Mauritania

2011

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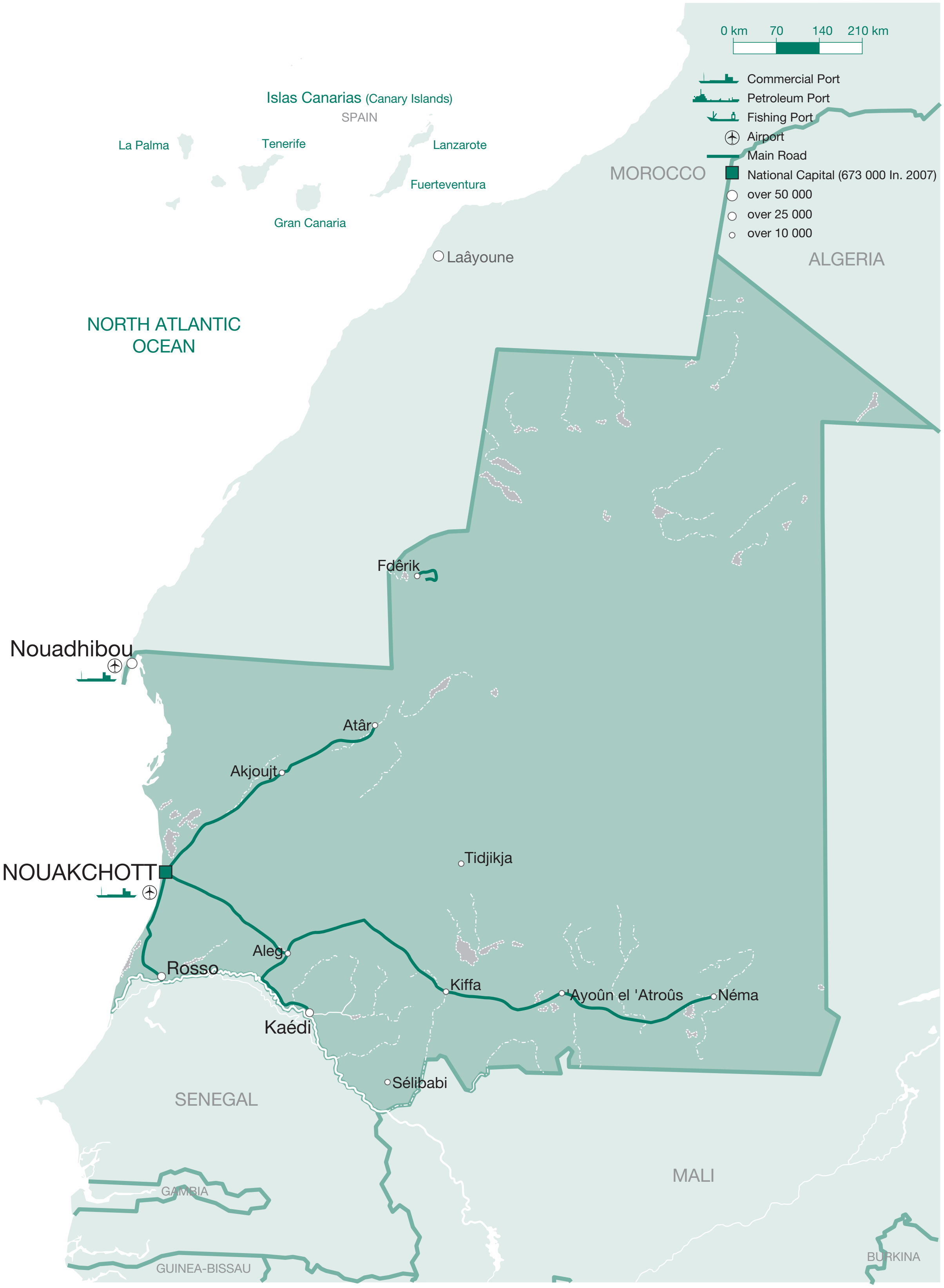

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Mauritania

Overview

The structure of the Mauritanian economy, characterised by the predominance of the secondary and tertiary sectors (with 34.7% of gross domestic product [GDP] and 44.8% of GDP respectively) remained almost entirely unchanged between 2009 and 2010. After a fall in GDP of 1.2% in 2009, the economy should rebound in 2010, with GDP expanding by an estimated 5%. This is expected to become stronger in the coming years with a slight decline in the tertiary sector to the advantage of the primary and secondary sectors. This performance is the outcome of the combined effects of the implementation of the public finances reform programme agreed with the International Monetary Fund (IMF) and the substantial rise in international minerals prices.

Mauritania should build on these results by achieving growth of 5.3% in 2011 and 5.5% in 2012. The authorities are relying on the maintenance of prices of mineral products, notably of iron, copper and gold. They are equally counting on the rationalisation of public expenditure, on an increase in private investment in the mining sector and on the ongoing support of donors. This optimism is reinforced by the close monitoring of the IMF which is aimed at seeing the policy of fiscal consolidation through to a successful conclusion in the framework of a coherent macroeconomic policy. This policy should enable Mauritania to further unblock domestic resources and maintain its debt at a sustainable level.

