, 1970.

January 4th, 1971
M.N.Kochman

FINAL PROGRAM

OFFICIAL VISIT OF MR. ROBERT S. McNAMARA

PRESIDENT OF THE WORLD BANK GROUP

IN THE ISLAMIC REPUBLIC OF MAURITANIA

(January 19 - 21, 1971)

Tuesday, January 19

19:00 Arrive in Nouadhibou from Libreville
Dinner and evening free .

Wednesday, January 19

07:00 - 09:00 Visit of Nouadhibou
Various projects and facilities in the city of Nouadhibou:
- Water supply installations;
- Fishing port (freezing plant, fish processing and
canning industry);
- MIFERMA minerals Terminal - Port facilities

09:00 Leave Nouadhibou for Atar (flying over Zouerate iron mines)

13:00 Arrive Atar
Informal lunch in Atar

15:00 Leave Atar for Nouakchott (flying over Kaedi and Senegal
River Valley).

19:30 Courtesy call on the President Moktar OULD DADDAH
Dinner and evening free

Thursday, January 21

Morning Visit to Boutilimit

13:00 Informal private lunch (the President of the Republic
and Mrs. Moktar Ould Daddah - The President of the World
Bank and Mrs. Robert S. McNamara) followed by meeting
between the President of the Republic and the President
of the World Bank.

.../...

16:00 1/ Meeting with Government officials

20:00 Dinner (Mechoui) offered by the President of the Republic

23:00 Leave for Dakar (in time for connection with PA 151)

Friday, January 22

01:30 Leave Dakar - PA 151

05:05 Arrive New York.

1/ Separate program for Mrs. McNamara

REMARKS AT AIRPORT UPON ARRIVAL IN MAURITANIA

I am delighted to be here in Mauritania, and particularly to have the opportunity of meeting your President. During this visit, I look forward to seeing something of your vast country, to talking with many of those concerned with your development efforts, and to learning how we in the World Bank Group might help more effectively in promoting those efforts.

The World Bank's interest in Mauritania's development dates back to the historic days when your country stood on the threshold of independence. It was in March 1960 that we agreed to help develop your mineral resources by making a loan of \$66 million for the iron ore project near Fort Gouraud. And it was in the Mauritanian mining industry again -- for the copper project in Akjout -- that the Bank's affiliate, the International Finance Corporation, made a commitment of over \$20 million in May 1968: that was the largest single commitment made by IFC until then, and it is the second largest even today.

Our interest is not confined to mining. We have supported road construction and maintenance projects, while exploring the scope for productive investment in other sectors. As a result, in the years ahead, we look forward to examining the possibilities -- in accordance with the priorities you yourselves have set -- in such sectors as agriculture, transport, communications and education.

In Mauritania, as elsewhere, our aim is to help spread the benefits of development as widely as possible. The central test of success in our common endeavor will lie not in implementing a project here, or a project there; it will lie in the extent to which we can help you create a better, more productive life for the people of this country.

12-31-70

DRAFT REPLY TO TOAST AT PRESIDENT DADDAH'S FORMAL DINNER AT NOUAKCHOTT

THURSDAY, JANUARY 21, 1971

Mr. President:

I deeply appreciate your gracious remarks, and the warm hospitality you have extended to Mrs. McNamara and myself.

Africa is an ancient continent: possibly the cradle of mankind itself. Its contrasts, its cultures, its customs are rich and varied almost beyond belief. Its is a continent of immeasurable delight and fascination.

But it is far more than just that. It is an ancient continent restless with all the vitality of youth. Its determination to develop -- whatever the difficulties -- is vibrant and vigorous.

One sees that here in Mauritania, Mr. President. And we in the World Bank are proud to be associated with your efforts to enhance the lives of all the peoples of the Republic.

After my visits to various development projects in your country, and my conversations with your colleagues and yourself, I am confident that the World Bank can continue and expand its role in cooperating with your dedicated drive for social and economic progress.

Mr. President, you have often pointed out that Mauritania, with its unique historical and geographical inheritance, plays a particularly valuable role in west Africa.

It serves as a bridge between the Saharan culture of the north, and the sub-Saharan culture to the south. In your own colorful phrase, Mauritania is a trait d'union -- a hyphen -- between these two great African cultural heritages.

Mr. President, it is a mark of your leadership of the Republic that you have welded these two lively streams of tradition into a fruitful unity.

I ask you, Ladies and Gentlemen, to join with me in a toast to the President of the Republic -- and to the realization of his dreams for the enhancement of the future of all its peoples.

E N D

[illegible]

DECEMBER 1970

IBRD-3174



outlook for Spanish Sahara
Rels with Algeria + Morocco + Senegal
+ outlook for ex.

Senegal River Basin Auth.

Prospects for fishing - benefits & services for
limitation of Port of Nouadhibou
Iron pros:

Reservoirs
Prod. outlook (1972-75; after '75) 9m p a year;
employment 2,75?
+ 12 m p a year '83
outlook for other mining from Guelb for
300m

Outlook for livestock (52 p a)
handicapped by lack of budget for ex; vet; etc

Evolution of the Party or tribes

State of public finances

large inc. in expenses in '69 +: large deficit
what result in '70
outlook for '71

BR est. of need public invest.

13m p a for 6 yrs
of which 6m p a met for grant (BR v. 5 p a)
∴ 7m reqd in pub works, for loans, supplies
∴ need an inc. in public revenues

Widespread remnants of feudalism
L.G., kissing head of Saharan as
with 2 handshakes with host of the
strong tradition of personal friendship
pride, loyalty
Senegalese (young) 45 Arab, 4m
rel. the with power for benefit
holders of power - this of the 1960s
young, bright well-educ (PhD etc)
men - some 20 years of age to 40 -
with over black skin
Signs of tension below the surf: demon
fagorad, Senegalese a few days before
shot of 35th v. 100 and down
by his own side: said to be
organ by released

on autumn

ISLAMIC REPUBLIC OF MAURITANIA

Legend:

- Paved roads
- Paved roads under construction
- Gravel roads
- Tracks
- Railroads
- Airfields
- Copper (Cu)
- Iron (Fe)
- Date palms (dp)
- Fishing
- Wharf
- Annual rainfall, millimeters (100, 200, 300, 400, 500, 600)
- International boundaries

AGRICULTURAL ZONES:

- Saharan desert
- Saharan sub-desert
- Sahelian

Map Labels:

- Cities:** Aaiun, Bir-Moghrein, F. Derik, Zouerate, Nouadhibou, Nouakchott, Moudjéria, Tichitt, Oualata, Néma, Timbedra, Kiffa, M'Bout, Kaedi, Boghé, Aleg, Mederdra, Rosso, St. Louis, Matam, Bakel, Selibaby.
- Geographical Features:** Atlantic Ocean, TROPIC OF CANCER, CHAUM TUNNEL, Ouedane, Chinguetti, Atar.
- Infrastructure:** CAMELS, SHEEP & GOATS, CATTLE, GUM, CEREALS.

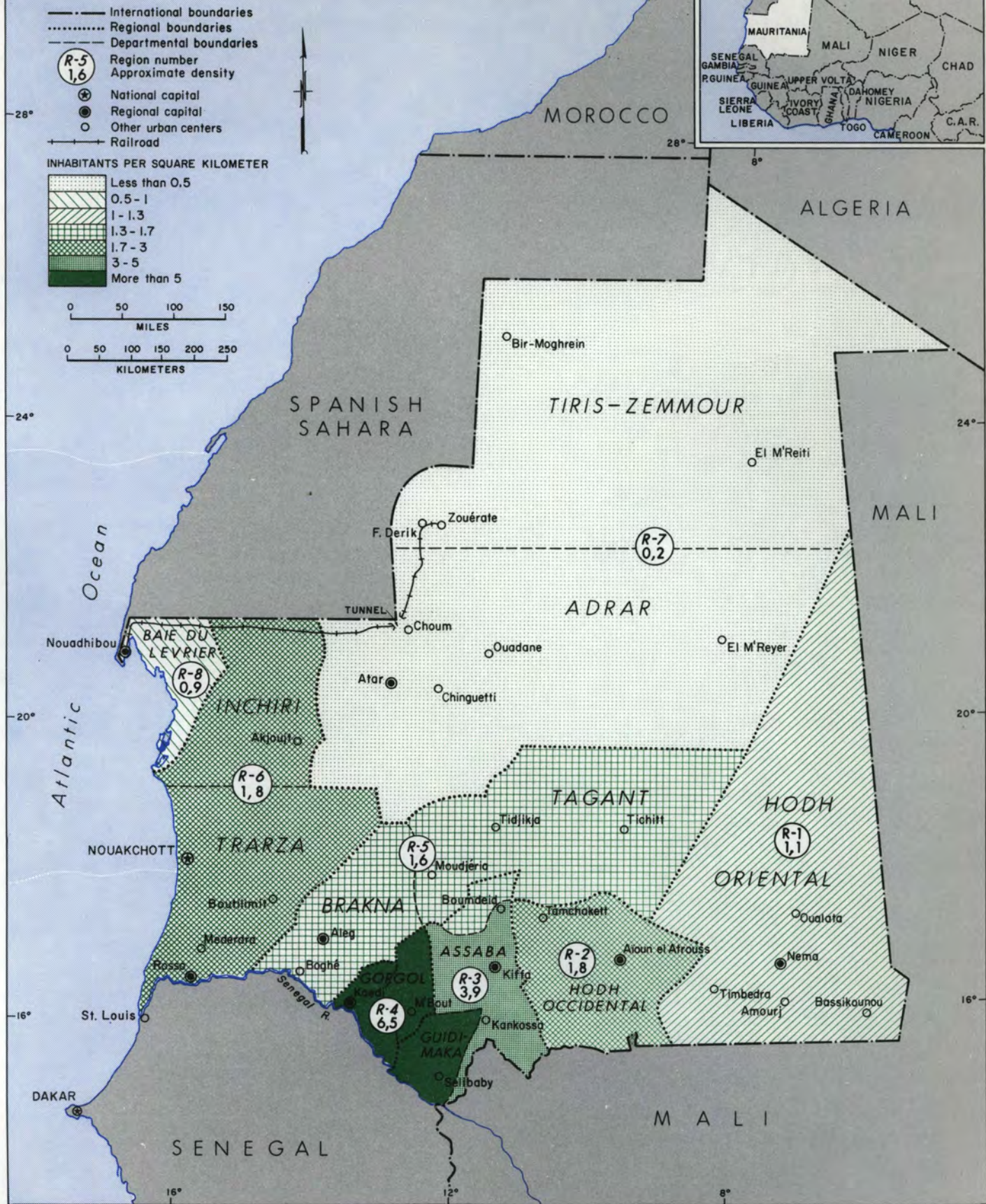
Inset Map: Shows Mauritania's location in North Africa, surrounded by Morocco, Algeria, Tunisia, Libya, Mali, Niger, Chad, Nigeria, Cameroon, Senegal, Gambia, Guinea, Sierra Leone, Liberia, Ivory Coast, Ghana, Togo, and Dahomey.

DECEMBER 1970

IBRD-3172

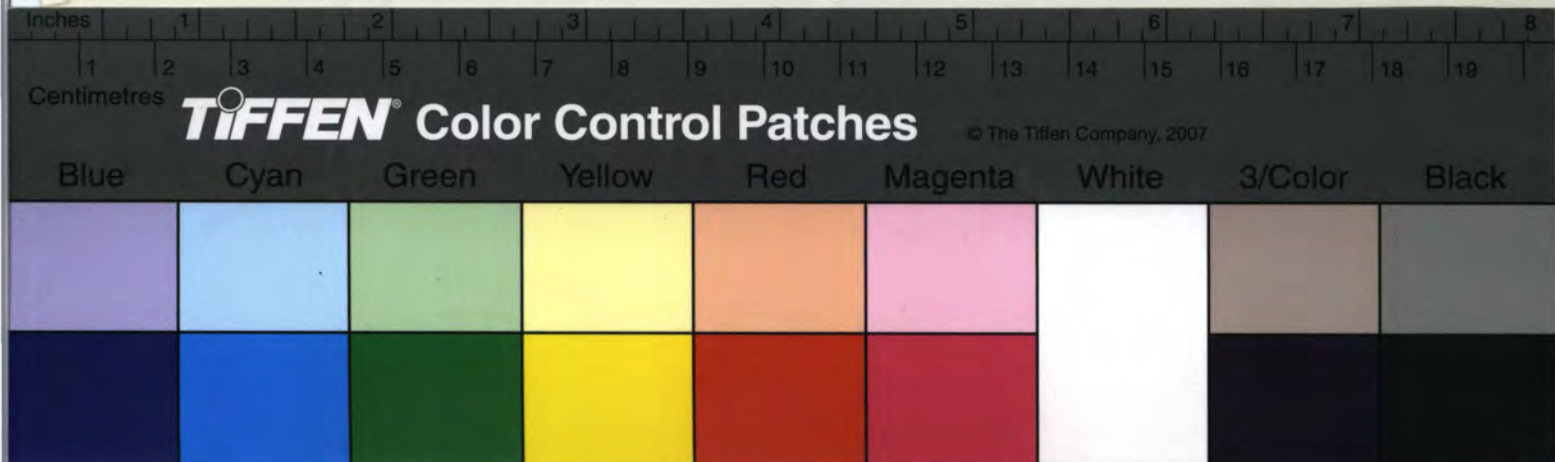


ISLAMIC REPUBLIC OF MAURITANIA POPULATION DENSITY BY REGIONS



DECEMBER 1970

IBRD-3174



ISLAMIC REPUBLIC OF MAURITANIA

BASIC DATA

Area: 420,000 square miles (1,080,000 km²)

Population: (1969 estimate)

Total	1,146,000
of which	10-15,000 non-Mauritanians
Density	3 per square mile (1 per km ²)
Rate of growth	2.0% per year
School attendance	15% of school-age population (1968/1969)

Political status: Independent since November 1960

Gross domestic product (market prices):

	<u>1959</u>	<u>1964</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969 (prelim.)</u>
GDP at current market prices (billion CFA francs)	16.7	33.6	40.8	43.0	45.6	47.0
Rate of growth (% per annum)	15.0% p.a.		7.0% p.a.			
	10.9% p.a.					
GDP per capita (CFA francs)	18,040	32,200	37,400	38,800	40,500	41,040
Rate of growth (% per annum)	12.3% p.a.		5.0% p.a.			
	8.5% p.a.					
Price rise (% per annum)	1.5% p.a.					

Gross domestic product (market prices):

GDP at current prices (million US\$)	60	121	147	155	164	169 1/
GDP per capita (US\$)	65	116	135	140	146	148 1/

1/ At the new exchange rate of CFAF 277.71 = US\$ 1.00 prevailing after August 1969. If converted at the previous exchange rate the 1969 GDP would be \$191 million and per capita GDP \$166.

Structure of GDP at factor cost (1968)

<u>Origin</u>	<u>%</u>	<u>Uses</u>	<u>%</u>
Agriculture	6.0	Public consumption	14.3
Livestock	27.0	Private consumption	57.0
Other Traditional	3.0		71.3
	36.0	Gross domestic investment	27.4
Mining	31.0	Net balance of foreign)	
Manufacturing (incl. fishing)	11.0	trade and non-factor)	
Services	12.0	services and P&O)	1.3
Public Administration	10.0		
	100.0		100.0

Financing of gross domestic investment
(in billion CFA francs)

	<u>1959</u>	<u>1964</u>	<u>1968</u>
Gross fixed capital formation	1.9	6.1	12.5
Gross national savings	(0.3)	(1.6)	(5.0)
Net capital inflow and changes in foreign assets	(1.6)	(4.5)	(7.5)

Central Government Budget
(in billion CFA francs)

	<u>1959</u>	<u>1964</u>	<u>1968</u>
Total current revenues	0.9	3.8	5.7
Total current expenditures	3.0	4.1	5.3
Surplus (+) or Deficit (-) of the current budget	-2.1	-0.3	+0.4
Development expenditure	0.8	2.0	3.4
Total deficit	(-)2.9	(-)2.3	(-)3.0
financed from:			
(foreign sources excl. techn. assist.)	(2.0)	(2.0)	(3.0)
(local sources)	(0.9)	(0.3)	-

Money and Credit

Relations to large monetary area: Member of the West African Monetary Union (UMOA) and of the Franc area.

Money supply, end of period
(billion CFA francs)

	<u>1962</u>	<u>1964</u>	<u>1968</u>
Total money supply	2.7	2.5	4.0
Total domestic credit	(n.a.)	0.2	3.1
of which to the public sector	(-1.7)	(-1.1)	(-0.9)

Balance of payments
(US\$ million)

	<u>1959</u>	<u>1964</u>	<u>1968</u>
Imports	19.2	38.0	43.9
Export	9.2	38.3	58.3
Trade Balance	-10.0	+ 0.3	+14.4
Net services	6.4	- 1.8	- 5.8
Net factor income and private remittances abroad	- 1.9	-14.7	-22.5
Net errors and omissions	1.1	3.6	- 6.9
Current account balance	(-) 4.4	(-)12.6	(-)20.8

Estimated gross disbursements of foreign aid
(US\$ million)

	<u>1959</u>	<u>1964</u>	<u>1968</u>
France	6.4	5.3	4.4
EEC (FED)	-	1.7	3.6
Others	-	0.3	2.2
Total of which	6.4	7.3	10.2
(technical assistance)	(0.8)	(1.7)	(1.9)

International reserves (as of December 31)
(external assets imputed within the UMOA)

	<u>1959</u>	<u>1964</u>	<u>1968</u>	<u>1969</u>
Total value (US\$ million)	n.a.	10.7	6.3	1.0
Month's imports of goods	n.a.	2.3	1.2	0.7

IMF Position
(US\$ million)

	<u>1959</u>	<u>1964</u>	<u>1968</u>	<u>1969</u>
Quota	-	7.5	9.0	10.0
Drawings	-	none	none	none

World Bank Group Operations

A. Past operations (US\$ million) as of November 30, 1970

	<u>Amounts committed</u>	<u>Amount disbursed</u>
IBRD	66.0 1/	66.0
IDA	9.7	5.3

1/ IBRD loan to MIFERMA, a private company, guaranteed jointly by the Government of Mauritania and France.

ISLAMIC REPUBLIC OF MAURITANIA

UDEAO/CEAO

(Union Douaniere des Etats de l'Afrique de l'Ouest)
(Communaute des Etats de l'Afrique de l'Ouest)

Seven West African Countries (Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal and Upper Volta) linked by a customs Union UDEAO (Union Douaniere des Etats de l'Afrique de l'Ouest) have felt that the organization lacked impetus, and that despite considerable goodwill for a positive cooperation, the practical and visible achievements were less than had originally been expected. At the May 1970 Conference of UDEAO, Heads of State in Bamako, a new attempt was made to convert it into a wider organization for economic, industrial and customs cooperation.

