

MAURITANIA

INTEGRATED FRAMEWORK DIAGNOSTIC TRADE INTEGRATION STUDY

A POVERTY FOCUSED TRADE STRATEGY

FINAL
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ACRONYMS

ACP	African, Caribbean and Pacific
AJEM	Association des Jeunes Employeurs de Mauritanie
AOF	l'Afrique Occidentale Française (French Federation of West Africa)
ASYCUDA	Automated System for Customs Data
BAPEM	Bureau d'Appui à la Petite Entreprise en Mauritanie
CGEM	General Body of Mauritanian Employers (Confédération Générale des Employeurs Mauritaniens)
CIF	Cost, Insurance and Freight
CIMDET	Centre d'Information Mauritanien pour le Développement Economique et Technique
CMTA	Compagnie Mauritanienne des Transports Aériens
CNROP	Centre National de Recherche Océanographique et des Pêches
CODINORM	Côte d'Ivoire Normalisation
COMAUNAM	Compagnie Mauritanienne de Navigation Maritime
COMTRADE	Commodity Trade Statistics Division of the United Nations
CPPPM	Centre de Promotion des Produits de la Pêche de Mauritanie
DEA	Direction de l'Elevage et de l'Agriculture (Directorate of Livestock and Agriculture)
ECOWAS	Economic Community of West African States
EDI	Electronic Data Interchange
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FDP	Fisheries Development Plan
FIAS	Foreign Investment Advisory Services
FNC	Forest National Corporation
FOB	Free on Board
FSF	Fisheries Services Fund
GATT	General Agreement on Tariffs and Trade
GDM	Grands Domaines de Mauritanie
GIE	Groupement d'Intérêt Economique
GSM	Global System for Mobile Communications
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
HIPC	Highly Indebted Poor Countries
HS	Harmonized System
ICRG	International Country Risk Guide
IMF	Impôt Minimum Forfaitaire
ISIC	International Standard Industrial Classification
ITC	International Trade Centre
LDC	Least Developed Country
MAED	Ministry of Economic Affairs and Development (<i>Ministère des affaires économiques et du développement</i>)

MCAT	Ministry of Trade, Handicraft and Tourism (Ministerie de Commerce et Artisanal et Tourisme)
MDRE	Ministry of Rural Development and Environment (<i>Ministère du développement rural et d'environnement</i>)
METR	Marginal Effective Tax Rate
MFN	Most Favored Nations
NGO	Non-governmental Organization
NTB	Non Tariff Barrier
NTO	National Tourism Office
ODA	Official Development Assistance
OMVS	Organization de la Mise en Valeur du Fleuve Sénégal
ONS	National Statistics Bureau (Office National de la Statistique)
ONT	Office Nationale du Tourisme
OPEC	Organization of the Petroleum Exporting Countries
PDIAIM	Programme de Développement Intégré de l'Agriculture Irriguée en Mauritanie
PRSP	Poverty Reduction Strategy Paper
PSI	Pre-Shipment Inspection Agency
QUAD	Refers to Japan, Canada, EU, USA
REER	Real Effective Exchange Rate
REMEMA	Réseau Mauritanien d'Épidémiologie-surveillance des Maladies Animales
SDF	Standards Development Forum
SGS	Société Générale de Surveillance
SMCP	Société Mauritanienne de Commercialisation des Produits de la Pêche
SNIM	Société Nationale Industrielle et Minière
SOMASET	Société Mauritanienne de Services et de Tourisme
SOMELEC	National power and water company (<i>Société Mauritanienne d'électricité</i>)
SPS	Sanitary and Phytosanitary Agreement
TBT	Technical Barriers to Trade
TP	Trade Point
TPO	Trade Promotion Organizations
UMA	Union du Maghreb Arabe
UNCACEM	National Union of Savings and Loans Organizations (<i>Union Nationale de Crédit Agricole et Caisse d'Épargne de Mauritanie</i>)
UNCTAD	United Nations Conference on Trade and Development
VAT	Value Added Tax
WAEC	West African Economic Community

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Executive Summary

Context

This report follows from the initiative taken several years ago by six UN Agencies to assist Least Developed Countries (LDC) in defining their technical assistance needs for trade development. This initiative stems from the observation that exports have contributed significantly to overall growth, foreign exchange earnings, employment and poverty reduction in developing countries in the 1990s. However, export growth and its beneficial effects in the least developed countries have been sluggish at best. Hence, ways to stimulate export growth must be found.

Mauritania was the first country to finalize a Poverty Reduction Strategy Paper (PRSP) in January 2001. Mauritania's PRSP spells out an action plan to achieve an annual average GDP growth of 6-7 percent and a reduction in poverty from 50 percent of the population (1996) to 38 percent by 2004. This paper intends to assist the Government of Mauritania in strengthening its PRSP by defining a trade strategy to increase foreign exchange earnings, stimulate economic growth and reduce poverty. The Government intends to hold a series of workshops in November 2001 to discuss these recommendations and to incorporate an appropriate action plan in the updated PRSP. In addition, the Government will ask for support from its development partners to implement this action plan. The forthcoming Consultative Group (December 2001) is the most likely avenue for doing so.

Mauritania's economic performance solid, but its global integration lags

In the late 1990s, Mauritania's economic performance was relatively steady. Real annual GDP growth was about 4 percent and inflation was 5 percent; budget and balance of payments deficits were sustainable. This good growth performance reflects prudent fiscal and monetary policies supported by important structural reforms. Trade policies were simplified – tariff rates were reduced to 4 percent and the maximum rate lowered to 20 percent – and made more liberal. Fiscal reforms led to a more streamlined tax system and contained expenditure growth, most public enterprises were privatized and an exchange rate regime was put in place that ensured competitiveness of the Ougyia. The authorities could further simplify the tariff regime, however, by reducing the tariffs on capital and intermediate goods and by integrating the statistical tax into the tariff. This would reduce the implied anti-export bias. In addition, the authorities could lower some peak tariffs on commodities produced locally.

Exports have not been a major factor underlying GDP growth. In fact, while real annual GDP growth in the last decade averaged 4 percent, exports rose by an annual average rate of 1 percent. This contrasts with many other developing countries, where export growth has driven good economic performance. Mauritania's exports are heavily concentrated in marine and mineral products with the share of mining products increasing in recent years.

World markets have been unfavorable for Mauritania's main exports in recent years. Indeed, iron ores and frozen octopus experienced negative world market growth in the second half of the 1990s, while products for which world demand grew represented only 14 percent of Mauritania's exports. Worse still, Mauritanian exports have underperformed in some important markets. Mauritania's exports are also very concentrated geographically, even though this concentration has fallen off slightly in recent years.

Mauritanian exports have been constrained by the absence of a well-articulated export strategy as well as poorly functioning institutional support for exports. This is partly due to the dominance of fisheries and mining in exports, which has led to a relative neglect of the contribution that the other sectors could make to foreign exchange earnings, employment creation and poverty alleviation. Agriculture and livestock exports appear to have the greatest potential to contribute to poverty alleviation as the sectors employ most of the population and poverty is most deeply rooted in them. Mauritania has traditionally exported livestock, but modern agriculture has focused excessively on import substitution in rice. The forthcoming trade agenda should focus on strengthening the export orientation of livestock, making rice production more productive and promoting export diversification. In the fisheries sector, the priority is to ensure the sustainability of fisheries resources to protect its future foreign exchange earnings capacity, while putting in place policies to ensure a correct balance between deriving rents from the fisheries resources from foreign operators and generating local value added. While tourism is unlikely to generate significant employment, it can provide substantial revenues in impoverished areas while generating important foreign exchange earnings. All these sectors suffer from poor access to reasonably priced finance, high transport costs and the lack of a clearly spelled out export strategy. The institutional framework – both public and private – that could support a more vigorous export sector is also not in place. In addition, the contribution that foreign direct investment could make to the export drive has been inadequately explored. Tackling these issues systematically will increase the chances that exports can better contribute to poverty alleviation.

Market access not a major problem yet, but could be a constraint with export diversification

Market access for Mauritania's current exports is not a major problem, as there are no tariffs on ore and fish in the major markets; only Japan levies substantial tariffs on some fish exports. If Japan were to give the same tariff preferences as the EU, this could lower Mauritania's export prices to the Japanese wholesaler by up to 7 percent. Alternatively, if all Mauritania's exports had duty-free and quota-free access to the QUAD countries, exports could increase by as much as \$22 million just by redirecting exports to the Japanese market. Yet, this still represents only 4 percent of Mauritania's exports in 1999 (but almost 50 percent of total official development assistance to Mauritania). Tariffs in the QUAD countries could however present a major obstacle to Mauritania's export diversification program as substantial tariffs remain on meat and meat products, bananas, sugar and textiles. In addition, non-tariff barriers in terms of phytosanitary standards for potential exports from Mauritania are substantial. Partnerships with foreign investors appear to present a good avenue for overcoming these barriers in the short run.

Enhance the competitiveness of the Mauritanian economy

Export expansion and particularly export diversification would require enhancing the competitiveness of the Mauritanian economy, including improving customs administration, and improving the institutional support for exports. In addition, sector policies should be adjusted to improve the export performance in individual sectors. The study outlines sector-specific recommendations below.

Mauritania's exchange rate is competitive as measured by developments in the real effective exchange rate (REER) over time and in comparison with that of its trading partners and competitors. However, these favorable developments in the exchange rate have not significantly affected iron ore and fisheries exports as these operate under very particular conditions. Iron ore mines are producing at capacity, reducing the role of the exchange rate. The fisheries sector suffers from over fishing and is more influenced by demand trends in major export markets and domestic constraints. It remains important, however, to monitor closely the REER trends if exchange rate policy is to support export diversification.

Political stability in Mauritania provides foreign investors with a positive investment climate. However, a rather high level of business taxation as well as a discretionary and cumbersome Investment Code counters this. This study recommends that the overall tariff and fiscal structure be made generally friendlier to investors so that the new Investment Code need not focus on fiscal incentives. Particular attention should be given to lowering tariffs on all capital and intermediate goods. Combined with the expected lowering of the corporate tax, this could substantially improve the investment climate, as it would give automatic access to a favorable regime to all investors.

The cost of doing business can be reduced. Particular attention must be given to lowering the cost of and improving *access to credit*. With the present high interest rates and the limited access to credit few investment projects are financially viable. The cost of *telecommunications* has fallen considerably since the privatization of the telecom sector and the granting of a mobile license. Granting a new license possibly could reduce further the telecommunications costs. The *transport sector* is a major handicap for exports and deserves particular attention. Projects are under way to build new roads between the capital and Nouadhibou and along the Senegal River, while a new airport and cold storage facility are planned for Nouakchott. Such storage will greatly enhance the export prospects of the fishing sector and of agricultural exports. Financing for these projects needs to be finalized.

Further improving customs services would enhance Mauritania's competitiveness

Customs administration is trade policy in action and it has considerably improved in recent years. Yet customs clearance remains cumbersome, the valuation of imports less than satisfactory and procedures to provide exporters duty free access to inputs are still inadequate. As such, there is much to gain in having a close look at how customs administration affects the prices of landed imports, how it assists exporters to obtain duty free imports and how it processes exports. Customs procedures could be streamlined if actual import procedures were to make full use of the installed customs automated system (ASYCUDA). Not only would this permit a greater selectivity in customs controls, but it would also align customs procedures with generally accepted trade practices. A review of the system of exemptions granted through special import regimes to avoid leakage – e.g. for state imports, for state mining company imports and other exemptions – would also facilitate control while securing fiscal revenue. Special attention should be given to determining the value of imports for calculating import duties. The benefits obtained from the present contract with the pre-shipment inspection agency are substantially less than originally envisaged, a situation that should be remedied immediately. The Ministry of Trade should also work with the Customs Department to present a viable plan of how to improve customs valuation procedures in line with WTO practice if these are judged the most relevant. Strengthening the Customs Department will require that a coherent development plan be implemented, supported by additional human and financial resources.

Appropriate institutions should support export development

In a liberal economy, the private sector largely undertakes exporting with the public sector responsible for, amongst other things, establishing an adequate incentive system, ensuring that trade agreements favorable to Mauritania are entered into and that these are effectively implemented. The public sector should also monitor the performance of the sector, promote the country's "image de marque", and coordinate the operations of the various government units whose operations influence export competitiveness. To do all this, the public sector should have a unit functioning as an antenna inside the government to ensure that overall government operations are export-friendly. This unit would also closely coordinate its activities with private sector exporters and their institutions. Such a unit exists in the Ministry of Trade but needs to be strengthened significantly.

Present public sector support to exports needs strengthening. It is clear that a well-staffed and equipped unit should perform the required public sector functions; special units should regulate and support the promising tourism and fisheries sectors. One possible setup is to empower the present Ministry of Trade by providing it more human and financial resources. Another would be reassigning some of the functions of the present Ministry of Trade to other institutions. For instance, a Tourism Secretariat could be created at the level of the Prime Minister's Office, the Fisheries Unit at the Ministry of Marine Affairs could be strengthened, while a Foreign Trade Promotion Unit could be incorporated into the Ministry of Economy. The latter would benefit from its association with a ministry that already deals with a variety of issues that have a strong bearing on

the competitiveness of the economy. Under such an arrangement, Artisan Affairs could become the responsibility of the Ministry of Industry.

A privately run and largely privately financed National Tourism Office and a Fisheries Promotion Center could promote the commercial interests of the tourism and fisheries sectors respectively. Timely commercial information should be made available to exporters; the installation of Trade Points at the CIMDET is one option.

Per the request of the Mauritanian authorities, this study focuses on the fisheries, livestock, tourism and agriculture sectors. The mining sector is obviously very important and has been reviewed extensively by the authorities, while oil prospects are closely being reviewed in light of ongoing oil drillings. The scope for manufacturing and service exports, are presently rather small, but with the development of the new telecommunications strategy a vibrant services sector could emerge.

The fisheries sector

The fisheries sector contributes 30 percent of Mauritania's budget and 40 percent of foreign exchange receipts. It thus provides critical resources to provide services to the poor. The sector's impact on the economy could be further expanded, while efficiency gains could improve its performance, in terms of growth in value added, employment creation and sector sustainability. Its sustainability must be ensured. Most important will be to agree on a development plan for the sector, to better mobilize the private sector and strengthen the required infrastructure.

The sector is composed of four subsectors (cephalopod, small-pelagic, specialized fisheries, artisanal fisheries). Each presents its own challenges and calls for a well-designed development program incorporating the future role of the foreign and domestic fleet as well as that of the artisanal fisheries. The Action Plan proposed in this paper attaches great importance to the need for the public sector to develop a well-researched medium-term sector management plan that could best be prepared with the advice of a small private-public sector working group. This Plan should articulate how the public sector intends to develop its capacity for policy analysis, investment planning, management of administrative and service functions. This Plan could articulate how research and surveillance activities will better assist in the preparation of practical management plans for each of the four main fisheries subsectors. It could also prepare Government to negotiate future fishing agreements to achieve sustainable exploitation of fishery resources and maximize the domestic value added in terms of transformation of fisheries resources, improvement of the domestic fleet and port infrastructure. In the context of that plan, the tax and license regime could be reviewed to ensure that it does not contain perverse incentives and supports marine surveillance requirements. The management plan could also encourage Mauritanian exporters to join forces with Moroccan and Senegalese exporters to extract better prices for cephalopod exports to Japan. In addition, given the presently inadequate port and transport systems in Mauritania, future investment requirements could be presented to bring these up to standard. The creation of a Fisheries Service Fund to be placed under joint public-private

management should be considered. Financed by a cost recovery fee paid by sector operators, it could cofinance the CNROP, marine surveillance, as well as support the proposed Fisheries Promotion Center.

The livestock sector

The livestock sector contributes 15 percent of GDP and is a significant source of income in the rural sector. Its export performance and potential is insufficiently documented and recognized, however. Livestock and hides exporting to sub regional markets is quite significant in part because it is undertaken by the informal sector and destined for neighboring countries such as Senegal and Côte d'Ivoire. Livestock exports suffer from the quality of animals available on the local market, while the exports of hides is handicapped by the absence of a local tannery or modern slaughtering processes as well as by the poor condition of the skins offered for sale. The scope of export of milk and milk products is limited by insufficient domestic supply. The Ministry of Agriculture and Livestock, which is responsible for this sector, could also provide better strategic guidance to the sector. Its ongoing reorganization should permit it to live up to its responsibilities.

Expanding exports of livestock and livestock products will increasingly depend on satisfying sanitary standards imposed by the importer country. This will require improving the health of the herds so that the major exporting regions are declared free from bovine pest and from foot and mouth disease. Sector information, available to the public sector, herdsmen and traders would improve export performance. Therefore, the statistical database needs to be improved and a new mechanism put in place to provide traders with the necessary commercial information. Export costs could be lowered if traders had better access to credit, preferably through a cooperative mechanism, and if better infrastructure services along the routes traveled by the traders and their herds (water points, health certification stations, and so on) were provided.

Hides exports would greatly benefit from the proper operation of good slaughtering facilities and from the establishment of tanning facilities. Progress on both fronts is underway and should be supported.

Tourism

Tourism is a new and promising sector for Mauritania. Tourism assets are substantial but need careful management because of their fragility. The sector's contribution to poverty alleviation can be significant in selected parts of the country, but for the near future, its relative contribution to overall economic activity will remain relatively small.

Mauritania's perceived political stability and openness, the attractiveness of desert tourism to a select group of experienced tourists that seek out new and undiscovered destinations, and the fact that French is spoken in the country – a major and close source of tourists with interest in desert destinations – are major assets of the sector. To these can be added the substantial cultural assets of the country as well as the hospitality of its

people. The sector faces, however, serious handicaps. The desert is a fragile tourist destination that would rapidly suffer from overexploitation, and no real sector strategy exists to develop and regulate the sector or to protect the cultural and natural assets that are so important for its development of the sector. Mauritania is still an expensive destination and competition from other desert destination could emerge rapidly if the political situation in Algeria or Libya were to change. This presents a serious challenge for the sector's development.

The articulation and implementation of a good sector development plan could fulfill the sector's potential in terms of employment creation and foreign exchange earning. The authorities have prepared such a plan, which is under discussion. With some modification, this plan could form the basis for a good development program for the sector. Once approved by the Cabinet, the plan would mobilize the necessary public and private energies for a balanced development of the sector. It could lead to the creation of a well functioning public sector agency that in cooperation with a dedicated National Tourism Office (NTO) could effectively support the sector. The NTO should operate largely under private sector management and financing and be responsible for the commercial aspects of the sector. The respective roles of these institutions will need to be well defined. The development for the sector would benefit from broadening and upgrading the tourism destinations. This would require that desert destinations other than Attar be made accessible, and that the Banc d' Arguin and the Parc Dawling as well as the Senegal Valley be readied for tourism. The integrity of the cultural assets of the country should be assured, as is foreseen by a so far still unimplemented World Bank funded project. Tourism development is dependent on the availability of adequately trained staff. Ways and means to train staff will need to be found. A combination of establishing a training hotel, short term training sessions and training abroad would for the time being might provide an adequate approach to the training issue.

Agriculture

Agriculture, excluding livestock, represents only 6 percent of GDP in Mauritania, a smaller share than in most poor countries, largely because rainfall is erratic and very low in most of the country. The sector has benefited from large investments in the past and yet most farmers belong to the poorest segment of the population. Past investments were originally oriented towards achieving food self-sufficiency, and fostered rice growing in the Senegal Valley. A combination of factors has caused the rice sector to perform badly. The Government's intention to reduce import barriers in the medium-term aims at stimulating greater efficiency in rice production and at lowering rice prices for the consumer.

The Government has initiated a new agricultural development strategy that focuses on the intensification of rice production, the diversification of production and export promotion. This strategy is supported by a new project launched last year (PDIAIM), which aims to rehabilitate feasible irrigated areas, expand some irrigated areas, and irrigate areas that are especially set aside for an export oriented diversification program.

The PDIAIM has already achieved substantial progress and is testing a number of promising approaches to achieve its stated objectives. The prospects for product diversification and exports are favorable. Much is to be gained by attracting foreign investment, as this could lead to the effective utilization of new production methods, testing new seeds, benefiting from market access, and solving the issue of phytosanitary standards. Progress on this score is being made. Yet, the supply response is expected to be slow and the diversification program will take time to take hold. As a result, the study recommends that the reduction of tariffs on rice imports be phased in to correspond with the progress being made in the diversification program. A too rapid liberalization of the rice sector could have detrimental effects on the income of the farmers that are amongst the very poor in the country. The program should also ensure that the land tenure system put in place is consistent with the practices on the ground and the capacities of the State to enact these provisions. This may require that the Government revise the process of granting land titles. Moreover, the ambitious expansion of rice production may need to be scaled down to be consistent with the possibilities of the domestic market to absorb the production and given the poor prospects for rice exports. Any progress on making credit available at lower cost will be welcome. Under present circumstances, few projects can pay the implied costs of credit, even at the proposed subsidized rates.

Trade Policies and the Poverty Agenda

The incidence of poverty has fallen somewhat in the 1990s, a reduction attributable to the solid performance of the economy. Similarly, future poverty reduction will greatly depend on rapid growth and on well targeted policies intended to improve the delivery of basic public services, such as education and health. The PRSP already develops this strategy. Trade policy's major policy contribution therefore in the short-run will be to support a solid growth performance. More can be done, however, and an action matrix is presented at the end of the main report. The matrix clearly reflects the fact that no single action will suffice. Rather a multiplicity of small and major actions will be required. This will call for sustained policy resolve.

First, there is the agricultural diversification program. Farmers form the poorest segment of society and vegetable and fruit farmers are better off than cereal farmers are. With protection for rice bound to decrease, it is urgent that the diversification and export program moves as fast as reasonably possible. Nevertheless, progress is bound to be slow so that the program of lowering of rice import tariffs should be phased with the success of the diversification program. The domestic market is small, but could benefit from improved roads. Exploiting the international market will benefit from attracting foreign investors with production and marketing know how, improving access to reasonably priced sea transport, and providing the necessary cold storage facilities. *Second*, there is the livestock sector. Shepherds are also over represented amongst the poor. Here, the existing export potential appears under exploited; careful policy action could better bring this potential to the fore. *Third*, tourism does have some income generating potential and could increase employment in remote areas, where poverty is prevalent. *Fourth*, the fisheries sector is not a major employer at this time, and fishermen are not amongst the poorest of society even though some are destitute. Yet, the

implementation of a coherent sector strategy could greatly benefit employment creation and budget revenues. Tariff reductions on items that represent a major share in the consumer basket of the poor would also help.

The Way Forward—Priorities

This report proposes many policy actions to be undertaken by a variety of government and private sector actors. Not all recommendations can be implemented immediately, because they need to be preceded by careful preparation and consensus building, rely on adequate institutions or require new resources. It is clear that the efforts of many institutions and partners will need to be organized, channeled and monitored. Outside support will need to be mobilized and the reform process will need to be kept on track. As such, it would appear that coordinating the actions of a variety of agents and keeping them focused on the agreed program, would be crucial to the success of the program. For this purpose, it might be advisable to set up a Monitoring Unit that operates with high-level political support. Its task would be to stimulate government units to implement the agreed upon Action plan, assist them to do so and report to the higher political authorities. This close monitoring of the program would provide the external development partners the necessary confidence to provide sustained support.

Priorities will need to be established to permit effective reform implementation. Some of the proposed actions are already being tackled and need only small adjustments. Examples include the diversification program in the agricultural sector and the improvements in the transport sector. Others will require major changes and their implementation pace may be constrained by human and financial resources available; for example, strengthening the institutions responsible for foreign trade, tourism and fisheries. Early agreement on the budgetary support for these reforms will help.

Examples of successful reforms have greatly benefited from naming reform champions at an early stage. Mauritania could benefit from following this example.

The Action Matrix gives a sense of priorities. In brief, the following priorities can be delineated to enhance the overall competitiveness of the economy, to strengthen the institutional setup, to help customs in their trade facilitation work, and to foster export oriented growth at the sub-sector level.

Enhance the competitiveness of the overall economy:

- Launch a study on the financial sector with an eye on increasing competition in the sector to increase access and reduce cost.
- Reduce transport cost and open markets by building the Nouakchott-Noadhibou road and surface the road from Rosso to Boghe.
- Provide adequate cold storage facilities in the new airport –important for the fisheries and agricultural sectors.

Institutions:

- Strengthen the existing Export Promotion Unit in Government
- Strengthen the Government Units in charge of Tourism and Fisheries

Customs:

- Make full use of the functionalities made possible by the ASYCUDA information system to ease trade transactions.
- Streamline the customs valuation procedures.

Fisheries:

- Establish a working group to prepare a fisheries development plan.
- Prepare feasibility studies for the proposed infrastructure investment (Nouadhibou port expansion, Nouakchott port).
- Establish the CPPPM to take over from the SMCP.

Livestock:

- Ensure adequate resources to permit REMEMA to strengthen its fight against epizooties.
- Improve the production of sector statistics and disseminate commercial information to the farmers and traders.
- Support the efficient functioning of the modern slaughterhouse in Nouakchott.
- Facilitate the establishment of the proposed private sector owned and managed tannery.

Tourism:

- Create an National Tourism Office under private sector management

Agriculture:

- Build or upgrade the roads as noted above (Nouakchott-Nouadhibou, Rosso-Boghe).
- Continue the implementation of the PDIAIM, but scale down its plans for the expansion of rice production.

Introduction

Mauritania has recently articulated a clear Poverty Reduction Strategy Program (PRSP), which is being implemented as of 2001, and was the first country to do so. The strategy aims at reducing the incidence of poverty from 50 percent (1996 data) to 38.6 percent by 2004 and to reach annual rates of GDP growth of 6-7 percent. Its implementation is benefiting from debt reduction in the context of the HIPC (Highly Indebted Poor Countries) initiative. The PRSP will be updated in early 2002 and it is the intention of Government to better articulate trade policy measures that can contribute to these PRSP objectives.

It is in support of the trade policy objectives of the Government of Mauritania that this paper is being prepared under the auspices of the Integrated Framework for Trade-Related Technical Assistance (IF). The IF was originally established in 1996 to increase the effectiveness of trade-related technical assistance to the least developed countries. It stemmed from the observation that the least developed countries lagged behind the more developed countries in trade integration, which is viewed as a powerful instrument for growth and poverty alleviation. Participating agencies include the International Monetary Fund, the International Trade Center, UNCTAD, UNDP, the WTO and the World Bank. By the summer of 2000, 40 least developed countries had completed a “needs assessment” for technical assistance in trade, the first step of the IF process. However, progress in mobilizing donor support proved difficult, and the program started slowly. An independent review of the IF, completed in June 2000, resulted in a re-defining to ensure better integration of trade with national development strategies and established a trust fund for IF activities. In early 2001, a pilot program supported primarily by bilateral donor contributions to the trust fund was agreed upon.¹ A series of diagnostic “trade integration studies” are being carried out to analyze trade obstacles and prioritize technical assistance requirements for three “pilot” countries – Cambodia, Madagascar and Mauritania. Mauritania was included in the pilot program because of its commitment to a poverty alleviation strategy, the progress made to articulate a trade strategy² and the Government of Mauritania desired to incorporate the elements of a trade strategy in the updated PRSP. Government also wants to present the main ideas of this IF at the December Consultative Group meeting.

This report reflects the findings of a team of international and local consultants that visited Nouakchott in June 2001 and benefited greatly from contributions made by staff members of the Agencies, the dialogue with government officials and representatives of the private sector.³

¹ As of September 2001, pledges to the Trust Fund had been made by the following partners: Canada, United Kingdom, Japan, Switzerland, Norway, Denmark, Sweden, Ireland, United States, the Netherlands, Finland, UNDP, the European Commission, France, and the World Bank.

² Partly financed by the Agence Intergouvernementale de la Francophonie. In February 2001, a Conference Assises Du Commerce Extérieur, was held in Nouakchott, and in July 2001 a Workshop was organized in Nouakchott to discuss the findings of the Technical Committee that had been established after the February Conference. This report drew on the documentation prepared on that occasion.

³ Luc De Wulf (Team leader), Francois Nankobogo (incentive framework), Marcelo Olarreaga (market access), Hassan Serghini (agriculture), Gert Vansanten (fisheries), Dr. Abdellalei Ould Soneid' Ahmad

1. The Mauritanian Economy and Its Integration in the World Economy

1.1 Macroeconomic Developments

Thanks to reforms initiated in the early 1990s, Mauritania's economic performance in 1996-2000 was solid, with an average real GDP growth rate exceeding 4 percent while the annual CPI inflation rate remained below 5 percent, excluding the peak of 1998.⁴ Non-government investment, bolstered by public enterprise reform and a strong privatization program, increased considerably, to over 22 percent of GDP in 2000 from an average of about 15 percent in mid-1990s. The current account deficit (excluding official transfers) narrowed to an average of about 11 percent of GDP in 1996–2000, and official reserves had increased to the equivalent of 7 months of imports by the end of 2000 (Table 1). Export growth, however, has been lagging and was even negative in 1997-99. Between 1995-99, even accounting for positive economic growth in 1995 and 1996, Mauritania's exports fell at an annual rate of 3 percent, when world exports rose at an annual rate of 2 percent. Chapter 3 reviews this performance in detail.

This solid performance reflected largely, prudent fiscal and monetary policies. Following its consolidation in 1996–1999, fiscal policy was eased somewhat to allow for greater spending on poverty reduction and priority sectors such as infrastructure rehabilitation, health, and education.^{5,6} At the same time, non-interest current expenditures were contained, including the wage bill and defense expenditures. The role of monetary policy has centered recently on maintaining macroeconomic stability, and on reducing the cost of borrowing to the private sector. In 2000, the Central Bank began to gradually reduce the discount rate and adopted several measures to increase competition between banks while improving banking supervision. It also began to develop indirect monetary instruments to improve liquidity management and the conduct of monetary policy in general.

(livestock), Joseph Tomatis (tourism), Michael Langstaff and Wague (institutional aspects of trade policies), Ismael Ould Sadegh (regional trade issues) Willy Alfaro and Jean Marc Fortin (WTO issues and commercial policy). Contributions were received from the IMF staff in Washington and from Prosper Youm (IMF Resident Representative in Nouakchott)

⁴A substantial devaluation of the exchange rate in that year (18.2 percent) caused the inflation rate to increase to 8 percent.

⁵The overall budget balance shifted from a surplus of over 5 percent of GDP in 1996 to a deficit of about 0.6 percent of GDP in 2000.

⁶The easing of fiscal policy was facilitated by debt relief after Mauritania reached the decision point under the enhanced HIPC initiative in early 2000.

TABLE 1 KEY MACRO ECONOMIC INDICATORS, 1997-2001

	1997	1998	1999	2000	2001	2003 – 2004
				Actual	Projection	Projections
(Average percentage change: unless otherwise noted)						
GDP, constant prices	3.2	3.7	4.1	5.0	5.2	6.3
Consumer prices	5.5	8.2	1.9	5.6	2.6	3.5
Export proceeds	-14.1	-11.8	-7.4	3.5	3.3	...
(In percent of GDP)						
Investment	17.6	19.0	17.5	30.7	28.7	27.1
Overall budget surplus (-) or deficit (-)	4.2	2.1	2.2	-4.5	1.9	-3.0
Balance of payment, current account (excluding official transfers)	-8.8	-6.4	-4.3	-6.0	-8.5	-10.9
Debt outstanding	194	214	212	189
Gross official reserves in terms of months of imports.	4.7	4.4	5.8	7.0	7.5	...

