

# COUNTRY REVIEW

## Mauritania



26 August 2011

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**EULER HERMES COUNTRY RISK GRADE: D**

**EULER HERMES COUNTRY RISK LEVEL: HIGH**

**Country Risk Grades are on a scale of AA, A, BB, B, C, D**

**Country Risk Levels are on a scale of LOW, MEDIUM, SENSITIVE, HIGH**

**COUNTRY PROFILE**

Capital city:	Nouakchott
GDP:	USD3.5bn (2010e)
Population:	3.46mn (2010e)
GDP per capita:	USD1,010 (2010e)
Currency:	Ouguiya (MRO)
Form of state:	Republic (constitutionally)
Head of government:	President Mohamed Ould Abdel Aziz
Next elections:	Presidential by July 2014. Legislative scheduled for October 2011 but have been postponed for an indeterminate time.

Mauritania is an Islamic state with a **history of strong executive branch of government but also of coups and other attempts by armed factions to gain power**. In August 2005, a bloodless coup overthrew President Maaouiya Ould Sid Ahmed Taya. A Military Council for Justice and Democracy (CMJD) took over from Taya's regime and its leader, Colonel Ely Ould Mohamed Vall, promised a return to full civilian rule within two years. The African Union (AU) and EU indicated their displeasure with the coup, but they and the US drew back from direct action (sanctions) and were willing to work with the military regime. It was noteworthy that the coup was accompanied by popular approval in the streets and that business carried on regardless, which may explain the reluctance of the regional and international communities to take action. To its credit, the CMJD announced that its members would be excluded from elections and the Military Council ensured that these took place in 2007, with independent international observers describing them as generally transparent and fair. Sidi Mohamed Ould Cheikh Abdallahi became president in March 2007 and a new government was installed in April of that year. However, a further **successful coup in August 2008 increased political uncertainties**, with the legitimacy of the military junta debated within regional and continental agencies (such as the AU), as well as within the country. Consequently, **international donors withheld some aid and grants** because of perceptions of undemocratic changes in governance.

Subsequently, **presidential elections were held in July 2009**. Despite allegations of electoral malpractice, the leader of the latest coup, Mohamed Ould Abdel Aziz (a cousin of Vall), won over 52% of the vote, thereby avoiding a run-off poll, and was duly elected state president. Abdel Aziz had previously stepped down from the military junta to avoid potential constitutional issues relating to military involvement in the electoral process. With a divided opposition, **Abdel Aziz has now consolidated his domestic power base**.

Nevertheless, the political environment remains fragile and violent demonstrations (and even further coups) cannot be discounted. Although international relations have improved, **the current regime has yet to receive full international acceptance and recognition and, in turn, complete re-instatement of donor funding has not occurred** (humanitarian assistance was not withheld), although an IMF facility is again in place.

Mauritania is a member of the Arab Maghreb Union and has **not been immune to the wave of protests for political and social reforms and anti-government demonstrations** sweeping through the wider region in 2011. Protests were initiated through frustrations with high prices for basic goods and shortages of water and power, but turned increasingly to criticism of the perceived authoritarian rule of Abdel Aziz. The regime's response has been to make concessions (prices for basic commodities were reduced by 30% in January and the minimum wage in the public sector is being increased by 42% in September) but also by a **violent crackdown from the security forces**. **Opposition groups (including a youth movement) are likely to continue to press for change and, inspired by events elsewhere in the region, may yet seek to force regime change**.

Average annual per capita GDP has almost doubled from around USD500 in 2004, reflecting rapid investment in the oil sector, but an estimated **46% of the population lives below the national poverty line**. **Wealth is concentrated in a small political elite and narrow tribal base**. Prior to the discovery and exploitation of oil resources, the country's export base relied on offshore fishing and iron ore (mined at Zouérate and Fdèrik and shipped from the port of Nouadhibou). The majority of the population still depends on subsistence agriculture. Manufacturing accounts for less than 10% of GDP. **Commercial production from the Chinguetti offshore oilfield began in February 2006**, with exports commencing in March of that year. Initially, it was projected that the field had reserves of approximately 120mn barrels and production was expected to reach 75,000 barrels per day (bpd), with

a potential daily output of 200,000 bpd. However, more recent projections suggest that proven reserves are around 35-50mn barrels. **The oil sector**, which is being developed with the assistance of Canadian and Australian exploration companies, **was not disrupted by the coups in 2005 and 2008**.

Mauritania has committed itself to the Extractive Industries Transparency Initiative and has established an oil fund ("inter-generational solidarity fund") designed to create a transparent and efficient management of oil revenues. However, there is a risk that, as elsewhere, windfall FX accumulation will be misdirected or deliberately mismanaged.

**There is a distinct lack of macro-economic data in the public domain.** Average annual real growth of GDP was only 2.6% in 1990-99 but around 4.4% in 2003-2010. We forecast GDP growth of around 4.5% in 2011 and 4% in 2012, reflecting **a weaker global environment and associated dampened demand for minerals, including iron ore, but also production problems in relation to domestic oil output.**

Mauritania's relations with the donor community were adversely affected by the coup in August 2008, after appearing to stabilise under the country's elected civilian administration in 2007. As a result of the coup, the Fund put the country's three-year Poverty Reduction and Growth Facility (PRGF) on hold. Subsequent to elections in 2009, **relations with the Fund have improved and Mauritania currently has a three-year Extended Credit Facility, which will expire in March 2013.**

The business environment is weak. Development indicators are particularly poor, with life expectancy of 63 years, an adult literacy rate of only 55% and 40% of the population does not have access to a treated water supply. The financial sector is relatively small, under-developed and concentrated in a limited number of urban areas (60% of the population lives in rural communities). Supervision and regulation in the banking industry remain rudimentary and the sector continues to be undermined by a high level of NPLs.

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