A "protocol of agreement" was adopted providing for the setting up of a new Economic Community of West Africa (CEAO) to replace UDEAO by a better structured organization. The Community will be open to other States. (Togo, for example, was represented at the Bamako meeting by an observer.) The protocol, which sets out the main aims and institutions for the new community, is due for ratification at a meeting in Bamako planned for November 1, 1971.

The main aims, as specified are three:

- i. to improve the infrastructure of the area as a whole by cooperation in transport and communications development;
- ii. to promote and accelerate the joint industrialization of the member States;
- iii. to facilitate trade between members in both manufactured products and raw materials.

The institutions through which these objectives will be pursued are: the Conference of Heads of State, the Council of Ministers and the General Secretariat.

We have received a request for assistance to CEAO in analyzing the financial aspects of economic integration. We intend to explore the possibilities during a forthcoming visit of the Secretary General of UDEAO.

ISLAMIC REPUBLIC OF MAURITANIA

OERS

(Organisation des Etats Riverains du Senegal)

1. In March 1968, Mali, Mauritania, Guinea and Senegal drew up the charter for an "Organization of Senegal River States" (OERS). The essential bodies of the OERS are:

- 1) The conference of Heads of State.
 - 2) The Council of Ministers, which meets at least twice a year. The Council is in charge of conception, execution and control, and reports to the Heads of State.
 - 3) An Interparliamentary Conference (composed of 20 members of Parliament - 5 from each State) with a consultative role.
 - 4) The Executive Secretariat of the OERS with headquarters in Dakar, which oversees three general secretariats:
 - i) Development of the Senegal River Basin
 - ii) Planning and Development
 - iii) Educational, Social and Cultural Affairs
2. OERS, without being a supranational organization, aims at a close co-operation between the four Senegal River States, not only as regards the Senegal River Basin, but in the economic, social and cultural fields.
3. The Bank is interested in the principle of a development program for the Senegal River Basin and wishes to be kept informed of developments. In spite of its reservations regarding the operational character of various studies in the river basin, the Bank usually attended the meetings on the Senegal River Basin Advisory Group, set up end 1966/early 1967 and composed inter alia of representatives of: UNDP/SF, FAO, ILO, UNESCO, IBRD. The Bank is of the opinion that some of the studies were designed and are being carried out without sufficient regard for economic considerations and in such a way that they are highly unlikely to lead to investments before ten to fifteen years from now. UNDP has been informed about the Bank's concern on these matters. As a result, a proposal has been made for a feasibility study of a dam at the mouth of the river (Delta Barrage).
4. On the technical level, contacts have been maintained with OERS headquarters where visits are made by the Bank and FAO/IBRD Cooperative Program staff for general discussions or discussions relating to specific projects (e.g. telecommunications). OERS Executive Secretariat members usually call on the Bank during the Annual Meetings. During the Copenhagen meeting, the

Executive Secretary of OERS submitted a memorandum outlining possibilities for Bank Group involvement in the OERS program of work. A letter expressing our interest in various points of the program has been sent by Mr. Chauffournier on November 10, 1970. Follow-up visits are being made.

(Translated from "Le Monde" dated November 3, 1970)

"PROGRESSIVE" DIPLOMACY AND LIBERAL REGIME

Mauritania does not consider itself rich enough to afford the symbols of independence

From our Special Correspondent

Last week President Pompidou received President Moktar Ould Daddah of the Islamic Republic of Mauritania, who had previously had talks with Mr. Chaban-Delmas. Our Algiers correspondent has just spent some time in Mauritania and gives the results of his observations below.

Nouakchott. Since Mauritania often lines up with the "revolutionary" nations in the international organizations, it may come as a surprise to find that the country has an economic system based on liberal patterns, a quasi-feudal society and one-party political system without being an authoritarian state. However, as one person close to the regime observes: "Mauritania has good reason for keeping to this path of moderation. We are not rich enough to indulge in the luxury of diverting a part of our resources just to support a bunch of State enterprises, those symbols of economic independence!"

The rising generation of trained young Mauritians does not, by and large, appear to want to change things. In the ministries in Nouakchott care is taken to point out that the CFAF 33.840 billion invested during the first development plan (1964-68) - as against the CFAF 27.754 billion originally scheduled - was to a large extent made possible by private foreign capital. It should nevertheless be noted that certain large-scale projects such as the Nouadhibou (formerly Port-Etienne) fisheries complex have not been financial successes. The total cost of this unprofitable venture has been estimated at CFAF 4 billion. The Mauritanian State is now having to pay off the creditors. The fishing fleet has had to be sold and the Government has had no alternative but to dispose of its fishing rights for several years, to Japanese groups especially, at the risk of impoverishing its fishing grounds.

Good Relations with MIFERMA

On the other hand, the investments made by Societe des Mines de Fer de Mauritanie (MIFERMA - Mauritanian Iron-Ore Mining Corporation) have been more productive. Through its annual royalties the Corporation finances at least one-third of the Mauritanian budget, which topped CFAF 7 billion in 1970. Mauritania only holds a 5% interest in the Corporation, the majority of whose stock is in French hands, but collects 50% of the profits.

For eight years now MIFERMA has been mining the iron ore deposits at Zouerate - where the reserves are estimated at 200 million tons of ore with a 65% iron content ^{1/} - and the Corporation will produce nearly 10 million tons this year. It employs 4,500 persons (670 of whom are French), who live in townships built out of nothing at Zouerate and Cansado.

Relations between the Government and the corporation seem to be good. However, a modestly-placed employee of the Corporation was heard to express surprise at seeing "mif" "pocket billions in exchange for the millions it has invested in our country". MIFERMA has never yet recruited Mauritians for senior positions and only 35% of its foremen are locals. The Government has asked it to raise this percentage to 50% between now and 1975 and 10% of the senior staff positions have to be filled by Mauritians between now and 1973.

Re-Establishment of the well-maintenance crews

A new "overall plan summarizing the wishes of the Government in the economic field" has been drawn up by young national economists. It could be put into force in coming months and would cover a period of four years. The figure for the investments "desired" fluctuates between CFAF 30 and 40 billion, part of which would be obtained from the French Assistance and Cooperation Fund and the European Development Fund.

Priority will be given to agriculture: the tapping and utilization of underground water resources, re-establishment of the well-maintenance crews (disbanded ten years ago), renewal of firebreaks in the pasturelands, development of cultivable perimeters near the Gorgol, a tributary of the Senegal river.

French aid

Industrialization will continue to be essentially a matter for private enterprise, which will be encouraged by amendments to the Investment Code. A number of processing plants are to be established (dairies, carbonated drinks production, a sugar mill, textile works), and also a cement works. A quite large-scale gypsum-mining industry could be set up 70 km from Nouakchott and the yttrium deposits (rare earths used in the manufacture of color TV tubes) at Bou-Naga ought to be brought into production. Exploration for oil and natural gas, which is in the hands of American companies, will be speeded up. Finally, the State is itself reported to be considering taking a large part in the development of copper mining.

There is to be no great spending on education. The targets of the first plan were met to the tune of 94%, but in 1970 school attendance is still below 10%. There are at present 25,900 students enrolled for the French-Arabic primary cycle, 6,550 of whom are girls. The aim is to

^{1/} The iron content of Lorraine ore is 35%.

raise this figure to 38,000 in 1973. The total enrolled for secondary education, still given entirely in French, is for the time being only 2,660, including 250 girls. Fewer than 150 Mauritanian students are enrolled at foreign universities. In addition, there are a further 200 following the courses given at the Institute of Advanced Islamic Studies at Boutilimit, 120 km from Nouakchott.

French aid is on a considerable scale. Estimated at a total of CFAF 16 billion since 1960, it has levelled off at around CFAF 500 million in loans per year since 1966. The French cooperation program has 250 members in Mauritania, half of them employed on cultural assistance work (there are about 4,500 French nationals living in the country).

The cooperation with the People's Republic of China has expanded considerably over the past three years. There are now about 200 Chinese experts in Mauritania, working in a number of fields. Since 1968 they have taken the place of the French medical teams who used to serve four isolated townships in the east; they have undertaken the development of 8,000 ha of ricefields near Rosso, on the Senegal river; they are building, free, a vast cultural center and a youth center at Nouakchott, etc. But except for the latter example, Peking's aid is probably being financed from an interest-free loan of CFAF 1 billion granted by China in 1967.

The Islamic Republic of Mauritania's roughly 1.5 million inhabitants will celebrate its tenth anniversary of independence on November 28. In 1971, after a visit by the French Chief of State, they will elect a President and a National Assembly. There do not appear to be any big clouds on the political horizon. Opponents have been gently removed from the scene - there are no political prisoners in Mauritania - and the army, which numbers fewer than 5,000 men, does not seem disposed to leave its barracks.

Coexistence between races

The only serious agitation is occurring in the trade unions. Since 1969 the Union of Mauritanian Workers has been split into two groups, one of which, apparently the largest - it includes the teachers in particular - is fiercely hostile to the Mauritanian People's Party (PPM). This does not, however, appear to be any threat to President Ould Daddah's authority at least for the time being. The majority of Mauritians willingly concede that, since the Nouakchott incidents in 1966, which left twenty-five dead according to the official figures, their President's skillful handling of affairs has made it possible to restore between the "Beidanic" (or Moorish) majority and the black minority the racial coexistence without which Mauritania would not be viable.

J.-P. Peroncel-Hugoz

MAURITANIA

Development Finance Institutions in Mauritania

1. Mauritania has one small, multi-purpose and government-controlled development finance institution, Banque Mauritanienne de Développement (BMD), with a capital of CFAF 200 million (US\$720,000), 58% of which is held by the Government and 34% by the Caisse Centrale de Coopération Economique. It finances mainly housing and industry. Its performance so far has been very poor because of lack of qualified management and staff and the scarcity of projects to finance. As a result of some very bad loans made to the fishing industry, BMD is in a critical financial condition.

Bank Involvement in Development Finance

2. A Bank mission in December 1969 reviewed BMD. On the basis of its findings, the Bank proposed, in February 1970, a reorganization of BMD involving its merger with a commercial bank in Mauritania. The Government informed us during the 1970 Annual Meetings that it had doubts about the appropriateness of this course of action, but would continue to give it consideration. The matter was left there.

Plans for Action

3. The Bank lending program does not include any dfc project, and we have no current plans for action in Mauritania.

Development Finance Companies
January 8, 1971
(Brief for Mr. McNamara)

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COUNTRY PROGRAM PAPER

MAURITANIA

1969 Population: 1.15 million
1969 per cap. GNP: \$ 121²/₂
Population growth
rate: 1.8-2.0%

Net Bank/IDA lending (US\$ million)^{1/}

	<u>1964-68</u>	<u>1969-73</u>	<u>1972-76</u>
Bank	-	-	-
IDA	6.7	9.5	15.0
Total	6.7	9.5	15.0

Average Annual Per Capita (\$)

IDA	1.2	1.7	2.6
-----	-----	-----	-----

Exchange Rate:

Until August 11, 1969 CFAF 246.85 = \$1.00

After August 11, 1969 CFAF 277.71 = \$1.00

A. COUNTRY OBJECTIVES

1. Mauritania is a predominantly desert country where natural conditions sharply limit possibilities for economic development. More than half of its territory consists of Saharan desert. Sizeable agricultural production is only possible along the southern Savannah type fringe, which comprises less than 15% of total surface but where close to 80% of the country's population is concentrated. Over two-thirds of population, mostly Moors with an Arab-Berber background, are engaged in nomadic livestock herding while close to a quarter, predominantly of Negro origin are sedentary subsistence farmers. Urban population, active in the modern sector of the economy, accounts for only some 15% of the total, but is expanding at a rate of about 8% per year.

2. Emerging as an independent country ten years ago, Mauritania was confronted with the task of unifying a nation made of sharply contrasting parts. The country has a dual character in several respects. First, ethnically and sociologically. The Moors, who have a dominant position, are nomadic and culturally linked to the Maghreb while the Negroes are sedentary and feel closer to their southern and eastern neighbors. Secondly, it suffers from economic duality, since the modern sector

^{1/} this is the first Country Program Paper for Mauritania

^{2/} after devaluation

(mostly mining but also some fish processing and public administration) has very little relationship with the traditional sector and hence a limited impact on overall development.

3. Despite the prevailing conditions of socio-ethnic dualism President Ould Daddah managed to reduce tensions and to preserve internal peace. This remarkable achievement is put in its proper perspective by the unrest that prevails in other areas of Africa where conditions similar to those in Mauritania exist. However, this was achieved at the cost of substantial increases in security outlays which now absorb more than 25% of current expenditures and by disregarding the economics of certain projects in favor of political considerations (e.g. introduction of bilingual French-Arabic education, proposal to construct a road cutting straight through the desert to link outlying southeastern areas to the capital). Although they appear to have eased, racial tensions continue to subsist and remain a factor in political and economic decision making. Although we have to recognize the need and legitimacy for such motivations, we are currently trying to direct Government thinking towards finding solutions to Mauritania's problems which satisfy the Government's objectives while at least avoiding economic losses or a wasteful use of scarce resources.

4. Mauritania is a member of the West African Customs Union (UDAO), which aims at 50% preference for intra Union trade, and of the Organization of Senegal River States (OERS), which also comprises Senegal, Mali and Guinea in an effort to promote economic cooperation. Despite membership in these organizations, it has gradually loosened economic ties with Senegal over the last ten years, as shown by the recent dissolution of the customs union between the two countries. At the same time Mauritania is strengthening cooperation with the Maghreb countries, which was hampered until recently by Morocco's claim on most of Mauritania's territory, sustained for several years with an armed irredentist movement. A few months ago this conflict was solved in a diplomatic fashion and Mauritania's cooperation with Morocco and Algeria is rapidly gaining momentum, triggered by the interest of the three countries in decolonization of the Spanish Sahara. Generally, the country has pursued an independent policy, based on its geographical and cultural position as a bridge between the Arabic and Negro worlds and aiming at establishing equally good relations with the West as well as with the Communist world.

5. Economically speaking Mauritania is an extreme case of a dual economy. Mining has remained an enclave industry entirely in the hands of foreign companies, with transfers and remittances abroad accounting for over half of value added, little employment of nationals (3,000), and virtually no secondary effects on the rest of the economy. Thus, while GNP in the modern sector increased very sharply over the past ten years (11.9% per annum at constant prices), output in the traditional sector expanded by less than 2.6% per year. In consequence, the substantial growth of total GNP benefited only a small minority, while the standard of living of most Mauritians has improved little as shown by

an annual increase of national per capita revenues of only 1.1% in the traditional sector, compared to 3.6% in the modern sector. Although mining is yielding substantial revenues, which are its major contribution to the local economy, most of these funds were spent by the Government in the modern sector while the traditional sector of the economy was neglected.

6. Considering this imbalance and the fact that growth in mining will taper off after 1972, the Government's main objectives are to develop the rural sector and fishing. A Four-Year Development Plan (1970-1973) has been prepared, following the Bank's 1967 technical assistance mission, that had strongly urged the Government to give increased attention to directly productive projects in the rural sector. Besides the rural sector, the Plan gives priority to increased Mauritanization of middle and higher level staff so as to reduce dependence on foreign technical assistance. The Bank agrees with these goals, first of all with the high priority given to the productive sectors, a substantial improvement over past Government priorities. It is proposed that the Bank Group support the Government in its efforts to develop livestock and fisheries and to expand education, and the lending program is focusing on these sectors.

7. Elaboration of the Plan has been long and difficult as the need to enhance national unity has compelled the authorities to launch time-consuming regional consultations. The Plan consists mainly of a list of projects to be implemented in each sector. It provides no macro-economic framework, few estimates of project costs and does not tackle the problem of financing capital costs and recurrent expenditures, although this is the major bottleneck for its implementation as Mauritania's budgetary situation is highly unsatisfactory. In 1965-68, Government revenues increased fast, mostly because of receipts from the mining company, and the current budget showed a small but constant surplus. A sharp growth in current expenditures and stagnating revenues caused a heavy deficit in 1969 that will probably occur again in 1970. Furthermore, allocation of budgetary resources is very unsatisfactory. In spite of overall budget growth of 6.9% per annum since 1960, outlays for rural development, planning, and general maintenance have hardly increased and their relative share has dropped from an already low 17% of current expenditures in 1960 to only 12% in 1968, while expenditures for security, education, and debt service have increased from 34% to 57%. In productive sectors, outlays are especially low for materials and supplies, which has brought about a quasi breakdown of Government services and activities in the rural sector and an almost complete standstill of maintenance of infrastructure, notably in the vital livestock sector.

8. This unsatisfactory situation has three main consequences, which seriously hamper new public investments, including foreign financed projects:

- i) inability of the Government to contribute towards financing of public investments;
- ii) difficulty for the Government to finance recurrent costs, including maintenance, resulting from new public investments;
- iii) existence of an institutional vacuum in the rural sector, that makes it difficult to carry out projects in this field.

Improvement of tax structure and tax enforcement to increase public revenues and savings and improvement in current budget allocations to give higher priority to the rural sector and less to the army and police, are thus necessary preconditions for any sizeable public investment program, primarily in the high priority rural sector. The Government is aware of this problem and is considering to ask the IMF for technical assistance in this field.

9. Macro-economic objectives

			<u>1975</u>			
			<u>Bank projection</u>		<u>Growth</u>	
	<u>Unit</u>	<u>1969</u>	<u>Absolute</u>		<u>Rate</u>	
			<u>low</u>	<u>high</u>	<u>low</u>	<u>high</u>
GNP at 1969 market prices	\$million	139	188	225	5.1%	8.4%
Population	'000	1,146	1,273	1,273	2.0%	2.0%
GNP per capita	\$	121	148	177	3.4%	6.5%
Exports	\$million	82.1	143	175	9.7%	13.4%
Net public capital inflow	\$million	9.3	7.2	5.4	-	-
Debt service ratio ^{1/} % of exports		3%	5%	5%		

1/ net of transfers of profits and interest by the mining companies.

Apart from mining, which is likely to increase at a slower pace than in the past, Mauritania's economic potential is largely concentrated in livestock and fishing. A high and a low GNP projection have been made. The former is based on the assumption that by 1975 (a) a comprehensive livestock program will be implemented, (b) expansion and improvement of the fishing port in Nouadhibou will be completed and production of fish processing plants will have increased accordingly, (c) other sectors will be stimulated by developments in the two main sectors. The low projection assumes that none of these developments will take place. The high forecast results in a GNP growth rate of 8.4%, as compared to 5.1% for the lower assumption, while growth over the past 10 years averaged 7.5% p.a. Although the low growth rate might still appear satisfactory, it would create serious problems, since growth in the modern sector would average only 6.3% p.a., which is lower than the expected increase in urban population (8%) thus entailing a fall of per capita income in the modern sector of the economy, which means increasing urban unemployment with social and political implications. In the traditional sector, growth would then average about 1.8% per capita. Under the high projection per capita income would increase by 3.2% p.a. in the traditional sector and by 2.5% in the modern sector.

