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The Private Sector and Sustainable Development in **Mauritania**

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Introduction

First: Background

Encouraging domestic and foreign private investments is a strategic option for Mauritania and in line with the SDGs. They are critical in achieving development options announced in the Strategy for Accelerated Growth and Shared Prosperity 2016-2030 and the Economic Recovery Plan 2020-2023, intended to address the COVID-19 pandemic and advance the economy. The strategy and related programs rely on the private sector's active participation in exploiting the country's many natural resources (gas, iron ores, fish, gold, livestock, copper) while diversifying its economic base to contribute to poverty eradication and job creation.

By adhering to IFI rules and conditions, Mauritania hopes to attract significant foreign funding and investments. However, such an approach could entrench economic and financial dependency. It could also maintain a developmental trend that had failed to give tangible results over the past decades and created permanent dependence on external factors rather than local capacities.

In Horizon 2025, Mauritania adopted a strategy for advancing the private sector that combines overcoming obstacles that limit its effectiveness with creating a conducive environment to stimulate and attract businesses. Accordingly, it introduced many regulatory and legislative reforms (the Higher Council for Investment in February 2020, the 2017 PPPs law that was amended and developed in 2021, the 2012 investment law, the exclusive economic zone in Nouadhibou 2013, and reforming the commercial law). It also established a regulatory framework to facilitate the involvement of businesses in construction contracts. In addition, it ratified many bilateral and multilateral international investment agreements (agreements to encourage and protect investments and agreements to prevent double taxation).

However, several obstacles and challenges stand in the way of attracting local and foreign private investments and their effective contribution to sustainable development. The most prominent obstacles remain the difficulty in accessing sources of financing, the inadequate technical and professional training, the lack of governance, and the weak level of local private sector formation and organization. Moreover, they impede the control of company activities and their humanitarian (work accidents), social (collective expulsion), and environmental (pollution of drinking water and the marine environment) consequences. Thus, the problem of the ability to reconcile profitability and sustainable development arises. In addition, it concerns how local and foreign private companies adhere to human rights principles and environmental standards stipulated in local laws and legislation and ratified by international multilateral agreements.

The majority of investments in Mauritania, particularly foreign ones, were mainly concentrated in the extractive sectors related to iron, gold, copper, and oil. As a result, most of the foreign companies involved could conclude agreements and forge strong relationships to maximize their exploitation and protect them from accountability. However, these agreements with private foreign companies--whether in the field of fishing, minerals, or agriculture--have raised problems related to the weak financial returns, on the one hand, and the inability to monitor all the activities of powerful groups, on the other, reinforcing the need for accountability. Demands for accountability are beginning to appear in the context of a collective awareness led by several NGOs working on environmental protection, human rights, and governance. They have consistently raised the question of society's lack of benefit from wealth, compared to the side effects that may result from private companies intensifying their activities in the country. Some of these active NGOs are also calling on the Ministry of Environment and Sustainable Development, established in line with international trends related to sustainable development, to be more rigorous in applying the Environment Code and

respecting international agreements ratified in this regard.

The development of Mauritania's private sector will remain dependent on the shift from traditional and unregulated commercial practice to institutionalization, regulation, and promoting the culture of business entrepreneurship. It will allow the private sector to effectively integrate into the national economy and reduce the role of the large informal sector.

This study seeks to reconcile the public and private dimensions and examine the strength of the interconnection between public and private interests. It will discuss the private sector's pivotal role in development strategy, welfare, social justice, and respect for the environment. It will do so by proposing new controls for local and foreign private sector accountability to keep pace with its expanding role. It thus hopes to transcend the traditional view, confined to profitability even if at the expense of social, humanitarian, and environmental aspects, into a comprehensive and inclusive view of all sustainable development dimensions, which requires deep reforms aimed at encouraging the private sector.

The study of the marine fishing sector is an example of the positive economic impact of proper management and rationalization of resources to preserve the diverse fishery resources and contribute to integrating the sector further into the national economy through its ability to attract more local and foreign investments in addition to managing environmental risks (SDG 14), preserving marine and coastal environmental diversity, and reducing disaster risks. The importance of promoting this sector is due to its pivotal role in favor of the poor, food security, and the focus on people with high employment and cost-effectiveness capabilities (SDG 8). World Bank studies related to the assessment of natural resources indicate that the sector's size exceeds 10 billion dollars.¹

A scientific and objective study of this topic requires analysis and diagnosis of developmental

challenges. It also entails deepening research on the reality of the Mauritanian business sector to identify challenges and obstacles that require quick solutions to overcome all those imbalances paralyzing the private sector's effectiveness. The situation has been persistent since adopting a liberal approach in the early 1980s, leading to structural reform policies and economic freedoms that guarantee competition and encourage the local and foreign private sector.

The preparation of this study required the adoption of an approach that combines descriptive analysis and a specific case study as a model that strengthens the theoretical presentation of the reality and prospects of the business sector in Mauritania.

The study is based on various documents related to the topic prepared by the relevant government sectors or financial institutions such as the World Bank, the International Monetary Fund, the African Development Bank, and international experts. It faced several obstacles, particularly the lack of statistics related to the development of companies, their size, and job opportunities arising from their activities, as indicated by the recent study published by the World Bank in May 2019 regarding the economic situation in Mauritania and the general business climate. In addition, some officials did not respond to requests for basic information and statistics for this study. However, some meetings were held with officials in entities related to private sector promotion (General Administration for the Promotion of Investment, the Nouadhibou EEZ Authority, the Chamber of Industry and Commerce, the National Union of Mauritanian Employers, and CSOs), in addition to some local and foreign investors.

The study is divided into two main sections. The first chapter of the first section presents Mauritania's development challenges and the set of laws and regulations related to corporate accountability. The second chapter includes information on the local and foreign business sectors, foreign direct investments, the sectors that attract them, and PPPs. Part two focuses on the fishing industry in

the hope of highlighting its potential to attract local and foreign investment to contribute to sustainable development effectively.

Second: The Emergence of the Private Sector

With the first indications of the modern state in 1960, public authorities strived to create a suitable environment for establishing a state according to the accepted standards despite many challenges. Among the most important of these obstacles is changing the mentality and behavior of Mauritanian citizens. It remains the most critical challenge facing the establishment of the modern state.

Until the early 1970s, the private sector was run entirely by French colonialists. With rare exceptions, French companies completely dominated the sector between 1963 and 1973 amidst intense competition. President Mukhtar Ould Daddah sought to establish a national private sector by strengthening the capacities of Mauritanian contractors and business people and trying to encourage their involvement and participation in tenders. He followed the issue personally and pushed towards empowering and forming a national private sector. It is said that during negotiations to build the metal housing unit in the city of Akjoujt in 1967, he suspended the session with foreign investors and told them literally that he wanted to enhance the capabilities of Mauritanian contractors by giving them the tender. Most, if not all of the attendees, stood against him under the pretext that Mauritians lack the experience and precision to do so. He adjourned, insisting that Mauritanian expertise will build the units and not SOMEMA. He got what he requested,² and it was the first direct intervention to promote the Mauritanian private sector.

Some businessmen joined as amateur subcontractors. The first generation wanted to train, gain experiences and skills, and learn how to participate in tenders in various emerging

countries. The most prominent and lucrative of those sectors were:

- The contracting sector (construction and public works), where some junior businessmen have been active, Mohamed Khaled, Fata Ould Arkebi, Bamb Sidi Badi, Bashir Ould Bazid, and Sheikh Ould Mohamed Al-Aghthaf.
- The commercial sector: vibrant personalities included Malay Ahmad Al-Gharabi, the first to establish commercial relations with the Republic of China in 1964, Abdullah Anwikz, Hajji, and others.
- The transport sector: in which Bamb Sidi Badi, Malai Gharabi, and others were active.

However, the pivotal period followed the nationalization of MiFerMa and the creation of the national currency in 1973. It thus became possible to control the revitalization of the private sector. The government, albeit formally, succeeded in controlling the national economy through the local currency despite the numerous shortcomings and challenges it faced.

In 1975, young businessmen such as Mohamed Bamatou and Sidi Mohamed Abbas entered the fray and set the example for the new institutional management model. In 1981, public banks (BMD GBM) began with a limited role in promoting the private sector, particularly the fishing industry. However, the period between 1975 and 1992 witnessed a qualitative leap in the development, growth, and spread of the private sector. It was accompanied by a phase of structural reform policies imposed by the World Bank. The state abandoned many of its policies and even traditional roles, losing control over the national economy and leading to a setback in professionalism and skill training.

Between 1995 and 2017, Mauritania witnessed the emergence of a private sector controlled by a handful of businesspeople. They were involved in most of the deals, while the state abandoned many of its institutions.

Today in 2021, a return to the beginnings seems to be in effect, especially after the president's recent statement, allocating an essential budget for economic recovery, one of the essential pillars being the private sector. There is also an apparent return to macroeconomic oversight, relying more on supply than demand. The National Employers' Union of Mauritania relies heavily on the economic recovery program and the new scheme included in the *Awlawiyati* program.³

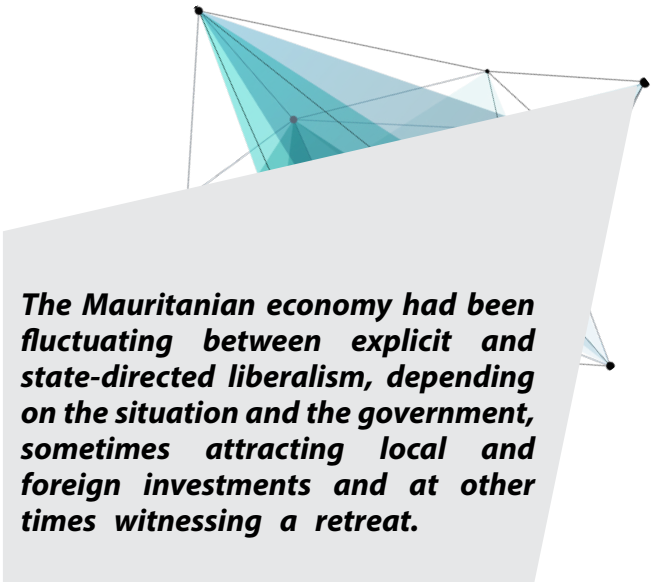
Section One: Role of the State, Realities of Investment, and Development Challenges

Section One deals with themes related to the role of the private sector in the adopted strategies and policies aimed at its promotion. It also introduces the legal and regulatory arrangements for business accountability and the ratified international agreements on transparency in extractive industries, in addition to development challenges. Today, the issue is in the hands of the General Directorate for Private Sector Promotion for Investment.

