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Department of State

PD-AAX-243
INCOMING
56416 TELEGRAM

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ACTION AID-30

NOUAKC 02850 00 OF 02 021310Z 1636 09:662 AID1096
CONTRACTED TO PRIVATE FIRMS.

ACTION OFFICE PDPP-01
INFO AAAI-02 AFFW-04 FPA-02 AFPO-04 AFTR-05 FVA-01 PPEC-01
PPPB-02 STAC-02 PFR-01 LAST-01 FFP-09 AFDA-02 IWPY-01
ES-01 AALD-01 AIRI-01 RELO-01 PRE-06 /043 AT 11-2

INFO LOG-01 COPY-01 AF-00 CIAE-00 EN-08 DJDE-00 /009 W
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R 021853Z JUN 85
FM AMEMBASSY NOUAKCHOTT
TO SECSTATE WASHDC 6986

UNCLAS NOUAKCHOTT 02850

AIDAC

E.O. 12356: N/A
SUBJECT: MAURITANIA ABS, PRIVATIZATION AND PRIVATE
SECTOR DEVELOPMENT

REF: STATE 189336

1. SUMMARY: ANNEX 1 FOR THE SUBJECT ABS IS PROVIDED IN
PARAS 2 THRU 4. GIRM HAS DEMONSTRATED COMMITMENT AND
PROGRESS IN PRIVATIZATION. USAID/MAURITANIA WILL SEEK TO
IMPLEMENT A HOIST STRATEGY AIMED AT APPROPRIATE
PRIVATIZATION OBJECTIVES AND COMPLEMENTARY PRIVATE SECTOR
DEVELOPMENT. THE STRATEGY INCLUDES A SMALL, PILOT
PRIVATE SECTOR DEVELOPMENT PROJECT, AND IS PARTIALLY
BASED ON PRIVATE SECTOR AND INVESTMENT CLIMATE ASSESSMENT
NOW BEING COMPLETED.

2. THE MAURITANIAN GOVERNMENT IN ITS ECONOMIC RECOVERY
PLAN, ADOPTED AND DISCUSSED WITH DONORS AT THE
CONSULTATIVE GROUP MEETING IN NOVEMBER 1985, HAS
DEMONSTRATED A COMMITMENT TO PRIVATIZATION, WHICH THE
IBRD, IN PARTICULAR, HAS SUPPORTED. FIELD WORK FOR
A.I.D.-FUNDED PRIVATE SECTOR AND INVESTMENT CLIMATE
ASSESSMENT WAS COMPLETED IN EARLY JUNE 1986. IT IS
ANTICIPATED THAT THE REPORT WILL HELP TO ESTABLISH THE
INITIAL BASIS FOR ACTIVITIES RELATED TO PRIVATIZATION AND
PRIVATE SECTOR DEVELOPMENT. THE INITIAL WORK FOR THE
STUDY HAS PROVIDED SURPRISING EVIDENCE OF AN ACTIVE,
EXPANDING AND SOPHISTICATED MAURITANIAN PRIVATE SECTOR
AND OF SIGNIFICANT PRIVATIZATION AND VESTMENT OF
GOVERNMENT OWNED ENTERPRISES OVER THE PAST FEW YEARS. AN
IN COUNTRY SEMINAR WITH REPRESENTATIVES OF THE
MAURITANIAN PRIVATE AND PUBLIC SECTORS IS BEING PLANNED
TO ADDRESS THE FINDINGS AND RECOMMENDATIONS OF THE
ASSESSMENT AND RELATED DEVELOPMENT ISSUES.

IN VIEW OF THE RELATIVE PRIORITY ACCORDED THE A.I.D.
PROGRAM FOR MAURITANIA AND THE LEVELS OF A.I.D.
ASSISTANCE PLANNED FOR THE FORESEEABLE FUTURE, THE
MISSION PLANS TO IMPLEMENT A HOIST PROGRAM IN THIS AREA
OF A PILOT NATURE. THIS PROGRAM WOULD NOT INCLUDE A.I.D.
CAPITAL INPUTS OR INFRASTRUCTURE DEVELOPMENT.