10. To come close to the high Bank projection a number of major critical constraints will have to be removed: (i) Public savings will have to increase; (ii) the current budget will have to become more development oriented; (iii) qualified manpower will have to be found to carry out project preparation and implementation. There are clear indications that the Government is facing up to its problems, that it is reviewing priorities more realistically and that it is aware of the need to cope with increasing current expenditure. This is already reflected in the orientation of the Development Plan. In the foreseeable future Mauritania will have to rely heavily on technical assistance, the receptiveness of which in the past has been mixed for a combination of political and personal reasons. While acceptability of foreign technicians sometimes remains a problem, on the other hand, in critical areas, the Government has been forthcoming and is actively seeking such assistance. With a proper approach much can be achieved in this field.

to expand at a much slower pace than in the past so that its already limited impact on overall economic development will further decrease. Within the next eight to ten years MIFERMA tentatively plans to start exploiting a magnetite deposit near its present mines, which will be exhausted by 1980; total investments are estimated in the \$200 million range. Oil prospection has so far not yielded conclusive results.

13. Fishing is the only known major economic potential still largely unutilized, although fishing grounds along Mauritania's coast are among the richest in the world. The only serious attempt to develop this sector through creation of a national fishing fleet failed in 1967, because of poor management and unsatisfactory financial arrangements. Since then, the Government has thoroughly and successfully changed its policy and encourages foreign fishing in its territorial waters to supply local processing plants which were reorganized and expanded. As a result, fish processing in Nouadhibou, Mauritania's only fishing port, increased at such a rate over the last two years that the port has become too small and is now a serious bottleneck for further expansion. Thus, improvement and enlargement of the fishing port is of high priority. Expansion of fishing and fish processing is the most important single factor to achieve satisfactory economic growth over the next 5-10 years.

14. Traditionally, livestock is the mainstay of Mauritania's economy. Before the beginning of mining operations it provided more than half of GNP. Almost two-thirds of the country's total population is directly dependent on this sector, which however is seriously neglected by the Government. Veterinary services have deteriorated for lack of budgetary allocations and the departure of most French veterinary officers. Sanitary conditions which improved following the 1966-1968 multinational and foreign financed rinderpest eradication program, are again deteriorating. Firebreaks and wells have to a large extent become unusable for lack of maintenance thus preventing use of many pastures. Past growth of 5% p.a. can only be maintained if this unsatisfactory situation is corrected by implementing an integrated livestock program comprising rehabilitation of animal health and extension services as well as improved maintenance of firebreaks and wells. Implementation of such a program will necessarily require a considerable increase in current budgetary allocations for livestock during and after the lifetime of the project. Such allocations can only be forthcoming if the Government is determined to give priority to this sector.

15. Natural conditions in Mauritania put a clear cut limit to agricultural development. Some possibilities exist for irrigated crops along the Senegal river. The Gorgol plain seems to offer the best chance, an UNDP financed study is expected to lead to an economically justifiable project within the next 2 or 3 years in which the Bank has already expressed an interest. Construction of small and simple irrigation works

for rice cultivation along the river is financed by FAC and FED but seems marginal and requires additional experience. Expansion of upland cultivation of millet and groundnuts is possible in the southernmost areas of the country but is limited by marketing difficulties. The People's Republic of China is developing a large irrigated rice project on the banks of the Senegal River, which might increase present rice production about tenfold over the next six years. However, technical difficulties cast serious doubts on the economic viability of the project.

16. The education system urgently needs improvement. Political motives (bilingual education) and socio-geographic conditions (widely scattered nomadic population) make it very expensive thus preventing sufficient expansion to meet the demand for qualified manpower. Education absorbs almost 20% of current budget expenditures while only 15% of school age children are enrolled. As in many francophone countries, the system is biased towards an academic preparation for higher education and tends to neglect the needs of 80% of the children - mainly from rural areas - who do not enter secondary schools. Government envisages regionalization of secondary schools which would reduce the high cost of boarding, but drastic changes, requiring careful study and research, are necessary. In its economic report the Bank proposes that fundamental research be initiated as soon as possible and Mauritania has already contacted UNESCO for assistance in this field.

17. Transport is a major problem in such a vast and sparsely populated country. Mauritania's transport policy objectives in recent years have been dominated by: -i- a desire to reduce dependency for imports on Senegal and the Port of Dakar and to make Nouakchott the center of Mauritania's trade where a lighterage port built in 1967 is now being expanded. -ii- The use of transport as a unifying medium to link the widespread areas of the country, contributing to national unity and integration.

In defining these objectives political considerations may play an important role. This is the case for instance for the attempt to make Nouakchott the center of import trade, and the decision in principle to build a road, through the desert, linking the capital to the eastern part of the country. While the Bank Group is not considering the financing of the port of Nouakchott, it may be more difficult for FED to refuse to consider a project which is the symbol of Mauritania's newly gained independence. We plan to discuss the matter with FED shortly to examine whether some alternative solutions, or at least a study showing the cost and benefits of other alternatives could not be undertaken. Bank Group contributions to the Mauritania transport system, direct and indirect, have been substantial. The Bank loan to MIFERMA in 1960 resulted in the construction of the 670 km railway line and the bulkloading port at Nouadhibou. The SQMIMA copper venture, backed by IFC, is assisting in the financing of reconstruction and maintenance of the Nouakchott-Akjoujt road. In 1964 IDA has assisted together with FED in financing the now completed Nouakchott-Rosso road, and more recently (1969) IDA granted a credit of US\$3 million equivalent for technical assistance and equipment to support the Government's four-year road maintenance program.

18. Public Utilities and Urban Development demand substantial investments, mainly for water supply and electricity in the capital and the port

town of Nouadhibou. The water supply situation in the capital is critical as the French-financed sea water treatment plant has been a disappointment both technically and economically. Although the number of inhabitants in both towns is still small (some 30,000 each), population grows at an estimated 8% per year, mainly through immigration. This trend ought to be slowed down before the situation becomes unmanageable, especially in the case of Nouakchott, which has no economic potential outside public administration. Improvement of water supply and provision of electricity in secondary centers might contribute to achieve a more balanced urban development. The proposed regionalization of secondary schools could also play an important role in this respect.

C. EXTERNAL AID

19. Between 1965 and 1969, gross public capital inflow averaged \$ 8.7 million per year or about \$ 7.8 per capita; this excludes technical assistance. Over 70% was in grant form and most of the remainder on concessionary terms. Foreign capital aid has financed about 83% of public investments during this period, another 11% was financed by public savings, and about 6% by suppliers credits negligible until 1968 but which reached nearly 25% of public investments in 1969, mainly for projects of doubtful economic value (streets, aircraft) which were not financed by traditional sources of aid.

20. Sources of foreign aid (1965-1969)

	<u>Financial aid</u>	<u>Technical Ass.</u>	<u>Total aid</u>
France	44%	93%	55%
European Communities	36%	-	29%
Bank Group	8%	-	6%
others	<u>12%</u>	<u>7%</u>	<u>10%</u>
	100%	100%	100%

21. In the past, foreign aid has been used primarily to finance infrastructure investment, mainly for transport, social services, and urban development, while little was spent on agriculture and livestock. The new plan, reflecting the change in Government priorities, rightly puts major emphasis on the rural sector. Improved resource allocation in the public sector will probably be accompanied by a sharp fall in directly productive private investment following completion of the SOMIMA copper mine in 1970, so that the total amount of directly productive investments is not likely to increase.

22.

Sectoral distribution of public investments

	<u>1963-66</u> <u>actual</u>	<u>1970-73</u> <u>Plan</u>	<u>1970-76</u> <u>IDA Lending Program</u>
Agriculture, livestock	14%	26%	37%
Fishing	12%	17%	20%
Transport and comm.	29%	26%	30%
Education / Health	15%	11%	13%
Urbanization	13%	20%	-
Administration buildings and others	17%	-	-

23. Foreign technical assistance has averaged \$ 2.4 million per year, mostly by France, the remainder by the United Nations and its specialized agencies. In addition, the People's Republic of China is continuously expanding its technical assistance program (rice growing, rural public health, well drilling); while welcoming this assistance, Mauritanian authorities are showing a certain uneasiness about it. - Most technical assistance is not directly related to planning or implementation of economic development projects, but aims at assisting the Government in carrying out day-to-day functions. About two-thirds is for education (secondary and higher education) and public health. Mauritania badly needs technical assistance in project preparation and implementation, specially in the rural sector.

24. In the past a number of factors, some of which can be blamed on aid donors have prevented capital aid from achieving full impact on economic development. They are in particular: inadequate sectoral distribution, political considerations in the choice of investments, poor planning, implementation, management, and supervision of projects. Mauritania's limited capacity in these fields resulted in an increasing backlog of unused foreign aid amounting to one third of total accumulated commitments at the end of 1969. While some problems like prevalence of economic considerations over political, can be tackled in the short run, others, such as the inadequate capacity to plan, implement and manage can only be solved in the long run, but could be alleviated if the Government can arrange for acceptable foreign technical assistance in the meantime. UNDP financed technical assistance to the Planning Office, is now under consideration and may make a contribution.

25. One Bank Group financed project, the 1964/IDA credit for construction of the Nouakchott-Rosso road, which was jointly financed with FED, had given rise to serious difficulties with regard to technical specifications and costs (which were, however, largely beyond the responsibility of the Mauritanian authorities). These technical difficulties have been resolved and the road was completed in July 1970; however, they have led to a yet unsettled claim of the contractor on the Government.

26. Since French aid to Mauritania is likely to go on declining while FED aid is expected to increase somewhat, assistance from the two major donors will most probably remain at the present level of about \$6.8 million per year. Other bilateral aid, mainly from the Federal Republic of Germany and the People's Republic of China might slightly increase to around \$1.6 million, adding up to total foreign aid (excluding the Bank Group) of \$ 8.5 million per year between 1970 and 1975 of which about \$6.3 million in grant form.

27. The Bank estimates that public investments over the next 6 years ought to reach \$14.4 million (CFAF 4 billion) per annum to allow satisfactory economic growth, in spite of a sharp drop in private investments. As total grant aid will not exceed about \$6.3 million per year, an additional \$8 million have to be mobilized in the form of public savings, foreign loans, or suppliers credits. Implementation of the investment program depends primarily on the amount of public savings, which, in turn, depends on overall economic growth and on the Government's success in improving tax structure and tax collection. Projection of government revenues and expenditures make it clear that without an effort to increase revenues above the level to be reached by normal growth, little - if any - public savings (net of debt amortization) can be expected over the next five years irrespective of economic growth assumptions. Under these conditions, the entire \$8 million would have to be financed by foreign loans or credits which would soon lead to unmanageable foreign debt problems demanding a substantial reduction in the public investment program.

28. An increase in government revenues by at least 10% above the level to be reached by normal growth in 1975 is the minimum necessary to implement a public investment program of \$14.4 million per year. As the Mauritanian Government has in the past proven its determination and ability to impose severe austerity measures, there are good prospects that the necessary reforms will be carried out, possibly with IMF assistance. Public savings (net of debt amortization) would then average between zero and \$2.2 million per year depending on the GNP growth projections used. Under the high growth assumption, financing of public investment at the level of \$14.4 million would be possible if the bulk of non-grant aid can be financed by foreign loans on concessionary terms and by only few - if any - suppliers credits. By 1975, foreign debt service charges would then amount to about 18% of current government

revenues and 72% of public savings (but only 5% of net exports). Under the low growth assumptions, however, a development program of about \$ 10.8 million (CFAP 3 billion) appears to be the maximum that could be financed, without creating an excessive debt burden. It would result in debt service charges of 14% of current revenues and close to 100% of public savings. Without increased public savings, no satisfactory level of public investments can be maintained.

29.

Public Investments and their financing^{1/}

Annual averages in \$ million

	<u>1965/69</u>	<u>1970/75</u>	
		<u>Low GDP projection</u>	<u>High GDP project.</u>
Foreign aid			
Grant aid	6.3	6.3 ^{2/}	6.3 ^{2/}
Loan aid	1.8	2.2 ^{2/}	2.2 ^{2/}
Bank/IDA	0.7
Supplier credits	0.8	-	1.4
Public savings (net)	<u>1.2</u>	<u>-</u>	<u>2.2 ^{1/}</u>
Total available financing	10.8	8.5	12.1
Total public investments	<u>10.6</u>	<u>10.8</u>	<u>14.4</u>
Gap (- = surplus)	<u>-0.2</u>	<u>2.3</u>	<u>2.3</u>

^{1/} Assuming a successful effort by the government to raise revenues by at least 10%.

^{2/} To be expected from France, FED and miscellaneous bilateral aid donors.

30. Since the bulk of foreign aid received by Mauritania over the past ten years was in grant form, foreign public debt is very low (debt service ratio 3% in 1969) though it has been rapidly growing over the past three years. As copper exports will substantially improve Mauritania's foreign trade balance, the servicing of external debt is not expected to create balance of payments problems over the coming 5-6 years. Budgetary constraints are at present the major limiting factor to foreign borrowing. Even under the most optimistic assumptions concerning taxation and GNP growth, Mauritania can hope to finance a public investment program of the level judged desirable only if the bulk of foreign aid is on very concessionary terms. Under more pessimistic assumptions, the required investment level is beyond reach. The harder the terms of foreign aid will be, the more the investment program will have to be curtailed to avoid an unmanageable debt burden on the budget. This consideration ought to induce foreign aid donors to provide assistance at the most concessionary terms possible, except for projects, that are not dependent on the Government budget.

D. BANK/IDA PLAN

31. After the MIFERMA project in 1960, there have been no Bank Group operations in Mauritania for several years, and little identification work was carried out until late 1968. Thus, preparation has not reached a stage where scope and composition of the lending program can be fully defined. This is also due to the fact that the Mauritanian Government often has difficulties in making a clear choice between the different sources of foreign aid available. In addition, a certain competition for the scarce economically feasible projects does exist among aid donors, and although close coordination takes place, we have to recognize that problems exist in particular regarding FED. With regard to FAC we have reached agreement on the diagnosis of Mauritania's priority needs and on coordination of our aid. FAC assistance will continue to be primarily directed toward technical assistance and support of some recurrent expenditure. As far as capital investment is concerned FAC is prepared to finance activities in agriculture and livestock jointly with us or to finance activities complementary to ours. The FED program is not yet firmed up and we shall review our tentative program with them in early December with a view to coordinating our activities more closely, particularly in the field of agriculture and education for which they have indicated an interest. The proposed lending program reflects the directions we believe Bank Group action should take, in support of the Government's growing awareness of the country's real development needs. Most projects require additional preparation and it is not clear at this moment how many feasible projects in agriculture, transport and public utilities can be formulated. Under these circumstances, modifications in the proposed lending program must be anticipated. Increasing regional economic cooperation is also important for satisfactory economic growth in the Senegal River basin area. In this context the Bank Group has made repeated efforts to orient preinvestments studies undertaken by OERS towards productive investments, but until now with little success. Contacts with that Organization are maintained to facilitate project coordination in that area where possible.

32. The proposed lending program of the Bank Group (committing \$14.5 million for 1970-75) could cover the annual \$ 2.3 million public finance gap identified above; this takes disbursement lags into account. It would make Bank/IDA the third largest source of aid to Mauritania (behind France and FED) with a share of about 16% of total financial aid.

33. For lack of public savings, Mauritania's contribution to the financing of public investments will remain limited to between 4-15% of the country's investment program. As grant aid generally requires no local contribution, Mauritania would be able to contribute 8-30% towards the costs of projects financed by foreign loans and credits; this is on average well below the local cost component, particularly for projects in the rural-sector. The Bank Group - together with other donors of foreign loan aid - should therefore be prepared to cover a substantial part of local expenditures.

34. Appropriate measures to contain current expenditures and increase revenues could enable Mauritania to make some contribution to the local cost of projects. Since once before, the Government has successfully introduced an austerity policy and since it is becoming increasingly aware of its present budgetary problems, improvement in this field can reasonably be expected. On that basis concessionary lending is justified, and, considering a per capita GNP of \$ 121, Mauritania can be considered IDA worthy, despite some serious shortcomings in fiscal policy over the past two years. In addition to expected grant contributions of \$ 6.3 million, \$ 4.3 million a year would be needed in the form of loans and credits over the period 1970-75.

35. As of December 31, 1969, 23% of Mauritania's total debt, including undisbursed, and 16% of its disbursed debt was vis-à-vis the Bank Group. By 1975 this share will have increased substantially because, in the intervening period, most foreign aid, other than from the Bank Group, will still be in grant form.

36. As shown in para. 22 Bank Group strategy is to concentrate on development of directly productive sectors with established potential, primarily livestock and fishing. As the scheduled road project is linked with development of livestock and agriculture along the Senegal River, close to 80% of the proposed lending program has a direct or indirect impact on productive sectors. Such development is vital to improve the standard of living of the majority of the population, to enlarge the country's economic basis (which is still too narrow to support necessary expansion of education and transport infrastructure), and to stem migration to Mauritania's two urban centers. Regionalization of secondary education and provision of public utilities could also help to increase attractiveness of secondary centers. The projects should to the extent possible have institution-building and technical assistance features which are of great importance to Mauritania.

37. In the rural sector IDA expects to finance a livestock project, consisting of well reconstruction, repair and maintenance, firebreaks, and an animal health program. Training of Mauritians to take over maintenance works is an important part of this high priority project, which can only be implemented, if the Government is prepared to make substantially more current budget funds available for this sector. We are currently discussing a coordinated approach with France.

38. Although agricultural potential is limited, a few projects may be possible in this sector. In the Gorgol area, site conditions are particularly favorable for irrigation and a potential project may emerge in 1973 from a UNDP preinvestment study, started in early 1970, on the recommendation of the Bank's 1967 technical assistance mission. Implementation of the project could satisfy 60 to 90% of the country's additional requirements of rice and all domestic requirements of sugar. In Guidimaka, the southernmost area of the country, relatively good climatic conditions and high population density might allow for Bank Group intervention. FED is also interested in this area and plans to launch a feasibility study shortly. The possibility of filling the Aftout-Es-Saheli depression with fresh water from the Senegal River has been envisaged for several years. A request to UNDP to finance additional studies is being prepared. The possibility of this project is influenced by the outcome of OERS's decision to build a dam in the Senegal River above St. Louis. The unidentified agricultural entry in the lending program for 1975 could be geared to either of these two last projects.

39. Fisheries is a major economic potential still largely unutilized. A study in depth of this sector during the last economic mission concluded that further expansion of fishing and fish processing is blocked by insufficient port capacity in Nouadhibou. A Bank mission recently prepared a fishing port project for which FAC is willing to finance the feasibility study on the basis of terms of reference that have been provided by the Bank.

40. Long term Government objectives to improve road communications with the central and southeastern regions appear reasonable. These are being supported by the Association's ongoing road maintenance project which provides for upgrading the important sections of road in this area as traffic warrants and finance permits. The Association intends to investigate what further support can be provided to strengthen the road sector as the basis of a FY 1974 project.

