COUNTRY REPORT

Senegal

The Gambia

Mauritania

At a glance: 2000-01

OVERVIEW

There has been increased evidence of internal division within the coalition government. New appointments in public administration have been politically motivated. The president, Abdoulaye Wade, has asked for a review of the 1963 trial and conviction of the former prime minister, Mamadou Dia. A constitutional referendum has been confirmed for November, but the nature of the constitutional changes remains uncertain. The old electoral commission has been revived. The Union pour le renouveau démocratique, led by Djibo Kâ, may join forces with the Parti socialiste. Mr Wade's stance on the Casamance peace process remains unclear. An arms appeal to France has increased regional tension.

Key changes from last month

Political forecast

- Abdoulaye Wade's election to the presidency in March, and his establishment of a broad coalition government the following month, began a period of unsettling political change and uncertainty that may last for at least a couple of years.

Economic policy outlook

- Bolstered by the IMF's recent disbursement of credit under the 1998-2001 poverty reduction and growth facility, and by the prospect of significant debt relief under the heavily indebted poor countries initiative by end-2001, the Senegalese government may accelerate the pace of economic reform, starting with privatisation.

Economic forecast

- The EIU has maintained its forecast for real GDP growth of 5.7% in 2000 and 6% in 2001, fuelled by activity in the industrial sector and good agricultural performance.

- Tighter monetary policy from the regional central bank will help to control inflation.

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Senegal

Outlook for 2000-01

Abdoulaye Wade's election to the presidency in March, and his establishment of a broad coalition government the following month, began a period of unsettling political change and uncertainty that may last for a couple of years. Patching up relations with Senegal's immediate neighbours has become a priority. Bolstered by the IMF's recent disbursement of credit under the 1998-2001 poverty reduction and growth facility, the Senegalese government may accelerate the pace of reforms, including privatisation. The EIU has maintained its forecast for real GDP growth of 5.7% in 2000 and 6% in 2001. The growth will be fuelled by activity in the industrial sector and good agricultural performance. Senegal may benefit from debt relief under the heavily indebted poor countries (HIPC) initiative by end-2001.

The political scene

There has been increased evidence of division in the coalition government. New appointments in public administration have been politically motivated. Mr Wade has asked for a review of the 1963 trial and conviction of the former prime minister, Mamadou Dia. A constitutional referendum has been confirmed for November, but the nature of the constitutional changes remains uncertain. The old electoral commission has been revived. Djibo Kâ's Union pour le renouveau démocratique may join forces with the Parti socialiste. Mr Wade's stance on the Casamance peace process remains unclear. A request to France for arms has increased regional tension.

Economic policy

The IMF and World Bank have expressed satisfaction with the country's overall performance, despite some slippage. Irrigation plans have stirred conflict between Mauritania and Senegal.

The domestic economy

Industrial turnover and investment increased in 1998, according to the Dakar Chamber of Commerce, Industry and Agriculture. The 1999/2000 cotton harvest is estimated at 14,600 tonnes.

Foreign trade and payments

Senegal has qualified for significant debt relief under the HIPC debt relief initiative. The US has remained a major aid donor.

The Gambia

Outlook for 2000-01

There is growing concern that domestic instability in The Gambia will escalate. Local government elections have been announced for November, but they may be delayed. Official harassment will increase. The IMF will continue to press for further economic reforms under the 1998-2001 PRGF programme. Real GDP may continue to grow by 4% over the forecast period, assuming harvests are satisfactory.

The political scene

The president, Yahyah Jammeh, has come under increased international scrutiny since the April student riots. An inquiry has been set up, but its progress has been slow. In addition, the Gambian national guard has been granted more power. There have been clashes between the ruling APRC and the opposition UDP. The UDP leadership has been held temporarily in prison. A motion to investigate the crude oil affair has been rejected by parliament. Relations with Senegal have become strained.

Economic policy and the domestic economy

Eskom, of South Africa, has bought a 50% stake in the electricity and water utility, NAWEC. The government has resorted to employing commercial banks to disburse D104m to farmers for the 1999/2000 groundnut harvest.

Foreign trade and payments

Bilateral aid to The Gambia has continued to fall, from US$17.4m in 1997 to US$13.5m in 1998.

Mauritania

Outlook for 2000-01

The opposition remains unlikely to participate in the 2001 legislative election. Relations with the Arab world should continue to improve, but there will be continued tension with the country's southern neighbours. Mauritania's economic prospects, and policies, remain stable, and GDP is expected to expand by 5% this year owing to continued donor support and rising global prices for the country's main exports.

The political scene

Mauritanian nervousness about the intentions of the new Senegalese government manifested itself in a dispute over the diversion of water from the River Senegal. The dispute led to the announcement of deportation orders and emergency repatriation measures, but regional mediation efforts appear to have worked. The opposition has increased demands for "genuine democracy", leading to clashes with the security forces. Ties with Morocco have been strengthened.

Economic policy

A revised budget, taking account of Mauritania's eligibility for debt relief and higher energy prices, has been passed. The privatisation programme is back on track, but poverty eradication remains the government's main policy priority. Fuel prices have been increased again.

The domestic economy

Mauritania has secured continued backing from the IMF following its annual Article IV evaluation. The Fund has confirmed that GDP expanded by 4.3% in 1999, and growth is expected to accelerate to 5% in 2000. Oil companies have reported positive survey results, while the agriculture sector had a particularly good year in 1999.

Foreign trade and payments

Preliminary trade figures for 1999 show a dramatic decline in recorded food imports and a boom in other capital goods. The World Bank has announced a US$30m loan to facilitate fiscal reform.

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Next report: Full schedule on www.eiu.com/schedule

Senegal

Political structure

Official name	République du Sénégal
Form of state	Unitary republic
Legal system	Based on the Napoleonic Code and the 1963 constitution
National legislature	National Assembly, with 140 members elected by universal suffrage on a mixed first-past-the-post (70 seats) and proportional representation (70 seats) system; all serve a five-year term. A second chamber of parliament, the Senate, was established in 1998, with 48 seats selected by an electoral college and 12 seats allocated by the president
Head of state	President, elected by universal suffrage, serves a seven-year term of office and may stand for re-election
National elections	May 1998 (legislative), March 2000 (presidential); next legislative election possibly in February 2001; next presidential election possibly in 2007.
National government	The president and his Council of Ministers; last major cabinet reshuffle April 2000
Main political parties	Parti socialiste (PS, the dominant party in the National Assembly); Parti démocratique sénégalais (PDS, the president's party); Parti de l'indépendance et du travail (PIT); Ligue démocratique-Mouvement pour le parti du travail (LD-MPT); And-jëf/Parti africain pour la démocratie et le socialisme (AJ/PADS); Convention des démocrates et des patriotes-Garab Gi (CDP-Garab Gi); Parti libéral sénégalais (PLS); Union pour le renouveau démocratique (URD)

	President	Abdoulaye Wade
	Prime minister	Moustapha Niasse
Ministers of state	Agriculture & livestock	Pape Diouf
	Armed forces	Youga Sambou
	Civil service, labour & employment	Yéro Deh
	Communications & culture	Mamadou Diop Decroix
	Economy & finance	Moctar Diop
	Education, higher	Madior Diouf
	Education, primary	Kansoumbaly Ndiaye
	Energy & water works	Abdoulaye Bathily
	Environment	Mamadou Lamine Ba
	Family & national solidarity	Aminata Tall
	Fisheries	Oumar Sarr
	Foreign affairs & Senegalese abroad	Cheikh Tidiane Gadio
	Health	Abdou Fall
	Industry, crafts & mines	Landing Savané
	Interior	Mamadou Niang
	Justice & keeper of seals	Mame Madior Boye
	Planning	Oumar Khassimou Dia
	Tourism	Ndiawar Touré
	Trade	Khoureyssi Thiam
	Urban planning & housing	Amath Dansokho
Governor of the regional central bank (BCEAO)	Charles Konan Banny	

Economic structure

Annual indicators

	1995	1996	1997	1998	1999[a]
GDP at market prices (CFAfr bn)	2,234	2,380	2,556	2,761	2,922
Real GDP growth (%)	4.8	5.2	5.0	5.7	5.0
Consumer price inflation (av; %)	7.9	2.8	1.8	1.1	0.8
Population (m)	8.6	8.8	9.0	9.3	9.5
Exports fob (US$ m)	993	988	905	968[a]	1,013
Imports fob (US$ m)	1,243	1,264	1,176	1,238[a]	1,291
Current-account balance (US$ m)	–245	–200	–185	–144[a]	–158
Reserves excl gold (US$ m)	272	288	386	431	403[b]
Total external debt (US$ m)	3,841	3,663	3,654	3,861	4,130
External debt-service ratio, paid (%)	16.7	18.9	17.2	20.7[a]	16.9
Groundnut production[c] ('000 tonnes)	791	588	551	538	485
Exchange rate (av; CFAfr:US$)	499.2	511.6	583.7	590.0	615.7[b]

July 14th 2000 CFAfr699.91:US$1

Origins of gross domestic product 1997	% of total
Primary sector	19.0
Secondary sector	19.8
Tertiary sector	61.2
GDP at factor cost	100.0

Components of gross domestic product 1998	% of total
Private consumption	75.9
Government consumption	10.2
Gross domestic investment	20.0
Exports of goods & services	33.5
Imports of goods & services	–39.6
GDP at market prices	100.0

Principal exports 1998	US$ m
Fish & fish products	289.1
Groundnuts & products	49.7
Phosphates	23.6

Principal imports fob 1998	US$ m
Food products	329.3
Capital goods	237.5
Petroleum products	151.3

Main destinations of exports 1998[d]	% of total
India	26.7
France	16.8
Mali	8.0
Mauritania	3.7

Main origins of imports 1998[d]	% of total
France	32.6
Nigeria	5.6
US	5.2
Thailand	5.1

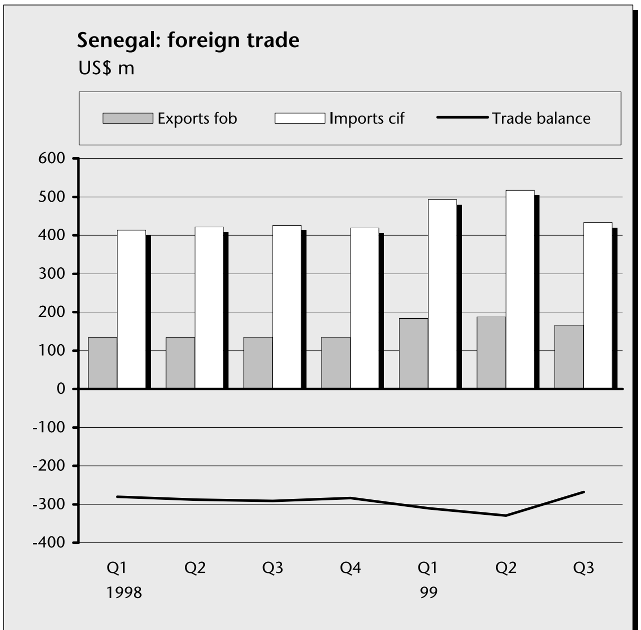
[a] EIU estimates. [b] Actual. [c] Unshelled; crop years beginning October 1st. [d] Derived from partners' trade returns; subject to a wide margin of error.

Quarterly indicators

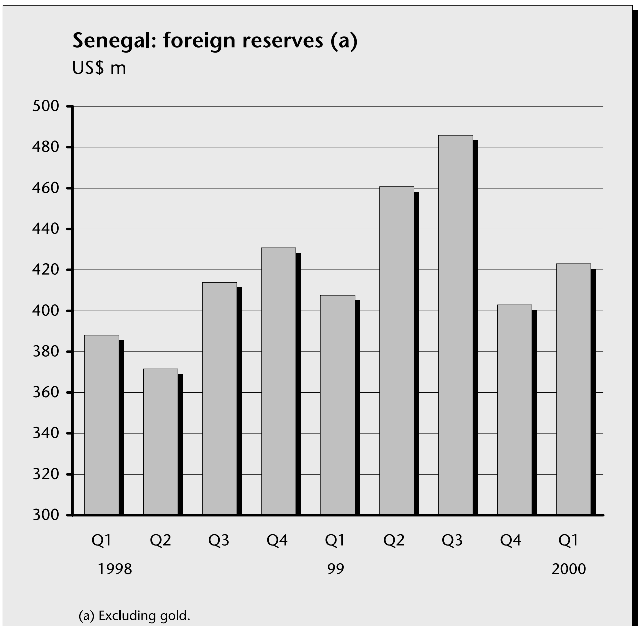
	1998 2 Qtr	3 Qtr	4 Qtr	1999 1 Qtr	2 Qtr	3 Qtr	4 Qtr	2000 1 Qtr
Prices								
Consumer prices								
Dakar (1995=100)	103.8	107.3	106.8	106.0	105.2	107.9	107.6	106.8
% change, year on year	0.7	1.9	1.2	0.9	1.3	0.6	0.7	0.8
Financial indicators								
Exchange rate								
CFAfr:US$ (av)	601.5	590.8	557.8	584.4	620.7	625.8	631.9	664.9
CFAfr:US$ (end-period)	611.7	561.6	562.6	610.7	635.1	615.1	653.0	686.7
Interest rates (%)								
Deposit (av)	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Discount (end-period)	6.00	6.25	6.25	5.75	5.75	5.75	5.75	5.75
Money market (av)	4.80	4.95	4.95	4.95	4.95	4.95	4.95	4.95
M1 (end-period; CFAfr bn)	349.3	339.6	397.0	401.6	399.4	401.5	439.8	n/a
% change, year on year	9.0	13.4	15.7	17.2	14.3	18.2	10.8	n/a
M2 (end-period; CFAfr bn)	575.7	586.8	630.2	651.7	664.6	676.6	713.0	n/a
% change, year on year	2.0	6.7	8.5	10.6	15.4	15.3	13.1	n/a
Foreign trade[a] (US$ m)								
Exports fob	133.4	134.6	134.7	183.2	187.5	165.6	164.5	n/a
Imports cif	–421.6	–425.5	–418.9	–493.2	–516.8	–433.4	–465.1	n/a
Trade balance	–288.2	–290.9	–284.2	–310.0	–329.3	–267.8	–300.6	n/a
Foreign reserves (US$ m)								
Reserves excl gold (end-period)	371.6	413.8	430.8	407.5	460.7	485.8	402.9	423.0

[a] *DOTS* estimate.