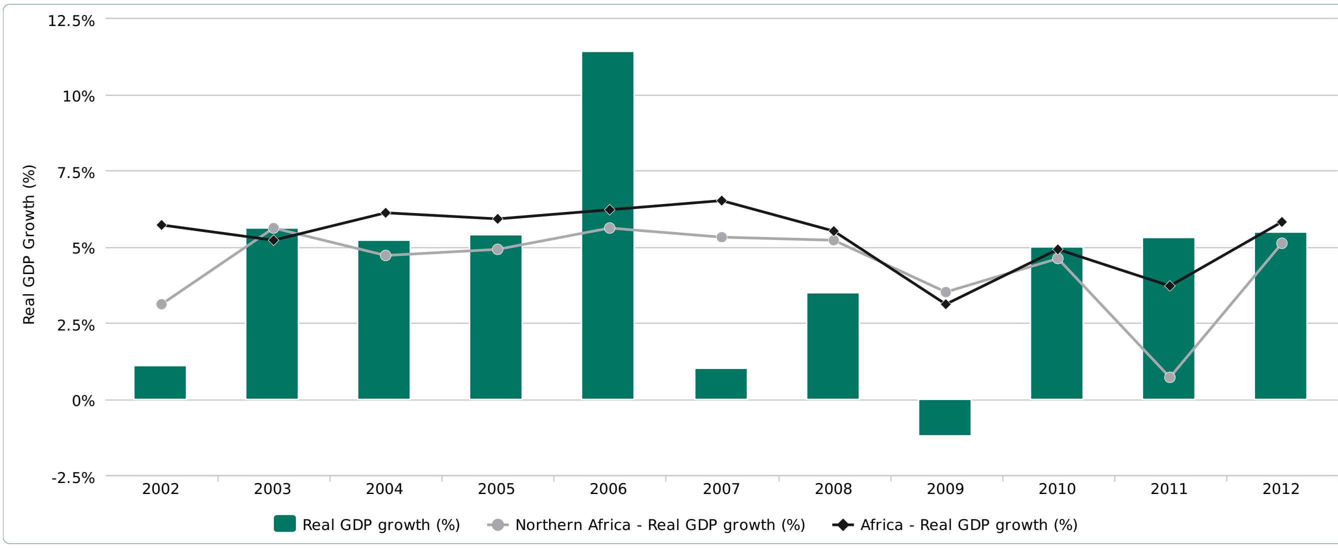
On the supply side, growth was sustained particularly by the metallic minerals mining sub-sector, which accounted for a quarter of real GDP growth, as well as by the trade and livestock sub-sectors, with contributions of 11.2% and 10.7% respectively. Mining activity grew slightly in 2010 (0.8%), whereas prices on international markets rose significantly. Thus, the prices of iron, copper and gold rose by 60.4%, 46.3% and 25.9% respectively, between 2009 and 2010. Agriculture benefited from a very good season and registered growth of 11.7%. It continued, however, to make a marginal contribution to growth, with a low GDP share of 4.6%. On the demand side, final consumption (estimated at 90.5% of GDP) contributed 6.3 percentage points to growth in 2010. Gross investment expanded by 9.3% in 2010, to around 26.4% of GDP. The volume of exports remained unchanged in 2010 leaving imports (primarily hydrocarbons) to rise by an uncompensated 3.6%, which penalised growth by 4.4 points.

The implementation of macroeconomic policy was on the whole satisfactory in 2010. Mauritania performed well under the programme of reforms supported by the Extended Credit Facility (ECF). In terms of fiscal policy implementation, the government also succeeded in better mobilising domestic resources, controlling spending and reducing instances and arrears on domestic debt. Budgetary receipts increased by 6.9% while overall expenditure and net loans declined by 2.7% between 2009 and 2010. As a result, the budgetary execution in 2010 resulted in an improvement in the overall deficit to 3.7% of nominal GDP, after having reached 5.1% in 2009. The deficit on the current account also improved by almost 4% of GDP, falling from 12.6% to 8.8% of GDP. This improvement was due to the value increase in exports by more than 11% and by the fall in the value of imports by more than 8%.

The Mauritanian ougiya (MRO) experienced a sharp depreciation since the start of 2010, of around 9% vis-à-vis the dollar (USD), so much so that the Central Bank limited its operations. It decided on a three-point drop in the intervention rate, from 12 to 9% in order to promote financing by credit, aimed principally at the private sector. In 2010 consumer prices came under inflationary pressure, because of the rise in international oil prices and certain food products (notably fruit and vegetables, following flooding in Morocco). This shock considerably disrupted market supply for several months. Inflation rose sharply over 2009 (when it was 2.2%) to reach 6.1% according to Central Bank estimates. If the prices of food goods continue on an upward trajectory, with the gradual lifting of subsidies on food staples, inflationary pressures risk continuing during 2011 and 2012, to reach rates of 5.7% and 5.4% respectively.

The authorities have also committed themselves to improving the management of public finances in order to carry out their development programme. The principal reforms aim to control spending and increase public income; decentralise the functions of payment scheduling and financial monitoring with a view to improving management capacities; and computerise the public expenditure and state accounting chains to improve absorption capacity. These reforms consolidate other reforms currently being implemented including: *i)* drawing up a budget based on multi-annual national policies; *ii)* decentralising accounting with the creation of regional general treasury paymasters; *iii)* integrating the information systems of the Ministry of Finance; *iv)* managing the Treasury (diversifying the Treasury's financing instruments, introducing a single Treasury account and implementing a Treasury plan).