41. The education sector is characterized by high recurrent pupil cost, due to (i) instruction being given in two languages, Arabic and French, and (ii) the high percentage of boarding students, due to the widely dispersed population. Realizing the system's limitations and shortcomings, Government appears eager to accept advice, which may offer a fruitful field for Bank Group involvement. As a first step, it has asked for assistance in building a number of regional co-educational lower secondary schools, that would help to reduce education cost by

decreasing the number of boarding students. The Bank should take up preliminary discussions of this project as well as of other ideas that have been put forward such as education by radio and by mobile training teams, combining extension service and formal education. Regretfully, because of Projects Department manpower constraints, financing of such a project cannot be scheduled before FY 1974.

42. Other fields of potential interest for the Bank include Telecommunications. A FY 1971 \$ 2.0 million project on which preparatory work had started, will probably fall out, since the Government is presently negotiating more expensive bilateral financing. If these negotiations are successful, there will be no need for Bank Group financing in this sector before 1974 when the next stage of expansion would commence. Following the recent economic mission, it appears that there is urgent need for investments in power and water supply in the capital. Given the urgency created by an unexpected sharp increase in population combined with malfunctioning of the seawater treatment plant, Government feels that only recourse to supplier credits is fast enough to alleviate the situation; the People's Republic of China reportedly also considers these projects. In the longer term, however, there might be scope for Bank financing of second phase development for which substantial preparatory work will be needed. Feasibility of investments in power and water supply in secondary towns should be investigated by the Bank.

43. Apart from livestock, fishing port and education projects, the Bank/IDA program is in general tentative. Mauritania has a restricted potential and limited abilities in project formulation and preparation. Therefore, a substantial effort will be required from our Group to help the Government prepare projects for Bank financing.

Population: 1.1 m
Per Cap Inc: \$121

MAURITANIA - ACTUAL AND PROPOSED LENDING THROUGH FY 1976
(\$millions)

Attachment 1

		Through	Fiscal Years												Total	Total	Total	
		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1964-68	1969-73	1972-76
Agriculture Unidentified	IDA													2.0				
Livestock	IDA										1.5							
Irrigation Gorgol I	IDA											2.0						
Education	IDA												2.0					
Road Construction I	IDA		6.7															
Road Construction II	IDA												3.0					
Road Maintenance	IDA							3.0										
Fisheries Port	IDA										3.0							
Iron Ore (MIFERMA)	IBRD	66.0																
Gross Program:	IDA		6.7					3.0			6.5	2.0	6.5	2.0		6.7	11.5	17.0
	No.		1					1			3	1	3	1		1	5	8
Net Program:	IBRD	66.0																
	No.	1																
	IDA		6.7					3.0			4.5	2.0	6.5	2.0		6.7	9.5	15.0
	No.		1					1			2	1	3	1		1	4	7
IBRD Loans Outstanding																		
- including undisbursed		66.0	66.0	66.0	63.5	59.4	53.5	47.2	40.5	33.4	25.8	17.7	9.1					
- excluding undisbursed		66.0	66.0	66.0	63.5	59.4	53.5	47.2	40.5	33.4	25.8	17.7	9.1					
IDA Credits Outstanding																		
-including undisbursed			6.7	6.7	6.7	6.7	6.7	9.7	9.7	9.7	14.2	16.2	22.7	24.5	24.2			
-excluding undisbursed			-	0.2	0.2	0.9	1.6	3.4	5.2	8.2	9.5	11.7	14.4	18.1	21.6			

Western Africa Department
November 13, 1970

Last Econ. Mission
March/April 1970

MAURITANIA

INDICATORS OF DEVELOPMENT

		Annual Average				
		Unit	1959-60	1961-65	1966-69	1969-75
I. ECONOMIC & STRUCTURAL INDICATORS						
1.	Gross Domestic Product (in constant market prices)	% Change	10.7%	10.5%	4.5%	7.7%
2.	Mining	% Change	negl.	75.0%	4.7%	10.3%
3.	Manufacturing Output	% Change	0.0%	10.8%	14.2%	17.1%
4.	Agricultural Output	% Change	0.9%	5.0%	1.1% ^{1/}	6.0%
5.	Imports of Goods and NFS	% Change	24.0%	4.9%	7.9%	4.4%
6.	Exports of Goods and NFS	% Change	1.1%	37.0%	8.6%	11.6%
7.	Domestic Price Level ^{2/}	% Change			1.5% p.a.	
			1960	1965	1969	1975
8.	Gross National Savings	% GDP at curr. m.p.	1.8% ^{3/}	4.8% ^{4/}	11.0% ^{5/}	12.8%
9.	Resource Gap	% GDP at curr. m.p.	5.4% ^{3/}	-2.4% ^{4/}	-1.4% ^{5/}	20.0%
10.	Net Factor Payments Abroad	% GDP at curr. m.p.	4.2% ^{3/}	15.7% ^{4/}	17.8% ^{5/}	21.7%
11.	Gross Domestic Investment	% GDP at curr. m.p.	11.4% ^{3/}	18.1% ^{4/}	27.4% ^{5/}	14.5%
12.	Debt Service	% exports (net)			3.0%	5.0%
13.	Central Govt. Curr. Revenue	% GDP at curr. f.c.	5.3%	12.4%	14.4%	15.0%
14.	Central Govt. Curr. Budget (net)	% GDP at curr. m.p.	-3.7%	+1.2%	-0.4%	+1.5%
15.	Public Exp. on Soc. Services	% GDP at curr. m.p.	3.9%	3.0%	3.0%	
16.	Military Expenditure	% GDP at curr. m.p.		2.6%	2.6%	
17.	Manufacturing Output	% GDP at curr. m.p.	0.9%	1.1%	1.6%	5.5%
18.	Energy Consumption	'000 tons		36.0	61.0	
19.	Fertilizer Consumption	'000 tons		negligible		
II. SOCIAL INDICATORS						
20.	Population Growth Rate	%		1.8-2.0%		
21.	Urban Population Growth	%		8.0%		
22.	Birth Rate	Per 1,000 popln.		45.1%		
23.	Family Planning	Acceptors '000s.		No program		
24.	Income of: Highest quintile	% total income				
25.	: Lowest quintile	% total income				
26.	School enrollment:					
	Primary & Secondary	% school-age popln.		11.0%	15.0%	
27.	Literacy rate	% adult population				
28.	Unemployment rate	% labor force				
29.	Population per doctor	Number				44,800

^{1/} Due to severe drought in 1969.

^{2/} Average annual difference between GDP at current and at constant prices.

^{3/} 1959 ^{4/} 1964 ^{5/} 1968

^{6/} these percentages refer to the average of the high and low projection discussed in the text.

Western Africa Department
November 13, 1970

ISLAMIC REPUBLIC OF MAURITANIA

Political Situation

When Mauritania achieved independence in November 1960, the country was faced with three fundamental political problems that made its survival as an independent state very doubtful:

- Morocco's claim on most of Mauritania's territory, sustained by an armed irredentist movement in the northern part of the country;
- racial tensions between the Negro minority, which had in the past more readily adapted itself to French language and administration and thus held a disproportionate number of places in the civil service, and the Arab-Berber majority, eager to take over political command of the country;
- the tribal and feudal structure of Moorish society, hardly modified by 60 years of French rule, which - reinforced by the vast distances and isolated conditions of the nomadic population - tended to preserve a good deal of tribal control and tribal separatism in the rural areas.

As the disruptive effects of these three factors tended to mutually strengthen each other, Mauritania's start as an independent nation was very difficult indeed, and it must be considered a substantial achievement by Mauritania's political leaders - first of all President Moktar Ould Daddah - that national unity was preserved and serious disturbances avoided during the past ten years. Although the country might still not enjoy the degree of unity and internal stability desired, substantial progress has been made in this direction and the recent reconciliation with Morocco triggered by the interest of both countries in decolonizing the Spanish Sahara has removed a serious danger to Mauritania's stability.

However, the successful effort to strengthen national unity and to preserve the country's independence have been very costly to Mauritania. Prior to independence Mauritania and Senegal were jointly administered from St. Louis in Senegal. At independence Mauritania decided to create a capital city at Nouakchott where population has grown from some 150 inhabitants to 30,000. Creation of the capital city has constituted a heavy burden for the young nation. Heavy public expenditures for army, police and the bilingual (French-Arabic) education system are to be explained mostly by the political situation prevailing at the time of independence. Substantial improvements in this situation will hopefully make it possible in future to give increased priority to economic considerations. The Spring 1970 Party Congress, that devoted considerable time to discuss the draft Four-Year Plan, seems to indicate a step in this direction. The difficult struggle for unity and independence has also led to a rather rigid power structure, with all important decision-making concentrated in the single Party. This has caused increasing frustration of the younger generation

technicians, coming back from their studies abroad to take over gradually the top civil service positions from the French, but who have little say in the Party; a generation problem that is common to most African countries.

Since its reconciliation with Morocco, relations with all its neighbors are now satisfactory, although in its aim to achieve increased economic independence - and despite its membership in the Organization of Senegal River States (together with Senegal, Mali and Guinea) - Mauritania has gradually loosened its economic cooperation with Senegal, first in the field of transport and very recently through the abrogation of the former customs union. Generally, the country has pursued an independent foreign policy, based on its geographic and cultural position as a bridge between the Arabic and Negro world and on its aim to establish equally good relations with the West as well as the Communist World. Although France still commands an exceptional position and - together with the Common Market - provides the bulk of foreign technical and financial aid, relations with communist countries are cordial and there is a substantial Red Chinese aid program. Relations with Spain are good and substantial semi-private Spanish investments were made in the Mauritanian fish processing industry. However, the question of the Spanish Sahara, that has been the object of extended discussion between Morocco, Algeria and Mauritania during 1970, might lead to some tension between the two countries.

Effective January 1970, Mauritania's administrative organizations have been decentralized through creation of eight regions (plus the capital) headed by a governor with extended decision-making power and own regional budgets. The aim to stimulate regional initiative in economic development was demonstrated also during preparation of the new plan, which was discussed extensively on the local level throughout the country. The next Party Congress will be held in March 1971 and there are indications that it may entail substantial Cabinet changes. Presidential and legislative elections will be held in 1971.

Mauritania is a member of the West African Customs Union (UDEAO) and of the Organization of Senegal River States (OERS). Briefing papers on both organizations are found under 10.

ISLAMIC REPUBLIC OF MAURITANIA

The Economy

Mauritania is an extreme case of a dual economy, with very little interrelationship between the traditional livestock sector and modern mining and public administration, so that the past substantial growth in the modern sector had little stimulating impact on the rest of the economy. In 1969, the modern sector produced two-thirds of GDP but only 55% of GNP. Per capita GNP was about ten times higher (\$500) in the modern than in the traditional sector (\$50). The sharp increases in iron ore production after 1963 led to a high growth in the modern sector, averaging over 14% p.a. at constant prices over the past ten years, while the traditional sector expanded by less than 3% p.a. mainly as a result of increasing livestock production after successful eradication of rinderpest. Total GDP has increased by an average of 9.2% p.a. over the whole decade, but by only 6% over the last five years, as compared with an average increase in population of 1.8-2% per year. It reached an average of \$140 per capita in 1969.

Mauritania has three major economic potentials: mining, livestock, and fishing. The mining sector is entirely in the hands of two foreign firms, an iron ore company that started production in 1963 and a copper company starting production in the middle of 1970. Beginning of copper production and some expansion of iron ore output will make this sector expand at about 10% per year up to 1975, substantially slower than in the past five years. This is still a satisfactory rate of growth, but since nearly half of value added in mining is leaving the country in the form of factor payments and private transfers, its impact on overall economic development is relatively small. Livestock production has expanded at about 5% per year over the last decade, mainly as a result of the rinderpest eradication program, carried out with French and U.S. aid. Future growth, however, is seriously hampered by the lack of current budgetary allocations. This creates the danger that past improvements in sanitary conditions will be lost again, as has happened to many investments in wells and firebreaks which have become unusable for lack of maintenance; while the Government livestock service is at a standstill. In addition to preservation of past achievements, expansions of animal health programs to include other diseases and construction of additional wells are a precondition to achieve a satisfactory level of growth in this sector. The Bank is currently considering a project to this effect. Fishing is the only major known economic potential still largely unutilized. Although fishing grounds along Mauritania's coast are among the richest in the world, little has been done to exploit them, and the only attempt to create a national fishing fleet in 1967 has failed completely, because of poor management and insufficient financing. Since then, the Government has encouraged foreign fishing in territorial waters to supply local processing plants, and fish processing was reorganized and expanded. As a result, fish processing in Nouadhibou (Mauritania's only natural port) increased at such a rate that the fishing port has become too small and now forms a serious bottleneck for further expansion in this sector. The Bank

is presently studying the possibility to improve and enlarge port facilities in Nouadhibou, which must be considered among the high priority projects in the country. Due to insufficient rainfall, agricultural potential is very limited. Some possibilities exist for irrigated crops along the Senegal River. The Gorgol plain seems to offer the best chance and after the UNDP-financed study is completed an economically justifiable project might emerge. Construction of small and simple irrigation works along the river for rice cultivation is financed by FAC and FED, but seems very marginal and requires additional experience. The People's Republic of China has started a large irrigated rice project near Rosso, on the Senegal river, the economic profitability of which is doubtful. Expansion of upland cultivation of millet and groundnuts is possible in the most southern region of the country, but is limited by marketing difficulties as Mauritania is already almost self-sufficient in millet.

Future economic growth is strongly determined by what the Government will do concerning the fishing port of Nouadhibou and livestock development. Without determined action in those two fields, growth of GDP is estimated to average 6% p.a. up to 1975, but could reach 9% p.a. if the growth potential in fishing and livestock is better exploited.

Strict budgetary austerity between 1965 and 1968 resulted in a small surplus of the current budget, but also in reduced outlays for rural development and public works and within these sectors for materials, supplies and general maintenance. This resulted in a serious deterioration of public services in the rural sectors and insufficient maintenance of public infrastructure, while current expenditures for security and defense, as well as for social services, continued to grow. A considerable increase in current expenditures and stagnating revenues caused a heavy deficit in 1969 that will probably occur again in 1970. A change in priorities in current budget outlays is urgently needed; rudimentary public services and lack of maintenance in the rural sector represent not only major handicaps for economic growth, but make it difficult for foreign aid donors to intervene in these sectors as there is no administrative structure on which to build the project and for fear that the project will not continue once foreign aid has come to an end. The Four-Year Development Plan (1970-1973) gives priority, however, to directly productive projects in the rural sector, and to the increased mauritanization of middle and higher level staff, so as to reduce dependence on foreign technical assistance. In 1967, a Bank technical assistance mission helped define the priorities for this Plan.

Due to the budgetary situation, Mauritania's contribution towards projects that will receive foreign aid will have to be very modest, so that foreign aid will need to cover a substantial part of local expenditures.

The Bank estimates that public investments over the next 6 years ought to reach \$13.5 million (CFAF 4 billion) per annum to allow satisfactory economic growth, in spite of a sharp drop in private investments due to the completion of investment in the Akjoujt copper mine. As total grant aid will not exceed about \$6.3 million per year, an additional \$8 million

have to be mobilized in the form of public savings, foreign loans, or suppliers credits. Implementation of such an investment program depends primarily on the amount of public savings, which, in turn, depends on overall economic growth and on the Government's success in increasing revenues through improving tax structure and tax collection. Projections of government revenues and expenditures make it clear that unless the Government is successful in increasing revenues substantially above the level to be reached by normal growth, little - if any - public savings (net of debt amortization) can be expected over the next five years. Under these conditions, the entire \$8 million would have to be financed by foreign loans or credits which would soon lead to unmanageable foreign debt problems demanding a substantial reduction in the public investment program.

Economic policies have generally been liberal, encouraging foreign and local investments. The only major public intervention in the private sector concerns import trade, where a semi-public company enjoys a monopoly for a number of essential consumer goods. As a member of the West African Monetary Union, there are no transfer restrictions with France and other members of the Franc Zone, while restrictions with other countries are liberal.

ISLAMIC REPUBLIC OF MAURITANIA

Population

Total population was estimated at 1.15 million in 1969, including some 10-15,000 foreigners, mostly French and Senegalese. Overall population density is low, averaging 2.9 persons per square mile. In the saharian and sub-saharian zones it falls to 0.8, but even in the most southern and most populated region of the country, density does not exceed 18 persons per square mile. About 80 percent of total population is of Moorish (Arab-Berber) background and 20 percent of Negro origin. The Moors form the bulk of the nomadic population, while most of the sedentary farm population in the Senegal Valley is composed of Negroes who are also strongly represented among the urban population.

Based on an urban census in 1962 and a sample survey of the rural population in 1965, population growth rate is estimated at 1.8 to 2 percent has been estimated. Natural growth was calculated at 1.5 percent for the nomadic population, 1.9 percent for the sedentary farmers and about 3 percent for the urban population. The low rate for the non-urban population is the result of high child mortality in rural areas. Increasing migration from rural areas to the few urban centers results in an 8 percent growth of urban population, while the rural population increases by less than one percent a year. Although all urban centers are still small (the capital, Nouakchott, has a population of 25-40,000 while all other towns have around 10,000 or less) continuous substantial growth will soon create serious problems of employment, housing and infrastructure and measures to reduce rural emigration ought to be taken soon before the problem becomes unmanageable. Providing better economic opportunities in rural areas, increasing the attractiveness of life in small towns and regionalization of the education system are three important factors in this respect.

Population growth and the process of fast urbanization are not considered a serious problem by the Government. Because of its low population density and the small market for locally produced products, an increase in population and urbanization was considered a stimulus to economic growth and sedentarization is actively encouraged. The Government does, however, start to show some concern about growing unemployment in the capital which is mainly due to completion of some large investment projects, (copper mine, road construction). No family planning projects exist or are under consideration, while government is actively improving public health facilities which account presently for 7-8 percent of total current budgetary expenditures and are receiving substantial foreign technical assistance. As the different growth rates of the two main segments of population are already a political problem, any attempt to artificially interfere with natural growth would be politically highly sensitive.

ISLAMIC REPUBLIC OF MAURITANIA

Bank and IDA Operations

1. Mauritania has received one Bank loan and two IDA credits for a total amount of \$75.7 million. This figure includes a \$66.0 million loan to MIFERMA, a private mining company.

