



Sherpa

CORRUPTION IN MAURITANIA A GIGANTIC EVAPORATION SYSTEM

In April 2013, Sherpa drafted a report and sent it to a large number of international donors funding Mauritania to inform them of the prevailing state of corruption in the country. Discussions had sometimes been held between Sherpa and these institutional donors to address the serious problems of bad governance.

Four years later, Sherpa updates this report with a single observation: the situation is going from bad to worse; spoliations have increased even though the country is undergoing a difficult period following the fall in iron ore prices. Public resources continue to be misappropriated by the clan in power.

With an ever-increasing number of public-private partnerships, concluded with foreign companies in particular, rigged contracts proliferate and with them, bribes, corruption and evaporation of resources are eroding any real prospect of social development and improvement of the business climate. Mauritania is currently following an extremely worrying path and the Rule of Law is in sharp decline.

The funds made available to Mauritania by institutional donors (more than 4.5 billion dollars in 2016¹) are nothing but an aggravating factor in view of the massive amounts misappropriated. At this rate, international aid for Mauritania is only fuelling the risks of corruption. Mauritania, with its fantastic potential in raw materials, is today the perfect breeding ground for all white-collar receivers and delinquents who can take full advantage of the situation, at ease in the knowledge that they are able to operate with complete impunity as far as financial crimes are concerned.

In this particularly critical period, it is therefore the donors' responsibility to monitor the way in which the funds allocated are spent and ensure that they contribute effectively to the emergence of a real Rule of Law and improve development performance. In particular, donors must meticulously watch over the lawfulness of the contracts concluded in the context of the specific projects they are supporting.

Mauritania or the resource curse syndrome

The Islamic Republic of Mauritania (hereafter Mauritania) has significant natural resources. With 13 million tons of iron ore produced in 2013, it is the second largest producer on the African continent.² Its soil is also rich in deposits of gold, copper and hydrocarbons.³ In addition to its extractive resources, Mauritania has considerable fishery resources with its 720 kilometres of coastline, its Exclusive Economic Zone, which covers a surface area of 234,000 km² is reputed to be one of the richest in the world and a livestock and agricultural potential well in excess of the country's requirements.

¹ Source: African Development Bank Group, Islamic Republic of Mauritania, Country Strategy Document 2016-2020, July 2016, Appendix 6, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Mauritanie_-_DSP_2016-2020.pdf.

² And the 15th largest producer in the world according to the figures of the American government agency, United States Geological Survey. Source: <https://minerals.usgs.gov/minerals/pubs/country/2013/myb3-2013-mr.pdf>.

³ Its oil reserves are estimated at 120 million barrels, gas reserves at 1.2 billion cubic feet, gold reserves at more than 25 million ounces and copper reserves at approximately 28 million tons. Sources: https://eiti.org/fr/implementing_country/36 and https://eiti.org/sites/default/files/documents/rapport_itie_mauritanie_2014_final_version_030616.pdf.

Thanks to the development of its mining industry in particular, Mauritania has seen strong growth in foreign investment in the last few years: in 2014, 83 mining operators and 13 operating licences were recorded in its mining and oil registries, i.e. 17 companies more than in 2010.⁴

The surge in raw materials prices, particularly iron ore, allowed Mauritania to overcome the impact of the global economic crisis and the drought the country suffered in 2011 and display a growth rate of 5.8% in 2012. While this rate was maintained in 2013 and 2014 at a rate of 6.4% and 6.6% respectively, it plunged to 1.9% in 2015 because of the fall in international prices for metals and the downturn in construction and fishing activities. The International Monetary Fund, however, estimates that growth should bounce back to 4.1% in 2016.⁵

In spite of its strong economic potential and small population of 4 million inhabitants, Mauritania is currently still among the so-called “least advanced”⁶ developing countries and, as a result, benefits from the debt relief system in favour of Heavily Indebted Poor Countries (HIPC).⁷ According to the latest report published by the United Nations Development Programme (UNDP), Mauritania occupies the 156th place (out of 188 countries analysed) in the Human Development Indicator rankings.⁸ According to this same report:

- 55.6% of Mauritians are exposed to poverty and 29.9% to extreme poverty – in particular, 23.4% of the population lives with less than USD1.25 per day.
- Life expectancy at birth does not exceed 63 years.
- And only 45.55% of adults are literate.

All these elements led the World Bank, in a report published in July 2014, to note that the Millennium Development Goals will not be met, particularly with respect to maternal and child health, access to drinking water and the fight against extreme poverty.⁹

Mauritania therefore does not escape the **resource curse syndrome** – also known as the “paradox of plenty” – which posits that the abundance of natural riches paradoxically increases poverty and inequality.

In the eyes of many observers, this contrast between the rapid growth of Mauritania’s economy and the persistence of a situation of extreme poverty is due to a large extent to bad governance and corruption in particular,¹⁰ which erodes the public sector and deteriorates the business climate.

In its latest report on the 2016 consultations under Article IV, the International Monetary Fund considers that Mauritania “occupies a disappointing place in the corruption indices.”¹¹ Mauritania effectively appears constantly among the worst pupils in the rankings published each year by the German

⁴ Source: ITIE report 2014, p. 21

https://eiti.org/sites/default/files/documents/rapport_itie_mauritanie_2014_final_version_030616.pdf

⁵ Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

⁶ <http://unctad.org/en/pages/aldc/Least%20Developed%20Countries/UN-list-of-Least-Developed-Countries.aspx>.