Successive Mauritanian governments have attempted to contribute as much as possible, each according to its orientation and based on the political and economic circumstances defining the development track at the time. It can be summed up as follows:

First: The Private Sector and Related Policies

Various Mauritanian government economic programs and strategies prioritize private sector development. The importance of private investments is embodied in the Strategy for Accelerated Growth and Shared Prosperity through its reliance on PPPs to mobilize \$2 billion out of a total of \$10 billion, in cooperation with financial partners (World Bank, IMF, Islamic Development Bank, Arab Fund for Economic and Social Development) between 2016 and 2030. Policies related to the development of the private sector date back to the adoption of structural reform policies in the mid-1980s, in cooperation with the World Bank and IMF. It was



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the starting point for economic liberalization and the accompanying decline in the role of the Mauritanian public sector, with its high costs and development impeding bureaucracy. Monopolies were abolished, trade was liberalized, and the state abandoned the productive sectors. Privatization affected public institutions, specifically public banks, insurance, public transport, drug importing companies (first phase), and telecommunications. The major challenge was the presence of a private sector capable of replacing the public sector in efficiently and professionally managing these institutions. Although some local actors had the financial capacity, they lacked an institutional business culture, organization, and a long-term outlook. Thus, the distinguishing feature of the private sector was commerce and working to maximize short-term profits while considering the industry as a sterile and multi-risk sector.

Nevertheless, some local private groups took advantage of this liberal path and consolidated their commercial position. However, some of the more pessimistic analysts believe that it is a transition from state monopoly to oligopoly, which means the monopoly of a small group on all commercial and service activities with state support.

The local private sector saw relative development at the beginning of the new millennium. The family sector consisted of a group of local private companies that invested in many sectors (general trade, services, industry, banks), which expanded and developed through foreign companies with the emergence of other competing groups and nascent industries. This development is due to investment policies, the strength of global economic transformations and the consequent investment movement, and the influence of technologies and interaction with foreign investments that began to flow into Mauritania during that period.

It should be noted that the Mauritanian government, with the support of its partners, especially the European Union and the World Bank, adopted several reforms, including strengthening dialogue between the public and private sectors,

adopting a new code for contracts, and the creation of a public administration entrusted with the advancement of the private sector, through a new investment code and a free economic zone. The investment policy included the following aspects:

- Adopting an investment code in 2012 and amending it in 2015 as a general legal framework that provides incentives and guarantees for the development and growth of private investment and facilitates foreign trade and economic liberalization, which contributed to a growing private sector role in export, marketing, and some light industries.
- Encouraging PPPs--although still an emerging policy with a small number of joint projects, it is always present as a general concept in state policies.

The Mauritanian economy had been fluctuating between explicit and state-directed liberalism, depending on the situation and the government, sometimes attracting local and foreign investments and at other times witnessing a retreat. This situation remained the general feature of investment for a period of time.

However, today's various transformations (discovery of natural gas and gold, political stability, and fighting corruption), whose suitability is attested to by most economic observers, made it imperative to support an enabling environment for business. Mauritania is now registering strong results in business environment indicators, even in relation to economic freedom. It is now ranked 67 in the global index, first in West Africa, and fifth in Sub-Saharan Africa.

1. Private Sector Promotion Authorities


The general directorate in charge of promoting the private sector was recently transformed into a public agency for investment promotion under the Ministry of Economic Affairs and the Promotion of Productive Sectors. It is charged with formulating and implementing investment policies in coordination with other investment stakeholders, such as the National Employers' Union of Mauritania, the Mauritanian Chamber of Industry and Trade, and other government bodies. However, the state had been wavering in organizing the body in charge of private sector promotion. The State Registry for Investment was dissolved and replaced by the General Directorate for Private Sector Promotion in the manner in which the Investment Promotion Commission established in 2007 and headed by a businessman was dismissed.

The former regime had taken other measures targeting the private sector. It arrested three of the most prominent local businessmen, issuing international arrest warrants for someone close to foreign investors. They harassed his economic and commercial group by imposing unfair taxes and freezing his private funds in most national banks due to his political positions. Meanwhile, groups called "the new businessmen," who were close to the state began hegemonizing commercial and investment activities. The negative impact of such a development could undermine efforts to promote the private sector. Foreign investors will not be encouraged when they see their local counterparts being harassed and their reputation tarnished.

2. Private Sector Legal Framework

The legal framework governing the private sector and investment promotion encompasses several legal texts and decrees, mainly the following:⁴

- Law No. 052-2012 promulgated on July 31, 2012, containing the Investments Code and its implementing decrees, and Law No. 002-2019 of June 22, 2019, regarding changing some arrangements in the Investment Code;
- General Tax Code;
- Law No. 006-2017 of February 6, related to PPPs;
- Law No. 032-2015 of September 10, 2015--completes and replaces some arrangements of Law No. 2000-005 containing the Code of Commerce;
- Law No. 2010-044 of July 22, 2010, which includes the Code of Public Procurement;
- Law No. 2017-014 related to actual fees (real estate, money, assets, and financial and material wealth benefits);
- Law No. 019-2019 of April 29, which includes the Code of Arbitration;
- Decree No. 076-2014 issued on May 29, 2014, on the application of a common form for establishing enterprises;
- Decree No. 132-2019 regarding the establishment of the Supreme Council to Improve the Business Climate.



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3. Obstacles to Private Sector Promotion

The main obstacle facing the private sector's promotion in Mauritania is a lack of competition due to the presence of huge companies and strong influential groups who go back to the original families that followed the liberal transformation. They consist of companies active in vital sectors and are able to sweep deals and dominate the market. A small number of families control most commercial, industrial, and banking establishments. Their profits mainly come from urban rent and income at the expense of small local producers who face high competition and receive limited profits due to the high cost of production means and factors.

Accordingly, investment policies in the country need to overcome the oligopoly and enhance competition in the hope of encouraging the entry and development of private domestic investments.

Large companies also monopolize bank loans and insurances at the expense of SMEs, which traditionally drive the economy and influence economic growth, eliminating the possibility of comparative advantage. SMEs lack the political relations necessary to obtain many privileges. Poor industrialization, the weak financial market, the feeble infrastructure, the spread of favoritism, the absence of an effective commercial judicial system, and the lack of a qualified industrial workforce are also key obstacles. Consequently, investors prefer putting their money in trade rather than production and industry. Furthermore, the majority of urban dwellers and their extended families survive on informal retail.

All the above factors led to neglecting and marginalizing the private sector and limited the spread of SMEs. It prevented Mauritania's economy from expanding its base outside traditional dependence on national natural resources.⁵ However, there is no consensus on accountability or lack thereof among various private sector actors.

It remains relative and difficult to agree upon in a way that enables an understanding of obstacles to the private sector's growth in Mauritania. Their perception of the concept of corruption and bribery depends on impact, severity, and spread as a dilemma impeding the sector's growth. Despite several efforts by the Mauritanian government and other intervening parties (Employers Union, Chamber of Industry and Commerce) and international bodies (the World Bank), multiple obstacles remain that prevent the private sector from participating effectively in the development process:

- Poor human, technical, and financial capacities in Mauritania's private sector
- Strong subordination to the political system
- Weak funding due to the small banking sector

The banking sector does not provide major services to the private sector due to its small size and few deposits. It is unable to develop adequate banking and financing services that allow MSMEs to obtain easy credit with low interest rates for investing in production and business development. Additionally, governance is lacking, and public deals are difficult to obtain. The lack of qualified and skilled Mauritanian workers with specializations suitable for the labor market and serving the private sector is a fundamental problem related to the education sector.

The mismanagement and lack of investment of the monetary and rentier boom related to the rise in prices of minerals between 2008 and 2015 led to an increase in the cost of services and labor, including admission wages for Mauritanian workers. The Mauritanian workforce was reluctant to enter the labor market, awaiting better opportunities in the public sector. For example, Mauritanians are often reluctant to do manual labor, such as fishing and agriculture, the most promising sectors, growing steadily and quickly. It necessitated resorting to foreign labor and may explain the low percentage of job seekers (around 55 percent) compared to neighboring countries in Africa, putting it closer to MENA countries, especially those that export extractive resources.

The Mauritanian public procurement system law is among the major imbalances that the Mauritanian public authorities have sought to correct and revive. It must give priority to the safe and sustainable entry of the private sector, enabling it to benefit from public deals in a transparent manner.

Second: Development Challenges

The private sector's framing, accountability, and direction may be effective in overcoming development challenges, even achieving sustainable economic, social, and environmental growth. In its May 2017 report, *Turning Challenges into Opportunities for Ending Poverty and Promoting Shared Prosperity*, the World Bank analyzes the trends and questions that shape Mauritania's economic and development future, specifically related to the macroeconomic management of gas revenues. It published another report on the latest economic developments with a special focus on education. The two reports offer recommendations to assist the Mauritanian government in accelerating the pace of economic growth and limiting the impact of the COVID-19 crisis. They also highlight the importance of diversifying economic activity and a well-managed and organized urban expansion for economic development in the country.⁶

A sparsely populated country with a desert climate, Mauritania is nevertheless a link between the Maghreb and West Africa. The country suffers from an over-dependence on natural resources, with fishing and mining products accounting for 98.1 percent of total exports in 2017 and a very low population density of only 4.3 people per square kilometer, compared to an average of 44.9 in Africa.