2. The following summary statement shows the position of Bank and IDA operations in Mauritania as of November 30, 1970:

Disbursement Table

<u>Loan or Credit Number</u>	<u>Year</u>	<u>Borrower</u>	<u>Purpose</u>	<u>Amount (\$ million)</u>	<u>Undisbursed (US\$ million)</u>
249-FR	1960	MIFERMA	Iron Ore Mining	66 (IBRD)	-
69-MAU	1964	Republic of Mauritania	Nouakchott- Rosso Road	6.7 (IDA)	2.3
159-MAU	1969	Republic of Mauritania	Road Main- tenance	3.0 (IDA)	3.0

a. 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 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. Bank approval has been asked for a \$30 million extension of the project during 1970-1973 for commercial exploitation of low grade iron ore. Low grade iron ore production would be 3.5 million tons annually over 10 years. This would increase output to 12 million tons of iron ore per year. MIFERMA will autofinance the investment. The project seems sound and the Bank approved the additional investment. MIFERMA also intends to start extensive works on a major new project based on the so-called "Guelb" deposit of magnetite, located 30 km. north of present mining operation. MIFERMA has indicated interest in possible Bank financing for this project, the total investment for which is estimated at some \$300 million. Iron ore production from this deposit might reach 6 million tons by 1976 and 12 million tons by 1983.

b. Nouakchott-Rosso Road (69-MAU): The purpose of this credit was to help finance the construction of the Nouakchott-Rosso road, the employment of consultants to carry out the final design and supervision of the project and a general study of road maintenance requirements. The project is about 95% completed. The Closing Date of the Credit has been extended to July 1, 1971. The Government and the contractor are negotiating a settlement of contractor's claims. Hardly any progress has been made in these negotiations and the Government seems prepared to bring the matter to arbitration. Total cost of the project may rise to as high as US\$9.2 million. This is still below the total available contribution of the Government (\$0.1 million), FED (\$3.22 million), and IDA (\$6.7 million) of US\$10.02 million.

c. Road Maintenance (159-MAU): The purpose of this credit is to assist in financing a four-year road maintenance program. The project is proceeding satisfactorily. The Equipment Department has been established. The new offices of the Department are completed; workshops are under construction. The bulk of maintenance equipment has been ordered; the Government is preparing a request to the Association for procurement of some additional equipment.

3. Prospective Operations

a. Livestock: One Bank and two FAO preparation missions have taken place. The project, which would cover the southwestern region of the country, might now emerge would cost about \$5.3 million (\$3.5 million for the wells subproject with construction and repair done by contracting; \$300,000 for firebreaks and \$1.5 million for health services). The foreign exchange component would, on the average, be 60%. For well maintenance, it is envisaged to coordinate our project with a similar FAC project. The following issues remain outstanding.

- i. The Mauritians favor a nationwide health campaign, while we are considering a more intensive localized one. Agreement with the Bank's proposals is however likely.
- ii. Technical assistance to the veterinary services is considered a condition for a health program. Such assistance will have to be provided by France.
- iii. The ability of Mauritania to cover recurrent expenditures for the project. The Government is considering this matter which will be discussed during appraisal in the Spring of 1971.

b. Nouadhibou Port Project: A study of possible expansion of port facilities for the development of the fishing industry and of bunkering activities by fishing vessels operating off the Coast of Mauritania was made following the recent economic mission. Previous technical studies have been made by BCEOM and local engineering conditions are fairly well known. FAC is ready to finance detailed engineering and feasibility studies. A preparation mission at the end of September 1970 has defined a

project (\$3.0 million FY 1972). Projects Department has drafted TOR for the feasibility study which have been sent to the Government for transmittal to FAC which took place in December.

c. Education: The economic mission to Mauritania in April 1970 brought back a request from the Government for a project to regionalize the first cycle of secondary education (third grade through sixth grade) through creation of a number of regional schools. The project has cost reducing aspects. Total investment cost (construction and equipment) is estimated at some CFAF 700 million. The costs of education in Mauritania are high, and it is not likely that a rapid expansion could be financed without foreign aid. The present output is insufficient to cover medium term needs. Education Department is in favor of the project, but because of manpower constraints, it cannot be implemented before FY 1974, which is considered by the Mauritanian authorities to be rather late; the project may therefore be submitted to FED in view of earlier financing.

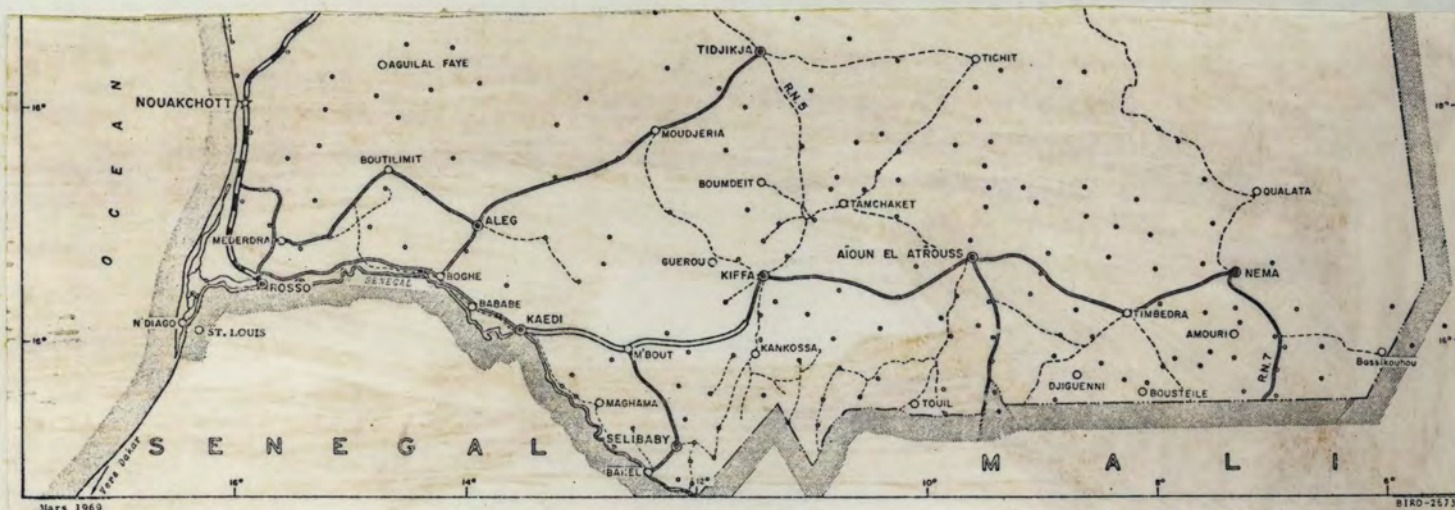
d. Agriculture: A PMWA identification mission visited Mauritania in October/November 1969. The mission concluded that the following projects, all located in the southern part of the country along the Senegal River, might be suitable for further consideration.

- Gorgol Irrigation: A two-year UNDP pre-investment study of a multiphased irrigation project has started. FAO will review in late 1970. PMWA mission tentatively scheduled for January 1971 to follow progress of the study. The project would involve three successive and independent stages.
 - i. Construction of a dike on the Senegal River at Kaedi, which would permit development over five years of 5,000 ha. of irrigated land for rice growing. Yields would be of the order of 1.5 t/ha.
 - ii. If studies are conclusive, a dam will be built at Fouta Gleita. Near the dam 2,000 - 4,000 ha. of sugar cane could be developed, provided there is experimental evidence that natural conditions are suitable for this crop.
 - iii. The dam would also permit irrigation of another 5,000 ha., either for rice or for other crops.
- Aftout-Es-Saheli: This project consists of filling a large depression in the dunes stretching north from the banks of the Senegal River to the outskirts of Nouakchott with water from the Senegal River. The project would include improvement of grazing on 50,000 ha. The creation of an important fresh water reserve could possibly permit provision of water for Nouakchott and development of agriculture and fisheries. The project costs depend largely on the decision by the

Organization of the Senegal River States (OERS) concerning the construction of a dam on the Senegal River. Additional pre-investment studies are required, and a request for a feasibility study of the Aftout-Es-Saheli project has been forwarded to UNDP. With regard to the dam on the Senegal River, we understand that FAO, executing agency for a number of projects in this area, has called for consultant's proposals for a pre-feasibility study, due to start in 1971.

4. Other Issues

a. Nouakchott-Nema Road (2,000 km.): A summary economic justification of this road cutting straight through the desert has been sent to the Bank. It appears that on the basis of economic criteria the project would yield a marginal return (6%) which makes its consideration for Bank Group financing difficult. During a supervision mission of transportation projects in Mauritania in May 1970, Transportation Projects staff suggested the alternative of a year-round link between Rosso and Kaedi as a continuation of the Nouakchott-Rosso road which will be completed later this year. This would connect Nouakchott via Rosso with the existing west-east network from Kaedi to Nema, a section of which (Kaedi-Kiffa 250 km.) has already been built to laterite standards under FED financing; this agency is now also considering Kiffa-Nema (550 km.). It was suggested that a request for a feasibility study be submitted to UNDP; this proposal was not accepted as an alternative to the Nouakchott-Nema road by the Government. The Government has accepted, however, the suggestion that a transport survey be made by PMWA of the central and southeastern regions of the country; a mission is planned for January/February 1971.



b. Development Bank: A mission of the Development Finance Companies visited Mauritania in December 1969. They concluded that a merger of BMD (The Mauritanian Development Bank) and an existing commercial bank would be appropriate. The Government informed at the Annual Meeting that it wanted to retain BMD as a government instrument for financing of economic development. BMD is now being reorganized and the Bank would be informed about this as soon as possible. Hopes were expressed that the Bank would consider financial assistance to BMD once it had been reorganized.

ISLAMIC REPUBLIC OF MAURITANIA

Bank/IDA Program

The proposed lending program of the Bank Group (committing 13.5 million for 1970-75) could help cover Mauritania's annual \$2.3 million public finance gap; this takes disbursement lags into account. It would make Bank/IDA the third largest source of aid to Mauritania (behind France and FED) with a share of about 16% of total financial aid. This is a modest program, but it must be remembered that until two years ago no project identification or preparation by the Bank took place in Mauritania.

Bank Group strategy is concentrated on development of directly productive sectors with established potential, primarily livestock and fishing. The livestock project would affect a large part of the population whereas the fisheries port will broaden the tax base. As the scheduled road project is linked with development of livestock and agriculture along the Senegal River, close to 80% of the proposed lending program has a direct or indirect impact on productive sectors. Such development is vital to improve the standard of living of the majority of the population, to enlarge the country's economic basis (which is still too narrow to support necessary expansion of education and transport infrastructure), and to stem migration to Mauritania's two urban centers. Regionalization of secondary education could also help to increase attractiveness of secondary centers. The projects should to the extent possible have institution-building and technical assistance features which are of great importance to Mauritania.

Population: 1.1 m
Per Cap Inc: \$148

MAURITANIA - ACTUAL AND PROPOSED LENDING THROUGH FY 1976
(\$ million)

Attachment 1

		Through	Fiscal Years										Total	Total	Total			
		1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1964-68	1969-73	1972-76
Agriculture Unidentified	IDA																	
Livestock	IDA										1.5 ^{1/}			2.0				
Irrigation Gorgol I	IDA											2.0						
Education	IDA												2.0					
Road Construction I	IDA		6.7															
Road Construction II	IDA												3.0					
Road Maintenance	IDA							3.0										
Fisheries Port	IDA										3.0							
Iron Ore (MIFERMA)	IBRD	<u>66.0</u>	—					—			—	—	—	—				
Total	IDA		<u>6.7</u>					<u>3.0</u>			<u>4.5</u>	<u>2.0</u>	<u>5.0</u>	<u>2.0</u>		<u>6.7</u>	<u>9.5</u>	<u>13.5</u>
	No.		<u>1</u>					<u>1</u>			<u>2</u>	<u>1</u>	<u>2</u>	<u>1</u>		<u>1</u>	<u>4</u>	<u>6</u>
Total	IBRD	<u>66.0</u>																
	No.	<u>1</u>																

^{1/} The discrepancy between this figure and the cost estimate given in the description of prospective Bank/IDA operations (\$5.3 million) is due to incomplete formulation of the project at the time the program was drawn up. Further revision of the estimate is likely when project formulation will be completed.

Western Africa Department
December 1, 1970

ISLAMIC REPUBLIC OF MAURITANIA

IFC Operations (Prepared by IFC)

Description of the Project

SOMIMA, which is still in the preoperational stage, was formed in 1967 for the exploitation by open-cast mining of a copper ore deposit at Akjoujt, a desert village about 180 miles north-east of Nouakchott. The deposit, which is composed of an upper oxide layer and a lower sulphide layer, is estimated to contain a total of 22.7 million metric tons of proved reserves with about 480,000 m.t. of contained copper. The project for which an IFC investment of US\$20 million was approved on April 30, 1968 includes a treatment and flotation plant at the mine site to process the ore into high grade copper concentrate; road and water supply facilities, and a township at Akjoujt and shore facilities at the port of Nouakchott through which the concentrates are to be shipped for sale overseas.

The total cost of the project shown in the 1967 Board Report estimate was US\$59.8 million, to be financed as follows:

	<u>Amount</u> <u>(US\$ million)</u>	<u>% of</u> <u>Ownership</u>
<u>Share Capital</u>		
Charter Consolidated (sponsors of the project)	3.57	44.6
Government of Mauritania	1.76	22.0
IFC	1.20	15.0
Group of 4 French companies	<u>1.47</u>	<u>18.4</u>
<u>Total Share Capital</u>	8.00	100.0
<u>Share Capital (carry-over)</u>	8.00	
<u>Shareholders Advances</u> (provided by all shareholders in proportion to their respective shareholdings)		
	15.00	
<u>Loans:</u>		
IFC	16.55	
European Investment Bank	11.00	
Other	<u>9.25</u>	
<u>Total Financial Plan</u>	<u>59.80</u>	

The Chairman of the Board and President of SOMIMA is Mr. Mohammed Ba, a Mauritanian, a former Government official who was Director General for Taxes and Inspector in the Ministry of Finance.

The general manager of SOMIMA is Mr. Kenneth E. McKay, a senior Engineer from Anglo American Corporation who was previously general manager of Anglo's Rhokana smelter in Zambia.

Status of the Project

The mining and treatment facilities at Akjoujt are now virtually completed and production start-up is underway. This is about one year later than was originally expected by Charter. The construction of the township at Akjoujt has also been delayed and is expected to be completed momentarily and the new road between Akjoujt and Nouakchott is expected to be ready in mid-1971 when commercial production at SOMIMA begins. The wharf at Nouakchott which is financed by the European Development Fund (FED) is expected to be finished by the end of 1971. The one-year delay in project completion is attributable mainly to technical difficulties in connection with erection of the copper treatment unit, uneven work performance by the local contractors responsible for the township and road construction and, generally, the practical and logistical problems associated with the commissioning of a sophisticated mechanical plant in a location as remote as Akjoujt. Moreover, recent strikes in Italy from where essential equipment was to be imported contributed to the delays in completion.

As a result of these delays and of the technical difficulties mentioned above, there has been an overrun of about US\$11.0 million in the project cost, which Charter is committed to finance.

Financial Prospects

SOMIMA is expected to be a profitable project, as shown in the financial projections contained in the Board Report of 1967. These projections were based on a copper price on the London Metal Exchange of US 37.5 ¢/lb. which compares with an actual price of around US 48 ¢/lb. The estimated project cost overrun and the related increase in depreciation and financial charges is expected to be more than compensated by the higher level of copper prices.

Advantages for Mauritania

The Government of Mauritania is expected to receive over the life of the mine (14 years) a total of US\$49.2 million of which about one-half in taxes, 17% in mineral duties and the remaining 33% in distribution to the shareholders. This corresponds to about 47% of cash generated before taxes, net of debt service and capital replacements. In addition, it is to benefit from infrastructure of permanent value (mainly the Akjoujt township and the road between Nouakchott and Akjoujt) and employment of about 200 Mauritanians.

INVESTMENT COMMITTEE

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SIC/M/70 - 62

January 6, 1971

Minutes of Staff Investment Committee Meeting held at
2:30 p.m. on Wednesday, December 23, 1970 in Room C910

1. There were present

(a) Committee

Mr. L. von Hoffmann (Chairman)
Mr. W. S. Gaud
Mr. A. Adomakoh
Mr. H. G. Hilton
Mr. M. A. Qureshi
Mr. G. H. Kreuter
Mr. J. Navarrete
Mr. M. Carlisle
Mr. D. J. A. DuPre
Mr. J. Chaffey (Acting Secretary)

(b) Others

Mr. C. Hassan
Mr. J. M. Kearns
Mr. R. Blondel
Mr. H. Garrana
Mr. R. D. King
Mr. L. Toutounji

MAURITANIA: SOMIMA -- FOLLOW-UP REVIEW

2. The Committee considered SIC/A/70-65 and, noting that:

- (a) On the technical side, while the Torco process had worked satisfactorily in the limited commissioning trials to date, mechanical problems had been encountered noticeably in the pneumatic conveying system in the processing plant. Present indications were that production would be limited to about 60 percent of the originally projected operational level, unless the conveying system were replaced. It was thought that it would cost about \$200,000 to install an alternative conveying system. IFC took the view that Bechtel and

D I S T R I B U T I O N

COMMITTEE

Executive Vice President
Vice President
General Counsel
Director, Engineering Department
Director, Department of Investments,
Latin America, Europe and Australasia
Economic Adviser
Director, Development Finance Companies Department
(when DFC investments are considered)

OTHERS

President
Secretary
Directors of Investments
Controller
Director, Information and Public Affairs Department
Director of Marketing
Accounting Adviser
Senior Adviser, Treasurer's Department
Assistant to the Executive Vice President

BANK: Chairman and Deputy Chairman, Loan Committee; Director, Industrial Projects Department; Director(s) of Area Department(s) concerned

Company of Montreal and Dorr Oliver Company were principally responsible for shortcomings in design and production of the equipment, but Charter was also at fault for failing to exercise adequate supervision of the design and construction stages. IFC had frequently called Charter's attention to the need for closer project coordination.

- (b) On the financial side, doubts were expressed over the present estimate of project costs which showed an overrun of \$10.5 million (17.6 percent). Aspects of the revised costs were unclear and Charter was negotiating for additional financing. Charter and the other guarantor shareholders were responsible under the Project Funds Agreement for ensuring that additional funds to finance the cost overrun were provided. A follow-up mission to review SOMIMA was planned for the second half of January 1971.
- (c) On relations with the Mauritanian Government, it was reported that SOMIMA had had to meet certain Government requirements over the design of the township which had resulted in considerable cost overruns. Construction of the enlarged wharf facilities at Nouakchott had only just started (the Chairman said that more information should be obtained on the construction schedule for this facility). The Government was insisting on levying export taxes in respect of the copper that should have been produced and exported at this stage under the original timetable.
- (d) At a revised cost of \$70.4 million, the project should remain financially sound provided that the price of copper on the London Metal Exchange did not fall substantially below 42¢ per pound. Bank projections indicated an average price of roughly 45¢ per pound during 1971-80. Charter's current projections of a net smelter return higher than originally projected were based on an average copper price of 49¢ per pound and a higher copper content of oxide ore which would be mined initially.

agreed that:

- (a) Charter had been shortsighted in its approach to some of the technical and physical problems encountered in this project.
- (b) If the processing plant could be brought to full capacity operation in a reasonable period, SOMIMA would still be a profitable concern with copper prices holding their present level.

