4 THE PRIVATE SECTOR AND SUSTAINABLE DEVELOPMENT IN MAURITANIA

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Introduction

In order to facilitate economic growth, Mauritania has tapped into its marine resources to grow the fishing industry. Donor countries and agencies have worked with the government of Mauritania to develop the industry by establishing ports and free zones, training fisherfolk and ensuring sustainable fishing practices. Partnerships with the private sector were also promoted to entice foreign investment and secure fishing agreements with partner countries.[1]

Development of the private sector in Mauritania

Between 1995 and 2017, a private sector dominated by a handful of big businesses emerged in Mauritania. These businesses were involved in most of the country's economic transactions, while the state abandoned many of its regulatory functions. In 2021, a return to its 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.

Various Mauritanian government economic programs and strategies prioritise private sector development. The importance of private investments is embodied in the government's Strategy for Accelerated Growth and Shared Prosperity. Between 2016 and 2030, the government has relied on public-private partnerships (PPPs) to raise funds to implement its strategy. PPPs have contributed USD 2 billion out of a total of USD 10 billion, in cooperation with financial partners such as the World Bank, International Monetary Fund, Islamic Development Bank, and Arab Fund for Economic and Social Development.

[1] The case study is based on Ahmad Waled Wild Mohammad Abudullah & Mohammad Ahmad al-Mahboubi's paper "The Private Sector and Sustainable Development in Mauritania", as part of the Arab Watch Reports 2021. https://www.annd.org/en/publications/details/the-private-sector-and-sustainable-development-in-mauritania

The local private sector saw a modest development at the beginning of the new millennium. A group of local private companies have invested in many sectors, such as general trade, services, industry, and banks. These sectors were expanded and developed through foreign companies with the emergence of other competing groups and nascent industries. One of these sectors fostered by the private sector is the local fishing industry.

An emphasis on fostering the local private sector was due to the implementation of various investment policies and reforms by the government, but largely shaped by the European Union and World Bank. These policies include strengthening dialogue between the public and private sectors, adopting a new code for contracts, and ensuring the advancement of the private sector through a new investment code and a free economic zone.

Photo from Cycling from Nordkapp to Cape Town

The government's investment policy included the following aspects:

Mauritania's investment code. In 2012, the country adopted an investment code and amended it in 2015 as a general legal framework that provides incentives and guarantees for the growth of private investment, foreign trade and economic liberalisation. This contributed to the growth of the private sector's 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. Prior to this, the Mauritanian government had been vacillating 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 of these investments. This situation remained the general feature of investment for a period of time.

Mauritania's fishing industry

Mauritanian authorities' interest in the marine fishing sector is relatively recent. The sector continued to be run unplanned, until the new fishing policy that integrated the sector into the national economy was implemented. This policy 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 tap on these natural resources. The private sector was encouraged to acquire large fishing vessels, leading to an increase in the value of the country's fish exports from MRU 1 billion (Mauritarian ouguiyas) in 1978 to MRU 30 billion in 1986, representing 70 percent of all exports. Since then, marine fishing has become a key factor in the country's development and access to hard currency.

The Mauritanian Company for Marketing Fishing Products, which has a monopoly on frozen products, handles most of the exports, mainly made up of high-value fish for the Japanese and European market. The annual export value reached USD 380 million in 2014.[2] 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 MRU 2.1 billion, or 2.4 percent of general GDP and 3.21 percent of the nominal GDP. This decline was because of the decrease in fish export prices in general.[3] In terms of the state's serious attempts to strengthen the private sector, it signed an agreement with the International Islamic Trade Finance Corporation worth MRU 22 billion (approximately USD 600 million) over a period of five years, allocated to support the private sector, among other things.[4]

Geographically, 92 factories can be found 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 small surface fish processed in the milling factories is estimated to weigh more than 300,000 tons. Notably, the most important actors in this field are Spanish, Chinese, and Turkish companies.

Table 1: Foreign direct investment in fishing from 2012 to 2017 (in millions of dollars)

FDI	2012	2013	2014	2015	2016	2017
Fishing	4.10	11.0	6.36	3.45	0.00	19.60

Source: Programme de promotion des investissements en Mauritanie, Rapport 2019.

Foreign direct investments in the fishing sector in Mauritania developed as follows: USD 4.10 million in 2012, USD 11 million in 2013, USD 6.36 million in 2014, USD 3.45 million in 2015, and USD 19.60 million in 2017. In terms of sales, exports saw a large leap between 2011 and 2014, reaching an average of USD 400 million 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 USD 580 million – a new record. The Mauritanian Fish Marketing Company's (SMCP) monopoly was expanded to include fish-meal and oil plants and the export of fresh fish.