3. TARGETS FOR A.I.D. PRIVATIZATION SUPPORT INCLUDE THE
FOLLOWING:

A. INDICATIONS ARE THAT FIVE MAURITANIAN FIRMS, AS WELL
AS VARIOUS SENEGALESE FIRMS, ARE CAPABLE OF PERFORMING
RURAL ROAD MAINTENANCE. HOWEVER, THE ROAD MAINTENANCE
PERFORMANCE OF THE RESPONSIBLE GOVERNMENT MINISTRY HAS
BEEN IMPERFECTIVE WITH LITTLE PROSPECT OF FUTURE
IMPROVEMENT. THE MISSION PLANS TO ARRANGE BY EARLY 1987
FOR AT LEAST A PORTION OF THE MAINTENANCE WORK CALLED FOR
UNDER THE RURAL ROADS IMPROVEMENT PROJECT TO BE

B. CONANER, THE PARASTATAL RESPONSIBLE FOR THE
DEVELOPMENT AND MANAGEMENT OF IRRIGATED AGRICULTURE, IS
INTERESTED IN PRIVATE FIRMS PERFORMING THE REPAIR AND
MAINTENANCE OF IRRIGATION EQUIPMENT. THE PILOT PRIVATE
SECTOR DEVELOPMENT PROJECT DESCRIBED BELOW WOULD ASSIST
WITH THIS PRIVATIZATION.

C. MEANS WILL BE EXPLORED TO ASSIST WITH THE
PRIVATIZATION OF SUCH GOVERNMENT OWNED ENTERPRISES AS
SAMIA, A SMALL GYPSUM COMPANY OWNED 50 PERCENT EACH BY
THE GOVERNMENTS OF MAURITANIA AND KUWAIT. THE COMPANY
MINES THE MINERAL AND PRODUCES PLASTER. THE PROCESSING
PLANT PORTION OF THE OPERATION IS NEW AND WELL-EQUIPPED
AND OPERATES WELL BELOW CAPACITY. EQUIPMENT FOR THE
MANUFACTURE OF WALLBOARD IS NOW BEING INSTALLED.

D. SMIN, THE LARGE, HIGHLY INDUSTRIALIZED IRON ORE
MINING COMPANY OWNED BY THE GOVERNMENT, HAS A WELL-
STAFFED AND WELL EQUIPPED RESIDENTIAL TRAINING CENTER IN
NOUAKHIBOU, WHICH OFFERS AN OPPORTUNITY RELATED TO
PRIVATIZATION. THE PRIVATE FISHING INDUSTRY IN
NOUAKHIBOU, ABOUT 60 TRAWLERS AND 10 COLD STORAGE/
PROCESSING PLANTS AND THE MOST VIBRANT SECTOR OF THE
MAURITANIAN ECONOMY, HAS EXPRESSED A MAJOR NEED FOR
SKILLED MAURITANIAN WORKERS. SUCH PERSONNEL COULD BE
TRAINED AT THE SHIP CENTER WITHOUT RE-STAFFING OR RE-
EQUIPPING. USAID ON A SCHOLARSHIP BASIS, UNDER ITS HUMAN
RESOURCES DEVELOPMENT PROJECT, BY THE END OF CY 1986 WILL
DETERMINE ITS PROPOSED SHARE OF THE COST OF SUCH TRAINING
WITH PRIVATE FIRMS FOR SELECTED EMPLOYEES.