Figure 1: Real GDP growth (N)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Table 1: Macroeconomic indicators

	2009	2010	2011	2012
Real GDP growth	-1.2	5	5.3	5.5
CPI inflation	2.2	6.1	5.7	5.4
Budget balance % GDP	-5.1	-3.7	-3	-2.9
Current account % GDP	-12.6	-8.8	-8.1	-9.1

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Recent Economic Developments and Prospects

Table 2: GDP by sector (in percentage)

	2005	2009
Agriculture, forestry, fishing & hunting	23.7	20.6
Agriculture, livestock, fishery, forestry and logging	-	-
of which agriculture	-	-
of which food crops	-	-
Mining and quarrying	15.9	24.8
Mining, manufacturing and utilities	-	-
of which oil	-	-
Manufacturing	5	4.1
of which hydrocarbon	-	-
Electricity, gas and water	-	-
Electricity, water and sewerage	-	-
Construction	8.4	5.7
Wholesale and retail trade, hotels and restaurants	13.7	11.2
of which hotels and restaurants	-	-
Transport, storage and communication	5.4	4.9
Transport and storage, information and communication	-	-
Finance, real estate and business services	-	-
Financial intermediation, real estate services, business and other service activities	-	-
General government services	14.7	16.1
Public administration & defence; social security, education, health & social work	-	-
Public administration, education, health	-	-
Public administration, education, health & other social & personal services	-	-
Public administration, education, health & social work, community, social & personal services	-	-
Public administration, education, health & social work, community, social services	-	-
Other community, social & personal service activities	-	-
Other services	13.3	12.7
Gross domestic product at basic prices / factor cost	100	100

Source: AfDB Statistics Department; Ministry of Finance.

Figures for 2010 are estimates; for 2011 and later are projections.

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The structure of the Mauritanian economy, which is characterised by the predominance of the secondary and tertiary sectors (34.7% and 44.8% of GDP respectively), remained largely unchanged between 2009 and 2010. The secondary sector remained dominated by the extractive industries (24.8% of GDP in 2009) the largest part of which was attributable to metals mining (20% of GDP). Production of oil products declined, which resulted in a contribution of only 4.8% to GDP. Manufacturing and construction are limited and account for just 4.1% and 5.7% of GDP. Trade (11.2% of GDP), goods and services (12.7%) and public administration (16.1%) make up the principal activities of the tertiary sector, while livestock (10.7%) and fishing (5.3%) account for the majority of the primary. This GDP structure should remain stable in 2011, with a slight decline in the share of the service sector in favour of the primary sector, as a result of the strengthening of pastoral farming and breeding. The secondary sector should also benefit with the start of activities of certain mining investments.

After a fall of 1.2% of GDP in 2009, growth in the economy rebounded in 2010 and should be strengthened further in the coming years with a slight decrease in the tertiary sector to the benefit of the primary and secondary sectors. GDP should record growth of 5% in 2010. This performance is attributable to the start of the emergence from the global economic crisis and by renewed confidence which has resulted in the return in force of partners and international donors.

Since the end of 2009, the mining sector has experienced significant growth which has further consolidated its position as the engine of the economy. The sector's development prospects are promising. The *Société Nationale des Industries Minières* (SNIM) has begun an ambitious modernisation and development programme which should enable it to increase production by 4 million tonnes a year from 2013. In addition, Tasiast Mauritanie Limited (TML) began an expansion project in 2009 aimed at doubling its production from 2011. Mauritanian Copper Mines (MCM) has invested USD 106 million to increase its production by 50% from 2011. Mauritanian Minerals Company (MMC), in a 10% partnership with the state, will begin operating a quartz mine in 2011. The Boufal Indo Mining Company (BIMC), in which the state holds a 30% share, will work phosphate deposits at Boufal and Loubbeira over the 2011-12 period. Lastly, the third phase of the institutional capacity building project in the mining sector (PRISM III), financed by the World Bank and the Islamic Development Bank (IDB), will be implemented. The social provision for communities along the mining corridor will be continued, with the possibility of expanding to other areas with mining activity.

Exports of iron ore, copper and gold enabled the sector to grow, especially after the considerable increase of their international prices during 2010. The prices of iron, copper and gold rose by 60.4%, 46.3%, and 25.9% respectively.

The contribution of the mining sector to GDP was estimated at 23.1% in 2010 against 20% in 2009. SNIM, which mines iron ore, recorded annual production of 11.2 million tonnes. The company launched an ambitious modernisation and development programme which will enable it to expand production by 4 million tonnes a year by 2013. TML produced more than 160 000 ounces of gold in 2010 (around 5 tonnes). The annual production of MCM came in at 92 000 ounces of gold (around 3 tonnes). While the future production capacities of MCM are expected to be constant, those of TML aim to reach 275 000 ounces (around 8 tonnes) by the end of 2011. The biggest development in the mining sector in Mauritania is the merger-acquisition of Kinross and Red Back Mining. This union will lead to the creation of the fourth largest gold producer in the world and generate the necessary financial resources to expand the Tasiast mine. The aim is to make it one of the largest mines in the world, with an investment of USD 1.5 billion over three years (2011-14). The mine should produce 1 million ounces (around 32 tonnes) a year and employ around 3 000 people. MCM holds a monopoly in copper production with annual output of 36 610 tonnes. MCM committed to an investment of USD 106 million in 2010 in order to boost production capacity of copper and, secondarily, of gold. MMC has begun production of quartz in Oum Agneina (in the district of Dakhlet Nouadhibou), the international price of which has soared thanks to recent multiple usages (photovoltaic panels, semiconductors, protective films against climate changes). The first exports are expected in the first quarter of 2011.

Mauritania benefits from one of the richest fishing coasts in the world. The fisheries potential is exceptional, and is particularly rich for demersal fish (cephalopods, bottom feeders, crustaceans), small deep-sea fish and molluscs. The country has 720 km of coastline with an exceptional physical environment. With a volume of 850 000 tonnes for 2010 primarily destined for export, the sector contributes 24% to the state budget and plays a key role in foreign currency earnings (21% of the country's export receipts). If the entire range of activities connected to fishing, rather than just capture itself, is taken into account, the sector's contribution is estimated at 5.3% of GDP.

