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EBD/89/116
Correction 1

May 15, 1989

To: Members of the Executive Board

From: The Secretary

Subject: Mauritania - Enhanced Structural Adjustment Facility -
Policy Framework Paper for 1989-91

The following corrections have been made in EBD/89/116
(4/24/89):

Page 21, last column, last line: for "September 1989"
read "June 1989"

Page 23, column 4, last line: add "Implementation of...requirements."
last column, last line: add "1990"

Corrected pages are attached.

Att: (2)

Other Distribution:
Department Heads

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5. Public ...

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Mauritania: Policy Matrix and Calendar of Implementation of Measures Under the Government Program (continued)

Policy Area and Related Objectives	Actions already taken	Date	Actions to be taken	Dates
3. Public enterprises				
Rationalize government's portfolio. Increase efficiency of public enterprise sector. Improve macroeconomic environment affecting public enterprises. Redefinition of legal institution framework. [Improve degree of market and business concertation of public enterprises]. Monitor public enterprise sector performance through selected indicators. Analysis of patterns of issues affecting public enterprises.	Restructuration of SONELEC *.	1987-88	Conclude contract-program with SONELEC and SMCP. *	1989-90
	Audits of the urban transportation and construction companies. *		Ongoing rehabilitation of the Postal service and Port Authority to be completed in 1989.	1989-91
	Liquidation of the drug distribution company. *	1987-88	Definition of additional public enterprises to be rehabilitated, in particular the SMCP.	1989-91
	Reinforcement of the financial and management capabilities of postal, mining and harbor companies.	1987-88	Implementation of rehabilitations, privatization and liquidation measures for several public enterprises.	1989-90
	Liberalization of the petroleum sector, drugs distribution and urban transportation sectors. *	1987-88	Implementation of recommendations concerning budgets, salaries, training and Management Information System. Periodic reports on public enterprises issues. Proposals to Government for improving economic environment.	
			Amendments of decree governing Public Enterprise Sector as appropriate.	June 1989
			Settlement of cross-debts.	December 1989
4. Banking system restructuring				
a. Improvement in management				
To ensure a sound financial and banking sector.	Merger of two government banks BIDM, SMB (new BNM). *	1989	Selection of foreign private partners for BNM.	March 1989
	Strengthening of management of UBD the government bank resulting from merger of a multipurpose/development bank (BNDE) and a development institution (FND). *	1989	Consolidation of financial structure of SNCJ and BALM.	May 1989
	Enactment of new banking law and prudential banking ratios. *	July 1988	Implementation of recommendations made by EDET for UBD (concerning reduction of staff).	June 1989
	Strengthening of the central bank supervision role and enactment of a new accounting plan. *	1988	Completion of EDET and Price Waterhouse audits.	May 1989
	Implementation of contract-plans in the primary banks.	April 1989	Establishment of twinning arrangements with a well established foreign bank or technical assistance or recruitment of foreign experts for BNM.	June 1989
	Opening of 30 percent of BNM's capital to private mauritanian shareholders.	April 1989	Study of privatization of UBD.	
b. Nonperforming credits				
Measures and procedures to accelerate collection of credits in arrears.	Establishment of agreements and schedule arrangements with each bank.	1986-88	Measures to improve collection of credit in arrears according with quarterly schedule.	1989-90
5. Pricing policies				
Establish a more flexible pricing system to ensure a more efficient allocation of resources.	- Elimination of the system of fixed margin for locally manufactured goods.	1987	Further reduction in the number of items subject to price homologation from 9 to 3.	1989
	- Reduction of the number of items subject to price controls from 11 to 9.	1988	Reduction by 2/3 of the number of industrial and commercial imported items subject to the fixed margin system.	1989
			Preparation of a list of items subject to price control and of a liberalization schedule for 1990-91.	June 1989
			Abolishment of the fixed margin system.	1990
			Adaptation of SONIMEX prices to market conditions	1989-91
			Implementation of recommendations for improving CPI.	June 1989

Mauritania: Policy Matrix and Calendar of Implementation of Measures Under the Government Program (continued)

Policy Area and Related Objectives	Actions already taken	Date	Actions to be taken	Dates
6. <u>Public sector management</u>				
a. <u>Public investment program.</u>				
Improve the planning, programming, budgeting and monitoring of public investment to ensure that resources are allocated efficiently.	Preparation and monitoring of investment and consolidated budget. Setting of annual target for increase in expenditures in the Health and Road sectors.	November 1987	Preparation of a three-year "rolling investment program" for 1988-91 taking into account available resources, external financing and fiscal policies objectives. *	1989-91
Strengthening of appraisal capacity.	Production of a 3-year investment plan for 1989-91 taking into account budgetary and BOP objectives.	February 1989.	Preparation of guidelines and parameters to be used in project appraisal. *	December 1989
Strengthening of planning system.			Reinforce sectoral units and redefine their relationship with planning directorate (Ministry of Finance). *	June 1989
b. <u>Civil service reform</u>				
To improve efficiency of the civil service and to tighten control over personnel expenditure.	Improve civil service management.* Restructuring of Ministry of Finance and Economy. *	July 1988 August 1988	Further improvements in personnel management and reduce share of wage bill in total current expenditure.	1989 (Study)
	Establishment of a consultative committee for public administrative reform. *	September 1987	Review of size of civil service, civil servant compensation, career training policies.	1990-91 (Implementation of reforms)
			Audit of payroll.	December 1989
7. <u>Fiscal policy</u>				
a. <u>Expenditure control</u>				
Rise in wage bill limited to expected rate of inflation. Freeze of new recruitment.	Strengthening of expenditure controls.	November 1987	Stabilization of wages and personnel recruitment taking into account civil service vacancies due to retirement or resignations.	1989
Stabilization of transfers and subsidies	Limit investment expenditures to commitments of grants, and concessional loans and to available fiscal revenues.	November 1987	Cost containment measures in education in collaboration with World Bank.	1989-91
			Strengthening overall expenditure monitoring procedures.	1989-91
			Rationalization of expenditures and revenues of local authorities and of autonomous agencies.	1988-90
			Focus on road and other essential infrastructure maintenance. *	1988-90