Impact of COVID-19 on private sector engagement

Like most countries in the world, the COVID-19 pandemic had a major economic impact on Mauritania. It has undermined 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.

It is considered that encouraging domestic and foreign private investments is a strategic option for Mauritania and would aid with progress in attaining the Sustainable Development Goals (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. These plans were intended to address the COVID-19 pandemic and advance the economy. However, business activities of the private sector present challenges to development. The strategy and related programs rely on the private sector's role in exploiting the country's many natural resources, such as gas, iron ores, fish, gold, livestock and copper. The lack of diversification in business activities also fail to contribute to poverty eradication and job creation.

Photo from World Bank

[2]Programme de promotion des investissements en Mauritanie, Rapport 2019.
[3]Report on the implementation of the Strategy for Accelerated Growth and Shared Prosperity, Sectoral Committee.
[4]Report on the implementation of the Strategy for Accelerated Growth and Shared Prosperity, Sectoral Committee.

By 2020, the sector's governance framework was strengthened to ensure transparency and accountability of the private sector in the fishing sector. It has the following components:

- Development partners, like the EU, IUCN and WB, impose the need for good governance and accountability. Mauritania also has international commitments in the field of biodiversity conservation, like the Ramsar Convention;
- Effective representation and presence of civil society 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 International Labour Organization (ILO), which funds many studies and projects for the benefit of traditional fishermen, in imposing a minimum level of transparency and accountability;
- Recognition of the environmental problems that require the local population to respect the beach, to combat overfishing and to address other matters that upset the ecological balance; and
- Enhancing the role of the media.

Kampala Principles Assessment

Kampala Principle 1: Inclusive country ownership

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 SDG 14 (Life Below Water) regarding environmental risks and sustainable development, in addition to protecting marine biodiversity.

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


Photo from The Fishing Daily

- Law No. 2012-052 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

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

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:

1. Setting up of a comprehensive consultative framework and formal dialogue between the two sectors at the highest levels among the Sahel countries;

2. Addressing 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;

3. Establishing a program to support and accompany small and medium enterprises (SMEs) in the Sahel countries, especially those that lack security; and

4. Preparing strategies directed at women and youth active in the economic field, giving preference to rural youth and women and those living in isolated and poor areas.

Kampala Principle 2: Results and targeted impact

Accountability for the environmental impacts of corporate activities 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, such as the 2005 Environmental Code, aimed at protecting the environmental system from increased corporate activities, specifically in the mineral and marine fields. It also obliges local and foreign companies to prepare environmental impact assessments before embarking on any economic activity on Mauritanian soil. Recently, the ministry created an environmental police tasked with monitoring companies' adherence to environmental laws.

Mauritania's fishing industry is pursued for its perceived benefits to economic growth and employment, with its capability to absorb marginalised sectors of society. However, workers in this industry, however, lack health insurance, social security, and work contracts, and most are migrants. It is nevertheless considered to be one of the pillars of Mauritania's economy due to its macroeconomic role and contribution to poverty alleviation, job creation, and food security. It remains an industry in need of better governance to ensure it upholds international standards on labour and human rights, to provide better living and working conditions for its workers.

In the same context, the Parliament recently created an environmental team that paid visits to several companies 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. This was also the result of the presence of associations, NGOs, regional development councils, and municipalities that demanded more accountability on 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 close to the ruling party.

Photo from African Eye Report

Kampala Principle 3: Inclusive partnership

Several activities, discussions, and consultations were organised related to vocational training and employment with the participation of various actors from the Nouadhibou Free Zone Authority and others. These actors included 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. 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.

Photo from Nouadhibou Free Zone

The establishment of bodies such as the Public-Private Partnership Cell is an important step forward. It remains insufficient, however, to oversee the conception, marketing, and follow-up of the implementation of such major and strategic projects. There is a need to broaden the cell's scope and transform it into a public body with financial and human means and resources to efficiently supervise PPPs. Although local actors, especially the Employers' Union, have to be heavily involved in the awareness campaign, it will be up to the foreign private sector due to its financial capacity and expertise. Thus, accountability of PPPs becomes critical.