Thanks to a good season, the agro-pastoral sector has continued to develop. It is estimated to account for 5.9% of GDP in 2010, with a growth rate of 8.5% versus 6% in 2009. Particular interest is now accorded to pluvial (rain-fed) farming and breeding, after the state had long supported irrigated farming. Three things became overwhelmingly clear, however. The first is that these irrigated crops were adopted by only a small proportion of farmers and thus had a limited number of beneficiaries. The second is that they had required huge investment over several years. Lastly, the return on investment in terms of production was considered generally disappointing.

Pluvial agriculture, which takes place primarily in rural areas, concerns almost two-thirds of the population and 75% of the poorest. Livestock, which contributes 70% of agricultural GDP has great potential. It could not only satisfy a significant proportion of domestic demand for milk, but also provide better supply of red meat for the entire domestic market and for export to neighbouring countries. The by-products of livestock, (for example leather) could also be processed more efficiently and enable the production of greater added value.

The tertiary sector is characterised by difficulties in the telecommunications sector, stemming from the narrowness of the local market and the increase in the number of mobile telephone operators. This situation forces operators to focus on commercial investments and marketing to respond to tough competition at the expense of investment in infrastructure or capacity building. While it continues to expand, tourism faces major hurdles: insecurity and particularly threats from Al Qaeda in the Islamic Maghreb (AQIM), as well as the absence of any strategic priority given to the sector, which explains the slow building of infrastructure and planned development of the tourism sector. The banking sector remains vulnerable. Banking finance is concentrated on a limited number of large clients to the detriment of SMEs. In addition, access to financial services is still limited in Mauritania, with fewer than 7% of the population holding a bank account or having access to credit. The services sector is estimated to have contributed 42% to GDP formation in 2010, a slight fall compared with 2009 (44.8% of GDP).

In terms of demand, final consumption should account for 90.5% of real GDP in 2010, while investment and net external demand are estimated at 27.5% and 16% of real GDP respectively. With growth of 4.5% in 2010, final consumption contributed to GDP growth by 6.3 percentage points. In particular, public consumption grew by 7.1% in 2010, while private consumption grew by 3.8%.

Gross investment expanded by 9.3% in 2010. The overall rate of investment rose from 26.9% of GDP in 2009 to 27.5% in 2010. This situation is due to the growth of both public investment (with in particular the sewerage project for the city of Nouakchott, road and port infrastructure projects, education and community health centres) and private investment, driven by mining exploration projects or expansion activities. Net external demand contracted by 3.2% between 2009 and 2010, due to the growth of goods and services imports, which towered over exports. They thus handicapped real GDP growth by 5.1% in 2010.

Table 3: Demand composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	**2009**	**2010**	**2011**	**2012**	**2010**	**2011**	**2012**
Gross capital formation	30.4	24.1	9.3	5.8	6.9	3.8	2.5	2.9
Public	9.9	5.3	7	5	10	0.6	0.5	0.9
Private	20.5	18.8	10	6	6	3.2	2	2
Consumption	85.3	94.5	4.5	5.1	4.7	6.3	7.2	6.6
Public	23.2	20.5	7.1	6.2	3.2	2.1	1.9	1
Private	62.2	73.9	3.8	4.9	5.2	4.2	5.3	5.6
External sector	-15.7	-18.5	-	-	-	-5.1	-4.4	-4
Exports	35.3	50.2	0.1	-0.1	3.2	0	0	1.1
Imports	-51	-68.8	4.3	3.6	4.4	-5.2	-4.4	-5.2
Real GDP growth rate	-	-	-	-	-	5	5.3	5.5

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Macroeconomic Policy

The government's aim in terms of macroeconomic policy is to strengthen support of growth sectors, to emphasise prudent management of public finances and to deepen institutional reforms in order to fulfil the objectives of the Poverty Reduction Strategic Framework (PRSF III).

Fiscal Policy

The macroeconomic component of the 2010 budget is based on the hypothesis of a national nominal growth rate of 4.6% and an inflation rate of 4.8%. The main aim in implementing the budget balance (grants included) had been to achieve a deficit of 4.5% of GDP.

In nominal terms, the budget benefited from unexpected public revenue from the mining sector (royalties and premiums from the copper and gold industries). Budgetary support recommenced in the third quarter. The outlook for the end of the year 2010 remained favourable.

In executing the 2010 budget the authorities adopted a supplementary budget enabling them to save additional non-tax receipts to meet future financing needs and to maintain total spending broadly unchanged. A new distribution of credits was adopted to take account of the introduction of cash allocations for public service workers for accommodation and transport in the place of transfers in kind.

Budget receipts increased by 4.9% between 2009 and 2010, from 202.3 billion Mauritanian ouguiya (MRO) in 2009 to MRO 212.2 billion in 2010. Nevertheless, the share of income fell from 25.5% of GDP in 2009 to 23.3% in 2010. Because of improved collection, tax receipts increased in 2010. The tax administration continued to modernise its services, particularly with a tax census. It intensified the fight against evasion, helped by the Sydonia system going on line via the Internet in a first phase in July 2010. This integrated information system for customs operations generated a spectacular increase in revenue by broadening the tax base of customs transactions that had been previously carried out on a written basis, facilitating tax evasion. The Sydonia system also brings complete transparency to port transactions. In addition, the significant return of grants consolidated the performance of budget income. This performance reflects the firm commitment of the Mauritanian government to budget stabilisation.