Source: Data provided by the Mauritanian authorities and Fund staff estimates and projections

Important structural reforms supported the prudent monetary and fiscal policies. In foreign trade, tariff reform that began in 1997 was completed in 2000, bringing the number of tariff rates to four and reducing the average unweighted tariff rate to 10.6 percent. Fiscal reform in the last year was marked by the unification of the VAT rates at 14 percent, the elimination of tax exemptions granted to public enterprises, and strengthened tax administration. In addition, the corporate income tax fell from 40 percent to 35 percent in 2001, accelerated depreciation was permitted and the loss carry-over was extended from 3 to 4 years.⁷ Other structural measures focused on the reform of public enterprises and on privatization. This resulted in the privatization of numerous public enterprises including the national telecom company, and the sale of two new cellular licenses to international investors. Further reforms in the electricity and water sectors are also expected to lead to additional foreign direct investment.

The macroeconomic objectives of the government over the medium term are to: (i) raise the annual real GDP growth to over 6 percent; (ii) maintain the inflation rate under 4 percent; (iii) contain the external current account deficit in relation to GDP around 5 percent; and (iv) keep gross official reserves to more than six months of imports.

⁷ The corporate income tax rate will fall further to 25 percent in the context of the 2002 budget law.

To achieve these targets, Mauritania needs to maintain its prudent macroeconomic policies, sustain a high level of investment, and improve public expenditure management. Public investment will need to increase, especially in the social sectors and on poverty-reducing projects, while improving the environment for private sector-led growth. Overall, gross fixed investment is expected to average about 27 percent of GDP in the medium term.

1.2 Mauritanian Foreign Trade: Recent Reforms, Performance and Access

Mauritania's trade policy has been greatly simplified and made more liberal through recent reforms. However, its trade is exceedingly concentrated in a few commodities and is rather stagnant. Trade diversification could help to reverse this trend and holds great potential for stimulating economic growth and poverty alleviation.

Mauritania is an open economy with imports and exports, each about 40 percent of GDP throughout the 1990s. Marine and mineral products represent the near totality of exports; the import basket is more diversified.

1.2.1 TRADE REGIME

In the late 1990s, the trade regime was greatly simplified and made more liberal. Tariff rates were lowered, the number of applicable tariffs was reduced, reference prices were formally abolished, the tariff classification was changed to the harmonized system and import licenses, monopolies and quotas were abolished. In addition to tariffs, imports are subjected to a 3 percent statistical tax, a 14 percent value added tax (VAT), and a specific consumption tax on a limited number of products. Customs also levies a 4 percent *Impôt Minimum Forfaitaire*, as a presumptive income tax, which is refunded up to 75 percent (a share that is expected to increase to 100 percent in the 2002 budget law).

Tariffs and other taxes on imports

The 2001 Customs Tariff is composed of 5,533 tariff lines, all subject to *ad valorem* rates of duty; there are no specific, composite or other non-*ad valorem* tariffs in Mauritania's Most Favored Nations (MFN) tariff system.⁸ Reducing the number of tariff rates from 31 to 4 consolidated the tariff structure, while the maximum rate was reduced from 180 percent to 20 percent (Table 2). Present rates are 0 percent, 5 percent, 15 percent and 20 percent.

⁸ There is however a *specific* consumption tax levied at customs on some 120 tariff lines (see below).

TABLE 2 KEY FEATURES OF THE MAURITANIAN MFN TARIFF STRUCTURE, 2001
(Percent)

	2001
Number of rates	4
Simple average tariff	10.6
Standard deviation (simple average)	7.6
Duty-free lines	690
Maximum tariff	20
Domestic tariff "spikes" (three times the overall tariff average)	0
Share of <i>ad valorem</i> rates	100
Share of bound rates	15.1
By sector:	
By HS: Agriculture (HS 01-24)	13.8
Industry (HS 25-97)	10.0

Source: WTO Secretariat based on data provided by the Mauritanian authorities.

As such, the average unweighted tariff was brought down from 19 percent in 1996 to 10.6 percent in 2001; well below the 18 percent average for Sub-Saharan and North Africa and comparable to the average level of tariff protection in Latin America and East Asia. Capital goods, intermediate products and raw materials face relatively low tariffs by Sub-Saharan Africa standards, between 6 and 10 percent. Their total tax burden averages between 26 percent and 31 percent, nonetheless once the VAT, *impôt minimum forfaitaire* (IMF) and the statistical tax are included. The total tax burden on capital goods will fall significantly, however, in 2002, as the authorities intend to apply a zero tariff rate to capital goods; they will also introduce a deferred VAT payment system in 2002. In the absence of exemptions or drawbacks, the taxation of imported intermediate and capital goods translates into a significant anti-export bias overall or negative effective protection in some sectors.⁹ The impact of the indirect taxes on the anti-export bias depends on whether or not domestically produced goods also pay these taxes. This bias is presently avoided by customs exemptions granted to local producers under the Investment Code. A revision of the Investment Code is under consideration. It is hoped that the new Code will not provide fiscal advantages, but will be preceded by a drastic reduction in tariff on intermediate and capital goods (see below).

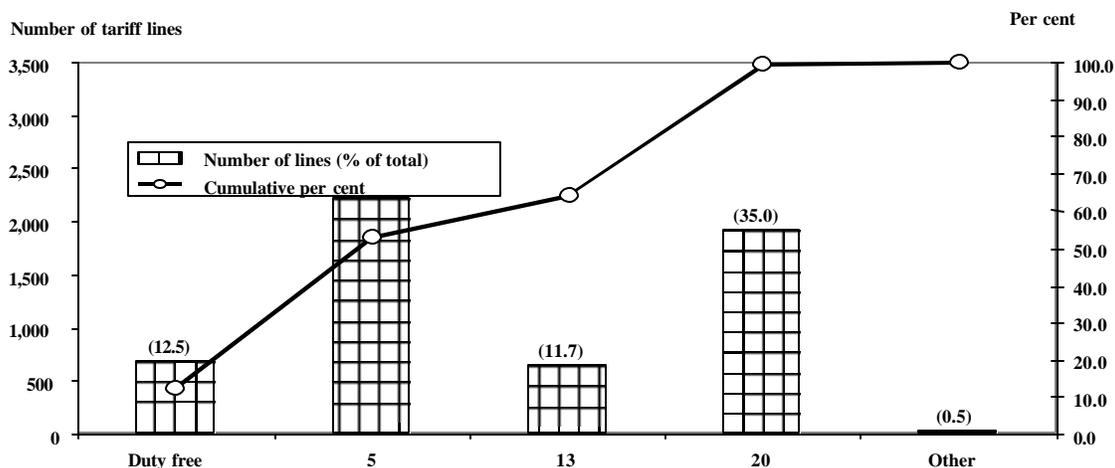
MFN tariffs on agricultural and non-agricultural goods are similar (12 percent and 10 percent respectively), but local agricultural production is protected by peak rates. For instance, meat, fish, the preparation of fish, edible vegetables and fruits as well as nuts attract the maximum tariff of 20 percent as well as the statistical tax and the IMF (Figure 1). Mauritania applies a system of seasonal tariffs on a limited number of agricultural

⁹ The mission did not look into the possibility that VAT on capital goods was included in the VAT credit system.

products (14 lines).¹⁰ During the marketing period of the year, the seasonal tariff takes on the higher values of the tariff range, while the lower value of the range applies during the period when local production is not being marketed. Rates on industrial goods produced locally are also at the top tariff level (e.g. yogurt, butter, cheese, cement and clothing). Some products such as cars and petroleum attract the maximum tariff rates, but this is for fiscal reasons. Details on the MFN tariffs are provided in Appendix Table 1.

The MFN tariff structure contains some tariff escalation, suggesting a structure that provides a level of effective protection higher than the nominal protection implied in the MFN rate structure (Figure 2). Processed goods have an average rate of 12 percent, while raw materials and intermediate goods have average rates of 8-10 percent. A functional classification of commodities yields greater escalation, with consumer goods having average rates of 17 percent and capital goods 6 percent (Table 3). Some capital goods have MFN tariffs of 20 percent (e.g. catalysts and containers for compressed and liquefied gas); if these tariffs are actually levied and added to the other import taxes local producers could seriously be penalized. However, exemptions are often provided to capital and intermediate imports under the Investment Code, thereby mitigating this possible detrimental effect of tariff escalation. In fact, in 2000, the effective tariff rate (total tax revenue on imports divided by imports) for vehicles was only 22 percent, well below the 41 percent noted in Appendix Table 1. Similarly, for machinery and electrical appliances the effective rate was 1.1 percent compared with the theoretical 28 percent. Exemptions are less frequent for consumer goods

FIGURE 1 APPLIED MFN TARIFF DISTRIBUTION, 2001



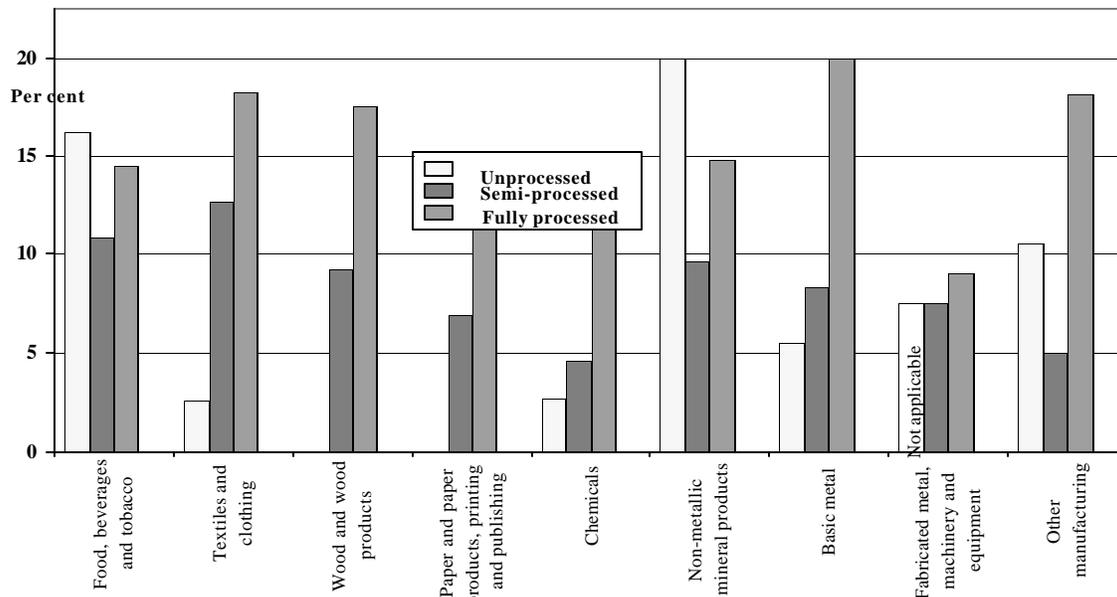
Data in parentheses is the share of total lines.

Note: WTO Secretariat estimates, based on data provided by the Mauritanian authorities

Source :

¹⁰ All products concern edible agricultural items such as onions, tomatoes, carrots, and salad.

FIGURE 2 TARIFF ESCALATION BY 2 DIGIT ISIC INDUSTRY, 2001



Source: WTO Secretariat calculations based on data provided by the Mauritanian authorities.

TABLE 3 MFN TARIFFS (SIMPLE AVERAGE) BY STAGE OF PROCESSING, 2001
(Percent)

	Tariffs 2001	Total Taxation 2001 1/
All products	10.6 (7.6)	33.5 (8.6)
By stage of processing:		
Raw materials	9.8 (8.3)	31.2 (8.9)
Intermediate goods	8.0 (6.6)	30.5 (6.9)
Processed goods	12.3 (7.6)	35.2 (8.4)
By function:		
Capital goods	6.0 (5.1)	26.1 (5.9)
Intermediate goods	8.9 (7.2)	30.9 (8.3)
Consumer goods	16.7 (5.9)	39.2 (6.7)

1/ Includes VAT, Statistical Tax and the IMF

Note: The standard deviation is in brackets.

Source: WTO Secretariat based on data provided by the Mauritanian authorities.

Imports are subjected to an additional 3 percent statistical tax imposed only on imports, a VAT that is imposed on both domestic and imported commodities and a presumptive income tax (*impôt minimum forfaitaire-IMF*). The VAT as well as the excise taxes levied on some imports are applied at the same rates on domestic and imported

commodities and services. The VAT rates were revised in 2001; most commodities are now taxed at the 14 percent rate, while certain commodities (280 tariff lines and consisting largely of basic foodstuffs, chemicals and medicines) are exempted from the VAT; exports are zero-rated. The IMF is a presumptive tax on imports as well as on domestic turnover, 75 percent of which can, in principle, be deducted from corporate taxes (up from 25 percent in 2000). The full IMF is expected to become deductible as of 2002.

Regional and bilateral tariff preferences

Mauritania is a member of the Union du Maghreb Arabe (UMA) and until its withdrawal in December 1999 (effective December 2000) of the Economic Commission of West African State (ECOWAS) as well.¹¹ Mauritania benefited from the trade preferences granted by the EU in the context of the ACP-EU (see section 1.2.3 on market access). So far, the UMA has not effectively liberalized trade between its members because of political and institutional constraints. In addition, the emphasis of the other members of UMA on improving their relations with the EU has resulted in less attention to their relations with Mauritania.

Mauritania's withdrawal from ECOWAS had no major impact on overall trade flow, as such flows were small in any event, mainly fish exports to Nigeria where such trade attracts a 10-15 percent tariff and hides to Senegal. However, some emerging small exports (e.g. pasta, mineral water and biscuits) that were mainly destined for the ECOWAS market now attract a 25 percent tariff in Mali, as compared with a 5 percent tariff when ECOWAS preferences were in effect. Mauritania has concluded in the past a series of bilateral trade agreements with its neighbors, but these agreements are not effective on the ground and bilateral trade remains impeded by tariff barriers. It has been proposed that Mauritania reactivates and strengthens these bilateral trade agreements, maybe in the context of the Organization de la Mise en Valeur du Fleuve Sénégal (OMVS). This would appear to assist its exports to these markets. In conclusion, it appears Mauritania does at this time not provide or benefit from any tariff preferences with any of its regional trading partners.

Non-tariff barriers

There are no import restrictions based on standard and quality systems, in the absence of adequate infrastructure for testing and metrology,¹² and as noted above quotas and import monopolies were abolished. Aside from the *de facto* export monopoly granted to the SMCP for the export of some fish products,¹³ there are no non-tariff barriers to trade.

¹¹ Mauritania withdrew largely because it neither shared ECOWAS ambitions to become a monetary union nor its political agenda.

¹² A sanitary laboratory was created in December 1999, but its main function is to assure the conformity of fish exports to international norms, but not imports.

¹³ The tourism branch of the SNIM also enjoys an import monopoly on alcoholic beverages, which are otherwise prohibited. Other import prohibition includes arms and ammunition, gold and rough diamonds, military and warfare equipment, drugs, explosive and counterfeit goods. Imports (and exports) of fishing boats are subject to a prior authorization by the Minister of Fisheries according to Fisheries Code 2000 (article 8)

Special import regimes

A number of exemptions and exonerations exist for designated imports (see section on customs administration) such as those imported under the Investment Code, by NGOs or Société Nationale Industrielle et Minière (SNIM). The Customs Code provides a duty drawback system. However, it is not applied as the few exporters benefit either from the Investment Code that lets them import duty free or have found a *de facto* accommodation with customs that sidesteps the drawback system. An effective duty drawback system might have to be put in place, with the introduction of the new Investment Code, if this is not accompanied by zero tariffs on capital and intermediate goods, and if non-tariff import taxes are maintained. If not rebated at export, this burden on imports would handicap exporters.

Export taxes

Exports are zero rated under the VAT and pay neither statistical tax nor Impôt Minimum Forfaitaire (IMF). The catches of boats that operate under charter agreements, pay no license fees and are required to transship their catches in the port of Nouadhibou, pay an 6-11 percent export tax depending on the species, and a 19 percent for false fishing (*fausse pêche*), a 3 percent statistical tax as well as the IMF tax. Only small pelagic catches are liable to export taxes. These taxes replace the license fees that the other boats pay. In fact the export tax represents 2.5 percent of the total value of fisheries exports, and thus appears to apply to about half of the total fisheries exports.

WTO participation and commitment

Mauritania became a contracting party to the GATT on 30 September 1963, under the provisions of Article XXVI: 5c through the succession of state process. During the GATT period, Mauritanian participation remained weak and mainly occurred through the WAEC (West African Economic Community), the ancestor of ECOWAS, even though it benefited from some technical assistance. With the creation of the WTO in 1995 and a new set of agreements to be applied on a multilateral basis, Mauritanian participation became more active. It requested and received technical assistance to improve its capacity building in trade matters and its ability to adjust to the new trade situation and Mauritanian participants attended WTO training programs.

Under the Uruguay Round, Mauritania submitted its Schedules of concessions on goods and commitments on services. Nevertheless, part of the Schedules on goods still refers to the previous list of concessions that date originally from 1947, 1949 and 1951. These Schedules have been overtaken in 1963 when Mauritania became a contracting party of the GATT as an independent state, but have not yet been transposed into the Harmonized System of tariffs (HS); this hampers the transparency of the Mauritanian tariff system.¹⁴

¹⁴ Note that other West African countries are in the same situation. For the sake of simplification, these should probably be waived by other WTO members. Otherwise, technical assistance would be needed to clarify the coverage of these concessions by filtering the schedules from the old French customs classification into the Harmonized System.

During the Uruguay Round, Mauritania bound 833 tariff lines out of 5333, i.e. 15 percent of the total. In application of the WTO Agreement on Agriculture, Mauritania bound 100 percent of its agricultural tariff lines at rates of 25 percent, 30 percent, 50 percent and 75 percent, depending on categories of products.¹⁵ Only about 1 percent of non-agricultural tariff lines have been bound (57 lines out of 4,731 lines). Tariffs on other items were bound at a flat rate of 30 percent.

Mauritania became a Member of the WTO on 31 May 1995 and is thus bound by all WTO multilateral agreements. It is not a signatory to the Agreement on Government Procurement and Agreement on Trade in Civil Aircraft. The main problem with the application of the Agreements is the lack of notification of existing legislation. Mauritania has submitted only few notifications to the WTO and these pertained to customs valuation.¹⁶

Mauritania does not appear to have an appropriate legislation governing the use of safeguard or anti-dumping measures. Its existing legislation does not contain either any references to the protection of intellectual property rights or the fight against unfair competition. The Agreement on Customs Valuation is actually being considered in the frame work of a program of implementation over 3 years but little actual preparation is under way, even though the deadline is end 2001. Agreements, such as those on the rules of origin, pre-shipment inspection, TBT, SPS, import licensing and state trading appear adequately covered in the national legislation. WTO should however be notified of this legislation. An appropriate inventory of the existing legislation would clarify the situation.

WTO technical assistance can help the Mauritanian government on the implementation of its Uruguay Round obligations. In 1998, under the Integrated Framework, Mauritania submitted to the WTO a trade-related technical assistance needs assessment.¹⁷ Since then, WTO has granted technical assistance to the Mauritanian government to help comply with WTO rules, and more generally its deeper participation in international trade. This work should continue with WTO assistance.

1.2.2 MAURITANIA'S TRADE PERFORMANCE

Mauritania's exports are heavily concentrated in marine and mineral products. Their growth has not been a major factor behind GDP growth. In fact, while GDP growth in the last decade averaged an annual rate of 5 percent, exports rose by only an annual rate of 1 percent. One important caveat in reviewing Mauritania's trade performance is that

¹⁵ Products from HS chapters 04, 08, 11, 13, 15, 16, 21 and 23 were bound at 30 percent; products from HS chapters 02, 05, 06, 07 and 17 were bound at 50 percent; products from HS chapters 09, 10, 22, 24 were bound at 75 percent. Other chapters of Annex 1 of Mauritania's list of concessions have been bound at 30 percent.

¹⁶ WTO documents G/VAL/W/58, 21 January 2000; G/VAL/W/58/Add.1, 9 March 2000; G/VAL/W/58/Add.2, 18 April 2000; G/VAL/W/58/Add.3, 18 May 2000; G/VAL/W/58/Add. 4, 22 May 2000; G/VAL/29, 6 June 2000; G/VAL/N/4/MRT/1, 14 December 2000; WT/LET/82, 29 April 1996.

¹⁷ WTO document WT/COMTD/IF/23 of 3 March 1998.

data on Mauritania's foreign trade are rather of poor quality, putting a caveat on some of the discussions below (Box 1).

BOX 1 WEAKNESSES OF TRADE STATISTICS

A note of warning regarding Mauritania's trade statistics is necessary. While national, United Nations (COMTRADE) statistics and IMF statistics (IMF's Direction of Trade Statistics) for imports and exports show similar trends, they also reveal large differences in values. IMF and UN values for exports are about 50 percent higher than national statistics, and nearly 100 percent higher for imports (2000 data). Similarly, national data suggests that exports of manufacturing were below \$500,000, whereas UN COMTRADE statistics for Mauritania's trading partners suggests that Mauritanian exports were at least ten times larger (including raw hides and skins, apparel, iron and steel). In the case of exports of octopus, which is the main export commodity after iron ore, Mauritanian customs data reported total exports of \$51 million in 2000, whereas data from UN COMTRADE statistics suggests that exports of octopus were close to \$123 million. Exports to Japan in 2000 were around \$35 million according to Mauritanian customs, whereas Japan reported imports from Mauritania around \$115 million (\$95 million of octopus) according to UN COMTRADE statistics.

Discrepancies of trade statistics are not uncommon, even among developed countries, due to different factors, such as the absence of partner data, temporary admission, re-exports and CIF-FOB differences, the timing at which trade is recorded, and so on). However, for Mauritania the size of the discrepancy is very large and calls for a serious effort to improve the accuracy of trade data. The on-going modernization of customs and the envisaged move towards the installation of version 3 of ASYCUDA should partly solve these problems. It would also be necessary to increase the surveillance of customs territory, especially at sea and in remote areas, as well as to connect the different customs office to ASYCUDA (Nouakchott-Port is the only office connected so far).

Better coordination between the National Statistic Bureau (ONS), the Customs Department, the Centre National de Recherche Océanographique et des Pêches (CNROP) and the Minister of Commerce should help provide more accurate trade data. This section relies mostly on national sources and indicates when discrepancies with other sources of data are important.

Mauritania's trade, both exports and imports, has declined in value during the period 1996-2000, largely because of the severe economic slowdown in the world economy that has led to weaker prices for its main exports, fish and minerals. On the import side the prices of petroleum products, which represent 17 percent on total imports (1999 data), also fluctuate widely. As a result, Mauritania's terms of trade fell by 15 percent between 1995-2000. World markets have been unfavorable to Mauritania's main export products in recent years. Indeed, iron ores and frozen octopus have witnessed negative world market growth in the second half of the 1990s (Figure 3 from the ITC data base).¹⁸ Moreover, Mauritanian exports have been under-performing in these two markets as shown by its loss in market shares (in particular for frozen octopus). On the other hand, Mauritanian exporters have out-performed in several world markets (fish and prepared fish), but world demand increased only for live octopus, frozen sardines/sardinella, and fish fillets and other fish meat – which account for 14 percent of Mauritania's exports in 1999 (Table 4).

¹⁸ This table identifies exports of Mauritania along four lines (i) Champions: goods with world market and Mauritania export growth in excess of average performance, (ii) Losers in Declining markets: both world market and Mauritania's export growth was less than average, (iii) Under achievers: where world market grow at a rate in excess of average rates but Mauritania's export growth was less than its average export growth, and (iv) achievers in adversity: where Mauritania's export growth was above its overall export growth, but in a world market with growth rates less than average world market growth.

TABLE 4 MAURITANIA TRADE PERFORMANCE AND WORLD MARKET SHARE, 1995-1999

Product	Mauritania share in the world market (in percent)	Trend in Mauritania's export growth (in percent)	Trend in world market growth (in percent)
All goods	0.0	-3	2
Salmonicaea (HR 030329)	1.9	-13	5
Sole frozen etc. (HS 030333)	3.5	-11	-8
Flatfish (HS 30339)	1.7	-18	-10
Sardines (HS 030371)	31.2	11	6
Mackerel (HS 03074))	6.9	1	-1
Cuttle fish and squid (HS 030749)	3.0	4	0
Octopus life (HS 030751)	6.1	37	9
Octopus, frozen (HS 030759)	14.4	-15	-4
Iron Ore (HS260111)	3.4	-2	-3

Source: International Trade Center

Mauritania's exports are concentrated on fish and mining products (iron ore), with a clear shift in recent years in favor of mining products and are characterized by the prevalence of a few products (Table 5).¹⁹ While official statistics do not capture exports of raw agricultural products other than fish, the UN COMTRADE statistics show some agriculture and livestock exports to neighboring countries.²⁰ Attempts at diversifying the export base have had limited success so far, partly because of low foreign direct investment that could have assisted in the production, distribution and packaging of agricultural and livestock products fresh products (see below).²¹

¹⁹ Note that the strong product concentration of exports is high even for Sub-Saharan African standards. In a study of 44 African countries, Francis Ng and Alexander Yeats ("What can Africa expect from its traditional exports?" mimeo 2001, The World Bank) found that only eight other African countries have a share of their two main export products (at the four digit level of the SITC classifications) that is above Mauritania's share. There is some evidence of a decline in the overall concentration of exports during the 1990s when calculating a Herfindhal concentration index across all exports. However, this mainly translates less concentration with fish exports, as new types of fish began to be exported (e.g. scallops, HS 030721).

²⁰ About a third of Mauritania's meat production is exported to neighboring countries, while exports of hides and skins to Europe, Japan, West and North Africa are expanding. Such exports are not reported in existing national trade statistics.

²¹ Early attempts include the construction of an oil refinery that was abandoned in the late 1980s and mineral exploration of gold, diamonds and petroleum for which there are no conclusive results yet on the exploitability of Mauritanian reserves.

FIGURE 3 EXPORT PERFORMANCE IN MAURITANIA, 1995-1999

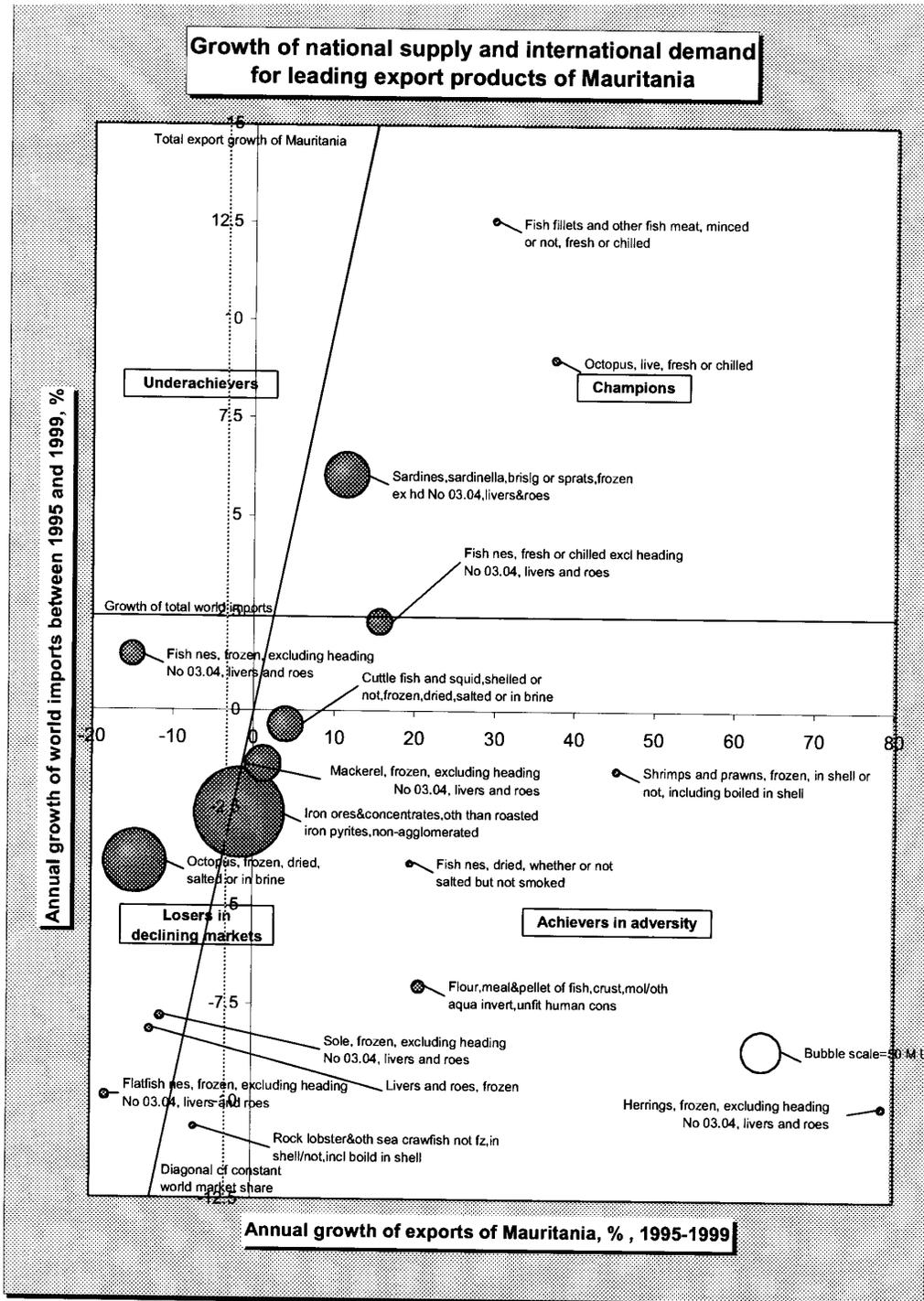


TABLE 5 EXPORTS BY GROUP OF PRODUCTS, 1992-99
(Percent)

Description	1992	1993	1994	1995	1996	1997	1998	1999
Total exports (\$ million)	649	391	379	466	481	396	368	372
	(Per cent)							
Total primary products	100.0	100.0	100.0	100.0	100.0	100.0	100.0	10.0
- Agriculture	37.7	59.9	55.0	58.0	55.2	46.7	37.6	41.5
Food	37.7	59.9	55.0	58.0	55.2	46.7	37.6	41.5
Octopus, frozen, dried, salted or in brine	22.0	34.3	31.1	22.5	16.6	17.9	9.3	13.6
Dogfish and other sharks, frozen, excl heading	10.0	14.1	11.9	12.5	9.7	7.9	9.1	9.7
Scallops, including queen scallops, shelled or	0.0	0.0	0.0	0.0	0.0	2.1	2.6	8.2
Sardines, sardinella, brislgo or sprats, frozen	3.1	5.8	2.7	5.0	9.5	5.6	5.8	6.8
Fish meal fit for human consumption	1.4	2.5	1.0	1.5	2.2	1.3	1.3	1.4
Mackerel, fresh or chilled, excluding heading	0.5	1.0	1.2	3.0	4.2	1.8	1.4	1.1
Sardines, sardinella & brislgo sprats prep o p	0.2	1.2	0.5	0.5	0.6	1.0	1.1	0.8
Fish-liver oils & their fractions, refined or n	0.1	0.2	0.1	0.1	0.1	0.0	0.1	0.1
Mackerel, prepared or preserved, whole or in	0.0	0.1	0.1	0.5	0.4	0.2	0.1	0.0
Agricultural raw material	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Mining	62.3	40.1	44.9	42.0	44.8	53.3	62.3	58.5
Ores and other minerals	62.3	40.1	44.9	42.0	44.8	53.3	62.3	58.5
Iron ores & concentrates, other than roasted iron	62.3	40.1	44.9	42.0	44.8	53.3	62.3	58.5
Manufactures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: WTO Secretariat calculations, based on data provided by the Mauritanian authorities.

