

EB/CM/Mauritania/62/1

December 21, 1962

To: Members of the Committee on Membership - Mauritania
From: The Secretary
Subject: Mauritania - Calculation of Quota

Attached for consideration at an early meeting is the staff's calculation of a quota for Mauritania.

Att:(1)

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INTERNATIONAL MONETARY FUND

Calculation of Quota for the Islamic Republic of Mauritania

Prepared by the African Department
(In Consultation with the Legal Department and the
Office of the Treasurer)

Approved by J. V. Mladek

December 19, 1962

In a letter of October 15, 1962, the Government of the Islamic Republic of Mauritania applied for membership in the Fund (EBD/62/176). The Islamic Republic of Mauritania attained independence on November 28, 1960. Formerly, Mauritania was covered by the provisions of the Fund Agreement through France's membership in the Fund.

1. The economy of Mauritania

The Islamic Republic of Mauritania covers an area of 419,000 square miles extending from the Atlantic Ocean well into the Sahara desert. It is bounded on the west by the Atlantic Ocean and Rio de Oro (Spanish Sahara), on the northeast by Algeria, on the east by Mali, and on the south by Senegal (see attached map). Except for the southern part along the Senegal river, the country is largely desert or semi-desert. In 1959 Mauritania's population was estimated at 850,000 of which more than two-thirds are nomads. The central and northern parts of the country are inhabited by nomadic Moors whereas the valley along the Senegal river is settled by sedentary farmers. The administrative center of the country was formerly located in Saint Louis in Senegal, but since independence a new capital is being built at Nouakchott (see map). In 1959, the most recent year for which data are available, the country's gross domestic product was estimated at CFAF 15 billion which is equivalent to \$60.8 million, or about \$70 per capita.

Nomadic animal husbandry is the main activity in Mauritania. An estimated one million head of cattle, 5.5 million sheep and goats and 300,000 camels not only provide the nomads with essential daily requirements but also the products for trading with neighboring countries. About one million sheep and goats, some 100,000 head of cattle and 6,000 camels are exported annually, of which about two-thirds are sent to Senegal and the remainder to Mali. In 1961, the value of the livestock exported to Senegal and Mali was estimated at \$10 million. In the central mountain regions, the date palm, which is grown under rudimentary forms of irrigation, is the principal means of livelihood; there are some 800,000 date palms which yield about 15,000 tons of dates per annum. In this area, the gathering of gum arabic is also important and about 3,000 tons of gum arabic are exported annually.

Subsistence farming is the main economic activity along the Senegal river in the south, with millet as the main crop. The annual production of millet is estimated at 80,000 tons. In areas where there is occasional flash flooding from the river, small quantities of rice, corn, sweet potatoes and groundnuts are also grown. Mauritania's agricultural production has suffered from a shortage of water, and from locusts and millet-eating birds.

In recent years, large amounts of iron ore have been found in the Kedia d'Idjill mountains in the northwest near Fort Gouraud. The ore is of the highest quality, yielding an average of 64 per cent iron, and there are proven and probable reserves of 94 million tons of ore that can be mined by open pit, and still more may well be available. These deposits are being exploited by the Société des Mines de Fer de Mauritanie (MIFERMA), a joint French-British-Italian-German venture. In March 1960, MIFERMA, with the guarantee of the French and Mauritanian Governments, was granted a loan of \$66 million by the International Bank for Reconstruction and Development. A large part of the loan is for financing the construction of a 419 mile railroad from Fort Gouraud to Port Etienne, and also of an iron ore port at Port Etienne. It is expected that the first iron ore exports will begin in July 1963.

A long-term fiscal and profit-sharing agreement was signed in July 1959 between the Government of Mauritania and MIFERMA. According to this agreement the construction materials imported by MIFERMA will be subject to the usual duties and taxes but 35 per cent of these tax receipts will be channeled into the special Fund for the Development of the Territory. During the period of actual exploitation, Mauritania will receive a 9 per cent ad valorem export duty and 50 per cent of the profits made by the company after payment of the export tax. In a separate convention signed in October 1959, MIFERMA agreed to export 4 million tons of ore annually by 1965, and 6 million tons by 1970. Mauritania, on its part, granted MIFERMA prospecting rights in the region through which the railroad passes, and agreed also to grant any future steel industry the same fiscal advantages enjoyed by MIFERMA.

Copper deposits were also found near Akjoujt in 1953 by the Société des Mines de Cuivre de Mauritanie (MICUMA). As a result of prospecting by MICUMA, a joint French-Mauritanian company, the exploitable copper reserves have been estimated at 500,000 tons, but no date has been set for beginning their exploitation. Three international companies have received permits to explore for petroleum.