Source: IMF, *International Financial Statistics, Direction of Trade Statistics*



Source: IMF, *Direction of Trade Statistics.*



(a) Excluding gold.
Source: IMF, *International Financial Statistics.*

Outlook for 2000-01

Political forecast

Domestic politics

Abdoulaye Wade's election to the presidency in March, and his establishment of a broad coalition government the following month, has begun a period of unsettling political change and uncertainty that may well last for a couple of years. Even if an initial stage of cohabitation with the Parti socialiste (PS; the ruling party since independence) is ended after an early legislative election, a further period of constitutional and structural reform will follow, although the nature of the reforms is not yet known. Peace in the troubled region of Casamance will remain elusive.

A constitutional referendum is likely to be held in November 2000. Mr Wade suggested a specific date, November 26th, although other government members appear to be less certain. This should pave the way for an early legislative election in the first half of 2001. In the interim Mr Wade will need to compromise with the still-powerful PS, which controls not only the National Assembly (parliament) but also many local governments and parts of the state administration. The government encompasses a broad opposition alliance, so Mr Wade will also need to manage simultaneously the sometimes conflicting aspirations of his allies. This will be especially important as they begin manoeuvring for political advantage in anticipation of the legislative election. Differences will probably arise with the drafting of a new constitution. The type of constitutional amendments to be submitted to the popular vote is increasingly unclear. Already, Mr Wade seems to have reversed his decision to reduce the presidential term of office, from seven years to five, and to eliminate the advisory Senate, the controversial upper chamber of parliament established in 1998 by the PS majority.

Renewed sporadic fighting in the southern region of Casamance, causing the deaths of more Senegalese soldiers, illustrates that the insurgency in this region will not simply go away and that the authorities must move urgently to keep the peace process in Casamance on track. How Mr Wade's government intends to pursue talks with the rebel Mouvement des forces démocratiques de Casamance (MFDC) is currently in doubt, despite his insistence that peace in Casamance remains a high priority. Some of his statements and actions seem to question the agreed negotiation process established in the Banjul accords between the PS government and the MFDC in December 1999. This has raised suspicion among MFDC leaders about the new president's motives. More seriously, Mr Wade's public request to France for significant new armaments has raised the spectre of a return to a military option by the authorities in Dakar, despite denials to the contrary.

Election watch

Whenever the next legislative election is held, it will be a major test of the relative strengths of the parties in Mr Wade's coalition. Although they joined forces against the PS in the presidential poll, most parties are likely to go their separate ways in the general election. This is partly because unity is no longer seen as essential to inflict further defeat on the PS, and partly because the parties' current relative positions within the coalition are based on old voting patterns that may well have been overtaken by the dynamic new political situation. The most important contest will be between Mr Wade's Parti démocratique sénégalais (PDS) and the Alliance des forces du progrès (AFP), led by the prime minister, Moustapha Niasse. The PDS would, of course, like to gain a parliamentary majority, which would obviate the sheer necessity of a coalition government. But the AFP also expects to improve its position, building on Mr Niasse's surprisingly strong showing in the first round of the presidential election.

Plagued by internal rifts and continued defections to former opposition parties, the PS is likely to lose its majority in parliament, even if it joins forces with Djibo Kâ's Union pour le renouveau démocratique. Other left-wing parties now represented in the government, including the And-jëf/Parti africain pour la démocratie et le socialisme, the Ligue démocratique-Mouvement pour le parti du travail, and the Parti de l'indépendance et du travail, will probably field a common slate of candidates in the general election. They have already formed a *Pôle de gauche* and announced their desire to fuse into a single party before the presidential election, and although their merger plans were subsequently put on hold, the prospect of an early legislative election has placed the question of unity back on the agenda.

International relations

Patching up relations with Senegal's immediate neighbours has also become a priority, after a series of provocative statements made by Senegalese officials in May and June contributed to a sudden rise in tension. Both Guinea-Bissau and The Gambia were explicitly accused of directly aiding the MFDC—partly true—and even of sending mercenaries across the border into Casamance. These charges, combined with Mr Wade's arms request to France, prompted the Gambian government to withdraw briefly from its role as an official mediator in the Casamance peace process. Steps toward reviving a controversial water project on the River Senegal led the Mauritanian government to order the expulsion of all Senegalese from that country, an order that was rescinded following Mr Wade's pledge to abandon the project.

Mr Wade's broader foreign policy has made some progress. Relations between Mr Wade and the French authorities had previously been cool because the latter had openly supported the former president, Abdou Diouf. However, relations improved considerably during Mr Wade's visit to France in May, his first visit outside Africa as president. Senegal has received renewed approval from the International Monetary Fund and the World Bank, ensuring reasonably good relations with the broader donor community.

Economic policy outlook

Policy trends

Bolstered by the IMF's recent disbursement of credit under the 1998-2001 poverty reduction and growth facility (PRGF), the Senegalese government may accelerate its programme of economic reform. In completing its first review of the US$142m PRGF it approved in April 1998, the IMF noted that Senegal's overall performance was satisfactory but that continued progress in implementing reforms in the areas of fiscal consolidation and transparency, privatisation and poverty alleviation was needed. In particular, a poverty reduction strategy paper needs to be completed by 2001 for Senegal to become eligible to benefit from a US$800m debt relief package under the heavily indebted poor countries initiative.

According to the Ministry of Economy and Finance, ten public enterprises that were slated for privatisation for some time under the previous prime minister will be sold off by early 2001. Among them are several of the larger parastatals, including the groundnut marketing and processing enterprise, Société nationale de commercialisation des oléagineux (Sonacos) and the state cotton company, Société de développement des fibres de textiles (Sodefitex). However, both Sonacos and Sodefitex are in a poor financial state, making it difficult for the new authorities to find a strategic partner.

The new administration has placed job creation and social-sector concerns at the heart of its development programme, but implementing such policies against a background of heightened social demands will not be easy. In addition, implementation could be made more complex by the realities of coalition politics. While they were in opposition, the parties supporting Mr Wade encouraged and supported a wide range of social protests. Now that these parties have assumed power, many Senegalese believe that they should be answering their specific demands, especially as some coalition leaders have made little effort to hide their sympathy for various specific policies. Since the inauguration of the new government there have been strikes by water utility workers, student teachers, hospital workers in St. Louis and many others.

Fiscal policy

In budgetary matters the government will endeavour to maintain a positive primary balance, to keep salary outlays within the levels agreed with other members of the regional Union économique et monétaire ouest-africaine (UEMOA), and to broaden the tax base, partly to compensate for the loss of tariff revenues resulting from the sharp reduction of tariffs among the UEMOA states.

Monetary policy

The regional central bank, Banque centrale des Etats de l’Afrique de l’ouest (BCEAO), will continue to pursue a sound monetary policy throughout the zone. The regional bank has recently raised its discount and repurchase agreement rates by 0.75 percentage points, to 6.5% and 6% respectively, to help contain any inflationary pressures within the zone. With the regional currency, the CFA franc, pegged to the euro, this partly reflects the recent decision of the European Central Bank to raise its interest rates. In addition, according to the BCEAO, credit within the zone has risen despite the general slowdown in economic activity, adding to the risk of inflationary pressures. Paradoxically, however, the cost of borrowing has remained high, hovering between 10% and 14% in Senegal, because of high risk margins.

Economic forecast

International assumptions

The prospects for growth in the global economy are encouraging: the EIU forecasts that world GDP will grow by an average 4.6% in 2000 in real terms, compared with 3.4% in 1999. France, a major trade partner of Senegal, is expected to post a growth rate of 4.1% this year, up from 2.9% in 1999. Export prices for fish products, Senegal's main export, are expected to rise, reflecting a tight global supply coupled with buoyant consumer demand in the subregion, the EU and in Asia. In contrast, world prices for groundnut products, Senegal's traditional commodity export, will remain weak, reflecting ample supplies of competing oilseeds.

World prices for oil—which accounts for roughly 12% of Senegal's import bill—will remain high over the forecast period. The benchmark Brent crude is forecast to rise by 37.2% to US$24.5/barrel this year, from US$17.9/b in 1999, before averaging a slightly lower US$20/b in 2001 as both OPEC and non-OPEC members step up their production. Rice, which Senegal imports in large quantities every year, will be in oversupply on global markets, with prices (Thai white 100% 2nd grade fob Bangkok) declining to US$233/tonne in 2000. In contrast, prices for wheat (US No.2 Hard Winter), another important imported food crop, are forecast to rise by 20% to US$141/tonne in 2000.

Senegal: international assumptions summary
(% unless otherwise indicated)

	1998	1999	2000	2001
GDP growth				
US	4.3	4.2	5.0	2.9
EU	2.6	2.2	3.1	2.8
France	3.2	2.9	4.1	3.1
Exchange rates (av)				
US$ effective (1995=100)	119.3	116.4	117.5	112.9
CFAfr:US$	590.0	615.7	705.3	657.6
CFAfr:¥	4.51	5.41	6.56	6.31
Financial indicators				
US$ 3-month Libor	5.59	5.42	6.75	6.78
€ 3-month interbank rate (DM before 1999)	3.53	2.97	4.25	4.80
Commodity prices				
Oil (Brent; US$/b)	12.8	17.9	24.5	20.0
Groundnut meal (US$/tonne)	116.2	102.7	123.5	132.3
Rice (US$/tonne)	313.8	254.0	233.0	265.0

Economic growth

We have not changed our forecast for real GDP growth, which is expected to reach 5.7% in 2000 and 6% in 2001. Activity in the industrial sector will remain buoyant. Electricity supply should improve as new capacity comes on line, and manufacturing output should register a good recovery this year (4.9% growth is forecast) with the pace broadly maintained next year. A particularly good performance is forecast for construction, stimulated by ongoing projects in the transport sector—although some of Abdoulaye Wade's grand projects, such as the construction of a new airport in Keur Massar and a new wholesale market in Diamniado, will take some time to materialise. Mining should also do well in 2000 and in 2001, as production at the new phosphate mine in

Tobene picks up. According to the latest report from the FAO/Global Information and Early Warning System on Food and Agriculture, current climatic conditions remain favourable in the Sahel, with rains starting in late April in south-east Senegal and progressing to the centre and north-west of the country by July. Planting for the 2000/2001 agricultural season went well, and assuming continued good weather conditions we continue to forecast a 5% real GDP growth in the agriculture and livestock sector.

Inflation

Tight monetary and fiscal policy will help to keep inflation at around 2% over the forecast period. There has been significant reduction in prices over the past few months, ranging from rice and groundnut oil prices to the cost of international telephone calls. Fuel prices remain fixed by the government, despite the cost involved at a time of high world oil prices. According to UEMOA estimates, Senegal consumer prices in April had increased by an average of 0.8% over the last 12 months.

Exchange rate

Pegged to the euro at a rate of CFAfr656:€1, fluctuations in the CFA franc primarily reflect economic fundamentals between the euro area and other major industrialised economies. Because the economic prospects for the euro area are forecast to improve, and the markets are now ready to believe that the US economy will slow, we expect a gradual strengthening of the euro over the course of this year and into 2001. From an average of US$0.97:€1 this year, the new currency is set to average US$1.04:€1 in 2001. As a result of the automatic link, the CFA franc will also strengthen, from an average of CFAfr677:US$1 in 2000 to CFAfr631:US$1 next year.

Senegal: forecast summary
(% unless otherwise indicated)

	1998[a]	1999[b]	2000[c]	2001[c]
Real GDP growth	5.7	4.8	5.7	6.0
Industrial production growth	20.4	3.8	5.8	6.3
Gross agricultural growth	–1.3	6.8	5.2	5.5
Consumer price inflation (av)	1.1	0.8	1.5	2.0
Short-term interbank rate	4.8	5.0[a]	5.3	5.0
Government balance (% of GDP)	0.4	0.2	0.3	0.5
Exports of goods fob (US$ bn)	1.0	1.0	1.0	1.1
Imports of goods fob (US$ bn)	–1.2	–1.3	–1.3	–1.3
Current-account balance (US$ bn)	–0.1	–0.2	–0.1	–0.1
% of GDP	–3.1	–3.3	–2.2	–1.5
External debt (year-end; US$ bn)	3.9	4.1	4.1	4.1
Exchange rates (av)				
CFAfr:US$	589.95	615.70	676.84	630.73
CFAfr:¥100	450.68	540.53	629.53	605.01
CFAfr:US$	589.95	615.70	676.84	630.73

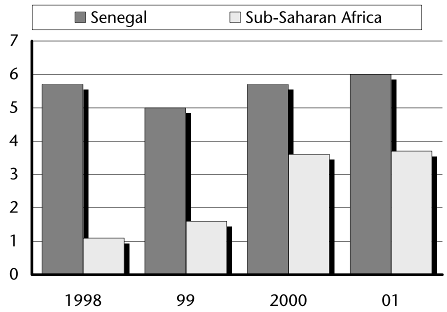
[a] Actual. [b] EIU estimates. [c] EIU forecasts.

External sector

The current-account balance will remain in modest deficit, equivalent to 2-3% of GDP through the outlook period. The stronger growth in construction, mining and manufacturing will push up import spending by 6% this year and by 5% next year, in US dollar terms. Growth in export earnings will be constrained by weak world prices for traditional exports (fish products and groundnuts), but a high phosphate supply will ensure a modest increase in both years, keeping the merchandise trade gap at around US$300m. Inflows of transfers, buoyed up by aid, will broadly offset this deficit. Senegal is likely to start benefiting from debt relief under the heavily indebted poor countries initiative by end-2001, with the World Bank's International Development Association providing interim debt relief by July 2000.

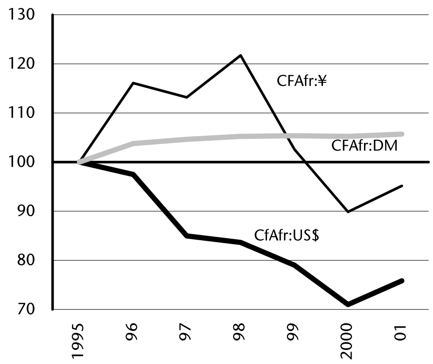
Senegal: gross domestic product

% change, year on year



Senegal: CFA franc real exchange rates (a)

1995=100



(a) Nominal exchange rates adjusted for changes in relative consumer prices.

The political scene

There are signs of rifts in the coalition government

If Abdoulaye Wade, Senegal's long-time opposition leader, expected some time to settle into his new role as president, he has been disappointed. The months since his inauguration on April 1st have been marked by numerous reminders of just how difficult his job will be. This is partly because the Parti socialiste (PS; the ruling party since independence) still holds a majority in the National Assembly (parliament), but some of the complexities also lie within Mr Wade's own political camp. In addition to members of his own Parti démocratique sénégalais (PDS), who constitute about one-third of the cabinet, the government includes leaders of five other parties that supported him against the former president, Abdou Diouf (May 2000 page 13).