Based on ITC data, 99 percent of total exports are primary products, with the remainder coming from the labor intensive and natural resource/industrial sectors, mostly prepared fish and fish-liver oils in 1999.²² In 1995-99, the former category of exports declined at an annual average of 4 percent, whereas the second category of exports increased at an annual average of 6 percent. The experience of other countries suggests that export diversification can benefit greatly from foreign direct investment in production, packaging and distribution. According to the most recent data, FDI in Mauritania was at a low 0.5 percent of EDI in 1998, but recently rose to 3.5 percent of GDP in the context of foreign investment in the telecom sector. Much is to be gained by attracting FDI in the export sector.

²² See International Trade Center web site at: www.intracen.org/menus/countries.htm

Mauritania's exports are still geographically concentrated, even though this concentration has fallen in recent years as indicated by the 40 percent drop in the geographical Herfindhal concentration index for imports and exports. The European Union has been absorbing between two-thirds and three-quarters of Mauritania's exports, France being the largest single importer within the EU by the end of the decade. France's share in Mauritania's exports seems to follow an upward path, reflecting foreign investment in Mauritania's fish and mining sectors (Appendix Table 2). Italy and Belgium are also major importers, within the EU. The share of Asia in Mauritania's exports has declined in the past two or three years, due to a significant fall in exports to Japan and China. This has been partly offset by the rise of (sub-Saharan) Africa's share (Nigeria in particular). On the import side, the EU is also Mauritania's first supplier of goods, with a market share fluctuating between 55 percent and 64 percent of the total. France alone accounts for about one third of Mauritania's imports. While the shares of America and Africa have been broadly stable in recent years, that of Asia peaked in the mid-1990s, and has declined ever since, mainly due to falling imports from China and Japan.

1.2.3 MARKET ACCESS

The QUAD countries account for 80 percent of Mauritania's exports of fish products and ore, that themselves represent 99 percent of its worldwide exports. These exports have for many years benefited from tariff preferences in these markets. For instance, the average tariff faced by Mauritanian exporters in the EU was .8 percent through Lomé and Least Developed Country (LDC) preferences, as compared with a MFN tariff in the EU of 7.9 percent. In Japan and the US, the average tariff faced by Mauritania under LDC preferences was around 1.8 percent, compared to average MFN tariffs of 4.3 and 5 percent, respectively.

These preferences do not however provide Mauritania with substantial benefits over the MFN tariffs. For Mauritania's five most important products (at a six digit HS classification) MFN tariffs are zero in the EU, while MFN tariff in Japan are between 11 and 7.2 percent, with preferences reducing these rates by up to 42 percent for some commodities by much less for others. Japan recently expanded its tariff preferences for 350 LDC export items, but this will benefit none of Mauritania's major exports. If Japan were to give the same tariff preferences as the EU, this could lower Mauritania's export prices to the Japanese wholesaler by up to 7 percent. Alternatively, if all Mauritania exports had duty-free and quota-free access to the QUAD countries, exports could increase by as much as \$22 million, just by redirecting exports to the Japanese market in order to take advantage of the extension of preferential access. This still only represents 4 percent of Mauritania's exports in 1999 (but almost 50 percent of total official development assistance to Mauritania).^{23 24}

²³ Note that there is little scope for an increase in the supply response as 95 percent of domestic production is exported and there are natural limits to the exploitation of fish resources.

²⁴ The assumption here is that products exported to different markets are homogenous and can be re-directed to each QUAD market without cost.

The extension of tariff preferences under the recent EU “Everything But Arms” initiative would only add an extra \$1 million of exports a year according to recent estimates.²⁵ A similar type of extension by Canada and the US, that is more modest than the EU initiative in terms of country, product and time coverage²⁶ would only add an extra million dollars.²⁷

Export diversification could, however, be hampered by tariffs imposed in the QUAD countries on commodities that eventually could be exported by Mauritania. For instance, banana exports (where a real potential for organically grown produce exist in the short- to medium-run) would attract an import tariff of 36 percent in the EU until 2006, with sugar attracting a tariff of 40 percent in the EU and 170 percent in Japan. Even if the export potential of rice were small, such exports would attract a tariff equivalent duty of 200-300 percent in Japan. Processed cheese would attract a 27 percent duty in the EU, a 40 percent tariff in Japan and a 275 percent tariff in Canada. Meat and livestock products would attract important tariff barriers, especially in Japan, but these exports would face stiff sanitary and phyto-sanitary standards. Finally, (potential) Mauritanian exports of textiles and apparel would face high tariffs in Canada, but would have preferential duty-free quota-free access to the US until 2004 under the Africa Growth and Opportunity Act.²⁸ Ongoing efforts at diversification of agricultural production and exports along the Senegal River are promising and could result in significant exports of tomatoes, carrots, potatoes, onions, eggplant, beans, melons and exotic fruits. Tariff protection of these products is low in the QUAD. In Canada and the EU, they enter duty free under the LDC regimes. In the US, only potatoes and watermelons face tariffs around 9 percent for watermelons and 14 percent for potatoes. In Japan, all products mentioned above face tariffs around 3-4 percent except for potatoes where tariffs reach 13 percent.

Non-tariff barriers in the QUAD

Non-tariff barriers do represent a serious problem for Mauritanian exporters to the QUAD, especially given the export diversification effort towards agriculture and livestock products. Sanitary and phyto-sanitary standards in QUAD markets for these products are costly to meet when technically possible. Indeed, recent efforts to penetrate the European markets with dairy products (camel milk cheese for example) were stymied

²⁵ The « Everything But Arms » initiative has extended duty-free and quota-free access for all products (with the exception of arms and ammunition) originating in LDCs. There are however, three “sensitive” products for which a longer liberalization period has been envisaged: bananas, rice and sugar.

²⁶ The 1974 Generalized Preferential Tariff of Canada was extended for LDCs in September 2000 to include up to 90 percent of tariff lines. It also liberalized the rules of origin requirements of 40 percent national content to include cumulative origin from other LDCs. The United States African Growth and Opportunity Act enhanced access for eligible African countries in December 2000, but only until 2008. The quite generous relaxation in rules of origin for apparel originating in countries with a GDP per capita below \$1500 dollars is also limited until September 2004.

²⁷ For more details on these simulations, see Bernard Hoekman, Francis Ng and Marcelo Olarreaga (2001), « Eliminating Tariff Peaks in the QUAD and Least Developed Country Exports », Policy Research Working Paper #2604, The World Bank.

²⁸ Note that this preferential access would have little impact in Mauritania’s exports of textiles and apparel, as there is very limited domestic production today. US customs figures for the first trimester of 2001 show no significant increase in Mauritania’s exports compared to previous years (http://reportweb.usitc.gov/africa/by_country.jsp).

by European sanitary standards.²⁹ Other export products (vegetables and fruits) have been more successful in matching European and other standards, mainly through the participation of foreign direct investors.

In general, LDC exports of livestock products to the QUAD are very limited. The North American market is almost closed to their exports. In the case of fruits and vegetables only 30 percent of the \$500 million of LDC exports are sold in QUAD markets, a destination for more than 70 percent of total LDC exports.

All of the top 35 exports of Mauritania, except iron ore are subject to some type of non-tariff-barrier (NTBs) in all QUAD markets. These could go from technical requirements and testing to protect human health (fish products for example) to technical requirements to protect animal health (dairy products and some fish flours in Japan) or non-automatic licenses (flat rolled iron products in Canada and Japan) and labeling requirements (fish products in Japan). It is not clear what the cost associated with satisfying these standards is, but if one accepts the 10 percent value suggested in some recent studies,³⁰ the cost could be as high as 5 percent of total Mauritanian exports.

In Mauritania's fishing sector, the different requirements in terms of standards in QUAD markets are generally met through private partnerships with foreign firms, given that Mauritania does not have an adequate infrastructure for quality control or metrology. To achieve the export diversification effort in fruits and vegetables, the same type of private partnership will be necessary.

However, private partnership will not be able to solve all the standards related constraints faced by Mauritania's producers in terms of product quality and sanitary needs, in particular in the case of livestock products, as illustrated by the failed attempt to export camel cheese to Europe mentioned above. Some problems need to be addressed at the national or regional level. An adequate legislation and infrastructure is therefore needed to allow Mauritania's producers to fully achieve their potential through the adoption of voluntary standards. The Uruguay Round Agreement on the Application of Sanitary and Phyto Sanitary Standards contains provisions for assistance to developing countries to implement adequate standards. Indeed, article 9 paragraph 2 states that "where substantial investment are required in order for an exporting developing country Member to fulfill the sanitary or phytosanitary standards of an importing Member, the latter shall consider providing such technical assistance as will permit the developing country Member to maintain and expand its market access opportunities for the product involved." Similarly, on the application of sanitary and phytosanitary standards in developing countries, article 10 suggests "Members should encourage and facilitate the

²⁹ The main problem raised by European authorities is that Mauritania is not free from foot and mouth disease. There is however little scientific evidence to suggest that camels (and in particular camel milk) can transmit the foot and mouth virus. A second barrier is a regulation in the European Community that requires dairy products to be produced from milk by cows both raised on farms and milked mechanically, which is not only costly, but also difficult to achieve in a traditionally nomadic society.

³⁰ See World Bank (2000), *Global Economic Prospects*, Chapter 4 and references therein.

active participation of developing country Members in the relevant international organizations.” Mauritania should apply for such assistance.

Mauritania and LDCs in general, are lagging behind in terms of their capacity to support modern testing, certification and laboratory infrastructure. This situation has important implications. Developed countries may not trust inspection procedures in developing countries, whereas they collaborate among themselves. This leads to both trade and investment diversion away from LDCs. In the medium-term, Mauritania should aim for mutual recognition agreements with other nations in order to have their tests accepted abroad, and to have its own testing facilities certified. Such a certification process should be initiated only when justified by export volumes. In the short term, international inspection companies – such as the SGS that presently operates in Mauritania under a government preshipment inspection program with customs – could assist Mauritania in providing export certificates required by importers. Foreign investors can also provide access to product-specific certification procedures as is planned for agricultural exports in the Senegal Valley.

2. Competitiveness of the Mauritanian Economy: Domestic Factors

2.1. Export Competitiveness

Maintaining export competitiveness of its exchange rate is a major component of Mauritania’s policy to promote non-traditional exports. This objective has been realized in recent years.

A fully market determined exchange rate has helped to maintain competitiveness in recent years. Since the 1998 devaluation of the Ouguiya by 18 percent, several reforms have been introduced. Key elements of these reforms were (i) the gradual reduction and then elimination of the surrender requirement on exports proceeds to the Central Bank, (ii) allowing residents to open foreign account deposits with commercial banks, (iii) eliminating restrictions on foreign exchange sales for travel abroad, (iv) adjusting the limits on commercial banks’ net open positions in foreign exchange to international standards. In 1999, the authorities eliminated restrictions on all current account transactions, and thereby accepted the obligations of the IMF’s Article VIII³¹. Since then authorities have improved the operation of the foreign exchange market by limiting central bank transactions to the expanded foreign exchange market sessions at the central bank, by eliminating all surrender requirements, by gradually raising the ceilings on exchange bureaus participation limits, and by freeing movements of export proceeds deposited in domestic banks. The margin between the central bank buying and selling rates has been reduced to 1 percent. The SNIM has also been encouraged to participate in this foreign exchange market, thereby considerably deepening the market. The overall policy objective of the Central Bank was to signal an increase in competition in the foreign exchange market and to let the rate respond more freely to market conditions. The Central Bank closely monitors these conditions and intervenes to smoothen out the variations. In the event, these changes provided greater confidence in the foreign

³¹ Some restrictions on capital transactions remain in effect.

exchange market, and the margin between the formal market rates and those prevailing on the cash market have stabilized to a rather high 5 to 5.5 percent. This margin reflects the commission collected by the exchange bureaus, the informal nature of the cash market, and the cost of handling notes.

Assessing the competitiveness of Mauritania's exports is difficult in view of data limitations, its narrow export base, and the institutional and trade arrangements in place that could affect exports for reasons not related to competitive factors. Traditionally, the real effective exchange rate (REER), along with the evolution of export market shares, is used to assess competitiveness in several countries. Despite their limitations, these measures provide some useful information on Mauritania's competitiveness.³²

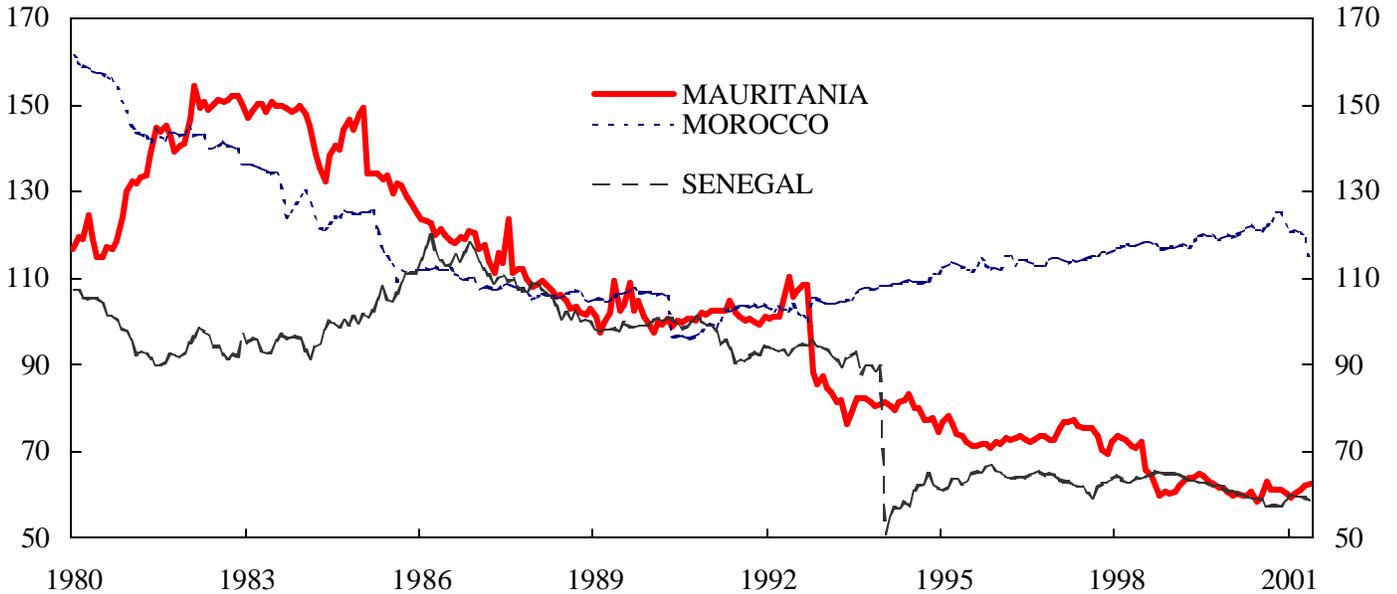
Using the real effective exchange rate as an indicator, Mauritania's competitiveness has improved over the last decade. This reflects to some extent the devaluation of the Ouguiya by more than 40 percent in 1992 and by 18 percent in 1998, after it became obvious that the nominal exchange rate was misaligned. It also reflects the reform of the exchange market that has allowed the Ouguiya to respond more freely to market conditions. The aggregate real effective exchange rate has depreciated steadily since the early 1990s, after a period of relative stability in the mid-1980s (Figure 4).³³ The REER with respect to all partners fell by about 60 percent between 1985 and 2001 and by roughly the same amount, 61 percent and 57 percent, against the European Union and Asian trading partners respectively.³⁴ Given the narrow export base and the homogeneity of exports, discrimination by trade partners is not particularly illuminating in the case of Mauritania. Despite several practical limitations, mainly those related to the pertinence and comparability of the data across countries, these measures suggest, that export competitiveness has not suffered during this period.

³²Mauritania's lack of nontraditional exports means that developments in this area cannot be assessed. To recall, export fish and iron ore represent about 98–99 percent of total exports.

³³There was similarly a large depreciation against the currencies of each major trading partner.

³⁴Based on data in the Fund's Information Notice System: with trade weights based on 1988–90 figures.

FIGURE 4 MAURITANIA: COMPETITORS REAL EFFECTIVE EXCHANGE RATE DEVELOPMENTS, 1980–MAY 2001



The favorable development in the exchange rate has not significantly affected the main export sectors:

- Mauritania’s share of world iron ore production has remained small and broadly constant during the past decade, at just above 1 percent or at around 11.5 thousand metric tons in 1995-99.³⁵ This happened despite a marked improvement in Mauritania’s export rate competitiveness against China and Australia — major competitors in the iron ore market or South Africa, its only regional competitor and the drop of Russia’s market share. In addition, the state mining company (SNIM) has been operating at levels close to full capacity during the last decade.
- Data limitations and other nonprice factors hinder the evaluation of the competitiveness of fish exports. The share of Mauritania’s fish exports in the world has been small, increasing from about 0.3 percent in the 1970s to 0.5–0.75 percent during the 1980s, but then falling back to about 0.3 percent by the late 1990s. While the movements in the exchange rate may have played a role, they cannot explain the large swings in the market shares. For example, the

³⁵Due to data limitations, competitiveness is being assessed based on production data. This should not pose any serious problem if we assume that the shares of exports to production remain broadly constant.

strong depreciation of the REER against Asian trading partners during the 1980s and the subsequent appreciation during the early 1990s had an impact on fish exports and its market share. However, the decline in the market share in the mid-1990s was largely attributed to the drop in the volume of catches because of over-fishing. In addition, the recent weakness of the Japanese market, the destination of the bulk of cephalopods (squids or octopus) may have affected the demand there. As for Mauritania's competitiveness vis-à-vis its major African regional competitors in the fish market, it appears that to have been maintained during this period.³⁶

Overall, it appears that Mauritania's competitiveness has been maintained, but vigilance is required to prevent any reversal in the real effective exchange rate in the future. Resisting real appreciation is crucial, especially in view of the narrow export base and the authorities' intention to develop new nontraditional exports.

2.2. Business Environment and Competitiveness

Aside from mineral and fishing resources, Mauritania presently has very few exportable products and services. This is largely due to an unfavorable factor endowment and a very small domestic market that does not permit economies of scale. Mauritania's chances of better integrating in the world economy would be improve if it were to improve the business environment, provide supporting institutions and reduce production costs. Such a program would boost earnings for present exporters, but it would also assist the emergence of others. Mauritania would also benefit from:

- Establishing a favorable fiscal environment for domestic and foreign investors;
- Easing the process of doing business through lowering bureaucratic impediments, delays and red tape;
- Lowering input costs; and
- By providing reliable access to the judiciary in case of disputes.

Support to exports by well-performing public and private support institutions is important. A brief overview of these issues follows below. The role of public institutions in support of exports is discussed in a later section.

Despite the relatively low level of investment at present, significant opportunities for investment exist in the mining, tourism, fisheries and agriculture sectors, based on the unique natural resource opportunities in the country. Investment in the information technology sector, services and industrial sector should be particularly sought after, as they are likely to provide significant employment opportunities and would be the first beneficiaries of an improved investment climate. Investments in the oil exploration and exploitation sectors will depend on the success of ongoing drilling efforts. Given present

³⁶Africa accounts for four percent of world fish exports, and besides Mauritania, major exporters are: Morocco (1.4 percent), Namibia (0.7 percent), Senegal (0.4 percent), Côte d'Ivoire (0.25 percent), and Madagascar (0.1 percent).

indications this could be a significant sector in a few years time. For this sector, custom tailored legislation will need to be put in place.

2.2.1. IMPROVE THE BUSINESS ENVIRONMENT

The investment climate could be improved to attract more FDI and thus capitalize on the assets of political and macro economic stability that Mauritania has acquired in recent years.

Investment in Mauritania is still rather low and foreign direct investment (FDI) – even though it benefited from the recent investment in the telecom sector – is below that of other neighboring countries. While many factors may account for the low level of FDI, it is instructive to compare a number of investment climate indicators that may influence the interest that foreign investors have in Mauritania. From Table 6 it would appear that for a number of indicators Mauritania ranks closer to Mali and Senegal than to higher rated countries like Tunisia and Morocco, a level that certainly is within reach for Mauritania in the short-term. This calls for simplification of bureaucratic requirements for investors.

TABLE 6 INVESTMENT CLIMATE, MAURITANIA AND NEIGHBORING COUNTRIES

	FDI as percent of total Investment ^{1/}	Number of procedures to get investment permit ^{1/}	Estimated Costs of these procedures. In \$ ^{1/}	ICRG ^{2/} Risk rating for 2000	Euro money rating 2000 ^{3/}
Mauritania	3.5	12	548	n.a.	27.2
Mali	3.4	13	817	61.8	28.1
Sénégal	4.0	15	1265	37.5	23.1
Morocco	n.a.	12	255	67.8	55.1
Tunisia	6.3	7	286	72.5	57.5

^{1/} Estimates based on FIAS reports; Mauritania FDI data are much lower in the earlier years in the absence of the telecom FDI; according to IMF data there was no significant FDI in 1998 and 1999, according to World Bank World Development Indicators (2000) the FDI in 1998 amounted to .5 percent of GDP and 2.4 percent of total gross domestic investment.

^{2/} ICRG –International Country Risk Guide – ranges from 0-100, with 100 being the highest.

^{3/} The ratings of Euromoney range from 0 to 100 with 100 being the best.

Source for column 1,4 and 5, World Development Report 2001, World Bank, Washington D.C. pp.274-6 and staff estimates.

The Investment Code could be revised in combination with an easing of the general fiscal provision for all investors, as has been recommended by several FIAS ³⁷ reports (1993,1996, 1998). At present, the 1989 Investment Code provides a set of complex advantages, depending on the amount of the intended investment, and distinguishes between different enterprises on the perceived priority of the intended investment (Régime Prioritaire et Régime des Conventions d'établissement). The application of the Investment Code was suspended for several years, but has recently been reactivated. The

³⁷ Foreign Investment Advisory Service, a joint Service sponsored by IFC and the World Bank.

advantages granted are multiple, depend on discretionary administrative decisions and furthermore are difficult to administer. Hence, a new and simpler Investment Code should be put in place; the current draft revised Investment Code could serve as a basis. This draft proposes the creation of “point francs” for the export sector so that those firms that export 80 percent of their production would obtain duty free access to imports of capital goods and intermediate goods, but no special consideration with respect to income taxes. The import duty regime of products sold on the domestic market should be established. As the 2002 budget intends to permit the 100 percent credit of the IMF (still no refund in case the firm has no income tax liability) this would reduce substantially the fiscal burden on exporters. Managing the “points francs” system, without damaging the revenue generation role of the import tax, requires a carefully thought-out and well-managed system to match the import content of the exports to avoid having excessive imports being resold on the local market. Other countries have struggled to efficiently administer such a system. Alternatively tariff on all capital goods and intermediate goods could be abolished, so that cost reduction benefits all producers, not only exporters. The change in the tariff structure should precede the introduction of the new Investment Code. The burden of corporate tax has already fallen considerably in recent years, and the legal framework for this tax is now quite satisfactory.³⁸ Once a new Investment Code is in place, the role and functions of the “Guichet Unique” should be revisited to largely consist of providing orientation and information to entrepreneurs and to facilitate business registration.

A review of the marginal effective tax rates (METR-that is the overall tax burden on a marginal unit of investment)³⁹ under the normal tax regime suggests that the tax burden in Mauritania is not very different from some of its neighbors. It is however much higher than that of transition economies and other countries that have been able to attract substantial amounts of FDI (Table 7). With the provisions of the Investment Code, the tax rates are roughly aligned with most of the countries in the sample, except for Poland. This however assumes that the provisions of the Investment Code are readily available and operate in a transparent and efficient manner, which according to the private sector is not the case. The recent reduction in direct taxation is not yet reflected in this comparison.

³⁸ The corporate income tax (BIC) was reduced from 40 percent to 35 percent in 2001, while the accelerated depreciation and longer loss-carry over periods were recently provided for in the regular fiscal legislation. In the 2002 budget law, it is anticipated that the IMF will be made fully deductible, and the BIC reduced to 25 percent.

³⁹ The marginal effective tax rates capture the extent to which the tax system (all taxes that impact on profitability (income tax system, not only the rates structure, as well as indirect taxes) causes the before and after tax return to investments to differ.

TABLE 7 MARGINAL EFFECTIVE TAX RATES

	Normal Tax regime		With Investment Code advantages	
	Industry	Services	Industry	Services
Mauritania	43.7	33.1	24.9	19.1
Mali	41.0	34.6	20.4	21.9
Senegal	45.4	35.7	23.0	18.1
Morocco	29.2	28.7	23.3	21.7
Tunisia	33.8	43.1	22.3	29.1
Poland	20.0	17.1	6.1	6.0

Source: FIAS (2000), p.19

With the scheduled introduction of the tax in the 2002 budget, the METR under the normal tax regime is likely to drop from 43.7 percent to 33.1 percent for the industrial sector and from 33.1 percent to 19 percent for the services sector, bringing it in line with Morocco and Tunisia. For the industry sector the normal tax regime would still leave the tax burden higher than is implied under a well functioning Investment Code. Consequently, a further reduction – particularly of tariffs on capital and intermediate goods—should be implemented to lower the overall fiscal burden on enterprises, freeing the Investment Code from providing fiscal advantages.

Mauritania has reformed its judiciary and legal system in recent years and modernized its Commercial Code, effective early 2001. Efforts now should be devoted to ensure that the judicial system can implement and enforce this new legal framework and that the competition legislation is enforced. Given the tendency, not yet fully documented, for increasing concentration of economic power in the hands of a few economic groups, the latter will present a major challenge. Mauritania has signed the New York convention that regulates arbitration procedures that facilitates the resolution of business disagreements, but these procedures still need to be tested.

2.2.2 LOWER COST OF DOING BUSINESS

The high production cost in Mauritania hampers export competitiveness.

The capacity of Mauritanian enterprises to export depends crucially on their capacity to produce quality commodities at low cost. Hence, the importance of lowering production costs. Labor *costs* are apparently low and would appear to enhance Mauritania's competitiveness. Minimum wages and the overall salary structure appear very competitive with regional levels, with minimum wages at \$30 per month compared with \$50 per month in Senegal. However, labor qualifications in Mauritania fall short of those required by a modern economy, as they tend to focus on trade in the informal sector. A major task therefore exists to upgrade professional training for new entrants to the labor force and for those already gainfully employed.

For several years, a new Labor Code has been under preparation by the Government that would abolish the state monopoly on employment offices, permit workers to be employed

under time limited contracts and ease the process of granting labor permits to foreign workers. This Code should be enacted promptly to clarify the situation on the labor market, even though it appears that practices in the labor market are more flexible than would appear from reading the present Labor Code.

The high cost of credit and poor access to it restricts economic activity

Financial depth in Mauritania is low when compared with other low-income countries and actually falling. Money as a share of GDP stood at 14 percent in 1999, as against 27 per cent in 1990 and 21 percent in 1980. For the average low-income country, this ratio rose from 25 percent in 1980, to 33 percent in 1990 and further to 35 percent in 1996.⁴⁰ This apparent demonetization of the economy is not further researched in this paper but deserves to be looked into carefully. In addition, Bank credit is very expensive, except for the very best creditors, is heavily concentrated on parties affiliated with the banks, and is made up largely of short-term credit. All state banks were privatized in 1990, except the Chinguitty Bank, held jointly by the Libyan and Mauritanian governments. Of the 7 commercial banks, 4 were fully owned by Mauritanian investors, while 3 have minority equity participation. Two key observations are in order:

- The intermediation margins appear very high. The cost of bank resources is low, while lending rates are very high. Bank deposits are largely made up of unremunerated sight deposits (even though paying an interest would be legal) and pay 8 percent (the minimum but also the one universally practiced) on demand deposits. Lending rates averaged about 18 percent in 2000. Given an inflation rate of about 5 percent, the high intermediation margins reflect the oligopolistic structure of the banking sector, which encourages neither competition nor efficiency in banking services. Access to bank credit is skewed towards operators associated directly or indirectly with the groups that own the banks, as reflected in the concentration ratios that often exceed the regulatory ones.
- Term transformation is still inadequate as more than three quarters of private sector credit is made up of short term credit, mainly trade financing.

Several approaches are under way to remedy this situation. The Central Bank has entered into contracts with commercial banks to bring their concentration ratios in line with bank regulations, after which stronger Central Bank supervision and enforcement will need to be implemented to ensure continued respect of the banking legislation in this respect. The Central Bank has also created a “Centrale des Risques” and a “Centrale des Incidents de Payments” that, once fully operative and documented, should permit commercial banks better to gauge the soundness of the local enterprises that apply for credit. The creation of a “Centrale des Bilans”, where the audited accounts of enterprises would be deposited, would also greatly help banks to assess the creditworthiness of local enterprise. To ensure that these accounts are reliable and comparable, wide application of the newly recognized national accounting framework is necessary. The recent reorganization of the auditing profession that aimed at ensuring greater reliability of their services will help in this respect. In addition, competition in lending may benefit from

⁴⁰ World Development Indicators, 2001.

the entry of foreign financial institutions. There are thus a number of initiatives to be followed up that could improve bank financing.

The Governor of the Central Bank is soliciting support from the international community for an in depth analysis and action plan of the financial sector to permit the financial sector to better assist the private sector. Part of this action plan will be to examine ways to make credit more readily available to fisheries and agriculture sectors.

Telecommunications and new technologies

In 2001, the Government of Mauritania sold a 52 percent equity stake of the incumbent fixed-line carrier, Mauritel, to a strategic investor led by Maroc Telecom. The newly privatized entity has an exclusive license that is scheduled to expire in 2004 at the latest. For most Mauritians, telecommunications services are unavailable and/or unaffordable. In 2000, telephones were only available in urban areas and the total number of main telephone lines—all in urban areas—stood at 18,975 in a country of 2.6 million inhabitants. In August 2001, the installation charge for a new telephone was the equivalent of \$38; monthly subscription charges were about \$4, the latter being somewhat below the international average. A 3-minute local call was about 11¢, which, reportedly is twice the level charged in Senegal, Mali and Burkina Faso.

International calling prices are substantially higher, in part reflecting high international accounting rates with other countries. A 3-minute call to a neighboring country was about \$2.20; these costs rise to \$2.55 for a call to New York, \$3.19 for London and \$4.78 for Tokyo. These prices appear to be at the lower end when compared to other countries in the region, yet they are significantly above prices in fully liberalized markets, which often are substantially less than a dollar for a 3-minute call. Despite its small market size, international experience suggests that there is scope for further price cuts by reductions in bilateral accounting rates and the introduction of competition for international services.

Mobile services have grown rapidly since two GSM licenses were granted in 2000. Already, there are about 73,000 mobile subscribers in Mauritania. One license holder is a joint venture between Mauritel and Maroc Telecom; the other one is a joint venture between Mauritanian private investors and Société Tunisienne des Telecom. A 3-minute domestic call from a mobile was about \$1.20 in August 2001, which is above international best practice and high for many consumers in a county with a per capita income of about \$400. At the same time, prices for international services are not significantly above fixed-line prices and, for some destinations, are even lower. Given Mauritania's small fixed-line network, mobile services are likely to be the main source of greater telephone availability in the future. Granting additional licenses to new market entrants could make an important contribution in fostering the expansion of the mobile network and in safeguarding and strengthening competition.