4. TO SUPPORT PRIVATIZATION AND PRIVATE SECTOR
DEVELOPMENT, USAID/MAURITANIA WILL DEVELOP A PILOT

PRIVATE SECTOR ASSISTANCE PROJECT FOR LOP FUNDING IN THE
AREA OF DOLS 200,000 TO BE ADJUSTED BY AN EQUIVALENT
AMOUNT OF LOCAL CURRENCY GENERATED FROM A PL 480, TITLE
II, SECTION 285 GRANT PROGRAM. THE PROJECT WILL HAVE TWO
COMPONENTS. ONE, A TECHNICAL CONSULTATIONS FUND, WILL
PROVIDE FINANCING FOR EXPERTISE TO ASSIST WITH
PRIVATIZATION AND PRIVATE SECTOR DEVELOPMENT. SUCH
EXPERTISE WOULD BE USED, FOR EXAMPLE, TO ASSIST WITH THE
SPIN OFF OF SCHADER EQUIPMENT REPAIR AND OTHER ACTIVITIES
NOW PERFORMED IN THE PUBLIC SECTOR. TECHNICAL EXPERTISE
WILL ALSO BE PROVIDED FOR SELECTED OPERATIONAL PROBLEMS
ENCOUNTERED BY THE PRIVATE SECTOR, E.G., IN ACCOUNTING,
MARKETING, PRODUCTION, ETC. PARTICULARLY IMPORTANT
TARGETS FOR TECHNICAL ASSISTANCE ARE THE PROCESSING OF
PHOSPHATES FOR AGRICULTURE AND PEAT FOR FUEL AS A
SUBSTITUTE FOR CHARCOAL NOW IMPORTED. EXPLOITABLE
DEPOSITS HAVE BEEN IDENTIFIED VERY RECENTLY WHICH HAVE
MAJOR SIGNIFICANCE FOR MAURITANIA. THERE ARE EXCELLENT
OPPORTUNITIES FOR ESTABLISHING SIMPLE, LOW COST
PROCESSING PLANTS IN THE PRIVATE SECTOR.

THE SECOND AND SMALLER COMPONENT WILL BE A FEASIBILITY
STUDY FUND UNDER WHICH A.I.D. WOULD SHARE THE COST OF THE
PREPARATION OF FEASIBILITY STUDIES OR FINANCING PROPOSALS
FOR THE ESTABLISHMENT OR EXPANSION OF VIABLE AND
PRODUCTIVE PRIVATE ENTERPRISES, WITH EMPHASIS ON
EMPLOYMENT GENERATION AND VALUE ADDED. A.I.D. FINANCING
OF INDIVIDUAL STUDIES, PREPARED BY PROFESSIONAL LOCAL AND
FOREIGN CONSULTANTS, WOULD BE LIMITED TO A PORTION OF THE
COST, E.G., 50 PERCENT, AND TO A MAXIMUM LIMIT, E.G.,
DOLS 5,000. REASONABLE ASSURANCE OF THE AVAILABILITY OF
FINANCING FOR A STUDY WITH POSITIVE RECOMMENDATION COULD
BE ONE OF THE ELIGIBILITY CRITERIA. A SPECIFIED PORTION
OF THE FUND WOULD BE USED FOR THE SERVICES OF LOCAL

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CONSULTANTS. THIS WOULD HAVE THE SIDE EFFECT OF STRENGTHENING LOCAL CONSULTING FIRMS. THE CGLM (CONFEDERATION GENERALE DE EMPLOYEURS MAURITANIENS), AN ORGANIZATION REPRESENTING MAURITANIAN EMPLOYERS AND THE LARGEST AND MOST EFFECTIVE PRIVATE SECTOR ORGANIZATION IN MAURITANIA, WOULD BE GIVEN AUTHORITY TO SELECT THE ACTIVITIES FINANCED WITH A DESIGNATED PORTION OF EACH FUND, E.G., 50 PERCENT, SUBJECT TO SPECIFIC ELIGIBILITY CRITERIA. A.I.D. INITIATION OR APPROVAL WOULD BE REQUIRED FOR ACTIVITIES FINANCED WITH THE REMAINDER OF EACH FUND.

THIS PILOT PROJECT WILL ENABLE A.I.D. TO BECOME INVOLVED IN PRIVATIZATION AND PRIVATE SECTOR DEVELOPMENT IN MAURITANIA WHILE PROVIDING SOMETHING TANGIBLE. IT WILL PROVIDE ASSISTANCE AND WILL SERVE AS A LOW COST MEANS OF FURTHER GROUNDING ACCESSING PRIVATIZATION AND THE PRIVATE SECTOR. THE MISSION WOULD VIEW OFFERING THE MAURITANIANS YET ANOTHER STUDY WITH CONSIDERABLE EMBARRASSMENT. THE MODEST SIZE OF THE PILOT PROJECT ALLEVIATES THE NEED FOR EXPENSIVE DEMAND ANALYSIS, AS THE COST OF THE PROJECT, FOR WHICH THERE IS SIGNIFICANT KNOWN DEMAND, IS ONLY SLIGHTLY GREATER THAN THE COST OF FURTHER ANALYSIS.

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