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PROJECT PERFORMANCE RE-ASSESSMENT REPORT

ISLAMIC REPUBLIC OF MAURITANIA

PUBLIC ENTERPRISE SECTOR ADJUSTMENT PROGRAM (1990-94)
(Credit 2166-MAU)

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Country Evaluation and Regional Relations
Operations Evaluation Department

CURRENCY EQUIVALENTS

Currency Unit = Ouguiya (UM)
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ABBREVIATIONS AND ACRONYMS

AGSECAL	Agricultural Sector Adjustment & Investment Project
CPP	Comptes Chèques Postaux
CRSP	Cellule de Réhabilitation du Secteur Parapublic
DTPE	Direction de la Tutelle des Entreprises Publiques
EPA	Etablissement Public à Caractère Administratif
EPIC	Etablissement Public à Caractère Industriel et Commercial
FRSC	Fiscal Reform Support Credit
GOM	Government of the Islamic Republic of Mauritania
ICR	Implementation Completion Report
IDA	International Development Association
IFC	International Finance Corporation
MAED	Ministère des Affaires Economiques et du Développement
MAURITEL	Mauritanienne de Télécommunications
MOF	Ministry of Finance
MOP	Ministry of Planning
OED	Operations Evaluation Department
OPT	Office des Poste et des Télécommunications
PANPA	Port Autonome de Nouakchott – dit Port de l'Amitié
PE	Public Enterprise
PESAP	Public Enterprise Sector Adjustment Program
PESIDTA	Public Enterprise Sector Institutional Development and Technical Assistance Project
PETARP	Public Enterprise Technical Assistance and Rehabilitation Project
PPAR	Project Performance Assessment Report
PPRR	Project Performance Re-assessment Report
PRMC	Public Resource Management Credit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
PSDC	Private Sector Adjustment Credit
PSDCBC	Private Sector Development Capacity Building Credit
SA	Société Anonyme
SAL	Structural Adjustment Loan
SDR	Special Drawing Rights
SEM	Société d'Economie Mixte
SMCP	Société Mauritanienne pour la Commercialisation de Poisson
SME	Small and Medium Entreprises
SMI	Small and Medium Industries
SN	Société Nationale
SNDE	Société Nationale de l'Eau
SNIM	Société Nationale Industrielle et Minière
SOMELEC	Société Mauritanienne d'Electricité
SOMIR	Société Mauritanienne des Industries de Raffinage
SONADER	Société Nationale de Développement Rural
SONELEC	Société Nationale d'Eau et d'Electricité
SONIMEX	Société Mauritanienne d'Import - Export
TA	Technical Assistance
UGP	Unit6 de Gestion du Programme de Réforme du Secteur Parapublic

OED Mission: Enhancing development effectiveness through excellence and independence in evaluation.

About this Report

The Operations Evaluation Department assesses the programs and activities of the World Bank for two purposes: first, to ensure the integrity of the Bank's self-evaluation process and to verify that the Bank's work is producing the expected results, and second, to help develop improved directions, policies, and procedures through the dissemination of lessons drawn from experience. As part of this work, OED annually assesses about 25 percent of the Bank's lending operations. In selecting operations for assessment, preference is given to those that are innovative, large, or complex; those that are relevant to upcoming studies or country evaluations; those for which Executive Directors or Bank management have requested assessments; and those that are likely to generate important lessons. The projects, topics, and analytical approaches selected for assessment support larger evaluation studies.

A Project Performance Assessment Report (PPAR) is based on a review of the Implementation Completion Report (a self-evaluation by the responsible Bank department) and fieldwork conducted by OED. To prepare PPARs, OED staff examine project files and other documents, interview operational staff, and in most cases visit the borrowing country for onsite discussions with project staff and beneficiaries. The PPAR thereby seeks to validate and augment the information provided in the ICR, as welt as examine issues of special interest to broader OED studies.

Each PPAR is'subject to a peer review process and OED management approval. Once cleared internally, the PPAR is reviewed by the responsible Bank department and amended as necessary. The completed PPAR is then sent to the borrower for review; the borrowers' comments are attached to the document that is sent to the Bank's Board of Executive Directors. After an assessment report has been sent to the Board. it is disclosed to the public.

About the OED Rating System

The time-tested evaluation methods used by OED are suited to the broad range of the World Bank's work. The methods offer both rigor and a necessary level of flexibility to adapt to lending instrument, project design, or sectoral approach. OED evaluators all apply the same basic method to arrive at their project ratings. Following is the definition and rating scale used for *each* evaluation criterion (more information is available on the OED website: http://worldbank.org/oed/eta-mainpagehtml).

Relevance of Objectives: The extent to which the project's objectives are consistent with the country's current development priorities and with current Bank country and sectoral assistance strategies and corporate goals (expressed in Poverty Reduction Strategy Papers, Country Assistance Strategies, Sector Strategy Papers, Operational Policies). *Possible* ratings: High, Substantial, Modest, Negligible.

Efficacy: The extent to which the project's objectives were achieved, or expected to be achieved, taking into account their relative importance. Possible ratings: High, Substantial. Modest, Negligible.

Efficiency: The extent to which the project achieved, or is expected to achieve, a return higher than the opportunity cost of capital and benefits at least cost compared to alternatives. *Possible* ratings: High, Substantial, Modest, Negligible. This rating is not generally applied to adjustment operations.

Sustainability: The resilience to risk of net benefits flows over time. Possible ratings: Highly Likely, Likely, Unlikely, Highly Unlikely, Not Evaluable.

Institutional Development Impact: The extent to which a project improves the ability of a country or region to make more efficient, equitable and sustainable use of its human, financial, and natural resources through: (a) better definition, stability, transparency, enforceability. and predictability of institutional arrangements and/or (b) better alignment of the mission and capacity of an organization with its mandate, which derives from these institutional arrangements. Institutional Development Impact includes both intended and unintended effects of a project. Possible ratings: High, Substantial, Modest, Negligible.

Outcome: The extent to which the project's major relevant objectives were achieved, or are expected to be achieved, efficiently. *Possible* ratings: Highly Satisfactory, Satisfactory, Moderately Satisfactory. Moderately Unsatisfactory, Unsatisfactory, Highly Unsatisfactory.

Bank Performance: The extent to which services provided by the Bank ensured quality at entry and supported implementation through appropriate supervision (including ensuring adequate transition arrangements for regular operation of the project). *Possible ratings:* Highly Satisfactory, Satisfactory, Unsatisfactory, Highly Unsatisfactory.

Borrower ***Performance:*** The extent to which the borrower assumed ownership and responsibility to ensure quality of preparation and implementation, and complied with covenants and agreements, towards the achievement of development objectives and sustainability. Possible ratings: Highly Satisfactory, Satisfactory. Unsatisfactory, Highly Unsatisfactory.

Contents

Ratings

Public Enterprise Sector Adjustment Program (Credit 2166-MAU)

	OED	
	1996 PPAR	***2004 PPRR***
Outcome	Satisfactory	Satisfactory
Institutional Develapment Impact	Moderate	Modest
Sustainability	Uncertain	Likely
Bank Performance	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory

Preface

This is the Project Performance Reassessment Report (PPRR) on the Public Enterprise Sector Adjustment **Program** (PESAP) of the Islamic Republic of Mauritania, which was supported by an International Development Association (IDA) credit in **1990.**[1] The credit aimed at helping the country restructure its public enterprise (PE) sector to reduce its burden on public finance, improve its financial viability, and increase its economic efficiency.

The PESAP (Credit 2166-MAU), in the amount of SDR **30.7** million, was approved on June 26, **1990,** became effective on August **29,1990,** and closed on December **3**1, **1994,** two years behind schedule. The final disbursement was on July 18, **1994.** The original credit amount was increased by a total of SDR **7.4** million through four amendments, signed on November **20,1990;** November **18,1992;** January **25, 1993;** and April **26,1994.** Cofinancing was provided by the African Development Bank, the Arab Fund for Economic and Social Development, Germany, and Japan.

The PESAP was preceded by the Public Enterprise Technical Assistance and Rehabilitation Project (PETARP) Credit **1567-MAU,** approved in FY85, whose objective was to assist the Government to develop a medium-term rehabilitation strategy for the PE sector. The PESAP itself was accompanied by the Public Enterprise Sector Institutional Development and Technical Assistance Project (PESIDTA) Credit **2167-MAU,** approved the same day, whose objective was to help implement the reforms supported by the PESAP. The three projects were the subject of an Operations Evaluation Department (OED) assessment conducted in **1996.**

The present reassessment covers only the PESAP. It aims at testing the durability and the impact of the reforms over a longer period of time and at judging to what extent the interval between **1996** and 2003 has had an impact on the evaluation findings.

This PPRR is based on all relevant Bank and Fund documents and on interviews with Bank and Fund staff. **A** mission visited Mauritania in October **2003,** to discuss performance with officials who implemented the project, managers of the main public enterprises targeted by the program, **and** members of the Bank resident mission.

The draft PPRR was sent to the Government for comments. These are attached **as** annex F.[2]

This report was prepared by Pierre de Raet (Consultant), with Poonam Gupta as Task Manager. Janice Joshi and Agnes Santos provided administrative support.

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[1] **OED has undertaken four such reassessments in FY04.**
[2] **The Government's comments did not require any correction or change in the text or in the ratings.**

Summary

1. The present reassessment is part of a set of four undertaken by OED in FY04 to test the durability and the impact of some economic reforms in four countries (the others being Laos, Sri Lanka, and Bangladesh) over a longer period of time and to judge to what extent the interval between the PPAR and the present time has had an impact on the evaluation findings.

2. In Mauritania, the Public Enterprise Sector Adjustment Program (PESAP) was one of the operations financed by the Bank in support of the adjustment program initiated in the mid-1980s. The broad objectives of the overall program were to redress macro-economic imbalances, reduce the role of the State in the economy, and promote private sector development (PSD). Later in the 1990s, the Government increasingly stressed policies directed at reducing poverty.

3. In the early 1980s, the Government came to recognize that the public enterprise (PE) sector was performing very poorly and launched a broad rehabilitation program with the support of the Bank. Emergency rehabilitation of some major PEs was successful in many respects but did not address the systemic issues underlying the poor performance of the sector, especially its financial performance. By the late 1980s, it became clear that deeper reforms were necessary; the PESAP was the vehicle to undertake such a task. Its objectives were: (i) to amend the legal and institutional framework for the sector to facilitate privatization, provide more autonomy, and improve financial control; (ii) to redress the financial structure of key enterprises, including the large iron ore mining company and the national airline; and (iii) to rationalize the sector through the divestiture of unprofitable PEs, the elimination of a number of state monopolies, the settlement of government arrears to PEs, more realistic budgeting for government consumption, and staff reductions.

4. OED did an assessment of PESAP in 1996. The purpose of reassessing the PESAP is to test the durability of its results, that is, whether the findings of an evaluation change if the operation is evaluated after a longer interval, in this case in 2003 rather than in 1996. The reassessment focuses on the initial evaluation findings, facts that have emerged since the evaluation, and the current assessment in 2003. The exercise is important for the reliability and credibility of OED's evaluations and could help determine the best time at which OED should undertake assessment of certain operations, especially adjustment programs.