Prior to the COVID-19 crisis, Mauritania's growth model suffered from structural constraints that prevented the country from moving forward

with its development agenda. The country failed to utilize its natural resources adequately in the past, exposing it to commodity price shocks and ultimately contributing to the economic slowdown after 2015. Meanwhile, rapid population growth in cities in the absence of spatial population and company density deprives the country of the large benefits and growth returns from economies of scale and shifting towards more productive jobs in the agro-industries, manufacturing, and services. In the absence of a fixed formula to accelerate growth, four areas of economic policy could help Mauritania take advantage of the potential benefits of urban expansion and the future promotion of economic diversification.⁷

1. Encouraging a more market-oriented economy

Overcoming structural constraints hindering the expansion of Mauritania's production base needs a strategy to diversify and intensify agricultural and livestock activities, improving the quality of fish exports, exporting new products, and expanding market reach by strengthening ties with West African countries. This must be accompanied by policies to remove legal barriers to women's participation in economic activity, facilitate access to finance, encourage local entrepreneurship, and foster competition in key markets dominated by a few powerful firms.

2. Enhancing production factors

Mauritania lacks good educational outcomes, a reliable infrastructure, and efficient land use. Thus, it is imperative to improve human capital by enhancing the quality of teaching methods and strengthening the education sector's governance and management. While it cannot change the vast geographical distances that separate its cities and towns, the country may be able to reduce the time it takes to cover these distances by improving connectivity between cities. The improvement of the physical infrastructure, especially in Nouakchott, should be accompanied

by a detailed transport plan linked to other cities. On another note, strengthening land administration by simplifying land registration procedures, aligning responsibilities with a smaller number of institutional actors, and implementing existing electronic registration tools constitutes a precondition for rational urban planning. In parallel, land rights in rural areas must be secured as the main entry point to enhancing agricultural productivity.

3. Improving urban planning

Urban planning must be improved through preparing and implementing master plans that play a major role in defining the spatial structure of cities, determining land use, and limiting their expansion. However, the transformation from a sprawling low-density city to a compact and interconnected city requires more than just effective urban planning. There is a need to put in place regulatory measures linked to the provision of incentives, including taxes on vacant lands, to encourage intensification and avoid land speculation.⁸

4. Improving natural resource management

Effective management of extractive industries revenues is crucial to diversifying economic activity. A sound financial framework should be designed on the basis of a simple general financial rule with clearly defined targets and a degree of flexibility when unexpected economic shocks occur. Implementing a rules-based financial framework will require strengthening fiscal institutions that are a key factor in ensuring that natural resource wealth is reinvested in productive assets.

Like most countries in the world, the persistent COVID-19 pandemic has a major economic impact on Mauritania that undermines previous efforts to reduce poverty. Nevertheless, the economic reconstruction that must follow the crisis provides

policymakers with a unique opportunity to chart a more sustainable development model and steer the economy toward a path of accelerated and equitable economic growth for a rapidly expanding population.

The above points show the extent of the correlation between the importance of encouraging the private sector and the need to hold it accountable to improve the exploitation of natural resources and enhance production factors.

Recommendation 1: *The extent of interdependence between the private sector and Mauritania's development points to the need to accelerate the implementation of economic and financial reforms related to the adequate management of natural resources, an active public administration, and quality education. It should occur along with establishing controls to combine the encouragement of the private sector with activating and developing its accountability mechanisms and reducing the risks arising from its activities. This will help accelerate the implementation of the accelerated growth and common prosperity strategy to diversify the economy and create inclusive growth that creates job opportunities and is capable of contributing to the fight against poverty.*

Achieving comprehensive and sustainable development ensures social harmony and political stability in a multi-ethnic country in the Sahel region, adjacent to politically turbulent areas inflicted with terrorism, climate change, and rampant corruption. This requires more international cooperation, specifically with technical and financial partners, to alleviate the burden of external debt in light of the COVID-19 pandemic and its dangerous repercussions on the Mauritanian economy. It also requires the activation of many regional organizations and economic unions (the Group of Sahel States, the Arab Maghreb Union, and the Economic Community of West African States).

Third: Legal and regulatory framework for accountability

Theoretically, the accountability of local and foreign private companies rests on a good legal arsenal and a number of conventions and treaties ratified by Mauritania, in addition to a regulatory framework in dire need of modernization and activation. As an example, on September 7, 2020, Parliament approved draft Law No. 20-024 regarding the ratification of the agreement on mutual administrative assistance in the tax field, signed on February 12, 2019, in Paris, between the Mauritanian government and the OECD. The agreement will help the Mauritanian government to hold accountable and follow up on companies, especially foreign, regarding the disclosure of their financial and accounting reports and reducing tax evasion.

Mauritania also issued Decree No. 141-2019 on mandating companies to publish data related to extractive industries, including minerals, petroleum, and fishing. This means that these companies can be held accountable if they do not respond to the principles of transparency stipulated in the Extractive Industries Transparency Initiative (EITI).

Transparency International emphasizes the need to publish mining and oil contracts and conduct an audit of the accounts of the National Fund for Oil and Gas Revenues. It states that “countries should publicly disclose contracts and licenses that specify conditions for the exploitation of oil, gas, and extractive materials.” Therefore, and in the context of repeated calls by opposition political parties and NGOs to stop the depletion of fish resources by foreign companies, Mauritania expanded its involvement in the initiative to reach the fishing sector and the marine economy in 2015, being the largest Arab exporter of fish and after repeated demands by experts and civil society activists.

Mauritania’s involvement with this international organization dates back to 2005, keeping pace with international developments related to transparency. It was also in response to the demands of strong and fierce opposition and civil society whose role is increasing in following up and assessing national resources and wealth (iron ores, gold, copper, fish).

The government established a national committee to follow up on transparency in the extractive industries affiliated with the first ministry. It is entrusted with following up on local and foreign companies operating in the extractive sectors and preparing objective reports.

The 2004 Labor Code, the Social Security Law, and related decrees, specifically Decree No. 116 regarding accountability related to workers’ rights and ensuring occupational safety, also play a vital role. The General Labor Inspectorate monitors the implementation of these texts and holds accountable companies that violate workers’ rights, such as collective and arbitrary dismissal and inadequate work conditions that may expose them to risks.

Accountability for the environmental impacts of corporate activity is the responsibility of the Ministry of Environment and Sustainable Development, which was created in line with Mauritania’s international commitments. It has adopted a set of laws and programs aimed at protecting the environmental system from increased corporate activity, specifically in the mineral and marine fields (2005 Environmental Code). It also obliges local and foreign companies to prepare environmental impact assessments before embarking on any economic activity on national soil. Recently, the ministry created an environmental police tasked with monitoring companies’ adherence to environmental laws. The Economic, Social, and Environmental Council should also be activated to serve as an advisory body capable of providing advice, monitoring the implementation of policies, and ensuring accountability.

In the same context, Parliament recently created an environmental team, which paid visits to several company and production center headquarters to closely examine the extent of their compliance with environmental laws and safety standards for workers.

The team was formed as a result of societal awareness of these companies' responsibilities and the presence of associations, NGOs, regional development councils, and municipalities that raised the issue of more accountability on the entirety of corporate activities and demanded their financial contribution to local development projects (schools, hospitals, water, income-generating activities).

However, the above laws and agreements related to accountability remain on paper and cannot be implemented, especially against major international companies and influential local economic actors who are close to the ruling party.

1. Parliamentary Committee for Investigation and Accountability

The establishment of a parliamentary committee to investigate and hold governmental and private actors accountable falls within the framework of the Parliament's powers of oversight of government activity in accordance with the Mauritanian Constitution (Article 72) issued on July 20, 1991, and its amendments. The committee is also based on the internal law governing the National Assembly that allows the formation of parliamentary investigation and accountability committees. The committee also relies on Article 11 of Legal Order No. 92-February 3 18, 1992 related to the conduct of parliamentary assemblies, Articles 123 and 124 of its bylaws, and Resolution No. 01/2020 issued on January 30, 2020, establishing a parliamentary investigation committee. The committee was assigned the task of ascertaining and investigating the conditions of implementation and management procedures. Other decisions were also issued to expand the

committee's tasks and ensure the relevance of the topics added to its duties.

The committee investigated the following establishments:

- Container and fuel docks in the capital Nouakchott port (a partnership between the public sector and foreign private sector)
- POLY HONDONG (foreign company)
- Electricity Company (public lighting projects)
- SONIMEX Import and Export Corporation (public company)
- National Fund for Fuel Revenues (to secure the needs of future generations)
- Real estate file (selling state property in a public auction and infrastructure)
- National Company for Mines' Charity

According to a supplementary decision, the powers of the Parliamentary Investigation Committee were expanded to include the following files:

- SOMELEC deals in the field of electricity
- Infrastructure deals (roads, airports, ports, reclamation)
- Industry and mining company SNIM's deals and trade policies

The committee also benefits from the services of international expert offices in the technical, legal, and financial fields, in addition to the secondment of 5 judges affiliated with the Accounts Court. The committee also held many listening sessions with those involved, including a former president, prime ministers, ministers, directors, and local and foreign businessmen.

The PPP related to Nouakchott Port constituted a flagrant violation of the approved partnership law. It was hurriedly granted by mutual consent to a foreign investor. Despite foreign companies expressing interest in the deal, no international tender was conducted. Moreover, even the terms

of direct negotiations and procedural protocols were not met.