Although there are five Internet service providers in the country, use of the Internet is still very limited. In May 2000, there were an estimated 849 Internet subscribers (household and business), although this number is likely to have increased substantially since then. Monthly charges of \$1,172 for high bandwidth capacity (64 Kbps) are likely to restrict

commercial Internet use to only the largest enterprises in the economy. For purposes of comparison, monthly charges for a line of similar bandwidth are only \$440 in India. The high cost of Internet access in Mauritania is largely due to high charges for leased line services, which are still exclusively provided by Mauritel. Competition in this market segment could make a positive contribution to greater use of the Internet by export-oriented businesses in Mauritania. The Government of Mauritania established in 1999 an independent sector regulator, with six technical and economic professionals.

Preliminary recommendations:

- i) Substantial gains have already been achieved from partial liberalization in telecommunications. The next step would seem to be the introduction and strengthening of competition in the various fixed-line (already planned for 2004) and mobile market segments.
- ii) Upgrading regulatory capacity.

Electricity

The new electricity company is SOMELEC, which emerged from the separation of the water and electricity branches of SOMELEC, the mother company. SOMELEC obtains its energy from thermal sources; many enterprises however rely on their own generators, which substantially increase their energy costs. By 2003, Mauritania will obtain energy from the 200mw Manantali hydro-plant. A 1997 survey showed that with the exception of Burkina Faso, Mauritania had the highest electricity tariffs in the region. This certainly undermines the competitiveness of the economy. SOMELEC should give top priority to lowering the costs to the electricity user.

Water

Underwater reserves are important, but under exploited. The number of connections to the water system is rather low, which leads to high water costs and charges. Water charges in Mauritania appear to be the highest in the region (20 percent higher than Senegal and Côte d'Ivoire and 60 percent higher than Ghana), and efforts should be undertaken to lower these costs to the water user. The water network needs to be expanded to provide greater access to safe water to the population, which will imply substantial new investment. Such a program would greatly enhance the competitiveness of the economy, but also help the poor, for whom water charges are a significant expenditure.

Transport

Transport costs are very high due to under investment and poor management in the sector, and large distances between the centers of economic activity.

- *Roads system:* The road system is not extensive and no passable road connects the major economic centers of Nouakchott and Nouadhibou. Only 11 percent of all roads are paved, compared with 16 percent in the average low-income country. In addition, maintaining the road system is expensive due to periodic sand storms.

As such, large segments of the country are difficult to access and its economic potential is under exploited. For instance, roads in the South that would open up the promising agricultural area along the Senegal River are not passable in the rainy season and difficult to negotiate during any other season. Major infrastructure projects are under preparation, amongst which the road connecting Nouakchott and Nouadhibou as well as the road alongside the Senegal River. Transport costs are high also because of the monopoly granted to the national federation of transporters. This monopoly has been abolished in principle and the effect on lowering road transport costs should be closely monitored. Private management of selected road segments is an option for consideration, as it could bring in additional investment capital. Overall, the investment requirements to bring the road network up to standard in Mauritania will be substantial; some resources are already obtained but the rest still need to be found.

- Air transport: In the late 1990s, the government of Mauritania took significant steps towards developing a commercially oriented air service market. In 1998, the government opened its domestic market to competition. Further, in 1999, the government sold a majority stake in the national flag carrier, Air Mauritanie, to a foreign operator. The domestic competitor, CMTA, recently started operating and is estimated to command a 5 percent market share.

International air services are governed by Mauritania's set of bilateral air service agreements, which mostly do not grant free landing rights and heavily regulate capacity and tariffs. Mauritania is a signatory to the Yamoussoukro declaration, which foresees the creation of a regional open skies agreement in Africa. Airfares to Mauritania from Europe tend to be higher than those to Côte d'Ivoire and Sénégal, but in line with those to Burkina Faso and Mali. The end of Air Afrique services to Nouakchott will further reduce competition in an already concentrated market. Aside from more liberal air service agreements, greater flexibility with respect to charter flights operation could be a partial solution to reduce the high airfares. The latter could be especially important for the development of the country's tourism industry.

Government may aim to introduce greater openness in international air transport services on all routes along the lines of the liberalization accomplished in the regional context.

- Maritime transport: Mauritania maintains an open policy for international maritime shipping. No cargo reservation policies are in place. Starting in 1995, the government liquidated its assets in the sector, including COMAUNAM, a shipping company jointly owned by the governments of Mauritania and Algeria. There are no equity limitations regarding the foreign ownership of transport operators in international shipping and the provision of port services (except pilotage, towing and tying services).

Two foreign-owned consortia, Delmas and Maersk, currently dominate the market for international liner shipping services. These two entities account for approximately 85 percent of the total market. Unfortunately, it was impossible, at

this stage, to assemble detailed information on international freight rates. Yet, anecdotal evidence points to large costs of international maritime transport to and from Mauritania. Figure 3 shows the rate quoted on the web page of Maersk for selected container shipments from Baltimore to Nouakchott and, for purposes of comparison, Hong Kong. Despite its shorter shipping distance, freight rates to Nouakchott are between two and three times higher than comparable freight rates to Hong Kong, a situation that also prevails in more strategically situated ports such as Dakar and Banjul.

FIGURE 5 COST OF TRANSPORTATION

Figure 5a: Cost of Transporting Electrical Machinery from Baltimore, USA (40 Foot Container)

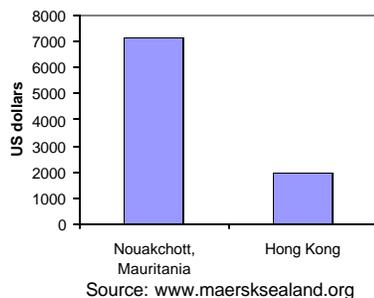
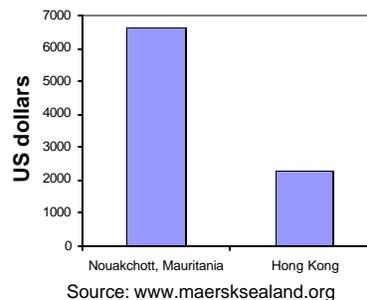


Figure 5b: Cost of Transporting Textile Clothing from Baltimore, USA (40 Foot Container)



Economies of scale and scope are likely to be an important explanatory factor behind these price differences. Yet, the concentrated market structure may also be an important reason behind the higher freight rates. Indeed, concerns about the lack of competition and potentially abusive practices by carriers have featured prominently in analyses of West African shipping markets (see, for example, the forthcoming *Global Economic Prospects 2002*). It is arguably difficult for a small country like Mauritania to foster competition in international markets. At the same time, regional cooperation on competition matters and the development of hub and spokes systems could make a contribution towards more competitive maritime shipping markets. To some extent, such cooperation already exists. The Maritime Organization for West and Central Africa, of which Mauritania is a member, seeks to coordinate policies of member countries in the maritime sector, including the development of regional cabotage.

Preliminary recommendations:

- i) Regional cooperation on competition matters to deal with highly concentrated maritime markets.
 - ii) Effective regulation of monopoly providers of port services.
- *Ports:* Nouakchott port is a multi product port for imports and exports, while the port in Nouadhibou specializes in minerals and fish products exports. *Prima facie* port tariffs are competitive, but merchants complain that port services are poor

and not client friendly, thus increasing their costs. As indicated below in the sector on fisheries substantial investment will be required to ensure adequate services for the proper development of the fisheries sector. Port management should also be reviewed. For the moment they are managed under “contrat plan” while operation under a concession agreement might be more efficient. Under such an arrangement, the concessionaire would be responsible for the operation of the port as well as for part of the new investment. The benefits of this option deserve to be closely studied.

2.3 Customs Reform in Support of Trade Facilitation ⁴¹

The trade reforms undertaken in recent years by the Mauritanian authorities substantially reduced the costs of imports and export barriers. To the extent that imports have become cheaper, the overall incentive structure is shifting away from import substitution and towards producing for exports. Yet import procedures are still lengthy and control-minded, while the valuation procedures are inadequate. A challenge for customs will be to combine their traditional role of raising budgetary revenues with a less traditional, but increasingly important role, of facilitating trade. This would be an important contribution to enhancing the competitiveness of the Mauritanian economy. This study urges that the customs reforms undertaken so far be deepened, not least because Mauritania has to fulfill its WTO obligations.

2.3.1 NEED FOR HIGH-LEVEL POLITICAL BACKING

Most successful customs reform in the world has benefited from high level political support, as its implementation entails the coordination between different government agencies, challenges entrenched vested interests, require new practices, need the necessary resources and get the full support of the private sector. Top-level political support should be enunciated and followed up by the creation of a high level Steering Committee to guide the Customs services to efficiently implement its resource mobilization and trade facilitation missions. The private sector should be represented on this Steering Committee. This Committee could gather the plans of different administrations (Customs, Tax Department administration, Treasury, Ministry of Trade), set the work program for customs reforms, while its Secretariat could monitor its progress and report back to the Committee.

2.3.2 SIMPLIFY CUSTOMS PROCEDURES USING ASYCUDA

Present customs procedures are complex, require excessive paperwork and are time consuming. This process is prone to errors and reflects old work habits and an ingrained suspicion that the importer will try to cheat to reduce his tax liability. While there is some truth to this suspicion, there are alternative ways to deal with this problem while at the same time facilitating transactions. Moreover, it seems to unnecessarily enhance contacts between importers and customs officials. Partial solutions are:

⁴¹ For details, see Volume 2, Chapter 5.

- Streamline the paper flow of the different parties that intervene in the process of clearing goods through the ports and customs. Greater reliance on the information system at hand could avoid repeat transactions, provide greater transparency to the workflow and generally ease the flow of transactions. The move towards the introduction of Electronic Data Interchange (EDI) could be accelerated. The complete ASYCUDA system is installed only in Nouakchott, but even there, its capacities need to be more fully utilized to this effect.
- Review the customs procedures to adapt it to modern trade practices. Again, a greater reliance on the ASYCUDA system would help to streamline the customs practices, thereby reducing the paper flow and ensure internal consistency.
- Introduce greater selectivity in customs control. This could mean the introduction of a Green Channel (targeting, profiling, random but minimal physical inspection) and a Red Channel (physical inspection). Combined with increased penalties for fraud, this system has been adopted with success by many countries. Customs administration could enter into contracts with selected private sector importers who present good accounts and build up a reputation of reliability, to allow their goods to pass the Green Channel and even to permit customs clearance on their premises. These imports could also be exempted from the IMF. To make up for revenue losses, the IMF could be levied at a higher rate on importers of the informal sector or on imports of those that have no good track record with the fiscal authorities. A transparent method of certifying good fiscal behavior would need to be established. Goods that have been checked by the Pre-shipment Inspection Agency and transported in secure containers could also benefit from the Green Channel, as is the case in Cameroon. Obviously, to avoid abuse of such a system, a tight post-clearance inspection system must be in place. In any event, a good post clearance system will need to be put in place when customs introduces the WCO customs valuation principles (transaction value – see below). The selection of cargos to be subjected to post clearance checks could be greatly assisted by one of the unused functionalities of ASYCUDA.

2.3.3 BETTER MANAGE SPECIAL IMPORT REGIMES.

About half of total imports into Mauritania pay no duties or taxes. Government imports financed under grants or loans and some financed with its own resources are exempted, as are the imports of the large state owned mining company (SNIM). In addition, there are the usual diplomatic exemptions, exemptions given to imports that benefit from the investment code and to NGO imports. Finally, exceptional and partial exemptions that are of unclear origin exist. Most government imports are supposed to be subjected to a system of “fiscalisation des marches”. The mission did not, however, examine the working of this mechanism that has only recently been put in place. This overall system of special regimes is likely to imply substantial revenue losses to the Treasury; under present circumstances, customs is in no position to check the final utilization of these imports. Anecdotal evidence suggests that some of the duty free imports leak to the general market. The resulting revenue loss requires that other revenue sources be tapped to make up for this revenue loss; duty and tax rates on the tax bases that are captured are higher than they would otherwise be, providing disincentives to investment and formal economic activity in general. To the extent that this situation leads to lower fiscal

revenue, it deprives the budget of resources required for the financing of pro-poor expenditures. Several options exist to rectify this situation:

- Government should institute a method to pay import duties on all its own imports, and provide additional budget resources to finance the payment of these duties. This is the intention of the “fiscalisation des marches publics”, which should be extended to imports financed by foreign loans and grants, and closely monitored. On the surface, this would appear to yield no additional revenue, as additional revenue is matched by extra budgetary outlays to finance these import charges. Yet, this procedure would level the playing field between local suppliers of these goods and services on the one hand, and imports on the other hand. It would permit better control of these exemptions.
- The 1989 Investment Code should be revised alongside with a reduction of tariff on capital and intermediate goods thereby providing investment advantages through the general fiscal legislation available to all investors, not solely to those that have been granted the benefits of the Code. This latter way of promoting investments is favored by most experts in the field (see the 1986 and 1999 reports by IFC) as more transparent and favorable to investors; it was introduced to good effect in Morocco.
- The exonerations granted to the SNIM should be eliminated, and its fiscal regime (it presently pays a 9.5 percent turnover tax) adjusted accordingly so that it is subjected to the general tax provisions.
- The legislation regulating a number of exemptions date from the 1960s and should be revised drastically.
- All exceptional exemptions should be stopped immediately
- Customs should set up a monitoring system to follow the final use of goods that enter duty free.

2.3.4 IMPROVE CUSTOMS VALUATION PRACTICES

Correct customs valuation of imports is a crucial element in the determination of duties and taxes due on imports. The valuation practices in Mauritania are handicapped by the absence of reliable data on the value of previous or similar imports, the widespread use of *de facto* reference prices, the practice of under invoicing and of relying on negotiations between custom officials and importers. Cognizant of these problems, the Mauritanian authorities have since 1994 entered into a contract with Société Générale de Surveillance (SGS), a Pre-Shipment Inspection (PSI) Agency. Under the contract with that firm, all imports into Mauritania above a certain value should be inspected before shipment from the exporting country. SGS was to certify the value, quantity and tariff code of the inspected imports. For these service SGS is paid .98 percent of the value of inspected goods, a fee paid from the Mauritanian budget. Values inspected by SGS increase on average by a factor of three over the invoice value. However, about 65 percent of imports subjected to the PSI requirement arrive in Mauritania without a PSI certificate and are inspected after arrival. This latter process takes time and is extremely inadequate. Such a practice is contrary to the intention of the PSI Convention. Furthermore, the PSI information is not often and fully used in the determination of the customs value, nor is any discrepancy between the PSI data and those used by customs in the calculation of the

customs value subjected to any audit or verification. All in all little use is made of the PSI services.

While Mauritania has committed itself to adopting the WTO valuation, by signing on to the WTO in 1996, implementing this commitment has not been a priority for the customs department; the government has postponed its implementation until January 2002. The WTO valuation principle states that customs valuation should use the invoice or transaction value for the calculation of duties and taxes. In the absence of sufficient information to adopt this principle, secondary valuation principles are allowed.⁴² Unless well prepared, the introduction of these valuation principles could lead to substantial revenue losses. Particular attention will need to be given to putting in place adequate mechanisms to deal with the trade undertaken by the informal sector, transit trade and the difficult area of second hand items (e.g. cars, clothing). In addition, the capacity of customs to undertake post clearance controls will need to be reinforced. The adoption of the WTO valuation principle adequately adapted to Mauritania's circumstances could be the occasion to accelerate the reform program of customs services. Such a reform can take time and it does not appear realistic to see the reform implemented by January 1, 2002. Hence, it might be judicious to notify the WTO of Mauritania's intention to undertake the reform of its custom valuation practices and principles, in such a way as to suit Mauritanian circumstances. At the same time, Mauritania should provide additional financing for the reform should be solicited from WTO members.

To make better use of PSI services, several steps should be taken in the very short run: (i) enforce the PSI requirement putting an end to "PSI" inspections after arrival of the goods in Mauritania, (ii) create an internal control mechanism, at the level of the Cabinet of the Minister of Finance, to oversee the PSI services and to ensure PSI value be incorporated in the customs declaration and that a reconciliation is made of the PSI value and that used by customs and, (iii) create an effective appeals procedure, with private sector participation, to reconcile differences between importer and PSI valuation. These issues should be implemented even before the present PSI contract is renewed. The renewal should benefit from the findings of an external audit to be undertaken of the PSI services in Mauritania in terms of resource mobilization, mobilizing budget revenue and strengthening the customs administration.

An action plan for the introduction of the WTO valuation principles, for which outside assistance may need to be sought, should be prepared immediately. This plan will include adjustment to the customs legislation, the modification of customs procedures, the relationship with the PSI company, better utilization of the potential of ASYCUDA, the preparation of a database on import values and staff training. The WTO should be notified of the new implementation timetable and the intentions of the overall reform.

⁴² These require that objective information be used to arrive at the customs valuation of imports: the value of identical goods sold for export to the same or similar country of destination, deductive value calculated on the basis of the unit price at which imported, identical or similar goods are sold in the domestic market, less the applicable deductions for cost incurred within the country of imports, computed value constructed on the basis of cost of production.

2.3.5 ORGANIZATION, STAFFING AND RESOURCES FOR CUSTOMS DEPARTMENT.

The present organization of customs makes no clear distinction between the role and function of the Direction Générale and the operational responsibilities of the regional Directors. Moreover, no clear task definition exists for the bureau chiefs. Other problems include inadequate staff training and resources, which hamper the proper operation of the customs services. The effectiveness of customs would be enhanced by:

- Clearly redefining the responsibilities of the various levels in the customs hierarchy, specifying operational targets and monitoring progress.
- Creating a Change Unit to oversee the various reform efforts and coordinate with donors the technical assistance to be provided.
- Identifying the budget resources needed to permit customs to exercise its mandate and start funding these needs as of next fiscal year.
- Establishing a training program for the staff and making successful completion a condition for promotion.
- Preparing an Ethics Code – inspired by the Arusha Declaration of the World Customs Organization – to be signed by all customs agents and installing an internal disciplinary board to punish any violations of this Code

2.4 Institutional Support for Trade Development⁴³

Export development is a stated priority in the Government’s objectives of faster growth and poverty reduction. This section explores what institutional support should be put in place to achieve these objectives. It: (i) describes what the respective roles of the public and private sector in this area; (ii) compares this with the situation on the ground in Mauritania; and (iii) presents a set of options and reform recommendations aimed at ensuring that Mauritania has the appropriate institutions.

2.4.1 PUBLIC AND PRIVATE SECTOR SUPPORT FOR PROMOTING EXPORTS.

In Mauritania all exporting is undertaken by the private sector, with the exception of mining that is undertaken by the SNIM. However, the **public sector** is responsible for establishing an adequate incentive system that includes a stable macroeconomic environment, a competitive exchange rate, a sustainable fiscal environment and efficient trade facilitation. In addition, the public sector must ensure that Mauritania enters into favorable multi- and bilateral agreements and effectively implements them to monitor export performance and promote the “image de marque du pays”. The operations of other government units whose operations affect export competitiveness should be coordinated to ensure that the overall incentive framework regarding exports is appropriate. As such, the public sector should have a focal point or Unit that functions as an “antenna” inside the government to ensure that the overall government operations are supportive for exports and that bilateral and international agreements are entered into and monitored to the advantage of Mauritania.

⁴³ Details are provided in Volume 2, Chapter 1.

In implementing these functions, the public sector should closely coordinate its activities with those **private sector** export activities that could benefit from a number of Trade Promotion Organizations (TPO). These should assist the private sector exporters (actual and potential) in the various aspects of exporting: identifying the products that are in demand, providing information on markets, training staff, connecting domestic firms with traders and the foreign markets, providing assistance to improve quality and reduce production costs, and easing trade transactions for the private sector. The performance of TPOs has often been disappointing and a recent evaluation of the performance of these organizations has led to a reassessment of their potential contribution.⁴⁴ In summary these reviews have come to the following conclusions: TPOs should:

- Advocate a pro-export incentive system.
- Operate independently from government, but operate with its full support as well as that of the private sector operators.
- Fully integrate the concerns of the private sector, which is best achieved by having the private sector playing a dominant role in the running of the TPO.
- Ensure that off-shore concerns are balanced with on-shore production concerns
- Be staffed with well-qualified personnel.
- Rely on secure funding in part on a cost recovery basis.

2.4.2 THE PRESENT INSTITUTIONAL FRAMEWORK FOR EXPORT PROMOTION IN MAURITANIA

A large number of institutions are directly or indirectly involved with promoting the private sector and by implication the export sector. The most important ones are outlined below:

Government organizations

- Most of the responsibilities for promoting exports are vested in the *Ministry of Trade, Handicraft and Tourism* (MCAT), where separate Departments are responsible for managing foreign trade, tourism and handicrafts. Each of these suffer from understaffing, lack of sector specific training, inadequate office space and equipment and lack of a clear mandate; their overall performance is not up to the important tasks assigned to them.
- At the *Ministry for Economic Affairs and Development* there is a Department of Investment Promotion (“guichet unique”) and one for the promotion of private sector development.
- At the *Ministry for Fisheries and Marine Economy*, a Department is in charge of promoting fisheries.

Public or semi-public organizations

- Centre National de Recherches Océanographiques et des Pêches (CNROP), responsible for research in support of the fishery sector.

⁴⁴ International Trade Center, Executive Forum 1999, Redefining Trade Promotion, The Need for a Strategic Response, Geneva 2000. Luc De Wulf, Trade Promotion Organizations: Why Did They Fail and What Can Be Done About it? (World Bank PREM Notes, September 2001).

- Société Mauritanienne de Commercialisation des Produits de la Pêche (SMCP), supervises and controls the marketing of frozen fish (particularly demersal, cephalopod and crustaceans), gathering statistics and levying diverse taxes on the sector.
- Société Nationale Industrielle et Minière (SNIM) is responsible for the marketing of its own mineral production.
- Bureau d'Appui à la Petite Entreprise en Mauritanie (BAPEM) supports the handicrafts sector and guides the setting up of credit and savings institutions for this sector.

Private sector organizations

- Centre d'Information Mauritanien pour le Développement Economique et Technique (CIMDET), responsible for providing support to the private sector development, in particular by providing commercial information and documentation.
- The federation of employers Confédération Générale des Employeurs Mauritaniens (CGEM) which is made up of a number of sectoral professional associations, as well as the Association des Jeunes Employeurs de Mauritanie (AJEM)

2.4.3 SUGGESTIONS FOR A NEW INSTITUTIONAL SUPPORT SYSTEM TO PROMOTE EXPORTS.

Based on the above, this study suggests that the task of managing and promoting foreign trade be clearly separated between well functioning and funded government units and public-private organizations. Each should have well-defined responsibilities and assured resources. The following recommendations elaborate on this suggestion.

Core Recommendation 1

Government strengthens Units that support the export sector, leaving the strict promotion of exports to entities to be created and that would be largely run by the private sector.

Promotion Unit (that already exists in the Ministry of Trade but that should be strengthened) could have the following responsibilities:

- Monitor Mauritania's international trade performance and its relations with trade partners, contribute to the preparation and distribution of trade statistics;
- Prepare, negotiate and monitor trade agreement with bilateral and multilateral partners (WTO in particular);
- Prepare and monitor the implementation of trade regulations;
- Centralize all legal and other documentation related to trade issues;
- Dialogue with the private sector to ensure that exports face a favorable incentive environment, are not hampered by infrastructure inadequacies or bureaucratic procedures;
- Guide commercial attaches at Mauritanian embassies abroad in exploring trade avenues and assist the representatives of foreign embassies in Mauritania on the

same issues (the establishment of commercial attaches in Mauritanian embassies abroad should be carefully evaluated against expected results, and should not be seen as an absolute necessity in all embassies);

- Represent Government on the Boards of the specialized trade promotion offices that will be created;
- Define strategy with respect to standards.

Performing these tasks effectively and efficiently will require that a Unit be endowed with the necessary resources — staffing, training, equipment and premises.

A *Tourist Secretariat*⁴⁵ could be made responsible for:

- Setting the regulatory framework for the sector of tourism: hotels, transport, guides, tourist agencies;
- Monitoring the sector's development: ensure that statistics pertaining to the sector (number of tourists and their profile, their spending habits, their level of satisfaction) are gathered and disseminated;
- Being the advocate for the sector within the administration (foreign affairs, transport, health) to promote its development;
- Promoting the image of Mauritania abroad as a desirable tourist destination through well-targeted initiatives.

The Unit will need to be well staffed by qualified people that have benefited from targeted training and its support base (offices, equipment, and mobility) will need to be adequate. In light of the level of support presently provided to this Unit in the MCAT, this will require a substantial increase in budgetary resources.

A *Handicrafts Unit* (already in place as a department of the Ministry of Trade) could reinvigorate the sector, which has the potential to generate substantial exports and support the tourism sector. It is poorly organized, however, lacks training and adequate marketing facilities, failed to restructure its production, and operates without a clear vision for its future. The Unit should devise a strategic action plan for the development of the sector, perhaps based on the reactivation of the 1999 *Shéma Directeur* that was never fully implemented. Here again, the present structure responsible for the sector must be strengthened with the help of the necessary resources, training, and so on.

At present, the MTAT has Departments responsible for the above sectors and this government structure could be maintained. Another option would be to attach the Trade Development Unit to the Ministry for Economics and Development, which already has the responsibility for interacting with other Ministries and deals with many of the issues that these different Units would have to deal with. The Tourism Unit could become a Secretariat of the Prime Minister's Office, while the Unit dealing with artisan issues could be incorporated within the Ministry of Industry. However, more important than

⁴⁵ Such a department already exists in the Ministry of Trade and should be strengthened, if not made into a Secretariat.

their administrative attachment, is to ensure that these Units are equipped to function properly, which will require additional human and financial resources.

A Fisheries Promotion Unit inside the Ministry of Fisheries and Marine Economy (*Direction de la Promotion des Produits de la Pêche*) should be responsible for the regulation of the fishery sector, establishing a medium- to long-term sector strategy. It should oversee the public entity responsible for research and represent the government in the new organization that will manage marketing of the marine products. This Department needs strengthening to execute its responsibilities with greater efficiency. For some details, see Core Recommendations in Section 3.1 and Volume 2, Chapter 3. Note that this Section recommends that the Société Mauritanienne de Commercialisation des Produits de la Pêche (SMPC) be abolished, and that the Centre National de Recherches Océanographiques et des Pêches (CNROP) be strengthened and its activities refocused. Section 3.1 also recommends and that a new private-public agency be created to promote the export of Mauritanian fishery products, the Centre de Promotion des Produits de la Pêche de Mauritanie (CPPPM)- see below.

Core Recommendation 2. Create an Office National du Tourisme (ONT)

Potential gains exist if private sector operators were to combine their efforts to promote tourism activities in Mauritania through well-targeted promotion activities

As mentioned below in detail under Core Recommendation 2 in the Section on Tourism, the ONT would complement the Tourism Unit in the Ministry by bringing together private sector operators for the promotion of tourism products and by liaising with the ministerial Unit to put in place a clear and favorable incentive environment for the sector. Largely managed and financed by the private sector, the ONT could provide a significant impulse to the sector. One could easily envisage a small tax – maybe called an environmental or tourist tax – to be added to hotel bills, the proceeds of which could be allocated to the ONT.

Core Recommendation 3. Create a Fisheries Promotion Center

A concerted effort to obtain better prices for fisheries products is best undertaken by the operators of the sector. A dedicated Center could be created to that effect.

An analysis of the weak success Mauritania has obtained in marketing its fisheries products and the need to refocus its marketing efforts, has led the Government to prepare a project for the establishment of the *Centre de Promotion des Produits de la Pêche en Mauritanie* (CPPPM). This Center would take over the promotion activities presently undertaken by the SMPC – which would be abolished in the new set up of the sector – and by the Unit in the Ministry of Fisheries and Marine Economy. It could operate as a *Groupement d'Intérêt Economique* (GIE) and have a majority of its Board members and Chairman from the private sector; these could emerge from the respective Professional Associations. A transfer of a share of the access fees or export taxes levied on the sector could partly finance the CPPPM. Such a transfer of resources to the CPPPM would implement the widely accepted cost recovery principle, as it would in fact be a payment by the fishery operators for services rendered by the CPPPM.

Core Recommendation 4. Make adequate export relevant training available

Well-designed programs to promote the knowledge of export management and techniques should be launched.

Staff in both the private sector and in government lack specialized knowledge of foreign trade practices and techniques. No formal training to that effect exists in Mauritania. In addition, the language skills of the relevant staff and their familiarity with the new technologies are inadequate to effectively contribute to the export drive. To remedy the situation specialized training needs to be initiated. Some of this training could be provided at the University of Nouakchott, where the course selection in this area should be broadened; eventually a Master's program could be launched. Training for staff of the Ministries and Units involved in export management, regulation and promotion and of enterprises interested in broadening their marketing scope could be a focus of attention. Such training could focus on providing practical trade, marketing and language skills. It should also include a continuing education program, for staff already working in the business community, and could be offered on evenings or on weekends. It could include local and foreign business people with experience in foreign trade, partnerships with foreign firms and internships abroad for selected participants. The overall training program should be demand driven and prepared in closely association with the Confédération des Employeurs de Mauritanie (CGEM) and the Ministry of Education.

Core Recommendation 5. A mechanism to enhance quality needs to be put in place

Well-targeted efforts should be undertaken to enhance quality production, the precondition for exports.

A program, eventually financed by donors and executed in cooperation with the CGEM, to enhance quality of domestic production could be launched, comprising the following elements.

- Audits of local production facilities, with the objective of preparing plans for quality enhancement and cost reduction – using cost sharing principles along the lines of the matching grant schemes used with success in some other countries;
- Certification of product quality: ensuring standard certification will facilitate exports as it provides assurance that the exports meet standards set by the importing country.

There is no one-size-fits-all formula to achieve this objective. In addition, because the industrial and export sectors in Mauritania are rather small at this time, assessing how other countries have implemented this objective (see the CODINORM in Côte d'Ivoire – Volume 2) is likely to be useful. In addition, it might be advisable to call on the services

of certification companies, such as the SGS already in place in Mauritania, to certify products and laboratories.⁴⁶

Core Recommendation 6. Strengthen the information base for the export sector

Exporters would benefit from being plugged into the full international information base to perform well.

A major handicap for developing exports is the absence of good information on the products that are in demand, the marketing channels and possible trading partners. The CIMDET is the only organization that has access to commercial data and where operators can go to consult the documentation and database. However, the data on export potential is very weak. In addition, the future of the CIMDET is fragile as the external financing from France is about to run out, service charges are minimal and much of the membership contributions are in arrears. Retaining the substantial expertise of the CIMDET hold great benefits and it could enhance the information base at the disposal of the business community, particularly actual and future exporters.

CIMDET could launch and support **Trade Points (TPs)**. Created by UNCTAD, a TP could operate as a single trade facilitation point (“guichet unique”), run by an NGO, to support operators in the export and import sectors. The TP (i) brings together representatives of the different organizations that have an impact on foreign trade, customs, custom brokers, representatives of the Chamber of Commerce and Industry, transport, banking and insurance sectors); (ii) serves as an information source on importers, potential suppliers, trade opportunities and market access; and (iii) is a method of bringing buyers and sellers together through electronic means.

⁴⁶ The PSI company could also play a major role in ensuring the conformity of imports to international standards, as is included in a number of the contracts this company has entered into in other African countries.

3. Sector Analysis

3.1 Fisheries⁴⁷

3.1.1 BACKGROUND: STRENGTHS AND WEAKNESSES⁴⁸

The fisheries sector contributes substantially to Mauritania's budget and foreign exchange receipts. The impact of the sector on the economy could be further expanded. Efficiency gains are needed to improve its performance, however, in terms of enhancing value added, employment creation and sustainability.