Although the ministers have been careful to present a public face of mutual appreciation and respect, the Senegalese press has been quick to pick up on apparent tension and political differences among the coalition members. In particular, some leaders of the three left-wing parties represented in government—the And-jëf/Parti africain pour la démocratie et le socialisme, the Ligue démocratique-Mouvement pour le parti du travail, and the Parti de l'indépendance et du travail—have felt slighted by the prominence given to the prime minister, Moustapha Niasse. A former PS leader who formed his own party, the Alliance des forces de progrès, last year after defecting from the PS, Mr Niasse came third in the first round of the presidential election in March, but then threw his support behind Mr Wade in the second round, which proved decisive to Mr Wade's victory. Some coalition leaders have also been unhappy with Mr Wade's decision to accord cabinet-rank status to Idrissa Seck, the PDS's deputy leader and the new presidential chief-of-staff. A press suggestion that Mr Seck, in response, had directly criticised Mr Niasse, led the government to issue a formal denial that any "shadow of disagreement" had ever emerged between the president and prime minister.

Changes are taking place in public administration

Many lower positions in the administration are now undergoing changes in personnel as the new government tries to sink firmer roots into the state apparatus and break the near-monopoly on key civil service posts once enjoyed by the PS. Under the last PS government there were 126 service directors, five of them general and the rest falling under the various ministries; as a rule, these went mostly to PS loyalists, raising concern that political patronage took precedence over competence. The new government has increased the total number of service directors to 131, and has begun filling these positions. Although Mr Wade and his allies have vowed to depoliticise administrative appointments, the independent press has been quick to speculate whether a party "quota" system will be employed, similar to the one used to form the cabinet, and whether Mr Wade will seek to pacify some of the coalition parties not in the cabinet with some lower-level appointments. Even if a system of political quotas is not used, it is certain that many PS directors will be sacked, especially those seen as ineffective or tainted by scandal. This began to happen in the state enterprises within just a few weeks of the president's inauguration, and is likely to accelerate as the government pursues its financial audits of the parastatals. For example, the heads of the port of Dakar and the national lottery, both PS stalwarts, have been replaced by retired military officers, and a technocrat was named as head of the national railway company, displacing a controversial managing director who had tried to use his position to benefit personally from the company's impending privatisation.

Mr Wade asks for a review of an old political case

Perhaps in part to further discredit the PS old guard, Mr Wade has asked the new minister of justice, Mame Madior Boye, to review the 1963 trial and conviction of Mamadou Dia. Mr Dia, a former president of the Council of Ministers (and thus, in effect, prime minister), was convicted on charges of plotting a coup against the then president, Léopold Sédar Senghor. Mr Wade, at that time a lawyer, was a member of the defence team. Mr Dia was imprisoned until 1974 and granted an amnesty two years later. He then founded and led the opposition Mouvement pour le socialisme et l'unité (MSU). Although the 89-year-old Mr Dia is now in political retirement, the MSU supported Mr Wade's presidential campaign, and Mr Dia personally visited Mr Wade the day after his electoral victory to congratulate him.

Nature of constitutional changes remains uncertain

After months of political manoeuvring, Mr Wade has confirmed that a constitutional referendum will be held in November. This should pave the way for a legislative election in March 2001. Although most parties outside the PS seemed to support the referendum option, there had been intense debate as to whether this was the best way to reform Senegal's political system. Changing the constitution by direct popular vote could prove costly: Mr Wade estimated the cost of holding new elections at about FFr140m (US$20m) during his visit to Paris in May. But the government's ability to amend the constitution—and in particular to call for an earlier legislative election—through a parliamentary vote remains limited. Under the existing constitution, the mandate of the current National Assembly (parliament)—where the PS still holds a majority despite a number of defections following Mr Diouf's defeat—is not due to expire until 2003. Nonetheless, some prominent PS leaders have indicated their willingness to dissolve parliament through the passage of a no-confidence vote, or through an organised mass-resignation of PS deputies, although internal rifts within the party meant that they could not guarantee that all PS deputies would actually act as agreed. In addition, the number of PS deputies has now dropped from 93 to 80 because of defections to former opposition parties.

The nature of the constitutional amendments the PDS and its allies will seek to make is no longer as clear-cut as it seemed during the presidential election campaign. At that time, the coalition promised to replace Senegal's highly centralised presidential system with one that would give the legislature greater authority and accountability. Some coalition leaders went to the extent of referring to the new system as a "parliamentary regime," with the prime minister and government directly accountable to the National Assembly and the powers of the presidency confined to specified areas. However, since he took up the presidency Mr Wade has spoken of a "semi-parliamentary" government, not precisely defined but implying the retention of more significant powers by the presidency. Differences have also emerged over some of the more concrete amendments. Formally, all the parties in the governing alliance had agreed that a two-term limit should be reimposed on the presidential mandate, and that the terms themselves be reduced from seven to five years. It was suggested that Mr Wade could set a positive example by agreeing to his own current term lasting only five years, but he responded that the voters had elected him for seven years and it would not be right to circumvent their aspirations. Mr Wade also seems to have had second thoughts on eliminating the advisory Senate, the controversial second chamber established in 1998 by the PS. Even though there has not been any official confirmation, the defection of the Senate president, Abdoulaye Diack, to the PDS in early July would seem to confirm this.

The old electoral commission is retained

Not only has Mr Wade's government decided to keep the existing electoral monitoring body, the Observatoire national des élections (ONEL), but in May it also reappointed Louis Pereira de Carvalho as president of ONEL. On the surface this might seem an abrupt reversal of position. Before the presidential election, the PDS and its allies had pressed strongly for the establishment of a more independent and powerful commission, to be called the Commission électorale nationale indépendante (CENI). Formally, most coalition leaders still express their preference for the CENI, and some were openly uneasy with the decision to retain the ONEL. But with all the other political battles looming in the coming months, establishing a new commission now seems less urgent and a consensus emerged that the CENI could be easily postponed. Also, despite all the shortcomings highlighted—and perhaps exaggerated—by the then-opposition, the ONEL functioned with a degree of fairness and effectiveness sufficient to enable Mr Wade to win against the seemingly entrenched PS. The Ministry of the Interior, which organises the elections, is now in the hands of a retired General, Mamadou Niang, who was sacked from his position as head of ONEL by the former president because of his outspoken criticism of PS electoral practices. The government is therefore confident that the PS will have much less freedom to bias the vote in its own favour, and General Niang has already warned local government officials and prefects (who are overwhelmingly PS) that he will deal firmly with any attempts to manipulate the electoral system.

Some aspects of the electoral system are still in dispute, however. Most coalition leaders remain uneasy about the existing voters' lists and are pressing for immediate changes, in preparation for a referendum in November. A bill, submitted to the current session of the Assemblée nationale, to base a new voters' list only on those who took part in the second round of the presidential election is meeting opposition from the PS majority, who are evidently worried that the new list would eliminate those PS supporters who voted in the first round but were too demoralised by the results to turn out for the second. On the separate issue of making a choice between proportional representation and simple majority voting, the larger parties—the PDS and some of its allies, along with the PS—favour retaining the current system, which combines the two. As a result, no legislation has been drafted to change the system. However, the smaller parties in Mr Wade's coalition argue for elections on a strictly proportional basis, which would make it easier for them to gain representation.

The weakened PS may join forces with Mr Kâ

The PS has had little time to adjust to its new role in the opposition, being forced almost immediately to struggle to prevent further internal division. Since the presidential election each week has brought more resignations, often from local party leaders and sometimes from national figures. Factionalism has increased considerably among those who remain. Within the political bureau itself, a group of prominent figures that included the former agriculture minister, Robert Sagna, and the Mayor of Dakar, Mamadou Diop, launched an unsuccessful bid in April to depose the PS first secretary, Ousmane Tanor Dieng. Many blame Mr Dieng for weakening the party in recent years with his heavy-handed management style, and pressure for his expulsion will continue. His fate may partly depend on the type of campaign the PS chooses to mount in the legislative election; whether it decides to stick with its old programme and methods, or to refashion itself, with a different image and new set of faces at the very top.

By June another possible alternative had begun to emerge—an alliance with Djibo Kâ, a former PS leader who split from the party in 1997 and formed the Union pour le renouveau démocratique (URD). Although the URD did well in the 1998 parliamentary election, Mr Kâ himself came in a distant fourth in the presidential poll, far behind the other PS defector, Mr Niasse. The first sign of a possible reconciliation between Mr Kâ and the PS came just before the second round, when he threw his support behind Mr Diouf. Since then he has openly raised the prospect of a reunion of the old PS "family"—if not yet a merger between the PS and his URD (or what is left of it after a wing broke away to support the new government), then at least an electoral alliance in the coming campaign. Some PS leaders seem quite open to the idea. Others are likely to be calculating how union with Mr Kâ might influence the PS's internal factionalism, especially as the URD leader has made little secret of his intense dislike for Mr Dieng.

Mr Wade's stance on Casamance is unclear

Although Mr Diouf's government signed a ceasefire and opened direct peace talks with the rebel Mouvement des forces démocratiques de Casamance (MFDC) in December 1999, sporadic clashes have continued in the southern region. A new spate of attacks by presumed rebels began before the first round of the presidential election in February, and picked up just after Mr Wade's inauguration, leading to the deaths of several Senegalese soldiers. Father Augustin Diamacoune Senghor, the MFDC's central political leader, suggested the attacks were carried out either by bandits or by dissident MFDC hardliners under the command of Salif Sadio, the leader of the hardline Southern Front.

President Wade's response to these developments has been slightly contradictory. Despite affirmations that he would place a higher priority on ending the Casamance war than the previous government had done, his initial statements and actions have raised doubts about his commitment to the existing peace process. In an interview with the Paris weekly newspaper *Jeune Afrique-l'Intelligent* just before his visit to France in late May, Mr Wade said he would personally take charge of the Casamance dossier and would deal with the MFDC without intermediaries. The December 1999 accord signed in Banjul had been facilitated by various intermediaries, including Casamance clergy and civil society organisations and the governments of The Gambia and Guinea-Bissau. Mr Wade's comments have therefore led observers, including some MFDC leaders, to wonder whether he was abandoning the Banjul initiative.

Arms request to France increases regional tension

Even more unsettling were a series of bellicose statements in which Mr Wade blamed The Gambia and Guinea-Bissau of encouraging, and even instigating, the recent Casamance attacks, with the latter in particular accused of sending mercenaries across the border. The charges may not be groundless, because powerful figures in Guinea-Bissau's military have backed the MFDC for some time and several nationals from that country were recently arrested in Casamance, supposedly for aiding the MFDC. In any case, the charges provided the justification for Mr Wade's request to France for significant new armaments to help Senegal to defend its borders. The Gambia promptly announced that it was withdrawing as a mediator. MFDC representatives said that the Casamance movement would not take part in peace talks if The Gambia and Guinea-Bissau were not involved, and even speculated over whether Mr Wade's arms request signalled continued interest in a military solution to the conflict. For its part, the French government, somewhat embarrassed by Mr Wade's request, replied that it would not supply arms for use in Casamance, but would help to equip a contingent of 2,500 Senegalese troops slated to participate in a possible UN peacekeeping mission in the Democratic Republic of Congo. In the face of such sharp reactions, Mr Wade soon backtracked, maintaining that he only really wanted French help in outfitting the peacekeeping troops. Then in early June he told a cabinet meeting that Senegal would continue to work towards a Casamance solution in collaboration with the heads of state of Guinea-Bissau and The Gambia.

Economic policy

The IMF and World Bank express their satisfaction

In addition to approving Senegal for inclusion in their debt reduction initiative (see Foreign trade and payments), the IMF and World Bank have expressed broad satisfaction with the country's overall economic policy. In June the IMF executive board completed its first review of Senegal's performance under a US$142m three-year poverty reduction and growth facility (PRGF, previously called the enhanced structural adjustment facility), signed in mid-1998. "Notwithstanding some slippages", noted the IMF deputy managing director, Eduardo Aninat, Senegal "successfully completed" the review, prompting the Fund to release a further disbursement of US$19m, bringing the total disbursed under the PRGF so far to US$85.5m. Areas of particular concern raised by the review included:

- the need to contain overall budgetary outlays, notably the wage bill;
- the advisability of not using the safeguard provisions of the Union économique et monétaire ouest-africaine common external tariff, to avoid granting additional protection to inefficient domestic industries;
- the problem of delays in implementing the privatisation programme, the importance of adhering closely to the new privatisation agenda; and
- the failure of strong macroeconomic growth to date to translate into noticeable improvement in social indicators and alleviation of poverty.

The month before the IMF review, Callisto Madavo, the World Bank's vice-president for Africa, visited Dakar, where he was satisfied that the government was not questioning the basic economic agreements negotiated by its predecessor. "If there are modifications to be made", he stated, "we are ready to discuss them." Mr Madavo also told the press that, in principle, the Bank supported the ambitious "grand projects" of the president, Abdoulaye Wade, because an improved infrastructure should create a better economic structure. He warned, however, that these projects should not upset the macroeconomic framework.

River project stirs conflict abroad and at home

One of Mr Wade's projects is to develop irrigation systems throughout Senegal by tapping into the country's river and groundwater networks. This was proposed during the election campaign, and was first taken up officially at a cabinet meeting in May. The government of neighbouring Mauritania, which has long been worried that Senegalese irrigation plans could end up diverting water from the River Senegal between the two countries, interpreted Mr Wade's project as an attempt to reintroduce an old project to revitalise 3,000 km of dried-up valley lands, known by Senegalese as the Vallées Fossiles. Under combined pressure from Mauritania and major donors (who questioned the project's viability), the former president, Abdou Diouf, had agreed to drop the project in 1998. The impression that the new government was now reversing that decision was encouraged by some ministers, including the Minister of Agriculture, Pape Diouf, who talked explicitly about reviving the Vallées Fossiles.

The Mauritanian government reacted very sharply—on June 4th it ordered that all Senegalese in Mauritania leave within 15 days. With memories of the severe ethnic riots of 1989 still very much in mind, this move sparked a comparable panic among Mauritanians living and working in Senegal, and many began to flee back to their own country. The Senegalese security forces, fearing further escalation of the problem, were mobilised along the common border. The official Mauritanian press specifically cited the Vallées Fossiles project as a reason for the conflict, although it listed other grievances: the presence in Senegal of militants of the opposition Forces de libération africaines de Mauritanie; a recent tightening of identity checks on Mauritanians in Senegal; and Mr Wade's request to France for more arms. However, the crisis was defused over the weekend of June 17th-18th, when Mr Wade paid an official visit to Nouakchott and announced that the Vallées Fossiles project would be suppressed. In fact, he added, it had never really been part of his proposed national water project.