- (c) Care should be taken to ensure that the financing of the project cost overrun was not allowed to jeopardize the efficient operation of the concern in its early stages.
- (d) IFC's follow-up mission should probe deeply into the details of the cost overruns, obtain revised financial projections from Charter, and report back to the Committee. Consideration should be given to informing the other participants in the project of the present position, when the details had been verified.

3. The meeting adjourned at 3:30 p.m.

J. Chaffey
Acting Secretary
Staff Investment Committee

ISLAMIC REPUBLIC OF MAURITANIA

Matters for Discussion

1. Mauritania's ability to meet local capital cost and recurrent costs for foreign-financed projects could be a point for a discussion as budgetary constraints significantly limit Mauritania's contributions. A determined Government effort is required to

- reorient budget expenditure, at least of additional revenues, towards the productive sector; ✓
- revitalize budget austerity policy and exercise a better control over present Government expenditures; ✓
- increase Government income mainly through improved tax collection. ✓

During the December 1970 economic visit, Government ministers were found to be aware of these problems and receptive to advice but it is unclear whether effective action will be taken by the Government. These matters are now under review in a Committee for Budget Coordination which meets under the chairmanship of the President. The Committee started these discussions during the recent economic visit.

2. In view of the budgetary constraints and the little developed economy, priority has to be given to directly productive projects. This has been acknowledged in Mauritania's Four-Year Development Plan (1970-73) and is the basis for the five-year lending program of the Association. Any IDA project that could be envisaged in Mauritania will have to include a large portion of local cost financing and some consideration might be given to financing of recurrent costs, at least during the disbursement period. The livestock and port projects in our lending program for the immediate future are designed to fit these requirements.

ISLAMIC REPUBLIC OF MAURITANIA

Cabinet Ministers since April 3, 1970

(former portfolios in parentheses)

Minister for Foreign Affairs: Hamdi Ould Mouknass *well-known, amb. to the Netherlands
7th member of Politburo*

Minister of Defense: Marouf Ould Cheikh Abdallahi (Ambassador to Spain)

Minister of Justice: Maloum Ould Braham (unchanged)

Minister of Interior: Abdal Azziz Sall (unchanged) *former Pres' dir. of cabinet
member of Politburo - VIP*

Minister of Planning and Rural Development: Dr. Toure Mamadou
(Ambassador to Germany) *brother of
1st Dep't Dir.
MD-1580*

Minister of Finance: Moktar Ould Haiba (Minister of Planning) *MD in Sen
pol. amb.*

Minister of Fishing: Mohamed Salem Ould M'Khayttiratt (Minister of
Industrialization & Mining) *- mce*

Minister of Industrialization and Mining: Sidi Mohamed Diagana (Minister
of Finance)

Minister of Equipment: Abdallahi Ould Daddah (Ambassador to U.N.) *brother of Pres.
hand - wky - gork. - t*

Minister of Education: Mohamed Abdallahi Ould Kharchi (Ambassador to
Peking) *former amb. to US*

Minister of Health and Labor: Ahmad Ben Amar (Minister of Education) *very good*

BIOGRAPHICAL NOTES

MOKTAR OULD DADDAH

President

Born on December 27, 1924 at Boutilimit, Mauritania, the President is a member of the large and influential Oulad Biri tribe. Mr. Ould Daddah attended school at Saint Louis (Senegal), the Law School of the University of Paris and the National School of Oriental Languages in Paris. From 1942 to 1949 he served as an interpreter from Arabic into French in the local administration. In 1955, when he completed his studies in France, he returned to Mauritania to become an interpreter at Fort Gouraud and Fort Trinquet; he was subsequently appointed legal apprentice in the office of the President of the Grand Council of French West Africa (1956-1957). In March 1957, he was elected to the Territorial Council. After having joined the Mauritanian Progressive Union (UPM) in Paris, he became a member of the Party of Mauritanian Reunification (PRM) in 1958 when the UPM merged with the Mauritanian Entente to become the PRM. He was subsequently elected Secretary General. In November 1958, he was a PRM delegate to the Constituent Assembly, he was subsequently elected to the Legislative Assembly, from January 1958 to June 1959, Minister of Information and Inter-Territorial Affairs, held the Interior portfolio from July 1959 to November 1960. He became Secretary General of the (ruling) Mauritanian People's Party at its birth in 1961. After serving as Vice President of the Council of Government (1957-1958) and then as its President (1958-1960) he was elected to a five-year term as President of the Republic in August 1961, and re-elected in 1966.

The President has traveled widely in Africa and Europe; he has attended numerous international conferences; he visited the U.S. in 1963 and 1970 when he attended sessions of the United Nations General Assembly. In 1958 he married a Frenchwoman. His wife, who, like him, is a lawyer, takes an active interest in women's affairs in Mauritania. The President's younger brother, Ahmed Ould Daddah, is Executive Secretary of the Organization of Senegal River States (OERS). Another brother, Abdallahi Ould Daddah, is Minister of Equipment (see separate biography).

The President speaks French and Arabic.

YOUSSEUF KETTA

President of the National Assembly

Born in 1919 in Kaédi; administrative secretary; territorial adviser (1957); member of the economic and social council of the Communauté (1959); president of the regional commission of the Mauritanian People's Party (PPM) for the fourth region since December 1968; member of the political bureau of the PPM; member of the Economic and Social Council (May 19, 1967 - March 4, 1968); mayor of Kaédi; member of the National Assembly since May 17, 1959, reelected May 9, 1965; chairman of the commission for economic affairs, planning, public works, mines and transport since March 7, 1966; president of the National Assembly since November 13, 1968; president director-general of the Kaedi Tannery.

MAMADOU RACINE TOURE

Minister of Planning and Rural Development

Appointed Minister of Planning and Rural Development on April 3, 1970. Toure was Ambassador to Germany, accredited to the EEC in 1963. A medical doctor and former director of medical-social affairs in Mauritania, Toure is reportedly a strong advocate of civil rights within Mauritania. Mamadou Racine Toure is the brother of Mamoudou Toure, Director of the African Department in the IMF. He is currently the Governor for the IBRD.

MOKHTAR OULD HAIBA

Minister of Finance

Mr. Ould Haiba is the only Cabinet member from a warrior (as opposed to a marabout i.e., religious leader) tribe. His father, a tribal leader and interpreter for the French, was a minister in one of the early Mauritanian governments. Born about 1935 near Boutilimit, Haiba received the equivalent of a bachelor's degree in economics before being named economic and financial counselor to President Mokhtar Ould Daddah in 1964. He held this position until January 1968, when he was named Minister of Planning and Rural Development, a post he held until the April 1970 cabinet change. When Minister of Planning, Mr. Ould Haiba was Governor for the IBRD.

ABDULLAHI OULD DADDAH

Minister of Equipment

Until his appointment as Minister of Equipment in 1970, Abdullahi had been Ambassador to the United Nations. A half-brother of President Ould Daddah (same father), he is the first brother of the President ever to be named a minister. Born April 25, 1935 at Boutilimit, Abdullahi received a licence en droit from the University of Paris in 1961. From November 1962 to January 1964 Secretary General of the Foreign Ministry, he served as chief of the Mauritanian delegation to the U.N. for the 18th General Assembly session (September-December 1963). From 1964 to 1966 he was Ambassador to France, Italy, Great Britain, and Switzerland, resident in Paris. In August 1966 he was named Ambassador to the United States. Later he was accredited to the U.N. and Canada, posts he continued to hold after Mauritania's June 1967 break in diplomatic relations with the United States (diplomatic relations have been restored in December 1969). Abdullahi's Algerian-born wife, Turkia, also a graduate, served as chairman of the General Assembly's Third Committee in 1969 and is currently Secretary General of the Foreign Ministry. Abdullahi's younger brother Ahmed is Secretary General of the O.E.R.S.

JOHANNES HENNET

UNDP Resident Representative

An Austrian citizen, Mr. Hennet has been trade commissioner for Mexico, Central America and the West Indies and deputy resident representative of the UNDP in Mexico and Cameroon. He has been the resident representative of the UNDP in Mauritania since 1969.

ROBERT ANDREW STEIN

U.S. Charge d'Affaires to Mauritania

Born in 1919, Mr. Stein has served as consular officer in Aden and in Antwerp, and as political officer in Beirut, Jidda, Rabat and Damascus. He has been the charge d'affaires for the U.S. in Nouakchott since March 1970.

PAUL LEROY-BEAULIEU (French)

President of MIFERMA

Born in 1902, he has held many positions, including financial attache in Rome (1935) and Washington (1937), director of foreign trade at the Ministry of Finance (1940), economic counselor in Washington (1944), economic counselor to the French Commander in Chief in Germany (1948), director general of Economic and Financial Affairs at the French High Commission in Germany (1949), president of the Economic and Financial Bureau of the North Atlantic Treaty (1951), financial counselor of the French Embassy in London (1953-57), general inspector of finance (1956-61), member of the supervision counsel of the studies for the tunnel under the English Channel (since 1958) and President of MIFERMA (since 1958).

JEAN AUDIBERT (French)

Director General of MIFERMA

Jean Audibert -- born in 1921, Mr. Audibert is a graduate of the Polytechnical School. He was attached to the staff of the Ministers of Industry and Commerce, Maurice Bourges Mannoury (1954), Henri Ulver (1954-55) and Andre Morice (1955-56); technical counselor to the Minister of Finance, Paul Ramadier (1956); director general of MIFERMA since 1956; and member of the council for technical cooperation with member states of the Common Market (1959-61). Very recently Mr. Audibert was asked to coordinate a study for the possible reorganization of SOMIFER, with a view to developing the Mekambo iron ore deposits in Gabon.

MOHAMMED BA

President of SOMIMA

Mr. Ba is Chairman of the Board and President of SOMIMA. He was formerly Director General for Taxes and Inspector in the Ministry of Finance.

KENNETH E. McKAY

General Manager of SOMIMA

Mr. McKay is a senior engineer from the Anglo American Corporation who was previously general manager of Anglo's Rhokana smelter in Zambia.

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Mauritania Country Program Paper

Postscript

44. The paper was reviewed on November 23 in Mr. McNamara's office and the following points emerged:

- (i) The regrettable lack of regional emphasis in Mauritania's policy is a fact of life the Bank Group will have to accept;
- (ii) The Bank is seriously concerned about the unsatisfactory fiscal performance in Mauritania and will press hard for an improvement in this area:
- (iii) Considering claims on the Bank Group's resources and the obvious priorities in Mauritania, it was decided to limit the lending program to projects in the productive sectors or closely related to such sectors. Therefore the telecommunications projects are to be eliminated from the lending program.

Western Africa Department
November 24, 1970

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COUNTRY PROGRAM PAPER

MAURITANIA

1969 Population:	1.15 million	<u>Net Bank/IDA lending (US\$ million)^{1/}</u>		
1969 per cap. GNP:	\$ 1212/			
Population growth		<u>1964-68</u>	<u>1969-73</u>	<u>1972-76</u>
rate:	1.8-2.0%	Bank	-	-
		IDA	6.7	9.5
		Total	6.7	15.0
				15.0
		<u>Average Annual Per Capita (\$)</u>		
		IDA	1.2	1.7
				2.6

Exchange Rate:

Until August 11, 1969 CFAF 246.85 = \$1.00

After August 11, 1969 CFAF 277.71 = \$1.00

A. COUNTRY OBJECTIVES

1. Mauritania is a predominantly desert country where natural conditions sharply limit possibilities for economic development. More than half of its territory consists of Saharan desert. Sizeable agricultural production is only possible along the southern Savannah type fringe, which comprises less than 15% of total surface but where close to 80% of the country's population is concentrated. Over two-thirds of population, mostly Moors with an Arab-Berber background, are engaged in nomadic livestock herding while close to a quarter, predominantly of Negro origin are sedentary subsistence farmers. Urban population, active in the modern sector of the economy, accounts for only some 15% of the total, but is expanding at a rate of about 8% per year.

2. Emerging as an independent country ten years ago, Mauritania was confronted with the task of unifying a nation made of sharply contrasting parts. The country has a dual character in several respects. First, ethnically and sociologically. The Moors, who have a dominant position, are nomadic and culturally linked to the Maghreb while the Negroes are sedentary and feel closer to their southern and eastern neighbors. Secondly, it suffers from economic duality, since the modern sector

^{1/} this is the first Country Program Paper for Mauritania

^{2/} after devaluation

(mostly mining but also some fish processing and public administration) has very little relationship with the traditional sector and hence a limited impact on overall development.

3. Despite the prevailing conditions of socio-ethnic dualism President Ould Daddah managed to reduce tensions and to preserve internal peace. This remarkable achievement is put in its proper perspective by the unrest that prevails in other areas of Africa where conditions similar to those in Mauritania exist. However, this was achieved at the cost of substantial increases in security outlays which now absorb more than 25% of current expenditures and by disregarding the economics of certain projects in favor of political considerations (e.g. introduction of bilingual French-Arabic education, proposal to construct a road cutting straight through the desert to link outlying southeastern areas to the capital). Although they appear to have eased, racial tensions continue to subsist and remain a factor in political and economic decision making. Although we have to recognize the need and legitimacy for such motivations, we are currently trying to direct Government thinking towards finding solutions to Mauritania's problems which satisfy the Government's objectives while at least avoiding economic losses or a wasteful use of scarce resources.

4. Mauritania is a member of the West African Customs Union (UDAO), which aims at 50% preference for intra Union trade, and of the Organization of Senegal River States (OERS), which also comprises Senegal, Mali and Guinea in an effort to promote economic cooperation. Despite membership in these organizations, it has gradually loosened economic ties with Senegal over the last ten years, as shown by the recent dissolution of the customs union between the two countries. At the same time Mauritania is strengthening cooperation with the Maghreb countries, which was hampered until recently by Morocco's claim on most of Mauritania's territory, sustained for several years with an armed irredentist movement. A few months ago this conflict was solved in a diplomatic fashion and Mauritania's cooperation with Morocco and Algeria is rapidly gaining momentum, triggered by the interest of the three countries in decolonization of the Spanish Sahara. Generally, the country has pursued an independent policy, based on its geographical and cultural position as a bridge between the Arabic and Negro worlds and aiming at establishing equally good relations with the West as well as with the Communist world.

5. Economically speaking Mauritania is an extreme case of a dual economy. Mining has remained an enclave industry entirely in the hands of foreign companies, with transfers and remittances abroad accounting for over half of value added, little employment of nationals (3,000), and virtually no secondary effects on the rest of the economy. Thus, while GNP in the modern sector increased very sharply over the past ten years (11.9% per annum at constant prices), output in the traditional sector expanded by less than 2.6% per year. In consequence, the substantial growth of total GNP benefited only a small minority, while the standard of living of most Mauritaniens has improved little as shown by

an annual increase of national per capita revenues of only 1.1% in the traditional sector, compared to 3.6% in the modern sector. Although mining is yielding substantial revenues, which are its major contribution to the local economy, most of these funds were spent by the Government in the modern sector while the traditional sector of the economy was neglected.

6. Considering this imbalance and the fact that growth in mining will taper off after 1972, the Government's main objectives are to develop the rural sector and fishing. A Four-Year Development Plan (1970-1973) has been prepared, following the Bank's 1967 technical assistance mission, that had strongly urged the Government to give increased attention to directly productive projects in the rural sector. Besides the rural sector, the Plan gives priority to increased Mauritanization of middle and higher level staff so as to reduce dependence on foreign technical assistance. The Bank agrees with these goals, first of all with the high priority given to the productive sectors, a substantial improvement over past Government priorities. It is proposed that the Bank Group support the Government in its efforts to develop livestock and fisheries and to expand education, and the lending program is focusing on these sectors.

7. Elaboration of the Plan has been long and difficult as the need to enhance national unity has compelled the authorities to launch time-consuming regional consultations. The Plan consists mainly of a list of projects to be implemented in each sector. It provides no macro-economic framework, few estimates of project costs and does not tackle the problem of financing capital costs and recurrent expenditures, although this is the major bottleneck for its implementation as Mauritania's budgetary situation is highly unsatisfactory. In 1965-68, Government revenues increased fast, mostly because of receipts from the mining company, and the current budget showed a small but constant surplus. A sharp growth in current expenditures and stagnating revenues caused a heavy deficit in 1969 that will probably occur again in 1970. Furthermore, allocation of budgetary resources is very unsatisfactory. In spite of overall budget growth of 6.9% per annum since 1960, outlays for rural development, planning, and general maintenance have hardly increased and their relative share has dropped from an already low 17% of current expenditures in 1960 to only 12% in 1968, while expenditures for security, education, and debt service have increased from 34% to 57%. In productive sectors, outlays are especially low for materials and supplies, which has brought about a quasi breakdown of Government services and activities in the rural sector and an almost complete standstill of maintenance of infrastructure, notably in the vital livestock sector.

8. This unsatisfactory situation has three main consequences, which seriously hamper new public investments, including foreign financed projects:

- i) inability of the Government to contribute towards financing of public investments;
- ii) difficulty for the Government to finance recurrent costs, including maintenance, resulting from new public investments;
- iii) existence of an institutional vacuum in the rural sector, that makes it difficult to carry out projects in this field.

Improvement of tax structure and tax enforcement to increase public revenues and savings and improvement in current budget allocations to give higher priority to the rural sector and less to the army and police, are thus necessary preconditions for any sizeable public investment program, primarily in the high priority rural sector. The Government is aware of this problem and is considering to ask the IMF for technical assistance in this field.

9.

Macro-economic objectives

			<u>1975</u>			
			<u>Bank projection</u>		<u>Growth</u>	
	<u>Unit</u>	<u>1969</u>	<u>Absolute</u>		<u>Rate</u>	
			<u>low</u>	<u>high</u>	<u>low</u>	<u>high</u>
GNP at 1969 market prices	\$million	139	188	225	5.1%	8.4%
Population	'000	1,146	1,273	1,273	2.0%	2.0%
GNP per capita	\$	121	148	177	3.4%	6.5%
Exports	\$million	82.1	143	175	9.7%	13.4%
Net public capital inflow	\$million	9.3	7.2	5.4	-	-
Debt service ratio ^{1/} % of exports		3%	5%	5%		

1/ net of transfers of profits and interest by the mining companies.

Apart from mining, which is likely to increase at a slower pace than in the past, Mauritania's economic potential is largely concentrated in livestock and fishing. A high and a low GNP projection have been made. The former is based on the assumption that by 1975 (a) a comprehensive livestock program will be implemented, (b) expansion and improvement of the fishing port in Nouadhibou will be completed and production of fish processing plants will have increased accordingly, (c) other sectors will be stimulated by developments in the two main sectors. The low projection assumes that none of these developments will take place. The high forecast results in a GNP growth rate of 8.4%, as compared to 5.1% for the lower assumption, while growth over the past 10 years averaged 7.5% p.a. Although the low growth rate might still appear satisfactory, it would create serious problems, since growth in the modern sector would average only 6.3% p.a., which is lower than the expected increase in urban population (8%) thus entailing a fall of per capita income in the modern sector of the economy, which means increasing urban unemployment with social and political implications. In the traditional sector, growth would then average about 1.8% per capita. Under the high projection per capita income would increase by 3.2% p.a. in the traditional sector and by 2.5% in the modern sector.