The fishing sector in Mauritania generates over 30 percent of the public budget (fishing royalties and penalties only), more than 40 percent of export proceeds or \$150 million in 2000 and about 5-6 percent of GDP. In addition, about \$50-\$400 million worth of fish products is caught by foreign vessels. The substantial fish resources of the country are – with two exceptions (octopus and small pelagic) – reportedly under- exploited. Over 95 percent of the fish caught in Mauritanian waters is exported and the activity of foreign vessels dominates the sector. The public sector must ensure efficient management of fisheries resources because of their common property nature, the involvement of foreign vessels, and Government's desire to ensure that a sufficiently large share of the value added, employment and foreign exchange generated by the sector benefits the country itself.

Foreign interests play a dominant role in the sector. The recently concluded 5-year fisheries agreement with the EU highlights the importance of this foreign role. The negotiations preceding the agreement clearly illustrated the constraints within which issues such as the reduction of fishing efforts on over fished resources, and increasing the benefits from foreign fishing operations were negotiated. More fundamentally, key sector constraints such as limited infrastructure, a complete lack of effective private sector financing, limited human capital, and weak institutional and administrative framework are not directly being addressed by the new agreement. Seen in that perspective, the current agreement provides the country with a five year window of opportunity to utilize the financial benefits of the agreement to restructure the sector and develop a negotiating strategy that would maximize the benefits to be reached through the next round of negotiation.

⁴⁷ For details, see Volume 2, Chapter 3.

⁴⁸ This section does not provide an exhaustive analysis of the sector or the core issues that affect its performance (see Annex 1 for some information and references to other reports on the subject). It does however provide a simple check-list and description of the policy actions, studies, investments and technical assistance that may be needed to improve the competitiveness of the Mauritanian fish production, better integrate the sector into the economy and strengthen the economic and social performance of the sector.

Mauritania's fisheries can be grouped in four broad categories, each with its own specific characteristics, strengths and weaknesses that must be taken into account in the design of an effective sector strategy and policy framework. In order of importance, the categories are:

- Cephalopod fishery. The cephalopod stocks (octopus, squid), which inhabit the waters of Senegal to Morocco, are the most valuable marine resource. They are overexploited in Morocco and Mauritania. Continuing action is needed to improve effective resource management – including limits on the activities of the various types of vessels operating in this sector to ensure the sustainability of this resource. Over time, the role of foreign vessels in this fishery should be minimized. Mauritania, Morocco and Spain are the largest exporters of octopus worldwide, with the main markets being Japan and the EU. Mauritania could benefit from closer cooperation with Morocco in their joint marketing efforts in the Japanese market.
- Small-pelagic fishery. While over fishing of this group of fish resources is not yet proven, it would be prudent to maintain the level of total annual catches at 500,000 tons until research suggests it is feasible to raise this limit. Ensuring that this limit is not surpassed will require adjustment of future international agreements, especially those with the EU. Other steps that should be considered include strengthening marine surveillance, enforcing transshipment at or near Nouadhibou, and upgrading its port facilities. In addition, as is the case with cephalopods, Mauritania should determine how to achieve the right balance between foreign and domestic fishing vessels in the future.
- Specialized Fisheries (tuna, shrimp, demersal fish). These species are currently moderately exploited, largely by foreign vessels. Issues here are the need to improve surveillance over foreign fishing activities, development of a long-term strategy to enhance a Mauritanian capability to operate in these fisheries, and to encourage more local handling and processing.
- Artisanal Fisheries. Coastal fish resources appear plentiful and so far are being lightly exploited. Yet, a number of active and profitable coastal fisheries have developed. Future scientific research may show that the sector has the possibility of substantial employment creation and income growth, but this is not yet fully proven. Developments so far have largely been *ad hoc* and, where supported by international initiatives, at high cost. Long-term development of the sector will require time, and most importantly an *organic* development process whereby the Government would play the role of facilitator, supporter of pilot initiatives and provider of essential services. Careful development based on appropriate fish resources management and adequate research should enable substantial growth in local value added.

The tax and license regime (which has resulted in fisheries accounting for 24 percent of the 2001 budget)⁴⁹ has ensured that a substantial share of the value added of the sector accrues to the state. It creates perverse incentives, however, detrimental for on-shore processing, while leaving the key sectors supporting the sector under-funded. Similarly, although the benefits accruing to the country (mainly the Government) from ‘free licenses’ (licenses libres) issued to foreign vessels are higher than the benefits from joint venture arrangements (affretements) between local and foreign parties, the former substantially limit the country’s ability to manage and control catches. The system of licenses and taxes thus requires a critical review and possible overhaul to promote employment creation in Mauritania.

The operations of fishing vessels are regulated by international agreements and the issuance of licenses (and associated taxes and fees) within the context of the fisheries legislation. The fishing fleet operating in Mauritanian waters is dualistic. Many obsolete, relatively inefficient locally owned and foreign-chartered vessels operate alongside modern, highly efficient and large foreign owned vessels operating under international agreements. The number of genuine Mauritanian owned and operated vessels is reportedly very small, largely because of the prevailing tax regime.

The public sector’s role in the fisheries sector has substantially changed over time, with the state increasingly disengaging itself from the role of producing and marketing. Yet, further scope exists to redefine the role of Government away from production oriented control towards its core obligations: sector management through policy analysis, investment planning, and management of administrative and service functions in cooperation with ultimate users, and directing the sustainable management of the fish resources. For instance, research and surveillance activities are well developed; with an adequate incentive system and user pressure, however, efficiency could be improved and research and surveillance information translated into practical management plans for each of the four main fishery groups. In addition, Government could better draw in the well-organized private sector (*Fédération Nationale de Pêches*) in the design, funding and evaluation of public services, and for the implementation of selected tasks that are currently performed by the public sector (e.g. in the area of trade promotion, in which the private sector should play a more dominant role).

3.1.2 OUTLINE OF AN ACTION PLAN TO IMPROVE SECTOR PERFORMANCE

The proposed Fisheries Development Plan (FDP) centers around five practical intermediate objectives that would contribute to improving the competitiveness of Mauritania’s fisheries sector, while enhancing the country’s ability to better manage the sector and its resources. Such enhanced competitiveness will provide additional resources to the budget that could be deployed to finance Mauritania’s anti-poverty program as well as create new employment opportunities. These objectives are:

⁴⁹ In the 2001 budget with total revenues of OM 72 billion, EU transfers amount to OM 12.8bn, export taxes and license fees to OM 2.8 bn, access rights to OM 1.1bn and penalties to OM 0/2 bn.

- Maintain the level of fishing at sustainable levels while increasing the exploitation of under-exploited species;
- Gradually increase the share of catches caught by locally owned or chartered vessels, and support those catching and processing technologies that optimize local value added;
- Improve the enabling framework of public policies, regulations, taxes and private credit;
- Increase the price being obtained for exported fish, particularly cephalopods; and
- Improve the performance of key public and private institutions, and provide essential infrastructure at reasonable cost.

The recommendations listed below are frequently interconnected and often affect more than one issue. The entire ‘FDP’ – the complex of all proposed policies and propositions – is designed as a package with mutually reinforcing policy actions.

Core Recommendation 1. Improve the Management of Fish Resources

To strengthen the capability of the Government to manage these and other resources, CNROP and the Ministry of Fisheries should prepare species-specific annual management plans for the key fish resources. This should lead to an action plan to deal with the problem of over-exploitation of cephalopod stocks and the potential over-exploitation of small-pelagic fish stocks. CNROP’s work programs and publications should be better geared towards preparing these plans.

Core Recommendation 2. Monitor Fishing Agreements

In general, fishing agreements should be negotiated to ensure the sustainability of the fishing resources, better control foreign vessel operations, control export earnings, obtain necessary financial assistance and other development assistance, and more effectively exploit port infrastructure and service industries.⁵⁰ More fundamentally, these agreements should be designed to assist in addressing key sector constraints, such as insufficient infrastructure, or the development of an effective local banking function for the fisheries sector. The exploitation of cephalopod resources by EU vessels and the potential over-exploitation of small-pelagics resources remain immediate concerns. Over time, Mauritania may want to reduce EU cephalopod catches – which directly compete with Mauritanian catches in key markets. To build up its own cephalopod fishing fleet Mauritania could aim at acquiring a part of the surplus EU cephalopod fleet in the future, possibly using financing that might become available in the context of the restructuring of the EU’s own fisheries. Future fisheries agreements might also be used to seek specific support for investment and TA projects listed in its Fisheries Development Implementation Program. In general, Mauritania should use the next five years to develop a detailed and comprehensive negotiating strategy for the next EU agreement. It may consider developing informal discussion channels with EU parties to assess well in

⁵⁰ The agreement with the EU was recently renegotiated and the agreement with the Netherlands is currently being renegotiated.

advance the likely reaction of the EU on specific recommendations. It may also consider the development of a joint negotiating strategy with Morocco and Senegal.

Core Recommendation 3. Seek the Most Appropriate Tax Regime

The current regime of licenses, taxes and other fees and levies is complex and channels large resources to the budget. Yet, as discussed earlier it has also created perverse incentives. Government might want to revisit the present system to analyze the impact of the current license and tax regime on the sector, and adjust the system accordingly. There is a strong presumption against levying of export taxes in favor of a well-designed system of licenses. It will be useful in this context to consider that EU vessels have few alternative fishing grounds to Mauritania and appear highly profitable. Hence, a well-targeted study should provide input on how the sector can best contribute to budget revenue while ensuring its profitability, and its contribution to growth and employment creation.

Core Recommendation 4. Manage the Development of the Fishing Fleet to Increase the Catches Made by Local Vessels

If Mauritania is to increase its share of total catches and its share of value added, then the problems posed by the coexistence of a mostly old and obsolete local industrial fishing fleet with foreign fleets that include some of the largest and most sophisticated vessels in the world needs to be addressed. Mauritania's dependence on foreign technology, management and marketing for the exploitation of its small-pelagics stocks, and the predominance on EU vessels in the cephalopod fleet stand out particularly in need of review. A strategy is also needed to enhance Mauritanian participation in areas that are currently completely dominated by foreign vessels, like the shrimp and tuna fisheries. A development strategy to tackle these issues and review the practical feasibility of developing local production should be prepared jointly by the public and the private sector – in both fishing and processing.

Core Recommendation 5. Strengthen Public Sector Management of the Fisheries Sector

Three core functions of the Ministry of Fisheries could be strengthened on priority bases to permit the Ministry to better fulfill its role of guiding the development of this important sector. This strengthening exercise should learn from several earlier attempts to do so, and be motivated by the mandate of the Ministry to serve the country, not to serve the operators in the fishing sector. *First*, expand its ability to develop sector policy, analyze negotiating positions for international agreements, evaluate the economic performance of the sector, execute special strategy studies, and perform development planning and investment evaluation functions. *Second*, develop the ability to prepare and monitor the implementation of annual management plans, in close cooperation with CNROP and the *Delegation*. *Third*, strengthen its ability to manage the Ministry itself (licensing activities, regular administration, and evaluation of the performance of CNROP, surveillance, customs, SMCP and ports). Reorganization plans could be based on recommendations of a study bureau specialized either in reorganizing public

institutions, or from an *ad hoc* Committee made up of technical and institutional specialists from inside and outside the Ministry.

SMCP could be abolished over time and marketing totally returned to the private sector, individual exporters or cooperatives organized in GIEs. Trade promotion could be taken over by the CPPPM.

Funding of core public services. A Fisheries Services Fund (FSF) could be created to finance part of the core activities of CNROP, the surveillance activities of the *Delegation*, the preparation of annual management plans by CNROP and the Ministry of Fisheries as well as subsidizing the CPPPM. A service fee paid by private sector operators in the sector could finance it. Such financing would replace budget financing, and have the advantage of clearly linking tax payments and services rendered (cost recovery principle). The FSF could be placed under joint public-private management, with clear rules for disbursing the funds. Such a service fee could replace the existing 'Tax Statistique', and should be extended to all vessels operating in Mauritanian waters, including all foreign vessels.

Core Recommendation 6. Manage Fish Markets to Increase the Prices Obtained from Fish Exports

Mauritania and Morocco jointly account for 50 percent of world exports of cephalopods, and sell most of it to the Japanese market where an oligopolistic market structure prevails. A carefully conceived joint marketing strategy with Morocco might assure substantially better export prices. Similarly, Mauritania may wish to explore alternatives to the current marketing channels for frozen blocks of small-pelagics to West Africa to obtain better prices, although the potential incremental benefits would be more modest. The CPPPM has a major role to play here, as discussed above.

Core Recommendation 7. Involve the Private Sector More Effectively in Defining and Implementing Public Sector Policy

The efficient operation of the fisheries sector would benefit from greater cooperation between the well-organized private sector and the public sector. A small joint public-private sector-working group could be set up to advise government on a variety of issues. Amongst these is the expansion of infrastructure, the private sector role in funding and directing selected sector services (e.g. research), annual management plans and the granting of licenses, involvement of foreign fleet, surveillance, funding of fleet expansion and port management. Such a dialogue could convince the private sector of the stable investment climate. The creation of the CPPPM, partially to replace the SMCP, would also confirm the greater importance given to the private sector in exploiting fisheries resources.

Core Recommendation 8. Provide Essential Infrastructure at Reasonable Cost.

Current port and transport facilities for industrial and artisanal fisheries are inadequate. In line with the objectives to require local and foreign vessels to trans-ship their catch near Nouadhibou, to eventually build a fishing port in Nouakchott, to modernize the

Mauritanian fleet, and to develop artisanal fishing port, preparing a Fisheries Development Implementation Program would generate substantial benefits. Such a plan would be instrumental in defining the options, providing a time frame for the modernization of marine infrastructure and attracting foreign financing. The construction of the Nouadhibou-Nouakchott road connection would also fit into the Program, as it would support artisanal fisheries development, and facilitate movement of fish between Nouakchott and Nouadhibou. The Program might also want to look into the option of having the port of Nouadhibou professionally managed through a management contract.

Core Recommendation 9. Better Exploit the Potential for Employment and Income Creation of the Artisanal Fisheries Sector

Mauritania's small but profitable artisanal fishery cannot grow without appropriate road and fish-landing infrastructure, credit, technology, human resource development, fish processing capacity and a conscious public policy and commitment towards development. Its development requires a long-term strategy based on a proper fish management plan and research, not only to guide public support for investment and TA activities, but also to articulate the future development perspectives of the artisanal fisheries and industrial fisheries. The advantage of artisanally caught fish rests in its freshness. Hence, onshore processing – as already initiated successfully by some entrepreneurs – should be stimulated. Attracting FDI to this sector should remain a priority. The existing Advisory Council for small-scale fisheries should be re-activated to prepare such a strategy and define the requirements for its implementation.

3.2 Livestock⁵¹

3.2.1 BACKGROUND: WEAKNESSES AND STRENGTHS.

The livestock sector contributes in a major way to incomes in the rural sector, but its export performance and potential are insufficiently recognized.

Revenues from the livestock sector represent a major source of income for the rural population in Mauritania, that is the poorest segment of the population. Even though the statistics for the sector are poor, it would appear that livestock contributes an average of 15 percent of GDP (1990-1999) or 80 percent of the agricultural contribution to GDP.⁵²

Despite its importance, the sector is not well integrated in the national economy and for a long time has been relatively neglected. Compared with the agricultural sector, livestock has attracted little investment. Only since 1985 has Government defined a program to strengthen the sector by investing in basic infrastructure and modifying the provision of veterinary services. These reforms have had beneficial results and the stock of livestock appears to have risen despite periodic droughts. In 2000, the livestock was estimated to comprise 1.5 million cattle, 1.1 million camels, 5.1 million sheep and 3.4 million goats. Some suggest that, except for cattle, these levels are substantially higher than before the major drought of the early 1970s. The regional demand for Mauritania livestock exports appears strong. Combined with apparent reduction in per capita meat consumption in Mauritania – due to the greater urbanization of the population – this augers well for the expansion of regional exports if supported by adequate policies and investment.

Exports of livestock and hides towards the sub regional markets is quite significant but are insufficiently reflected in the trade statistics in part because this activity is undertaken by the informal sector and is destined for neighboring countries such as Senegal and Côte d'Ivoire. Some estimates suggest that about 30 percent of the national livestock production is exported: 7,149 tons of cattle, 5,058 tons of camels and 11,562 tons of sheep. This yields a total estimated at OM 9 billion, close to 3 percent of measured exports. Two thirds of the exported sheep and one third of the exported cattle appear to be destined for Senegal, with the remainder of the cattle and sheep exported to Cote d'Ivoire. Camels are exported to Algeria and Morocco. Hides are largely exported to Senegal, Mali, Ghana and Morocco and are partly reflected in the exports of these countries. No livestock products are exported to the EU, where there would be no tariff restrictions, but where significant zoosanitary conditions would prevail.

Production of livestock is efficient given the national resources and rainfall, and exporting appears to be an economically profitable activity, even though the fertility and weight of the livestock is rather low when compared with production in other regions of

⁵¹ For details, see Volume 2, Chapter 4.

⁵² When this report was being prepared, the Mauritania authorities, with support of the investment Center of the FAO and the World Bank, were working on an evaluation of the livestock sector. These reports drew on some of the data of this exercise. The conclusions of the IF are consistent with those of the recent exercise that will be available in the next few months. That report will give the full details of the recommendations provided in this report.

Africa or worldwide. Exports of livestock are handicapped by the quality of the animals available on the local market. The predominance of exports on the hoof affects the quality of the meat delivered at destination and so far has not benefited from export processing such as fattening operations. The overall health situation of the livestock appears satisfactory without major outbreak of epizootic diseases, in part thanks to recent reforms of the sector that have made health services widely available to the livestock sector. The absence of timely and reliable information on prices and demand in the import countries and by lack of professionalism of the exporters, who belong largely to the informal sector, also constrains export performance. Exports are also handicapped by the many “informal taxes” they must pay along their route. The export of hides is hindered by the absence of a local tannery or modern slaughtering processes combined with the poor conditions of the skins offered for sale. The scope of export of milk and milk products is limited by the insufficient supply available for export. Yet, some limited efforts are under way to export camel milk and camel cheese; these initiatives are hurt by strict zoosanitary conditions prevailing on the EU market.

So far, no exports of meat products to the EU have taken place and short-term prospects for such exports are not good. First, the quality of Mauritanian meat available for exports is not at the standard in demand in the EU, given that the production is wholly geared to the local demand and that of neighboring countries, where demand differs substantially. Second, stringent sanitary standards exist that require a certification that exporting parts of the country are free from disease and that the processing facilities meet the required standards. Both conditions can over time be met, if adequate investments were to be made. However, in the short run Mauritania might want to focus on the profitable regional trade, where it clearly has a comparative advantage, and where more modest investments could yield substantial returns.

The Ministry of Agriculture and Livestock is in charge of guiding the sector, but suffers from inadequate resources as well as insufficient staff outside Nouakchott. A restructuring of the Ministry is planned, with World Bank support, to improve its support to the sector. The private sector is organized around several professional organizations; their operations are handicapped, however, by poor organization and the absence of adequate information on their markets. These associations benefit from financial and technical support of the French Government.

The livestock sector has been extensively studied and benefited from support operations financed by the EU, the GTZ, OPEC, the African Development Bank and the World Bank. However, because of weak domestic institutional capacity, this analysis has not yet led to the preparation and implementation of a comprehensive sector strategy. The new Mauritanian study undertaken with FAO and World Bank support intends to remedy this situation, and gives special attention to strengthening institutional capacity to design and implement an adequate sector policy that is a prerequisite for a more vibrant export performance.

3.2.2 OUTLINE OF AN ACTION PLAN TO IMPROVE SECTOR PERFORMANCE

Policy actions in support of better export performance by the livestock sector can be organized under six core recommendations.

Core Recommendation 1. Improve the Health Condition of the Livestock to underpin Export Growth.

Livestock trade will increasingly depend on adherence to internationally recognized zoo to sanitary standards, even though at present regional trade is not impeded by the absence of effective regulations in these areas. As Mauritania is presently the most competitive in regional exports on the hoof, this is the area where efforts should be concentrated. National legislation in this matter should be brought in line with these standards and the Agency responsible for its implementation (Réseau Mauritanien d'épidémiologie-surveillance des Maladies Animales – REMEMA) should be strengthened. In the first instance, it will be important that Mauritania be declared free from pest and from foot and mouth disease. WTO regulations do permit trade in the event that only part of the country is declared free of disease. Better sanitary controls of the herds are also important to ensure domestic food safety.

Core Recommendation 2. Improve the Information Base of the Sector both for Public Decision-Making and to Assist Operators.

- Bring together the various agencies involved in the collection and presentation of statistics on the livestock sector (customs, veterinary officials, Ministry of Agriculture and Livestock – with its newly established Service des Statistiques Agricoles et Informations Rurales, Office Nationale des Statistiques, Central Bank), and prepare an interim action plan to improve the database designed for operational use. Pursue the ongoing project to undertake a livestock census, with support solicited from the FAO. The Service des Statistiques Agricoles et Informations Rurales will need to obtain the necessary support (human as well as material) to exercise its responsibilities.
- Create an entity that would be responsible for the gathering and dissemination of commercial information pertaining to the sector, enabling operators to react in a timely fashion to commercial developments. Professional associations would need to be in charge of this initiative with support of the public sector.
- Set up a documentation center, where all previous studies and documentation would be made available to interested parties. In the last decade, at least fifteen studies and numerous project documents have been prepared. Much of that information is either lost or inaccessible to decision-makers and the public.

Core Recommendation 3. Strengthen the Livestock Department in the Ministry of Agriculture and Livestock.

The 1993 restructuring of the Ministry has left the Department of Livestock understaffed and disorganized. Introduce the necessary reforms that will be proposed by the planned study of the restructuring of the Ministry.

Core Recommendation 4. Strengthen the Professional Organizations Operating in the Livestock Sector.

These professional organizations could take a more active role in the development of the sector. Strong professional organizations are needed to pressure the public sector to provide the necessary support and to organize the information dissemination mentioned higher up. Based on ongoing efforts, define an action plan to improve these organizations from a managerial and financial perspective.

Core Recommendation 5. Promote the Export of Livestock on the Hoof, A Method that has shown the Effectiveness of the Informal Sector

- Investigate ways and means of reducing the commercialization cost of on the hoof livestock. Particular attention should be given to how to facilitate access to credit for herders and traders. A cooperative mechanism may well be the most appropriate one. In addition, it would appear that substantial scope exists to provide better infrastructure services along the routes traveled by the traders and their herds (water points, health certification stations, and so on).
- Now that Mauritania has left ECOWAS, bilateral agreements should be negotiated to provide a new institutional framework for such trade.

Core Recommendation 6. Promote the Production and Export of Side Products of the Livestock Sector.

Present exports of hides and other side products of the livestock sector are small and of low value added due to the absence of proper processing facilities and the poor quality of raw hides. The initiatives of a private sector operator to invest in a leather processing plant should be encouraged. Such an investment will however benefit from the proper operation of the new slaughtering facility in Nouakchott and from efforts to enhance the quality of the hides. The butchers' association should be intimately involved in finding a solution to both these issues, which their membership and the herdsmen would be the first to benefit from. Experience in other countries suggests that the public sector may in some way or another have to continue to be involved in the operation of the slaughterhouse, to ensure some of the complementary investment as well as for public health reasons.

3.3 Tourism⁵³

3.3.1 BACKGROUND: WEAKNESSES AND STRENGTHS.

Tourism is a new and promising sector for Mauritania. Tourism assets are substantial but need careful management because of their fragility. The sector's contribution to poverty alleviation can be significant, but for the near future, its relative contribution to overall economic activity will remain relatively small.

Tourism is a small but promising sector in the Mauritanian economy, whose development can be traced back to only a few years ago. It largely constitutes desert tourism, with smaller activity related to bird watching, fishing and hunting. The Government has played a decisive role in stimulating tourism by asking its mining company to launch a tourism initiative in the region of Attar. As a result, SOMASERT, a daughter company of SNIM – the large state owned mining enterprise – has since mid-1996, undertaken such initiatives and associated itself with a French Tour operator to create a charter connection between Attar and Marseilles, and to organize guided tours in that desert region. Several private sector operators have followed suit and at present thirteen French tour operators, in association with a number of local businesses organize tourist tours to Mauritania.

In the absence of reliable statistical data, it is difficult to gauge the contribution the sector makes to employment and Mauritania's balance of payments. However, the sector appears to have grown relatively fast from a low base. Between 1997/8 and 2000/01, arrivals at Attar airport rose from 1500 to 7000 a year.

The desert destination dominates the tourist sector, in part because of the lack of infrastructure in the other sites, their fragility, and poor accessibility as well as cultural factors. In addition, this niche benefits from a dedicated, relatively well off and sophisticated clientele. Mauritanian beaches are plentiful and unspoiled. They are no match, however, for the beaches in neighboring countries (particularly Morocco and Tunisia) in terms of accessibility, entertainment facilities and infrastructure. Cultural factors have also led Mauritania to delay the development of beach tourism as spelled out in the *Report of the Technical Commission on Tourism* (April 2001), a report that will be submitted to the Cabinet of Ministers for endorsement. The Report does however highlight the possibilities of the small tourist niches of hunting, bird watching and fishing in the Banc d' Arguin and the Parc du Diawling.

Tourism in Mauritania benefits from a perception of political stability and openness, which puts it ahead of other desert destinations such as Algeria and Libya. Desert tourism attracts a select group of experienced tourists that seek out "new and undiscovered" destinations offering solitude and authenticity. Air links with France and the fact the French is the spoken language, attracts the French market, where the majority

⁵³ For details see Volume 2, Chapter 5.

of tourists originate. The cultural assets of Mauritania and the hospitality of its population are additional assets for the sector.

Weaknesses of the sector include; (i) fragility of the desert as a tourist destination in that overexploitation of a limited desert destination (Attar) could kill the product; (ii) near absence of public sector strategy vis a vis the sector's expansion or its exercise of regulatory authority; (iii) endangered situation of the cultural assets that are either in private hands or in danger of deterioration; (iv) lack of clear government strategy with respect to the protection and exploitation of the natural resources such as the Banc d'Arguin and the Parc Diawling; (v) destination is relatively expensive - particularly air transport other than the charter flights to Attar from Marseille, while access is limited to Attar and Nouakchott; and (vi) Mauritania has strong competition as a desert destination of tourists (Algeria and Libya, Niger), with other countries offering better tourism infrastructure; these destinations are for the moment more or less off-limit, but the situation could change quite rapidly.

3.3.2 OUTLINE OF AN ACTION PLAN TO IMPROVE THE SECTOR PERFORMANCE

The sustainability of a well functioning tourism sector could benefit from policy actions organized along six separate core recommendations.

Core Recommendation 1. Give High Level Public Support to the Development of Tourism

Government should draft a *Schema Directeur* that clearly spells out the government perceived priorities and orientation for the sector and how the public sector intends to promote this *Schema*. The high level endorsement of this *Schema*, with proper institutional support and follow up, should help instill the necessary confidence of the private sector that will be called upon to make the necessary investments in rolling stock and infrastructure. In the case of Morocco, such high level support has been crucial in generating the momentum required to act in a major way on the proposed reform of the sector.

Core Recommendation 2. Put in Place the Necessary Supporting Institutions to Assist the Sector's Development

A combination of a Unit within the Government structure (see above) and a National Tourist Office (NTO) could serve this purpose. The exact distribution of operations between the two should be settled after further analysis. A specific recommendation follows:

- Within the public sector, there should be a small but well staffed and motivated Unit that assumes the public sector responsibilities. This Unit should be tourism's advocate within the public sector to favor tourist friendly decisions and support in the other Ministries and Units that affect tourism (infrastructure, transport, culture and parks, foreign affairs and issuance of visas, and so on). The Unit should monitor the sector, its importance in terms of value added, employment creation and foreign exchange earner, as well as the global trends in the tourist sector with particular

attention to the trends that emerge from the countries where most tourists come from and from competitor countries. This information should be communicated to the decision-makers and the private sector operators, also to mobilize public support for the sector. The Unit should also regulate the sector and set standards for tour operators, infrastructure and guides. It should closely cooperate with the National Tourist Office that would complement this structure. How this Unit would be linked to the ministerial structure should be discussed, with an eye to its most efficient operation.

- A NTO could be set up and made responsible for the publicity campaign and promotion of Mauritanian tourism, to enhance Mauritania's image abroad and advertise the specific products available. This NTO should be managed along private sector principles, and be largely financed by the private sector. It could initially benefit from public sector support. Set up along these lines, it would ensure that its activities are relevant to the private sector and its management is accountable to this sector. NTO analysis could confirm the tentative observation that the present tourism infrastructure needs to be upgraded to attract a broader type of tourism population than at present and promote public sector support for this endeavor.

Core Recommendation 3. Improve and Multiply Tourism Destinations in the Country

- Upgrade the airport in Attar to permit safer flights and expand the type of flights it could accommodate.
- Revisit the operations of Air Mauritania to ensure that it serves the tourism sector (Ensure flights to Attar or to Nema).
- Promote desert tourism in areas other than Attar – where absorption capacity will near capacity at 10,000, close to levels presently approached – by investigating how the airport of Nema could be upgraded to accommodate safely tourism flights and thereby permitting the opening up of new circuits of tourism.
- Coordinate efforts with the tourism services of Saint Louis-Senegal (with its renovated airport), to jointly promote tourism along the Senegal River. This would provide a diversified and new type of tourism for Mauritania.
- Based on the NTO findings, examine ways to upgrade tourist infrastructure to attract a wealthier tourist that would generate more value added per tourist.

Core Recommendation 4. Train Tourism Personnel

Training of personnel has been very *ad hoc* so far, in part due to the recent development of the sector. This situation is less than ideal and should be remedied as it affects the overall quality of services rendered in the tourism sector, hotel management, restaurants, guides, drivers, and so on. Nevertheless, the scope of the sector is rather small and will remain so for the near future. Solutions to this problem will require action on several fronts: (i) contract with an existing hotel to operate as a practice hotel; (ii) finance training sessions for potential staff of the sector; and (iii) make study grants abroad available. Obviously, this program would need to be prepared in very close cooperation with the NTO and its private sector backers.

Core Recommendation 5. Design and Implement a Proper Marketing and Communications Campaign.

Even with a good tourism product on offer, Mauritania will not benefit from the global expansion of tourism if it does not have a clearly defined and efficiently executed marketing strategy. Such a strategy should define priority markets, the channels that will be used to communicate the available products to these markets and the specific products the country is promoting. Cooperation between the government unit responsible for tourism and the NTO will be essential.

Core Recommendation 6. Preserve the Cultural and Natural Assets that Sustain the Tourism Sector.

Tourists come to Mauritania to enjoy its environmental and cultural assets. The preservation and development of these assets is therefore crucial for the sector's sustainable growth of the sector. Particular attention should therefore be devoted to maintaining the attractiveness of these assets: the desert environment, the cultural environment and the natural environment that in addition to desert tourism offers possibilities of bird watching, fishing and hunting.

- Preserving cultural heritage has been the subject of attention of the Government's attention and several foreign partners. So far, these initiatives have not led to actual implementation of preservation activities. Much would be gained by progressing on this front.
- The Attar desert should be granted some flexible form of National Park protection that safeguards it from excessive development and deterioration, while permitting supervised tourism development that respects the delicate and fragile desert environment.
- The Banc d' Arguin (under the jurisdiction of the Secretariat General of the Government), which contains exceptionally rich fishing grounds and ornithological resources, could be endowed with adequate infrastructure that would allow for better tourism development.
- The Parc Diawling, (under the jurisdiction of the Ministry of Agriculture and Livestock) is badly preserved and its hunting and tourism potential is badly under exploited. A new initiative to exploit its tourism potential in cooperation with the Senegalese authorities that manage the adjoining Parc Djoudj, deserves consideration.