⁷ Source: IMF - <http://www.imf.org/external/np/exr/facts/fre/hipcf.htm>

⁸ Source: <http://hdr.undp.org/fr/countries/profiles/MRT>.

⁹ Source: World Bank Group, “Recent Economic Development in Mauritania,” July 2014, Report no. 1, p.17.

<http://documents.banquemondiale.org/curated/fr/351871468056336150/pdf/900430NWPOEconOIC00FRENCH0final0pdf.pdf>.

¹⁰ The term corruption is understood here in a wider sense and targets the different practises reflecting a failure on the part of public officials in their duty of probity (extortion, collusion, favouritism, influence peddling, misappropriation of funds, etc.).

¹¹ Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, p.22, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

organisation Transparency International (TI) in terms of perceived corruption: its index of perceived corruption (IPC) places it 142nd out of 176 countries.¹²

Endemic corruption in Mauritania is perceived as a major obstacle to business. In its latest report on global competitiveness, the World Economic Forum placed Mauritania 137th out of 138 countries.¹³ In 2015, Mauritania lost two places in the rankings established according to the Mo Ibrahim Index to take 41st place out of 54 countries.¹⁴ In its Country Strategy Document 2016-2020 for Mauritania, the African Development Bank wrote:

“Corruption constitutes a thorny problem in Mauritania, particularly in the granting of bank loans, allocation of fishing licenses, acquisition of land, awarding of contracts and payment of taxes and duties [...] Access to funding, inadequacy of the infrastructure and corruption are considered a major obstacle to business in Mauritania.”¹⁵

Politico-financial scandals, bad governance and bad management of resources are dragging down the country’s economy and many observers fear a *trabelsisation* of Mauritania.

I. First source of concern: procurement contract award conditions

“The sinews of war” in a country whose economy is developing fast and must consequently invest massively in its infrastructures, **procurement contracts are very often concluded to the detriment of public interest**: the best, most talented and most competent bidders in the different spheres of the country’s economic life are constantly passed over in favour of vested interests. For this reason, in its report for the 2016 consultations in Mauritania, under Article IV, the IMF considered:

“Public-private partnerships (PPP) could be at the source of additional budgetary risks. The authorities are seeking to mobilise private investments for certain development projects by means of PPPs, essentially for the free zone and pursuit of extension of the road network. If they go in this direction, the explicit and implicit guarantees should be recorded at central level and the budgetary risks should be assessed closely. The experience of other countries shows that budgetary risks linked to PPPs are more likely to arise in the absence of global, transparent and stable legislation inspired by common principles.”¹⁶

IMF also requests the Mauritanian State to better supervise the selection process and strictly monitor public investments.¹⁷

A large number of procurement contracts are **concluded over the counter** 1/ in defiance of the elementary rules of transparency, equal treatment of candidates and freedom of access to procurement

¹² Source: TI - <https://www.transparency.org/country/MRT>.

¹³ Source: World Economic Forum, “The Global Competitiveness Report – 2016-2017.”

http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf.

¹⁴ Source: African Development Bank Group, Islamic Republic of Mauritania, Country Strategy Document 2016-2020, July 2016, p.2, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Mauritanie_-_DSP_2016-2020.pdf.

¹⁵ Source: African Development Bank Group, Islamic Republic of Mauritania, Country Strategy Document 2016-2020, July 2016, p.5, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Mauritanie_-_DSP_2016-2020.pdf.

¹⁶ Source: International Monetary Fund, Islamic Republic of Mauritania, 2016 Consultations under Article IV,” 2016, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

¹⁷ International Monetary Fund, Press release no. 16/213, 11 May 2016, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

contracts, 2/ outside any authorisation or control by Parliament (or by the Court of Auditors) and 3/ for the benefit of and/or in the interests of individuals and groups close to the circles of power.¹⁸ Above and beyond the bribes paid on the fringes of conclusion of procurement contracts, the opposition also denounces acts of favouritism: certain contracts concluded “officially” are allegedly then sub-contracted to companies close to the presidential entourage; examples include the contracts relative to the construction of roads or again the supply of drinking water to the town of Magta-Lahjar.¹⁹

Among the recent scandals echoed by the local press, some must be cited in particular.

A) Contract for construction of the new airport in Nouakchott:

This contract was awarded in 2011 to the Mauritanian company Najah Major Works (NMW). Founded only in 2011, this company belongs to the ASML group of which the AON group is a shareholder. Ahmed Saleck Ould Mohamed Lemine and Abdallahi Ould Noueigued, at the head of ASML and AON respectively, are two influential contractors in the country; even so, neither their groups nor NMW have any kind of experience in airport construction.