Mauritania appeared to be relieved, and promptly rescinded its expulsion order against Senegalese resident in the country, but Mr Wade's government faced heavy criticism back home. The Parti socialiste, Djibo Kâ's Union pour le renouveau démocratique and other parties declared their support for the Vallées Fossiles project and charged Mr Wade with betraying Senegal's national interests in the face of outside threats. Farmers and livestock herders demonstrated against the minister of energy, Abdoulaye Bathily, when he visited areas along the River Senegal. Technical experts involved in studying the feasibility of the project maintained that Mauritania's accusations were unfounded. As a result Mr Wade and other government officials took a more qualified tone when addressing Senegalese audiences, and stated that the project is not now on the government's agenda, but when all the feasibility studies are complete the project may be submitted for consideration to the Organisation pour la mise en valeur du fleuve Sénégal, which groups Senegal, Mauritania and Mali.

Prices are cut

Government efforts to address general public concern about high prices have run into conflicting economic interests. In June, following consultations with rice importers, the government announced a reduction of the retail price by CFAfr15-CFAfr30/kg. As the reduction is supposed to come out of retailers' profit margins the measure is proving difficult to enforce, and where the price has come down some traders have simply diverted rice to Guinea-Bissau, where higher profits are possible. The biggest obstacle to further reducing the price of rice is the surtax imposed on foreign rice to protect domestic rice producers from lower-priced imports. Small-scale retail traders have called for eliminating the surtax but farmers strongly oppose such a move, which leaves the government very little room to manoeuvre. The groundnut processing company, Société nationale de commercialisation des oléagineux, has announced a cut of CFAfr15/litre in the domestic price of groundnut oil, now at CFAfr585/litre. The privatised telecommunications company, Société nationale de télecommunications, has also lowered its tariffs for international calls quite significantly, by 15% for calls in Africa, by 24% for calls to western Europe and by 26% for other international destinations.

The domestic economy

Industry

Industrial turnover and investments rise

In 1998 total earnings of the 140 largest industrial enterprises (with turnovers of CFAfr100m or more) reached CFAfr1,010.8bn, a 5.4% increase on the year before, which itself was 10.7% higher than in 1996, according to figures released by Dakar's Chamber of Commerce, Industry and Agriculture. These figures compare very favourably with the average growth of industrial sales in Africa, which the chamber estimated at 3.7% in 1998 and 3.2% in 1997. The investments of these Senegalese industries reached CFAfr88.1bn in 1998, an 11% increase, compared with 5.7% in 1997 and a hefty 14% in 1996. Among individual enterprises, the Industries chimiques sénégalaises recorded the largest turnover (CFAfr119.5bn) in 1998, followed by the Société africaine de raffinage (CFAfr109.5bn), the Société nationale de commercialisation des oléagineux du Sénégal, the Société nationale d'électricité du Sénégal and the Compagnie sucrière sénégalaise.

Senegal: industrial production
(CFAfr bn)

	1997	1998	% change
Chemicals & oil refining	333.0	337.4	1.3
Fish conservation & processing	100.3	109.4	9.1
Food processing	96.7	109.2	12.5
Edible oils	n/a	99.6	n/a
Agro-industries	77.5	74.5	–3.9

Source: Chambre de commerce, d'industrie et d'agriculture de Dakar.

Although industrial turnover and investments registered strong growth, employment levels did not. The number of jobs in the 140 largest industrial enterprises rose by a bare 1.1% in 1998, following a sharp contraction of 8.4% in 1997. Without a commensurate rise in jobs, the investment figures suggest that most investment went into further mechanisation. The Chamber of Commerce, Industry and Agriculture also noted that most growth took place in export-oriented industries. Nonetheless, inadequate transport and infrastructure, high electricity rates, and costly and time-consuming administrative procedures were all cited as major constraints to activity in the industrial sector.

Agriculture

Cotton outturn continues to disappoint

In contrast to earlier forecasts, estimates of seed cotton output in the 1999/2000 season (October-September) point towards a very disappointing 14,600 tonnes. This is well below the 23,000 tonnes previously projected by the Société de développement des fibres textiles (Sodefitex), which was already a downward revision from an even earlier forecast of 45,000 tonnes. The 1999/2000 harvest thus marks only a slight recovery from the disastrous 11,500 tonnes yield in 1998/99, which was down from around 40,000 tonnes in the previous year.

In 1998/99 it was easy to blame poor weather and serious parasitic crop infestations for low production levels, but this season's outcome is harder to explain and has spurred considerable debate among Sodefitex officials and farmers' organisations. A number of suggested reasons point towards structural factors that are not easily overcome. Sodefitex officials tend to blame the cotton farmers, saying that they do not make proper use of the inputs they buy on credit. Farmers complain about the rising cost of the inputs, especially in a sector where the overall costs of production are relatively high. Even when farmers obtain fertilisers and insecticides, they are strongly tempted to divert them to other cash crops such as groundnuts and cereals, and this diversion in turn reduces cotton yields. Unlike some other francophone countries where cotton dominates the cash crop sector, in Senegal it is possible to grow a range of crops even in the cotton-growing regions themselves, making it easier for farmers to rotate crops. Additionally, because inputs are bought on credit a poor harvest burdens farmers with debt, hampering their ability to obtain more inputs the following season. In response, Sodefitex declared a 10-year moratorium on the CFAfr3.8bn (US$5.5m) unpaid debt of cotton farmers. Leaders of the Fédération nationale des producteurs de coton (FNPC) argue that this is not enough, because farmers worry about accumulating further debt. Of 80,000 farming families registered with the FNPC, some 60% have not yet signed up to grow cotton in the coming season. Generally, Sodefitex's initial targets have proved overambitious, recently hovering around an annual goal of 50,000 tonnes. Taking some of the constraints into account, Sodefitex is projecting a more modest 35,000 tonnes for 2000/01, but the farmers' general disillusionment with growing cotton in recent years may make even this target unrealistic.

The problems in the cotton fields are likely to further complicate the planned privatisation of Sodefitex. Not only are the farmers' unpaid debts undermining the enterprise's balance sheet position, but they also are hindering its investment plans, aimed at improving input services and collection capacity, which are both essential to winning farmers back to growing the crop. In addition, under the current model for the privatisation of Sodefitex, 10% of the shares are reserved for enterprise employees, who have had great difficulty mobilising the resources to take up the shares. Although the National Assembly approved the privatisation of Sodefitex in June 1999, it has not yet been promulgated by the president.

Foreign trade and payments

Senegal now qualifies for HIPC debt relief

The World Bank and IMF determined in late June that Senegal now qualifies for significant debt reduction under their joint heavily indebted poor countries (HIPC) initiative. This would bring down Senegal's stock of external debt by around US$800m, out of a total estimated debt in 1999 of just over US$4.1bn. Senegal was previously considered for the HIPC in early 1998 but, under the criteria then in effect, its debt was deemed to be sustainable, given other relief from the Paris Club of bilateral creditors. However, last year the Group of Seven countries agreed to "enhance" HIPC, in part by lowering the eligibility thresholds. According to the new criteria, a country's debt is considered to be unsustainable if it exceeds either 150% of export earnings or 250% of fiscal revenue. Senegal technically qualifies on both counts, and also is judged by the Washington institutions to have a good track record of economic management and reform. Based on the qualification decision, the World Bank's International Development Association (IDA) is providing interim debt relief as of July 1st, while the IMF will start interim relief once it has obtained assurances of participation from Senegal's other creditors. Senegal's HIPC completion point—when the full relief package will begin to take effect—first requires that the government fulfils a number of conditions, a process expected to take until the end of 2001. The conditions are as follows:

- completion of a poverty reduction strategy paper, drafted in consultation with civil society groups and endorsed by the IMF and World Bank Executive Boards;
- implementation of other poverty reduction measures, including improvement in the collection of poverty data, implementation of the IDA-supported Quality Education for All programme (which includes increased budgetary allocations to primary education), and continued implementation of health sector reforms;
- maintenance of a stable macroeconomic environment, as measured by the performance criteria of the IMF's poverty reduction and growth facility and the structural reform programmes agreed with the World Bank; and
- confirmation of the participation of other creditors in the debt-relief operation.

The US remains a major aid player

Reconfirming that Senegal is still regarded as a priority country in Africa by the US Agency for International Development (USAID), the US ambassador to Senegal, Harriet Elam Thomas, signed five new aid conventions in Dakar on June 8th, totalling around US$25m—more than CFAfr14bn. Two of them conform to USAID's strategic objectives in Senegal: the post-war rehabilitation and development of Casamance, and promotion of basic primary education. (At the April 26th-28th World Education Forum held in Dakar, agency officials emphasised that the latter is a USAID priority throughout much of Africa.) The three other aid conventions concerned private-sector development, improvements in democracy and governance, especially at the local level, and strengthening of the health system.

The Gambia

Political structure

Official name	Republic of The Gambia
Form of state	Unitary republic
Legal system	Based on English common law and the 1996 constitution
National legislature	House of Assembly: installed on January 16th 1997, having been suspended since the military coup of July 1994; 49 members, 45 elected by universal suffrage, 4 nominated by the president; all serve a five-year term
National elections	September 1996 (presidential), January 1997 (legislative); next elections due in October 2001 (presidential) and January 2002 (legislative)
Head of state	President, elected by universal suffrage for a five-year term
National government	The president and cabinet; last reshuffle January 2000
Main political parties	The ban on political activity was lifted in August 1996, but three pre-coup parties (the People's Progressive Party, the Gambia People's Party and the National Convention Party) are still proscribed. The ruling party is the Alliance for Patriotic Reorientation and Construction (APRC); the United Democratic Party (UDP) and the National Reconciliation Party (NRP) are the main opposition parties

	President & minister for defence	Yahyah Jammeh
	Vice-president & minister for health, social welfare & women's affairs	Isatou Njie Saidy
Key ministers	Agriculture	Hassan Sallah
	Civil service	Mustapha Wadda
	Culture & tourism	Susan Waffa-Ogoo
	Education	Thérèse Ndong Jatta
	External affairs	Lamine Sedat Jobe
	Finance & economic affairs	Famara Jatta
	Interior & religious affairs	Ousmane Badjie
	Justice & attorney-general	Pap Cheyassin Secka
	Local government & lands	Momadou Nai Ceesay
	Presidential affairs, House of Assembly, civil service, fisheries & natural resources	Edward Singhateh
	Public works, communications & information	Sarjo Jallow
	Trade, industry & employment	Musa Sillah
	Youth & sports	Yankuba Touray
Central Bank governor	Clarke Bajo	

Economic structure

Annual indicators

	1995	1996	1997	1998	1999
GDP at market prices (D m)	3,492[a]	3,800[a]	4,151	4,424	4,725[b]
Real GDP growth (%)	–3.4[a]	5.3[a]	4.9	4.7	4.2[c]
Consumer price inflation (%)	7.0	1.1	2.8	1.1	2.5[c]
Population (m)	1.11	1.14	1.17	1.20	1.23
Exports fob (US$ m)	122[a]	117[a]	117[a]	132[d]	70
Imports fob (US$ m)	161[a]	214[a]	201[a]	201[d]	180
Current–account balance (US$ m)	–8[a]	–48[a]	–24[a]	–44	–100
Reserves excl gold (US$ m)	106	102	96	106	111
Total external debt (US$ m)	429	460	434	477	n/a
External debt–service ratio, paid (%)	14.7	12.4	11.5	9.7	n/a
Groundnut production (‘000 tonnes)[a]	79.7	78.8	78.1	83.7	90.0[c]
Charter tourists (‘000)[a]	42.9	72.1	75.9	92.4	n/a
Exchange rate (av; D:US$)	9.55	9.79	10.20	10.64	11.32

July 14th 2000 D12.95:US$1

Origins of gross domestic product 1998	% of total
Agriculture	21
Industry	12
Services	67
GDP at factor cost	100

Components of gross domestic product 1998	% of total
Private consumption	76
Government consumption	17
Gross domestic investment	18
Exports of goods & services	51
Imports of goods & services	–62
GDP at market prices	100

Principal exports 1997	US$ m
Groundnuts (shelled)	5.1
Fish & fish preparations	4.6
Re-exports	99.9

Principal imports cif 1997	US$ m
Food & beverages	74.4
Machinery & transport equipment	44.7
Manufactures	26.3
Minerals & fuel	17.8

Main destinations of exports 1998[e]	% of total
Belgium-Luxembourg	72.0
France	7.1
Japan	6.3
UK	3.1

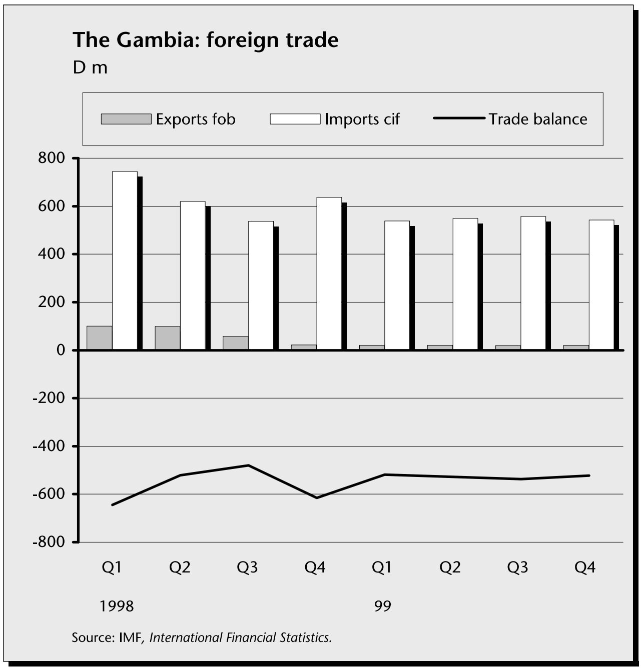
Main origins of imports 1998[e]	% of total
China (incl. Hong Kong)	28.1
Netherlands	7.9
UK	7.8
Belgium	5.9
Senegal	5.3

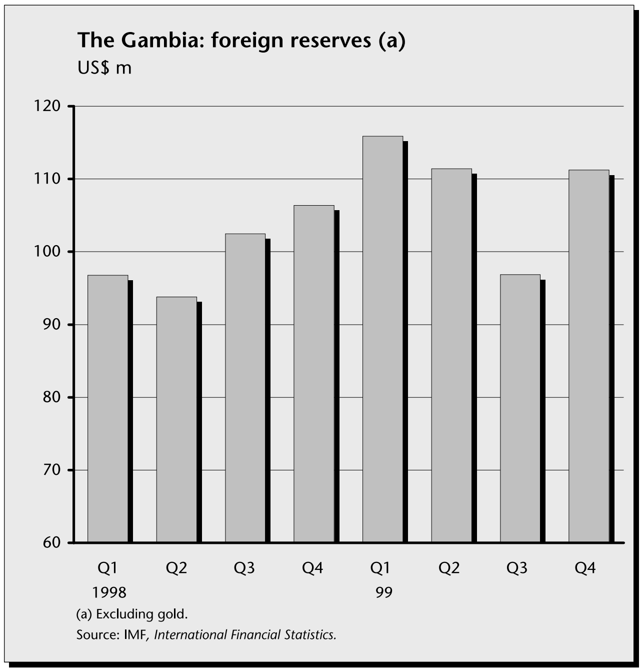
[a] Fiscal year ending June 30th. [b] EIU estimate. [c] Official estimate. [d] IMF estimate. [e] Derived from partners’ trade returns; subject to a wide margin of error.