5. The outcome of the PESAP is rated satisfactory as in the 1996 PPAR. Mauritania has come a long way in reforming its PE sector from the situation prevailing in the late 1980s when the project was under preparation. When judged against the three objectives of the project, there is no doubt that the results are positive from a medium- to long-term perspective. Each objective was fully or substantially achieved. The legal framework was modified and strengthened allowing for privatization and more autonomy of PEs, and, all along the 1990s, the Government took actions to pursue this line. The major enterprises were successfully restructured, including the large iron ore mining

company. However, there remain serious challenges ahead, notably the privatization of the electricity company and a politically acceptable private participation formula in the urban water supply sector. Finally, the sector was considerably cleared of "dead wood" and rationalized. In 1990, the sector was a large amorphous mass of ill-defined and poorly performing companies, it is now much leaner and well organized into clearly defined categories of enterprises with the nature of their activities largely corresponding to their legal status.

6. Although the **institutional development impact** of **Bank** assistance as a whole in the PE sector has been substantial, the impact of the PESAP on institutional development has been **modest,** compared to moderate in the 1996 PPAR. The capacity of the Ministry of Finance to monitor the financial performance of the sector has gradually declined over the years, due to apparent reduced interest, loss in momentum, and insufficient visibility, with the result that it does not have now the quality staff needed to manage the portfolio of the State **as a** true shareholder. Similarly, at the Ministry of Economic Affairs and Development, the staff has been cut and its influence reduced consequent to a shift since 1998 in favor of a predominantly sectoral approach in managing the reform process.

7. The **sustainability is** rated **likely,** compared to uncertain in the PPAR. Since the latter was prepared in 1996, it has become much clearer that the results achieved under the PESAP have proved sustainable in the long-run: (i) the iron ore company (SNIM) has achieved a good operational and financial performance, although its production and exports have leveled off for many years; favorable world market conditions are now appropriate for further action by GOM in seeking a strategic partner for SNIM; and (ii) the sector has become much leaner and more transparent with the State hardly involved in productive activities. Not only has there been no reversal in policies, but the policies pursued under the PESAP were deepened and extended after 1998, with major progress in the utility and air transport sectors. However, some risks remain to the successful completion of the privatization/private participation of some PEs, **as** noted above.

8. **Bank and borrower performances** are rated **satisfactory, as** in the PPAR.

9. The following lessons of general applicability emerge from this re-assessment:

- The reform of the parapublic sector, even in a small country, is a very long process measured in decades rather than in years. Its outcome in economic terms and impact on PSD take many years to materialize. Issues are numerous and complex: political, legal, social, financial, etc. Bank country assistance strategies and projects should plan PE reforms over a long period of time.

- Proper sequencing in PE reforms is critical. The first step should be streamlining and strengthening the legal and institutional framework. The input of the Legal Department early in the process is essential.

- To move from a phase of rehabilitation/restructuring to a phase of privatization or public-private partnership is a big step and may represent for some governments a difficult and delicate decision. Continuous **Bank** support is essential.

- **A** broad PE reform managed and monitored at the central level should be complemented by sector reform supported by **TA** projects, especially in the case of public utilities. In the case of Mauritania, the outcome of the program would have been different if it had not been for the **TA** projects of the late 1990s.

- In PE reforms, performance agreements may be valuable tools in the rehabilitation and restructuring phase, but their purpose is limited and their success highly dependent on the commitment and independence of each side. They are useful for inculcating operational and financial discipline but not for attracting investment.

- The setting up of a monitoring and evaluation (M&E) system is essential to monitor PEs' operational and financial performance in a consistent manner and over a length of time. It also requires a staff capable of analyzing data. Bank projects should pay particular attention to this at preparation/appraisal.

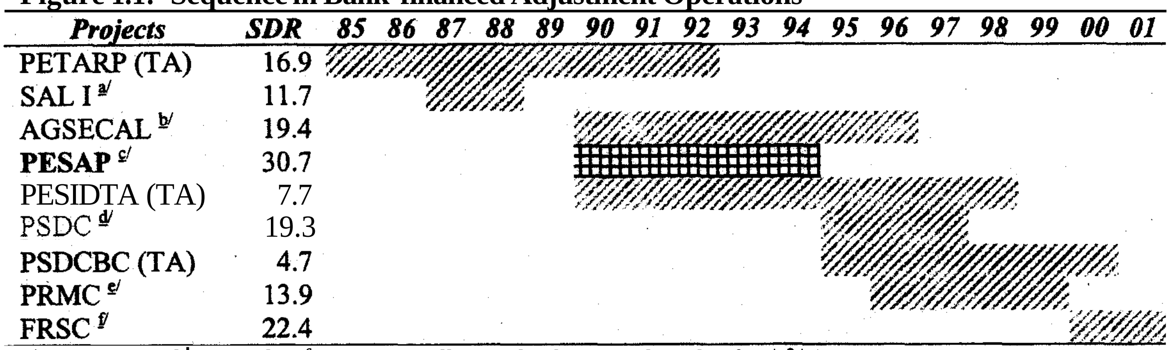
Gregory K. Ingram
Director-General
Operations Evaluation

1. Introduction

1.1 The Public Enterprise Sector Adjustment Program (PESAP) was one of the operations financed by the Bank in support of the adjustment program initiated by Mauritania in the mid-1980s. The broad objectives of the overall program were to redress macro-economic imbalances, reduce the role of the State in the economy, and promote private sector development **(PSD).** Later in the 1990s, the Government increasingly stressed policies directed at reducing poverty.

1.2 The adjustment program has been supported by nine operations financed by the Bank. They focused on four areas: macro-economic stabilization and public sector management; reform of the PE sector; promotion of the private sector; and reform of the agricultural sector. In some of these, the Bank financed technical assistance (TA) to assist in implementing the reforms (figure 1.1).

Figure 1.1: Sequence in Bank-financed Adjustment Operations



a/ Accompanied by a credit of SDR 21.4 million under the Special Facility for Africa.
b/ SDR 14.0 million were for adjustment and SDR 5.4 million for investment.
c/ Supplemented by four credits for a total of SDR 7.4 million.
d/ Supplemented by a credit of SDR 0.5 million under the FY96 IDA Reflow Facility.
e/ Supplemented by four credits for a total of SDR 0.9 million under the IDA Fifth Dimension Program.
f/ Supplemented by a credit of SDR 14.1 million.

1.3 The three operations directly related to the reform of the public enterprise (PE) sector, the Public Enterprise Technical Assistance and Rehabilitation Project (PETARP) (Credit 1567-MAU) of 1985, the PESAP (Credit 2166-MAU), and the Public Enterprise Sector Institutional Development and Technical Assistance Project (PESIDTA) (Credit 2167-MAU), both of 1990, were major components of the adjustment program. They not only addressed the issue of reducing the size of the public sector, but also were meant to contribute to the conditions required to develop a still nascent private sector. A major rehabilitation project for the large iron ore mining company the Société Nationale Industrielle et Minière (SNIM), approved in FY86, also played a critical role in the reform of the sector.[3]

1.4 OED did an assessment of PESAP in 1996. The purpose of reassessing the PESAP is to test the durability of its results, that is, whether the findings of an evaluation change if the operation is evaluated after a longer interval, in this case in 2003 rather than in 1996. The reassessment focuses on the initial evaluation findings, facts that have emerged since

[3] The SNIM Rehabilitation Project (Ln. 2643-MAU) was reviewed by OED in 1992.

the evaluation, and the current assessment in 2003. The exercise is important for the reliability and credibility of OED's evaluations and could help determine the best time at which OED should undertake assessment of certain operations, especially adjustment programs.

2. Background

Country and Economic Background

2.1 Mauritania is a low-income African country on the western edge of the Sahara desert. Its population of 2.6 million, growing at 2.4 percent per year, is thinly dispersed across a land area of over 1 million square kilometers, 90 percent of which is desert. The country has limited agrarian resources but contains extensive mineral deposits, most notably iron ore. Its per-capita gross national income was estimated at US$410 in 2002.

2.2 Economic growth was strong in the 1960s, but faltered in the 1970s and the early 1980s, with recurring droughts and falling mineral prices, exacerbated by inadequate economic policies. During this period, the country borrowed heavily to finance large-scale industrial expansion, accumulating a rapidly growing foreign debt. Growth resumed in the mid-1980s, owing in part to good rains and the adoption of an adjustment program supported by the Bank and the IMF. A border conflict with Senegal and the Persian Gulf Crisis caused the recovery to end abruptly in 1989. Entering the 1990s, Mauritania's economic performance was erratic, foreign debt was high and rising, and social gains were few.

2.3 In 1992, the Government resumed its reforms with good results throughout the decade. Growth was robust and steady, averaging 5.1 percent between 1993 and 1996 and 4.1 percent during 1997-02. Inflation was contained to single digits and both the overall fiscal deficit (excluding grants) and the current account deficit (excluding official transfers) narrowed substantially (table 2.1). In addition to macro-economic stabilization, substantial liberalization of the economy was achieved: price controls on basic commodities were removed, the involvement of the State in productive activities considerably reduced, and reforms in both the productive and social sectors undertaken.

Table 2.1: Key Economic Indicators 1989–2002
(in percentage of GDP, unless otherwise indicated)

	1989-92	*1993-96*	*1997–02*
Real GDP (% increase)	1.8	5.1	4.1
CPI – Nouakchott (% increase)	8.8	6.2	4.7
Gross domestic investment	19.2	18.6	26.4
Total revenue excluding grants	22.3	25.3	27.4
Tax revenue	17.2	17.9	15.0
Primary budget balance	–4.6	0.4	4.0
Overall budget balance (excl. grants/comit. basis)	–7.5	–3.0	0.8
Current account deficit (excl. off. transf. + oil)	–17.2	–14.8	–5.1
Debt service (after relief)/XGS	33.7	25.8	21.7

Source: IMF.

2.4 The good economic performance of the 1990s led to a decline in the incidence of poverty from 57 percent in 1990 to 46 percent in 2000. Several social indicators improved with gross primary school enrollment at 88 percent (for girls 82.2 percent), life expectancy at birth at 55 years, and under-5 mortality rate at 116 per 1,000. HIV/AIDS prevalence is low at 0.52 percent.[4]

The Public Enterprise Sector

2.5 In the early 1980s, the PE sector performed poorly. The causes of the poor performance of the sector were, in addition to rapid changes in the external environment, poor investment choices, weak management, lack of financial discipline, and inappropriate and ill-defined relations between the Government and PEs. Following a somber report on the sector issued in 1983 by an interministerial committee, the Government decided to address the problems faced by the sector. It created a unit, the Cellule de Réhabilitation du Secteur Parapublic (CRSP), within the Ministry of Planning (MOP - now the Ministry of Economic Affairs and Development – MAED), to lead and oversee the PE reform, while the Direction de la Tutelle des Entreprises Publiques (DTPE) was created within the Ministry of Finance (MOF) to collect and analyze the financial results of the PEs. In February 1984, legislation was issued: clarifying the legal status of PEs into three categories, Etablissements Publics a Caractere Administratif (EPA), Etablissements Publics à Caractère Industriel et Commercial (EPIC), and Sociétés d'Economie Mixte (SEM)[5]; organizing their oversight; and requiring them to enter into performance contracts with the Government. SNIM and the Central Bank of Mauritania were specifically excluded from this regime.

2.6 Together with the Bank, the Government of the Islamic Republic of Mauritania (GOM) developed a two-way approach to restructure the sector and improve its performance. A first phase would meet the emergency needs of SNIM and of key public service companies, while a longer-term strategy for the sector would be formulated. The second phase would support essential institutional and policy reforms and would expand the rehabilitation program to other PEs. Under the first phase, covering the second half of the 1980s, emergency rehabilitation was supported by three Bank projects: the PETARP (1985), the SNIM Rehabilitation Project (1986),[6] and SAL I (1987). The technical and operational problems of SNIM, the large iron ore mining company, were successfully addressed while emergency programs for the water and electricity company (SONELEC), the post and telecom agency (OPT), and the Port of Nouakchott were implemented under the PETARP. A rationalization plan for the sector was also prepared but only partially implemented.