The transaction took place under particularly opaque conditions: not only was the project not subjected to the approval of members of parliament (because it had not been entered in the budget) but, in addition, the contract was concluded without being subject to any kind of tendering procedure. According to the Mauritanian transport minister, this waiver would result in the contract in question being a consensual contract because it “does not include any tax exemption or possible outside funding or monetary commitment on the part of the government” and it would be governed by decree 126/89 laying down the code of obligations and contracts (not the public procurement code).²⁰

Relying on this legal base, questionable at the very least in view of the scale of the project, the authorities thus proceeded with a veritable “barter”: in exchange for construction of the airport, the consortium was given a vast swathe of land with a total surface area of 451 hectares, one third of which occupied by a residential neighbourhood and two thirds by the old airport.²¹ This operation is all the more worrying because today the value of the land still remains undetermined and data on costs is very approximate. The contractor should thus cover all construction and equipment costs for the new airport.

However, in violation of the texts governing credit activity in Mauritania,²² the Société Nationale Industrielle et Minière (National Industrial and Mining Company) (SNIM) approved a “loan” of 50 million American dollars to the (private) company NMW.²³ In addition, the contractor’s obligations were reduced without an equivalent reduction in the surface area of the land allocated. Finally, the accumulation of numerous delays in completing the work, initially planned for 2013 (the airport was not opened until

¹⁸ In this regard, see the diplomatic cable from the American embassy in Nouakchott, dated 26 January 2010 (Wikileaks). Source: https://wikileaks.org/plusd/cables/10NOUAKCHOTT61_a.html.

¹⁹ Source: Opposition - http://fr.ufpweb.org/IMG/pdf/La_Mauritanie_sous_O-Abdel_Aziz-Mars_2012.pdf.

²⁰ Sources: Press - <http://www.quotidien-nouakchott.com/sites/default/files/QDN%C2%B0%20872.pdf>; IMF report on Mauritania No. 12/246 - August 2012 (page 43) - <http://www.imf.org/external/french/pubs/ft/scr/2012/cr12246f.pdf>.

²¹ Source: IMF report on Mauritania No. 12/246 - August 2012 (page 43) - <http://www.imf.org/external/french/pubs/ft/scr/2012/cr12246f.pdf>

²² Source: Decree of 13 March 2007 of the Presidency of the Military Council for Democracy, <http://www.droit-afrique.com/upload/doc/mauritanie/Mauritanie-Ordonnance-2007-20-bancaire.pdf>. Articles 1, 2 and 10 of the decree were violated because SNIM never obtained the Bank’s approval as a credit establishment. SNIM is therefore not authorised to distribute loans.

²³ Sources: Press - <http://lesmauritanies.com/2013/11/02/mauritanie-une-bouffee-dair-pour-najah-for-major-works/> and French Institute for International Relations https://www.ifri.org/sites/default/files/atoms/files/afrique_en_questions_numero_23.pdf.

2016), allegedly generated a cost overrun of 400,000 Euros to be paid to a French company in charge of supervising the work.²⁴

IMF also remarked that “among the new loans granted in 2015, a major part served to fund construction of the airport.”²⁵ Some fear that the sole purpose of this loan arrangement was to allow a private group linked to influential personalities within the circles of power (and *ultimately* these people themselves) to acquire State land for speculative purposes.²⁶ Note also that construction of this new airport capable of receiving nearly 2 million passengers per year has never been justified because the number of travellers to and from Mauritania amounts to approximately 120,000 per year.²⁷

B) Construction of the electrical power plant in Nouakchott:

In October 2012, the Société Mauritanienne d'Électricité (Mauritanian Electricity Company) (SOMELEC) launched an international call for tender for construction of an electrical power plant in Nouakchott after funding was obtained by Mauritania from FADES and the Islamic Development Bank.

The contract was awarded to the French subsidiary of the Finnish group Wärtsilä although its financial bid was the highest of all those presented by the companies selected following technical assessment (€153.8M as opposed to €139M for the Chinese company China National Machinery and €125.8M for the Spanish company TSK) – an assessment, furthermore, that raised numerous questions as a result of the exclusion of several qualified companies without reason, particularly that of the Spanish company OHL.²⁸

According to information published in the local press, it is none other than Bedr Ould Abdel Aziz, son of the current president Mohamed Ould Abdel Aziz, who allegedly facilitated the victory of the Finnish group Wärtsilä, in exchange for a payment of 10 million Euros.²⁹ The chief executive of SOMELEC at the time was Mohamed Salem Ould Béchir, former Minister for energy and hydro power and current Director and CEO of the Société nationale industrielle et minière (SNIM). The company Wärtsilä faces other accusations of corruption elsewhere in the world.³⁰

C) The “Emel 2012” programme

“Emel 2012” is a programme with a budget of MRO45 billion³¹ (Mauritanian ouguiya, i.e. nearly 120 million Euros) launched by the Mauritanian government to provide aid for Mauritians affected by the

²⁴ Source: Press - http://cridem.org/C_Info.php?article=651988.

²⁵ Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, p.57, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

²⁶ Source : Press - <http://kassataya.com/mauritanie/nouvel-aeroport-de-nouakchott-contreparties-avoues-et-non-avouees>

²⁷ <http://mondafrique.com/chiffres-secrets-de-faillite-de-leconomie-mauritanienne/>

²⁸Source: Press release from the AZIZI Group - http://www.cridem.org/C_Info.php?article=634288

²⁹Source: Press - <http://www.mauriweb.info/news/?p=3340>

³⁰ Case before Finnish and Kenyan jurisdictions with regard to a project dating from 2001 in Kenya, <https://www.icij.org/blog/2014/02/worlds-least-corrupt-nations-fail-police-bribery-abroad>; accusations of corruption in the so-called “Gotland” case but the company was not convicted, Transparency International Progress Report on Enforcement of the OECD Convention, 2010, p.31; since 2007, Bangladesh has allegedly been investigating a case of corruption involving the former Prime Minister, accused of having received bribes from the company Wärtsilä in exchange for being awarded contracts for the construction of three electrical power plants, Transparency International Progress Report on Enforcement of the OECD Convention, 2010, p.31.