Quarterly indicators

	1998 2 Qtr	3 Qtr	4 Qtr	1999 1 Qtr	2 Qtr	3 Qtr	4 Qtr	2000 1 Qtr
Prices								
Consumer prices (1995=100)	103.9	107.4	108.1	108.3	108.4	109.8	109.8	109.9
% change, year on year	–0.4	2.1	4.6	7.4	4.3	2.2	1.6	1.5
Financial indicators								
Exchange rate								
D:US$ (av)	10.558	10.651	10.824	11.078	11.295	11.551	11.656	11.829
D:US$ (end-period)	10.583	10.679	10.991	11.072	11.301	11.658	11.547	12.139
Interest rates (%)								
Deposit (av)	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Discount (end-period)	14.00	14.00	12.00	12.00	12.00	12.00	10.50	10.00
Lending (av)	25.50	25.50	25.00	24.00	24.00	24.00	24.00	n/a
M1 (end-period; D m)	575.4	591.8	626.6	755.2	676.8	623.5	716.0	902.3
% change, year on year	10.3	22.5	–0.5	25.8	17.6	5.3	14.3	19.5
M2 (end-period; D m)	1,176.6	1,218.0	1,311.6	1,426.0	1,421.8	1,366.3	1,470.3	1,769.0
% change, year on year	11.5	21.9	10.2	21.9	20.8	12.2	12.1	24.1
Foreign trade (D m)								
Exports fob	98.32	57.31	21.38	20.43	20.77	19.03	20.37	n/a
Imports cif	–619.62	–537.52	–637.33	–538.54	–548.67	–556.61	–543.00	n/a
Trade balance	–521.30	–480.21	–615.95	–518.11	–527.90	–537.58	–522.63	n/a
Foreign reserves (US$ m)								
Reserves excl gold								
(end-period)	93.79	102.45	106.36	115.86	111.39	96.84	111.25	118.96

Source: IMF, *International Financial Statistics.*





Outlook for 2000-01

Domestic politics

There is growing concern that domestic instability in The Gambia will worsen. A military coup was foiled in January, and the country has since been rocked by bloody student demonstrations and violent clashes between members of the opposition and militants from the ruling Alliance for Patriotic Reorientation and Construction (APRC). Public disquiet, particularly among unemployed youths, has been simmering for years, but the risk of civic strife is now real. In addition, the government has failed to meet the expectations of the farming community, traditionally the strongest APRC supporters. There is a serious risk that the security forces will commit further infringements of human rights. The president, Yahyah Jammeh, continues to use direct repression to suppress domestic opposition. His concern about his own popularity is evidently growing. Despite the approaching local elections, the Gambian president may be tempted to shy away from domestic politics and concentrate on regional diplomacy instead. However, he will need to keep a close grip on the military leadership, by far the strongest force in the country—without support from the army his position could face serious threat well before the presidential election of October 2001.

Election watch

Local government elections have been announced for November, but they may be delayed, and there are serious doubts whether President Jammeh will allow the polls to be fair and transparent. After a period of political truce, harassment towards the two main opposition parties, the United Democratic Party (UDP) and the National Reconciliation Party (NRP) has increased. The violent militancy of activists from the ruling APRC has gone unpunished, and some elements of the supposedly dissolved pro-Jammeh July 22nd Movement are still thought to be active. Despite flagging domestic support and evident internal rifts, the ruling party benefits from the obvious advantages of money and incumbency. Under such circumstances the chances of the opposition succeeding in shaking the ruling party's hold on local constituencies, or of undermining its ruling majority in parliament through democratic means, are slim.

International relations

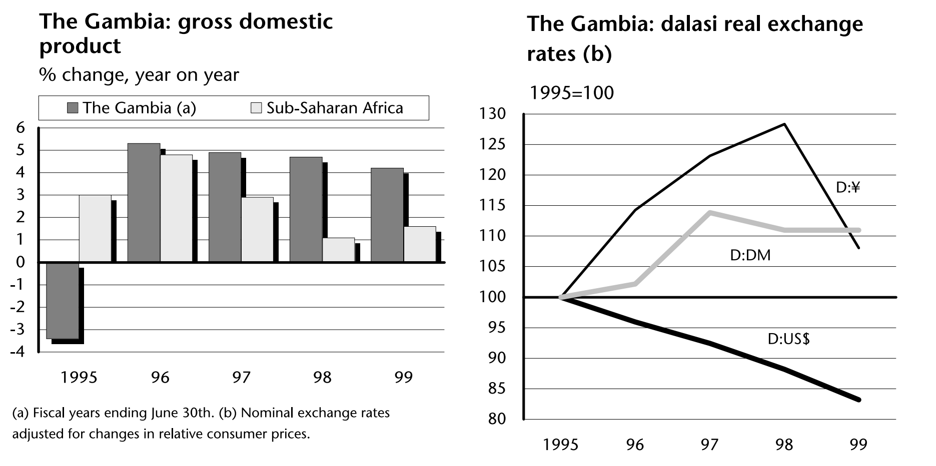
Despite a recent diplomatic stand-off with Abdoulaye Wade, the president of Senegal, the Gambian president will continue to seek to act as a mediator between the separatist Mouvement des forces démocratiques de Casamance (MFDC) and the Senegalese government. By virtue of his current position as president of the inter-state Sahelien organisation—best known by its French name, Comité inter-Etats de lutte contre la sécheresse au Sahel—Mr Jammeh has also successfully mediated in a dispute between Senegal and Mauritania. This will help him to fulfil his bid to become a leading African statesman in the region. However, relations with Western governments may remain tense if the government fails to heed calls to stop official harassment towards the opposition and the independent press. Bilateral donors may also start to question the future of their aid programmes with the country if corruption and financial mismanagement continue unabated.

Economic policy

The IMF will continue to press for further economic reforms under the 1998-2001 poverty reduction and growth facility (PRGF, formally named enhanced structural adjustment facility) programme—particularly in the groundnut sector, where the dispute with Alimenta, the owner of Gambia Groundnut Corporation, is still unresolved. A stronger commitment to both good governance and poverty alleviation will also be needed if the Gambian government is to be granted debt relief under the heavily indebted poor countries initiative.

Economic forecast

Growing domestic insecurity may prove inimical to the country's two most important sources of foreign revenue, aid and tourism. Assuming satisfactory weather conditions for the 2000/01 agricultural season, and taking into account the government's recent efforts to revive the country's marketing of groundnuts, real GDP could continue to grow by 4% over the forecast period. Inflation will remain subdued as food remains plentiful on local markets and the local currency, the dalasi, remains stable, owing to the central bank's sound monetary and exchange rate policy.



(a) Fiscal years ending June 30th. (b) Nominal exchange rates adjusted for changes in relative consumer prices.

The political scene

The culture of impunity continues

The regime of the president, Yayah Jammeh, has come under increased international scrutiny since a dozen students were shot dead and others wounded by members of the security forces during a demonstration on April 10th (May 2000, page 29). An eight-member commission of inquiry was set up in late April to examine the incident, but progress has been slow. The students' lawyers have also complained that the mandate of the commission was too narrow: in concentrating mainly on determining the extent of material loss and investigating which group of individuals was responsible for breaking the law, the commission has failed to address the basic issue of the cause of the students' injuries or deaths. As a result, those responsible for killing or wounding the students will probably not be prosecuted, thus perpetuating a culture of impunity among the armed forces. Confidence in the judiciary is at a low ebb, and its lack of independence from the executive is being increasingly questioned—the slow pace of the prosecution of fire-officers accused of torturing a student to death had prompted the students to take to the streets in the first place.

There was further protest from the opposition when Mr Jammeh announced his decision, in late June, to extend the powers of the Gambian National Guard (GNG), also involved in the April incident. Backdating the decision to April 7th, the GNG, which is an army corps, is now to work with the police to maintain law and order, and in particular to control riots. According to the designated presidential candidate of the opposition United Democratic Party, Sam Sallah, this may be a "subtle attempt to undermine the work of the commission". It also means that the GNG is now empowered to intrude into the daily life of each citizen, in a country where the army and paramilitary are already omnipresent. A number of police officers have expressed dissatisfaction with the government's decision, fearing that the police may become redundant. The army and paramilitary are by far Mr Jammeh's strongest support base, and the foiled coup attempt—whether fabricated or not—in late January has led to a series of shake-ups in the army. The April shootings have also prompted a reshuffle in the police force; the inspector general of police, Rex King, abruptly retired on June 22nd, with Sankung Badjie taking up the post a day later. At government level, the minister of local government and lands, Lamin Kaba Bajo was sacked in May, a move welcomed by the opposition, which also calls for the departure of the Minister of the Interior, Ousmane Badjie.

Political violence becomes a reality

The political temperature has risen significantly since the long-awaited local elections were announced for November (May 2000, page 29). Over the past few months, leaders from the opposition and the ruling Alliance for Patriotic Reorientation and Construction (APRC) have increased the level of political rhetoric, hurling invective at one another, and a number of clashes between the parties' activists have been reported. On June 20th the leader of the United Democratic Party (UDP), Ousainou Darboe, was charged with murder. Three days earlier a UDP delegation, led by Mr Darboe as part of his "meet-the-people" tour, had reportedly clashed with APRC supporters in the Basse region, killing an APRC activist, Alieu Njie. The police subsequently barred the UDP from holding rallies. Mr Darboe was jailed for 72 hours, but gave an altogether different version of events on his release. According to the long-time opposition leader, the UDP delegation was attacked by members of the July 22 Movement, a pro-Jammeh vigilante youth group that has often been accused of harassing the opposition in the past. The movement should have been disbanded in October 1999 on Mr Jammeh's order (First quarter 2000, page 28), but, according to the opposition, some of the APRC activists involved in the clashes have admitted to receiving direct orders from the former leader of the Movement, Baba Jobe. Mr Jobe, now a presidential adviser, has strongly denied such allegations but serious doubt remains. The role of the armed forces is equally dubious—on the pretext of ensuring the personal safety of the UDP delegation, a detachment of the Gambian national army effectively held them prisoner at Basse police station on June 19th. Of the 80 UDP activists arrested, 24 were charged with murder, along with Mr Darboe. The UDP leadership has also accused the police of refusing to ensure its security during the—now aborted—electoral tour.

Official harassment of the opposition has ebbed and surged since Mr Jammeh took power in 1994, but the country has never known such a degree of political violence, and observers fear that it may get worse as the local elections approach. Relations with the international community remain tense, following the violent students riots in April. This is indicated by the announcement that officials from the Commonwealth secretariat will pay a visit to The Gambia to investigate the country's human rights record.

Crude oil saga ends

Against the backdrop of electoral campaigning, opposition allegations of a fraudulent oil deal, involving the embezzlement of around US$3m, were brought to parliamentary debate after a UDP deputy leader, Kensengh Jammeh, submitted a motion to the National Assembly on May 17th. The motion called for the establishment of a parliamentary commission that would investigate whether Yahyah Jammeh knew of the alleged deal, and whether other members of government could also have been involved. According to opposition claims, about 15,000-20,000 barrels/day of crude oil were sold to foreign oil contractors between 1996 and 1998, despite being a present from the late Nigerian president, Sani Abacha, to The Gambia. The money from the sale was then supposedly transferred into a private bank account at the United Overseas Bank of Geneva, and is alleged to have been used by the president to finance the 1996 elections. Among the documents submitted by the UDP to parliament were thought to be proceedings of a court action, brought by an oil contractor, Chandrills Commercial, against the Gambian government for breach of contract. The motion, adjourned to June 26th, was eventually rejected by 27 votes to 7, on the grounds that the supporting documents were unreliable.

International political relations are strained

Although the president publicly supported the victory of the long-time opposition leader, Abdoulaye Wade, in the Senegalese presidential election in March 2000, relations with Senegal have deteriorated significantly. Despite suspicions that the Gambian president was covertly supporting the rebel Mouvement des forces démocratiques Casamance (MFDC) in Casamance, southern Senegal, the former Senegalese president, Abdou Diouf, was persuaded to accept Mr Jammeh's offer of mediation in 1999. Talks subsequently took place in the Gambian capital, Banjul, under the joint mediation of Mr Jammeh and the president of Guinea-Bissau (Kumba Yala since February 2000). Significant progress was made and a ceasefire agreed. However, an outbreak of fighting along the border with Guinea-Bissau in April prompted Mr Wade to accuse both The Gambia and Guinea-Bissau of involvement in the 18-year Casamançais war. In reply, Mr Jammeh announced his withdrawal from the Banjul mediation talks. Under pressure from some sections of the MFDC, Mr Wade quickly sought to redress the situation and seek reconciliation, but there is now some doubt whether the Banjul initiative will continue.

By virtue of his presidency of the inter-state Sahelian group, best known by its French name, Comité inter-Etats de lutte contre la sécheresse au Sahel, Mr Jammeh mediated in a dispute between Senegal and Mauritania over the former's irrigation plans, aimed at diverting water from the River Senegal, which flows through the two countries, to revitalise its parched valleys.

Economic policy and the economy

Eskom takes a 50 % stake in NAWEC

On June 26th the minister of trade, industry and employment, Musa Sillah, announced that a partnership deal had been signed between the electricity utility, National water and electricity company (NAWEC) and the South-African company, Eskom (May 2000, page 31). However, Mr Sillah denied rumours that Eskom would entirely take over NAWEC's power, water, and sewerage facilities, and that the new ownership arrangements would lead to job losses. A US$75m investment programme to overhaul NAWEC plants during the next five years was announced, with the World Bank expected to provide the bulk of the financing. Power cuts are numerous in The Gambia, and with only a 29-mw total capacity, the grid remains largely concentrated in the Banjul area. The president, Yahyah Jammeh, has promised to establish regular electricity supplies to both urban and rural areas by 2001. However, given the enormity of such an undertaking, and the very limited time-scale, it is highly unlikely that he will be able to fulfil this pledge.