The committee also revealed many defects and imbalances in a commercial agreement concluded with a foreign company in the field of marine fishing, including provisions contrary to maritime law.

Thus, the Parliamentary Committee reached a set of conclusions and observations:

- Review the legal and regulatory system.
- Review laws related to public procurement.
- Reform texts applied to mixed economy companies.
- Prohibit recourse to delegating supervision over business aimed at circumventing the application of the rules of the Code of Public Procurements.
- Encourage the transparent participation of competing participants in the process of concluding public deals or contracts.
- Refrain from enacting tailored laws and from ratifying special agreements.

Despite the important work of the committee and its recommendations for supervision and accountability, it remains a new process that needs to be strengthened and deepened to include more issues. Supervision and accountability should also happen before and not after the fact. It should also be a normal streamlined procedure to ensure management transparency and put an end to decades of waste. This direction could also benefit from the involvement and accompaniment of CSOs working on governance.⁹

2. Mauritania's Civil Society

In an interview with General Mohamed Abdallah Balil, head of the Mauritanian Observatory Against Corruption, he spoke about the private sector's new role, in addition to its traditional role in creating wealth and jobs. He added that the globalized private sector had become one that takes a societal orientation and fulfills a social and human desire. In addition, local content has become a condition in most interventions, as most researchers are calling for the declaration of the citizenship company that responds to many principles and ethics and makes a significant social contribution. On the whole, the role of the private sector is complementary, as it is only a part of the Magic Triangle, along with the public sector and civil society.¹⁰

On a related note, the Mauritanian Parliament recently approved a draft law that facilitates the establishment of CSOs and their benefit from local or foreign financial and technical support, according to some conditions. The Mauritanian government stated that "the new law embodies a new vision consistent with the constitution in terms of the freedom to join associations or organizations to create an effective association movement and partner in national development." The new law stipulated a system of "authorization" to establish associations and organizations, instead of a system of "prior licensing."

Prior licenses for CSOs were issued by the government, usually through a cumbersome bureaucratic process, which allows security services to intervene. Authorization, however, means permitting the establishment of the organization after notifying the responsible party, which is the Ministry of Interior in the Mauritanian case.

These measures should further enhance the multiple roles of civil society in the service of comprehensive development.

Recommendation 2:

Local and CSO awareness of the humanitarian, social, and environmental impacts of some foreign companies operating in Mauritania and their limited contribution to the development path is growing. Thus, it has become imperative to improve and activate the legislative and regulatory framework for accountability and work to correct all these imbalances to contribute to the strategic directions for sustainable development in the country.

It should be noted that there is a need to reconcile the huge profits that these companies reap with the demands of the poor local communities located in the areas of exploitation. It aims to raise the standard of living of the local population by prioritizing employment for the unemployed, contributing to the financing of schools and hospitals, and encouraging cultural and sports clubs.

Section Two: Business Realities

First: Local Private Investment

Local private investment is governed by the Enterprise Agreement System, the establishing system through which companies receive numerous tax, customs, and administrative incentives in return for implementing their investment plans.

The annexed table shows the slow development of investment in Mauritania. The above efforts only managed to attract 37 investors between 2014 and 2017. The economic implications of these investments are also unclear due to the absence of basic information at the departments charged with following up on private investments.

There are two types of national investors, those who are registered or obtained approval according to the Investment Code, on the one hand, and unregistered small enterprise investors. The single window management provided statistics on the various approved and licensed institutions subject to the code. The attached table relates to the data of institutions approved between 2014 and 2017 and includes national and foreign investors, partners with foreign investors, and contractors. It also shows the extent of the concentration of local private investments (37) in sectors with weak added value. Meanwhile, there is a clear weakness in attracting local investments to essential sectors (livestock and agricultural development).

The local private sector is made up of the following:

- Agricultural and livestock activities and traditional fishing.
- Activities in the modern industries, such as food, dairy, water, food pastes, cement, mineral water.

- Activities in the (broad) informal sector, small shops, simple units, and workshops with low productivity.
- Private-sector technology and communications.

Despite the opportunities available to the private sector in Mauritania, several obstacles remain. They tend to limit its profitability and its effective contribution to comprehensive and sustainable economic development.

Establishing a competitive enterprise system for SMEs is a prerequisite for growth and job creation in Mauritania. However, the analysis of their characteristics remains limited and difficult due to a lack of studies and statistics. The majority of companies, nevertheless, are informal and compete fiercely with [formal] SMEs.

The 2014-2015 World Bank study shows that, as in other similar countries, SMEs make up 80 percent of registered companies. Thus, their contribution to economic growth and job creation could be immense. However, most of the national wealth is produced by large companies and economic groups.

In August 2017, the National Bureau of Statistics published a study on employment in the informal sector. Although accurate statistics on the formal sector are absent, most formal companies do not respect their legal obligations related to submitting annual reports to the General Administration of Taxes. Even that small group usually provides inaccurate information that cannot constitute a basis for an accurate and comprehensive scientific study.¹¹

New and old SMEs also face fierce, unequal, and dishonest competition from major economic and commercial groups in the country, which control the most important activities. Most also own banks that enable them to provide the basic guarantee for financing all their branches. As a consequence, SMEs have limited opportunities and a decreasing opportunity to provide job opportunities.

Second: Foreign Direct Investments

International transformations have negatively affected the momentum of FDIs flowing into Mauritania, decreasing by 80 percent in less than two years and from USD 1.126 billion in 2013 to 271 million in 2016. As shown in the table below, between 2011 and 2013, the country attracted strong foreign direct investment, mainly concentrated in mineral and oil extraction, in addition to some discoveries. Other investments flowed into the fishing and banking sectors.

1. Sectoral distribution of FDIs

The sectoral distribution shows the extent of FDI concentration in the petroleum and mineral sectors, which absorbed around 83 percent of total FDIs between 2011 and 2017. The remaining 17 percent was distributed between various sectors (fishing, agriculture, livestock, public works, industry, and traditional industries). Further developments are expected in attracting FDIs in the natural gas sector, controlled by just two companies, the US Kosmos Energy and British Petroleum (BP), in preparation for exploiting the Turtle/Great Ahmim gas field shared with Senegal by 2023.

2. Role of the Deposit and Development Fund in promoting the private sector¹²

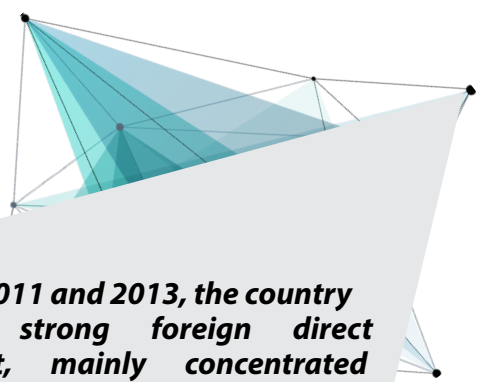
The Fund financed 279 SMEs with a financial envelope of 10.75 billion old ouguiyas in addition to 7,592 graduate projects amounting to 11.7 billion old ouguiyas. The Deposit and Development Fund pays special attention to SMEs and projects with added value, income, and employment. In 2017 alone, it allocated around 2.50 billion ouguiyas for SMEs, covering various activities such as fishing, tourism, agriculture, trade, and services.

3. Legal Nature of FDIs in Mauritania

Data from the Private Sector Promotion Department's single window shows that 80 percent of FDIs settled in Mauritania since 2014 were with representatives of large companies. The remaining 20 percent went to partnerships with local investors, usually SMEs.

However, the percentage of FDIs to the GDP does not exceed 6 percent for the main investing countries, France, Spain, China, and the US. US, British, and Canadian investments are concentrated in the extractive industries. Many international reports indicate the presence of some challenges and obstacles that prevent the regular development of FDIs in the country, namely:

- High taxes: Most foreign companies complain of the significant increase in taxes on profits, wages, and fuel, doubling the costs and reducing profit.
- Corruption: Corruption impedes the performance and profitability of companies; the current government is seeking to fight corruption through the legal system effectively.
- The judicial system: There is an urgent need to develop, activate, and support the commercial judiciary through financial and human means.



Between 2011 and 2013, the country attracted strong foreign direct investment, mainly concentrated in mineral and oil extraction, in addition to some discoveries. Other investments flowed into the fishing and banking sectors.

Third: Private Investments in the Social Sectors (Education and Health)

Education, specifically primary and secondary, began attracting private investments in the early 1990s, the beginning of the economic reform phase. The adoption of the economic liberal approach contributed to the emergence of private education centers in the capital, Nouakchott, and Nouadhibou, as a first stage, which then spread to the various capitals of the internal states and provinces. Despite the importance of private education, however, it emptied public education of its content by attracting educational staff due to the low salaries and weak incentives of the public system. Nevertheless, statistics about this profit-seeking sector, the job opportunities it provides, and the tax revenues it generates are absent. Furthermore, there are some examples of foreign investment in private education, such as the Turkish Flag Tower Compound and Le Petit Centre owned by an African businessman. The private sector also extended to higher education. Especially since the year 2000, many private higher education institutions started appearing. The Ministry of Higher Education issued several decisions, including Decision No. January 24 12, 2016, on the conditions for establishing and accrediting Higher Education Divisions, in addition to Decision No. 345 of May 9, 2018, regarding supervision and quarterly examinations. Among the most prominent institutions of higher education are the Lebanese University (foreign investments), Modern Chinguetti University (local private investments), and Abdullah bin Yassin University.


Private investments in the health sector covered the establishment of several private clinics, which support the health system in the country. These clinics are concentrated in Nouakchott and Nouadhibou, which are densely populated cities with high demand. The private health sector

is made up of 15 large multi-specialty clinics, 47 outpatient consulting clinics, and 37 dental surgery clinics, in addition to dozens of private medical labs.