³¹Source: Government - http://inter-reseaux.org/IMG/pdf/emel_2012_final_to_send_to_alakhbar.pdf

shortage of rainfall and thus exposed to extreme poverty. This programme also faces accusations of opaque awarding of contracts.

According to members of the opposition, five over-the-counter contracts were thus allegedly awarded to two companies whose directors are close to the president for an amount exceeding MRO12 billion (i.e. more than €33 million).³² These allegations are all the more serious because, following the Food Security Monitoring System (FSMS) and Standardized Monitoring and Assessment of Relief and Transitions (SMART) surveys, which were conducted in July 2012 by the Ministry of Health and the Food Safety Commission, with the support of PAM and UNICEF, more than one million people, of which 800,000 in rural areas and 200,000 in urban areas, require emergency food and nutritional aid and more than 100,000 children suffer from malnutrition.³³ Under these conditions, the exact portion of the budget assigned to the Emel 2012 programme effectively allocated to the farmers and communities affected by the drought of 2011 remains unknown.

D) International enquiries targeting the award of public procurement contracts:

Allegations of corruption regularly target the highly strategic mining sector. This is particularly the case with the Tasiast gold mine, operated by the Canadian company Kinross Gold Corporation. The 5th largest producer of gold in the world effectively finds itself in the sights of the Securities and Exchange Commission and the American department of justice (for example, Kinross's former vice-president for Africa was heard by SEC).³⁴

In December 2015, the Canadian public prosecution service was also contacted by the NGO Mining Watch and the French NGO Sherpa to request an investigation into corrupt links between the mining giant and the Mauritanian circles of power.³⁵

The list of grievances illustrates the practises forbidden by the Foreign Corrupt Practice Act, an American federal law of 1977 and its Canadian equivalent, the Corruption of Foreign Public Officials Act of 1998: baroque contracts awarded to companies close to the authorities, undue payments to civil servants and officials for the purpose of obtaining the good graces of the authorities, etc.

In Nouakchott, many high-ranking officials and people close to the president have benefited from the Kinross Gold Corporation's largesse. The customs and police officers who protect the site are thus paid directly by the Canadian mining group and are even bound by a contract.

The businessman Melaine Ould Tomy, former director of protocol for the presidency, was appointed vice-president of the Tasiast mine. Another figure targeted by SEC is none other than Mohamed Abdellahi Ould Yaha, former government Secretary of State for private investment and a sub-contractor working for the mining giant.³⁶ Another person close to the president, the businessman Ismael

³²Sources: Press - <http://www.fr.alakhbar.info/4945-0-Mauritanie---Emel-2012-plus-de-12-milliards-engloutis-dans-le-gre-a-gre.html> ; <http://fr.alakhbar.info/4106-0-Mauritanie-Emel-2012-une-nouvelle-forme-de-corruption-selon-lopposition.html>

³³ Source: Office for the Coordination of Humanitarian Affairs (United Nations) - <http://www.unocha.org/cap/appeals/appeal-global-pour-la-mauritanie-2013>

³⁴ Source: Press - http://www.lemonde.fr/afrique/article/2015/10/04/mauritanie-le-geant-minier-kinross-dans-le-viseur-des-autorites-americaines_4782189_3212.html.

³⁵ Source: Press - http://www.lemonde.fr/afrique/article/2015/12/17/kinross-en-mauritanie-cette-enquete-pourrait-devenir-une-histoire-judiciaire-exemplaire_4834123_3212.html.

³⁶ Source: Press - http://www.lemonde.fr/afrique/article/2015/10/04/mauritanie-le-geant-minier-kinross-dans-le-viseur-des-autorites-americaines_4782189_3212.html.

Hassanah, enjoys near exclusivity for sub-contracting at the Tasiast mine. His network allegedly also benefited from nearly 30 million dollars paid by Kinross Mauritania.³⁷

E) Contracts concluded between foreign companies and Mauritanian companies held by PPEs:

Contracts concluded between foreign companies and Mauritanian companies headed by politically exposed persons and/or established spontaneously to reply to a call for tender, such as “Maurilog,” are suspected of being tainted by acts of corruption.