Government pays farmers for groundnut harvest

According to the Agriculture Minister, Hassan Sallah, all farmers have now been paid for the 1999/2000 groundnut harvest, after the government requested the help of commercial banks to disburse around D104.4m (US$8.06m). In the mean time, the Denton Bridge facility resumed operations, despite the unresolved dispute with its previous owner, the Gambia Groundnut Corporation (GGC), and had processed around 15,470 tonnes of groundnuts by June 2000. The 1999/2000 harvest is estimated at around 90,000 tonnes. However, the bulk of it may well have been smuggled to Senegal, a result of the virtual collapse of groundnut marketing in The Gambia since the government took over GGC, after allegations of money laundering were made in February 1999. The purchase prices offered by Senegal's state-owned Société nationale de commercialisation des oléagineux also tend to be higher.

Foreign trade and payments

Aid inflow has continued in 1998

According to the recently released OECD annual report, *Geographical Distribution of Financial Flows to Aid Recipients*, The Gambia received US$37.8m of net overseas development assistance (ODA) in 1998. Grants from bilateral donors amounted to US$16.9m—compared with US$20.1m the year before—the bulk of which went towards education projects and food aid. Multilateral donors disbursed a comparable amount in grants, US$17.8m, and also provided around US$16.1m in highly concessional long-term loans. Despite the continued efforts of the president, Yahyah Jammeh, to reactivate financial assistance from Western donors since elections were held in 1997, aid has failed to pick up. Under the former president, Sir Dawda Jawara, The Gambia received as much as US$100m of ODA every year. However, other non-aligned countries, most notably Libya, are suspected of providing the Jammeh government with significant support

The Gambia: net official development assistance[a]
(US$ m)

	1997	1998
Bilateral aid	17.4	13.5
of which:		
US	5.0	4.1
Germany	3.8	3.6
UK	2.4	1.5
Multilateral aid	23.0	24.7
of which:		
EU	1.6	8.0
African Development Fund	11.2	6.1
Total (incl others)	37.9	37.8
of which:		
grants	30.8	34.7

[a] Disbursements minus repayments. Official development assistance is defined as grants and loans with at least a 25% grant element, provided by OECD and OPEC member countries and multilateral agencies, and administered with the aim of promoting development and welfare in the recipient country.

Source: OECD Development Assistance Committee, *Geographical Distribution of Financial Flows to Aid Recipients*.

Mauritania

Political structure

Official name	République Islamique de Mauritanie	
Form of state	Arab and African Islamic republic	
Legal system	Strongly influenced by the sharia (Islamic law), based on the 1991 constitution	
National legislature	The bicameral parliament consists of the Senate, with 54 members, one-third of whom are indirectly elected for a six-year term every two years, and lower house the National Assembly, whose 79 deputies are directly elected every five years	
National elections	October 1996 (National Assembly); December 1997 (presidential); next elections due in October 2001 (National Assembly) and December 2003 (presidential)	
Head of state	President, elected for a renewable six-year term of office; current incumbent re-elected in December 1997	
National government	The president and his appointed Council of Ministers; last reshuffle November 1998	
Main political parties	Of the 22 registered political parties, the largest are: Parti républicain démocratique et social (PRDS, the ruling party); Action pour le changement (AC); Rassemblement pour la démocratie et l'unité (RDU); Union des forces démocratiques-Ere Nouvelle (UFD-EN); Union des forces démocratiques (UFD)	
	President	Maaouya Ould Sid'Ahmed Taya
	Prime minister	Cheikh El Avia Ould Mohamed Khouna
Key ministers	Civil service, labour, youth & sports	Baba Ould Sidi
	Culture & Islamic affairs	Isselmou Ould Sid'El Moustaph
	Economic & development affairs	Mohamed Ould Nani
	Education	S'Ghaïr Ould M'Bareck
	Finance	Camara Aly Galadio
	Fisheries & maritime economy	Mohamed El Moctar Ould Zamel
	Foreign affairs & co-operation	Ahmed Ould Sid'Ahmed
	Health & social affairs	Diyé Bâ
	Information & parliamentary relations	Rachid Ould Saleh
	Interior, posts & telecommunications	Dah Ould Abdel Jélil
	Justice	Mohamed Salem Ould Merzo
	Mines & industry	Ishagh Ould Rajel
	National defence	Kaba Ould Elewa
	Rural development & environment	Mohamed Ould Sid'Ahmed Lekhal
	Secretary-general of the Presidency	Sidi Mohamed Ould Boubacar
	Trade, crafts & tourism	Ahemdy Ould Hammady
	Transport & equipment	N'Gaïdé Lamine Kayou
	Water & energy	Cheikh Ahmed Ould Zahav
	Women's affairs	Mintata Mint Hedeid
Central Bank governor	Mahfoud Ould Mohamed Ali	

Economic structure

Annual indicators

	1995	1996	1997	1998	1999[a]
GDP at market prices (UM bn)	137.3	150.1	166.7	187.8	203.1
Real GDP growth (%)	4.6	5.5	3.2	3.2	4.3
Consumer price inflation (av; %)	6.6	4.7	4.5	8.0	4.1
Population (m)	2.28	2.35	2.39	2.42	2.45
Exports fob (US$ m)	476	475	408	360	333
Imports fob (US$ m)	293	403	355	358	305
Current-account balance (US$ m)	22	–18	17	–11	41
Reserves excl gold (US$ m)	86	141	201	203	224[b]
Total external debt (US$ m)	2,350	2,412	2,453	2,135	2,082
External debt-service ratio, paid (%)	22.9	22.2	25.6	18.6	n/a
Iron ore exports (‘000 tonnes)	11,514	11,158	11,689	11,850	11,042
Fisheries exports (‘000 tonnes)	287	366	198	183	n/a
Exchange rate (av; UM:US$)	129.8	137.2	151.7	189.0	206.0[b]

July 14th 2000 UM240.9:US$1

Origins of gross domestic product 1997	% of total
Agriculture & fishing	24.7
Manufacturing	10.9
Mining	10.7
Construction	9.5
Services & others	44.1
GDP at factor cost	100.0

Components of gross domestic product 1997	% of total
Private consumption	78.0
Public consumption	13.4
Gross fixed investment	17.5
Exports of goods & services	39.6
Imports of goods & services	–48.6
GDP at market prices	100.0

Principal exports 1997	% of total
Iron ore	52.4
Fish & fish products	47.6

Principal imports 1996	US$ m
Energy & mineral products	129
Food & agricultural products	116
Machinery & equipment	67
Consumer goods	22

Main destinations of exports 1998[c]	% of total
Japan	18.2
France	17.0
Italy	15.8
Spain	10.6

Main origins of imports 1998[c]	% of total
France	26.8
Belgium-Luxembourg	8.9
Germany	7.4
Spain	6.9

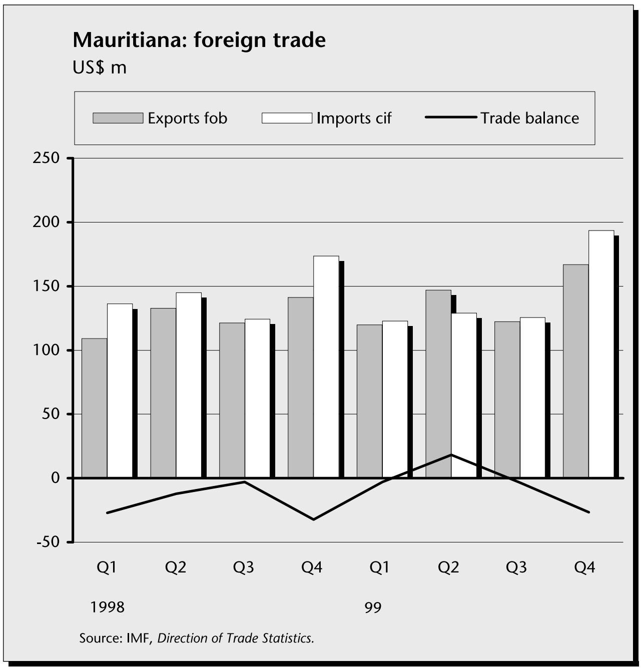
[a] EIU estimates. [b] Actual. [c] Derived from partners’ trade returns; subject to a wide margin of error.

Quarterly indicators

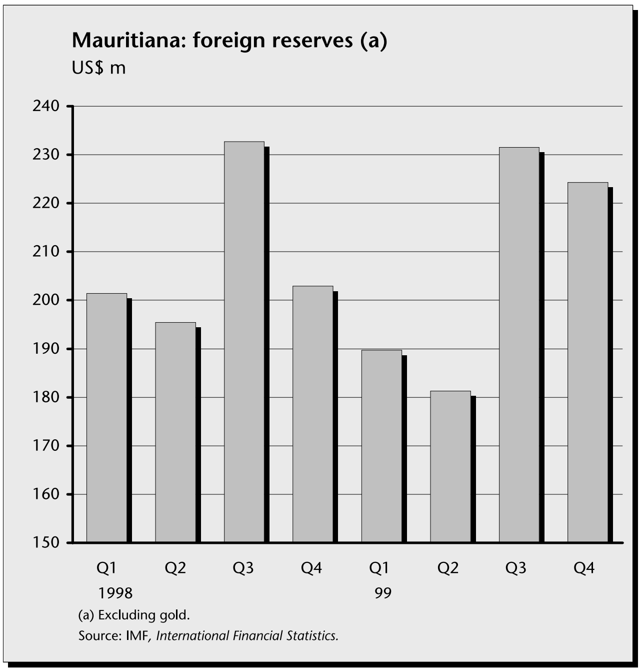
	1998 2 Qtr	3 Qtr	4 Qtr	1999 1 Qtr	2 Qtr	3 Qtr	4 Qtr	2000 1 Qtr
Prices								
Consumer prices								
Mauritanian households, Nouakchott								
(Jul 1985=100)	232.8	239.1	242.8	n/a	n/a	n/a	n/a	n/a
% change, year on year	7.7	8.9	8.6	n/a	n/a	n/a	n/a	n/a
Financial indicators								
Exchange rate								
UM:US$ (av)	176.89	200.87	204.16	205.11	206.74	210.51	215.69	n/a
UM:US$ (end-period)	179.11	205.52	205.78	207.22	209.33	213.54	225.00	231.1[a]
M1 (end-period; UM m)	17,786	23,466	23,358	18,923	24,451	19,521	19,675	21,372
% change, year on year	4.1	32.4	32.9	5.8	37.5	–16.8	–15.8	12.9
M2 (end-period; UM m)	27,007	27,422	27,786	28,334	28,132	28,045	28,383	29,591
% change, year on year	3.4	1.9	4.1	4.4	4.2	2.3	2.1	4.4
Foreign trade[b] (US$ m)								
Exports fob	132.8	121.3	141.3	119.7	147.0	122.2	166.9	n/a
Imports cif	–144.9	–124.2	–173.5	–122.7	–128.9	–125.6	–193.5	n/a
Trade balance	–12.1	–2.9	–32.2	–3.0	18.1	–3.4	–26.6	n/a
Foreign reserves (US$ m)								
Reserves excl gold								
(end-period)	195.4	232.7	202.9	189.7	181.3	231.5	224.3	n/a

[a] Source, *Financial Times*, last Friday of quarter. [b] *DOTS* estimates.

Sources: IMF, *International Financial Statistics*, *Direction of Trade Statistics*; *Financial Times*.



Source: IMF, *Direction of Trade Statistics*.



(a) Excluding gold.
Source: IMF, *International Financial Statistics*.

Outlook for 2000-01

Domestic politics

Hopes of a rapprochement with the opposition, kindled earlier in the year by a series of small concessions, are fading again following the refusal of the Front des partis de l'opposition (FPO) to relax pressure for further reforms. Instead, the radical opposition grouping, spearheaded by the Union des forces démocratiques-Ere nouvelle (UFD-EN), has increased the number of demonstrations calling for the evolution of a true democracy in Mauritania. Their ardour has been fuelled by the arrest, yet again, of the UFD-EN leader, Ahmed Ould Daddah, who was accused of inciting violence by exhorting opposition supporters to "pursue the combat" to recover their political rights. Mr Ould Daddah's arrest, and the regular dispersal of opposition gatherings by security forces, will do nothing to encourage the opposition to participate in the legislative election due in October 2001.

International relations

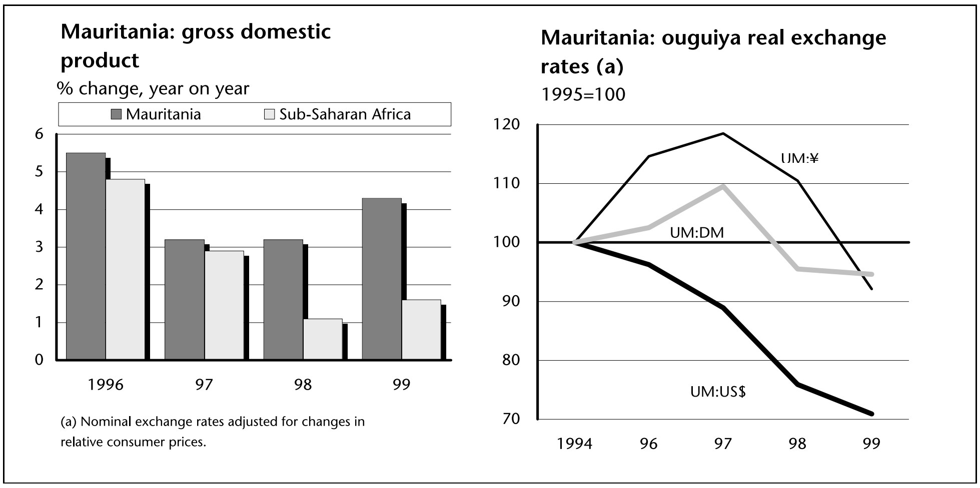
Relations with France, already soured by the Ould Dah affair (Captain Ely Ould Dah, a military officer facing charges of torture in France, secretly left the country to resurface in Mauritania in early April, where he has been granted amnesty), have deteriorated further following Mauritania's expulsion of a senior French diplomat and a manager of the state electricity utility, supposedly for facilitating the arrest of Captain Ould Dah. There is also tension with Senegal, nominally over the use of river water for irrigation, but more fundamentally because Mauritania fears that Senegal's new government will be less accommodating than its predecessor.

Trouble on the southern frontier, coupled with the steady improvement of relations with Mauritania's northern neighbours—notably Morocco—is symptomatic of the country's ambivalent attitude towards Africa, as opposed to the Arab world. However, Mauritania may be reconsidering its avowed intention to quit the Economic Community of West African States (ECOWAS). The country owes ECOWAS around US$6m in unpaid contributions, a bill that would have to be settled before it could resign membership. Despite large inflows of funds from the international donor community, clearance of the debt would have a considerable impact on the budget, and it is therefore possible that the Mauritanian government will adopt a more pragmatic attitude in the coming months.