2.7 However, the emergency rehabilitation of major PEs did not address the systemic issues underlying the poor performance of the PE sector. By 1988, the financial performance of the sector had become critical. About 60 percent of PEs were incurring

[4] These indicators compare favorably with those for Mali and Burkina Faso, but are less favorable than those for Senegal.
[5] A Société d'Economie Mixte is a limited company operating under private law but whose equity capital is held by the public and the private sectors. In Mauritania, the term is used to designate companies in which the State holds a majority of shares. Under Mauritanian law, SEMs have the obligation to report their financial information to the Ministry of Finance. Limited companies, in which the State is a minority shareholder, are simply referred to as Limited Companies (Sociétés Anonymes - SA) and have no reporting obligations.
[6] The rehabilitation of SNIM had already started in 1984.

losses, the financial situation of **SNIM,** the largest enterprise in the country, was precarious, a large number of PEs had their equity capital totally eroded, and a number of them were resorting to short-term loans from local banks to cover their expenses, aggravating their situation as well as that of the banks. The external debt **of** the sector amounted to one-third **of** the public and publicly guaranteed external debt, with **SNIM** accounting for two-thirds of the sector's debt. The sector was paralyzed by cross debts between PEs, Government, banks, and suppliers.

3. The Public Enterprise Sector Adjustment Program (PESAP)

Objectives and Design

3.1 The objective of the PESAP was to deepen and extend the reform undertaken in the second half of the 1980s. It aimed at extending the reforms through:

- more fundamental modification of the legal and institutional framework for the sector to facilitate privatization, provide more autonomy, and improve financial control;
- financial restructuring of key enterprises, including SNIM and Air Mauritanie; and
- rationalization of the sector through the divestiture of unprofitable PEs, the elimination of a number of state monopolies, the settlement of government arrears to PEs, more realistic budgeting for government consumption, and staff reductions.

3.2 The design of the project was based on a series of actions implemented prior to Board presentation including, the revision of the 1984 legislation,[7] the liquidation of several companies, and the adoption of action plans for several PEs. It was a three-tranche operation, the first tranche to be released upon effectiveness and the other two upon meeting specified conditions. Release of the second tranche was subject, ***inter alia***, to divestiture of one-half of non-profitable PEs, meeting efficiency and production targets by SNIM, implementation of an action plan for several PEs, signing of performance contracts with Air Mauritanie and the Port of Nouakchott, reduction of 50 percent of GOM arrears to PEs, adequate budget allocations for consumption of public services, and removal of the monopoly on rice imports. Release of the third tranche was subject, ***inter alia***, to divestiture of the remainder of non-profitable PEs, achievement of efficiency production and restructuring targets by SNIM, elimination of remaining GOM arrears, adequate budget provisions for public services and surveillance of fishing grounds, removal of monopoly on tea and sugar imports, and signing of a performance contract with the post and telecommunications agency.

3.3 Since the program was considered as possibly too demanding for the Mauritanian administration, a TA project, the PESIDTA, accompanied the PESAP to help implement the reform. In addition, the PESIDTA had some other objectives, notably strengthening the units in MOP and MOF responsible for managing the reform program and monitoring the performance of PEs.

[7] Ordinance 90-09 of April 4, 1990 abrogated the 1984 legislation. In the months following the issuance of the new legislation, the portfolio was reduced from 58 to 36 and, in October 1990, these were reclassified by decree into 4 categories. From its very beginning, the PE reform excluded the EPAs and the hanks (whose restructuring had been undertaken under the SAL).

The 1996 PPAR

3.4 The 1996 PPAR covered the PETAFW, the PESAP, and the PESIDTA, even though the latter was still ongoing and closed two years later, on June 30, **1998,** the original date. The 1996 PPAR summarized the results of the reform program as follows.

3.5 The legal and institutional framework was considerably strengthened by the adoption of Ordinance 90-09 of April 1990 whose objective was to facilitate privatization, provide more autonomy to PEs, and improve their financial control. The new legislation reorganized the sector along four categories, by creating a new type of enterprise, the "Société Nationale" **(SN),** with more autonomy and expected to evolve to the status of SEM. Ordinance 90-09 still governs PEs today.

3.6 **SNIM** was successfully restructured and its organization and management strengthened. The rehabilitation of the other major PEs, including the public utilities, was pursued, with most performance agreements, particularly those with SONELEC, considered very successful. One failure among the key enterprises, however, was the inability of Air Mauritanie to redress its problems due to lack of commitment on the part of management and GOM alike.

3.7 Many PEs were closed or privatized, and those that remained were, for the most part, in much improved financial condition. Employment in the sector fell substantially, and, apparently, with little hardship for the laid-off workers. The quality of services was improved, and explicit subsidies to PEs were largely eliminated. The monopolies over rice, sugar, and tea imports were abolished, with lower prices as a result.

3.8 The PPAR concluded that, although there were some delays in implementation, GOM's continued commitment to the program assured its eventual success. Also, the attitude of the Government toward its role in the economy and in the management of PEs changed significantly between 1985 and 1994. It came to acknowledge that productive and commercial activities were better left to the private sector and that even the "strategic" enterprises, which it was unwilling to privatize, were better off with complete autonomy in the management of their day-to-day affairs.

Based on its findings, the PPAR rated the three projects as follows:[8]

	PETARP	*PESAP*	*PESIDTA*
Outcome	**Marginally satisfactory**	**Satisfactory**	**Satisfactory**
Institutional Development Impact	**Negligible**	**Moderate**	**Moderate**
Sustainability	**Uncertain**	**Uncertain**	**Uncertain**
Bank Performance	**Satisfactory**	**Satisfactory**	**Satisfactory**
Borrower Performance	**Satisfactory**	**Satisfactory**	**Satisfactory**

3.9 The rating of "uncertain" far sustainability, the key element in judging the long-term impact of the reform program when re-assessing the PESAP, was based on the following arguments: (i) notwithstanding the success achieved in redressing some PEs thanks to performance agreements, experience in other countries suggested that the latter "...are often not sufficient to prevent backsliding and a decline in government

[8] **Idem, para. 18.**

commitment;" (ii) the fact that general managers of PEs were appointed by the President instead of by their Board of Directors made them susceptible to government pressure and therefore the sustainability of sound management at risk; and (iii) progress in financial discipline remained fragile (delays and considerable difficulties; clearance *cum* reemergence of arrears and interlocking debts; slow adoption **of** analytical accounting).' The rating **of** "uncertain" sustainability reflected doubts about the institutional development impact of the projects.

[9] **Idem, para. 9-11.**

4. The Reform after the 1996 PPAR

4.1 After the closing of the PESAP in 1994, the dialogue between GOM and the **Bank** on the PE sector continued through the PESIDTA and two operations in support of PSD, approved in 1995. Substantial progress continued to be made in the PE sector.

4.2 The implementation completion report (ICR) of the PESIDTA, issued more than two years after the PPAR, in November 1998,[10] listed numerous achievements. Legislation had been reinforced and constituted a strong base for sound management of the sector; the units in MOP and MOF had been strengthened; the size **of** the sector had been reduced from 36 at the start of the PESAP to 29 PEs by end-1997;[11] operating subsidies had been eliminated; PEs' privileged access to credit had been discontinued; and performance agreements had been mostly successful in mobilizing resources and developing a mutually beneficial relationship between GOM and the PEs.

4.3 Two major shortcomings remained. First, although the financing and debt capacity **of** the largest enterprises **(SNIM,** SONELEC, and OPT) had improved, there was inadequate funding for the large investments required in their sector. As a result, expansion in operations and improvement in services had been minimal. In this connection, the ICR noted: "Sector policy and regulatory reforms, and private sector participation in these utilities, whether through concession or privatization, would have helped cement the gains of [performance agreements] and address the investment needs of PEs. It **was** only late in the project that the Government became sensitive to these **opportunities."**[12] Second, Air Mauritanie's financial and technical situation deteriorated throughout the period due to lack of management commitment, weak institutional capacity, and lack of political will. In 1997, the company was bankrupt, its losses amounting to UM 1,403 million, which prompted GOM to appoint in **1998** an interim administrator.[13] Also, **by** mid-1998, it had become clear that, despite the achievements, relatively little progress had been made in terms of reducing the sector's weight in the economy, because of the dominant position of **SNIM,** SONELEC, and OPT, that accounted for 80 percent of the sector **weight.**[14]

[10] Report No. 18548-MAU of November **5, 1998.**

[11] The total included **2** SNs, **10** EPICs, **7 majority** state-owned SEMs and 8 SAs in which the State held direct minority participation and **2** entities in which the State bad indirect participation. **This** total included **4** EPICs, **2 majority** state-owned SEMs, **and** 1 **SA** with **minority** state participation created between **1990** and **end-1997** as a result of the corporatization of state-run assets and commercial services. The creation of 7 new entities explains in part the difference between the figure of 17 reported by the **1996** PPAR **and** the one reported by the ICR of the PESIDTA. The figure of 29 excludes two **majority** state-owned **banks** (which were not part of the PE sector reform). See annex **A** for details.

[12] ICR of ***the*** PESIDTA, Executive ***Summary,*** para. 8.

[13] In its Evaluation ***Summary*** of the ICR, dated March **16, 1999,** OED confirmed the findings and ratings of the ICR. It rated outcome, Bank performance, and Borrower performance as satisfactory, as in the **1996** PPAR, but rated sustainability likely against uncertain, and institutional development impact substantial against moderate.

[14] According to GOM's Policy Declaration of August **1998,** the sector still represented about **15** percent of GDP, ***9.5*** percent of public investment, and 17 percent of the total external public debt.

4.4 The Government acknowledged this situation, which led it to review its policy and undertake a new phase in the reform process. It issued a new Policy Declaration in August **1998**[15], with the objective of further reducing and redirecting the role of the State by promoting the private sector and competitiveness. For the first time, the Government explicitly recognized the greater role to be played by the private sector. The thrust of the new policy is summarized below.

- For the strategic and public service enterprises (EPICs and SNs), the policy was to move towards privatization or public-private partnership, whenever possible. The focus, however, **was** on attracting the private sector to OPT and SONELEC to take equity in their capital and assume their management to facilitate investment and improve access to services, costs, and quality. In March 1998, GOM had already issued a Policy Declaration for the post and telecom sector, in which it had announced the separation of the two activities, the creation of a new telecom company and the opening of its capital to a strategic operator, and the liberalization of the sector. For SONELEC, the August 1998 Declaration announced the separation of the water and electricity sectors, their liberalization, and the opening of the capital of a new electricity company to a strategic operator. In September 1998, a Policy Declaration for water and electricity confirmed and detailed that policy.

- For the majority state-owned SEMs, the policy was also to move gradually towards reduced shareholding, privatization, public-private partnership, or liquidation depending on each case. For **SNIM,** the document stated that the Government was ready to increase, if necessary, the share held by the private sector on the occasion of future projects. For enterprises with minority state participation, whether direct or indirect, the policy was to gradually withdraw from most of them. The Declaration contained an annex with the option envisaged for each enterprise and the expected date for initiating the process.

4.5 There were institutional changes in GOM's management of the sector after the issuance of the August 1998 Policy Declaration. Since the staff responsible for the reform in MAED (formerly MOP) had been increasingly involved with the reform of the private sector, a new unit was created in November 1998 directly under the minister, with the mandate to formulate, prepare, and monitor the reform program. In addition, the latter **was** organized around the four areas on which GOM intended to concentrate its efforts: post and telecom; water and electricity; air transport; and other PEs. A coordinator was appointed for each. The 1998 policy did not affect SNIM, which did not undergo changes in its capital structure or organization. Its production and export levels remained fairly stable through the rest of the period (annex B, table 1).