In November 2013, Kinross Gold Corporation launched a call for tender putting the biggest logistics operators in the world in competition for a three-year contract to take charge of logistics for the Tasiast mine. The German group Schenker replied to this call for tender, allying itself with Mauritanie Logistique (“Maurilog”), a Mauritanian company not registered with the corporate and trade register at the time and headed by Mohamed Abdellahi Ould Yaha, former government Secretary of State for private investment and close to the president. Despite a proposal 12% more expensive than its competitors, Maurilog won the Kinross call for tender during the summer of 2014 after absorbing Schenker’s local subsidiary for one Euro.³⁸

Maurilog has since concluded numerous contracts with foreign companies, as it states on its Internet site: Total, Kosmos Energy (which has been in charge of offshore gas exploration and production since 2012), Woodside Petronas, Tullow Oil (which is currently developing gas resources in the Banda gas field and whose State representative on the Board of Directors is none other than Kemal Ould Mohaedou, first cousin of the Mauritanian president), etc.³⁹ Taking into account the identity of Maurilog’s director and the serious risks of corruption linked to the situation in Mauritania, it is unlikely that these foreign companies carried out all the precaution procedures (due diligence) imposed by the national and international laws relative to potential contracts concluded with PPEs.

II. Second source of concern: Irresponsible management of natural resources

Only the fishery resources of which the exploitation represents a strategic stake for the Mauritanian economy will retain our attention here: main provider of currency after the mines, the fisheries sector effectively represents 10% of GDP and between 35 and 50% of the country’s exports. Fishing creates 45,000 direct and indirect jobs, which represents 36% of formal employment.⁴⁰

Anxious to preserve the potential of this sector, the Mauritanian government took care to adopt a “Sustainable Management Strategy for Fishing and Aquaculture 2008-2012” intended to “ensure optimisation of the socio-economic benefits derived from this sector in terms of budgetary revenues, revenues of private operators, jobs, food safety and reduction of poverty in the context of sustainable management of fishery resources.”⁴¹

³⁷ Source: Press - http://www.lemonde.fr/afrique/article/2015/11/13/kinross-en-mauritanie-la-malediction-de-la-mine-d-or-de-tasiast_4809432_3212.html.

³⁸ Source: Press - http://www.lemonde.fr/afrique/article/2015/11/13/kinross-en-mauritanie-la-malediction-de-la-mine-d-or-de-tasiast_4809432_3212.html.

³⁹ <http://www.maurilog.net/#>

⁴⁰Source: European Parliament, “Fishing in Mauritania and fishing agreements with the EU,” 2010, p.9, [http://www.europarl.europa.eu/RegData/etudes/note/join/2010/438610/IPOL-PECH_NT\(2010\)438610_FR.pdf](http://www.europarl.europa.eu/RegData/etudes/note/join/2010/438610/IPOL-PECH_NT(2010)438610_FR.pdf).

⁴¹Source: Report on the study on diagnosis of the social situation of work and employment in the fishing sector in Mauritania, September 2008 - <http://www.ilo.org/public/spanish/region/eurpro/madrid/download/diagnosmaurit.pdf>

Yet, the terms of the agreement on fishing concluded at the same time by Mauritania with the Chinese company POLY-HONDONE PELAGIC FISHERY CO. are far removed from this same strategy. Signed on 7 June 2010, the agreement specifies that, in exchange for an investment of USD100 million in kind via the construction of an industrial complex, the Chinese company had a right to fish for a period of 25 years under favourable tax and trade conditions.⁴² In particular, no restrictions on fishing methods are specified; the question of sustainable management of resources is only mentioned briefly in introduction even though the World Bank recently expressed its concern over the possibility of fisheries in Mauritania becoming a “finite resource.”⁴³ In addition, the Chinese company was allocated a 60,000-m² estate with the possibility of the Mauritanian State allocating it any other plot of land necessary to the company's activity free of charge and it benefits from exemption from numerous taxes. Finally, this fisheries agreement violates a certain number of Mauritanian laws.⁴⁴

More than six years after signature of the contract with POLY-HONDONE, observers have noted that the recruitment of 2,000 people promised by the Chinese company has not taken place since it only employs 700 workers. The transfer of technologies has not taken place either; the pirogues continue to be built in China.⁴⁵

Some reflect upon the motives behind the Mauritanian government's decision to conclude such a contract with - and this makes the case murkier still - a company essentially known for illegal sales of Chinese arms to foreign countries.⁴⁶ The company POLY-HONDONE is a subsidiary of POLY TECHNOLOGIES INC or is, at the very least, closely linked to it because their names are used indifferently throughout the investment and establishment agreements.

In December 2016, the Mauritanian government chose POLY TECHNOLOGIES INC for construction of a new military and trading port in the municipality of N'Diago (250 km south of Nouakchott), estimated at

⁴² To be convinced, simply compare them with the conditions laid down by the new memorandum of understanding for fisheries partnership agreements (FPA) concluded with the EU on 27 July 2012: a comparison of cost/duration in the agreements speaks volumes: USD100 million over 25 years for the establishment agreement as opposed to €70 million per year for 2 years for the FPA.

⁴³ *“The failure to responsibly manage natural resources and adopt policies that expand the economic impact of resource exploitation can jeopardize broad-based growth and poverty reduction both now and in the future. Some of Mauritania's local fish species are already overexploited, and widespread global over-fishing is expected to boost the value of remaining fishery resources. This situation underscores the importance of optimizing rents from commercial fisheries and using a share of those resources to ensure that the sector is properly regulated. Without effective monitoring and enforcement, over-fishing of the highest-value species (for example, octopus) may seriously jeopardize the regenerating mechanisms of the country's fisheries. If left unchecked, overexploitation could transform the fisheries sector into a so-called “finite resource,” which is a renewable resource that is rendered non renewable and thus may become biologically or commercially extinct over time. »* World Bank Group, *The Sunken Billions Revisited*, 2014, p. 57: “Accounting for Fish Wealth in Mauritania”;

<https://openknowledge.worldbank.org/bitstream/handle/10986/24056/2109190v.pdf?sequence=2>.