3.4 Agriculture⁵⁴

3.4.1 BACKGROUND: STRENGTHS AND WEAKNESSES

Agriculture – aside from livestock – represents about 6 percent of total GDP, a smaller share than in most poor countries, largely because rainfall is erratic and very low and given that most of the country is desert. The Government has invested substantial resources in expanding the irrigated areas in the South where its emphasis has been on expanding the irrigated areas for rice production. Food self-sufficiency was the driving

⁵⁴ For details, see Volume 2, Chapter 6.

force. In the event, the financial and economic viability of these newly opened and developed areas is not guaranteed, and a large share of irrigated land has been abandoned. Several factors are responsible for this state of affairs: productivity gains were not as high as expected, opening up the local market for imported rice has resulted in downward pressures on prices, while the infrastructure and other supporting services were inadequate and added to the high cost of production. In addition, technical support for rice production was rather poor. This situation has led the Government to revisit its development objectives for the irrigated agriculture as follows:

- Intensification of rice production;
- Diversification of agriculture;
- Integration of irrigated agriculture with other rural activities;
- Promotion of exports; and
- Minimizing the negative impact on the environment.

In support of these objectives, Government has initiated a series of projects, the most important of which is the *Programme de Développement Intégré de l'Agriculture Irriguée en Mauritanie* (PDIAIM). With World Bank support, this program aims at an annual increase of agricultural value added in the irrigated areas by 7 percent a year, but with a 10 percent annual increase in the value added on agricultural products other than rice. This is to be achieved by the rehabilitation of all irrigated areas that can be rehabilitated, expanding some irrigated areas (*périmètres collectives*), and installing new irrigation in areas that are especially set aside for the diversification program that hopes to lead to increase exports. The overall aim of the PDIAIM is to raise labor and land productivity through the implementation of an extensive reform program.

The PDIAIM has already achieved substantial progress and is testing a number of promising approaches to achieve its stated objective of diversification of production and promotion of exports. Yet, its overall objective appears over ambitious in light of the low local demand for rice and the unpromising prospects for rice exports. It thus might require some scaling down of project objectives. In addition, the speed at which the program can be implemented and the rather slow expected supply response suggests that further liberalization of the rice sector be closely monitored. The issues that deserve re-examination include policies towards a sustainable land tenure system, the program to instill greater productivity in the production of rice, access and cost of credit and infrastructure. At the end of this section, the prospects for exports of agricultural products from Mauritania will be reviewed, assuming proper action is taken on the above-mentioned issues.

3.4.2 ACTION PROGRAM TO IMPROVE AGRICULTURAL EXPORT COMPETITIVENESS

Land tenure

The land tenure legislation might need to be reviewed to ensure that the legal framework is consistent with the practices on the ground and the capacity of the State to enact these provisions.

The 1983 legislation and its 1990 *decrèt d'application* abolished the traditional land ownership system and vested all rights of land ownership in the state, which would then grant ownership to those fulfilling several conditions, amongst which the most important are the actual exploitation of the land. The process is a lengthy one, intended to prevent speculation. After the application is received, the prospective owner can begin to use the land; after five years, s/he can obtain a preliminary concession for five years, at the end of which s/he can obtain a permanent concession. Only when the permanent concession is entered into the land registry, is the ownership transferred from the state to the new owner, to be used by the new owner, rented out to someone else or sold. Low annual fees are paid to the state during this process. After nearly ten years, the situation appears rather confused, as few properties have reached the stage of registration while land transfers, collective exploitation and rental agreements are frequent. Many potential owners do not go through the full procedure and the State appears unable to verify the conditions for regularizing the situation and in any event is slow in attributing the titles. In fact, a general state of permitted irregularities appears to characterize the land tenure situation.

This study recommends a review of the existing land tenure system. This review could look into abolishing the requirement of full exploitation of the land before being granted land title, complemented by the imposition of a more significant annual tax on land ownership, whether exploited or not, a tax that could evolve in a agricultural real estate tax (*impôt foncier*).

Promotion of rice production

The present objectives of expanding rice production are probably over ambitious; in any event, they can only be realized over the medium- to long- term. As a result, the program of gradual tariff reduction on rice imports should be phased in over a longer period to coincide with progress in diversification and export production.

Of the 40,000 ha that have been equipped for irrigation, only 20,000 are being cultivated. The remainder have been abandoned because of poor design of the irrigation works, poor maintenance of the irrigation canals, salinity problems, absence of credit and the drop in rice process after the opening of the borders for imported rice. In the absence of a major rehabilitation program more irrigated land is likely to be abandoned in coming years. The PDIAIM's rehabilitating program is overly ambitious. If fully implemented the PEDIAM program would increase rice production to 300,000 tons, against a local consumption of maximum 140,000 ha. Mauritania's chances for exports are extremely slim, giving urgency to the diversification program and export of these new products.

The rice program is encountering major obstacles due to low productivity, poor quality of rice that does not correspond to the local demand, poor maintenance of the irrigation system with its detrimental effect on soil quality due to the soil salinity it causes. Recent studies of the sector suggest that major productivity gains will be needed to permit local rice to compete with imported rice. In any event, it would appear that only when productivity increases to say 6 T/ha (from a range of 2.4-4.9T/ha. at present) and more double cropping is practiced (none is practiced at this time) could local production become economically viable and compete with imports. This would only result from a comprehensive program of investment, maintenance and extension services. This is the objective of the PDIAIM. However, at best this will be achieved only gradually.

Tariffs on imported rice have fallen slightly in the last two years, but added to the other taxes levied on imports (VAT, IMF) are still about 45 percent. Combined with the present marketing arrangements that require importers to purchase local rice and recover their losses on the sale of local rice by their profits on the sale of imported rice, this has permitted the domestic sale of the domestic rice crop. However, as fob prices of rice have dropped on the world market by 30 percent since November 1999, local paddy prices have also fallen by more than one-fifth, undermining farmer incomes and the incentive to continue cultivating rice.

The Mauritanian government's commitment (reflected in the PRSP) to reduce the protection level to a maximum of 23 percent (including statistical tax) by 2010 should be reviewed carefully in light of the slow supply response that is expected from the diversification program. If this liberalization were to precede the program's expected efficiency gains in rice and the product diversification, it would undermine the continued viability of the sector, which employs the majority of farmers in the Valley. The impact on the small farmer of the process of rice import liberalization should be carefully monitored and weighed against the high cost to the consumer that continued high protection implies. Until the diversification and export program takes hold, it might be better to err on the side of preventing the collapse of the fragile rice production sector in the Senegal Valley.

Access to credit

Large farmers, associated with foreign direct investment or with solid financial backing from outside the sector, can do without access to expensive local credit. However, the smaller farmer cannot modernize his operations without access to reasonably priced credit.

The shortage of affordable farm credit presents a major handicap to the development of the sector. In the recent past a credit organization (UNCACEM) provided partial credit (70 percent of the capital needed) at 12 percent rates of interest; medium-term loans were the exception. However, many farmers were excluded from this credit because of the prevalence of outstanding repayment arrears. The newly introduced PDIAIM credit scheme provides for eight-year loans, with the amount of the credit depending on farm size (50 percent of the investment for collective farmers and 30 percent of the investment

for small farm sizes). However, under present average productivity conditions and given the 15 percent interest rates charged, the debt service represents 25-35 percent of the output. This appears very high and is likely to jeopardize the objective of promoting investment in rice modernization and product diversification. A new approach, to provide credit for the poor farmers, should be investigated. In light of the poor success worldwide with dedicated agricultural credit schemes, it might be desirable to look into cooperative and small credit schemes that are based on collective guarantees. It is clear that the sector will be handicapped as long as the banking sector provides credit only at high interest rates generally and with very restrictive access.

Infrastructure services

Inadequate infrastructure services, transport and cold storage, the availability of electricity and drinking water, add to the cost of production and undermine competitiveness. They must be dealt with in a program of product diversification and export promotion.

Poor transport infrastructure in the most promising agricultural areas add substantially to the cost of marketing, and so does the absence of official cold storage either at the transshipment points or at the airport. As such, the marketing possibilities inside the country, which are already limited because of low incomes and a sparse population, are further stymied and competitiveness undermined. In addition, this situation aggravates the problems arising from the fact that growing seasons are short and lead to abundance of produce and plummeting prices during the high season, and shortages and high prices during the rest of the year. A number of projects will bring partial solutions to this situation; some are still in need of assured financing:

- Surfacing the road from Rosso to Boghe to the East along the Senegal River.
- The installation of extensive cold storage facilities at the new airport and maybe in Rosso.
- The electrification of the Senegal Valley using the new Manantali hydro station where work is well advanced.
- Abolishing effectively the road transport monopoly to permit cost reduction through increased competition.

Maritime transport would be the indicated way to export bulky agricultural produce. However, at this time, no ship has a scheduled stop and the only other way of evacuating agricultural exports is by airfreight. The latter is expensive and is economically viable only for high value items. The option of using charter flights from Nouakchott is feasible, but only when volumes justify such flights. With the development of the sector, this will become feasible. The French Group that has initiated substantial investment in the South, but also operates plantations in Côte d'Ivoire and Cameroon, plans to use their regular coastal transport to export their produce. Space could then be reserved on these ships for Mauritanian exports from other producers.

Prospects for Agricultural Exports

The scope for Mauritanian agricultural exports is good, but will depend on coordinated action on the above issues. Even so, its growth will be slow.

The better exploitation of the domestic market presents good potential for the diversification program of Mauritania. However, this market remains small and purchasing power is low. In these circumstances, the development of exports would greatly contribute to the potential for product diversification. Mauritania is the closest tropical country to the European market and consequently, substantial potential exists for it to supply Europe with fruits and fresh vegetables during the fall and winter seasons. Mauritania has plenty of land that has already been equipped for farming and readily available water from the Senegal River to exploit this proximity advantage. Recent experiences in the production and exports of vegetables and fruit to Europe have shown real potential, and the export of melons, okra, sweet potatoes and green beans is promising. For some commodities the prospects for biological farming, where prices are very firm, are also very good. Yet, the obstacles to volume production are substantial. Most farmers do not have the necessary technical production know how, appropriate seeds, the marketing skills and the access to credit to finance their operations (acquisition of inputs and financing the stocks and products in storage till shipment abroad and receipt of payment) to initiate this process. Only if all these conditions are fulfilled does the development of agricultural export stand a chance. The road to success is likely to involve the introduction of large farms or association with foreign groups. The recent initiatives of the Grands Domaines de Mauritanie (GDM - see Box 2) that have initiated test exports and use the marketing skills of their French partners is a good illustration of this potential. These initiatives should be set up to share their experience in production and marketing with local farmers through subcontracts. The importance of attracting foreign investment in the sector cannot be overstated, as it is a sure way of expanding contacts with exporters that can offer technical and marketing facilities and assist in meeting the phytosanitary standards of the importer countries. The search for foreign investors and partners should be extended to include successful Moroccan exporters. The PDIAIM, which is now in its second year, includes several initiatives in this direction that are very promising. It focuses on sharing the risk with producers for the introduction of new crops, subsidizing credit, supporting research projects in support of the diversification program, develop a partnership with foreign investors, and providing extension services. These programs need to be tested, evaluated and adapted accordingly. As noted above the PDIAIM may want to revise its credit subsidy program to make credit more affordable to smaller farmers.

BOX 2 GRAND DOMAINE DE MAURITANIE (GDM)

Les grands Domaines de Mauritanie est une filière de la compagnie fruitière de Marseille. C'est un domaine de près de 190 Ha, loué dans le cadre d'un contrat à long terme avec les propriétaires. GDM est installé dans un ancien périmètre rizicole abandonné et envisage l'extension de ses activités par la signature d'un contrat de bail dans la région de Kaïdi. GDM envisage de diversifier ses productions sur plusieurs spéculations dont une partie est destinée à l'exportation. Des essais sur les possibilités de production de plusieurs spéculations, ont été menés. Des programmes d'investissement importants sont en cours de réalisation aussi bien au niveau des équipements hydro-agricoles (installation des équipements de micro irrigation, stations de pompage) qu'au niveau des plantations fruitières, de brises vent ou d'installation pour le conditionnement des productions destinées à l'exportation y compris la chaîne du froid.

Les produits envisages pour l'exportation sont : patates douces pour toute l'année, • haricot vert pour la fin de l'année, melon de la fin décembre à la fin de mars, • piment.

GDM bénéficie de l'appui scientifique de la société mère. Pour les choix des techniques, des variétés de semences de lutte phytosanitaire, des scientifiques font le déplacement depuis la France pour assurer un suivi technique et scientifique du GDM.

Du point de vue de la commercialisation le GDM peut s'appuyer sur le savoir-faire, l'organisation, la logistique de transport et la présence sur le marché européen et français en particulier de la société mère. Celle-ci a en plus une large expérience de production et d'exportation des produits tropicaux. GDM assure dans la zone de la vallée également un rôle de recherche et de vulgarisation. Dans ce cadre une convention de partenariat a été signée entre GDM et le Ministère du développement rural et de l'environnement. Cette convention couvre six domaines d'intervention du programme de diversification du PDIAIM. GDM identifiera des cultures et des variétés adaptées aux conditions agro-climatiques de la vallée et destinées en particulier à l'exportation. Il développera des techniques optimisant les rendements et l'utilisation en particulier de l'eau d'irrigation. Il évaluera le coût de l'investissement associé aux différentes techniques de production. GDM devra également faire le design d'une station de conditionnement multi-fonctionnelle de diverses productions pour l'exportation. GDM mettra au point un circuit logistique maritime et aérien paramétré et une évaluation commerciale du potentiel de développement des exportations. En plus GDM assurera la formation des techniciens mauritaniens aux techniques de production, d'entretien du matériel, de conditionnement, de commercialisation et de suivi financier.

Déjà, GDM a conduit des programmes d'essais sur plusieurs espèces et variétés. Ainsi des tests ont été conduits, sous abris et en plein champ, sur un cycle de haricot vert, de gambo, de melon et de maïs en intercalaire. Egalement l'option de production en bio a été testée. Pour le melon cette option a été abandonnée par contre elle semble concluante pour le gambo et le haricot vert. Des essais d'introduction sont menés sur la patate douce, le gingembre, le taro et l'igname. Malgré les difficultés d'installations liées en particulier aux conditionnements et à la chaîne de froid, des solutions de fortune ont été utilisées (montage d'un centre de conditionnement de fortune, utilisation d'un conteneur frigo) GDM a pu réaliser un premier programme d'exportation de haricot et de gambo. La qualité des produits exportés a été jugée satisfaisante.

Une serre d'acclimatation avec diffuseurs a été construite pour recevoir les plants de bananiers, des fruits de la passion et de papayers. Une station de conditionnement est construite, des techniciens mauritaniens travaillant dans le domaine commencent à maîtriser les techniques de production, de conditionnement. Certains d'entre déclarent introduire dans leurs exploitations villageoises les techniques et les spéculations, pratiquées dans le domaine.

GDM n'exclue pas le développement d'un partenariat du Domaine avec les paysans de la vallée pour qu'ils produisent pour le compte du domaine dans le cadre de contrat de production selon des normes.

4. Poverty

4.1 Poverty Profile

The solid economic performance in the 1990s was accompanied by an important reduction in poverty levels. By 1996, the percentage of individuals below the poverty threshold was around 50 percent, down from 56.6 percent in 1990.⁵⁵ Other indicators of living standards also showed significant improvement. Between 1988 and 1996, primary school enrollment increased from 50 to 75 percent and child malnutrition decreased from 48 to 23 percent.⁵⁶ More than 90 percent of the fall in poverty levels can be explained by increases in GDP per capita, whereas inequality has barely changed over the first half of the 1990s.⁵⁷ This suggests that the economic policy reforms that led to GDP growth in the 1990s were an important factor behind poverty reduction. It may also suggest that GDP growth will for the next decade be the major contributor to poverty alleviation, so that the PRSP is correct in placing great emphasis on promoting growth.

The decline in poverty affected regions differently. In Nouakchott, the part of the population below the poverty line went down from 36 to 21 percent, whereas in Rural Autre (that part of the rural sector outside of the Senegal River) the number increased from 69 to 72 percent of the population. In Rural Fleuve (Senegal River Valley) and in the other towns the share of the population declined from 74 to 61 percent and from 45 to 39 percent respectively. Between 1990 and 1996 the average expenditure by household in Nouakchott and Rural Fleuve increased by 18 percent in real terms, compared to a decline of 7.1 percent in other cities and stagnant average expenditure in Rural Autre (ONS, 1996).

The prevalence and depth of poverty remains worrisome, especially in rural areas where nearly 70 percent of the population lives below the poverty threshold (PRSP 2001). Almost 75 percent of farmers in Rural Autre and 61 percent of farmers in Rural Fleuve are below the poverty line. Urban poverty is not as extensive, affecting 21 percent of the population in Nouakchott and 39 percent in the other cities. The incidence of extreme poverty (using a threshold of \$.80 per day) at 53 percent of the population in Rural Autre and 37 percent in Rural Fleuve compared unfavorable with the 8 percent in Nouakchott and 22 percent in the urban areas outside Nouakchott.

The external sector has played a minor role as an engine of growth and therefore, in poverty reduction. Export growth has been around 1 percent over the decade and its contribution to GDP growth is less than 0.5 percentage points. Thus, only 11 percent of the total fall in poverty during the 1990s could be attributed to the export sector. Generally, the export sector is concentrated in only two products (mining and fisheries),

⁵⁵ Office National de la Statistique (1996), *Profil de la Pauvreté en Mauritanie*. The poverty threshold was fixed at 54481 Ougiyas of 1996, which corresponds to the international \$1 per day threshold. A new poverty profile is being prepared using a 2001 household survey.

⁵⁶ Luc Chistiaensen, Lionel Demery and Stefano Paternostro (2001), *Reforms, economic growth and poverty reduction in Africa: messages from the 1990s*, mimeo, The World Bank.

⁵⁷ McCulloch Chereil-Robson and Baluch (2000), *Growth, inequality and poverty in Mauritania, 1987-1996*, mimeo University of Sussex.

which represent more than 99 percent of the export bundle. The integration of these two sectors into the rest of the economy is very small, which suggests that the only direct effects of an expansion of exports on poverty reduction will occur in households associated with these sectors (fishermen and mining workers). However, as poverty is mainly a rural phenomenon, a targeted response will need to be initiated. In this respect, Government's efforts to diversify the export bundle towards agriculture and livestock products will not only have indirect impacts on poverty alleviation through growth (the rural sector contribution to GDP is around 20 percent, above the combined contribution of mining and fisheries),⁵⁸ but will also have direct effects on poverty alleviation, as most of the poor are located in these sectors.

4.2 Locating the Poor

For the design of pro-poor trade strategy, it is crucial to locate the poor in terms of their consumption and production pattern, as well as their income sources (Box 2 highlights some problems with the data used in this analysis). Trade policy will affect the welfare of the poor through what they consume and what they produce. In general, the effect of liberalization on the well being of the poor will be dominated by the impact on their sources of income (generally unskilled labor and agriculture production) rather than on their consumption bundle.⁵⁹ The reason is that trade reform will affect many relative prices, some of which will move in offsetting directions creating scope for adjustment of the consumption bundle. In contrast, the poor generally have limited assets, the most important of which are low-skilled labor and small agriculture land. The impact on wages, employment and prices of food products will be the most important determinants of the effects of trade reform on poverty.⁶⁰ In the short-run, there is little scope for workers to reallocate their resources across sectors (due to adjustment costs for example) and therefore the location of the poor in terms of production is crucial to examine the short-run impact of trade reform. On the other hand, in the long-run workers and producers can reallocate across sectors, and the source of income of the population in terms of factor ownership and assets will be the more important determinant of the effect of reform on the poor.⁶¹

The next section starts by locating the poor in terms of their consumption pattern (what do they consume?). It then focuses on their production pattern (what do they produce?) and it finally looks at their income sources (which are the assets from where their income comes from?)

⁵⁸ Office National de la Statistique (1998), *Annuaire Statistique*.

⁵⁹ World Bank (2001), *Poverty Reduction Strategy Paper Sourcebook*, Chapter on Trade Policy and Poverty.

⁶⁰ For a geographic location of the poor in Mauritania, see ONS (1996), *Profil de la Pauvreté* and PRSP (2000). Both suggest that more than 80 percent of the poor are located in rural areas (Rural fleuve and Rural autre).

⁶¹ See appendix on World Bank (2001) quoted above.

BOX 3 DATA ISSUES WITH HOUSEHOLD SURVEY 1995-1996

The Household Survey data on Mauritania (1995/96) was, in general, in good shape although there were problems with parts of the data set. Some of these problems have apparently been solved in the recent 2000/01 survey, but others may remain. However, the analysis is hampered by serious data problems, the most important of which are listed below.

- The quantity of agricultural production in the last 12 months' variable is clearly wrong. For instance, the average annual rice harvest is only in the magnitude of 10-20 kg per ha.
- Some of the questions on harvest are asked on quantity (unit), and some are asked in monetary value. Answers to these questions are not internally consistent; cases which have data for some columns do not have data for others (quantities are not available for all sales)
- Data is missing on individuals' education levels. It is not indicated for most people whether individuals have an education or no education at all.
- Income data is available for only about 60 percent of the households, rendering its use problematic.
- The data file on pensions/social security income was missing from the data set in the CD-ROM, so it was not possible to include these in calculations.

The occupation data is fine, but it would be more useful if individuals were classified according to an existing international sector classification, as for example the International Standard Industrial Classification at the 4-digit level.

4.2.1 IN TERMS OF CONSUMPTION

Food represents between 65 and 71 percent of the poor's expenditures, but only about 60 percent for the better off households. The main components of the food bundle of the poor are rice (12 percent of total expenditure on average for the first three deciles), flour and other Cereals (12 percent), Meat and Poultry (14 percent), sugar, beverage and tobacco (13 percent). Vegetable expenditures are below 2.5 percent and expenditure on fruits is less than 0.2 percent of total expenditure. Clothing represents more than 10 percent of the total expenditure of the poor, in contrast to only 5 percent for the households in the top three deciles.

Any significant reduction in the prices of these products will improve the disposable income of the poor (keeping the source of income constant). For example a 20 percent reduction in the prices of apparel and footwear (which could be achieved through the elimination of the 20 percent tariff (plus 3 percent statistical tax) on all items of chapters 61, 62 and 63 of Mauritania's tariff schedule (clothing and footwear) will increase

disposable income of the households in the first three deciles by at least 2 percent.⁶² Similarly, an elimination of the 20 percent tariff on meat, poultry and rice will increase disposable income in the first three deciles by as much as 5 percent. However, the latter are agriculture products. Therefore, tariff liberalization could adversely affect the sources of income of rural households where poverty is concentrated and the effect that trade liberalization would have on their income needs to be taken into account, which could be done by phasing the trade liberalization as mentioned higher up in the paper. The next two sections examine the location of the poor in terms of their production and income sources.

4.2.2 IN TERMS OF PRODUCTION

Poverty is largely a rural phenomenon. More than 36 percent of whom farmers and agricultural workers live with less than \$.8 per day (i.e. extreme poverty), another 18 percent live with between \$.8 and \$1 per day; in total 54 percent of the farmers and farm workers live in poverty (see Table 8). Farmers and agricultural workers make up 55 percent of all households living in poverty, and 40 percent of those living in poverty. In the top three deciles only 6 percent of the population is farmer. For shepherds 62 percent live in extreme poverty and 72 percent of the population lives with less than \$1 a day. Fishermen are considerably less poor than farmers and shepherds. These statistics suggest that any increase in productivity, reduction in input prices, or increase in output prices in the rural sector will have a direct and significant impact on poverty.

TABLE 8 POVERTY PROFILE OF FARMERS, SHEPHERDS AND FISHER MEN
(Percent)

	Very poor—Less than \$.8 a day	Poor Less than \$1 a day
Farmers	53	79
Shepherds	62	72
Fishermen	9	33

About 56 percent of cereal farmers are poor, 36 percent of whom are extremely poor. For vegetable farmers the percentage is 53 percent and 34 percent, while for fruit farmers the percentages are 34 percent and 29 percent respectively (see Table 9), which excludes agriculture workers). This suggests that the diversification of cereal producers towards vegetables and fruits could lead to significant declines in poverty. There is some evidence that this diversification is possible, given the right conditions and support as noted in the section on agriculture, also because some cereal farmers are already engaged in fruit and vegetable production. For instance, ten percent of cereal producers report

⁶² For more on this methodology see Alessandro Nicita, Marcelo Olarreaga and Isidro Soloaga (2001), Trade reform and the poor in Cambodia, Madagascar and Mauritania, background paper to the Integrated Framework pilot studies.

vegetable production as a secondary crop, while 4 percent of cereal producers report fruit production as a secondary crop. Similarly, 14 percent of livestock owners are also vegetable producers and 8 percent fruit producers.

A simple back of the envelope calculation suggests that if the diversification towards vegetables and fruits was successfully achieved and if as a result cereal producers moved out of poverty to reach the same poverty level as fruit producers, then almost 38 percent of poor cereal producers could be taken out of poverty (the poverty line would be moved from 56 to 35 percent of cereal producers. This alone could allow attainment of the poverty target of 39 percent, which is identified in the PRSP.

TABLE 9 POVERTY LEVELS BY TYPE OF HARVEST
(Percent)

	Cereal Producer	Vegetable Producer	Fruits producer	Overall
Very poor	36.36	33.78	28.57	35.65
Poor	19.67	18.92	5.71	18.83
Non-poor	43.97	47.30	65.71	45.52

* Results in this table are indicative.

Even though such a calculation is unrealistic as it assumes a complete shift of production out of cereals and into fruit production and other supporting commercialization and export systems, it illustrates the point that substantial gains are to be made by the diversification. The reforms discussed in the above sector pieces would go some way towards this objective.

The two main export sectors (mining and fisheries) employ less than 1 percent of individuals in the first three expenditure deciles, but around 4 percent in the top three expenditure deciles. This suggests that any growth in these sectors will directly affect the poor only through overall GDP growth and the generation of tax revenues to finance pro-poverty expenditures.

4.2.3 IN TERMS OF INCOME

In the long run, what is produced is less important than what the factor endowment is, when it comes to analyzing the impact of trade reform on the income of the poor, as they can adjust production to new products. The source of more than 45 percent of income for the households in the first three deciles is primary income (75 percent of it is unskilled labor).⁶³ Self-consumption of agriculture products represents one third of total income (as measured through expenditure) of households in the first three deciles, compared to 6 percent in the top three deciles. Thus any increase in returns to agriculture land or unskilled labor will help those in the lowest income deciles.

⁶³ Note that the categorization of skilled and unskilled labor is done along occupation lines here, given that there was no data available on educational achievements in the household survey.

An increase in the exports of mining and fish products will have relatively less impact on the overall poverty picture in the country as these sectors are not overly labor intensive, being natural resource based and capital intensive.

4.3 Policy Implications for the Integrated Framework

The poverty analysis suggests that any poverty reduction strategy should pay particular attention to the rural sector. The crop diversification effort towards vegetables and fruits seems to be a step in the right direction. There are some signs that crop diversification is possible, but technical and financial assistance would be necessary to allow the adjustment to occur. The move out of cereal production, particularly rice, seems appropriate, but the opening up of this sector to freer trade should be cautious and gradual as most of the rice and other cereal producers are below the poverty line and are therefore much more vulnerable to negative shocks. These producers would need technical and financial assistance to adjust their production.

A reduction in the tariff protection of clothing and footwear will also have some impact on poverty alleviation, as poor households spend more than 10 percent of their income on these items, which are subject to 20 percent tariffs.

5. Action Matrix and Next Steps for the Integrated Framework

This diagnostic is only the beginning of the process to put in place a trade strategy that will benefit growth and poverty reduction. A trade strategy now needs to be prepared in the basis of an intensive discussion between policy makers, private sector participants and foreign development partners.

The action matrix that makes up the bulk of this Chapter provides an outline of the various policy recommendations and options that have been presented as well as their rationale, organizations that could be held responsible for the proposed actions as well as a timetable. That the diagnostic part of the IF work does not present a firm Action Plan is deliberate. Such an Action Plan should be the outcome of a carefully planned process of consultation (“concertation”) between the major players i.e. government, private sector with possible support of the bilateral and multilateral development partners. This was the process anticipated in the Concept Paper for the diagnostic stage for the IF as well as the understanding of the Steering Committee set up to guide the work of the consultants. It is with this in mind that a series of workshops are to be held in Nouakchott in early November, and that the main findings of this diagnostic study will be presented to the development partners at the December Consultative Group Meeting.

A system of monitoring and evaluating the progress of the implementation of the agreed upon Action Plan will need to be established within the Government and in close cooperation with the monitoring of the PRSP.

In order to provide some sense of priority to the many recommendations contained in this Action Matrix a list of actions that appear to have a large short run pay off is given below. Government may tend to these issues first and then deal with the other issues in due time. The broader set of recommendations is included in Table 10.

Measure to enhance the competitiveness of the overall economy:

As the financial sector and the high transport costs do handicap export prospects in the fisheries and agriculture sectors it is urgent to deal with these issues first. Hence the priorities are:

- Launch the financial sector study with an eye to reducing costs and improving access to financial resources.
- Reduce transport costs, particularly for fisheries and new agricultural products by building the Nouakchott-Noadhibou road and resurfacing the roads from Rosso to Boghe.
- Provide adequate cold storage facilities in the new airport – important for the fisheries and agricultural sectors.

Institutions:

Institutional support for exports is rather poor at present and government would do well to strengthen its Units presently in charge of promoting exports or to find new institutional arrangements to enable effective monitoring and promotion of the interests of the export sectors. Hence, the priorities are to:

- Strengthen the Export Promotion Unit in Government, which is responsible for monitoring multilateral and regional trade agreements and ensuring that Mauritania makes the best of them. More generally, the unit would be in charge of assisting exporters.
- Strengthen the Government Units in charge of Tourism and Fisheries.

Customs:

Easing customs transactions and streamlining the valuation issue, including finalizing a good contract with the pre-shipment inspection company, will reduce the anti-export bias that is presently built into the customs procedures. Hence, the priorities are to:

- Make full use of ASYCUDA to ease trade transactions and provide a transparent audit selection process.
- Streamline the customs valuation procedures and adopt a modern system of customs valuation adapted to the Mauritanian circumstances and based on WTO principles.

Fisheries:

The sector is very important in terms of generating budget revenue and foreign exchange and would greatly benefit from implementing a well thought-out development strategy with full support of the private sector. The emerging priorities are to:

- Establish a working group to prepare a fisheries development plan to guide the contributions of the various parties with a view to obtaining better results from the sector.
- Prepare feasibility studies for the proposed infrastructure investment (Nouadhibou port expansion, Nouakchott port).
- Establish the CPPPM to take over from the SMCP and investigate how to obtain better export prices by combining forces with the Moroccan exporters of cephalopods.

Livestock:

Traditionally a profitable and well performing sector, its export performance would benefit from enhancing animal health and ensuring that participants have access to better

commercial information. The export of animal products is also promising, but could benefit from more focused support.

- Ensure adequate resources to permit REMEMA to strengthen its fight against epizooties.
- Improve the production of sector statistics and disseminate commercial information to the farmers and traders.
- Support the efficient functioning of the modern slaughterhouse in Nouakchott.
- Facilitate the establishment of the proposed private sector owned and managed tannery.

Tourism:

The promising start of this sector should be underpinned by efficient public sector support (see above) and by creating a coherent plan to commercialize Mauritania as a tourist destination:

- Create a National Tourism Office under private sector management. This Office would be responsible for the commercialization of the product, but would also be attentive to a variety of policies in support of the sector.

