Board Meeting of June 17, 1997
Statement by Sun Vithespongse

Mauritania: Country Assistance Strategy

We commend the management and staff for this well-prepared Country Assistance Strategy for Mauritania. The emphasis of the CAS on poverty reduction policies and programs through broad-base economic growth led by the private sector is welcome.

The Mauritanian Government’s reform agenda are impressive both in terms of the coverage which encompasses political, social and economic aspects as well as its depth. The major structural reforms listed in Boxes 3 and 4 are substantial and credible, deserving the designation by staff as the best performing IDA country. We are particularly impressed by the momentum of the reform efforts which has been sustained despite earlier difficulties, especially for a country which is extremely poor. These efforts have resulted in a turnaround situation as growth has been good, averaging around 4.6 percent for the past 5 years, public finances have been stabilized, education and health sectors have significantly improved. The incidence of poverty reduced from an estimated 57 percent in 1990 to about 50 percent in 1996. But much more need to be done, especially to stimulate private sector development, alleviate general poverty especially those in rainfed areas, and fiscal and debt situation. We welcome the government’s next phase of reform programs which, we feel, are directly in response to the challenges faced the country.

We support the proposed strategy present in the CAS to assist the Mauritanian Government reduce the poverty and accelerate the economic growth. The mix of lending and non-lending services as well as their sequencing appear to be consistent and well focused on areas which are critical importance. With the continued good dialogue with the government, we feel that the overall size of the proposed lending and non-lending activities and they are reasonable. We agree with the triggers as stipulated in Box 13 and hope that the country will be able to achieve the high case scenario.
Having said that we have some specific comments:

1. We support the work to implement indirect tax and tariff reform although the tax base will still be rather limit, given the size of modern sector. We like the proposed ESW work in this area in collaboration with IMF and agree with a possible adjustment operation to offset GIRM's revenue loss which is directly link to this reform. However, we hope that capacity building will be incorporated also as part of this exercise.

2. We also like the importance given to rural sector as one of the key areas as it is the main source of employment. The trade off between livestock and agriculture is very well recognized in para 25 and requires careful management. In this respect, we hope the ESW in this sector to provide a broader strategy for integrating the livestock sector into the economy will be succeeded by lending operation in this area.

3. Supply response is not as encouraging as it should be given the substantial reforms undertaken by the government. We welcome further work the area of financial sector which is still at an early stage of development and support the work to identify remaining disincentives that prevent supply response. We hope that such work will be conducted with IFC which may have more on the ground information.

Finally, we welcome the strategy to review the CAS for 1997-2000 on annual basis in order to validate the strategy measure progress made in achieving the goals which will allow the Bank to better respond to changing priority. In this respect, we hope the DSA for Mauritania will soon be submitted to the Board as this is a clear case that deserves our strong support for debt reduction under the HIPC's Initiative.