In June 1961 the Government passed an investment code covering long-term investment in the mining and petroleum industry. The investment code aims at further fostering mineral exploitation and grants fiscal benefits to companies--both foreign and domestic--incorporated in Mauritania which have received oil or mineral concessions from the Government. The fiscal advantages provided in this code consist of tax exemption, rebates and reduction in duties and taxes on imported materials and equipment used in exploitation, and depreciation and depletion allowances.

Fishing in the Senegal river on the southern border is an important element in the local food supply. There is also a small fishing fleet at Port Etienne in the Baie de Lévrier, noted for its large concentrations of fish for many years. About 4,000 tons of dried or salted fish are produced annually, and small amounts of fresh fish are exported by air, but lack of communications and proper storage facilities has hampered the development of the fishing industry. In 1961, recorded exports of dried or salted fish amounted to \$1.1 million, accounting for 62 per cent of total recorded exports. The completion of the iron ore and fishing port at Port Etienne and the railroad to Fort Gouraud should greatly increase the marketing possibilities for fish. Furthermore, the completion of the envisaged cold storage and fish processing facilities will enable Port Etienne to handle 40,000 tons of fish annually.

Mauritania's transportation facilities are limited. The main road is the 850 mile Trans-Mauritanian Highway, which is part of the trans-African highway linking Dakar with Morocco. Apart from this highway, there are only improved tracks. As noted above, a railroad linking the iron ore mines with the sea, and an iron ore port at Port Etienne are under construction. In addition, a small pier is being constructed at Nouakchott. Until these ports are completed, Mauritania will continue to be served mainly by the port of Dakar in Senegal.

2. Government finance

In the past, Mauritania's ordinary budgetary expenditures have persistently exceeded its budgetary receipts. There have been some increases in government revenues (mainly from indirect taxes) but they were usually offset by large increases in budgetary expenditures, mainly on personnel. The resulting budget deficits were roughly equal to one half of the government's total budget, and were financed by budgetary support from France and, until 1960, by allocations from the budget of the French West African Federation. It is expected that Mauritania's financial position will remain difficult until the actual exploitation of the MIFERMA iron ore mines begins.

The government budget for 1962 provides for total expenditures of CFAF 4.3 billion, or practically the same amount as contained in the revised 1961 budget. Expenditure on personnel would increase by 30 per cent to CFAF 2 billion in 1962, but expenditures for material were expected to fall by 13 per cent to CFAF 0.9 billion. Expenditure on the capital budget would increase from CFAF 26 million in 1961 to CFAF 190 million in 1962. The expected budget deficit of CFAF 1.8 billion was to be financed by budget support from France. As a result of the slight rise in ordinary budget receipts, the share of the French contributions for budget support fell from 47 per cent of total revenue in 1961 to 42 per cent in 1962.

Development expenditures are financed very largely by aid from France and the European Economic Community. French development aid consists of long-term loans granted by the Caisse Centrale de Coopération Economique (CCCE), and of grants by the Fonds d'Aide et de

Coopération (FAC). Aid provided by the European Economic Community is in the form of grants from the European Development Fund.

A Three-Year Development Plan for the years 1960-62 was adopted at the end of 1959; a new four-year plan is under preparation. The 1960-62 Plan envisages total expenditures of CFAF 7.86 billion, to be financed almost entirely by foreign aid (CFAF 3.6 billion by the French FAC and CFAF 3.6 billion by the European Development Fund). The main objectives of the Plan are the construction of the new capital at Nouakchott, the construction of an iron ore and fishing port at Port Etienne, the improvement of transportation facilities including the construction of a small pier at Nouakchott, agricultural research to improve agricultural production and animal husbandry, and the improvement of education facilities.

3. The monetary system of Mauritania

Mauritania is a member of the franc area. It is one of seven West African countries (Dahomey, the Ivory Coast, Mauritania, the Niger, Senegal, Togo, and the Upper Volta) having a common currency system^{1/}. The currency circulating in these seven countries is the CFA franc^{2/} issued by their common central bank, the Central Bank of the West African Countries (Banque Centrale des Etats de l'Afrique de l'Ouest). The Bank has its head office in Paris. So far, the Bank does not have a branch office in Mauritania, and Mauritania is served by the Dakar office. A branch office in Nouakchott is now under construction.