⁴⁴ Several provisions of the Fisheries Code were violated:

- Article 3: The State must manage fishery resources “in the interest of the community” and define “a strategy aiming to protect its resources and allow sustainable exploitation in such a way as to preserve the balance of ecosystems and the aquatic habitat.”
- Article 13: Agreements with foreign fishing vessels must specify the technical characteristics of the vessels, the types of fishing and the species, tonnages and mesh sizes authorised.
- Article 21: Publication of decrees containing measures applicable to foreign fishing vessels.
- Article 22, paragraph 3: limitation of the granting of licenses issued for only one specific type of fishing.

The establishment agreement does not seem to comply with the provisions of the Code of Investments either, particularly in article 4 according to which any expropriation measure requires “prompt, sufficient and effective compensation.” Yet, article 12, paragraph 2 of the agreement stipulates that the State will take all measures necessary to allocate the necessary land to the investor without any compensation being specified.

⁴⁵ Source: Press - http://cridem.org/C_Info.php?article=675135.

⁴⁶ Source: Press - http://taqadomy.com/fr/index.php?option=com_content&view=article&id=2203:contrat-darmement-les-dessous-secrets-de-laccord-controverse-de-peche-avec-la-chine-document&catid=73:music&Itemid=414

325 million dollars and entirely funded by the Mauritanian State,⁴⁷ without, it would seem, any call for tenders having been published.

POLY TECHNOLOGIES INC is nonetheless a company known for cases of corruption in Namibia, Niger⁴⁸ and Zimbabwe.⁴⁹ In 2013, it was sanctioned by the American government for violating a law on non-proliferation of arms in Iran, North Korea and Syria.⁵⁰

In the context of the last renegotiation of the fisheries agreement with the European Union, the Mauritanian government introduced a clause excluding cephalopods, which constitute 40% of the overall value of the fishery sector's exports, from its scope.⁵¹ Mauritians have recently discovered the reasons for this: the ministry of fisheries has just imposed quotas (assignable in the market). At the "sole" discretion of the minister, these quotas were granted to a very restricted list of Mauritians who have, as their only common denominator, their proximity to the President of the Republic: close family members or political activists.⁵²

III. Third source of concern: Bad management and looting of public funds

If certain observers point the finger at bad management of public funds (A), others see in this bad governance a hidden will of the leaders to loot them (B).

A) Bad management of public funds:

In its annual report for 2016, IMF regrets not only that its advice is applied in mitigated fashion by the Mauritanian authorities but also that its recommendations intended to dissipate fears concerning the viability of the debt through budgetary consolidation and to reinforce the framework of the monetary policy have still not been applied.⁵³ The African Development Bank also highlighted bad governance and bad management of public funds.⁵⁴

The budgetary deficit worsened and public-sector debt increased to reach 93% of GDP at the end of 2015, the authorities having borrowed for priority investment projects and to strengthen reserves.⁵⁵ The debt allegedly increased by 153% between 2010 and 2015.⁵⁶ The Mauritanian Central Bank had to contract a bilateral loan with Kuwait's investment authority to support the position of the foreign debt.⁵⁷

⁴⁷ Source: Press - <http://www.agenceecofin.com/investissement/0812-43082-mauritanie-le-chinois-polytechnology-choisi-pour-la-realisation-d-un-port-militaire-et-commercial-a-325-millions-pres-du-senegal>

⁴⁸ Source: Press - <http://afrique.latribune.fr/afrique-du-nord/mauritanie/2016-12-09/mauritanie-le-chinois-polytechnology-construira-le-nouveau-port-militaire-et-commercial.html>

⁴⁹ In 2009: Sale of 77 tons of arms by Poly Technologies to the government of Zimbabwe for 1.245 billion dollars.

Source: Press - <http://www.nytimes.com/2008/04/23/world/africa/23zimbabwe.html?pagewanted=print>.

⁵⁰ Source: Press - <http://www.reuters.com/article/usa-china-sanctions-idUSL1N0BB79720130211>.

⁵¹ Source: Press - <http://mondafrique.com/mauritanie-poulpe-affaires-clan-aziz/>.

⁵² Source: Press - <http://mondafrique.com/mauritanie-poulpe-affaires-clan-aziz/>. Several names are mentioned in this article.

⁵³ Source: International Monetary Fund, Islamic Republic of Mauritania, "2016 Consultations under Article IV," 2016, p.4., <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

⁵⁴ "Despite efforts made by the public authorities, the country's governance problems remain numerous and have different facets. They are manifest in the form of corruption, institutional weakness, inefficiency in the provision of public services, sub-optimal management of natural resources and public funds [...]. The problems thus listed constitute a brake on the country's development and obstruct the share of growth and the country's capacity to face economic shocks." Source: African Development Bank Group, Islamic Republic of Mauritania, Country Strategy Document 2016-2020, July 2016, p.10, https://www.afdb.org/fileadmin/uploads/afdb/Documents/Project-and-Operations/Mauritanie_-_DSP_2016-2020.pdf.