4.6 The **Bank** responded to the Government's determination to pursue the reforms in the public utility sector, by approving in June 1999, the Telecommunications and Postal Sectors Reform Project (Cr. 3238-MAU - closed on December 31, 2003), and, in June 2000, the Energy/Water/Sanitation Sector Reform Technical Assistance Project (Cr. 3377-MAU) (still ongoing). A feature of the public utility reform since 1998 is that the process

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[15] **Diclaration sur la deuxième phase de la réforme du secteur parapublic, August 1998.**

was led and managed much more along sectoral lines than in a centralized manner under the leadership of **MAED.** The reform of the utility sector is discussed below.

4.7 ***Restructuring of OPT.***[16] In July 1999, Parliament adopted a law liberalizing and regulating the telecom sector and creating a Regulatory Authority for the sector. In December, the post and telecom activities were split by the creation of two entities, Mauritel and Mauripost. Two licenses for cellular phones were issued in 2000: the first in June to a Tunisian/Mauritanian consortium (Mattel); the second in July to Mauritel, each one for US$28 million equivalent. A third license was issued in April 2001 to Mauritel to operate the fixed line network in exclusivity until June 2004. In April 2001, a strategic partner from Morocco bought 54 percent of Mauritel's equity for US$48 million. As a result of its partial privatization, the market value of Mauritel was reported to have increased from US$96 million to US$130 million, or by 35 percent.

4.8 The liberalization and privatization of the telecom market had a dramatic effect on service coverage: from 1990 to 1997, the number of fixed lines doubled to 12,500 and reached 40,000 by 2003; the number of cellular lines has now reached 300,000. OPT profits before taxes rose from UM 291 million in 1990 to UM 743 million in 1997. However, during the second half of the decade, profits stabilized at the UM 700-800 million level, with UM 781 million in 1999, the last year of OPT operations (annex **B,** table **2).**

4.9 Since the split, Mauripost has undergone important restructuring: the number of post offices has been cut by 50 percent; personnel has been reduced by **a** similar percentage under social plans implemented fairly smoothly. As a result, costs have been reduced substantially. As of 2003, a comprehensive reorganization plan **was** being implemented covering four areas: accounting; financial services; audit; and modernization of equipment and operations. In addition, Mauripost is attempting to develop new commercial products based on information technology to improve its financial position. However, until now, it has been dependent on GOM subsidies and the liquidity provided by the postal checking **(CPP)** and savings system. In addition to improving its financial position, the greatest challenge facing Mauripost will be to separate completely the postal activities from the "banking/financial" ones (annex B, table **3).**

4.10 One of the major achievements of the restructuring of the telecom/post sector was the creation of an independent Regulatory Authority. According to many reports and observers, it is best practice by African standards. **The** telecom licenses were granted professionally and transparently. In January 2001, Parliament adopted a law extending the Authority's jurisdiction over the post, water, sanitation, and electricity sectors. The good reputation enjoyed by the Authority is largely due to its strong leadership and the quality of its staff. Until now, the cost of setting up and running the Authority has been borne by the 1999 **Bank** project **and** by a levy **of** 1.5 percent on the turnover of the three telecom operators. **Upon** closure of the **Bank** credit, the Authority will necessarily depend on budgetary allocations, as levies on operators are unlikely to be sufficient, thereby possibly putting its independence at risk. Two **other** challenges facing the

[16] OPT **had been an SN since October 1990 in accordance** with **the 1990 legislation.**

Authority in the near future are its capacity to regulate several sectors and to attract and retain high quality staff. After only three years of operation, the turnover has been fairly high.

4.11 ***Restructuring of SONELEC.***[17] In accordance with the policy enunciated in 1998, GOM moved to restructure SONELEC to attract private participation and thus bring more efficiency in operations and improvement in service. Since GOM had no intention of privatizing the water activities, SONELEC was split in July 2001 into two entities: Societe Mauritanienne d'Electricité (SOMELEC) and Société Nationale de l'Eau (SNDE). In early 2002, GOM launched the privatization of the new electricity company with the assistance of the Bank, in the form of an IDA guarantee, and of the International Finance Corporation (IFC), in the form of a commitment. The attempt failed, largely as a result of a deteriorating international investment climate following the Enron and other scandals affecting the international energy sector. A new attempt at public/private partnership will be launched in 2004.

4.12 The process of separating SONELEC's assets and several functions has been slow and the division of the common assets and functions will in fact not be completed until well into 2004. GOM has no plans for the moment to move towards privatization in the water sector, because it is such a sensitive issue. At most, it will be ready to envisage over the next few years a public-private partnership (annex B, tables 4 and 5 for selected data on SOMELEC and SNDE).

4.13 Under a decade-long reform, SONELEC achieved major results in improving its financial situation and management. This was due to a successful implementation of three performance contracts during the decade. The financial objectives were consistently met thanks to increased production and coverage; several tariff increases also accounted for this good performance. Its profits before taxes rose from UM 142 million in 1990, to an annual average of UM 470 million in 1997–99, but fell to UM 151 million in 2000, the last year of operation as a single entity (annex B, table 6). The restructuring of the company was also well managed and has greatly contributed to clarifying the organization of the sectors, their mandate and responsibilities.

4.14 However, up to now, the reform has not achieved its joint objectives of attracting the private sector and expanding services, a key goal of GOM's poverty reduction strategy. The improved financial position of SONELEC during the 1990s reflected largely a policy prioritizing increases in tariffs over improving operational efficiency, with the consequence of raising factor costs and undermining competitiveness. Unless the private sector enters the sectors, it is unlikely that SOMELEC and SNDE will be able to raise their operational efficiency to be able to contribute significantly to the investments required to meet the growth in demand, currently estimated at 6 percent annually. Indeed, data of the past decade indicate that SONELEC failed to meet its technical performance targets under the performance contracts, with its efficiency ratios for electricity and water, measuring the proportion of production billed to customers, lagging behind the objectives. Its collection rate was also behind target and it continued to suffer from severe technical losses, especially in water, although they had been

[17] SONELEC had been a SN since October 1990 in accordance with the 1990 legislation.

reduced substantially since the early 1990s. Key technical and financial indicators for the water and electricity sectors are presented in table 4.1.

Table 4.1: Selected Technical and Financial Indicators for Water and Electricity, 1990–2003

	1990	1991	1995	1997	2002	2003
Water						
No. of connections	n.a.	19,481	25,927	28,921	n.a.	52,000
No. of connections per agent	n.a.	78	106	119	n.a.	n.a.
Global efficiency (billing/prod) (in %) a/ b/	67.84	71.90	71.71	75.20	66.99	n.a.
Electricity						
No. of connections	n.a.	20,322	29,699	34,521	n.a.	70,000
No. of connections per agent	48	42	60	72	89	100
Global efficiency (billing/prod) (in %) a/ b/	83.44	84.40	84.87	83.70	73.84	n.a.
Water + electricity						
Collection rate (in %) c/	71.10	70.10	77.10	85.10	81.90	n.a.

Source: SOMELEC.

a/ Global efficiency in 2002 is lower due to elimination of internal consumption.

b/ In 2002, technical and commercial losses for electricity amounted to 9 and 17 percent, respectively. For water, technical losses are high due to the decay of the networks.

c/ In 2002, the rate for private users stood at 92 percent; the global figure is lower due to some EPAs and the military/security forces not paying their bills or paying late.

4.15 There was substantial progress in two other enterprises covered by the PESAP. Since October 1990, and until 2000, Air Mauritanie was a majority state-owned enterprise. All efforts at restructuring and rehabilitation failed under the PESAP and the PESIDTA. The main reasons were: lack of management commitment, weak institutional capacity, but also lack of political will to enforce the required restructuring measures or divest the company. The financial situation deteriorated continuously throughout the decade'to reach a deficit of UM 1,400 million in 1997 (annex B, table 7). In 1998, GOM provided a subsidy of UM 1.6 billion while the company was placed in receivership. In 2000, a new company was created as a Limited Company. An audit was launched which identified the structural problems faced by the company. Following the adoption of drastic personnel and rationalization measures and the leasing of a Boeing 737-700, the company decided to assume the lines previously operated by Air Afrique, including three flights a week to Paris. As of October 2003, all arrears to suppliers, including insurance premia, had been liquidated.

4.16 The management of the Port of Nouakchott (PANPA) was considerably strengthened under two successfully implemented performance contracts. The financial and technical targets were consistently met or exceeded and the improvement in financial performance enabled the port to self-finance its operating efficiency plan. The port moved from a deficit of over UM 140 million in 1990 to a level of profits before taxes of over UM 300 million over the past five years (annex B, table 8). Cargo handling and other port services were privatized at the beginning of the reform.

4.17 With regard to the two main monopolies abolished under the PESAP, there were no new developments since the closing of the project. The export-import company in which the State reduced its participation from 63 to 55 percent in 2000, has seen its profits decline consistently since the abolition of its monopoly over the import and distribution of rice, tea, and sugar at the beginning of the 1990s (annex B, table 9). The fishing export company, which was privatized in 1993, with the State keeping 35 percent of its capital, has maintained exclusive rights on the export of special fish species, notably the cephalopods (annex B, table 10).

The PE Sector in 2003

4.18 When judging the size of the PE sector, the main criterion is not the number of enterprises, but their degree of autonomy as provided by their legal status. In this connection, it is important to note that, under Mauritanian law, Limited Companies (Sociétés Anonymes) are not considered as PEs and are not governed by the 1990 legislation. Mauritania makes a distinction between SEMs, reserving #is term for enterprises in which the State has majority ownership and which have reporting obligations under the 1990 legislation, and Limited Companies in which it holds a minority participation. In this latter category, the State is to be considered as any shareholder. Considering only the number of enterprises is therefore misleading.

4.19 The 2003 OED mission found that, as of end-2003, there were 18 PEs, of which the State had total or majority ownership (10 EPICs, 3 SNs, and 5 SEMs), 8 Limited Companies with direct minority participation, and 1 Limited Company with indirect minority participation, for a total of 27. This excludes banks and the seven subsidiaries of SNIM. The list of PEs as of 2003 is in annex C. Table 4.2 shows the size of the PE sector in terms of number at selected dates.

Table 4.2: Number of Public Enterprises, selected dates (1990-2003)
(excluding EPAs, banks, and subsidiaries of SNIM)

Source	*1990* Prior to Decree 90-154	*1990* After Decree 90-154	*1995* 1996 PPAR	*1997* PESIDTA ICR	*1998* GOM Declar.	*2003* OED Mission
EPIC	20	7	6	10	10	10
SN		4	2	2	2	3
SEM (Majority)	15	11	4	7	7	5
SA (Minority participation)	15	11	5	10	10	9
o/w direct participation	n.a.	n.a.	n.a.	8	8	8
o/w indirect participation	n.a.	n.a.	n.a.	2	2	1
Total	50	33	17	29	29	27

Sources and Notes: Annexes A and C.

4.20 The table shows an increase in the number of PEs, from 17 in 1995, as reported by the 1996 PPAR, to 29 in 1997, as reported by the ICR of the PESIDTA. Looking only at the number would appear to indicate an unfavorable outcome. However, it is the opposite. Between 1990 and 1997, GOM created seven PEs (4 EPICs, 2 majority state-owned SEMs, and 1 SA with minority state.participation) as a result of the corporatization of state-run assets and commercial services that were previously part of ministerial or administrative services. One example is the transfer of the road maintenance unit of the Ministry of Public Works to an entity created as an EPIC (ENER-Etablissement National pour l'Entretien Routier) (see footnote 8 for details). As PEs, they enjoy much more autonomy in delivering services and financially than government departments. Another reason for a still larger number in 2003 compared with 1996 is the splitting of OPT and SONELEC giving rise to two additional entities.