Economic forecast

Mauritania's economic prospects, and policies, will remain relatively stable. The country continues to feature among the select group of states deemed to have applied IMF-style reforms successfully, and it has received further support from the Bretton Woods institutions to back its economic programme. Real GDP growth estimates for 1999 have been revised upwards, from 4.1% to 4.3%, although the forecast outcome for the current year remains at 5%. Prospects for the trade surplus are improving steadily, owing to import stability and rising global prices for the country's main exports, fish and iron ore. The current account will also remain in balance, reflecting the government's prudent external borrowing policy. However, inflows of goods and equipment to sustain development projects will reduce the scope for further improvement in the medium term. Equally, continued donor support—without which the

Mauritanian economy would quickly lose momentum—is contingent on the implementation of democratic reforms. In particular, Mauritania risks incurring penalties if the legislative election in late 2001 is not seen to be free and fair.



The political scene

Tension rises over the River Senegal

Any threat to Mauritania's most precious resource, water, is taken seriously. In early June fears that the new administration in Senegal was reconsidering a project to divert water from the River Senegal to irrigate 3,000 km of dry riverbeds (the Vallées Fossiles) prompted an immediate—and, to the Senegalese, extreme—reaction. Senegalese nationals living in the country were given 15 days to leave, a move that brought back memories of the 1989 conflict in which hundreds died in ethnic violence, and tens of thousands of Mauritanians and Senegalese crossed their common border seeking safety.

The official Mauritanian press agency, Agence mauritanienne d'information (AMI), initially raised the issue, claiming that Senegal was illegally pumping 30-50 cu metres/second of water, in breach of treaties and agreements signed within the framework of the regional water authority, Organisation pour la mise en valeur du fleuve Sénégal (OMVS). Despite high-level discussions, according to AMI, "everything indicates the obstinate determination of our neighbour to impose, by force, its wishes on the other members of the organisation. This is unacceptable for Mauritania." The situation deteriorated rapidly, with a private radio station reporting that the Mauritanian Embassy had asked its nationals to return home to avoid trouble and that leaders of the Senegalese community—variously estimated to total 20,000 to 345,000 people—were being summoned to security headquarters in the capital, Nouakchott, where they were given two weeks to leave the country.

This prompted a visit on June 5th by a high-level Senegalese delegation comprising the prime minister, Moustapha Niasse, and senior ministers, which attempted to defuse the dispute. Mr Niasse stated that a special commission would be set up to study whether Senegal had siphoned more than its agreed quota of 26 cu metres/second of water, in which case the error would be corrected. His foreign minister, Cheikh Tidiane Gadio, denied that any decision had been made to pursue the Vallées Fossiles project.

The roots of the dispute lie deeper

This clearly did not convince the Mauritanian minister of information and parliamentary relations, Rachid Ould Saleh. Shortly after Mr Niasse's visit he accused Senegal of seeking regional hegemony and of planning to divert all the water from the River Senegal towards Casamance. Significantly, he further accused the new government of Senegal of openly supporting and providing propaganda for groups hostile to the government in Mauritania, an open reference to the banned Forces de libération africaines de Mauritanie (FLAM). The minister noted that during talks with a Mauritanian mission to Dakar, the senegalese president, Abdoulaye Wade, refused to discuss domestic development projects but sought clarity on Mauritania's position regarding its refugees in Senegal—Mauritania denies that there are any such refugees, claiming that all legitimate passport holders are free to return home should they wish. Mr Ould Saleh also expressed concern that the Mr Wade had reportedly requested deliveries of arms during a recent visit to Paris.

Such accusations would suggest that the water row indicates a deeper misunderstanding between Mauritania and Senegal. Mauritania has never forgiven Abdoulaye Wade for his passionate and nationalist speeches during the 1989 crisis between the two countries, and there have been few signs that the new president would be prepared to match his predecessor's strictly neutral approach to Mauritanian refugees in Senegal, or his willingness to place leaders of the FLAM movement under surveillance. In this context, Mr Wade's plans to conduct a survey of Mauritanian refugees in Senegal could be seen as hostile, as the official Mauritanian line is that all refugees are free to go home if they wish.

Emergency repatriation measures are adopted

Whatever the underlying reasons for the dispute, ferry crossings rapidly became choked as memories of the incidents of 1989 fuelled fear on both sides of the river. Several Mauritanians trying to cross northwards were turned back by border police because their papers were not in order, and no Senegalese nationals were admitted to Mauritania. In addition, the few Mauritanians trying to cross into Senegal were stopped at the frontier. In the eight days following the announcement of the expulsion order, around 5,000 Mauritanians living in Senegal returned home. The opposite journey was made by 25,000 Senegalese, and the Senegalese government announced that, with the help of several Western governments (including France, Britain and the US), it would use ships and aeroplanes to complete the evacuation within the Mauritanian deadline. However, one week after the order was given, it was suspended by the interior minister, Dah Ould Abdel Jélil, who confirmed that Senegalese residents of Mauritania could remain if they felt safe.

The lifting of the order brought anger and relief: anger among those who had heeded warnings and abandoned goods and property to make a costly trip home, and relief among populations under threat of expulsion and repatriation, and the many small businesses in Mauritania that depend on Senegalese labour.

Neighbours rush to mediate

Several neighbouring countries mounted diplomatic efforts to defuse the Vallées Fossiles crisis. King Mohammed VI of Morocco spoke to the two countries' leaders the day the dispute became public, offering his services as a mediator should the need arise. He sent his foreign minister, Mohamed Ben Issa, to Nouakchott and Dakar and invited the two governments to "favour dialogue and co-operation" for the development of their border areas. When Mauritania persisted with its decision to expel Senegalese nationals the Malian president, Alpha Oumar Konaré, sent his general secretary on a similar mission. Gambia's head of state, Yahyah Jammeh, currently in the chair of the inter-state Sahelien group, the Comité inter-Etats de lutte contre la sécheresse au Sahel, also visited the two capitals where he pleaded for normalisation of the situation and for further talks. His visit coincided with Nouakchott's announcement that the expulsion order would be suspended. The Senegalese president had, in the meantime, travelled to Bamako for urgent talks. Mr Wade said he regretted the misunderstanding that had caused the rift with Mauritania, and that Mr Konaré would soon travel to Nouakchott to reassure the Mauritanian president, Maaouya Ould Sid'Ahmed Taya. The Malian president, after speaking with his Mauritanian counterpart, announced a series of top-level meetings of the OMVS to promote dialogue and find a satisfactory way to settle the dispute.

Senegal apparently buries the project

"Difficulties between Mauritania and Senegal have been completely smoothed over," said Abdoulaye Wade on the eve of his arrival in Nouakchott in mid-June. Speaking after talks with the Mauritanian president, he announced that the project to revitalise the Vallées Fossiles was no longer an issue, as it did not correspond to the national hydrological development programme. The encounter ended on an optimistic note, with the announcement of a project to build a bridge over the River Senegal as part of a regional road project to link Casablanca with Dakar. Other subjects discussed by the two leaders concerned regional co-operation, the estimated 60,000 Mauritanian refugees still living in Senegal and the possibility of Mauritanian assistance in resolving Senegal's domestic troubles in Casamance.

In late June the Senegalese minister for water, Abdoulaye Bathily, confirmed that his country had decided to abandon the Vallées Fossiles project. He claimed the previous administration had embarked on the scheme before undertaking a complete evaluation of its costs and benefits, and that it was economically unrealistic. In contrast the interior minister, Cheikh Tidiane Gadio, stated that Mr Wade had never agreed to abandon the project, saying rather that the scheme was not on the present government's agenda. However, these varying ministerial interpretations are almost certainly a reflection of political opportunism within the Senegalese cabinet, rather than any wish to aggravate feelings in Mauritania.

The Vallées Fossiles project

The Vallées Fossiles project, together with a similar project to divert water into the Cayor channel (to supply Dakar), aimed to provide irrigation for large tracts of northern Senegal, boosting agricultural output. Initiated in 1994 by a former president, Abdou Diouf, it was officially scrapped in 1998 following preliminary studies and protests by Mauritania (4th quarter 1997, page 36). However, in late April a Senegalese newspaper, *Le Soleil*, noted the potential to irrigate the north of the country using water diverted into the Vallées Fossiles, implying that the project was still under consideration for the economic development of agricultural and forestry resources. The new Senegalese agriculture minister did little to dispel this impression, stating in mid-May that the Vallées Fossiles project had been resuscitated. The situation then deteriorated.

Opposition steps up protest rallies

Ahmed Ould Daddah, the general secretary of the opposition Union des forces démocratiques–Ere nouvelle (UFD-EN), was detained for five days in late April for making inflammatory statements allegedly intended to incite violence. Dah Ould Abdel Jélil, the minister of the interior, met representatives of the opposition party shortly afterwards to explain the reasons for the arrest, and to announce that permission for a previously authorised meeting had been withdrawn. Party leaders nevertheless decided to proceed with their gathering, which was broken up by police. The UFD-EN offices in Nouadhibou were closed the following day, after another rally to protest at Mr Ould Daddah's arrest, and police "beat and humiliated" several party leaders, according to a party spokesman. The national Bar Association staged a brief strike after the incident, in support of one of their members wounded by police during the raid on the UFD-EN headquarters.

Shortly after his release, Mr Ould Daddah stated that his party would maintain pressure to obtain all the rights normally granted to legally constituted opposition groupings, using all constitutional and legal means available in pursuit of its objectives. Party requests for an enquiry into police action in Nouakchott and Nouadhibou were rejected, but the UFD-EN continued to organise meetings in support of calls for an independent electoral commission, for equal media access for all political parties, and for "true democracy" in Mauritania. A peaceful sit-in in front of the Ministry of the Interior was dispersed by security forces in late May, as were similar gatherings in Nouadhibou in May and June, and a women's protest demanding equal rights.

Workers injured in May Day clashes

Tension with the unions—already high following Nouakchott's refusal to countenance salary increases or provide tax relief—have increased following May Day clashes. According to the Free Confederation of Mauritanian Workers, at least ten of their union members were seriously hurt during confrontations with police. The group, close to the opposition UFD, claimed police attacked marchers protesting against the government's social and economic policies, and its submission to the dictates of the World Bank. Following the clashes, opposition parties released statements denouncing the government's adoption of World Bank-IMF policies that were, they claimed, impoverishing developing-world countries.

Villagers complain of land seizure

Inhabitants of several villages in Brakna have complained of police attempts to seize their land. A delegation from the opposition UFD visited the area and reported scenes of devastation, following attempts by the local authorities of the ruling Parti républicain démocratique et social (PRDS) to enforce a decision made by the regional governor in 1998. At that time, attempts by the new Moorish proprietor to fence a parcel of land traditionally farmed by the local negro Mauritanian community were vigorously resisted, and the case was sent for examination. The new incidents followed a repeat attempt to transfer ownership, attempts that were backed by security forces sent from Kaédi and other nearby towns. Several villagers, including a local UFD-EN deputy mayor, were arrested during scuffles. The opposition delegation called on the government to halt the expropriation order, release the villagers arrested for seeking to uphold their rights, and conduct an urgent review of the land tenure system.

First female party head is elected

Naha Mint Mouknass, 31-year-old daughter of the former leader of the Union pour la démocratie et le progrès (UDP), has become the first woman to head a political party in Mauritania. She inherited her father's chairmanship of the party during the party's special congress, held in mid-May. The UDP has been without a titular leader since the death of Hamdi Ould Mouknass—a former foreign minister—last September. Mrs Mouknass also inherits her father's position as special adviser to the president (with ministerial status).

Press censorship

An issue of the weekly paper *Nouakchott-Infos* was seized by Mauritanian authorities in late May. Publishers of the paper claimed it had infringed the press laws by publishing a report of corruption within the African Development Bank and accusing the bank's Moroccan head, Omar Kabbaj, of poor management. *Nouakchott-Infos*, generally considered to be close to the ruling party, has hitherto escaped the notorious Article 11 of the press law, which gives the interior ministry the freedom to decide what may or may not be published. However, its report was apparently deemed unacceptable in the light of improving relations with Morocco.

Ties with Morocco are strengthened

President Ould Taya made a three-day state visit to Morocco in late April, his first to an Arab capital since Mauritania's diplomatic recognition of Israel (May 2000, page 40). Aside from the usual expressions of fraternity and a desire to improve relations, the Mauritanian and Moroccan leaders stressed their intention to strengthen regional economic ties within the Arab Maghreb Union (AMU). Some of their discussions included the organisation's general secretary, who confirmed that an AMU summit could be called in the near future. Communiqués issued at the end of the trip confirmed closer ties between the two countries, with the establishment of a bilateral extended joint co-operation commission to be jointly chaired by the prime ministers of Morocco and Mauritania. A separate joint fisheries observatory was proposed, reflecting both countries' concern about preserving fish stocks and co-ordinating efforts to prevent illegal operations. One week later Nouakchott hosted a week-long festival celebrating Moroccan culture.

The first meeting of the joint co-operation commission took place in Nouakchott in early June. Charged with examining ways of revitalising and diversifying bilateral co-operation, the commission stressed the need to involve fully the private sector in the economic development of the region. The two delegations decided to suspend visa requirements for travellers, and work towards the creation of a free-trade zone by the end of 2000. Bilateral trade is currently minimal, at just US$11m per year (mostly in Morocco's favour). Other agreements covered co-operation in fishing (encouraging reciprocal private-sector investment in freezing and transformation industries), veterinary services, communications, public works, civil aviation and education.

At a commercial level, Moroccan and Mauritanian business delegations met to seek ways of developing commercial links, and formed two separate sub-groups to discuss fishing, and trade, industry and services. The first tangible results of the new-found fraternity came just days after the meeting, with the signature of an agreement to build a new road from Lagouira (in Western Sahara) to Nouakchott. According to the Moroccan minister of equipment, the road will complete an unbroken 3,000-km metalled link from Tangiers to Dakar and will be completed within three to four years.

Polisario is concerned at Nouakchott-Rabat links

This apparent rapprochement between Mauritania and Morocco caused consternation among the ranks of the Polisario Front, the movement which seeks independence for Western Sahara. Leaders of the movement, one of whom was expelled from Mauritania last February (Second quarter 1999, page 39), are now convinced that Mauritania will throw its weight behind Morocco's position on the independence referendum. The ballot has been delayed since 1992, largely due to arguments over who should be entitled to vote. UN staff charged with organising the referendum (known by the French acronym MINURSO) were deployed in Spanish Sahara in 1990, and have tried to find a common ground for staging elections ever since. They recently published a list of 86,381 people they considered to be entitled to vote, but received appeals from a further 140,000 people of mainly Moroccan origin who made the march south when the territory was annexed. According to UN officials, it will take years to hear all the cases under appeal. James Baker, special envoy of the UN secretary-general Kofi Annan, met leaders of the different groups in London in mid-May, when Algeria and Mauritania were present as observers.