The government also utilises its Deposit and Development Fund (CDD) to provide credit, insurance and investment services to SMEs interested in investing in certain industries. The CDD is a "caisse populaire," which refers to a cooperative, member-owned financial institution. It has financed 279 small and medium enterprises (SMEs) with a financial envelope of MRU 10.75 billion in addition to 7,592 graduate projects amounting to MRU 11.7 billion. The Deposit and Development Fund pays special attention to SMEs and projects with added value, income, and employment. In 2017 alone, it allocated around MRU 2.50 billion for SMEs, covering various activities such as fishing, tourism, agriculture, trade, and services.

In relation to the fishing sector, the government was finally able to control the national marine field, especially deep-sea fishing, by signing on to some agreements with the European Union, China, Senegal, Russia, Japan, Turkey and some Arab countries. The agreement with the European Union encourages the conclusion of a permanent partnership in the field of fishing with Mauritania every four years. The agreement is estimated to bring in tens of millions of euros and remains in effect. Despite the financial return of the agreement, it poses risks to the marine environment and the ability of resources to regenerate.

The multiple fishing agreements signed with China generated controversy as it allowed Poly Hondon, a Chinese company, to build and operate an integrated industrial complex for marine fishing in the coastal city of Nouadhibou, costing USD 100 million. The company's operations also included land reclamation designated for the construction of a berth and a port for unloading ships. The agreement also stipulates 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 included significant tax and customs exemptions in favour of the Chinese company. The importation of foreign labour was also permitted for a period of 25 years, unless agreed otherwise. On the other hand, it stipulated that the Chinese company would create 2,463 permanent jobs and to guarantee vocational training for recruits.

In addition to these partnerships, the government also cooperated with the World Bank (WB), United Nations Food and Agriculture Organization (FAO), the National Park of the Arken Basin and Djawling, the Mauritanian Institute for Research, Oceans and Fishing. The government also worked with many regional and international research bodies such as the Ramsar Convention on Wetlands of International Importance and International Union for Conservation of Nature (IUCN).


Photo from OECD

Kampala Principle 4: Transparency and Accountability

Accountability of local and foreign private companies theoretically depends on good legal mechanisms and the implementation of conventions and treaties ratified by the government of Mauritania. It also depends on having a modern regulatory framework. For example, on September 7, 2020, Parliament approved draft Law No. 20-024 that ratified the agreement on mutual administrative assistance in the tax field that was signed on February 12, 2019 in Paris between the Mauritanian government and the Organisation for Economic Co-operation and Development (OECD).

The agreement will help the Mauritanian government hold accountable and follow up on companies, especially foreign ones, and compel the latter to disclose their financial and accounting reports and reduce tax evasion. Mauritania also issued Decree No. 141-2019 that mandates companies to publish data related to extractive industries, including minerals, petroleum, and fishing. These companies can be held accountable if they do not respond to the principles of transparency stipulated in the Extractive Industries Transparency Initiative (EITI).

Kampala Principle 5: Recognising, sharing and mitigating risks

Studying the marine fishing sector is one of the positive economic impacts of proper management and rationalisation of resources. These studies aim 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 these, the studies help manage environmental risks (SDG 14), preserve marine and coastal environmental diversity, and reduce disaster risks. Promoting this sector is important because of its pivotal role in uplifting the lives of the poor, strengthening food security, and ensuring high employment and developing the people's cost-effective capabilities (SDG 8). World Bank studies related to the assessment of natural resources indicate that the sector's size exceeds USD 10 billion.[5]

Between 2014 and 2018, the authorities tried to overcome some obstacles and sought to impose transparency and accountability measures by attracting and mobilising investments directed especially at developing 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. 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.

[2] World Bank. (2017, May). Islamic Republic of Mauritania: Turning Challenges into Opportunities for Ending Poverty and Promoting Shared Prosperity. Systematic Country Diagnostic (SCD), Summary.

Photo from CNN

Conclusion and Recommendations

The main recommendations are:

- For the Mauritanian government to create an appropriate regulatory framework to formulate clear and applicable investment policies for the private sector;
- Review laws regulating investment and make them more compatible with international and regional economic developments, such as the already implemented PPP Law;
- Establish stricter and more effective legal and regulatory arrangements for holding companies accountable and ensure that they respect and uphold the country's codes of conduct and agreed international standards;
- Support the emerging domestic private sector in the fishing, agriculture and livestock sectors and promote national industrialisation, instead of focusing on mining and extractive industries;
- Promote awareness of the important role of the domestic private sector, especially micro, small and medium enterprises (MSMEs) in sustainable economic development and job creation;
- Strengthen accountability frameworks and tools to promote people's interests and rights, which entail strict adherence to human rights conventions, national and international standards, and respect for procedures, the creation of a culture of accountability.