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Mauritania: Policy Matrix and Calendar of Implementation of Measures Under the Government Program (continued)

Policy Area and Related Objectives	Actions already taken	Date	Actions to be taken	Dates
b. Revenue	Reduction of tariff exemptions on inputs for domestic industry.	1987-88	Tariff exemptions according with the Investment Code and reduction of exemption for foreign-financed projects.	1989
Increase budgetary revenue and diversify tax base.	Study on tariff structure.	August 1988	Reform of current system of turnover tax and tax on business profits. Improvements in tax administration and collection.	December 1989
New customs tariff.	Introduction of new customs tariff with the 1989 Finance law.	1989	Study on fishing and mining taxation.	1989
			Implementation of Taxation study recommendation.	1990
			Speed up recovery of fiscal arrears.	1989-91
			Establishment of a list of taxpayers in arrears.	1989
			Strengthening of the Revenue Office (Treasury).	1989-91
			Budgetization of PSD.	1989
			50 percent of IMF can be deducted from BIC, instead of 100 percent	1989-91
			Transformation of IMF/TCA into general turnover tax.	(Study) 1989
			Reform Implementation.	1990
			Improvement in the auditing of the accounts of enterprises to broaden BIC tax base.	1989-91
			Payments to Government of ITS by SNIM's employees.	1989
			Taxation of shipchandlers.	1990
			Taxation of salaries of foreign sailors.	
c. Consolidated Government budget				
Containment of the deficit on a commitment basis, to be financed only by resources on very concessional terms.	Improved preparation and monitoring of annual consolidated budget. *	November 1987	Annual targets for 1989-91 to be agreed with the World Bank and the IMF.	December 1989
Local authority financing.	Study on local authority financing.	1988	Implementation of the World Bank recommendations.	December 1989
8. Monetary and credit policy				
Definition of credit policies to support productive sectors. Monetary policies will aim to contain inflation.	Study on new interest rate structure	June 1988	Implementation of new interest rate structure.	April 89
Savings mobilization and maintenance of positive real interest rates.			Liberalization of interest rates.	January 1990
			Continue prudent policies and maintain flexible interest rate policy.	1989-91
			Measures to mobilize savings.	1987-91
			Setting of annual targets for money and credit. Further measures to mobilize savings of workers' abroad will be adopted.	1989-91
			Launching of study on money market.	September 1989
			Implementation of money market and reserve requirements.	1990

Mauritania: Policy Matrix and Calendar of Implementation of Measures Under the Government Program (continued)

Policy Area and Related Objectives	Actions already taken	Date	Actions to be taken	Dates
9. External policies				
a. Balance of payments adjustment				
Viability of the balance of payments by 1992 without recourse to debt reschedulings.				
Reduction of the current account deficit including official transfers to below 4 percent of GDP by 1991. Gradual increase of external reserves.	Annual targets.	1986-88	Annual targets.	1989-91
b. Exchange rate				
To promote efficient resource allocation and to maintain adequate competitiveness of the exports and imports-substitution sectors.	Flexible exchange rate and containment of domestic demand.		Implementation of a flexible exchange rate policy that will contribute toward achieving the Government balance of payments targets.	1989-91
c. External borrowing				
Reduce debt service burden and improve profile of external public debt.	No recourse to nonconcessional borrowing. Limit in the use of concessional borrowing.	1986-88	No recourse to nonconcessional borrowing.	1989-91
d. External debt management				
Improve external debt management to avoid delays in external debt payment.	Creation of a directorate at the Ministry of Finances in charge of external debt management. *	August 1988	Establish a comprehensive data base on external debt. *	December 1989
	Establishment of a debt monitoring committee.	Dec. 1988	Training on External Debt Management to MEF and BCM staff with technical assistance provided by ADTEF.	Jan-June 1989
			Implementation of a External Debt Management System with technical assistance provided by ADTEF.	1989
e. Trade liberalization				
Elimination of import/export card and elimination of import licencing.	Gradual reduction of licencing requirements.	1987-88	Complete elimination of import licences and easing of the requirements for obtaining importer/exporter card.	1989
			Abolish importer/exporter card.	1990
f. Foreign exchange liberalization				
Facilitate operations of the export sector.	Exporters allowed to keep 15 percent of their foreign exchange earnings.	1986-88	Exporters of local manufactures allowed to keep 25 percent of their foreign exchange earnings according with the investment code regulation.	1989
10. Human resources				
a. Population policy				
Integrating population issues in macro and sectoral strategies, and definition of a national family planning program.	Organization of national seminars on population and development.	1988	Support to CEDES.	1989-91
	National population census.	May 1988	Strengthening of the Human Resources unit in the MEF.	1989
	Organization of national seminars on family planning.	1987	Analysis of census results.	1989-91
			Support for family planning activities.	