Total spending and net loans grew slightly by 1.2% from 2009 to 2010, going from MRO 243 billion to MRO 245.9 billion, although their weight in nominal GDP declined from 30.6% to 27%. This reflects lower current spending and the strengthening of investment expenditure. The reform of the public administration remains a priority, with a view to containing the wage bill, which absorbs 50% of tax receipts. Investment expenditure increased by 6%, with the strong mobilisation of external financing (up around 10% in 2010), although this figure was below the initial forecasts of the Brussels round table as a result of the postponement to 2011 of a number of disbursements.

In summary, the state's execution of financial transactions in 2010 resulted in an improvement in the budget deficit compared both to initial forecasts and to the level achieved in 2009. This improvement is linked to a faster increase in income than in spending. The overall deficit improved, from 5.1% of nominal GDP in 2009 to 3.7% in 2010.

Table 4: Public finances (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Total revenue and grants	34.8	28	24.2	25.5	23.3	23.9	24.5
Tax revenue	30	17.3	15.5	15.2	13.3	13.1	13
Oil revenue	-	-	-	-	-	-	-
Grants	4.3	2.2	0.8	0.8	0.8	1.5	2.3
Other revenues	-	-	-	-	-	-	-
Total expenditure and net lending (a)	37.6	29.6	30.7	30.6	27	26.9	27.4
Current expenditure	23.7	21.6	24.2	23.5	20.3	21.4	21.6
Excluding interest	21.3	19.8	22.2	21.5	18.7	19.6	19.8
Wages and salaries	5.1	8.8	8.3	9.7	8.3	8.4	8.3
Goods and services	9.3	8.7	6.3	6.5	5.7	6.2	6.3
Interest	2.5	1.8	1.9	2	1.6	1.8	1.7
Capital expenditure	13.8	8	6.5	6.5	5.4	5.5	5.8
Primary balance	-0.4	0.2	-4.6	-3.1	-2.1	-1.2	-1.2
Overall balance	-2.9	-1.7	-6.5	-5.1	-3.7	-3	-2.9

a. Only major items are reported.
Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Monetary Policy

The evolution of the monetary situation during 2010 was marked by the return of international aid. In this sense, the re-establishing of confidence in the financial system remains the objective of the Central Bank of Mauritania (BCM). However, while the BCM is responsible for the implementation of monetary policy, its room for manoeuvre in controlling inflation is highly restricted. The rise in the consumer price index (CPI) in 2010 reflected rises in the price of staples, such as food and hydrocarbons. After just 2.2% in 2009, inflation reached an annual average of 6.1% in 2010.

The objective set with the IMF is to maintain inflation at around 5% for the coming years. Exogenous factors, such as the prices of hydrocarbons, raw materials and food products, trigger inflationary pressures that are not easily absorbed by the BCM’s monetary policy. This demonstrates the country’s vulnerability to external shocks and explains the cautious policy adopted by the monetary authorities. Improved management of public finances in 2010 made it possible to contain the deterioration of the current account of the balance of payments and to contribute significantly to controlling inflation. Further, the monthly control and analysis of the economic and financial situation helped to better anticipate inflationary risks. At this level, the importance and reliability of the statistical system are crucial.

Particular interest is accorded to the issue of the efficiency of monetary policy via the intervention rate. The consistency of the interest rate structure is set to be re-examined in 2010. The aim is to improve the translation of monetary policy into the real world. This examination should lead to new easing of the intervention rate, fixed at 9%, which should then reduce the level of average rates offered by commercial banks. These banks remain very cautious in financing the Mauritanian economy, granting very few loans to the private sector. They also apply very high margins which outstrip the coverage of risk.

The monetary authorities are working for greater exchange rate flexibility by introducing greater smoothing in order to avoid the volatility that would destabilise the ougiya and unsettle foreign investors.

In 2011, inflation should remain at a fairly high level, close to 5.7% in line with a medium-term rise in the price of oil, a moderate rise in imported food products and a relatively good agricultural season. The broad pattern of monetary policy should remain unchanged.

External Position

The deficit on the current account improved substantially, dropping from 12.6% of GDP in 2009 to 8.8% in 2010. The result, despite the relative deterioration of revenues and the slight fall in the positive balance of current transfers, is primarily due to the strong improvement in the trade balance. After a nadir of -15.6% of GDP in 2008, the current account balance has steadily improved. This trend should be sustained in 2011 and 2012, with growing export volumes of mining products, provided that pressure from the oil bill does not increase. Logically, imports should increase: they are closely connected to activity in the extractive industry, which has announced major plans for new investment.

The trade balance should register a clear improvement, going from a deficit of 2.7% of GDP in 2009 to a surplus of 12% in 2010, thanks to the recovery of exports in both volume and value, particularly those linked to mining. Apart from the growth of export volumes, mining products (gold, copper and iron) benefited from a double-digit rise in prices. On the other hand, imports have continued to contract since 2009 to reach 40.9% of GDP. In 2010, this was mostly attributable to the prolonged break in Moroccan exports of food products following the floods.

The services deficit deepened significantly in 2010 to represent -23.3% of GDP in 2010, versus -15.9% in 2009, driven by rising expenditure on external services and increased prospecting fees for mineral and oil companies.

The BCM's reserves fell to very low levels in 2008, reaching the equivalent of just 1.7 months of imports. They increased in 2009 to the level of 2.5 months of import cover and according to forecasts should reach the equivalent of 3 months in 2010.