The CFA franc was created in December 1945. In October 1948, its rate of exchange in relation to the metropolitan French franc was fixed at 1 CFAF equals 2 FF. When the New French franc was introduced on January 1, 1960, the rate became 1 CFAF for 0.02 NF, or NF 1 equals CFAF 50. The CFA franc has remained fully convertible into French francs at this rate. The Central Bank does not publish separate statistics of currency in circulation and foreign exchange reserves for each of the participating countries which it serves. As of the end of August 1962,

1/ Originally, Guinea and Mali also belonged to this currency system. These two countries, however, established their own central bank and currency on March 1, 1960 and July 1, 1962, respectively, and thereby ceased to be members of this system. All nine countries that originally belonged to this currency system have applied for membership in the Fund.

2/ The currency now circulating in (a) the countries of former French Equatorial Africa and Cameroon, (b) Madagascar and the Comoro Islands, (c) the Island of Reunion, and (d) the islands of St. Pierre and Miquelon, is also designated as the CFA franc. In these countries and territories, it is issued by four other banks of issue; the CFA franc issued in each of the five issuing areas is legal tender only in the area in which it is issued.

the total CFA note issue by the Central Bank amounted to CFAF 48 billion, and its total foreign reserves were CFAF 26.0 billion (equivalent to \$105.2 million). The other assets of the Central Bank are mostly in the form of rediscounts of short-term commercial paper.

The Central Bank holds its exchange reserves exclusively in French francs. Payments and receipts in foreign currency are settled through its "operations account" with the French Treasury. This account reflects not only the transactions of the participating West African countries in French francs and other franc area countries, but also their payments and receipts in non-franc area currencies; the latter are settled through the Paris exchange market.

The Economic and Financial Cooperation Agreement of June 19, 1961, between France and Mauritania, specified that Mauritania's foreign exchange transactions with countries outside the franc area would continue to be settled through the Paris exchange market. However, the transactions would henceforth be segregated from those of other franc area countries and recorded in a separate "drawing right account" with the French Exchange Stabilization Fund. This account would be credited with Mauritania's receipts of non-franc area currencies (e.g. export proceeds, grants and loans from non-franc area countries and international institutions), and debited with Mauritania's payments in non-franc area currencies (e.g. import payments, subscription payments to international institutions). The "drawing right account" may be credited, if necessary, with additional funds from the common reserves of the franc area.

The staff understands that this "drawing right account" arrangement does not limit the freedom of Mauritania's residents to convert their French franc holdings in the Paris exchange market for the purpose of making authorized payments to countries outside the franc area.

The Economic and Financial Cooperation Agreement also specified that changes in the exchange rate of the CFA franc could be made only with the agreement of all countries participating in the Central Bank, and of France.

An agreement was signed on May 12, between seven of the eight countries which, at that time, participated in the Central Bank of the West African Countries (Dahomey, the Ivory Coast, Mali, Mauritania, the Niger, Senegal and the Upper Volta), providing for the establishment of a West African Monetary Union to enter into effect November 1, 1962^{1/}. The Agreement provides that these countries will continue to have a common central bank and a common currency.

^{1/} Togo which also participates in the Central Bank of the West African Countries signed the Agreement at a later date. It is understood that Togo will shortly establish its own central bank and national currency. Mali, which signed the Agreement, established a central bank and a national currency of its own on July 1, 1962.

According to the Agreement, the Central Bank of the West African Countries continues to serve the countries participating in the West African Monetary Union, but several changes were made in its statutes and in the composition of its Board of Directors. Monetary Committees were established in each of the participating countries to implement in each country the general credit policy directives of the Board of Directors of the Central Bank. The common currency issued by the new central bank of the West African countries retains the name "CFA franc," but the initials henceforth stand for "Communauté Financière Africaine" instead of "Colonies Françaises d'Afrique."

The commercial banking system of Mauritania is made up of several branches of two French commercial banks (Banque Nationale pour le Commerce et l'Industrie and Banque de l'Afrique Occidentale) and the Banque Mauritanienne de Développement. The latter institution was established in 1962, and its capital of CFAF 150 million was furnished jointly by the Government of Mauritania (58 per cent) the French Caisse Centrale de Coopération Economique (34 per cent) and the Banque Centrale des Etats de l'Afrique de l'Ouest (8 per cent). Owing to the fact that Mauritania has been served so far by the Dakar agency of the Banque Centrale, data on money and credit are available only jointly for Senegal and Mauritania.

4. Foreign trade

Until June 30, 1960, Mauritania's overseas trade, which was almost entirely channeled through the port of Dakar in Senegal, was included in the foreign trade figures published jointly for Senegal, Mali, and Mauritania; no breakdown of these foreign trade statistics for each country is available. The joint trade statistics for the three countries did not include border trade with neighboring countries nor their substantial intra-trade, which in the case of Mauritania is of considerable importance with both Senegal and Mali.