⁵⁵ Source: IMF, Press release no. 16/213, 11 May 2016, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

⁵⁶ Source: Press - <http://mondafrique.com/chiffres-secrets-de-faillite-de-leconomie-mauritaniene/>

⁵⁷ Source: International Monetary Fund, Islamic Republic of Mauritania, "2016 Consultations under Article IV," 2016, p.5, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

As for the Mauritanian ouguiya, it registered a nominal depreciation of 9% on a year-on-year basis with regard to the American dollar⁵⁸ and, for the moment, no exchange policy has been adopted to rectify this strong overvaluation of the ouguiya.⁵⁹

IMF, like the World Bank, criticises the lack of transparency of public funds. These financial institutions question the close links existing between industrial conglomerates and banks, thus compromising transparency and governance, which could lead to systemic risks.⁶⁰ The World Bank denounces the parapublic sector as a “burden” for the Mauritanian economy:

“The parapublic sector has grown and includes some 150 establishments that receive transfers now representing 17 per cent of spending but there is very little information to allow assessment of their performance in terms of services provided or their operational efficiency. These entities represent a risk and a considerable threat to good performance of the budgetary policy and public funds. [...] A great number of these public companies have a moderate or high level of opacity and it is still very difficult to obtain accurate data on the net financial position or the contribution of these entities to public investments. A recent study conducted by the World Bank noted that the number of agencies had increased since 2010 and that subsidies granted to public companies and bodies had significantly increased, from 5 billion ouguiyas in 2005 (i.e. USD17.2 million) to more than 70 billion ouguiyas in 2013 (i.e. USD240 million), while the services provided by these entities remain mediocre and external audits rare.”⁶¹

One of these public companies is, obviously, the **Société nationale industrielle et minière** (SNIM), which is the only one able to borrow externally without the explicit guarantee of central government. According to IMF, it should be the subject of close monitoring to avoid potential conditional commitments. SNIM's foreign debt effectively increased from 5% to 11.5% of GDP between 2010 and 2015. Approximately 70% of its debt should fall due before 2021; however, disclosed information relative to its financial position is limited because its financial statements are no longer published.⁶²

Behind the polished, diplomatic discourses of the international financial institutions, seems to hide a real predation of public resources, as is often reported by local observers.

B) Looting of public funds

Concerning the State budget, the procedures specified by the law are not respected: considerable volumes of revenues and public expenditures (at the forefront, those relative to procurement contracts) escape control by Parliament and the Court of Auditors.

This looting of public funds operates mainly via the **Banque Centrale Mauritanienne** (Central Bank of Mauritania) (BCM) through which the majority of the country's financial flows transit.

⁵⁸ Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, p.6, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

⁵⁹ Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, p.10, IV », 2016, p. 10, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>.

⁶⁰ Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, p.53, 53, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>

⁶¹ Source: World Bank Group, “Recent economic development in Mauritania,” July 2014, Report no. 1, p.12. <http://documents.banque mondiale.org/curated/fr/351871468056336150/pdf/900430NWP0Econ01C00FRENCH0final0pdf.pdf>.

⁶² Source: International Monetary Fund, Islamic Republic of Mauritania, “2016 Consultations under Article IV,” 2016, p.48, <https://www.imf.org/external/french/pubs/ft/scr/2015/cr1535f.pdf>

Thus, according to the opposition, many external revenues collected by BCM on behalf of the State are not registered in the finance law and are used outside budgetary procedures; this would allegedly be the case for a donation amounting to USD50 million granted by the Kingdom of Saudi Arabia to Mauritania for which the opposition has never ceased to demand transparency but in vain.⁶³

The opposition also questions the whereabouts of the USD200 million that Mauritania received from Libya in exchange for extradition to Tripoli of Abdallah Al-Senoussi, Kadhafi's former head of intelligence, subject of an international arrest warrant issued by the International Criminal Court - a revenue that was never entered in the State budget.⁶⁴

These operations do not constitute isolated cases: BCM is effectively accused of regularly carrying out illegal direct debits on the State's accounts in BCM's books.⁶⁵

More generally, it appears that **BCM has been progressively diverted from its initial public service mission** (i.e. ensuring the correct operation and balance of Mauritania's financial system) **in order to serve the interests of the regime in power**: thus, a considerable number of the banking licenses granted recently by the latter are dictated by nepotistic considerations⁶⁶; these same considerations seem to be at the source of the exchange rate manipulations to which BCM proceeds regularly in a totally irregular manner. Furthermore, such practises contradict the commitments made with the international donors.

The different audit reports on BCM's accounts compiled in recent years confirm the troubled relations that BCM entertains with the State: thus, echoing the audit reports relative to the 2008, 2009 and 2010 financial years,⁶⁷ auditors from the firm Ernest & Young expressed serious reservations in their audit of the 2011 accounts, particularly because of the existence of uncollected outstanding debts involving colossal sums likely to distort BCM's real financial position.⁶⁸ Apart from a debt owed to the State amounting to MRO20.010 million (i.e. more than €55 million) - of which more than half relative to arrears on the State's net commitments for the 2010 and 2011 financial years - the auditors mention the case of the Sonimex debt in particular: amounting to nearly MRO11.000 million (more than €30 million) not including interest, this debt dates back to 2008; a date on which BCM granted a loan to the Société Mauritanienne d'Importation et d'Exportation (Sonimex) - a company 51%-owned by the Mauritanian State - in order to allow it to purchase imported products at reasonable prices. "Forgotten" for several years, this debt only resurfaces following the above-mentioned audit reports.⁶⁹ No measure has been taken to date to regularise these different operations.