Agriculture:

Support for the modern agricultural sector in the past went towards import substitution for rice and should now emphasize export-oriented diversification, in which Mauritania has greater comparative advantage.

- Build or upgrade the roads (Nouakchott-Nouadhibou, Rosso-Boghe) and ensure the availability of cold storage facilities, already noted above.
- Aggressively implement the PDIAIM but scale down its plans for the expansion of rice production.

TABLE 10 ACTION MATRIX
Policy Actions to Enhance Competitiveness

Objectives	Type of Action	Agencies Responsible / External support	Time frame
1. Lower costs of imports so as to reduce the anti export bias in the import regime	<ul style="list-style-type: none"> - Adjust the IMF system so that importers with good taxpayer's track record are exempted from the IMF, while the IMF for other importers can be increased to say 7 percent. - Revisit the necessity of levying a Statistical Tax separately from the import tariff. - Make the duty drawback system operational 	Ministry of Finance	Fiscal 2002
2. Improve the investment climate to attract FDI	Review the Investment Code to eliminate fiscal incentives that should be granted through the normal fiscal legislation; before this drastically reduce or eliminate the tariffs on capital goods and intermediate goods.	Cabinet of Ministers, with Ministry of Finance in the lead	2002
3. Make credit available at reasonable cost.	Launch an in depth study of the financial sector so as to prepare an Action Plan to grant greater access at reasonable cost to private sector operators.	Central Bank	2002
4.Reduce cost of production <ul style="list-style-type: none"> • Telecommunications • Road Transport • Airport • Ports 	<ul style="list-style-type: none"> - Investigate whether granting a new mobile license could help in reducing communications costs. - Implement the road construction and rehabilitation program, in particular the roads Nouakchott-Nouadhibou and Rosso- Boghe. - Ensure that the monopoly of road transport is effectively implemented. - Realize the project of building new airport with cost storage facilities in Nouakchott. - Prepare a feasibility study for the upgrading of the port in Nouadhibou to permit transshipment of fish catches and provide good services to the artisanal fishery sector. 	Ministry of Telecommunications with support of the ongoing loan from the World Bank Ministry of Transport. Further financing of these projects need to be finalized with donors Ministry of Transport, financing plans need to be finalized with donors. Ministry of Transport, Ministry of Fisheries and Marine Economy	2002 Approach Consultative Group in December 2001. 2002 2002

Trade Facilitation: Customs

Objectives	Type of Action	Agencies Responsible / External support	Time frame
1. Trade facilitation needs top level support from Government	<ul style="list-style-type: none"> - Create a Steering Committee (endowed with a Secretariat) with representation of public and private sector, to provide top -level support to the proposed reforms, to coordinate overall customs reforms and ensure that it focuses on trade facilitation. - Set up a monitoring mechanism 	Ministry of Finance	Before the end of 2001
2. Ease customs procedures so as to reduce the cost on importing and exporting	<ul style="list-style-type: none"> - Review the paper flow and commit to a simplification through (i) introduction of Electronic Data Interchange (EDI), (ii) align paper flow with modern trade practices as reflected in the ASYCUDA programs, (iii) introduce greater selectivity in controls by introducing a Green and Red Channel and by ensuring Green Channel treatment to enterprises that have entered into a “honesty contract” with customs. 	<ul style="list-style-type: none"> - Ministry of Finance - - - - Federation of Employers (CGEM) 	First semester of 2002
3. Reduce revenue leakages through better management of the special import regimes.	<ul style="list-style-type: none"> -Ensure that Government pays duties on its imports financed through grants and loans. ▪ Revise the tariff structure and the Investment Code so as to lower rates on capital and intermediate goods and eliminate any tariff advantage in the Investment Code -Eliminate exonerations given to SNIM and adjust if needed the profit transfer mechanism to the budget. -Customs Department should set up a monitoring system to follow remaining exonerations granted. 	<ul style="list-style-type: none"> - Ministry of Finance - Prime Minister 	2002
4. Ensure that customs values are correctly assessed, also following the commitment to adhere to the WTO customs valuation principles	<ul style="list-style-type: none"> - Make an independent audit to make better use of the services of SGS and issue instructions to implement audit results. Focus on obligations to issue value certifications in country of export and to enact a reconciliation procedure (between value of SGS and value used in calculating the duties due) - Use findings for negotiation of new contract with PSI company. - Prepare for the introduction of the WTO customs valuation: adjust legislation, trains staff, redirect procedures, etc. 	<ul style="list-style-type: none"> - Ministry of Finance, - Department of Customs - SGS 	Audit starts before end 2001 New Contract in 2002
5. Strengthen the Customs Department to enable it to implement a well designed action plan	<ul style="list-style-type: none"> - Prepare a business plan for Customs Department with well-defined organization and responsibilities; enter into clear contracts on deliverables and performance inside the organization. - Develop an appropriate program for human resource development. - Endow the Customs with adequate budgetary resources to implement above plans - Prepare a Code of Conduct and have all members of the Customs Department sign on. 	- Ministry of Finance	Initiate work in 2001 and complete in first half of 2002.

Institutional Support

Objectives	Type of Action	Agencies Responsible / External support	Time frame
1. Enable Government to actively promote foreign trade in general and in the sectors of fisheries and tourism in particular	<ul style="list-style-type: none"> - Strengthen the Units inside the Government that will promote exports, fisheries and tourism. Ensure adequate personnel and budget. - Create a Unit to ensure management and follow up of Mauritania's commitments with WTO. 	<ul style="list-style-type: none"> - MCAT or other Ministry in charge of Foreign Trade and Tourism - Ministry of Fisheries and Marine Economy 	First semester of 2002
2. Improve the performance of the tourist sector according to priorities established by Government	<ul style="list-style-type: none"> - Create a National Tourist Office with dominant private sector management 	<ul style="list-style-type: none"> -MCAT - CGEM 	First semester of 2002
3. Improve the performance of the fisheries sector	<ul style="list-style-type: none"> -Create a Fisheries Promotion Center 	<ul style="list-style-type: none"> -CGEM - Ministry of Fisheries and Marine Economy. 	First semester of 2002
4. Strengthen the human resource base in the public administration and in the private sector to promote the export sector.	<ul style="list-style-type: none"> Seek ways and means to -Introduce international trade in the formal curriculum at the University and technical School. - Launch continuing education program for staff already employed in the private and public sectors 	<ul style="list-style-type: none"> - University of Nouakchott - LycéeCommercial - MCAT - CGEM - Ministry of Education 	<ul style="list-style-type: none"> - Action Plan ready first semester 2002 - Implementation starts Fall 2002
5. Enhance quality of local production to prepare it for success on the export market.	<ul style="list-style-type: none"> Launch initiatives of quality enhancement. e.g. - Perform audits of firms that are interested in improving product quality and assisting them in implementing the necessary production adjustments. - Investigate ways and means to have a quality certification program in Mauritania. 	<ul style="list-style-type: none"> - MCAT - CGEM 	2002
6. Bring local producers in contact with the export market.	<ul style="list-style-type: none"> - Ensure the continuity of CIMDET as a private sector NGO and investigate endowing it with Trace Points. 	<ul style="list-style-type: none"> - MCAT - CGEM - CIMDET 	First semester of 2002

Fisheries

Objective	Type of Action	Agencies responsible	Time Frame
1 Improve the management of fish resources so as to avoid over fishing and increase the exploitation of under-exploited species;	Establishment working groups to prepare a fisheries development strategy and an annual management plan. Plan should elaborate the future prospects for the four subsectors (cephalopods, small pelagic, artisan and specialty fishery), could be commented upon by potential donors who will be invited to help with its implementation.	Ministry of Fisheries; CNROP	Finish by March 2002
2. Make the most of fishing agreements in support of the sector development strategy	Future negotiations with the European Union and the Netherlands should be tailored to implement the sector strategy that still needs to be prepared. In the meantime, use the resources made available in the recent agreement to ensure better marine surveillance, strengthening the infrastructure, and assist the transfer of surplus EU fishing vessels to the domestic fleet.	Ministry of Fisheries; Ministry of Finance	Finish by 2005
3. Review the tax and license system to improve incentives and raise fiscal revenue	Launch a new study to revisit the present system of taxes and licenses, with a view of phasing out all export taxes.	Ministry of Fisheries; Ministry of Finance	Early 2002
4. Gradually increase the share of catches caught by locally owned or chartered vessels, and support those catching and processing technologies that optimize local value added. Also, increase local value added in the sector.	<ul style="list-style-type: none"> - Establish the requirement that domestically licensed (including the licenses libres) vessels must transfer their catch in or near the port of Nouadhibou to facilitate effective Mauritanian surveillance and custom control. - Work towards an arrangement to transfer a number of refrigerated trawlers to Mauritania, as part of the EU restructuring program of European fisheries to prepare the Mauritanian fleet to succeed in trawling deeper waters for cephalopods when the EU fleet has been fully withdrawn. - Execute a pilot project to test the feasibility of fishing and processing technologies handled by local parties recommended by the above study⁶⁴. 	Ministry of Fisheries Ministry of Finance	Finished by end 2005
5. Strengthen public sector management of the sector	<ul style="list-style-type: none"> -The Ministry of Fisheries should, drawing on past failed experiences, assess the human, institutional, regulatory and financial requirements to adequately perform its three core functions as defined in the comments above -The Ministry of Fisheries should be strengthened, especially its capacity to prepare and monitor the annual Fisheries management plan. - CNROP to give priority to activities in support of the preparation of such plans, including the publication of a list of studies in support of the plans. Evaluate the current and future responsibilities of SMCP, and assess whether they can realistically and more effectively be executed by other institutions⁶⁵. -Create a 'Fisheries Services' Fund (FSF) with dedicated resources, to ensure adequate financing of CRNOP, the surveillance functions of the <i>Delegation</i>, and the preparation of annual management plans by CNROP and the Ministry of Fisheries. Establish a FSF Board, to be 	Ministry of Fisheries;	Finish by June 2002

⁶⁴ Such pilot activity may be supported by Norway and FAO.

Fisheries			
	appointed by the Minister of Fisheries, with representatives of CNROP, the <i>Delegation</i> , customs, the Fisheries Federation, and the Ministry		
6 Mangle fish markets to increase the prices obtained from fish exports.	Establish a small, high level, working group to negotiate with Morocco a strategy and the <i>modus operandi</i> for the joint marketing of octopus in the Japanese market. Similarly study alternatives to current arrangements for marketing frozen blocks of small-pelagics from Mauritania in West Africa	Ministry of Fisheries; Ministry of Foreign Affairs	Finish by June 2002 (or the Japan market) and December 2002 (West African market)
7. Better involve the private sector in the definition and implementation of the fishery sector development plan	<p>Establish a small working group to review and define the future working relationship between the Ministry and the private sector, and identify specific areas of cooperation.</p> <p>Create a private sector run Centre de Promotion des Produits de la Pêche Mauritanienne to take over the commercial promotion from the Société Mauritanienne de Commercialisation des Produits de la Pêche (SMCP).</p>	Ministry of Fisheries. National Fisheries Federation	Finish by June 2002
8. Provide essential infrastructure	<p>Evaluate investment projects and related technical assistance based on detailed economic evaluations. Provide an annual update of these retained investment projects yearly development budget. Look for financing.</p> <p>Give special attention to: (i) limited expansion of the existing fishing port of Nouadhibou, deepening of the access channel and removal of some 60 wrecks; (ii) construction of the Nouadhibou-Nouakchott road; (iii) construction of port capacity in Nouadhibou to handle small-pelagic fish and (iv) Evaluation of the feasibility of the construction of a new fishing port at Nouakchott to service coastal and artisan fisheries.</p> <p>Hand over port management to professional port managers, who would operate under a management contract</p>	<p>Ministry of Fisheries; Ministry</p> <p>Ministry of Fisheries; Port of Nouadhibou of Public Works</p>	<p>Finish by December 2002</p> <p>Every year's budget for the next five years.</p> <p>By June-September 2002</p>
9. Better exploit the potential of the artisanal fisheries sector	Development of a long-term development strategy for the coastal and artisanal fishing sector and 5-year investment and TA implementation plans ⁶⁶ .	Ministry of Fisheries; National Fisheries Federation	Start after re-activation of Advisory Council for Small-Scale

⁶⁵ France may support such evaluation of SMCP

⁶⁶ Such implementation plans may evaluate the technical and financial feasibility of investments and TA projects and assign priority to such activities as:

- Design, funding and implementation of future management systems specifically for coastal areas;
- Design, timing, funding and construction of infrastructure;
- Implementation of specific biological, economic and social studies;

Fisheries

	<p>- Create a Center of Fisheries Technology Development, attached to the Fisheries School and managed jointly by the school and the National Fisheries Federation. Its objective would be to work directly with private sector manufacturers and processors to develop and test new fishing technology especially for artisan and coastal fisheries.⁶⁷ This would also form the backbone of a human resource development program specifically targeting artisan fishermen.</p> <p>- Reactivate the Advisory Council for Small-scale Fisheries, with membership from the Federation, fishermen, processors and scientists to advise the Minister on the development of the artisan and coastal fishing sector, and to regularly evaluate and report on progress made</p>	<p>Ministry of Fisheries National Fisheries Federation; Fisheries School; Private Companies</p> <p>Ministry of Fisheries</p>	<p>Fisheries</p> <p>5 years minimum</p> <p>By June 2002</p>
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- Design and funding of formal, vocational and continuing education and training in coastal communities;
 - Design, testing and production of existing and newly developed fishing vessels and gear;
 - Design, testing, funding and implementation of pilot credit systems for fishing communities;
 - Design, funding and implementation of specific surveillance and control efforts;
 - Provision and funding of general public services in coastal communities.

The implementation plan should include those planned infrastructure projects already planned, which may receive financial support from Japan (two fishing villages), the *Banque Africaine de Development* (4 villages) and Spain (one village)

⁶⁷ Norway and FAO may already provide support for a pilot activity for small-pelagic fish.

Livestock

Objectives	Type of Action	Agencies Responsible / External support	Time frame
<p>1. Improve animal health -Adjust the legal framework pertaining to animal health to conform to the regional and international sanitary standards.</p> <p>-Obtain the status (granted by the OIE) of country free of sanitary problems that would prevent Mauritania to export livestock and livestock products to the EU and neighboring countries.</p>	<p>-Redraft the relevant texts (see Annex 2)</p> <p>-Strengthen the fight against “epizooties”, by providing additional financing to the REMEMA</p>	<p>-Ministry of Agriculture and Livestock (MDRE/DEA)</p> <p>-idem</p>	<p>- finish by June 2002</p> <p>- ongoing as of FY2002</p>
<p>2. Improve the information base for the sector -Ensure that the operators in the sector as well as the public sector decision makers have the necessary data to make adequate decision</p> <p>-Make commercial information available to operators in the sector</p> <p>-Preserve the institutional memory of sector information</p>	<p>-Coordinate the efforts of various agencies to ensure that adequate production and export statistics are made available to decision makers.</p> <p>-Create an entity that gathers and disseminates commercial information for the private sector operators</p> <p>-Gather the available documentation (studies and reports) on the sector so that they are available to the public at large and to the public sector decision makers</p>	<p>Office National de Statistiques (ONS), Central Bank, Ministry of Agriculture, Customs and the veterinary profession Professional Associations Ministry of Agriculture and Livestock MRDE/MAED</p>	<p>- end 2001</p> <p>- end 2001</p> <p>- end 2001</p>
<p>3. Reform the Institutions in Charge of the Sector Ensure better public sector guidance and management of the sector</p>	<p>Implement the recommendations of the forthcoming management study of the MDRE</p>	<p>MDRE</p>	<p>- Six months after completing the study</p>
<p>4. Professional Organizations Support these organizations ‘s role in promoting the development of the sector of</p>	<p>Draw on the ongoing effort to strengthen these organization financially and organizationally</p>	<p>Professional Organizations, MDRE</p>	<p>- Ongoing effort</p>

Livestock

livestock exports			
5. Stimulate export of livestock Increase export proceeds of the sector	-Install adequate infrastructure to reduce the cost of marketing livestock on the hoof to neighboring countries - Enter into bilateral negotiations with previous members of ECOWAS to provide a trading framework with these countries.	-MDRE/MCAT/MAED	- Finalize end 2001
6. Stimulate export of side products of the livestock sector Increase export proceeds of hides, leather, horn and hoofs as well as camel milk product.	-Ensure timely and efficient operation of the new slaughtering house in Nouakchott. -Assist the private sector investor who has expressed interest in investing in a tanning facility near Rosso -Assist the professional Associations in their action to improve skinning of livestock and reduce the branding of animals to improve quality of skins. -Investigate the possibility of exporting camel hides, possibly by learning from the experience of Sudan in this matter	-Municipality of Nouakchott and Professional Association of butchers -Ministry of Economic Affairs -MDRE/ FNC/ -MDRE/DEA/OSP	- By end 2001 - immediately - immediately - by end- 2001 \

Tourism

Objectives	Type of Action	Agencies Responsible / External support	Time frame
Grant tourism development high political importance and visibility, necessary to mobilize the necessary public and private resources for the sector	Prepare and endorse a Schema Directeur for the sector and provide plenty of publicity to this event	-Prime Minister's Office -Ministry in charge of tourism	- End 2001
2. Provide adequate institutional support to the tourism sector to guide it for sustainable development	<ul style="list-style-type: none"> - Establish a well staffed and equipped Unit inside a powerful Ministry in charge of tourism - Establish a National Tourism Office 	-Prime Minister's Office - idem	- End 2001 - Mid 2001
3. Improve and multiply the tourism destination to broaden the offerings	<ul style="list-style-type: none"> - Upgrade the Attar airport as well as the airport in Nema to open up additional desert routes for tourists - Consult with the Senegalese authorities about developing tourism in the Senegal River Basin and come to an operational decisions 	-Ministry of Transport (?) - Unit responsible for Tourism and the to be established NTO	- 2002 - end 2002
4. Train tourism personnel to increase client satisfaction	- Establish a program of professional training for tourism personnel (training hotel, organize local training opportunities as well as grant scholarships abroad).	- Unit responsible for tourism - ONT	- start end 2001 and ongoing
5. Design and implement a marketing plan to determine the target markets and the most efficient marketing tools	<ul style="list-style-type: none"> - Improve on the present marketing plans targeting the existing clientele - Prepare marketing plans for the new markets and new products - Promote image of Mauritania through well targeted initiatives 	- ONT - External consultants	- organize discussion with private sector operators immediately and hand over the initiative to ONT when Agency is establish
5. Preserve the cultural and natural assets, essential to tourism development	<ul style="list-style-type: none"> - Implement the various actions defined in the cultural preservation initiatives already defined. - Establish action plans for the valorization of the Banc d' Arquin and the Parc Diawling 	-Unit responsible for the tourism and ONT	- Immediately - start as soon as the Schema Directeur is issued.

Agriculture

Objectives	Type of Action	Agencies Responsible / External support	Time frame
1. Diversify agricultural production with a focus on exports of the new production	Continue implementing the PDIAM project, co financed by the World Bank, to tackle the impediments to agricultural diversification. Modify some aspects of the program to better ensure to access to financial resources of the small farmer.	-Ministry of Agriculture with the support of the PDIAM	Ongoing
2. Assure that a land tenure system in place is one that stimulates agricultural production	Review the land tenure legislation with a view of adjusting it where necessary to speed up the granting of land titles.	Ministry of Agriculture	2002
3. Reduce the costs of road transport and air transport that are crucially important cost factors in the export of agricultural products.	Improve the infrastructure as noted in the Matrix on Improving competitiveness.	Various Ministries with the Ministry for transport in the lead.	2001- and future years.
4. Draw in foreign investors so as to benefit from their expertise, investment and market knowledge	Present the possibilities of investing in the agricultural sector to potential investors, including those in the sub region (Morocco),	Ministry of Agriculture, Ministry of Finance ITC /FIAS	2002 and ongoing
5. Ensure that the trade liberalization in the rice sector keeps pace with the possibilities of agricultural diversification	Undertake a realistic study of the timetable that is compatible with successful agricultural diversification and the further reduction of protection of the rice sector.	Ministry of Trade, Ministry of Finance, Ministry of Agriculture.	Immediately

6. Document Prepared at the End of the Workshop Organized in Nouakchott, 5-6 November

Guidelines for Improving Competitiveness of the National Economy and Its Commercial Integration

6.1 Introduction

For more than fifteen years, the Mauritanian government has committed itself to carrying out structural reforms aimed at restoring the macro-economic equilibrium, liberalizing the economy and promoting the free play of market forces through the implementation of a broad range of measures specifically including the following:

- the liberalization of prices and the elimination of barriers to trade and investment;
- the withdrawal of the government from production and marketing;
- the elimination of monopolies and refocusing on priority projects;
- the privatization of the banking sector and the establishment of a money market;
- the liberalization of the exchange system.

The success of these reforms has resulted in solid progress of the Mauritanian economy during the period 1995 – 2000. Accordingly, the growth rate averaged 4.5 per cent over this period and should reach 5.2% in 2001, while inflation has been contained, with an annual growth rate of 4 per cent on average. At the same time, the budget and foreign balance have evolved in a fairly satisfactory manner.

Concomitantly, all social indicators (education rate, health coverage, literacy, access to drinking water, and so on) have improved markedly and poverty level has fallen between 1990 and 2000 from 56 per cent of the total population to 46 per cent.

These encouraging results have led the government to introduce a policy for fighting poverty reflected in the Government's Strategic Program for the Fight against Poverty (PRSP), adopted in 2000. The PRSP's main aim is to reduce the incidence of poverty to under 39 per cent in 2004 and to under 17 per cent in 2015.

To this end, the PRSP development strategy is based on the following principal guidelines:

- (i) acceleration of economic growth,
- (ii) solid growth in areas pertaining to the country's poor,
- (iii) development of human resources and universal access to basic services, and
- (iv) strengthening institutional capabilities and improving good government.

Attaining economic growth targets and fulfilling the economy's potential requires attracting significant private investment - in particular foreign investment - and greater dynamism in the export sectors. This presupposes the removal of constraints to investment and improving the economy's competitiveness.

This document: (i) sets the stage for Mauritania's economy from a competitiveness viewpoint and its integration into world trade, (ii) recalls the objectives and the strategic paths chosen for the trade strategy under preparation, and (iii) presents a priority action plan for the period 2002-2004

Based on this document, the trade strategy should be finalized in the upcoming weeks and integrated into the PRSP, which is presently being reviewed.

Let us recall that the process for formulating a commercial strategy was initiated in 1998 when Mauritania completed the evaluation of its technical assistance needs in the trade area and that the evolving foreign trade strategy was discussed in public meetings held in Nouakchott in February 2001.

Subsequently, Mauritania benefited from the support of the Integrated Framework program that constitutes an initiative of six agencies (WTO, ITC, UNDP, UNCTAD, IMF, World Bank) aimed at increasing the effectiveness of technical assistance received by the LDCs.

The first phase of this support consisted of conducting a diagnostic study, undertaken between June and October 2001, on the competitiveness and trade integration of the economy, aiming for a better knowledge of potential sources of growth and development opportunities for exports. The second phase of this support, consists in the preparation of and support for the implementation of an action plan for exploiting these sources of growth and export opportunities.

A workshop was held on November 5 and 6, 2001 in Nouakchott, approving this diagnostic study; the workshop was attended by civil servants involved in trade related matters, representatives of the donor community and a number of well-known private sector people. This workshop made it possible to prioritize the various proposals submitted in the diagnostic report, which constitutes the basis for preparing this document.

6.2 Status report

Mauritania is enjoying political stability, a climate of social cohesion and overall, a healthy and stable economy. However, the country has not yet consolidated the progress it has made on the political and economic level to attract a significant level of foreign direct investment (FDI) or stimulate trade.

Private investment, while poorly differentiated in statistics, has continued to rise these past years, because of privatization and reforms in certain production sectors, to reach 22 per cent of GDP in 2000 versus 15 per cent

in the mid-nineties. Yet, this level is still insufficient considering the role that the private sector is called upon to play in a liberalized economy. The fact that the recent growth in FDI is essentially linked to the most recent privatizations does not allow us to confirm that we are seeing a lasting trend in the medium- and long-term.

This situation does not enable us to make the most of the total production potential of the country and the level of integration in the global economy remains low. This arises largely because of the concentrated nature of the export structure, the business environment, the level of production costs and the absence of appropriate action plans aimed at stimulating the export sectors (fishing, livestock, agriculture, tourism).

1. Foreign trade: foreign trade has remained nearly stagnant while GDP growth has averaged 4.5 per cent during the period 1995-2000. Exports have therefore not significantly contributed to GDP growth in contrast to the experience of numerous other developing countries where the growth of exports plays a crucial role in overall growth.

Global markets have not been favorable to products exported by Mauritania, which have experienced a drop in prices during the period 1996-2000 due to the slowing down in the world economy.

Exports remain concentrated on two products: iron ore and fish that represent 99% of total exports. These exports are also geographically concentrated (European Union, Japan) even though this concentration has fallen somewhat in recent years.

2. Business context: in spite of reforms carried out in the areas of taxes and duties, the tax burden hampers the expansion of investment. The tax on companies remains above that observed in transition economies, which have accordingly been able to attract substantial volumes of FDI. A significant legal and judicial reform has been implemented in the past few years and made it possible to draft commercial laws and to strengthen judicial institutions, but problems persist in applying these new regulations and in the institutional capacity of enforcing competition-related rules. Liberalization in the banking sector has not been accompanied by a significant development of financial intermediation and the limited access to credit and its high cost (23 per cent on loans) continue to restrict economic activity. Production costs (electricity, water, transportation) remain above those observed in countries of the subregion. Prices of international telecommunications have fallen because of liberalization of the sector and the installation of two mobile operators. However, these prices are above those observed in fully liberalized markets and the cost for a local mobile call for three minutes (US\$ 1.20) is above the best international practice and still high with respect to the average income of citizens. Access of companies to the Internet is not very developed due to the high cost of leasing transmission lines (a 64-kbps line costs approximately US\$ 1,200 per month). The roads sector suffers from under investment that in part explains the high level of transport charges; the share of roads that are paved, at 11 per cent, is below that of the average for LDCs that stands at 16 per cent. The cost of labor is not high but there is a lack of qualification and the training offered is often not well suited to the needs of the economy.

3. Services of customs and institutions supporting business: business reforms undertaken during the past years have significantly contributed to reducing the cost of imports and to lowering barriers to exports. However, procedures are complex and are time consuming, requiring filing numerous papers and forms. Customs services – in addition to their role as revenue generators for the budget – should work out a project for trade facilitation. A number of public institutions aim at promoting trade and providing support to the private sector.

However, these institutions often do not have the means and technical capability to carry out their mandate. In addition, a liberalized economy necessitates that private sector institutions take on increased responsibility.

4. Policies on a sector-by-sector basis: sector strategies have often not explicitly incorporated concerns with respect to product diversification and export development, particularly those in the agriculture and fishing sectors. There is significant potential here that requires that appropriate action plans be developed.

6.3 Objectives and strategies

The purpose of this document is to define a strategy to overcome the constraints inhibiting Mauritania's export competitiveness and its slow integration into world trade. Such a strategy is essentially important given the narrowness of its domestic market and the enormous advantages it could reap from active participation in international trade.

To attain this objective, the strategy that will be pursued will be based on the following main areas:

- Improvement of policies of government incentives and intervention;
- Reinforcement of services for trade facilitation and setting up support agencies for trade promotion;
- Improvement of the business climate and lowering of production costs;
- Adjustment of policies on a sector-by-sector basis to improve performance and strengthen capabilities of the export sectors.

These key areas should be strengthened by pursuing policies aimed at (i) consolidating economic performance and maintaining a stable macro-economic framework; (ii) maintaining the competitiveness of the Ouguiya, and (iii) completing privatization programs and an increased involvement of the private sector in the financing of infrastructure.

With regard to each of these areas, a set of measures will be defined and implemented. These measures most notably involve the following:

- Diversify and enlarge the export base and reduce dependence vis-à-vis cephalopods and iron;
- Reduce production costs and development costs of infrastructure as the export capacity will depend in large part on the cost and quality of Mauritanian products;
- Reduce bureaucracy and simplify administrative procedures;
- Improve the country's image with investors and attracting a significant level of FDI.

While waiting for the action plan to be completed, a priority action plan has been prepared.

6.4 Priority action plan

The implementation of this strategy is based on a priority action plan that constitutes the action plan, that is presented in the appendix in the form of a table indicating the measures to be taken, the institutions responsible and the implementation period, centered around the four main themes as follows:

- Policies for improving competitiveness;
- Facilitating trade;
- Institutional support to developing trade;
- Supporting the development of export sectors.

This action plan constitutes a suitable framework to ensure the consistency of the various interventions and help with the mobilization of lenders.

1. Policies for improving competition

This component aims at identifying and implementing the actions necessary to improve the investment climate in Mauritania and stimulate private investment, particularly Foreign Direct Investment (FDI), an important factor for accelerating economic growth. It includes the following measures:

- Lowering the tax burden of companies, in particular lowering tariff rates on capital and intermediate goods;
- Improving access to credit and development of financial instruments suitable for creating and expanding businesses;
- Ensuring the effective application of business laws and rules of competition;
- Reducing production costs (electricity, water, shipping, telecommunications and new technologies).

2. Facilitating trade

This component essentially involves customs reform and is aimed at assisting customs offices in its role of trade facilitator, necessary for the economic development of the country and essential for promoting commercial exchanges.

The customs reform shall include the following:

- a. Streamlining and simplifying customs procedures with broader support from the SYDONIA system and a larger selectivity of customs inspections;
- b. Better management of import systems and the effective application of the drawback system;
- c. Improvement of customs valuation practices and the establishment of a timeframe for fulfilling our country's commitment to adopt the WCO's definition of value for the determination of import taxes (transaction value);

- d. The reorganization of the Head Customs Office and the adoption by customs agents of a code of professional conduct.

3. Institutional support for developing trade

Expanding exports involves the setting up of an institutional support device and the clarification of the roles and responsibilities of the public and private sectors. The measures to be established are the following:

- a. Provide public administration in charge of the export sectors with powers and means necessary to effectively and efficiently carry out their mandate. Priority will be given to the establishment of a system for stimulating exports, improving the country's capacity to negotiate favorable multilateral and bilateral agreements, promoting the country's image and tracking performance of foreign trade;
- b. Create an agency to promote trade that will be headed and managed by the private sector;
- c. Create a national office of tourism: the creation of this office is to encourage tourist promoters to collaborate in the development of tourist activities. The Office's mandate will be to promote tourism and act as an interface between the administration in charge of the sector and private operators;
- d. Offer specialized training in the field of exports: first study the available options to strengthen the skills and knowledge of the public and private sectors involving foreign trade practices and techniques. Priority will be granted to the personnel of institutions involved in promoting exports and companies interested in extending their business, but also certified training programs may be set up after analyzing the demand for such training;
- e. Establish mechanisms to improve the quality of products: a study will be conducted to draft plans for improving the quality and reducing costs and facilitating technical certification of export products;
- f. Create a business information center whose purpose will be to provide the necessary business information (markets, product prices) and to institute mechanisms bringing buyers and sellers together via electronic means.

4. Support to policies for developing export sectors

The government is implementing policies for developing the fishing and rural development sectors. For tourism, a declaration was adopted in 1994 and a set of guidelines is being adopted.

This part of the action plan is not intended as a replacement of sector-by-sector strategies but to provide improvement geared to diversifying production, in order to maximize the potential of said sectors, to promote the expansion of their exports and facilitate their integration in international trade circuits.

a. The fishing sector

The principal strategy of the fishing sector involves managing resources, monitoring, development, and integration of the sector into the national economy.