In "La Zone Franc en 1960," published by the Monetary Committee of the Franc Area, it was stated that Mauritania's share in the jointly recorded exports of the three countries was considered negligible in 1959, and that Mali and Mauritania together accounted for about 25 per cent of the joint imports in that year. In EB/CM/Mali/62/1, it was assumed on the basis of the population figures for Mali and Mauritania that Mali's share in the joint imports amounted to some 20 per cent, thus leaving some 5 per cent of the joint imports for the account of Mauritania.

Official estimates covering all of Mauritania's foreign trade have been made for the year 1959 in the context of estimating Mauritania's national product for that year. According to these estimates, which were made and published by the French Ministry of Cooperation and which were officially communicated to the Fund by the Mauritanian authorities, total exports in that year amounted to CFAF 3.3 billion (\$13.4 million) and total imports to CFAF 6.9 billion (\$28.0 million).

Official trade statistics on the basis of customs returns have been published by Mauritania starting in 1961. According to these statistics, Mauritania's recorded exports amounted to CFAF 0.4 billion (\$1.8 million) and recorded imports to CFAF 7.7 billion (\$31.1 million), thus the trade deficit was CFAF 7.3 billion (\$29.3 million) (see Table 2). Dried or salted fish accounted for 62 per cent of total recorded exports. The Congo (Brazzaville) was the largest customer, accounting for 51 per cent of the total recorded exports; France was the second largest customer, taking 15 per cent of the recorded exports. In the direction of import trade, France was the largest supplier, accounting for 81 per cent of total recorded imports; the other country of some importance was the United States (see Table 3). According to the official trade statistics 86 per cent of the total recorded imports were supplies and materials for the MIFERMA project, and only CFAF 1.1 billion, or 14 per cent, constituted imports for the rest of the economy.

The authorities of Mauritania have stated that in the absence of customs boundaries with neighboring countries, the "official" trade statistics do not measure the total foreign trade of Mauritania, but relate only to certain trade movements registered at the few existing customs offices. Using these incomplete official trade statistics and other relevant data, the Banque Centrale des Etats de l'Afrique de l'Ouest has estimated Mauritania's total exports in 1961 at CFAF 3.5 billion (\$14.2 million) and total imports at CFAF 13.5 billion (\$54.7 million) in the same year. These estimates have been officially confirmed by the Mauritanian authorities.

No separate balance of payments data are available for Mauritania.

5. Range of suggested quota

A computation of Mauritania's quota according to the Bretton Woods formula has not been attempted since necessary data such as foreign trade figures for the period 1934-38 and national income data for 1940 are not available.

The most recent data on foreign trade and national income and population of Mauritania and those of a number of member countries and prospective member countries are shown in Table 1. Reliable trade data for Mauritania before 1961 are not available because, as mentioned above, the foreign trade figures were published jointly for Senegal, Mali and Mauritania. The trade data shown for Mauritania in Table 1 are the above-mentioned official estimates for total (including unrecorded) foreign trade and hence differ from the trade data in Tables 2 and 3 which refer only to recorded trade.

A comparison of the data for Mauritania with those of other countries contained in Table 1 makes it quite clear that Mauritania belongs to the small quota category. Therefore, the staff recommends that Mauritania be offered a Fund quota in the \$7.5 to \$11.25 million range.

6. Gold subscription

Mauritania is a member of the French franc area and has no independent holdings of gold or foreign exchange reserves. The foreign exchange reserves of the Banque Centrale des Etats de l'Afrique de l'Ouest, which serves as the central bank for Mauritania and six other West African countries (seven before Mali established its own central bank and national currency on July 1, 1962) are held in French francs. As of August 31, 1962, these reserves amounted to CFAF 26.0 billion which is equivalent to \$105.2 million.

Following the reasoning advanced in the case of Senegal (see EB/CM/Senegal/61/1, Supp. 1), the staff recommends that, for a maximum quota of \$11.25 million, Mauritania's gold subscription be ~~\$1,250,000~~, and that in the case of a smaller quota the gold subscription be reduced proportionately.