Obstacles related to the private health sector in Mauritania include the difficulty in obtaining funding, low demand, lack of government support, and strong competition from the private health system in adjacent countries (Senegal and Morocco).

Relationship between foreign and local investors: Regardless of the traditional character of local private economic groups, some were able to create partnerships with foreign investors, particularly in the telecommunications sector, banking, and fishing. For example, Ahl Inuikaz Group contributes 49 percent of the capital in Mauritel through a partnership with Maroc Telecom. The Bouamatou group also contributes a significant percentage in the capital of Mattel Telecom with Tunisie Telecom, in addition to another group's contribution to Sudan Telecom through Chinguettel.

This type of partnership in a modern sector contributed to creating a strong dynamic in the Mauritanian economy in terms of the thousands of job opportunities provided for credit sellers and smartphone sales and repair. Local groups were able to accomplish partnerships in the field, such as the National Bank of Mauritania, through the contribution of a Canadian company.



Regardless of the traditional character of local private economic groups, some were able to create partnerships with foreign investors, particularly in the telecommunications sector, banking, and fishing.

Fourth: Public-Private Partnerships

Scarce public resources, ineffective projects, and the lack of local expertise contributed to the emergence of new approaches such as PPPs, which were recently adopted by the country.

1. Legal and Legislative Framework

Mauritania created an appropriate and clear institutional and legislative framework by ratifying the law of February 6, 2017, aiming to “accelerate the growth of the partnership between the public sector and the private sector and enable the state to take advantage of available investment opportunities and the experiences of the national and foreign private sector.” The law was recently amended and ratified by Mauritania’s Parliament in January 2021.

Thus, it identified vital sectors to be considered PPPs: energy, water, sanitation, transportation, communications, and social services. A technical committee was charged with studying this partnership and providing recommendations.

A) Amending and Finalizing the PPPs Law In a public session held on Thursday, January 21, 2021, Mauritania’s Parliament approved a draft law amending and finalizing some provisions of Law No. 06-2017. The bill aimed at introducing several amendments to the current law with the aim of strengthening PPPs, improving service quality, and increasing public spending efficiency. The amendments come after six years of the law’s adoption, following a consensus on the need to review some legal and institutional aspects of the partnership to facilitate their spread around the country and related follow-up. It followed the parliamentary committee’s discovery of several violations in a partnership related to the capital’s

port.

In this framework, the government decided to introduce innovative improvements to the law, with the aim of increasing the efficiency of PPPs, which may contribute to the development of public investments and improve the efficiency of project coordination and supervision. Following are some of the most notable amendments:

- Granting greater responsibility to contracting authorities in identifying and implementing PPP projects.
- Clarifying the powers of the multi-sector regulatory authority in the field of PPPs.
- Abolishing the operational powers of the Technical Support Committee, despite strengthening its role in the original text.
- Expanding the law’s enforcement to include PPPs in the free zone.
- Strengthening the institutional position of the PPPs structure.

B) PPP Regulations

Implementation Decree No. 125-2017 of November 2, 2017, facilitates the implementation of PPPs Law No. 06-2016. Ordinance No. 0915/M of November 3, 2017, defines the limits of procedures applicable to PPPs.

The law allows for several types of partnerships. The public task assigned to the partner may include “all or part of the financing of investments required for a public service, a service of public interest, or the design, construction, or rehabilitation of infrastructure facilities, equipment, or other investments (including intangible investments), maintenance, repair and/or operation or management for the entire term of the contract.

2. Examples of PPPs in Mauritania

The following projects were implemented under the PPP approach:

- Construction of a dual electrical power plant (diesel and gas) with a 60 to -70megawatt capacity.
- Building Nouakchott International Airport according to a contract with local businessmen.
- Construction of a container berth in the autonomous port of Nouakchott.

3. Enhancing PPPs

Several activities, discussions, and consultations were organized related to vocational training and employment with the participation of various actors from the Nouadhibou Free Zone Authority and others, including researchers, academics, the private sector, civil society, and development partners. The activities aimed to prepare a new vision and governance structure for PPPs by establishing a permanent comprehensive consultative body and framework. The work of these meetings culminated in the signing of a partnership agreement between the relevant ministries and the Mauritanian Employers' Union to integrate and employ hundreds of unemployed youth.

In this context, an agreement was signed with the EU to support PPPs with a budget of 16.228 million ouguiyas.

A meeting on the impact of insecurity on private sector promotion in the Sahel countries held in Nouakchott in December 2019 issued the Nouakchott Declaration to support PPPs in the region in cooperation with the International Center for Private Enterprises (CIPE), the Federation of Employers in the Sahel, and the Federation of Chambers of Commerce in the Sahel. The Declaration announced the adoption of the following four principles:

- Setting up a comprehensive consultative framework and formal dialogue between the two sectors at the highest levels among the Sahel countries;
- The need for private sector involvement in an investment in the Sahel countries, with priority given to the groups emerging and affiliated with the Sahel space;
- Establishing a program to support and accompany SMEs in the Sahel countries, especially those adversely affected by lack of security
- Preparing strategies directed at women and youth active in the economic field, giving precedence to rural youth and women and those living in isolated and poor areas.

4. Prospects and Challenges

The establishment of bodies such as the Public-Private Partnership Cell is an important step forward. However, it remains insufficient to oversee the conception, marketing, and follow-up of the implementation of such major and strategic projects. Thus, it entails the need to broaden the cell's scope, transforming it into a public body with financial and human means and resources to efficiently supervise PPPs.

Although local actors are heavily involved in the question, especially through the Employers' Union awareness work, it will be up to the foreign private sector due to its financial capacity and expertise. Thus, accountability of PPPs becomes critical.

Enhancing and improving the business climate and course, including PPPs, is not a temporary activity. As with other tracks, the secret of success lies in perseverance and effectiveness in implementing the programmed activities and organizing a continuous, systematic follow-up of the implementation path. In clearer terms, public authorities must work in the long term and carry out their activities in a sustainable manner. They must persevere in the efforts aimed at increasing the administration's human and financial

resources to support the private sector in general and to strengthen PPPs in particular.

Supporting Mauritania's Chamber of Commerce, Agriculture, and Industry and other bodies, including unions of small producers and craftsmen, will allow the Employers' Union constituency to provide qualitative support to their members in various fields. The Chamber of Commerce should be enabled to forge cooperation and partnership relations with Chambers in neighboring countries to take advantage of foreign investment opportunities. As a general recommendation, there is a need to support other actors also, such as the Young Mauritanian Actors and Contractors Forum and the Young Mauritanian Chamber of Traders.

PPPs play a major role in implementing public investment programs and improving service quality depending on the private sector's capacity. It allows public resources to be allocated to basic services for citizens. The success of PPPs rests on concerted efforts to set up a new governance structure to fulfill the aspirations of citizens. Investor guarantees are also necessary, as well as the creation of a follow-up mechanism to implement PPPs in accordance with their set goals. The experience of neighboring countries could be useful to avoid yet another failure added to past failures that created more debt and ignored development opportunities.

However, the experience remains in its early stages. The response of the local private sector has been weak or nonexistent. The field has been left open for foreign private investments, which have the capacity to impose their conditions and agendas, even if it violated the system (such as the docks at the port). The government, thus, needs to impose clear rules and regulations to organize PPPs.

Recommendation 3:

It is necessary to focus on stimulating more local investments, which remain below aspirations. They must also be reoriented in proportion to local development in the Mauritanian interior that suffers from a severe shortage of investments due to their concentration in Nouakchott and Nouadhibou. Supporting SMEs is also vital due to their pivotal role in comprehensive and sustainable economic development. A system must be set up to follow up on the sector's development and job opportunities it creates. It should be noted that foreign investments are directed towards more productive sectors (fishing, livestock) instead of focusing on raw materials and their limited implications for sustainable development.

Section Three: Case Study - Fishing Sector

1. Executive Summary

The case study deals with the pioneering role of the private sector in developing and upgrading Mauritania's fishing industry, one of the most important tributaries of the economy. It generates about one hundred million euros annually from the EU alone, not to mention other forms of bilateral cooperation. The case study also shows the central role of the sector in creating employment and attracting local and foreign labor. The fishing industry was chosen due to the accumulated and rich private sector experience, its impact on employment, added value, taxes, training, and capacity building. It is the only industry where the private sector plays a pivotal role.

However, Mauritania's fishing industry faces several chronic structural problems that entail formulating and implementing a comprehensive strategy involving various actors and contributing to revitalizing the national economy. Marine resources are being invested to achieve a qualitative added value in the field and oriented towards lucrative choices such as packaging and expanding the use of fish as food and for commercial reasons. Local investors are being encouraged to exploit the capacity for surface fishing and raise annual production, which should create more job opportunities and attract real Mauritanian investment. Focusing and prioritizing the sector will enable the creation of an industrial economic renaissance that will benefit the population, the economy, and the environment in Mauritania.

Marine reserves are a gift that constitutes raw natural resources and a basic source of food, employment, and hard currency. In 2016, around 848 thousand tonnes were caught in the EEZ, providing 64 thousand direct job opportunities and more than four times the size indirectly (meaning it is the largest employer in the country,

in addition to mining and surface exploration of gold, which employs around 100 thousand), not to mention its pivotal role in ensuring food security. Thus, civil society must advocate for respecting appropriate measures, workers' rights, and the environment in all areas related to marine fishing. The measures should prevent the violation of civil, social, and economic rights of workers, regardless of their status, and establish a basis for respecting the marine as well as the land environment by prohibiting the use of harmful materials, ships, and factories and rejecting all activities that do not meet international scientific, environmental standards.