All of Mauritania’s external debt is public. Most of it was contracted with multilateral creditors notably the AfDB, IDB (Islamic Development Bank), World Bank or the *Agence Française de Développement* (AFD). The exceptions are Libya, Kuwait and the Abu Dhabi Fund for Development (ADFD). At the end of 2009, the stock of public external debt was assessed at USD 3 billion, versus USD 2.6 billion in 2008, a 14.1% rise. For 2010, public external debt should reach 55.2% of GDP, after having reached an all-time high of 92.9% of GDP in 2009. Rescheduling agreements have been signed with Libya and the ADFD and negotiations are continuing at an advanced stage with Kuwait. A slight improvement in public external debt is expected in the coming years to reach the threshold of 50% of GDP. The aim is to finance the programme of public investment while preserving the viability of the debt.

Table 5: Current account (percentage of GDP)

	2002	2007	2008	2009	2010	2011	2012
Trade balance	-8.7	0.8	-4.3	-2.7	12	8.2	3.8
Exports of goods (f.o.b.)	28.8	51.5	50.6	45	52.9	50.7	47.1
Imports of goods (f.o.b.)	37.5	50.7	54.9	47.7	40.9	42.5	43.4
Services	-7	-16.1	-17.6	-15.9	-23.3	-19.8	-15.3
Factor income	11	-0.3	0.9	1.7	0.6	0.7	-0.3
Current transfers	8.8	5.1	5.5	4.3	2	2.8	2.7
Current account balance	4.1	-10.5	-15.6	-12.6	-8.8	-8.1	-9.1

Source: Data from Ministry of Finance; estimates (e) and projections (p) based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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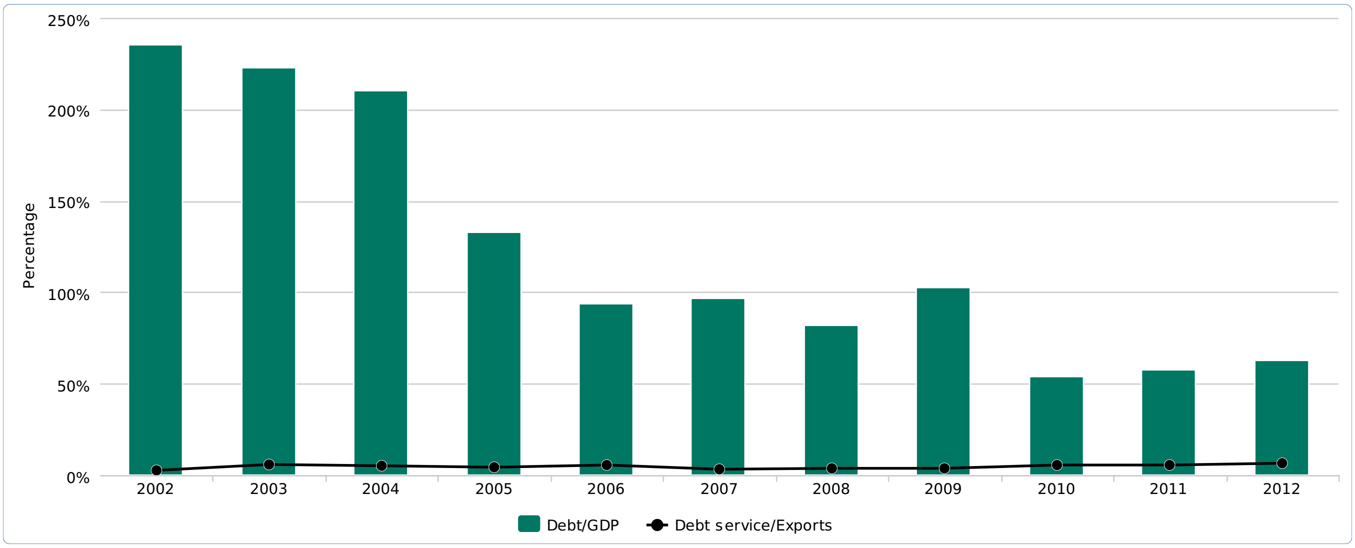
Figure 2: Stock of total external debt (percentage of GDP) and debt service (percentage of exports of goods and services)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

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Structural Issues

Private Sector Development

The investment environment remains unfavourable for the development of a competitive private sector. There are many impediments to development in the private sector, the most important of which are: *i)* instability, insecurity and the risk of terrorism throughout the country; *ii)* limited access to credit, with excessive bank guarantees aimed at covering all risk; *iii)* ill-adapted taxation and the weakness of the administration of tax policy; *iv)* weak infrastructure; and *v)* corruption. Still, political stability has returned and the government is prioritising the fight against corruption. The persistent question remains as to how to be able to exploit this political stability to encourage an improvement in the private investment environment.

The failure of previous reforms to promote private initiative are being studied by an international firm of corporate lawyers hired by the government. In light of this analysis, there is talk of proposing a new legal framework to promote public-private partnerships (PPP). This new framework would aim to:

- modernise the mining and oil public procurement code;
- revise the investment code to include incentives to invest through customs and tax exemptions;
- introduce complementary and specific legislation promoting the development of public-private partnerships;
- centralise and simplify administrative formalities by introducing a one-stop administrative bureau;
- secure foreign investment by introducing international arbitration for resolving differences, including those in public-private partnerships.

According to international rankings of the business and competitive environment, Mauritania is at the tail-end of the pack. The most recent World Bank *Doing Business* report ranked Mauritania in 165th position out of 183 countries in 2011, behind its neighbours Senegal (152nd) and Mali (153rd). This ranking marks a one place improvement over 2010. Furthermore, according to the World Economic Forum's 2010-11 competitiveness index, Mauritania holds 135th place out of 139 countries, a fall of eight places, which puts it far behind Senegal (104th) and Mali (132rd).