\$1,125,000

Table 1. Foreign Trade, National Income and Population of Mauritania and of Selected Member Countries and Prospective Member Countries

	Fund Quotas		1961			National	Population
	Pre-1959	Present	Exports	Imports	Total	Income or related concept ^{1/}	(latest available figure)
(In millions of U.S. dollars)							
Mauritania			14	55	69	61 (GDP 1959)	0.9
(In millions)							
<u>Fund Member Countries</u>							
Laos	--	7.5	1	17	18	171 (GDP 1956)	1.9
Cyprus	--	11.25	49	113	162	183 (NI 1960)	0.6
El Salvador	7.5	11.25	119	108	227	441 (NI 1960)	2.5
Haiti	7.5	11.25	32	35	67	325 (GNP 1955)	4.3
Honduras	7.5	11.25	73	72	145	334 (NI 1960)	1.9
Iceland	1.0	11.25	71	75	146	188 (GNP 1960)	0.2
Jordan	3.0	11.25 ^{2/}	15	117	132	263 (GNP 1960)	1.7
Liberia	--	11.25	73	91	164	112 (NI 1957)	1.3
Nicaragua	7.5	11.25	61	74	135	188 (NI 1957)	1.5
Paraguay	7.5	11.25	31	41	72	206 (NI 1961)	1.9
Sierra Leone	--	11.25	82	91	173	115 (NI 1957)	2.4
Somalia	--	11.25	26	32	59	90 (Staff est.)	2.0
Togo ^{3/}	-	11.25	19	26	45	140 (GDP 1956)	1.5
<u>Prospective Fund</u>							
<u>Member Countries^{4/5/}</u>							
Central African Rep.		7.5	14	22	36	110 (NI 1956)	1.2
Chad		7.5	21	25	46	176 (NI 1958)	2.7
Congo (Brazzaville)		7.5	20	79	99	124 (NI 1956)	0.8
Dahomey		7.5	13	25	38	139 (GDP 1959)	2.1
Gabon		7.5	55	36	91	65 (NI 1956)	0.4
Niger		7.5	15	19	34	183 (GDP 1960)	2.9
Upper Volta		7.5	4	29	33	173 (GDP 1959)	4.4

Sources: IMF, International Financial Statistics; United Nations, Yearbook of National Accounts Statistics, 1961; Monthly Bulletin of Statistics; Statistical Yearbook, 1961; Comité Monétaire de la Zone Franc, La Zone Franc.

^{1/} Latest official estimates as reported by the United Nations or other official estimates converted into U.S. dollars at the official exchange rates effective in the year to which the figures refer.

^{2/} Maximum to which quota is to be increased in installments.

^{3/} Trade figures for Togo exclude coastal trade.

^{4/} Prospective member countries for which a membership resolution has been approved.

^{5/} Trade figures of Central African Republic, Chad, Congo (Brazzaville) and Gabon exclude trade of these countries among themselves. Trade figures of Dahomey, Niger and Upper Volta exclude trade of these countries among themselves and trade with other countries of former French West Africa.

Table 2. Mauritania, Recorded Foreign Trade by Areas, 1961

(In millions of U.S. dollars)

<u>Total exports</u>	<u>1.8</u>
Of which to:	
France	0.3
Other franc area countries	1.2
All other countries	0.3
<u>Total imports</u>	<u>31.1</u>
Of which from:	
France	25.2
Other franc area countries	0.7
All other countries	5.2
<u>Trade balance</u>	<u>-29.3</u>
Of which with:	
France	-24.9
Other franc area countries	+ 0.5
All other countries	- 4.9

Source: Comité de la Zone Franc, La Zone Franc.

Table 3. Mauritania: Composition and Direction
of Recorded Foreign Trade, 1961

	(In millions of U.S. dollars)	(In per cent of total)
<u>Total exports</u>	<u>1.8</u>	<u>100</u>
Of which:		
Salted and dried fish	1.1	62
All other	0.7	38
Principal customers:		
France	0.3	15
Congo (Brazzaville)	0.9	51
<u>Total imports</u>	<u>31.1</u>	<u>100</u>
Of which:		
Iron and steel products	11.4	37
Machinery	3.2	10
Vehicles	2.4	8
Wood products	1.2	4
Electrical goods	1.0	3
Mineral oils	0.7	2
Cement	0.5	2
All other	10.7	34
Principal suppliers:		
France	25.2	81
United States	3.2	10
Italy	0.6	2
Senegal	0.3	1

Source: Comité de la Zone Franc, La Zone Franc.

Table 4. Exchange Rates of the CFA franc
per French franc and per U.S. dollar

End of Year	French francs per CFA franc	CFA francs per U.S. dollar
1956	2.00	175
1957 {until October 17}	2.00	175
{from October 18}	2.00	210
1958 {until December 28}	2.00	210
{from December 29}	2.00	247
1959	2.00	247
1960	0.02	247
1961	0.02	247

Source: IMF, International Financial Statistics.