4.21 The table shows that the number of PEs and Limited Companies has stabilized under 30 over the past few years. Some of the reasons are the following: (i) the non-profitable companies have long been liquidated or their assets sold; (ii) for a number of Limited Companies, GOM has found it difficult to sell its participation for diplomatic reasons, as they are jointly owned with other governments, such as Libya or other Arab countries, but some of these are no longer operating; and (iii) in the case of the refinery, it has ceased to operate because its capacity was much higher than the needs of the Mauritanian market. Therefore, not taking into account Limited Companies and the enterprises that are not operating, the number of PEs in 2003 would be much smaller than indicated in the table.

4.22 Thus, broadly speaking, there remain four groups of enterprises: (i) a core group of public infrastructure enterprises; (ii) SNIM and its subsidiaries; (iii) the public utilities, which, except for Mauripost, GOM intends to bring to privatization or public-private partnership as soon as the market allows; and (iv) a variety of enterprises in which GOM intends to further reduce its shareholding.

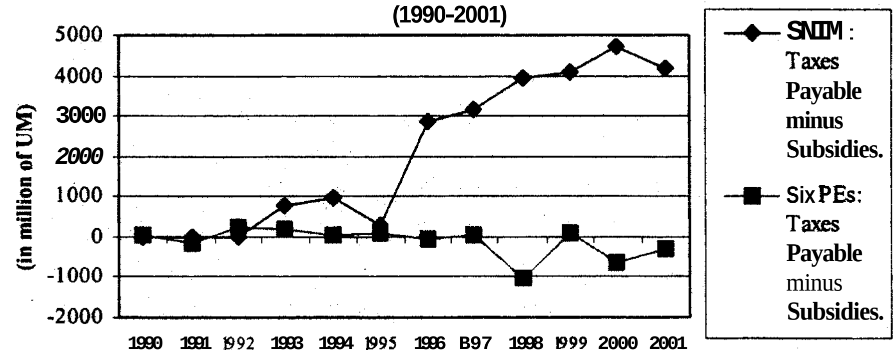
4.23 There are no readily available data on the relative weight of the sector at the present time, but it is likely to still be close to 15 percent of GDP, since SNIM alone represents some 11-12 percent and some of the largest enterprises are still in the portfolio. Also, it is virtually impossible to ascertain how this weight has evolved over time during the reform period. Changes in legal status, non-differentiation of administrative and professional entities from industrial and commercial ones, lack of or poor reporting have all contributed to a relative opacity in the true economic weight of the sector throughout the period.

4.24 A comprehensive database covering all the enterprises in which the State has holdings covering the period analyzed here is not available. The series are not always complete and consistent and information on Limited Companies in which the State has participation is scanty or non-existent (those companies are not required to report their financial statements to GOM).

4.25 Even the impact of the PE sector on public finances cannot be estimated with certainty. The definition of what constitutes a subsidy to public enterprises is uncertain. It appears that MOF does not consider extending funds ex ante to a PE, for instance in the context of obligations under a performance contract, to complement the water or electricity tariff charged or as compensation for running unprofitable lines (e.g., some destinations of Air Mauritanie) as a subsidy. According to this interpretation, a subsidy would be defined only as a payment to cover the losses of an enterprise ex post. On the basis of such a definition, GOM argues that there have been no subsidies in favor of PEs since the structural adjustment program started in the mid-1980s, except in the case of Mauripost, which is not financially viable since its split from the telecom sector. In the case of Air Mauritanie and SONELEC, the payments made are considered as compensation and not subsidies. In addition, there is no integration between the database of DTEP and that of the tax directorate to assess the true contribution of PEs to revenues.

4.26 Figure 4.1 provides an estimate of the impact on the budget under the **PESAP** and the **PESIDTA** by looking at the seven major **PEs** targeted under these **projects.**[18] Figure 4.1 presents two curves: (i) one **shows** the net difference between the subsidies (in the economic sense) to six of the **PEs**,[19] excluding **SNIM,** and the corporate taxes payable by these enterprises over the period 1990 to 2001 (taxes actually paid are not readily available); and (ii) the other shows the net difference for **SNIM.**

Figure 4.1: Net Contribution to the Budget for Selected PEs (1990-2001)



Source: Annex D.

4.27 Total subsidies to the seven **PEs** fluctuated somewhat over the years, from UM 385.7 million in 1990 to UM 449.5 million in 2001, with a sharp rise to UM 1,757.7 million in 1998, on account of Air Mauritanie. Over the period, the bulk **of** direct subsidies went to Air Mauritanie, SONELEC, and lately to Mauripost, while they were nil for **SNIM.** On the revenue side, there **was** a strong increase in taxes payable, from UM 410 million in 1990 to UM 4,355.2 million in 2001, reflecting the improved situation of **SNIM** after its financial rehabilitation under the **PESAP.** By far, **SNIM** provides the lion share of revenues to the State. Annex D provides the details for the seven **PEs** from 1990 to 2002.

4.28 The value of the sale of assets by the State from 1989 to 2002 is estimated at some US$59 million, including the sale of shares in Mauritel for US$48 million, but excluding the value of the two mobile phone licenses for US$56 million.

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[18] **Data were not available to the October 2003 OED mission for taxes payable by Mauritel, an** important **company which pays taxes. Similarly, data for Air Mauritanie were not available for the last three years. For SMCP, the series at MOF is discontinued after 1995.**

[19] **OPT, SONELEC, Air Mauritanie, PANPA, SONIMEX, and SMCP. Figure 4.1 covers the enterprises resulting** from **the split of OPT and SONELEC, after their dissolution.**

5. Outcome and Assessment

Outcome

5.1 The outcome of the PESAP is rated **satisfactory** on balance as in the 1996 PPAR. This rating applies to all of the program's components, including conditions for release. Mauritania has come a long way in reforming its PE sector from the situation prevailing in the late 1980s when the PESAP was under preparation. First, the legal framework was modified and strengthened allowing for privatization and more autonomy of PEs, and, all along the 1990s, the Government has taken actions to pursue this line.

5.2 Second, the major enterprises were successfully restructured. SNIM, which was making huge losses, had its finances restructured and now makes profit. The conditions, including favorable world market conditions, are now appropriate for further action by GOM in seeking a strategic partner for **SNIM.** OPT was completely reorganized, with Mauritel emerging as a profitable enterprise operating under a highly regarded regulatory authority. SONELEC was successfully split into two enterprises, thus clarifying greatly the institutional setting for electricity and water.

5.3 Third, the sector was considerably cleared of "dead wood" and rationalized. In 1990, the sector was a large amorphous mass of ill-defined and poorly performing companies, it is now much leaner and well organized into clearly defined categories of enterprises with the nature of their activities largely corresponding to their legal status. The sector is financially sound, with **SNIM** contributing large sums to the Treasury; this is probably the case for the other PEs as a whole, if tax data for Mauritel were available. Finally, the relations between the Government and the enterprises are much better defined, with little interference in their day-to-day management.

5.4 Despite many positive results, there are still shortcomings that need to be recognized. Private sector participation is needed in SOMELEC to improve services, ensure greater operational efficiency, and finance new investments. Private participation would increase profits and reduce even further net subsidies that SOMELEC still receives from the Government. For SNDE, as in the case of water utilities in other desert countries, the Government remains cautious in restructuring the sector. Mauripost, as virtually all post offices, is unlikely to become financially viable without continued subsidies. Finally, although Air Mauritanie (which is now overwhelmingly privately owned) underwent drastic restructuring and its financial situation is improving, it remains to be seen whether it will be able to carve a profitable market in West Africa. Still, on balance, outcome is rated satisfactory.

5.5 Lack or paucity of data prevents a more precise judgment of the PESAP's outcome in economic terms. However, the good performance of the economy in the second half of the **1990s** (see section 2 and table 2.1 above) undoubtedly reflects, ***inter** alia*, the improvements achieved in the PE sector.

Institutional Development Impact (IDI)

5.6 Although the IDI of Bank assistance as a whole in the PE sector has been substantial, the impact of the PESAP on institutional development has been **modest,** compared to moderate in the 1996 PPAR. Bank assistance under various projects supported the excellent performance of the Regulatory Authority, the successful restructuring of OPT and SONELEC, the privatization of MAURITEL, and the experience gained with the privatization attempt of SOMELEC. However, the capacity of MOF to monitor the financial performance of the sector has gradually declined, due to apparent reduced interest, loss in momentum, and insufficient visibility, with the result that it does not have now the quality staff needed to manage the portfolio of the State as a true shareholder. Similarly, at MAED, the staff has been cut and its influence reduced consequent to a shift since 1998 in favor of a predominantly sectoral approach, as noted already. The Government does not have the adequate tool required to play an active role as shareholder, not only in the enterprises in which the State holds the entirety or majority of shares, but also in the Limited Companies in which it holds a minority participation.

5.7 The paucity in—or lack of—comprehensive and consistent data on the sector over the years is a serious obstacle for the State in monitoring and evaluating its performance. There is no readily available data on the weight of the sector in the economy, such as output, employment, investment, revenues, foreign exchange earnings, etc.

Sustainability

5.8 The sustainability is rated **likely,** compared to uncertain in the PPAR. Since the latter was prepared in 1996, it has become much clearer that the results achieved under the PESAP have proved sustainable in the long-run: **SNIM** continues to this day to have a good operational and financial performance; the sector has become much leaner and more transparent with the State hardly involved in productive activities. For instance, the fisheries sector, in which it used to play a dominant role, is now completely in private hands. Not only has there been no reversal in policies, but the policies pursued under the PESAP were deepened and extended after 1998, with major progress in the utility and air transport sectors. However, the likely sustainability rating needs to be tempered by pointing out some potential risks. It is still not clear how the privatization of SOMELEC, the strengthening and reorganization of Mauripost, and the competitiveness of Air Mauritanie will evolve. Success or failure in this area will depend as much on exogenous factors as on GOM's continued ability to deepen and broaden the reform agenda. An important and first test in this regard will be whether a second attempt to attract a foreign investor to SOMELEC will be successful. In the case of **SNIM,** the decision to attract a strategic partner is a highly political and sensitive matter.

Bank Performance

5.9 Bank performance is rated **satisfactory,** as in the PPAR. After the closing of the PESAP in mid-1994, the Bank pursued the dialogue with the authorities in the framework of the PESIDTA and **PSD** operations, with the objective of helping move PE policies towards greater openness. This dialogue was responsible for the breakthrough in policies in 1998, to which the Bank responded swiftly by preparing the TA projects of 1999 and **2000.** The advice provided by the Bank proved critical in extending the spirit of the reform through the second half of the decade. However, the Bank overestimated the capacity building achieved by the central units and should have focused more on keeping a better balance between these and the support provided at the sectoral level.

Borrower Performance

5.10 **As** in the PPAR, borrower performance **is** rated **satisfactory.** The commitment of the Government to **reform** has been steadfast during the PESAP and beyond. GOM was quick to adopt the necessary legislation to divest non-profitable assets. It continues to do so today, by reducing or eliminating its participation in activities that do not have a public or social character. However, for several years, the Government was hesitant to move to privatization, although it recognized its merits, even in public utility companies. It is still hesitant to open SNIM's capital to a strategic partner.