Mauritania has a rare opportunity to transform from a poor to a rich, productive country that attracts investments and investors based on the existing political will in line with the Arab orientation to revitalize the common market through a favorable national investment law. Opportunities provided by global finance in general and Arab financing, in particular, are many and encouraging, especially in the current positive business climate and incentives and guarantees for foreign capital. The country is also biased towards the Inter-Arab Investment Guarantee Corporation Agreement after the approval of the PPPs Law and the opportunities it provides for Arab investment in the fishing industry. It has also approved the International Investment Guarantee Agency treaty, which encourages and protects national and foreign investments. Consequently, the fishing industry has become critical and pivotal for attracting capital.

2. Context

This section will attempt to provide an overview of the private sector's growth in Mauritania through what could be the most vital emerging industries, fishing, which could benefit from in-depth examination, data collection, and scientific research.

Although most researchers believe that Mauritania runs on a rentier economy, the fact remains that it is based on fishing more than

anything else. The industry provides the private sector with opportunities unavailable in other areas. However, various violations by the private sector have been registered. They mainly relate to job continuity, environmental protection, human rights, and decent work, especially for migrant workers.

Despite the lack of information, the case study was prepared based on recent studies and surveys, in addition to interviews, focus groups, and consultations. It adopts an integrated and systematic approach, based on the following:

- The case study's general framework
- A general introduction to the fishing sector in Mauritania
- The current status of the sector with a diagnostic and evaluative outcome based on various sectoral policies and strategies
- Private investment in the field of fishing and the role of the private sector
- Obstacles, opportunities, observations, and recommendations.

3. General Framework

The general framework focuses on the justifications for choosing the marine fishing sector due to its pivotal role in the national economy. The goals set for the fishing sector in the Mauritanian development path and the Strategy for Accelerated Growth and Shared Prosperity are complementary to the SDGs, especially SDG14 regarding environmental risks and sustainable development, in addition to protecting marine biodiversity.

The case study deals with the pioneering role of the private sector in the development and promotion of Mauritania's fishing industry, which generates a significant amount of hard currency for the public treasury. It is also very attractive to local and foreign labor and is capable of including women and children. However, workers in the industry lack health insurance, social security, and

work contracts; most are migrants. It is considered one of the pillars of Mauritania's economy due to its macroeconomic role and contribution to poverty alleviation, job creation, and food security. Recently, its vital role was highlighted by the COVID-19 pandemic and the country's need for economic self-reliance. Nevertheless, it remains an industry in need of better governance and more integration into the national economy.

4. The Fishing Industry in Mauritania

Mauritania is considered one of the most important fish-producing and exporting countries due to its natural features. Its coastline along the Atlantic Ocean extends for about 750 km. Warm and hot sea currents converge in its territorial waters, creating a shelter for many fish and aquatic organisms to migrate and reproduce. Its continental shelf attracts large quantities of high-quality fish throughout the seasons, in addition to an environment for fish breeding. In addition, 500 km of the Senegal River and several Tributaries such as Karakoro, Korkel, and Karfa valley and lakes such as Lake Arquez and Kankousa are also full of fish. Hence, the fishing sector constituted a major source of revenue for the treasury through agreements concluded by the government with several groupings and countries such as the EU, Japan, China, and others. According to the statistics of the Ministry in charge of fishing, there are more than 300 species of fish in Mauritanian waters, 173 of which are globally marketable.

Mauritanian authorities' interest in the marine fishing sector is relatively recent. The sector continued to be run unplanned until the new fishing policy aimed at integrating the sector into the national economy. It established multiple fishing companies and several multi-specialty factories for freezing, storage, and transfer. Some are still in existence, and others were liquidated or were bankrupt. Many laws and legislations were adopted to regulate and exploit this wealth. The private sector was encouraged to acquire large fishing vessels, leading to an increase in the value of the country's fish exports from one billion

ouguiyas in 1978 to 30 billion ouguiyas in 1986, representing 70 percent of all exports. Since then, marine fishing became a key factor in the country's development and access to hard currency. Despite the country's limited manufacturing capabilities and the looting of its wealth by foreign fleets, millions of tons are exported annually to all parts of the world. In addition To China and Japan, the European Union remains the main importer of Mauritanian fish at about 7,340 tons annually. Over the past 25 years, Mauritania adopted six strategies for managing fisheries and aquaculture. According to fishing experts who contributed to the discussion of the new national fishing strategy (2019-2025), the strategy should include:

- Encouraging national fishermen
- Strengthening grass-roots infrastructure
- Preserving fisheries,
- Integrating the sector in the national economy.

Preserving marine resources and their environment is a government priority, in line with the 2030 Agenda. The achievement of these goals would be through improving knowledge about these resources and their environment to provide a scientific basis that enables prediction, early warning, and an objective reference for decision-makers.

The government regulates the industry through the Fishing and Environment Ministries and the Mauritanian Institute for Ocean Research and Fishing. The latter monitors various marine areas on a regular basis, providing information to enable appropriate environmental and technical decision-making by the government, whether in relation to fisheries, stocks, or the environmental situation. With regard to the marine environment, the Institute is developing programs in consultation with the concerned bodies to study and monitor the performance of ecosystems and the effects of climate change.

5. Current Situation of the Industry

Mauritania's coast extends from the Senegal River Delta to the Gulf of Cape Blanc in Nouadhibou. The sea front's area is about 750 km², in addition to an exclusive economic zone estimated at 200 miles, an area of 234,000 km², with a wide continental shelf (39,000 km²). The region is known for its abundance and diversity of fish resources of high commercial quality worldwide. Hundreds of fish samples have been classified, most of them of high commercial and nutritional value, such as octopus, squid, mollusks, crustaceans, and pelagic fish. The coastline is among the richest and safest in the world. An estimate of 1.8 million tons annually can be caught without disturbing the biological balances of the stock. The majority of the yield is exported in raw form without conversion or processing. Exploitation occurs through traditional fishing and, more recently, industrial fishing, whose fleets have grown significantly in recent years.

Fishing is an essential component in Mauritania's economy, with a share of 4 to 10 percent of GDP and 35 to 50 percent of the country's exports. According to the Mauritanian Institute for Ocean Research and Fishing, it constituted 6 percent of GDP and 29 percent of the state's income in 2013.¹³ These activities are governed by several laws, decrees, regulations, procedures, and arrangements, in addition to many ratified international and regional. However, the National Fishing Code plays a critical part and will be discussed in the following paragraphs as an example of the legal and environmental dimensions of this vital activity.

Legal Dimension: Law No. 2015/017, issued on December 19, 2015, is considered the basic law that brings together the various legal texts related to the marine fishing sector in Mauritania. This law, which includes the Maritime Fishing Code, aims to define the rules applicable to marine fishing in the waters subject to Mauritanian law. Its 699 articles are comprehensive and regulate all issues related to investment in the fishing sector.

Environmental Dimension: The marine environment has remained confined to marine fishing activities. Recently, however, it started to witness new patterns of intensive exploitation that have serious environmental repercussions. They include:

- Increased maritime transport off the Mauritanian coasts, especially giant oil tankers, infrastructure activities, and urban agglomerations
- The search for oil and gas in the high seas
- Mining exploitation in the areas adjacent to the shore, which impacted the environment of the river area (traditional fishing) through the intensive use of agricultural inputs (pesticides).

6. Situation Analysis

In the period 2014/2015, around 800 thousand tons of fish were caught in the EEZ by a fleet of almost 4,000 local and foreign ships. The contribution of fishing to the country's GDP has increased by +16.8 percentage points between 2008 and 2010, due to increased traditional coastal fishing, private sector and private investor operations, the diversity of surface resources, and the expansion of surface fishing going to the production of fish meal and oil. However, the resulting rise in the cost of sardines, a staple for poor and middle-class Mauritians living by the coast, increased food insecurity, especially since the role of fish consumption in food security has not been adequately studied.

Nevertheless, to enhance the sector's governance, Mauritania established a company for the transformation of fish products in Nouadhibou, including a seafood plant, focusing especially on small fish, sardines, and other pelagic fish, with an annual capacity of 1.5 million tons (including 1.2 million tons of pelagic fish). Public revenues nearly doubled, and the sector's general exports amounted to more than one billion dollars, making fishing the most important export sector in terms of revenue and value-added. As for employment, the sector currently provides 226,000 direct and

indirect job opportunities, including continental fishing.¹⁴

The added value of fishing has grown steadily in recent years, rising from 2.9 billion new ouguiyas in 2014 to 6.2 billion new ouguiyas in 2018. The share of fishing from the GDP doubled from 7.1 percent in 2015 to 13.3 percent in 2018. Private investments in the sector amounted to 13.5 billion new ouguiyas in 2018, around 370 million US dollars, an increase of 105 million dollars over the target and expectations drawn by the sectoral strategy for fishing in Horizon 2019/2020. The number of licensed factories increased from 68 in 2013 to 149 in 2018, which raised the storage capacity of fish products from 20,000 tons in 2013 to 70,000 tons in 2018, an increase of more than 300 percent. The per capita national consumption of fish also increased from 10 kilograms in 2014 to 12.6 kilograms in 2018.¹⁵

On the other hand, processing industries are not yet developed. Around 80 processing plants exist, and most store and preserve frozen fish. Of the eighty factories, 66 are recognized and meet EU standards, with storage and capacity of about 700 tons per day. The rate of exploitation is weak, reaching 30 percent at best. The more modern manufacturing units have the ability to manufacture more valuable and better products such as preserved and frozen sardines and tuna. Mauritania now has only four fishing ports (Nouadhibou, Nouakchott, and Tanit Njago).