Border commission seeks funds

The cost of defining the frontier between Mauritania and Mali has been put at nearly US$3m by the two countries' interior ministers. Speaking after a meeting in late June, they said they were actively seeking international financial support to allow the exercise to commence in 2001, adding that they were asking France, the former colonial authority, to release documents necessary to define the precise line of the border. The ministers noted a clear improvement in security in the frontier region (previously the scene of sporadic incidents), but admitted that some trouble spots remain along the northern border, where Tuareg bands have occasionally preyed on unsuspecting travellers. The ministers also signed documents which will bring the two countries' laws on transhumance into line and define the areas of pasture where Mauritanian herders are allowed to graze their stock in Mali.

Economic policy

The budget is revised and privatisation accelerates

Prior to the conclusion of the IMF's annual Article IV evaluation (see Economic trends) deputies debated and approved a supplementary budget. The new document—revised in the light of Mauritania's new eligibility for debt relief under the heavily indebted poor countries initiative, the higher energy prices, partly offset by a reduction in petroleum tax revenues, and the additional inflows from donor agencies in support of Mauritania's economic reform programmes—increases allocations to health and education, water, infrastructure and poverty eradication. The revised budget predicts balanced receipts and expenditure of UM61.32bn (against UM58.7bn under the original measure).

Mauritania's privatisation programme is almost back on track, with the May sales of state holdings in the Banque de l'habitat de Mauritanie (now known as the Banque Al Amana pour le développement et l'habitat) and Air Mauritanie. The state retains a 35.5% stake in the airline, with the remaining shares held by a consortium comprising Air Afrique (34%), French transport/trading company Bolloré (15%), the Banque mauritanienne pour le commerce international (10%) and Elf-Mauritanie (5.5%). Separation of the telecommunications/postal company, Office des postes et de télécommunications, was completed in April 2000, and the first cellular telephone licence was granted the following month. Tunisie Telecom, in partnership with private Mauritanian interests, beat four other bidders with an offer of US$28.5m for the concession. The re-modelled Mauritel telecommunications company has also been promised a licence to operate mobile telephones. A majority share in the company will be transferred to an international strategic partner later in the year. The sale of 49% of the state holding in the electricity-water utility, Société nationale d'eau et d'électricité, is now due to be completed by March 2001 under a programme agreed with the IMF and the World Bank.

Poverty eradication remains the top priority

The primary importance of poverty reduction was reflected in the agenda of a donors' meeting held in Nouakchott in late June, at which the minister of economic affairs, Mohamed Ould Nani, briefed Mauritania's principal economic partners on progress in the preparation of its poverty reduction strategy paper (PRSP). The PRSP is due to be finalised in the fourth quarter of 2000, and will most likely be presented to donors during the November review of progress under the PRSP.

Various reform projects are already being suggested to help poverty alleviation. A scheme to promote micro-finance institutions is one such example. Designed to promote durable revenue-generating activities, the scheme recently received UM100m (US$418,235) of financial assistance from the Association pour la promotion de la micro-finance, which granted subsidies to several savings and loan establishments in major urban centres. Other anti-poverty initiatives include the promotion of adult literacy with the opening of several new NGO-funded centres, and a project to streamline local administration to reduce overheads associated with the provision of funds and services to local communities.

Fuel prices increase again

Mauritania adjusted the prices of petroleum products in late May, the second change in less than three months. Petrol, mostly imported from Algeria, increased by 10.7%, rising to UM143/litre, while diesel rose by 9.6% to UM86/litre. The increase—prompted by the sustained rise in global oil prices—caused comparatively little upset, as it boosted the availability of fuel in the capital and major cities which had been experiencing fuel shortages, and consequent profit-taking by middlemen, for several weeks. The fuel crisis, which brought transport and fishing activities to a standstill in late May, was partly caused by Algeria's refusal to deliver refinery supplies pending settlement of outstanding debts and resolution of a diplomatic difference.

Environmental law is adopted

Officials of the Ministry of Rural Development and the Environment used World Environment Day in early June to announce a new law defining environmental protection standards. The law, recently approved by the council of ministers, is the first of its kind in Mauritania, and provides guidelines for all activities which have a potential impact on the environment. It defines various categories of waste products (household, industrial, toxic and radioactive waste), and requires that environmental-impact studies along the lines of rules governing the execution of World Bank projects be completed prior to any development project. These measures mean that any operation with potentially negative effects on its immediate surroundings must return the site to its natural state at the end of the project, a clause which particularly affects mining companies. Those who breach the code will face specified penalties.

The domestic economy

Economic trends

Mauritania wins continued backing from the IMF

The IMF concluded its annual Article IV evaluation of economic progress in Mauritania in mid-June. The generally favourable report noted that Mauritania had made substantial progress in consolidating macroeconomic stability and introducing structural reforms, and was well on the way to developing a broad-based poverty-reduction strategy. A review of performance in 1999 confirmed that GDP expanded by 4.3%, mainly because of an excellent food-crop harvest and improved fisheries results, while inflation was down to 4%, from 8% in 1998. Prudent budgetary management coupled with reduced imports produced a current-account surplus of 4.3% of GDP. As such, gross external reserves increased to cover 5.9 months of imports. Significant structural reforms included changes to the tax system and customs tariffs, as well as measures to improve the operation of the foreign exchange market.

In this regard the IMF noted that the spread between the official and the free-market rates of exchange had narrowed considerably, with the free-market premium reduced to roughly 4% by March 2000 (down from 14% in September 1999). Following the Article IV review and a report on the country's performance under the poverty reduction and growth facility (formerly known as the enhanced structural adjustment facility) programme, the Fund approved the release of a further US$8.1m of finance, bringing the total granted under the US$56.6m arrangement signed in July 1999 to US$16.2m.

Mauritania: selected economic indicators
(% unless otherwise indicated)

	1996	1997	1998	1999
Real GDP growth	5.5	3.2	3.2	4.3
Deflator	6.1	5.4	9.9	1.9
Consumer price inflation (av)	4.7	4.5	8.0	4.1
Exports (fob; US$ m)	475	408	360	333
Imports (fob; US$ m)	403	355	358	305
Trade balance (US$ m)	72	53	2	28
Current-account balance (US$ m)	–18	17	–11	41
Excl official transfers	–153	–104	–123	–89
Current-account balance (% of GDP)	–1.6	1.5	–1.1	4.3
Excl official transfers	–13.7	–9.5	–12.3	–9.3
Capital-account balance (US$ m)	42	–6	–15	–60
Gross official reserves (US$ m)	147	204	207	228
Months of import cover	2.8	4.6	4.4	5.8
External debt (% of GDP)	198.0	194.0	214.0	212.0
Debt-service ratio[a]	22.7	29.8	23.7	21.7
Change in real effective exchange rate (%)[b]	0.9	–1.0	–16.4	1.0
Budget balance (excl grants; % of GDP)	5.2	4.2	2.1	2.2
Change in broad money[c]	–5.1	8.0	4.1	2.1

[a] % of exports of goods and non-factor services, after debt relief. [b] + = appreciation. [c] At the beginning of the period.

Sources: Mauritanian authorities; IMF staff estimates.

In addition, the IMF expects:

- The fiscal balance to go into deficit in 2000, because of the increased social and poverty reduction expenditure necessary to meet requirements stipulated in the various agreements with the international donor community. Despite this, Mauritania should still receive substantial concessional external financing, as well as assistance under the enhanced heavily indebted poor countries initiative, to back such programmes;

- The current-account deficit to widen to around 11% of GDP. Although iron ore exports are expected to improve, the low growth of imports seen in 1999 will not carry over as the main explanation for this was a drawdown of stocks; and

- Overall growth to accelerate to 5% this year. However, attainment of this target is largely dependent on continued fiscal reform, with broadening of the tax base and improved administration offsetting reductions to the corporate tax burden.

Growth components show wide variations

Figures recently published by the Central Bank (Banque centrale de Mauritanie—BCM) diverge considerably from those presented by the IMF and the World Bank. The BCM numbers are admittedly preliminary results subject to revision, but the magnitude of the discrepancies underlines the need to interpret economic statistics cautiously. Nevertheless, the Mauritanian figures do illustrate clearly the volatility of the output coming from various major economic sectors. The figures show considerable progress in agriculture since 1995, with the sector growing by just under 11% annually during the four years to 1999, and a strong performance by commercial activities and transport—each growing by an average of 8.4%. However, value-added output by the main export-oriented activities, industrial fishing and mining, has been disappointing, in the latter case because of a slump in 1999.

Mauritania: contributions to GDP by sector
(Constant prices)

	1998 % of GDP (av)	% real change	1999 % of GDP	% real change	1996-99 % growth (av)
Rural activities	21.0	4.9	22.7	8.4	6.0
Agriculture	6.2	8.5	7.1	15.0	10.9
Cattle etc	14.0	3.2	14.7	5.4	4.0
Fishing (artisanal)	0.8	8.6	0.8	10.3	7.0
Mining	13.6	4.5	11.6	–14.4	0.5
Manufacturing	7.3	8.7	6.8	–6.2	–0.4
Fisheries (industrial)	3.8	8.5	3.3	–13.1	–2.6
Other industries	3.5	8.9	3.6	1.3	1.8
Construction	6.3	6.4	5.9	-5.0	–4.3
Services					
Transport & communications	7.1	8.1	7.9	12.0	8.4
Trade, hotels & restaurants	15.2	8.1	16.3	8.0	8.4
Other services	5.1	8.1	4.8	–5.6	2.5
Total traded activities	75.5	6.5	76.1	1.1	3.7
Non-traded activities	14.3	7.8	14.9	4.6	4.7
GDP at factor cost	89.8	6.7	91.1	1.6	3.9
Net indirect taxes	10.2	8.1	8.9	–12.2	0.5
GDP at market prices (UM bn)	84,410	6.8	84,604	0.2	3.6

Source : Banque centrale de Mauritanie.

Mining

Oil companies keep looking

Dana Petroleum, operator of a joint venture with Hardman Resources to explore Mauritania's offshore oil potential, recently presented the results of its first year of surveys to the government. It claimed that a number of significant hydrocarbon leads had been identified in both the shallow and deep-water portions of its three concessions, and that follow-up surveys were expected to upgrade the potential further. The Dana/Hardman concessions bracket three other areas allocated to Woodside Petroleum and British Borneo, who have also indicated their intention to proceed with exploration work.

Agriculture and fishing

Record harvest achieved

Mauritanian agriculture performed well in crop year 1999/2000. Abundant and well-distributed rains in southern parts of the country contributed to an estimated aggregate cereal crop of 250,900 tonnes, some 28% higher than in the previous season, and almost 50% above the long-term average. However, while output of millet and sorghum exceeded averages by more than 60%, production of rice—the staple food for many Mauritanians—was around 15% below the long-term average owing to excessive flooding and salt pollution of paddy fields located in south-western Mauritania, where heavy rains caused considerable damage in late 1999. As such, the country's dependence on imported food remains relatively stable. Cereals imports, estimated at 282,000 tonnes in a normal year and at 260,000 tonnes in 2000, largely comprise wheat for bread and rice; coarse grains account for barely 5% of imports under usual conditions. These figures, published by the Food and Agriculture Organisation and the Ministry of Agriculture, do not take into account net cereal availability, which is estimated at 191,650 tonnes (allowing for wastage and milling). .

Foreign trade and payments

Preliminary trade figures are released

The strong performance of the agricultural sector in 1999 is reflected in a dramatic decline in recorded food imports—even though the figures, published by the Central Bank, must be treated cautiously—and the collapse of "other foodstuff" imports in 1999. In contrast, there has been a significant rise in "other consumer goods".

Mauritania: composition of imports
(cif; % of total unless otherwise indicated)

	1996	1997	1998	1999
Consumer goods	47.6	43.3	48.7	49.2
Food	42.6	38.4	42.3	20.2
Tea, sugar, rice	19.0	14.9	11.9	18.4
Other foodstuffs	23.7	23.5	30.4	1.8
Other consumer goods	5.0	4.9	6.4	29.0
Equipment & transport	6.2	4.8	8.2	8.0
Vehicles	2.8	2.7	2.7	2.0
Spare parts & tyres	2.0	1.6	3.0	4.3
Others	1.4	0.6	2.5	1.7
Capital goods	8.6	3.6	7.9	14.6
Construction materials	4.8	2.2	5.4	4.7
Other equipment	3.8	1.4	2.5	9.8
Fuels	19.6	18.7	27.8	23.3
Others	18.0	29.5	7.5	4.9
Total	100.0	100.0	100.0	100.0
(Value UM m)	27,356	25,812	25,372	27,508

Source : Banque Centrale de Mauritanie.

The steady rise in imports of spare parts for the transport sector, coupled with a relative decline in arrivals of vehicles, provides a clear indication of the state of the vehicle fleet in Mauritania. It implies an ageing pool of cars and trucks, increasingly dependent on repairs. This, coupled with the sustained strength of the automotive sector's contribution to GDP, suggests a need for substantial vehicle renewals in the near future. The trend for construction materials may also reflect increased activities by domestic producers for this market, notably cement companies. The boom in other capital goods in 1999 is a direct result of various new investment projects, and is likely to be sustained in the near term.

World Bank is to help with reforms

In late May the World Bank announced a US$30m loan to help Mauritania undertake a project focusing on revenue mobilisation and the reallocation of public resources towards the priority areas of education, health and poverty reduction. The credit will support specific actions including harmonising corporate and personal tax regimes; aligning external tariffs with those of neighbouring countries; developing poverty reduction strategies; and facilitating regional economic integration. The fiscal reform operation will be financed by a credit from the Bank's soft-loan arm, the International Development Association (IDA), on standard terms of 40 years maturity including ten years' grace. Also announced in mid-June was a US$9.9m IDA loan to support a technical assistance project bringing reforms to the energy, water and sanitation sectors. This project is designed to provide the legal and institutional framework of the water and sanitation and energy sectors, prior to the utilities' privatisation, and to help prepare future investment in the sectors.

Other aid news not mentioned elsewhere in this report includes:

- Germany has approved aid worth €14.8m for poverty eradication and fisheries preservation over the 2000-01 period.

- In late June the European Commission approved aid worth €365,000 to provide food for infant victims of drought in northern Mauritania. Around 2,500 children and their mothers will benefit from the programme, which is jointly managed by the EC humanitarian office and the Italian Red Cross.

- According to an agreement signed in late May, Japan will lend Mauritania ¥608m (US$5.6m) to finance the development of small-scale fishing. Four fish-processing units, together with cold stores and warehouses for equipment, will be built at sites between Nouakchott and Nouadhibou. Japan is a primary destination for high-value squid and octopus and other fisheries products.