Comparison of Ratings in 1996 and 2004

5.11 In summary, the comparison of ratings between the 1996 **PPAR** and the 2004 PPRR is as follows:

	OED 1996 PPAR	*OED 2004 PPRR*
Outcome	Satisfactory	Satisfactory
Institutional Development Impact	Moderate.	Modest
Sustainability	Uncertain	Likely
Bank Performance	Satisfactory	Satisfactory
Borrower Performance	Satisfactory	Satisfactory

6. Lessons

Lessons of Broad Applicability

6.1 Mauritania's experience in PE reform has several lessons of general applicability for other countries.

- The reform of the parapublic sector, even in a small country, is a very long process measured in decades rather than in years. Its outcome in economic terms and impact on PSD take many years to materialize, Issues are numerous and complex: political, legal, social, financial, etc. **Bank** country assistance strategies and projects should plan PE reforms over a long period of time.
- Proper sequencing in PE reforms is critical. The first step should be streamlining and strengthening the legal and institutional framework. The input of the Legal Department early in the process is essential.
- To move from a phase of rehabilitation/restructuring to a phase of privatization or public-private partnership **is** a big step and may represent for some governments a difficult and delicate decision. Continuous **Bank** support is essential.
- A broad PE reform managed and monitored at the central level should be complemented by sector reform supported by TA projects, especially in the case **of** public utilities. In the case of Mauritania, the outcome of the program would have been different if it had not been for the TA projects of the late 1990s.
- In PE reforms, performance agreements may be valuable tools in the rehabilitation and restructuring phase, but their purpose is limited and their success highly dependent on the commitment and independence of each side. They are useful for inculcating operational and financial discipline but not for attracting investment.
- The setting up of a M&E system is essential to monitor PEs' operational and financial performance in a consistent manner and over a length of time. It also requires a staff capable of analyzing data. **Bank** projects should pay particular attention to this at preparation/appraisal.

Lessons for Re-assessment by OED

6.2 In the case of adjustment programs, whose implementation takes more than a few years, an assessment by OED after a longer period of time (say 10-12 years) may be desirable. Such a reassessment sheds a different light with direct implications for how to apply OED's usual rating criteria. In particular, the Mauritania case clearly shows that IDI and sustainability can be much better appreciated after a longer period. Also, in this case, the reassessment has proved quite complex and demanding in terms of obtaining information on the evolution in the size and composition of the PE sector over the years and on the financial data.

Size of the Public Enterprise Sector, selected dates (1990–2003)
(excluding EPAs, banks, and subsidiaries of SNIM [a]

Source	1990		1995	1997	1998	2003
	Prior to Decree 90-154	*After Decree 90-154*	*1996 PPAR*	*PESIDTA ICR*	*GOM Declar.*	*OED Mission*
EPIC	20	7	6	10	10	10
SN		4	2	2	2	3
SEM + SA	30	22	9	17	17	14
SEM (Majority)	15	11	4	7	7	5
SA (Minority part.)	15	11	5	10	10	9
Direct part.	n.a.	n.a.	n.a.	8	8	8
Indirect part. [b]	n.a.	n.a.	n.a.	2	2	1
Total	*50*	*33*	17	*29*	*29*	*27*

Notes:
[a] Decree 90-154 of Oct. 22, 1990 lists 3 subsidiaries of SNIM. There were 7 in 2003 (see annex D).
[b] In 1997 and 1998, NASR (Insurance), 34 percent through 4 parastatals; and MEPP (oil depots), 11.56 percent through NAFTEC. In 1999, GOM sold its participation in NASR.

Sources:
Decree 90-154 of Oct. 22, 1990.
PPAR: PPAR of the PESAP.
ICR: ICR of the PESIDTA.
Decl.: GOM, Declaration sur la deuxième phase de la réforme du secteur parapublic, August 1998.
2003 Mission: Information obtained by the October 2003 OED mission.

Financial Situation of Various Public Enterprise

Table 1: SNIM
(in million of Ouguiyas, unless otherwise indicated)

	1990	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Legal status	SME	SME	SME	SME	SME	SME	SME
Equity capital	16,955	18,457	18,457	18,686	18,686	18,644	
Personnel (units)	5,660	3,824	3,780	3,717	3,730	3,730	
Turnover	17,960	33,209	41,666	43,320	54,184	49,108	
Turnover/employee ('000)	2,809	8,684	11,023	11,655	14,527	13,166	
Value added	10,231	19,125	26,232	24,070	29,335	25,473	
Value added/employee ('000)	1,601	5,001	6,940	6,476	7,865	6,829	
Cash flow/turnover (MBA) (in %)	26.0	29.0	37.0	26.0	30.0	33.0	
Debt/equity	1.4	1.6	1.4	1.6	1.8	1.7	
Return on equity (in %)	1.15	1.57	2.03	1.95	2.00	1.93	
Operating subsidy	0	0	0	0	0	0	
Income before taxes"	1,744	7,188	12,281	7,728	9,383	5,815	
Taxes	0	3,159	3,919	4,067	4,703	4,180	
Net income	1,744	4,029	8,362	3,661	4,680	1,635	

Source: **DTPE.**

Table 2: OPT
(in million **of** Ouguiyas, unless otherwise indicated)

	1990	*1997*	*1998*	*1999* [a]
Legal status	SN	SN	SN	**SN**
Equity capital	33	864	1,500	2,100
Personnel (units)	695	963	963	963
Turnover	1,437	4,845	5,685	6,307
Turnover/employee ('000)	2,067	5,031	5,904	6,549
Value added	1,001	3,134	3,600	3,887
Value added/employee ('000)	1,440	3,254	3,738	4,037
Cash flow/turnover (MBA) (in %)	50.4	43.1	41.8	27.6
Debt/equity	7.5	2.7	2.7	2.0
Return on equity (in %)	17.90	2.91	1.91	1.54
Operating subsidy	22	9	0	0
Income before taxes	291	743	694	781
Taxes	0	0	0	0
Net income	291	743	694	781

[a] Last **year of operation.**

Table 3: MAUFUPOST
(in million of Ouguiyas, unless otherwise indicated)

	2000	*2001*
Legal status	**SN**	**SN**
Equity capital	500	500
Personnel (units) [a]	963	963
Turnover	693	665
Turnover/employee ('000)	719	691
Value added	-122	-49
Value added/employee ('000)	0	0
Cash flow/turnover (MBA) (in %)	13.3	20.1
Debt/equity	4.0	4.2
Return on equity (in %)	0.92	0.85
Operating subsidy	466	450
Income before taxes	-30	-18
Taxes	12	13
Net income	-42	-31

[a] The data of DTPE still reflect the total number of employees of OPT, which is incorrect.

Source: DTPE.

Table 4: SOMELEC [a]
(in million of Ouguiyas, unless otherwise indicated)

	2001	*2002*	*2003*
Legal status	**SN**	**SN**	**SN**
Equity capital	6,140		
Personnel (units) [b]	978		
Turnover	4,005		
Turnover/employee ('000)	4,095		
Value added	1,162		
Value added/employee ('000)	1,189		
Cash flow/turnover (MBA) (in %)	1.0		
Debt/equity	0.9		
Return on equity (in %)	1.00		
Operating subsidy	0		
Income before taxes	52		
Taxes	36		
Net income	16		

[a] The company was created in July 2001, with the first financial statement for that year.
[b] Includes personnel of projects of towns being electrified.

Source: DTPE.

Table 5: SNDE [a]
(in million of Ouguiyas, unless otherwise indicated)

	2001	2002	2003
Legal status	SN	SN	SN
Equity capital	5,475	5,475	
Personnel (units)			
Turnover	900	2,206	
Turnover/employee ('000)			
Value added			
Value added/employee ('000)			
Cash flow/turnover (MBA) (in %)			
Debt/equity	0.2	0.2	
Return on equity (in %)	1.39	2.26	
Operating subsidy			
Income before taxes	188	181	
Taxes	10	36	
Net income	178	145	

[a] As of October 2003, DTPE had no information on SNDE's financial statements. The data in this table were obtained from SNDE and are fragmentary.

Source: SNDE.

Table 6: SONELEC [a]
(in million of Ouguiyas, unless otherwise indicated)

	1990	1997	1998	1999	2000
Legal status	SN	SN	SN	SN	SN
Equity capital	2,780	3,700	3,700	3,700	5,315
Personnel (units) [b]	492	929	943	978	978
Turnover	2,821	6,045	6,731	6,996	7,877
Turnover/employee ('000)	5,735	6,507	7,137	7,154	8,054
Value added	1,244	3,322	3,679	3,220	2,876
Value added/employee ('000)	2,529	3,575	3,902	3,293	2,941
Cash flow/turnover (MBA) (in %)	33.0	36.0	14.0	25.0	12.0
Debt/equity	2.2	0.8	0.9	1.1	0.9
Return on equity (in %)	0.97	1.20	1.19	1.24	1.17
Operating subsidy	363	120	109	113	149
Income before taxes	142	488	588	332	151
Taxes	0	57	422	154	74
Net income	142	430	166	177	76

[a] Starting with 2001, the financial statements were separated for SOMELEC and SNDE.
[b] Starting with *1994*, includes personnel of projects of towns being electrified.

Source: DTPE.

Table 7: AIR MAURITANIE

(in million of Ouguiyas, unless otherwise indicated)

	1990	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Legal status	SEM	SEM	SEM	SEM	SEM	SEM	SA	SA	SA
Equity capital[a]	150	735	735	735	821	1,459		1,311	1,311
Personnel (units)	344	391	368	368	302	302			
Turnover	1,340	1,780	1,753	2,190	3,611	2,100		2,965	5,428
Turnover/employee ('000)	3,895	4,551	4,762	5,952	11,956	6,955			
Value added	1,244	477	480	677	396	-8,614			
Value added/employee ('000)	1,414	1,220	1,304	1,840	1,312	-29			
Cash flow/turnover (MBA) (in %)	-41.0	-5.0	-16.0	-9.0	-11.0	n.a.			
Debt/equity	9.7	3.1	14.0	41.9	1.9	4.2			
Return on equity (in %)	-4.41	0.32	-0.77	-2.68	0.19	-0.24			
Operating subsidy	0	120	120	149	1,639	201			
Income before taxes	-673	-209	-801	-1,404	1,117	-508			
Taxes	0	0	0	0	0	0			
Net income	-673	-209	-801	-1,404	1,117	-508			

[a] For 1998 and 1999, equity capital effectively liberated.

Source: DTPE.

Table 8: PANPA

(in million of Ouguiyas, unless otherwise indicated)

	1990	*1997*	*1998*	*1999*	*2000*	*2001*
Legal status	EPIC	EPIC	EPIC	EPIC	EPIC	EPIC
Equity capital	261	1,218	1,218	1,218	1,218	1,218
Personnel (units)[a]	620	240	240	240	240	240
Turnover	502	1,102	1,421	1,630	1,601	1,897
Turnover/employee ('000)	809	4,592	5,920	6,792	6,670	7,904
Value added	236	627	874	881	855	1,128
Value added/employee ('000)	378	2,615	3,642	3,671	3,563	4,700
Cash flow/turnover (MBA) (in %)	18.5	21.1	30.9	28.3	31.9	18.8
Debt/equity	-21.5	0.1	0.1	0.1	0.1	0.1
Return on equity (in %)	-1.03	1.57	1.58	1.61	1.68	1.74
Operating subsidy	0	0	10	0	44	0
Income before taxes	-143	317	325	274	304	334
Taxes	21	180	209	157	132	90
Net income	-164	137	116	117	172	243

[a] The data of DTPE has two sets of number of employees, starting in 1995: 568 and 240, each for all remaining years, which is incorrect. The figure of 240 is probably correct, since about 255 employees were dismissed after the construction of the new port, the Port de l'Amitié.