The Mauritanian Company for Marketing Fishing Products, which has a monopoly on frozen products, handles most of the exports, mainly made up of expensive fish destined for the Japanese market and the EU. The annual export value reached 380 million dollars in 2014.¹⁶ In 2019, the fishing sector recorded real growth of 20 percent after successive years of decline. The fishing sector's share of the GDP also witnessed a slight decrease of 0.9 percent, settling at 2.1 billion new ouguiyas, or 2.4 percent of general GDP and 3.21 percent of the nominal GDP. This decline can be explained by the decrease in fish export prices in general.¹⁷ In terms of the state's serious attempts to strengthen the private sector,

it signed an agreement with the International Islamic Trade Finance Corporation amounting to 600 million dollars, which is equivalent to 22 billion ouguiyas over a period of five years, starting from 2020, allocated to support the private sector, among other things.¹⁸

Facts and Figures

- Total quantities caught: 589,000 tons in 2018
- Industrial and conventional fleet: 4,000 vessels in 2018
- Contribution of fishing to the GDP: 16.8 percent
- Annual revenues: one billion US dollars, including more than 370 million US dollars in hard currency
- Private sector investments: 13.5 billion ouguiyas in 2018
- Number of ports: 5
- Value of annual exports: 380 million dollars in 2014¹⁹
- Number of factories: 80 processing plants
- Storage capacity of fish products: - 20,000 70,000 tons in 2018
- Licensed factories: 68 in 2013
- Growth of the fishing sector: 20 percent in 2019.

7. Investment in Fishing

The development of the marine industry had been a primary objective of all strategies aimed at promoting the sector's contribution to development since independence, especially in the 1970s, when the general policy of marine fishing was announced in 1979. Despite many attempts to manufacture and transform marine products for nearly 40 years, traditional processing is still the most prominent feature

of the private activity based on factories for collecting and preserving fish products for export. Manufacturing remains mainly confined to fish meal and oil plants, criticized by CSOs due to their serious environmental damage. The number of such plants reached 154 in 2018, including 41 official plants for fish meal and oils.

Geographically, 92 factories are in Nouadhibou and 62 in Nouakchott, in addition to licenses for other factories in the new port of Tanit. Private investments went into fish meal factories with a high production capacity of nearly 1 million tons; the amount of small surface fish processed in the milling factories is estimated at more than 300,000 tons. Notably, the most important actors in this field are Spanish, Chinese, and Turkish companies. Foreign direct investments in the fishing sector in Mauritania developed as follows: US\$4.10 million in 2012, \$11 million in 2013, \$6.36 million in 2014, \$3.45 million in 2015, and \$19.60 million in 2017.²⁰ In terms of sales, exports saw a large leap between 2011 and 2014, reaching an average of 400 million US Dollars annually due to the rise in fish prices. Despite the decline in total production in terms of quantity, a number of factors contributed to improving the resources obtained from the export of marine fishing products, which amounted to 580 million dollars, a new record. The of the Mauritanian Fish Marketing Company's (SMCP) monopoly was expanded to include fish-meal and oil plants and the export of fresh fish.

8. Marine Fishing Agreements

Mauritania has concluded many fishing agreements with various countries. It attracted several foreign fleets that have fishing without supervision due to the lack of necessary means to track and pursue ships and enforce respect of territorial waters. Despite the huge capabilities in the field of fishing, investment and financing remained an obstacle to the development of this vital sector, especially by Arab and Islamic funds that focused on financing agriculture, mining, and infrastructure. The private sector was absent for a long time, although some attempts were made in the 1980s to attract bilateral Arab investments,

such as (a) the Iraqi-Mauritanian SIMAR fishing company, (b) the Arab Libyan Mauritanian Fishing Company SALIMAUREM, (c) the Mauritania Algeria fishing company ALMAP, and (d) the [Soviet] Russian partnership MOSOV.

The government was finally able to control the national marine field, especially deep-sea fishing, by concluding some agreements, including:

- The Fishing Agreement with the EU is a distinctive partnership agreement, which encourages the conclusion of a permanent partnership in the field of fishing with Mauritania every four years. The agreement is estimated at tens of millions of euros and remains in effect. Despite the financial return of the agreement, it also poses risks to the marine environment and the ability of resources to regenerate.
- Multiple fishing agreements with China: The latest of which generated controversy in 2010, as it allows the Chinese company, Poly Hondon, to build and operate an integrated industrial complex for marine fishing in the coastal city of Nouadhibou, at a financial cost of up to US\$100 million, which also includes land reclamation designated for the construction of a berth and a port for unloading ships. It also includes the establishment of factories for fish meal, ice, and refrigeration units for treating fish products and workshops for the manufacture of traditional fishing boats. The agreement includes significant tax and customs exemptions in favor of the Chinese party and great facilities with regard to the import of foreign labor, and also guarantees the stability of the legal system throughout the implementation period of the agreement, which provides for a period of 25 years, unless the two parties agree otherwise. On the other hand, it stipulates the commitment of the Chinese side to create 2,463 permanent jobs and to guarantee vocational training for recruits.
- The fishing agreement with Senegal has been renewed annually and relates mainly to surface fishing.

- Annual fishing agreement with Russia.
- Annual fishing agreement with Japan relating to valuable fish.
- Fishing agreement with Turkey
- Fishing agreements with some Arab countries.

Partnerships did not depend on those agreements but included cooperation with other partners such as the World Bank, FAO, the National Park of the Arken Basin and Djawling, the Mauritanian Institute for Research, Oceans and Fishing, in addition to many regional and international research bodies such as RAMSAR and UICN.

9. Accountability and Governance

Mauritania realized early on the importance of transparency and accountability, as they are indispensable in the fishing industry. Civil society was strongly present in imposing the adoption of the International Transparency Initiative for the extractive industries in the fishing sector, leading to positive economic results.²¹

Despite the existence of extractive industries transparency and parliamentary committees that seek to preserve the environment and defend citizens and national capacities, the depletion of resources by foreign multinational companies exceeded all estimates and possibilities, increasing financial, economic, and environmental risks due to lack of transparency.

Between 2014 and 2018, the authorities tried to overcome some obstacles and sought to impose transparency and accountability by attracting and mobilizing investments directed especially to develop a private sector that keeps pace with the fishing sector, especially in the free zone in Nouadhibou, and to expand road networks. It is important to carefully assess their financial, environmental, and societal risks as most experiences show that there are real risks related to the budget and partnership, which often occur in a complete absence of

respect for the comprehensive and transparent legislative requirements, such as the adoption of clauses respecting workers' rights, work periods, insurance, renewal of employment contracts, and other human rights principles.

By 2020, the sector's governance framework became acceptable, despite its shortcomings, compared to other sectors in the country, due to the following factors:

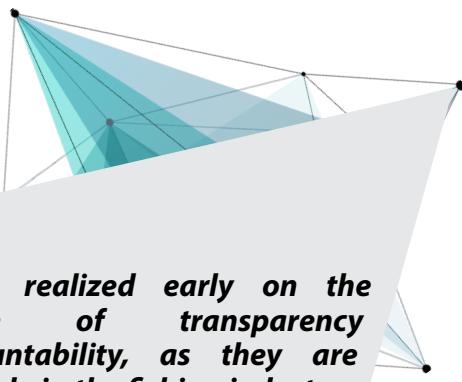
- Most partners impose the need for good governance and accountability, especially the EU, IUCN, and the World Bank, in addition to Mauritania's international commitments in the field of biodiversity conservation, the Convention on Wetlands, RAMSAR, and others.
- Effective representation and presence of civil society through its representatives in sectoral committees, especially fishing.
- The increasing awareness of sea workers and residents of their rights and potential benefits from marine capabilities.
- Creation of a Parliamentary Fishing Team 2020.
- The pivotal role of the ILO, which funds many studies and projects for the benefit of traditional fishermen, is imposing a minimum level of transparency and accountability.
- The environmental problem that imposed itself, requiring the local population to respect the beach and to combat overfishing and other matters that upset the ecological balance.
- The role of the media.

10. Economic and Social Role of Fishing

The fishing sector has been one of the mainstays of the Mauritanian economy due to its contribution to creating wealth and job opportunities, tax revenues, hard currency, ensuring a trade balance, and providing food security. Given the absence of an accurate system to follow up on its economic and social performance, there is an urgent and constant need to update the available quantitative data, enabling an evaluation of its contribution to the national economy, which is often difficult to obtain. The industry provides between 42 and 43 thousand jobs, in addition to 13 thousand indirect employment.²²

With regard to food security, the contribution of fishing is characterized by many fluctuations, from 9.4 kg to 6.1 kg per person per year. Another significant improvement has occurred in the level of fish consumption in recent years, according to the audit conducted by the International Studies Office for Industries in 2009, which indicates that the volume of marine products consumed amounted to between 25 to 30 thousand tons annually, which gives an average of 9 to 11 kilograms per capita annually.

Fishing has long been a mainstay of food security for the coastal and river population. The maritime sector provides more than 55 thousand direct job opportunities. As for the quantities caught, they are estimated at 700,000 tons in 2018, compared to 300,000 tons in 2011.²³ The National Fish Distribution Company was established in 2013 to support this policy and enhance food security, in partnership with the Spanish Cooperation Agency, aiming to combat poverty and famine and create more job opportunities. The company has doubled its interventions during the current COVID-19 crisis due to its serious repercussions on the poor and marginalized classes.



Mauritania realized early on the importance of transparency and accountability, as they are indispensable in the fishing industry.

11. Obstacles to the Marine Fishing Industry

Obstacles to the marine fishing industry are many but can be summarized as follows:

- Outdated management systems and technologies at the sector level.
- The inability of the fishing sector to manufacture marine products locally and the complete absence of any attempts to industrialize and localize the profession.
- Foreign support has been mainly seeking to secure the supply of these primary commodities to the world markets without interruption, and perhaps because of this, many attempts to integrate these two sectors into the fabric of the national economy have not succeeded.
- The absence of external support in promoting this sector, despite its importance and the magnitude of the challenges it faced.
- Lack of appropriate conditions to attract foreign direct investment.
- Poor added value due to poor manufacturing.
- The dominance of external powers over fishing techniques and profits from the sector (EU, China, Japan, Turkey...).
- Widespread corruption.
- Worn-out national fleet.
- Absence of ship repair centers.