Beyond opportunities in natural resources, the level of foreign direct investment (FDI) is very low. Apart from oil and the mining sector, FDI flows focus on the financial and telecommunications sectors. Following the withdrawal of the Tunisair group from the capital of Mauritania Airways, the air transport sector is once again a prospect. Other sectors have effectively not benefited from FDI.

Harsh competition in the telecommunications sector has stifled its development. Investments by operators are restricted to marketing efforts, rather than made in strengthening infrastructure. The informal sector remains dominant and continues to impede private sector development. The industrial fabric in Mauritania, beyond the mining and oil sectors, is dominated by informal SMEs.

Other Recent Developments

A wide range of projects and reforms have been decided, joining those already launched with the return of donors including the World Bank, IMF, AFD, IDB, AfDB, UNDP and the Arab Fund for Economic and Social Development. External financing has been obtained after the round table meeting for Mauritania in Brussels in June 2010. On this occasion a public investment programme, covering the 2011-13 period, was presented which comprises a portfolio of priority projects worth USD 4.2 billion. These projects concern: *i)* accelerating economic growth and private sector development; *ii)* concentrating growth amongst the poor; *iii)* developing human resources and improving access to basic services; and, *iv)* improving governance and institutional development.

A large number of these projects focus on the supply of drinking water and sanitation. The aim is to improve the provision of drinking water to Nouakchott and a number of other urban centres and rural areas, at the same time as efforts are undertaken to gather and store water lost through seepage. The objective is also to provide the capital with a modern sewerage network.

The electricity sector in Mauritania is considered one of the weak links in the country's development. Very laggard in terms of the Millennium Development Goals (MDGs), the sector is characterised by multiple isolated networks, high costs of production, insufficient network supply and growing demand. Furthermore, Somelec, the *Société Mauritanienne d'Électricité*, a state-owned company, is in financial difficulty although it is in the process of recovering. The projects begun in the sector aim to both increase production considerably and to develop transmission and distribution networks. The most important project is based in Nouakchott and consists of the construction of a 350 MW gas and fuel powered plant. At the same time, studies are underway to diversify electrification sources, by harnessing solar and wind energy.

The government has stated its determination to reinforce the transport infrastructure in order to unlock the country's natural resources, thus promoting FDI and improving regional integration in some currently isolated areas. The investment plan includes more than 1 300 km of new roads, scheduled for the coming three years (2011-13). Air transport will also benefit with a new international airport in Nouakchott. In maritime transportation, after the expansion and capacity-building projects at the Nouadhibou mineral port in 2010, a project to construct a container terminal for the port authority of Nouakchott (Panpa) is scheduled for 2011.

Emerging Economic Partnerships

While the EU continues to dominate the Mauritanian market in terms of trade and FDI, trade with new emerging partners has proliferated over the past years. Russia, Brazil, Turkey and China are considered the most active in Mauritania.

According to 2009 customs figures, Russia was the second largest commercial partner, after the EU, thanks to exports of hydrocarbons to Mauritania, which reached MRO 27 billion in 2009. China occupies a comfortable third place. In contrast to Russia, Chinese exports to Mauritania are highly diversified: tea, clothing and textiles, small appliances, wrapping and packaging, vehicles and drilling platforms. Chinese exports to Mauritania exceeded MRO 25 billion in 2009, recording growth of more than 11% over 2008. This trend is increasing year after year. Brazil was in fourth place, with more than MRO 18 billion in exports, primarily cane or beet sugar, cigarettes, cement clinkers (nodules of cement), axles, wheels and spare parts for vehicles, and poultry. For its part, Turkey takes fifth place with more than MRO 4 billion, due primarily to ‘clinkers’, yeasts and cigarettes.

Political Context

The chief political and cultural event of the year was the celebration of the 50th anniversary of Mauritanian independence on 28 November 2010. For the occasion, the authorities in Nouakchott launched and inaugurated several public works and development projects throughout the country. The other salient fact is the successful struggle by the authorities against terrorism. In the Malian desert, the government fought a battle against elements of Al-Qaeda in the Islamic Maghreb (AQIM). In parallel, a religious dialogue was initiated with the supposed Islamic terrorists detained in the central prison at Nouakchott after which several dozen were granted a presidential pardon.

At the national level, the plan is to organise a competition to recruit 500 preachers (imans), out of 1 850 candidates identified in the country by the Ministry of Islamic Affairs and Original Education. This entails a vast campaign to enhance the prestige of the profession and the recruitment is testimony to the state’s willingness to be reconciled with religious beliefs.

Freedom of the press also appears to have found new impetus, with the first televised live interview of the President of the Republic with Mauritanian media, held on 5 August 2010 at the Palais des Congrès. Completely unprecedented in the Mauritanian media landscape, this interview confirmed the President’s intention to play the transparency and communication cards to improve governance. President Mohamed Ould Abdelaziz addressed the general condition of the country, terrorism, corruption, national education, as well as the issue of national languages, without restriction. Previously, no president had clarified the position of the state in respect of these sensitive issues.

In the same vein, the fight against corruption is intensifying. The net is tightening around bad managers. Mohamed Lemine Ould Dadde, the human rights and humanitarian action commissioner, was dismissed. Others suspected of wrong-doing or malpractice have been sidelined.

The Paris meeting on 20 February 2010 was also a success. The international community acknowledged the country’s democratic advances and agreed to a substantial sum for its development.

The year was also marked by the start of political dialogue between the authorities and the opposition and the president met some opposition leaders.

The first Union for the Republic congress was held in 2010. The political majority was also enlarged thanks to a coalition between the Alliance for Justice and Democracy and the Movement for Renovation, on the one hand, and the Adil Party on the other, led respectively by Ibrahima Mocatr Sarr and Ahmed El Waghef.