10. To come close to the high Bank projection a number of major critical constraints will have to be removed: (i) Public savings will have to increase; (ii) the current budget will have to become more development oriented; (iii) qualified manpower will have to be found to carry out project preparation and implementation. There are clear indications that the Government is facing up to its problems, that it is reviewing priorities more realistically and that it is aware of the need to cope with increasing current expenditure. This is already reflected in the orientation of the Development Plan. In the foreseeable future Mauritania will have to rely heavily on technical assistance, the receptiveness of which in the past has been mixed for a combination of political and personal reasons. While acceptability of foreign technicians sometimes remains a problem, on the other hand, in critical areas, the Government has been forthcoming and is actively seeking such assistance. With a proper approach much can be achieved in this field.

B. ECONOMIC SECTORS

Sector Objectives

		<u>1975</u> <u>Bank Projections</u>			
	<u>Unit</u>	<u>1969</u>	<u>Absolute</u> <u>low high</u>		<u>Growth rate</u> <u>low high</u>
Millet	'000 t	100	115		2.4%
Dates	'000 t	12	13		1.3%
Niebes	'000 t	10	15		7.0%
Rice	'000 t	7	7		47.0%
Livestock (value added)	\$ million	38.2	46.2	51.0	3.3% 5.0%
Fisheries (value added)	\$ million	3.6	7.1	18.5	12.3% 32%
Mining (value added)	\$ million	51.1	92.2		10.3%

11. Mauritania's modern sector is primarily based on mining, it includes also some fishing and fish processing and accounts for 64% of GDP, 55% of GNP, but only 10-15% of total employment. The traditional sector, totally separated from the former consists of livestock as well as some fishing and agriculture.

12. The Bank Group has been closely associated with development in the mining sector. In 1960 the Bank made a \$ 66 million loan to the MIFERMA iron ore company (output 9 million tons/year), to develop the first mining project in the country. In 1968 IFC participated with \$ 20 million in the SOMIMA copper project (output 55,000 tons of concentrate per year), the second major mining investment in Mauritania. The sharp increase in mining production from virtually zero in 1960 to 31% of GDP (but only 19% of GNP) in 1969 was the major force behind the rapid growth of Mauritania's economy in the last ten years. However, due to its enclave character, mining has not become a stimulating factor for broad based economic growth. After another substantial increase in 1970/71, when copper production will reach its cruising speed, mining output is likely

to expand at a much slower pace than in the past so that its already limited impact on overall economic development will further decrease. Within the next eight to ten years MIFERMA tentatively plans to start exploiting a magnetite deposit near its present mines, which will be exhausted by 1980; total investments are estimated in the \$200 million range. Oil prospection has so far not yielded conclusive results.

13. Fishing is the only known major economic potential still largely unutilized, although fishing grounds along Mauritania's coast are among the richest in the world. The only serious attempt to develop this sector through creation of a national fishing fleet failed in 1967, because of poor management and unsatisfactory financial arrangements. Since then, the Government has thoroughly and successfully changed its policy and encourages foreign fishing in its territorial waters to supply local processing plants which were reorganized and expanded. As a result, fish processing in Nouadhibou, Mauritania's only fishing port, increased at such a rate over the last two years that the port has become too small and is now a serious bottleneck for further expansion. Thus, improvement and enlargement of the fishing port is of high priority. Expansion of fishing and fish processing is the most important single factor to achieve satisfactory economic growth over the next 5-10 years.

14. Traditionally, livestock is the mainstay of Mauritania's economy. Before the beginning of mining operations it provided more than half of GNP. Almost two-thirds of the country's total population is directly dependent on this sector, which however is seriously neglected by the Government. Veterinary services have deteriorated for lack of budgetary allocations and the departure of most French veterinary officers. Sanitary conditions which improved following the 1966-1968 multinational and foreign financed rinderpest eradication program, are again deteriorating. Firebreaks and wells have to a large extent become unusable for lack of maintenance thus preventing use of many pastures. Past growth of 5% p.a. can only be maintained if this unsatisfactory situation is corrected by implementing an integrated livestock program comprising rehabilitation of animal health and extension services as well as improved maintenance of firebreaks and wells. Implementation of such a program will necessarily require a considerable increase in current budgetary allocations for livestock during and after the lifetime of the project. Such allocations can only be forthcoming if the Government is determined to give priority to this sector.

15. Natural conditions in Mauritania put a clear cut limit to agricultural development. Some possibilities exist for irrigated crops along the Senegal river. The Gorgol plain seems to offer the best chance, an UNDP financed study is expected to lead to an economically justifiable project within the next 2 or 3 years in which the Bank has already expressed an interest. Construction of small and simple irrigation works

for rice cultivation along the river is financed by FAC and FED but seems marginal and requires additional experience. Expansion of upland cultivation of millet and groundnuts is possible in the southernmost areas of the country but is limited by marketing difficulties. The People's Republic of China is developing a large irrigated rice project on the banks of the Senegal River, which might increase present rice production about tenfold over the next six years. However, technical difficulties cast serious doubts on the economic viability of the project.

16. The education system urgently needs improvement. Political motives (bilingual education) and socio-geographic conditions (widely scattered nomadic population) make it very expensive thus preventing sufficient expansion to meet the demand for qualified manpower. Education absorbs almost 20% of current budget expenditures while only 15% of school age children are enrolled. As in many francophone countries, the system is biased towards an academic preparation for higher education and tends to neglect the needs of 80% of the children - mainly from rural areas - who do not enter secondary schools. Government envisages regionalization of secondary schools which would reduce the high cost of boarding, but drastic changes, requiring careful study and research, are necessary. In its economic report the Bank proposes that fundamental research be initiated as soon as possible and Mauritania has already contacted UNESCO for assistance in this field.

17. Transport is a major problem in such a vast and sparsely populated country. Mauritania's transport policy objectives in recent years have been dominated by: -i- a desire to reduce dependency for imports on Senegal and the Port of Dakar and to make Nouakchott the center of Mauritania's trade where a lighterage port built in 1967 is now being expanded. -ii- The use of transport as a unifying medium to link the widespread areas of the country, contributing to national unity and integration.

In defining these objectives political considerations may play an important role. This is the case for instance for the attempt to make Nouakchott the center of import trade, and the decision in principle to build a road, through the desert, linking the capital to the eastern part of the country. While the Bank Group is not considering the financing of the port of Nouakchott, it may be more difficult for FED to refuse to consider a project which is the symbol of Mauritania's newly gained independence. We plan to discuss the matter with FED shortly to examine whether some alternative solutions, or at least a study showing the cost and benefits of other alternatives could not be undertaken. Bank Group contributions to the Mauritania transport system, direct and indirect, have been substantial. The Bank loan to MIFERMA in 1960 resulted in the construction of the 670 km railway line and the bulkloading port at Nouadhibou. The SQMIMA copper venture, backed by IFC, is assisting in the financing of reconstruction and maintenance of the Nouakchott-Akjoujt road. In 1964 IDA has assisted together with FED in financing the now completed Nouakchott-Rosso road, and more recently (1969) IDA granted a credit of US\$3 million equivalent for technical assistance and equipment to support the Government's four-year road maintenance program.

18. Public Utilities and Urban Development demand substantial investments, mainly for water supply and electricity in the capital and the port

town of Nouadhibou. The water supply situation in the capital is critical as the French-financed sea water treatment plant has been a disappointment both technically and economically. Although the number of inhabitants in both towns is still small (some 30,000 each), population grows at an estimated 8% per year, mainly through immigration. This trend ought to be slowed down before the situation becomes unmanageable, especially in the case of Nouakchott, which has no economic potential outside public administration. Improvement of water supply and provision of electricity in secondary centers might contribute to achieve a more balanced urban development. The proposed regionalization of secondary schools could also play an important role in this respect.

C. EXTERNAL AID

19. Between 1965 and 1969, gross public capital inflow averaged \$ 8.7 million per year or about \$ 7.8 per capita; this excludes technical assistance. Over 70% was in grant form and most of the remainder on concessionary terms. Foreign capital aid has financed about 83% of public investments during this period, another 11% was financed by public savings, and about 6% by suppliers credits negligible until 1968 but which reached nearly 25% of public investments in 1969, mainly for projects of doubtful economic value (streets, aircraft) which were not financed by traditional sources of aid.

20. Sources of foreign aid (1965-1969)

	<u>Financial aid</u>	<u>Technical Ass.</u>	<u>Total aid</u>
France	44%	93%	55%
European Communities	36%	-	29%
Bank Group	8%	-	6%
others	<u>12%</u>	<u>7%</u>	<u>10%</u>
	100%	100%	100%

21. In the past, foreign aid has been used primarily to finance infrastructure investment, mainly for transport, social services, and urban development, while little was spent on agriculture and livestock. The new plan, reflecting the change in Government priorities, rightly puts major emphasis on the rural sector. Improved resource allocation in the public sector will probably be accompanied by a sharp fall in directly productive private investment following completion of the SOMIMA copper mine in 1970, so that the total amount of directly productive investments is not likely to increase.

22.

Sectoral distribution of public investments

	<u>1963-66</u> <u>actual</u>	<u>1970-73</u> <u>Plan</u>	<u>1970-76</u> <u>IDA Lending Program</u>
Agriculture, livestock	14%	26%	37%
Fishing	12%	17%	20%
Transport and comm.	29%	26%	30%
Education / Health	15%	11%	13%
Urbanization	13%	20%	-
Administration buildings and others	17%	-	-

23. Foreign technical assistance has averaged \$ 2.4 million per year, mostly by France, the remainder by the United Nations and its specialized agencies. In addition, the People's Republic of China is continuously expanding its technical assistance program (rice growing, rural public health, well drilling); while welcoming this assistance, Mauritanian authorities are showing a certain uneasiness about it. - Most technical assistance is not directly related to planning or implementation of economic development projects, but aims at assisting the Government in carrying out day-to-day functions. About two-thirds is for education (secondary and higher education) and public health. Mauritania badly needs technical assistance in project preparation and implementation, specially in the rural sector.

24. In the past a number of factors, some of which can be blamed on aid donors have prevented capital aid from achieving full impact on economic development. They are in particular: inadequate sectoral distribution, political considerations in the choice of investments, poor planning, implementation, management, and supervision of projects. Mauritania's limited capacity in these fields resulted in an increasing backlog of unused foreign aid amounting to one third of total accumulated commitments at the end of 1969. While some problems like prevalence of economic considerations over political, can be tackled in the short run, others, such as the inadequate capacity to plan, implement and manage can only be solved in the long run, but could be alleviated if the Government can arrange for acceptable foreign technical assistance in the meantime. UNDP financed technical assistance to the Planning Office, is now under consideration and may make a contribution.

25. One Bank Group financed project, the 1964/IDA credit for construction of the Nouakchott-Rosso road, which was jointly financed with FED, had given rise to serious difficulties with regard to technical specifications and costs (which were, however, largely beyond the responsibility of the Mauritanian authorities). These technical difficulties have been resolved and the road was completed in July 1970; however, they have led to a yet unsettled claim of the contractor on the Government.

26. Since French aid to Mauritania is likely to go on declining while FED aid is expected to increase somewhat, assistance from the two major donors will most probably remain at the present level of about \$6.8 million per year. Other bilateral aid, mainly from the Federal Republic of Germany and the People's Republic of China might slightly increase to around \$1.6 million, adding up to total foreign aid (excluding the Bank Group) of \$ 8.5 million per year between 1970 and 1975 of which about \$6.3 million in grant form.

27. The Bank estimates that public investments over the next 6 years ought to reach \$14.4 million (CFAF 4 billion) per annum to allow satisfactory economic growth, in spite of a sharp drop in private investments. As total grant aid will not exceed about \$6.3 million per year, an additional \$8 million have to be mobilized in the form of public savings, foreign loans, or suppliers credits. Implementation of the investment program depends primarily on the amount of public savings, which, in turn, depends on overall economic growth and on the Government's success in improving tax structure and tax collection. Projection of government revenues and expenditures make it clear that without an effort to increase revenues above the level to be reached by normal growth, little - if any - public savings (net of debt amortization) can be expected over the next five years irrespective of economic growth assumptions. Under these conditions, the entire \$8 million would have to be financed by foreign loans or credits which would soon lead to unmanageable foreign debt problems demanding a substantial reduction in the public investment program.

28. An increase in government revenues by at least 10% above the level to be reached by normal growth in 1975 is the minimum necessary to implement a public investment program of \$14.4 million per year. As the Mauritanian Government has in the past proven its determination and ability to impose severe austerity measures, there are good prospects that the necessary reforms will be carried out, possibly with IMF assistance. Public savings (net of debt amortization) would then average between zero and \$2.2 million per year depending on the GNP growth projections used. Under the high growth assumption, financing of public investment at the level of \$14.4 million would be possible if the bulk of non-grant aid can be financed by foreign loans on concessionary terms and by only few - if any - suppliers credits. By 1975, foreign debt service charges would then amount to about 18% of current government

revenues and 72% of public savings (but only 5% of net exports). Under the low growth assumptions, however, a development program of about \$ 10.8 million (CFAF 3 billion) appears to be the maximum that could be financed, without creating an excessive debt burden. It would result in debt service charges of 14% of current revenues and close to 100% of public savings. Without increased public savings, no satisfactory level of public investments can be maintained.

29.

Public Investments and their financing^{1/}

Annual averages in \$ million

	<u>1965/69</u>	<u>1970/75</u>	
		<u>Low GDP projection</u>	<u>High GDP project.</u>
Foreign aid			
Grant aid	6.3	6.3 ^{2/}	6.3 ^{2/}
Loan aid	1.8	2.2 ^{2/}	2.2 ^{2/}
Bank/IDA	0.7
Supplier credits	0.8	-	1.4
Public savings (net)	<u>1.2</u>	<u>-</u>	<u>2.2 ^{1/}</u>
Total available financing	10.8	8.5	12.1
Total public investments	<u>10.6</u>	<u>10.8</u>	<u>14.4</u>
Gap (- = surplus)	<u>-0.2</u>	<u>2.3</u>	<u>2.3</u>

^{1/} Assuming a successful effort by the government to raise revenues by at least 10%.

^{2/} To be expected from France, FED and miscellaneous bilateral aid donors.

30. Since the bulk of foreign aid received by Mauritania over the past ten years was in grant form, foreign public debt is very low (debt service ratio 3% in 1969) though it has been rapidly growing over the past three years. As copper exports will substantially improve Mauritania's foreign trade balance, the servicing of external debt is not expected to create balance of payments problems over the coming 5-6 years. Budgetary constraints are at present the major limiting factor to foreign borrowing. Even under the most optimistic assumptions concerning taxation and GNP growth, Mauritania can hope to finance a public investment program of the level judged desirable only if the bulk of foreign aid is on very concessionary terms. Under more pessimistic assumptions, the required investment level is beyond reach. The harder the terms of foreign aid will be, the more the investment program will have to be curtailed to avoid an unmanageable debt burden on the budget. This consideration ought to induce foreign aid donors to provide assistance at the most concessionary terms possible, except for projects, that are not dependent on the Government budget.

D. BANK/IDA PLAN

31. After the MIFERMA project in 1960, there have been no Bank Group operations in Mauritania for several years, and little identification work was carried out until late 1968. Thus, preparation has not reached a stage where scope and composition of the lending program can be fully defined. This is also due to the fact that the Mauritanian Government often has difficulties in making a clear choice between the different sources of foreign aid available. In addition, a certain competition for the scarce economically feasible projects does exist among aid donors, and although close coordination takes place, we have to recognize that problems exist in particular regarding FED. With regard to FAC we have reached agreement on the diagnosis of Mauritania's priority needs and on coordination of our aid. FAC assistance will continue to be primarily directed toward technical assistance and support of some recurrent expenditure. As far as capital investment is concerned FAC is prepared to finance activities in agriculture and livestock jointly with us or to finance activities complementary to ours. The FED program is not yet firmed up and we shall review our tentative program with them in early December with a view to coordinating our activities more closely, particularly in the field of agriculture and education for which they have indicated an interest. The proposed lending program reflects the directions we believe Bank Group action should take, in support of the Government's growing awareness of the country's real development needs. Most projects require additional preparation and it is not clear at this moment how many feasible projects in agriculture, transport and public utilities can be formulated. Under these circumstances, modifications in the proposed lending program must be anticipated. Increasing regional economic cooperation is also important for satisfactory economic growth in the Senegal River basin area. In this context the Bank Group has made repeated efforts to orient preinvestments studies undertaken by OERS towards productive investments, but until now with little success. Contacts with that Organization are maintained to facilitate project coordination in that area where possible.

32. The proposed lending program of the Bank Group (committing \$14.5 million for 1970-75) could cover the annual \$ 2.3 million public finance gap identified above; this takes disbursement lags into account. It would make Bank/IDA the third largest source of aid to Mauritania (behind France and FED) with a share of about 16% of total financial aid.

33. For lack of public savings, Mauritania's contribution to the financing of public investments will remain limited to between 4-15% of the country's investment program. As grant aid generally requires no local contribution, Mauritania would be able to contribute 8-30% towards the costs of projects financed by foreign loans and credits; this is on average well below the local cost component, particularly for projects in the rural sector. The Bank Group - together with other donors of foreign loan aid - should therefore be prepared to cover a substantial part of local expenditures.

34. Appropriate measures to contain current expenditures and increase revenues could enable Mauritania to make some contribution to the local cost of projects. Since once before, the Government has successfully introduced an austerity policy and since it is becoming increasingly aware of its present budgetary problems, improvement in this field can reasonably be expected. On that basis concessional lending is justified, and, considering a per capita GNP of \$ 121, Mauritania can be considered IDA worthy, despite some serious shortcomings in fiscal policy over the past two years. In addition to expected grant contributions of \$ 6.3 million, \$ 4.3 million a year would be needed in the form of loans and credits over the period 1970-75.

35. As of December 31, 1969, 23% of Mauritania's total debt, including undisbursed, and 16% of its disbursed debt was vis-à-vis the Bank Group. By 1975 this share will have increased substantially because, in the intervening period, most foreign aid, other than from the Bank Group, will still be in grant form.

36. As shown in para. 22 Bank Group strategy is to concentrate on development of directly productive sectors with established potential, primarily livestock and fishing. As the scheduled road project is linked with development of livestock and agriculture along the Senegal River, close to 80% of the proposed lending program has a direct or indirect impact on productive sectors. Such development is vital to improve the standard of living of the majority of the population, to enlarge the country's economic basis (which is still too narrow to support necessary expansion of education and transport infrastructure), and to stem migration to Mauritania's two urban centers. Regionalization of secondary education and provision of public utilities could also help to increase attractiveness of secondary centers. The projects should to the extent possible have institution-building and technical assistance features which are of great importance to Mauritania.