Source: DTPE.

Table 9: SONIMEX
(in million of Ouguiyas, unless otherwise indicated)

	1990	7997	1998	1999	2000
Legal status	SME	SME	SME	SME	SME
Equity capital	914	914	914	914	914
Personnel (units)	300	193	175	180	180
Turnover	8,164	2,089	3,909	3,503	1,288
Turnover/employee ('000)	27,213	10,823	22,338	19,460	7,138
Value added	23	93	293	147	-50
Value added/employee ('000)	76	481	1,677	818	-280
Cash flow/turnover (MBA) (in %)	-0.1	14.9	0.3	1.8	7.8
Debtlequity	28.6	1.6	1.5	1.4	2.5
Return on equity (in %)	0.08	1.23	1.25	1.25	1.26
Operating subsidy	0	9	10	0	0
Income before taxes	-123	80	125	128	62
Taxes	327	60	96	98	26
Net income	-454	19	29	30	36

Source: DTPE.

Table 10: SMCP[a]
(in million of Ouguiyas, unless otherwise indicated)

	1990	1995
Legal status	SN	SME
Equity capital	500	110
Personnel (units)	120	84
Turnover	10,288	549
Turnover/employee ('000)	85,733	6,539
Value added	1,584	416
Value added/employee ('000)	13,204	4,956
Cash flow/turnover (MBA) (in %)	1.0	29.0
Debt/equity	0.8	0.6
Return on equity (in %)	1.26	2.75
Operating subsidy	0	0
Income before taxes	145	209
Taxes	63	110
Net income	82	99

[a] DTPE does not have data for SMCP after 1995.

Source: DTPE.

Public Enterprises and Limited Companies with State Participation – 2003 (excluding banks)

			Direct holding	Indirect holding	Total holding
	Public Enterprises (governed by Ordinance 90-09	EPIC	100.00		100.00
1	Caisse Nationale de Sécurité Sociale (CNSS)	EPIC	100.00		100.00
2	Etablissement National pour l'Entretien Routier (ENER) (1994)	EPIC	100.00		100.00
3	Etablissement Portuaire de la Baie de Repos (EPBR) (after 1996)	EPIC	100.00		100.00
4	Imprimerie Nationale (IN)	EPIC	100.00		100.00
5	Office National des Awqafs (OdA) (after 1996)	EPIC	100.00		100.00
6	Port Autonome de Nouadhibou (PAN)	EPIC	100.00		100.00
7	Port Autonome de Nouakchott (PANPA)	EPIC	100.00		100.00
8	Societe des Bacs de Rosso (SBR)(after 1996)	EPIC	100.00		100.00
9	Société Mauritanienne des Industries de Raffinage (SOMIR)	EPIC	100.00		100.00
10	Société Nationale de Développement Rural (SONADER)	EPIC	100.00		100.00
10	***Total EPIC***				
11	MAURIPOST	SN	100.00		100.00
12	SOMELEC	SN	100.00		100.00
13	SNDE	SN	100.00		100.00
3	***Total SN***				
14	CAMEC (2002)	SEM	n.a.	n.a.	n.a.
15	SNIM [a]	SEM	78.35		78.35
16	SAN – Société des Abattoirs de Nouakchott (after 1996)	SEM	70.60		70.60
17	SONIMEX	SEM	55.00		55.00
18	SOCOGIM	SEM	94.25	4.89	99.14
5	***Total Majority SEM***				
	Limited Companies with State Participation [b]				
19	AIR MAURITANIE	SA	4.00		4.00
20	NAFTEC [c]	SA	34.00		34.00
21	SMCP	SA	35.00		35.00
22	MAURITEL	SA	46.00		46.00
23	SOMAGAZ	SA	34.00		34.00
24	SAM (after 1996)	SA	10.00	2.00	12.00
25	MPN – Marché au Poisson de Nouakchott (after 1996)	SA	31.00		31.00
26	SAMIN	SA	37.50		37.50
8	***Total SA (Direct + Indirect)***				
26	**GRAND TOTAL EPIC + SN + SEM + SA**				

[a] SNIM had seven subsidiaries in 2003 (with percentage of capital held):
Societe d'Acconage et de Manutention en Mauritanie (SAMMA) (52.50 %)
Societe Arabe du Fer et de l'Acier (SAFA) (75.00 %)
Societe Mauritanienne de Services et de Tourisme (SOMARSET) (100.00 %)
Societe d'Assainissement, de Travaux, de Transport et de Maintenance (ATTM) (100.00 %)
Construction Mécanique de l'Atlantique (COMECA) (92.49 %)
Sociéte Arabe des Industries Métallurgiques (SAMIA) (50.00 %)
Granites et Marbres de Mauritanie (GMM) (62.80 %)

[b] Limited companies are not public enterprises and are not governed by Ordinance 90-09.

[c] The State has an indirect participation of 11.56 percent in MEPP (oil depots) through NAFTEC.

Sources: UGP and DTEP.

Main PEs: Direct Operating Subsidies and Taxes on Operating Results, 1990–2002 (in million of Ouguiyas)

	1990	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*
Direct Operating Subsidies													
AIR MAURITANIE	0.0	0.0	0.0	175.0	150.0	120.0	120.0	149.4	1,639.0	201.5	201.5	n.a.	n.a.
SNIM	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SONELEC	363.3	540.3	181.1	219.3	140.6	121.1	200.0	120.0	108.6	113.3	149.2		
OPT	22.4	9.7	1.5	1.6	9.7	10.5	10.1	9.3	0.0	0.0			
PANPA	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.1	0.0	43.8	0.0	n.a.
SONIMEX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SMCP	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SOMELEC												0.0	n.a.
SNDE												n.a.	n.a.
MAURIPOST											465.8	449.5	n.a.
MAURITEL											n.a.	n.a.	n.a.
Total I	*385.7*	*550.0*	*182.6*	*395.9*	*300.3*	*251.6*	*330.1*	*278.7*	*1,757.7*	*314.8*	*860.3*	*449.5*	*0.0*
Corporate taxes													
AIR MAURITANIE	0.0	18.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	n.a.
SNIM	0.0	0 0	0.0	747.1	975.6	303.9	2,839.4	3,158.5	3,918.9	4,067.5	4,702.9	4,180.1	n.a.
SONELEC	0.0	0.0	23.7	150.1	41.1	43.1	49.8	57.2	422.3	154.5	74.5		
OPT	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
PANPA	20.7	49.2	65.9	83.6	65.1	87.7	115.7	180.4	209.5	156.8	132.4	90.5	n.a.
SONIMEX	326.6	279.7	308.8	335.1	141.5	106.3	113.7	60.3	95.7	98.1	26.1	26.1	n.a.
SMCP	62.7	41.6	38.2	26.9	91.3	109.6	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
SOMELEC												35.6	n.a.
SNDE												9.7	36.2
MAURIPOST											11.8	13.2	n.a.
MAURITEL											n.a.	n.a.	n.a.
Total II	*410.0*	*389.0*	*436.6*	*1,342.8*	*1,314.6*	*650.6*	*3,118.6*	*3,456.4*	*4,646.4*	*4,476.9*	*4,947.7*	*4,355.2*	*36.2*
Total II - I	24.3	-161.0	254.0	946.9	1,014.3	399.0	2,788.5	3,177.7	2,888.7	4,162.1	4,087.4	3,905.7	36.2
Subsidies to 6 PEs	385.7	550.0	182.6	395.9	300.3	251.6	330.1	278.7	1,757.7	314.8	860.3	449.5	0.0
Taxes from 6 PEs	410.0	389.0	436.6	995.7	339.0	346.7	279.2	297.9	727.5	409.4	244.8	175.1	n.a.
Taxes – Sub. For 6 PEs	24.3	-161.0	254.0	199.8	38.7	99.1	-50.9	19.2	-1,030.2	94.6	-615.5	-274.4	n.a.

Source: Ministry of Finance, DTPE.
Shaded areas indicate years the company did not exist.

Basic Data Sheet

PUBLIC ENTERPRISE TECHNICAL ASSISTANCE AND REHABILITATION PROJECT (CREDIT 1567-MAU)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	29.2	--	--
Loan amount	16.4	19.9	121%
Cofinancing	3.9	3.9	100%
Other external sources	5.3	5.3	100%
Cancellation	--	1.4	--
Economic rate of return	44%	--	--

Cumulative Estimated and Actual Disbursements

	FY86	*FY87*	*FY88*	*FY89*	*FY90*	*FY91*	*FY92*
Appraisal estimate (US$M)	2.6	6.7	11.8	15.5	16.4	16.4	16.4
Actual (US$M)[a/]	1.6	7.7	14.3	17.0	18.5	19.4	19.9
Actual as % of appraisal	62%	115%	121%	110%	113%	118%	121%
Date of final disbursement:	July 14,1994						

[a] The disbursed amount differs from the original amount of the credit in terms of US$ because of changes in the US$/SDR exchange rates.

Project Dates

	Original	*Actual*
Appraisal	10/83	10117/83
Negotiations	1984	02/19/85
Board approval	1985	03/26/85
Signing	1985	05/3 1/85
Effectiveness	9/27/85	03128186
Closing date	12/3 1190	12/3 1/92

Staff Inputs (staff weeks)

	Total
Lending (general)	57.75
Preappraisal	24.63
Appraisal	58.88
Negotiations	18.68
Supervision	156.03
Other	6.85
Total	322.82

Mission Data

	Date (month/year)	*No. of persons*	*Staff days infield*	*Specializations represented*	*Performance rating*	*Rating trend*
Identification/Preparation	04/83	n.a.	n.a.	--	--	--
Appraisal	10/83	n.a.	n.a.	--	--	--
SPN I	12/86	n.a.	n.a.	--	2	--
SPN II	07/88	n.a.	n.a.	--	1	--
SPN III	7/89	2	n.a.	PSM & Water Specialists	1	
SPN IV	6/90	2	n.a.	PSM & Water Specialists	2	--
SPN V	12/90	2	n.a.	Sr. Sanitary Eng.	1	
SPN VI	7/91	n.a.	n.a.	--	1	
SPN VII	1/93	1	n.a.	P.E. Specialist	1	
SPN VIII	06/93	1	n.a.	P.E. Specialist	1	
Completion	11/93	1	n.a.	P.E. Specialist	1	

Other Project Data

Borrower/Executing Agency: Government of the Republic of Mauritania/Ministry of Planning, SONELEC, EMN, OPT

FOLLOW-ON OPERATIONS

Operation	*Credit no.*	*Amount (US$ million)*	*Board date*
Public Enterprise Sector Adjustment	2166	40.0	06/26/90
Public Enterprise Sector Institutional Devt.	2167	10.0	06/26/90
Private Sector Development Program	2726	30.0	05/23/95

Basic Data Sheet

PUBLIC ENTERPRISE SECTOR ADJUSTMENT PROGRAM (CREDIT 2166-MAU)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	149.0	144.8	97%
Loan amount	40.0	53.2[a]	133%
Cofinancing	109.0	91.6	84%
Cancellation	--	--	--
Economic rate of return	n.a.	n.a.	n.a.

[a] Includes $10 million IDA reflows.

Cumulative Estimated and Actual Disbursements

	FY90	*FY91*	*FY92*	*FY93*	*FY94*
Appraisal estimate (US$M)	18.0	30.0	40.0	40.0	40.0
Actual (US$M)[a/]	19.2	19.2	19.3	32.0	42.8
Actual as % of appraisal	107%	64%	48%	80%	107%
Date of final disbursement:	July 18, 1994				

[a] The disbursed amount differs from the original amount of the credit in terms of US$ because of changes in the US$/SDR exchange rates.