12. Case Study Recommendations

The promotion and growth of Mauritania's private fishing sector remain governed by a number of indispensable institutional factors. Its development inevitably needs to go through the following paths:

• **Enhancing the developmental role of the private sector:** There is a need to invest in the port infrastructure in the areas most attractive to investors, in addition to providing adequate levels of electrical, water, and manufacturing infrastructure. Furthermore, there is a need to invest in human resources through training and capacity building and networking with international donors to create a simplified loan system. Finally, there is a need to attract and direct capital and public and private investments.

• **Strengthening accountability frameworks and tools in the private sector:** This requires enforcing respect for the law, settling professions and giving priority to Mauritanian citizens, improving the quality of education, and improving the level of health and social care that enables citizens to obtain the necessary competencies for integration into the labor market. It also entails strict adherence to human rights conventions, national and international standards, and respect for procedures, creating a culture of accountability, at least at the level of the private fishing sector. It remains important to develop infrastructure and acquire skills that ensure diversification in the market, more comprehensive social protection, and the widest possible coverage, thereby properly responding to basic social needs, ensuring better justice and equality in front of economic and commercial opportunities and greater transparency.

Conclusion and Recommendations

Although the private sector seeks profit, it must do so in an institutional manner, which is fair, respects the environment and climate, contributes to reducing poverty and marginalizations, takes into consideration gender and economic equality, and does not discriminate against certain areas. In this manner, it will successfully contribute to achieving the SDGs.

The main conclusions of the study are the following:

- Despite the important government efforts, they are enough to overcome all obstacles and challenges facing the promotion of private investment.
- Environmental and legal controls are not observed in the exploitation of various resources (fish, livestock, iron, copper, gold, gas, agricultural land).

The main recommendations are:

- Creating an appropriate regulatory framework (which may be under preparation) to formulate clear and applicable investment policies instead of oscillating between a representative office, a state secretariat, and a public administration to promote the private sector.
- Reviewing and reformulating laws and legislations regulating investment and making them more compatible with international and regional economic developments, such as the already concluded PPP Law.
- Establishing stricter and more effective legal and regulatory arrangements for holding

companies accountable and ensuring their respect for the codes of conduct in force in the country.

- Supporting the emerging domestic private sector by granting tax facilities and attracting and encouraging foreign investments aimed at fishing, agriculture, and livestock instead of focusing on mining and extractive industries.
- Awareness of the important role of the private sector in sustainable economic development and job creation.
- The urgent need to keep pace with and frame the private sector.

General Recommendations

- Encourage foreign investments and re-marketing investment opportunities in sectors that may contribute to diversifying the national economic fabric by doubling investment in infrastructure (PPPs), fisheries, and livestock sector.
- Strengthen Arab investments through strong participation in joint economic and investment activities and enacting preferential laws and legislation regarding taxes and customs.
- Facilitate access to bank finance through lower interest rates and easy loans conditional on results.
- Strengthen and redouble efforts in vocational and technical training.
- Correct the human rights track of workers and their health and social insurance (the right to retirement, health insurance, work contracts, remunerative salary, respect for the practical energy of workers, especially women, vulnerable groups, and workers in dangerous private sector jobs such as seafaring, mining, and cleaning).
- The first assessment of the general situation of the Mauritanian private sector shows a great deal of gender inequality and imbalances

regarding wages and social security, in addition to tax evasion by some private actors.

Following are additional recommendations made during the discussion of the report by various participants, including experts and heads of CSOs:

- Distancing politics from the economy, i.e., the separation between political power and money, in the hope of achieving real competition between the various actors to create an appropriate framework without exclusion or discrimination. The state should be an arbiter and not a party that enriches and impoverishes whomever it wants.
- Reorienting the banking system to serve development, as most of the local banks are banks owned by groups that monopolize banking operations for the benefit of the group's components of companies (loans, hard currency). They are not banks in the true developmental sense of the word. The banks that aim at development and lending to the private sector are still absent from the Mauritanian development scene.
- Solidarity Economy: COVID19- has shown that there is an urgent need for an alternative development model that is commensurate with the cultural and social peculiarity of Mauritania. It is appropriate to adopt what is known as the holistic mutual social economy, which has proven its feasibility more than other economic models, especially that the societal structure is more receptive and in harmony with this type of system characterized by greater fairness and openness.
- Directing the private sector to intervene and invest at home. Successive initiatives to promote vital sectors such as fishing and livestock have been initiated and followed up by public authorities and at the highest levels represented by the president of the Republic. There is also an unprecedented pivotal change in the interventions of the private sector, which announced through many of its representatives its willingness to invest in livestock development during the

last Tanbagha Fair on March 2021 ,31.

- The developmental role of women is unknown, and there is a lack of objective data to support research. However, women have accompanied and kept pace with various development activities and suffer more than others from poverty, ignorance, and lack of investment, especially for initial activities, which gives them the opportunity to occupy an important position in various future plans, especially as they represent about 52 percent of the population.
- The educational, private sector, and investment in housing for schools and universities will have a positive impact on female school enrolment.

Recommendations specific to the marine fishing sector:

- Work to integrate the sector into the national economy
- Encourage private investments in the field of manufacturing, develop training and qualifications in fishing-related fields, reduce over-exploitation of fisheries, and strengthen capacities in the field of control
- Cooperate with financial and technical partners
- Enhance the sector's contribution to food security by activating and expanding the activities of the Mauritanian Fish Distribution Company.

Annexes

Table 1: Licenses Granted to Establishments (2014-2017)

Year	Local Investors	Declared Investment Value (Ouguiya)	Expected Labor	SMEs	Institutional Agreements
2014	1	200	50	0	1
2015	15	882.2	257	15	0
2016	10	N/A	N/A	7	3
2017	11	N/A	N/A	9	1
TOTAL	37			31	5

Source: Rapport Promotion des investissements en Mauritanie Groupement de Cabinets d'études ASIAFCO 2019.

Through our analysis of the table by years, and depending on the declared Mauritanian investor's nationality, we reach the following conclusion:

- Year: 2014-2015-2016-2017
- Number of Mauritanian investors:
- Declared Investment Value (Ouguiya)
- Operating Opportunities
- Small and Medium Enterprises System

Table 2: Investments according to sector

Sector	Investments
Cookies, baked goods, and foodstuff	8
Fish meal and oil and fodder	6
Primary processing of fish products	5
Chemicals (Plastics and dyeing)	5
Packaging	3
Hotels	3
Shipyards	2
Animal byproducts	2
Agricultural byproducts	1
Dairy	1
Cement	1
TOTAL	37

Source: Rapport Promotion des investissements en Mauritanie Groupement de Cabinets d'études ASIAFCO 2019.

Table 3: FDIs (millions of USD)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
FDIs	139	339	-38	131	589	1389	1126	501	501	271	330

Source: CNUCED

Table 4: Stock FDIs (millions of US dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Stock FDIs	1905	2008	2142	2155	2407	4155	5499	5968	6470	6750	7079

Source: Elaboration d'une étude sur les investissements Directs Étrangers (IDE) en Mauritanie, publiée Octobre 2019, Groupement ECO CONSEILS-AFACOR

Table 5: Fishing in Mauritania

Total volume caught	589000 tons in 2018
Traditional and Industrial Fleet	4000 ships in 2018
Fishing share of GDP	Around 16.8 percent
Unloading volume	700,000 tons
Total treasury revenues	1 billion US dollars
Volume caught in EEZ	800000 tons
Hard currency	370 million US dollars
Private sector investments	13.5 billion ouguiyas in 2018
Number of ports	5
Total annual exports	380 million dollars in 2014 ²⁴
Number of processing plants	80
Storage capacity	20,000 to 70,000 tons in 2018
Number of licensed plants	68 in 2013
Growth of the fishing sector	20 percent in 2013
National fleet	1300
Infrastructure	

Table 6: Private investment distribution from 2011 to 2017:

FDI in millions of dollars²⁵	2011	2012	2013	2014	2015	2016	2017
Fishing		4,10		6,36	3,45	0,00	

Table 7: FDI evolution between 2008 and 2017²⁶

	2011	2012	2013	2014	2015	2016	2017
fishing sector		4.10	11.00	6.36	3.45	0.00	19.60

Table 8: Sales of marine fish (millions of dollars)

	2011	2012	2013	2014	2015	2016	2017
Total Sales	408	479	329,7	377,5	388,9	421	580

Endnotes & References

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- 16 Programme de promotion des investissements en Mauritanie, Rapport 2019.
- 17 Report on the implementation of the Strategy for Accelerated Growth and Shared Prosperity, Sectoral Committee, p.18.
- 18 Ibid., p.19.
- 19 Programme de promotion des investissements en Mauritanie, Rapport 2019.
- 20
- 21 An accountability mechanism that aims to establish transparency and participation in the fishing sector, such as the Extractive Industries Transparency Initiative, taking into account the specificity of this sector, which can only be exploited within the framework of respect for the principle of sustainable wealth. Mauritania provided this mechanism to the world by launching the Fisheries Transparency Initiative (FiTI) in 2015. It provided funding for the entire conceptual phase of the initiative, which was launched from the Bali Conference (Indonesia) at the end of April 2017 and accordingly became a pioneer initiative. Today, it is the only country that has passed all stages of the implementation of FiTI to become a “candidate country”, thanks to the support of economic and financial partners, particularly the World Bank.
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