Also of note are the ongoing refugee return programme, the construction of roads in Nouakchott and new towns in the interior, the inauguration of a university campus, and the launch and inauguration of development projects for residents of Nouakchott and the interior of the country.

Social Context and Human Resource Development

The development process in Mauritania over the past years has been marked by shortcomings in terms of political, administrative and economic governance. This has resulted in a low human development index (HDI) of 0.433, placing the country in 136th place out of 169 countries. The situation of the MDGs is not stellar and no substantial improvements have been made for several years. The 2010 report on the implementation of the MDGs pointed to key delays in the health, environment and employment sectors as well as in some important components of gender difference.

The indicators for universal access to primary education (Goal 2) have shown remarkable advances with a net enrolment rate in primary school of 73% in 2008, against just 49% in 1990. Likewise, again in the education sector, gender parity had been reached in primary education in 2000-01 (part of Goal 3). The girl/boy ratio, which was 0.72 in 1990 was at 1.02 in 2008. However, the completion level is low (72% in 2009-10): three children out of ten do not reach the end of the primary cycle. Quality is also an issue, both in terms of school conditions as in the level of knowledge acquisition of students. In respect of the gross enrolment rate in secondary school, in contrast to the substantial rise achieved between 2000 and 2004 when it went from 19.4% to 29.6%, it has remained practically stable throughout the 2004-08 period, barely exceeding 30.6%.

As far as the health-related goals are concerned, the situation remains worrying and developments are scarcely satisfactory. The indicators are far removed from the targets of the MDGs in terms of infant mortality (122 per 1 000 in 2007, for a target of 45 per 1 000) and maternal mortality (686 per 100 000 live births in 2007 for a target of 232 per 100 000 live births). The poor quality of services, the low level of their accessibility and utilisation, together with ignorance regarding the danger signs in child sicknesses and pregnancy complications, remain the major underlying causes of infant and maternal mortality. The structural causes are the inadequacies of the health system at every level, accentuated by a lack of integration of certain programmes, notably nutrition, in other sectoral policies, as well as the weakness of alternatives to social payment for care.

The HIV/AIDS (prevalence rates stable around 0.6% for several years), malaria and tuberculosis indicators demonstrate that these diseases are no longer spreading, although this trend could be reversed. A strategic framework to combat sexually transmitted disease and HIV/AIDS has been in place since 2002.

The participation of women in political decision making has improved remarkably since 2006, even if further progress is still necessary. However, discrimination against women remains strong, particularly economic discrimination, and it is still very difficult to get their rights acknowledged.

In terms of employment, the situation of Mauritania is hardly satisfactory, with unemployment (31% of the population in 2008) and under-employment (14% in 2008) rates still high, and with a highly predominant informal sector (85% of jobs in 2008). The growth of the modern sector generates little work (particularly the mining sector). It primarily feeds the informal sector, which does not provide "decent" jobs in the International Labour Organization sense of the word. The movement of economic units from the informal sector to the formal remains exceptional. In terms of strategy, the Poverty Reduction Strategy Framework (PRSF) 2006-10 already highlighted one of the key lessons taken from the implementation of the 2001-04 framework, that is, the absence of a link between employment and the strategy's major thrust of accelerating growth and concentrating it on the poor.

Broadly, it should be noted that the successive strategies to combat poverty have not managed to reduce the incidence in rural areas, as the 2008 household living conditions survey confirmed. It showed an overall decline in the incidence of poverty, from 46.7% in 2004 to 42% in 2008, but an increase in rural areas in this period from 74.8% to 77.7%. This is due to the very poor impact of agricultural and pastoral development strategies which have been highly irregular and which are in noticeable decline. The development of basic services barely progressed in rural areas, reflecting the state's inability to direct its actions to benefit the poorest.

In terms of allocations, public spending for social sectors has scarcely changed in recent years. In the 2010 budget, 4% of public spending is to be allocated to health and 13% to education. In terms of health, the key actions undertaken to improve the performance of the sector were the adoption of a 2010-12 triennial plan and a review of the Poverty Reduction Strategy Paper (PRSP) 2009-11. In respect of education, the efforts under the National Sectoral Development Programme focused on reinforcing school and training infrastructure, as well as the recruitment and training of teachers.

Economic governance was marked in 2010 by the formal renewal of co-operation between Mauritania and its technical and financial partners following the return to constitutional order. As part of this, a three-year Extended Credit Facility programme was finalised in March 2010 with the IMF. Commitments for better governance were also undertaken. The results obtained under the programme herald improved economic perspectives. Likewise, the 2010 adoption of the national strategy to combat corruption is worth noting.

The round table for Mauritania held on June 2010 in Brussels was the first occasion offered since the return of constitutional order to debate the country's strategic plans, its geopolitical situation as well as progress achieved in improving governance and in reforms in different sectors including public finances, transportation, energy, education and private investment. It enabled a consensus to be built regarding achievements and the challenges to be faced on the political, economic and social fronts. It was agreed that the reference framework for addressing these challenges is the PRSF.

Despite advances achieved over the previous months in carrying out structural reforms, concerns persist. These pertain to the portfolio of public enterprises (the slow restructuring of Somelec in particular and the wholesale creation of new enterprises in the air and land transport sector), the reform of public administration (where the wage bill consumes 50% of tax income), as well as the quality and availability of statistical data. In addition, the poorly diversified economy is hard hit by external shocks through the extractive industries. The primary sector remains the weakest link in the economy, despite the country's enormous fishing and agro-pastoral potential.