This strategy that should be adopted quickly, would do well to implement the following components:

- Improve the management of fishing resources;
- Oversee the strict application of fishing agreements and the unloading policy;
- Adopt an auditing system appropriate to the sector and eliminate actions that tend to counteract the incentives provided in the current system;
- Find a balance between the activity of foreign and domestic boats and improve the capacity of local production (catches, transformation);
- Reinforce the capacity of the MPEM with regard to formulating strategies, preparing and implementing management plans and negotiating international agreements;
- Promote regional cooperation as regards marketing to maximize the sales prices;
- Develop and modernize the basic infrastructure;
- Increase the contribution of the fishing sector in the creation of revenue and jobs.

b. The rural sector

b.1 Livestock

Livestock has not been well integrated into the national economy, due to the informal character of the majority of its activities and it has not benefited from public investment. Only since 1985 has the government defined a development program for the sector by investing in the sector's infrastructure and by reforming the provision of veterinary services.

The export of live livestock to the subregion seems to offer promising possibilities, whereas the export of red meat has not been developed due to the absence of infrastructures, which is also the case for the leather and skin subsector (installation of a modern slaughter house, local tannery, and so on). Exports of animal products to the European Union are not possible for the moment due to animal health standards.

Mauritania has a competitive advantage in the export of livestock and should reinforce this position and exploit the opportunities of the leather and skin subsector.

The following measures could be taken to facilitate the expansion of exports of livestock products:

- Improve the health of animals; to this end, efforts will be undertaken to declare Mauritania free from mad cow disease and foot-and-mouth disease;
- Set up an information center centralizing all data involving the livestock sector;
- Develop basic infrastructure (pastoral hydraulics, protection of pastures, storage, energy, and so on);

- Carry out animal feed land production programs associated with irrigated crops near the Senegal valley;
- Introduce modern techniques for improving productivity;
- Reinforce the role of professional organizations.

b.2 Agriculture

Agriculture has significant potential that can be fully exploited with a judicious policy of diversification, the exploitation of new land areas, the integration of irrigated agriculture into other rural activities and the improvement of the sector's productivity.

The integrated development program of irrigated agriculture in Mauritania (PDIAIM) aims at lifting restrictions of diversification of production and intensifying the production of rice. At the same time, there are prospects for the fruit and vegetable subsector considering the proximity of Mauritania to the European market and the fact that land is available for agricultural exploitation. For this it will be necessary to lift constraints related to the lack of technical know-how, to the weakness of marketing knowledge, to the availability of appropriate crop seeds and the access to credit. The attraction of foreign investment and joint partnerships with private international companies can quickly overcome these obstacles and improve the technical and marketing means. Within this framework, analysis of foreign experiences and lessons that can be drawn from them will be beneficial.

The following specific measures are feasible:

- Enhance collaboration among the various intervening agencies (PDIAIM, professional organizations, Grand Dominoes de Mauritanie--DM) in order to get the maximum profit from the diversification possibilities;
- Ensure compliance with the regulations as regards the introduction of plant material;
- Capitalize on the experience of the GDM and attract qualified foreign partners;
- Consolidate the expertise in the rice-growing sector;
- Strengthen rural and support infrastructures for agricultural development: the Rosso-Boghé road, open primarily agricultural areas to the public, electrify the valley, install cold storage warehouses near the Noukchott airport, reduce the shipping costs, and so on; and
- Set up a reliable system of information on markets.

c. Tourism

Tourism activities are relatively recent in Mauritania and are principally centered around the desert and to a much lesser degree on fishing and bird watching. The development of the sector will enable it to make a larger contribution to the national economy by creating jobs and generating an influx of foreign currency.

This development requires lifting numerous restrictions related to adapting regulations, strengthening of institutions responsible for the sector, reducing air travel costs and establishing a financing system specific to the tourism sector.

Measures that could be taken in this direction are the following:

- The rapid adoption of a principal set of guidelines for tourism with large national consultations to make the development impact of this sector visible;
- Strengthen the regulatory and oversight functions by providing the private sector with the task of promoting tourist products;
- The development of tourist infrastructure in areas with tourist potential;
- The introduction of competition in international air transportation and the introduction of international standards in Tidjikja and Néma airports;
- Undertake a study for establishing a tourism credit;
- Preservation and evaluation of the country's cultural and natural assets.

Priority action plan for improving competitiveness and the economy and its integration into global trade

6.4.1 POLICY COMPONENT FOR IMPROVING COMPETITION

Objectives	Measures	Agencies responsible	Period
1. Reduce the cost of imports to reduce distortion unfavorable to exports inherent in the import system	<ul style="list-style-type: none"> - Complete the tax reform and make the IMF 100% deductible - Simplify the structure of customs duties - Reduce the tariff rates on capital goods and intermediate imports. - Make operational the drawback system. 	<ul style="list-style-type: none"> - MF/MAED - MAED/MF - MF - MF 	<ul style="list-style-type: none"> - 2002
2. Improve the investment climate in order to attract IEDs	<ul style="list-style-type: none"> - Entry into effect of the new Investment Code - Effective application of business laws and rules of competition - Specialization of judges - Establishment of a private arbitration center - Establishment of additional Chambers of Commerce 	<ul style="list-style-type: none"> - MAED - MAED/MJ - MAED/MJ - MAED/MJ - MAED/MCAT 	<ul style="list-style-type: none"> - 2002 - 2002-2003 - 2002
3. Adopt an action plan for developing access to credit particularly long-term financing.	<ul style="list-style-type: none"> - Initiate a study to develop the financial sector to suggest and Action Plan - Adoption and implementation of the Action Plan - Strict application of proper regulations and practices 	<ul style="list-style-type: none"> - MAED/BCM - MAED/MF/BCM - BCM 	<ul style="list-style-type: none"> - 2002 - 2003-2005 - Ongoing
4. Reduce production costs			
<ul style="list-style-type: none"> • Telecommunications 	<ul style="list-style-type: none"> - Examine the possibility of intensifying competition in the telecommunication sector. - Introduce competition in the supply of Internet services (transmission lines) 	<ul style="list-style-type: none"> - Regulating authority /MIPT 	<ul style="list-style-type: none"> - 2002-2003
<ul style="list-style-type: none"> • Water and electricity 	<ul style="list-style-type: none"> - Finish large projects underway (Electricity of Manantali, Aftout , Essahli) - Extension of distribution networks - Adapt the fee structure to the industrial needs 	<ul style="list-style-type: none"> - MAED/MHE 	<ul style="list-style-type: none"> - 2002-2005
<ul style="list-style-type: none"> • Road transport 	<ul style="list-style-type: none"> - Establishment of an independent regulator 	<ul style="list-style-type: none"> - MAED/MET 	<ul style="list-style-type: none"> - 2002
<ul style="list-style-type: none"> • Airport 	<ul style="list-style-type: none"> - Adapt legal and regulatory framework - Introduce competition in international air transport - Mobilize financing of the construction of the new Nouakchott airport with new cold storage facilities.. 	<ul style="list-style-type: none"> - MAED/MET - MAED/MET, 	<ul style="list-style-type: none"> - 2002-2004 - 2002-2003
<ul style="list-style-type: none"> • Ports 	<ul style="list-style-type: none"> - Conduct a study on port costs - Break up monopolies of port handling services - Conduct a feasibility study on the modernization of the Nouadhibou port in order to allow the transshipment of fish catches, and offer good services to small-scale fishing sector - Promote regional cooperation with regard to competition of maritime transport. 	<ul style="list-style-type: none"> - MAED/MET - MAED/MPEM 	<ul style="list-style-type: none"> - 2002 - 2002-2003 - 2002-2003

6.4.2 COMPONENT: FACILITATING TRADE

Objectives	Measures	Agencies responsible	Period
1- Facilitating trade must be supported at the highest level of the government	<ul style="list-style-type: none"> - Create a public sector/private sector Steering Committee (with a head office) - Establishment of a tracking mechanism 	<ul style="list-style-type: none"> - MAED /MF/CGEM) 	<ul style="list-style-type: none"> - 2002
2- Liberalize customs procedures in order to reduce the cost of imports and exports	<ul style="list-style-type: none"> - Adoption of the Electronic Data Interchange (EDI), - Broaden the use of the SYDONIA program, - Introduce a greater selectivity of controls. 	<ul style="list-style-type: none"> - MF/CGEM/Superintendence company 	<ul style="list-style-type: none"> - 2002-2003
3- Reduce income losses via a better management of special import systems	<ul style="list-style-type: none"> - Streamline the exemption system, - Establish a system for tracking exemptions that remain in effect. 	<ul style="list-style-type: none"> - MAED/MF/CGEM - Superintendence company 	<ul style="list-style-type: none"> - 2002
4- Ensure a proper customs valuation system, particularly in light of government's commitment to enforce customs' compliance with WCO evaluation principles.	<ul style="list-style-type: none"> - Evaluate the impact of the recourse to the SGS and the means for reaping the greatest possible profit from this contract. - Utilize the results from this evaluation in the negotiation of the new contract with the PSI company. - Establish a timetable for applying the evaluation in custom of the WCO and identify the assistance needed. 	<ul style="list-style-type: none"> - MAED/ MF - CGEM - Monitoring company 	<ul style="list-style-type: none"> - 2002 - 2002-2003
5- Reinforce the Customs Bureau to enable it to implement a well designed action plan.	<ul style="list-style-type: none"> - Study the reorganization of the General Customs Department - Provide the Customs Department with sufficient budget resources to enable it to implement the aforementioned plans. - Adopt an ethics code of professional for customs agents. 	<ul style="list-style-type: none"> - MAED/MF - MF 	<ul style="list-style-type: none"> - 2003-2002 - 2003

6.4.3 Institutional support component

Objectives	Measures	Organismes responsables	Period
1. Give the government the means to actively promote foreign trade.	<ul style="list-style-type: none"> - Reinforce the administration responsible for promoting exports. - Establish a mechanism for tracking commitments taken by Mauritania to the OMC. 	<ul style="list-style-type: none"> - MAED/MF/MCAT /MPEM - MAED/MF/MCAT 	<ul style="list-style-type: none"> - 2002-2004 - July 2002
2. Establish independent institutions to support the export sector	<ul style="list-style-type: none"> - Create a national tourism office - Create an agency to promote private investment - Establish a new structure for the Chamber of Commerce 	<ul style="list-style-type: none"> - MAED/MCAT/CGEM 	<ul style="list-style-type: none"> - July 2002 - December 2002 - July 2002
3. Reinforce the quality of human resources in public administration and in the private sector so as to promote exports	<ul style="list-style-type: none"> - Design certified training programs in international trade at the university and technical level. - Initiate a study for an ongoing training program for the personnel already in place in the private and public sector. 	<ul style="list-style-type: none"> - MEN/ University of Nouakchott/ - MACT/Business school - MAED/MCAT/CGEM 	<ul style="list-style-type: none"> - October 2002 - July 2002
4. Improve the quality of the local production as prior step for success on the export market	<ul style="list-style-type: none"> - Upgrade to technical standards and verification programs. - Initiate partnerships with scientific and laboratory institutions. 	<ul style="list-style-type: none"> - MMIMEN/ MCAT/CGEM 	<ul style="list-style-type: none"> - 2002-2003
5. Make trade information available to local producers	<ul style="list-style-type: none"> - Establishment of a center of business information (Trade Points). 	<ul style="list-style-type: none"> - MAED/MCAT/CGEM 	<ul style="list-style-type: none"> - July 2002

6.4.4 FISHING COMPONENT

Objectives	Measures	Agencies responsible	Period
1. Improve the management of fishing resources by avoiding over fishing and intensifying the exploitation of underexploited species	- Adopt a development strategy for the fishing sector including a development plan	- MAED/MPEM/CNROP	- December 2002
	- Organization of a round table of lenders.	- MAED/MPEM	- 2003
2. Review the tax and licensing system to improve incentives and increase tax revenue.	- Implement the results from the study dealing with the review of tax laws.	- MAED/MF/MPEM	- - 2002-2003
3. Gradually increase the share of catches by local ships	- Apply the transshipment policy;	- MPEM	- Continue
	- Study methods for the transfer of refrigerated trawlers to Mauritanian operators, within the framework of the restructuring program of the fishing sector in the European Union;	- MPEM/MF	- 2002-2005
	- Carry out pilot projects to evaluate the feasibility of applying better fishing and transformation technologies ⁶⁸ .	- MPEM	- July 2002
4. Strengthen institutions responsible for managing the sector	- Strengthen the capacities of the MPEM. - Support the CNROP in the area of resource management and the identification of priority studies.	- MAED/MPEM	- June 2002
5. Manage fish marketing so as to raise prices obtained for fish exports	- Establish a workgroup to study methods of regional cooperation involving marketing of cephalopods most notably with Morocco.	- MAEC/MAED/MPEM/ SMCP/ FNP	- December 2002
6. Have the private sector participate more in defining the implementation of the development plan of the fishing sector	- Reinforce the State/private sector dialog involving fishing sector issues.	- MAED/ MPEM/CGEM	- - June 2002
8. Supply essential infrastructures	- Initiate a limited expansion of the current fishing port in Nouadhibou, dredging of the access channel and removal of some 60 shipwrecks;	- MAED/MPEM/MET	- December 2002
	- Construct port capacity in Nouadhibou for handling catches of small nekto-planctonic species;		- 2002 - 2006
	- Construct a new fishing port in Nouakchott to service coastal, small-scale and industrial fishing;		
	- Install cleanup stations for the small-scale fishing port of Nouadhibou		

⁶⁸ Study underway on financing from the FAO

Objectives	Measures	Agencies responsible	Period
9. Better exploit the subsector of small-scale fishing businesses	<ul style="list-style-type: none"> - Prepare a long-term development strategy for coastal and small-scale fisheries, as well as a five-year investment and technical assistance plan. - Create a development center for fishing technologies, associated with the fishing school and jointly managed by the school and the national fishing federation. - Activate the “Consulting council for the development of fisheries” and work towards greater involvement of the FNP 	<ul style="list-style-type: none"> - MAED/MPER/CGEM - MPEM/MEN/CNROP/CGEM/private companies - - MPEM/CGEM 	<ul style="list-style-type: none"> - December 2002 - 2002-2007 - June 2002

6.4.5 RURAL SECTOR COMPONENT

5.a- Livestock

Objectives	Measures	Agencies responsible	Period
1. Improve animal health: - Modify the legal system regarding animal health to comply with regional and international health standards - Obtain (from the OIE) the certificate of "country exempt of health problems" needed to permit Mauritania to export livestock and related products.	- Identify legal texts concerned and make the necessary revisions.	- MAED/MDRE	- July 2002
	- Reinforce the battle against "epizootic diseases" by providing supplemental financing to REMEMA.	- MAED/MDRE	- 2002 and afterward continuously
2. Improve the basis of information for this sector:	- Coordinate the efforts of various agencies concerned.	- MAED/MF/BCM/MDRE	- December 2001
	- Establish a center of commercial information and documentation		- December 2001
3. Reform the institutions responsible for this sector	- Implement recommendations of the ongoing study involving the reorganization of the Agricultural Ministry.	- MDRE	- July 2002
4. Support professional organizations	- Draw lessons from ongoing efforts to strengthen the finances and the organization of these organizations.	- MAED/MDRE/Professional organizations	- Ongoing effort
5. Stimulate exports of the livestock raising sector	- Study the establishment of the infrastructure needs to reduce marketing costs to neighboring countries;	- MDRE/MCAT/MAET	- 2002
	- Enter into bilateral negotiations with former members of the CEDEAO to secure an adequate commercial framework.		- 2002
6. Stimulate income from the export of skins, leather, horns and live animals and products from camel milk	- Ensure that the new slaughterhouse of Nouakchott initiates operation	- MAED/MDRE/MIP T/Comm. Urb. de Nouakchott / APB	- January 2002
	- Assist the private sector investor who has expressed an interest in investing in a tanning facility near Rosso.		
	- Study the possibility of exporting camel skins (take advantage of the experience of Sudan in this field). - Encourage local facilities for the transformation of by-products (tannery, etc.)	- MAED/MDREF/Private - MAED/MMI/MCA T/CGEM	- 2002

5.b-Agriculture

Objectives	Measures	Agencies responsible	Period
1. Diversify agricultural production by favoring exportation of new products	<ul style="list-style-type: none"> - Intensify agricultural diversification programs through the PEDIAM - Begin exploitation of the potential offered by the fruit and vegetable branch - Provide better access to resources of the PEDIAM to small operators. 	- MAED/MDRE	<ul style="list-style-type: none"> - Ongoing - 2002-204 - Ongoing
2. Ensure that the prevailing land property system stimulates agricultural production	<ul style="list-style-type: none"> - Revise laws pertaining to property system in view of adapting it, as needed, to accelerate the transfer of land property titles. 	- MAED/MDRE	- 2002
3. Develop infrastructures to support the export of agricultural products	<ul style="list-style-type: none"> - Construct the Rosso-Bobhé road and open irrigated perimeters to the public; - Electrify the Senegal Valley; - Install cold storage warehouses near the airport of Nouakchott . 	<ul style="list-style-type: none"> - MAED/MET - MAED/MHE - MAED/MET 	<ul style="list-style-type: none"> - 2002-2004 - 2002-2006 - 2002-2005
4. Attract foreign investors to take advantage of their expertise and knowledge of export the markets.	<ul style="list-style-type: none"> - Promote regional cooperation as regards to private partnerships and the exchanges of experience; - Initiate well targeted promotion campaigns. 	- MAED/MDRE	<ul style="list-style-type: none"> - 2002 and ongoing - 2002-2003

6.4.6 TOURISM COMPONENT

Objectives	Type of Action	Agencies Responsible / External support	Time frame
1. Grant tourism development high political importance and visibility,	-Adopt a Schema Directeur for the sector and provide plenty of publicity to this event -Organize a Round Table on the above Schema Directeur -Establish a program of professional training for tourism personnel	-MCAT, Cabinet of Prime Minister -MAED/MCAT	- December 2001 - January 2002
2. Improve and multiply the tourism destination to broaden the offerings	-Upgrade the airport in Nema and Tidjikja (infrastructure) -Develop tourist infrastructure in areas with tourism potential.	-MAED/MET	- 2002 - 2004
3. Provide adequate institutional support to the tourism sector	-Reorganize and define mission objectives -Put in place specialized training	-MAED/MCAT	- 2002 - 2002 - 2003
4. Put in place a financing mechanism favoring the tourism sector	-Study the implementation of a credit institution for the tourist sector	-MAED/BCM/MCAT	- 2002
5. Preserve the cultural and natural assets, essential to tourism development	-Implement the various actions defined in the cultural preservation initiatives already defined. -Establish action plans for the valorization of the Banc d' Arquin and the Parc Diawling	-MAED/MCAT/MCOI -MAED/MDRE/MCAT	- 2002 - 2003 - 2002 - 2003

Appendix

Table A. 1.: Average tariffs and total tax burden, by H.S. Chapter (Per cent)

H.S. Chapter	Description	No. of lines	2001 MFN tariff		2001 Total tax burden at customs	
			Average tariff	Standard deviation	Average total tax	Standard deviation
	Total	5,533	10.6	7.6	33.5	8.6
01-24	Agriculture	802	13.8	7.8	39.6	8.8
25-97	Industry	4,731	10.0	7.5	32.5	8.5
01	Live animals	20	4.5	1.5	23.1	6.6
02	Meat and edible meat offal	53	20.0	0.0	45.1	0.0
03	Fish and crustaceans, molluscs and other aquatic invertebrates	87	20.0	0.0	45.1	0.0
04	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere specified or included	37	12.0	9.8	34.1	13.5
05	Products of animal origin, not elsewhere specified or included	19	5.8	3.4	28.4	4.1
06	Live trees and other plants; bulbs, roots and the like; cut flowers and ornamental foliage	12	16.3	6.8	40.7	8.0
07	Edible vegetables and certain roots and tubers	58	15.6	6.4	36.7	12.3
08	Edible fruit and nuts; peel of citrus fruit or melons	60	19.8	1.9	44.8	2.3
09	Coffee, tea, maté and spices	54	19.4	2.9	44.5	3.4
10	Cereals	19	7.9	8.7	24.0	13.7
11	Products of the milling industry; malt; starches; insulin; wheat gluten	38	10.4	6.9	33.1	8.5
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal plants; straw and fodder	51	6.0	4.2	23.5	10.1
13	Lac; gums, resins and other vegetable saps and extracts	12	1.3	2.3	23.1	2.8
14	Vegetable plaiting materials; vegetable products not elsewhere specified or included	11	4.5	1.5	26.7	2.7
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes	59	6.8	6.7	23.5	11.6
16	Preparations of meat, of fish or of crustaceans, molluscs or other aquatic invertebrates	28	20.0	0.0	45.1	0.0
17	Sugars and sugar confectionery	18	6.4	5.1	10.5	5.8
18	Cocoa and cocoa preparations	17	12.1	7.7	35.8	9.1
19	Preparations of cereals, flour, starch or milk; pastry cooks' products	18	15.2	8.5	37.5	11.8
20	Preparations of vegetables, fruit, nuts or other parts of plants	50	17.6	3.3	42.1	4.8
21	Miscellaneous edible preparations	19	11.4	5.9	34.8	8.6
22	Beverages, spirits and vinegar	26	19.2	3.9	43.9	6.3
23	Residues and waste from the food industries; prepared animal fodder	26	1.9	5.5	20.2	7.5
24	Tobacco and manufactured tobacco substitutes	10	17.8	5.0	42.5	5.9
25	Salt; sulphur; earths and stone; plastering materials, lime and cement	79	5.9	3.5	28.3	4.8
26	Ores, slag and ash	38	5.0	0.0	27.4	0.0
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	58	9.8	6.8	32.2	9.7
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements or of isotopes	190	5.0	1.4	26.6	4.0
29	Organic chemicals	319	4.1	2.7	24.5	5.7

H.S. Chapter	Description	No. of lines	2001 MFN tariff		2001 Total tax burden at customs	
			Average tariff	Standard deviation	Average total tax	Standard deviation
30	Pharmaceutical products	41	3.9	2.1	12.3	0.0
31	Fertilizers	26	0.2	1.0	17.7	1.7
32	Tanning or dyeing extracts; tannins and their derivatives; dyes, pigments and other coloring matter; paints and	58	8.1	6.8	30.9	8.3
33	Essential oils and resinoids; perfumery, cosmetic or toilet preparations soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles	39	12.6	7.8	36.5	9.0
34	Soap, organic surface-active agents, washing preparations, lubricating preparations, artificial waxes, prepared waxes, polishing or scouring preparations, candles and similar articles, modeling pastes, dental waxes and dental preparations with a basis	28	12.5	7.4	36.3	8.7
35	Albuminoidal substances; modified starches; glues; enzymes	15	3.3	5.2	19.6	8.5
36	Explosives; pyrotechnic products; matches; pyrophoric alloys; certain combustible preparations	9	20.0	0.0	45.1	0.0
37	Photographic or cinematographic goods	38	14.1	3.6	37.3	6.9
38	Miscellaneous chemical products	66	5.8	3.3	26.9	6.0
39	Plastics and articles thereof	140	6.8	7.2	21.8	13.2
40	Rubber and articles thereof	77	9.3	7.8	31.5	10.4
41	Raw hides and skins (other than furskins) and leather	34	3.4	2.4	24.4	4.5
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk - worm gut)	24	13.3	1.4	37.2	1.7
43	Furskins and artificial fur; manufactures thereof	18	20.0	0.0	45.1	0.0
44	Wood and articles of wood; wood charcoal	69	11.2	9.0	34.4	11.2
45	Cork and articles of cork	7	12.1	9.9	34.9	13.2
46	Manufactures of straw, of esparto or of other plaiting materials; basket ware and wickerwork	7	13.0	0.0	36.9	0.0
47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper and paperboard	20	0.0	0.0	18.0	0.0
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	120	9.4	7.4	32.5	9.3
49	Printed books, newspapers, pictures and other products of the printing industry; manuscripts, typescripts and plans	22	7.0	8.7	22.0	17.6
50	Silk	10	6.5	9.4	27.1	12.8
51	Wool, fine or coarse animal hair; horsehair yarn and woven fabric	36	8.1	8.3	30.0	11.0
52	Cotton	149	12.3	9.4	34.5	12.8
53	Other vegetable textile fibers; paper yarn and woven fabrics of paper yarn	32	6.9	7.8	28.2	10.7
54	Man-made filaments	73	12.4	7.6	36.2	8.9
55	Man-made staple fibers	141	11.8	8.2	35.0	10.5
56	Wadding, felt and nonwovens; special yarns; twine, cordage, ropes and cables and articles thereof	35	9.8	6.6	29.2	12.7
57	Carpets and other textile floor coverings	20	19.4	2.0	44.4	2.4
58	Special woven fabrics; tufted textile fabrics; lace; tapestries; trimmings; embroidery	41	19.8	1.1	44.9	1.3
59	Impregnated, coated, covered or	27	13.7	7.8	37.6	9.5

H.S. Chapter	Description	No. of lines	2001 MFN tariff		2001 Total tax burden at customs	
			Average tariff	Standard deviation	Average total tax	Standard deviation
60	laminated textile fabrics; textile articles of a kind suitable for industrial use	18	5.0	0.0	27.4	0.0
61	Knitted or crocheted fabrics	114	20.0	0.0	45.1	0.0
62	Articles of apparel and clothing accessories, knitted or crocheted	119	20.0	0.0	45.1	0.0
63	Articles of apparel and clothing accessories, not knitted or crocheted	59	18.5	4.6	43.3	5.4
64	Other made up textile articles; sets; worn clothing and worn textile articles; rags	31	20.0	0.0	45.1	0.0
65	Footwear, gaiters and the like; parts of such articles	11	18.6	4.5	43.5	5.3
66	Headgear and parts thereof	7	13.6	8.0	37.6	9.5
67	Umbrellas, sun umbrellas, walking-sticks, seat-sticks, whips, riding-crops and parts thereof	8	20.0	0.0	45.1	0.0
68	Prepared feathers and down and articles made of feathers or of down; artificial flowers; articles of human hair	54	19.4	2.9	44.5	3.4
69	Articles of stone, plaster, cement, asbestos, mica or similar materials	30	20.0	0.0	45.1	0.0
70	Ceramic products	75	8.8	6.4	31.4	8.6
71	Glass and glassware	52	12.1	9.4	33.8	13.6
72	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	172	9.5	4.6	32.7	5.5
73	Iron and steel	153	13.6	5.8	37.5	7.2
74	Articles of iron or steel	62	8.3	5.5	31.5	6.7
75	Copper and articles thereof	17	6.8	5.0	28.5	4.4
76	Nickel and articles thereof	41	7.8	6.1	29.7	7.1
77	Aluminum and articles thereof	10	8.0	6.3	31.0	7.5
78	Lead and articles thereof	10	6.5	4.7	29.2	5.6
79	Zinc and articles thereof	8	8.8	6.9	31.9	8.2
80	Tin and articles thereof	36	12.1	7.6	35.8	9.0
81	Other base metals; cermet; articles thereof	73	6.4	4.2	29.0	4.9
82	Tools, implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	37	13.8	4.7	38.1	5.3
83	Miscellaneous articles of base metal	519	6.4	5.5	28.0	8.5
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	300	10.5	6.4	34.4	7.4
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	24	13.0	0.0	36.9	0.0
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical (including electro-mechanical) traffic signaling equipment of all kinds	144	16.0	5.7	41.4	6.8
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof	15	0.0	0.0	21.5	0.0
88	Aircraft, spacecraft, and parts thereof	27	2.2	2.5	20.5	5.3
89	Ships, boats and floating structures	163	5.5	5.0	26.2	7.6
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof	55	5.0	0.0	27.5	0.2
91	Clocks and watches and parts thereof	20	20.0	0.0	45.1	0.0
92	Musical instruments; parts and accessories of such articles	17	18.8	5.0	43.7	5.9
93	Arms and ammunition; parts and					

H.S. Chapter	Description	No. of lines	2001 MFN tariff		2001 Total tax burden at customs	
			Average tariff	Standard deviation	Average total tax	Standard deviation
94	accessories thereof Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; lamps and lighting fittings, not elsewhere specified or included; illuminated signs, illuminated name-plates and the like; prefabricated buildings	38	16.2	6.1	40.5	8.1
95	Toys, games and sports requisites; parts and accessories thereof	43	18.4	5.2	42.1	9.7
96	Miscellaneous manufactured articles	50	19.1	3.6	44.1	4.2
97	Works of art, collectors' pieces and antiques	7	20.0	0.0	45.1	0.0

Source: World Bank calculations based on data provided by the Mauritanian authorities.

Table A- 2. Exports by destination, 1992-2000 (Per cent)

Description	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total exports (\$ million)	647.2	423.4	410.3	486.4	490.3	400.2	372.3	375.3	346.2
	(Percent)								
America	3.2	2.9	1.0	1.5	1.9	0.3	0.5	0.4	0.7
United States	1.7	1.3	0.5	1.1	1.2	0.1	0.3	0.3	0.3
Canada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	1.5	1.5	0.5	0.3	0.6	0.2	0.2	0.1	0.4
America									
Europe	71.2	61.1	60.1	61.0	59.3	67.7	75.1	71.8	70.6
EU(15)	66.1	50.6	52.1	53.4	54.3	64.4	72.6	70.0	67.8
France	5.3	11.7	14.1	13.2	14.0	15.1	21.4	19.5	22.1
Spain	6.6	11.0	10.4	11.3	9.1	10.5	9.3	12.0	13.4
Belgium	42.2	5.4	6.7	6.6	6.7	9.1	11.6	7.3	12.8
Italy	7.4	13.7	14.0	15.6	16.3	21.2	20.3	14.6	12.5
Germany	0.8	1.7	2.8	1.5	3.9	3.4	4.3	12.5	3.8
EFTA	0.5	4.0	5.2	2.7	0.3	0.0	0.1	0.0	0.0
Eastern	4.6	6.5	2.8	4.9	4.7	2.8	2.5	1.8	2.9
Europe									
Former	4.4	6.5	2.7	4.7	4.5	2.6	2.2	1.8	2.8
USSR									
Russian	4.4	6.5	2.7	4.7	4.5	2.6	2.2	1.8	2.8
Federation									
Other Europe	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.0
Asia	17.5	21.9	28.9	23.8	22.5	21.6	13.1	14.5	13.8
Middle East	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.0
East Asia	17.0	21.9	28.8	23.6	22.5	21.1	12.2	13.4	12.0
Japan	17.0	21.9	28.6	23.1	21.9	19.9	10.9	11.4	10.5
South Asia	0.4	0.0	0.0	0.0	0.0	0.4	0.9	1.1	1.8
Pakistan	0.4	0.0	0.0	0.0	0.0	0.4	0.9	1.1	1.8
Oceania	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Africa	6.6	11.3	8.7	12.6	16.1	10.4	11.1	13.2	12.2
Sub-saharan	5.9	10.9	8.2	12.0	15.1	9.7	10.8	12.5	11.6
Africa									
Nigeria	1.0	2.9	0.8	3.1	7.2	4.2	6.3	7.1	7.5
Other Africa	0.7	0.4	0.6	0.6	1.0	0.6	0.3	0.7	0.7
Other	1.6	2.8	1.3	1.2	0.2	0.0	0.2	0.0	2.6
Areas n.e.s	1.6	2.8	1.3	1.2	0.2	0.0	0.2	0.0	2.6

Source: WTO Secretariat calculations, based on data provided by the Mauritanian authorities.

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