Project Dates

	Original	*Actual*
Appraisal	01/90	01/90
Negotiations	05/90	05/25/90
Letters of Development Policy	05/90	05/25/90
Board approval	06/90	06/26/90
Signing	06/90	07/18/90
Effectiveness	07/90	08/29/90
First tranche release	07/90	09/30/90
Second tranche release	07/91	03/31/93
Third tranche release	07/92	03/31/94
Closing date	12/31/92	12/31/94

Staff Inputs (staff weeks)

	Total
Lending (general)	*0.05*
Preappraisal	110.35
Appraisal	41.05
Negotiations	6.80
Supervision	96.00
Other	3.03
Total	257.28

Mission Data

	Date (mo./yr.)	*No. of persons*	*Staff days in field*	*Specializations represented*	*Perform. rating*	*Rating trend*	*Types of problems*
Through appraisal	06/88	5	4	Economist, Energy, Mining, consultants (2)	--	--	Credit 1567-MAU and preliminary discussions on PESAP operation.
	10/88	6	21	Economists (2). Petroleum, Mining, Transport, Consultant	--	--	PE sector assessment and preparation of lending operation
	11/88	5	11	Economists (2), Sanitary engineer, Financial analyst, Consultant		--	Electricity and water utility rehabilitation.
	06/89	5	26	Economist, Financial analyst, Mining, Consultants (2)	--	--	PESAP appraisal
	01/90	7	22	Economists (2), Lawyer, Mining, Energy, Financial analyst, Social aspects	--	--	PESAP appraisal
Appraisal to Board	--						
Board to Effectiveness	--						
SPN I	10/90	8	17	Task Manager, PE specialist, Energy, Mining, Fisheries, Lawyer, Airline, Job redeployment	--	--	Overall implementation review, social aspects, SNIM restructuring, cofinancing issues
SPN II	09/91	3	39	Task Manager, Mining, Telecom.	1	2	Implementation delays
SPN III	10/92	2	21	Task Manager, Mining	1	I	Implementation review
SPN IV	10/93	4	10	Task Manager, PE Specialist, Telecom, Mining	1	1	Implementation review, OPT performance agreement
SPN V	02/94	1	22	Task Manager	HS	HS	Implementation review
Completion	09/94	2	14	Economist, Consultant	1	I	ICR preparation

Other Project Data

FOLLOW-ON OPERATIONS

Operation	*Credit no.*	*Amount (US$ million)*	*Board date*
Public Enterprise Sector Institutional Devt.	2167	10.0	06/26/90
Private Sector Development Program	2726	30.0	05/23/95

Basic Data Sheet

PUBLIC ENTERPRISE SECTOR INSTITUTIONAL DEVELOPMENT AND TECHNICAL ASSISTANCE PROJECT (CREDIT 2167-MAU)

Key Project Data *(amounts in US$ million)*

	Appraisal estimate	*Actual or current estimate*	*Actual as % of appraisal estimate*
Total project costs	10.5	10.5	100%
Loan amount	10.0	10.0	100%
Cofinancing	0.5	0.5	100%
Cancellation	--	--	--
Economic rate of return	n.a.	n.a.	n.a.

Cumulative Estimated and Actual Disbursements

	FY91	*FY92*	*FY93*	*FY94*	*FY95*	*FY96*	*FY97*
Appraisal estimate (US$M)	1.0	2.5	4.5	6.0	7.5	9.0	10.0
Actual (US$M)[a/]	2.0	4.1	6.6	8.3	9.3	10.2	10.7
Actual as % of appraisal	200%	164%	147%	138%	124%	114%	107%

[a] **The disbursed amount differs from the original amount of the credit in terms of US$ because of changes in the US$/SDR exchange rates.**

Project Dates

	Original	*Actual*
Appraisal	--	01/90
Negotiations	05/90	05/25/90
Board approval	06/90	06/26/90
Signing	06/90	07/18/90
Effectiveness	07/90	08/29/90
Closing date	06/30/98	06/30/98

Staff Inputs (staff weeks)

	Total
Lending (general)	3.2
Preappraisal	32.53
Appraisal	1.68
Negotiations	1.28
Supervision	49.70
Other	0.0
Total	88.39

Mission Data

	Date (mo./yr.)	No. of persons	Staff days in field	Specializations represented	Perform. rating	Rating trend	Types of problems
Through appraisal	06/88	5	4	Economist, Energy, Mining, consultants (2)	–	--	Credit 1567-MAU and preliminary discussions of PESIDTA.
	10/88	6	21	Economists (2), Petroleum Mining, Transport, Consultant	–	–	PE sector assessment and preparation of lending operation
	11/88	5	11	Economists (2), Sanitary engineer, Financial analyst, Consultant	–	--	Electricity and water utility rehabilitation
	06/89	5	26	Economist, Financial analyst, Mining, Consultants (2)	--	--	PESAP/PESIDTA appraisal
	01/90	7	22	Economists (2), Lawyer, Mining, Energy, Financial analyst, Social aspects	–	–	PESAP/PESIDTA appraisal
Appraisal to Board							
Board to Effectiveness	--						
SPN I	10/90	8	17	Task Manager, PE specialist, Energy, Mining, Fisheries, Lawyer. Airline, Job redeployment	--	--	Overall implementation review, social aspects, SNIM restructuring, cofinancing issues
SPN II	09/91	3	39	Task Manager, Mining, Telecom.	1	2	Implementation delays
SPN III	10/92	2	21	Task Manager, Mining	1	1	Implementation review
SPN IV	10/93	4	10	Task Manager, PE Specialist, Telecom, Mining	1	1	Implementation review. OPT performance agreement
SPN V	02/94	1	22	Task Manager	HS	HS	Implementation review
SPN VI	07/95	2	n.a.	Economist Consultant	HS	HS	--
SPN VII	03/96	2	n.a.	Economist, Financial Analyst	HS	HS	--

Other Project Data

Borrower/Executing Agency: Government of the Republic of Mauritania/Ministries of Planning, Finance and Commerce; Directorates of Energy, Mines and Geology; public enterprises

FOLLOW-ON OPERATIONS

Operation	*Credit no.*	*Amount (US$ million)*	*Board date*
Private Sector Development Program	2726	30.0	05/23/95
Private Sector Development Capacity Building Project	2730	7.2	05/23/95

Comments Received from the Government

بسم الله الرحمن الرحيم

République Islamique de Mauritanie
Honneur Fraternité - Justice

Ministere des Affaires Economiques
et du Développement

الجمهورية الإسلامية الموريتانية
شرف - إخاء - عدالة

وزارة الشؤون الاقتصادية
والتنمية

N° 00357 / MAED / M/CC/DF

Nouakchott, le 2004 انواكشوط في

Le Ministre الوزير

A Monsieur R. Kyle Peters.
Chef Evaluation-pays et relations régionales,
Département de l'évaluation rétrospective
des opérations,
-Washington, D.C.-

Obiet: Rapport de réévaluation retrospective du Programme d'Ajustement du Secteur des Entreprises Publiques **(PASEP)**

Cher Monsieur R.Kyle Peters,

J'accuse réception de votre courrier en date **du 06 avril 2004 par** lequel vous avez bien voulu nous soumettre, pour avis, le projet de rapport de réévaluation rétrospective du Programme d'ajustement du secteur des entreprises publiques (PASEP) et je vous en remercie.

Comme le note le rapport, les orientations de politique économique formulées a l'occasion de la mise en œuvre du PASEP et qui visaient le désengagement de l'Etat des activités industrielles et commerciales, le rétablissement des forces du marché et l'instauration de mécanismes concurrentiels au sein de l'économie nationale ont été maintenus et poursuivis au-delà de la période couverte par le PASEP.

Cette volonté politique, gage majeur de la durabilité des résultats, se trouve à l'origine du succès des différentes réformes menées par la suite comme en attestent les résultats impressionnants obtenus **dans le cadre du programme de réforme du secteur parapublic engagé en 1998 et particulièrement la réforme du secteur des télécommunications qui constitue aujourd'hui un cas de référence en Afrique.**

Au-delà de la viabilité du PASEP. son impact sur le développement institutionnel rst plus important que ne le fait ressortir le rapport si l'on tient compte des performances internes des entreprises en matière de mise en place de systèmes comptables. d'elaboration des procedures, d'organisation, d'informatisation, de gestion commerciale. etc.

Les départements ministériels en charge du suivi du secteur parapublic ont aussi vu leurs compétences renforcées et leurs méthodes de travail améliorées grâce à l'organisation de sessions de formation. au renforcement de leurs moyens. a la mise en place de bases de données sur le secteur dcs entreprises publiques. etc. Certes, le volume d'activités actuel ne requiert plus le même personnel recruté précédemment étant donné la reduction de la taille du secteur et l'achèvement ou prrsque des différentes réformes. cc qui a justifié la réorganisation des services en question.

Espérant que ces éléments contribueront a enrichir le rapport et permettre de mieux apprécier les résultats du PASEP. je vous prie de croire. Cher Monsieur R. Kyle Peters. à l'assurance de ma haute considération.

Abdallah Ould Souleymane Ould Cheikh-Sidia

Ampliations :

- Monsieur Paulo Gomes. Administrateur pour la République Islamique de Mauritanie ;
- Monsieur Ajay Chibber. Directeur. Département de l'évaluation rétrospective dcs operations ;
- Monsieur David Graig. Directeur des opérations pour la République Islamique de Mauritanie.

Comments Received from the Government (English Translation)

Islamic Republic of Mauritania

Ministry of Economic Affairs and Development

No. 000567/MAED/M/CCPSI

Nouakchott, May 5,2004

From the Minister

To: Mr. R. Kyle Peters,
Senior Manager, Country Evaluation and Regional Relations
Operations Evaluation Department,
Washington, D.C.

Re: Public Enterprise Sector Adjustment Program (PESAP) re-assessment report

Dear Mr. Peters,

I received your letter of April 6,2004 in which you kindly submitted for our views the draft re-assessment report of the Public Enterprise Sector Adjustment Program (PESAP) and I want to express my appreciation.

As the report points out, the economic policy directions formulated for PESAP implementation, focusing on government divestiture of industrial and commercial activities, the restoration of market forces and development of competitive mechanisms within the national economy, have been maintained and pursued beyond the period covered by the PESAP.

This political commitment, a key element of the sustainability of the outcome, underlies the success of the various reforms undertaken subsequently, as reflected in the impressive results obtained under the parapublic sector reform program initiated in 1998 and, in particular, the telecommunications sector reform which now serves as a model for Africa.

Beyond the viability of the PESAP, its impact on institutional development is greater than the report indicates if we take into account the internal performance of enterprises in matters such as setting up accounting systems, developing procedures, organization, computerization and business management.

The ministry departments responsible for monitoring the parapublic sector have also had their skills upgraded and their work methods improved as a result of training sessions, expanded resources, the development of data bases on the public enterprise sector and so forth. Of course the current volume of activity no longer requires the same staff recruited earlier, given the reduction in the size of the sector and the completion or near-completion of the various reforms, which justified the reorganization of the departments involved.

I hope that these remarks will help enrich the report and contribute to a fuller assessment of the PESAP outcome.

Sincerely yours,

[signature]

Abdallah Ould Souleymane Ould Cheikh-Sidia

cc:

- Mr. Paulo Gomes, Executive Director for the Islamic Republic of Mauritania;
- Mr. Ajay Chibber, Director, Operations Evaluation Department;
- Mr. David Graig, Operations Director for the Islamic Republic of Mauritania.