37. In the rural sector IDA expects to finance a livestock project, consisting of well reconstruction, repair and maintenance, firebreaks, and an animal health program. Training of Mauritians to take over maintenance works is an important part of this high priority project, which can only be implemented, if the Government is prepared to make substantially more current budget funds available for this sector. We are currently discussing a coordinated approach with France.

38. Although agricultural potential is limited, a few projects may be possible in this sector. In the Gorgol area, site conditions are particularly favorable for irrigation and a potential project may emerge in 1973 from a UNDP preinvestment study, started in early 1970, on the recommendation of the Bank's 1967 technical assistance mission. Implementation of the project could satisfy 60 to 90% of the country's additional requirements of rice and all domestic requirements of sugar. In Guidimaka, the southernmost area of the country, relatively good climatic conditions and high population density might allow for Bank Group intervention. FED is also interested in this area and plans to launch a feasibility study shortly. The possibility of filling the Aftout-Es-Saheli depression with fresh water from the Senegal River has been envisaged for several years. A request to UNDP to finance additional studies is being prepared. The possibility of this project is influenced by the outcome of OERS's decision to build a dam in the Senegal River above St. Louis. The unidentified agricultural entry in the lending program for 1975 could be geared to either of these two last projects.

39. Fisheries is a major economic potential still largely unutilized. A study in depth of this sector during the last economic mission concluded that further expansion of fishing and fish processing is blocked by insufficient port capacity in Nouadhibou. A Bank mission recently prepared a fishing port project for which FAC is willing to finance the feasibility study on the basis of terms of reference that have been provided by the Bank.

40. Long term Government objectives to improve road communications with the central and southeastern regions appear reasonable. These are being supported by the Association's ongoing road maintenance project which provides for upgrading the important sections of road in this area as traffic warrants and finance permits. The Association intends to investigate what further support can be provided to strengthen the road sector as the basis of a FY 1974 project.

41. The education sector is characterized by high recurrent pupil cost, due to (i) instruction being given in two languages, Arabic and French, and (ii) the high percentage of boarding students, due to the widely dispersed population. Realizing the system's limitations and shortcomings, Government appears eager to accept advice, which may offer a fruitful field for Bank Group involvement. As a first step, it has asked for assistance in building a number of regional co-educational lower secondary schools, that would help to reduce education cost by

decreasing the number of boarding students. The Bank should take up preliminary discussions of this project as well as of other ideas that have been put forward such as education by radio and by mobile training teams, combining extension service and formal education. Regretfully, because of Projects Department manpower constraints, financing of such a project cannot be scheduled before FY 1974.

42. Other fields of potential interest for the Bank include Telecommunications. A FY 1971 \$ 2.0 million project on which preparatory work had started, will probably fall out, since the Government is presently negotiating more expensive bilateral financing. If these negotiations are successful, there will be no need for Bank Group financing in this sector before 1974 when the next stage of expansion would commence. Following the recent economic mission, it appears that there is urgent need for investments in power and water supply in the capital. Given the urgency created by an unexpected sharp increase in population combined with malfunctioning of the ~~seawater~~ seawater treatment plant, Government feels that only recourse to supplier credits is fast enough to alleviate the situation; the People's Republic of China reportedly also considers these projects. In the longer term, however, there might be scope for Bank financing of second phase development for which substantial preparatory work will be needed. Feasibility of investments in power and water supply in secondary towns should be investigated by the Bank.

43. Apart from livestock, fishing port and education projects, the Bank/IDA program is in general tentative. Mauritania has a restricted potential and limited abilities in project formulation and preparation. Therefore, a substantial effort will be required from our Group to help the Government prepare projects for Bank financing.

Population: 1.1 m
Per Cap Inc: \$121

MAURITANIA - ACTUAL AND PROPOSED LENDING THROUGH FY 1976
(\$millions)

Attachment 1

		Through 1963	1964	1965	1966	1967	1968	Fiscal Years							Total 1964-68	Total 1969-73	Total 1972-76	
								1969	1970	1971	1972	1973	1974	1975	1976			
Agriculture Unidentified	IDA													2.0				
Livestock	IDA										1.5							
Irrigation Gorgol I	IDA											2.0						
Communications	IDA																	
Communications	IDA																	
Education	IDA												2.0					
Road Construction I	IDA		6.7															
Road Construction II	IDA												3.0					
Road Maintenance	IDA							3.0										
Fisheries Port	IDA										3.0							
Iron Ore (MIFERMA)	IBRD	<u>66.0</u>	—					—			—	—	—	—				
Gross Program:	IDA		<u>6.7</u>					<u>3.0</u>			<u>6.5</u>	<u>2.0</u>	<u>6.5</u>	<u>2.0</u>		<u>6.7</u>	<u>11.5</u>	<u>17.0</u>
	No.		<u>1</u>					<u>1</u>			<u>3</u>	<u>1</u>	<u>3</u>	<u>1</u>		<u>1</u>	<u>5</u>	<u>8</u>
Net Program:	IBRD	<u>66.0</u>																
	No.	<u>1</u>																
	IDA		<u>6.7</u>					<u>3.0</u>			<u>4.5</u>	<u>2.0</u>	<u>6.5</u>	<u>2.0</u>		<u>6.7</u>	<u>9.5</u>	<u>15.0</u>
	No.		<u>1</u>					<u>1</u>			<u>2</u>	<u>1</u>	<u>3</u>	<u>1</u>		<u>1</u>	<u>4</u>	<u>7</u>
IBRD Loans Outstanding																		
- including undisbursed		66.0	66.0	66.0	63.5	59.4	53.5	47.2	40.5	33.4	25.8	17.7	9.1					
- excluding undisbursed		66.0	66.0	66.0	63.5	59.4	53.5	47.2	40.5	33.4	25.8	17.7	9.1					
IDA Credits Outstanding																		
-including undisbursed			6.7	6.7	6.7	6.7	6.7	9.7	9.7	9.7	14.2	16.2	22.7	24.5	24.2			
-excluding undisbursed			-	0.2	0.2	0.9	1.6	3.4	5.2	8.2	9.5	11.7	14.4	18.1	21.6			

Western Africa Department
November 13, 1970

Last Econ. Mission
March/April 1970

MAURITANIA

INDICATORS OF DEVELOPMENT

	Unit	1959-60	1961-65	1966-69	1969-75
I. ECONOMIC & STRUCTURAL INDICATORS					
1. Gross Domestic Product (in constant market prices)	% Change	10.7%	10.5%	4.5%	7.7%
2. Mining	% Change	negl.	75.0%	4.7%	10.3%
3. Manufacturing Output	% Change	0.0%	10.8%	14.2%	17.1%
4. Agricultural Output	% Change	0.9%	5.0%	1.1% ^{1/}	6.0%
5. Imports of Goods and NFS	% Change	24.0%	4.9%	7.9%	4.4%
6. Exports of Goods and NFS	% Change	1.1%	37.0%	8.6%	11.6%
7. Domestic Price Level ^{2/}	% Change			1.5% p.a.	
		1960	1965	1969	1975
8. Gross National Savings	% GDP at curr. m.p.	1.8% ^{3/}	4.8% ^{4/}	11.0% ^{5/}	12.8%
9. Resource Gap	% GDP at curr. m.p.	5.4% ^{3/}	-2.4% ^{4/}	-1.4% ^{5/}	20.0%
10. Net Factor Payments Abroad	% GDP at curr. m.p.	4.2% ^{3/}	15.7% ^{4/}	17.8% ^{5/}	21.7%
11. Gross Domestic Investment	% GDP at curr. m.p.	11.4% ^{3/}	18.1% ^{4/}	27.4% ^{5/}	14.5%
12. Debt Service	% exports (net)			3.0%	5.0%
13. Central Govt. Curr. Revenue	% GDP at curr. f.c.	5.3%	12.4%	14.4%	15.0%
14. Central Govt. Curr. Budget (net)	% GDP at curr. m.p.	-3.7%	+1.2%	-0.4%	+1.5%
15. Public Exp. on Soc. Services	% GDP at curr. m.p.	3.9%	3.0%	3.0%	
16. Military Expenditure	% GDP at curr. m.p.		2.6%	2.6%	
17. Manufacturing Output	% GDP at curr. m.p.	0.9%	1.1%	1.6%	5.5%
18. Energy Consumption	'000 tons		36.0	61.0	
19. Fertilizer Consumption	'000 tons		negligible		
II. SOCIAL INDICATORS					
20. Population Growth Rate	%		1.8-2.0%		
21. Urban Population Growth	%		8.0%		
22. Birth Rate	Per 1,000 popln.		45.1%		
23. Family Planning	Acceptors '000s.		No program		
24. Income of: Highest quintile	% total income				
25. : Lowest quintile	% total income				
26. School enrollment:					
Primary & Secondary	% school-age popln.		11.0%	15.0%	
27. Literacy rate	% adult population				
28. Unemployment rate	% labor force				
29. Population per doctor	Number				44,800

^{1/} Due to severe drought in 1969.

^{2/} Average annual difference between GDP at current and at constant prices.

^{3/} 1959 ^{4/} 1964 ^{5/} 1968

^{6/} these percentages refer to the average of the high and low projection discussed in the text.

Western Africa Department
November 13, 1970

ISLAMIC REPUBLIC OF MAURITANIA

UDEAO/CEAO

(Union Douaniere des Etats de l'Afrique de l'Ouest)
(Communaute des Etats de l'Afrique de l'Ouest)

Seven West African Countries (Dahomey, Ivory Coast, Mali, Mauritania, Niger, Senegal and Upper Volta) linked by a customs Union UDEAO (Union Douaniere des Etats de l'Afrique de l'Ouest) have felt that the organization lacked impetus, and that despite considerable goodwill for a positive cooperation, the practical and visible achievements were less than had originally been expected. At the May 1970 Conference of UDEAO, Heads of State in Bamako, a new attempt was made to convert it into a wider organization for economic, industrial and customs cooperation.

A "protocol of agreement" was adopted providing for the setting up of a new Economic Community of West Africa (CEAO) to replace UDEAO by a better structured organization. The Community will be open to other States. (Togo, for example, was represented at the Bamako meeting by an observer.) The protocol, which sets out the main aims and institutions for the new community, is due for ratification at a meeting in Bamako planned for November 1, 1971.

The main aims, as specified are three:

- i. to improve the infrastructure of the area as a whole by cooperation in transport and communications development;
- ii. to promote and accelerate the joint industrialization of the member States;
- iii. to facilitate trade between members in both manufactured products and raw materials.

The institutions through which these objectives will be pursued are: the Conference of Heads of State, the Council of Ministers and the General Secretariat.

We have received a request for assistance to CEAO in analyzing the financial aspects of economic integration. We intend to explore the possibilities during a forthcoming visit of the Secretary General of UDEAO.

ISLAMIC REPUBLIC OF MAURITANIA

OERS

(Organisation des Etats Riverains du Senegal)

1. In March 1968, Mali, Mauritania, Guinea and Senegal drew up the charter for an "Organization of Senegal River States" (OERS). The essential bodies of the OERS are:

- 1) The conference of Heads of State.
- 2) The Council of Ministers, which meets at least twice a year. The Council is in charge of conception, execution and control, and reports to the Heads of State.
- 3) An Interparliamentary Conference (composed of 20 members of Parliament - 5 from each State) with a consultative role.
- 4) The Executive Secretariat of the OERS with headquarters in Dakar, which oversees three general secretariats:
 - i) Development of the Senegal River Basin
 - ii) Planning and Development
 - iii) Educational, Social and Cultural Affairs

2. OERS, without being a supranational organization, aims at a close co-operation between the four Senegal River States, not only as regards the Senegal River Basin, but in the economic, social and cultural fields.

3. The Bank is interested in the principle of a development program for the Senegal River Basin and wishes to be kept informed of developments. In spite of its reservations regarding the operational character of various studies in the river basin, the Bank usually attended the meetings on the Senegal River Basin Advisory Group, set up end 1966/early 1967 and composed inter alia of representatives of: UNDP/SF, FAO, ILO, UNESCO, IBRD. The Bank is of the opinion that some of the studies were designed and are being carried out without sufficient regard for economic considerations and in such a way that they are highly unlikely to lead to investments before ten to fifteen years from now. UNDP has been informed about the Bank's concern on these matters. As a result, a proposal has been made for a feasibility study of a dam at the mouth of the river (Delta Barrage).

4. On the technical level, contacts have been maintained with OERS headquarters where visits are made by the Bank and FAO/IBRD Cooperative Program staff for general discussions or discussions relating to specific projects (e.g. telecommunications). OERS Executive Secretariat members usually call on the Bank during the Annual Meetings. During the Copenhagen meeting, the

Executive Secretary of OERS submitted a memorandum outlining possibilities for Bank Group involvement in the OERS program of work. A letter expressing our interest in various points of the program has been sent by Mr. Chauffournier on November 10, 1970. Follow-up visits are being made.

(Translated from "Le Monde" dated November 3, 1970)

"PROGRESSIVE" DIPLOMACY AND LIBERAL REGIME

Mauritania does not consider itself rich enough to afford the symbols of independence

From our Special Correspondent

Last week President Pompidou received President Moktar Ould Daddah of the Islamic Republic of Mauritania, who had previously had talks with Mr. Chaban-Delmas. Our Algiers correspondent has just spent some time in Mauritania and gives the results of his observations below.

Nouakchott. Since Mauritania often lines up with the "revolutionary" nations in the international organizations, it may come as a surprise to find that the country has an economic system based on liberal patterns, a quasi-feudal society and one-party political system without being an authoritarian state. However, as one person close to the regime observes: "Mauritania has good reason for keeping to this path of moderation. We are not rich enough to indulge in the luxury of diverting a part of our resources just to support a bunch of State enterprises, those symbols of economic independence!"

The rising generation of trained young Mauritians does not, by and large, appear to want to change things. In the ministries in Nouakchott care is taken to point out that the CFAF 33.840 billion invested during the first development plan (1964-68) - as against the CFAF 27.754 billion originally scheduled - was to a large extent made possible by private foreign capital. It should nevertheless be noted that certain large-scale projects such as the Nouadhibou (formerly Port-Etienne) fisheries complex have not been financial successes. The total cost of this unprofitable venture has been estimated at CFAF 4 billion. The Mauritanian State is now having to pay off the creditors. The fishing fleet has had to be sold and the Government has had no alternative but to dispose of its fishing rights for several years, to Japanese groups especially, at the risk of impoverishing its fishing grounds.

Good Relations with MIFERMA

On the other hand, the investments made by Societe des Mines de Fer de Mauritanie (MIFERMA - Mauritanian Iron-Ore Mining Corporation) have been more productive. Through its annual royalties the Corporation finances at least one-third of the Mauritanian budget, which topped CFAF 7 billion in 1970. Mauritania only holds a 5% interest in the Corporation, the majority of whose stock is in French hands, but collects 50% of the profits.

For eight years now MIFERMA has been mining the iron ore deposits at Zouerate - where the reserves are estimated at 200 million tons of ore with a 65% iron content ^{1/} - and the Corporation will produce nearly 10 million tons this year. It employs 4,500 persons (670 of whom are French), who live in townships built out of nothing at Zouerate and Cansado.

Relations between the Government and the corporation seem to be good. However, a modestly-placed employee of the Corporation was heard to express surprise at seeing "mif" "pocket billions in exchange for the millions it has invested in our country". MIFERMA has never yet recruited Mauritians for senior positions and only 35% of its foremen are locals. The Government has asked it to raise this percentage to 50% between now and 1975 and 10% of the senior staff positions have to be filled by Mauritians between now and 1973.

Re-Establishment of the well-maintenance crews

A new "overall plan summarizing the wishes of the Government in the economic field" has been drawn up by young national economists. It could be put into force in coming months and would cover a period of four years. The figure for the investments "desired" fluctuates between CFAF 30 and 40 billion, part of which would be obtained from the French Assistance and Cooperation Fund and the European Development Fund.

Priority will be given to agriculture: the tapping and utilization of underground water resources, re-establishment of the well-maintenance crews (disbanded ten years ago), renewal of firebreaks in the pasturelands, development of cultivable perimeters near the Gorgol, a tributary of the Senegal river.

French aid

Industrialization will continue to be essentially a matter for private enterprise, which will be encouraged by amendments to the Investment Code. A number of processing plants are to be established (dairies, carbonated drinks production, a sugar mill, textile works), and also a cement works. A quite large-scale gypsum-mining industry could be set up 70 km from Nouakchott and the yttrium deposits (rare earths used in the manufacture of color TV tubes) at Bou-Naga ought to be brought into production. Exploration for oil and natural gas, which is in the hands of American companies, will be speeded up. Finally, the State is itself reported to be considering taking a large part in the development of copper mining.

There is to be no great spending on education. The targets of the first plan were met to the tune of 94%, but in 1970 school attendance is still below 10%. There are at present 25,900 students enrolled for the French-Arabic primary cycle, 6,550 of whom are girls. The aim is to

^{1/} The iron content of Lorraine ore is 35%.

raise this figure to 38,000 in 1973. The total enrolled for secondary education, still given entirely in French, is for the time being only 2,660, including 250 girls. Fewer than 150 Mauritanian students are enrolled at foreign universities. In addition, there are a further 200 following the courses given at the Institute of Advanced Islamic Studies at Boutilimit, 120 km from Nouakchott.

French aid is on a considerable scale. Estimated at a total of CFAF 16 billion since 1960, it has levelled off at around CFAF 500 million in loans per year since 1966. The French cooperation program has 250 members in Mauritania, half of them employed on cultural assistance work (there are about 4,500 French nationals living in the country).

The cooperation with the People's Republic of China has expanded considerably over the past three years. There are now about 200 Chinese experts in Mauritania, working in a number of fields. Since 1968 they have taken the place of the French medical teams who used to serve four isolated townships in the east; they have undertaken the development of 8,000 ha of ricefields near Rosso, on the Senegal river; they are building, free, a vast cultural center and a youth center at Nouakchott, etc. But except for the latter example, Peking's aid is probably being financed from an interest-free loan of CFAF 1 billion granted by China in 1967.

The Islamic Republic of Mauritania's roughly 1.5 million inhabitants will celebrate its tenth anniversary of independence on November 28. In 1971, after a visit by the French Chief of State, they will elect a President and a National Assembly. There do not appear to be any big clouds on the political horizon. Opponents have been gently removed from the scene - there are no political prisoners in Mauritania - and the army, which numbers fewer than 5,000 men, does not seem disposed to leave its barracks.

Coexistence between races

The only serious agitation is occurring in the trade unions. Since 1969 the Union of Mauritanian Workers has been split into two groups, one of which, apparently the largest - it includes the teachers in particular - is fiercely hostile to the Mauritanian People's Party (PPM). This does not, however, appear to be any threat to President Ould Daddah's authority at least for the time being. The majority of Mauritanians willingly concede that, since the Nouakchott incidents in 1966, which left twenty-five dead according to the official figures, their President's skillful handling of affairs has made it possible to restore between the "Beidanic" (or Moorish) majority and the black minority the racial coexistence without which Mauritania would not be viable.

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