⁶³Sources: Opposition - http://fr.ufpweb.org/IMG/pdf/La_Mauritanie_sous_O-Abdel_Aziz-Mars_2012.pdf;
http://fr.ufpweb.org/IMG/pdf/Souveraine_qabegieje.pdf

⁶⁴Source: Opposition - <http://fr.ufpweb.org/spip.php?article4095>

⁶⁵Source: Press - http://www.cridem.org/C_Info.php?article=640423

⁶⁶Source: Press - http://www.cridem.org/C_Info.php?article=640464

⁶⁷Source: BCM - <http://www.bcm.mr/Etats%20Financiers%20de%20la%20BCM/Pages/default.aspx>

⁶⁸Source: BCM -

<http://www.bcm.mr/Etats%20Financiers%20de%20la%20BCM/Documents/Rapport%20d%27audit%20sur%20les%20comptes%20annuels%20de%20la%20BCM%20arr%C3%AAt%C3%A9s%20au%2031%20d%C3%A9cembre%202011.pdf>

⁶⁹ Sources: Press - <http://kassataya.com/mauritanie/arrestation-de-l-ex-dg-de-la-sonimex-les-49-millions-de-dollars-de-la-bcm-au-centre-de-l-affaire> ; <http://kassataya.com/economie/scandale-sonimex-a-quoi-sert-le-conseil-de-politique-monetaire-de-la-banque-centrale-de-mauritanie> ;

The irregularities in which BCM engages are reminiscent of the years 2001-2005 and the politico-financial malpractices with which it was then associated; yet again, BCM is acting as a “slush fund” for the State.⁷⁰

All these cases can not be considered the fruit of simple dysfunctions in the conduct of business and management of Mauritanian public funds; they represent expertly orchestrated looting by the regime in power in a general climate marked by progressive retrogression of the Rule of Law.⁷¹

From 2010 to 2014, thanks to external factors, the Mauritanian economy registered exceptional performances. Export revenues increased by 71%. Annual revenues of the State budget alone doubled, increasing from 200 billion ouguiyas to more than 400 billion. Direct investments from abroad also progressed, reaching 756 million dollars per year. SNIM's turnover increased by 140% per year and fisheries exports, which totalled 280 million dollars, increased to an annual average of more than 400 million dollars from 2011 to 2014. Between 2010 and mid-2014, Mauritania collected a considerable volume of external funds, amounting to 17.24 billion dollars.⁷² Today, SNIM is declaring bankruptcy.

How then can the explosion of public debt today be explained? The fall in metal prices, the increase in the price of oil and bad management of public funds are not sufficient to justify the disastrous state of the Mauritanian economy today.

Since coming to power in 2009, president Mohamed Ould Abdel Aziz **has progressively set up an enterprise focused solely on predation of the country's natural resources**, particularly the fruits of growth, for the benefit of his personal interests and those of a handful of individuals who are members of his clan: a good number have thus been appointed to key positions in the administrative authorities or public companies⁷³ - the establishment of which has increased in recent years (inconsistent with the vow to disengage made by the State to international donors); the companies linked to them, for their part, recover the majority of public procurement contracts.⁷⁴

These unlawful enrichment practises are all the more intolerable because it is common knowledge that all these “nouveaux riches” originating from the regime in power are not subject to any form of taxation and pay customs duties at a derisory rate.⁷⁵ Many assets belonging to the State, particularly land and schools, have been quite simply sold by the clan in power to people close to the president, merchants in particular, although the illiteracy rate exceeds 41.4%.⁷⁶ In recent years, thousands of hectares of farmland, as in Dar Elbarka, where black populations live, have been seized for the benefit of local businessmen and foreigners.

⁷⁰ Among other sources of covert funding, it is necessary to mention SNIM; it is effectively common knowledge that a major part of this State-owned company's revenues is used to fund extra-budgetary costs, particularly the lavish lifestyle of the State.

⁷¹ In this regard, see the report published by FIDH and AMDH “Mauritania: Criticising governance: a risky business” (December 2012). Source: http://www2.ohchr.org/english/bodies/hrc/docs/ngos/FIDH_Mauritania107.pdf

⁷² <http://mondafrique.com/chiffres-secrets-de-faillite-de-leconomie-mauritanienne/>

⁷³ In this regard, see the investigation conducted by *Insiders Mining* in the mining sector. Source: <http://www.africaintelligence.fr/insiders/AMF/MAURITANIE/2013/02/04/le-clan-des-oulad-bousbah-a-fond-dans-les-mines/107941159-BE2>

⁷⁴ In this regard, see the investigation conducted by AFRIK.COM in particular. Source: <http://www.afrik.com/pillage-organise-en-mauritanie>

⁷⁵ Moreover, IMF recommends elimination of these tax exemptions, estimated at nearly 3% of GDP. IMF report.

⁷⁶ http://seneweb.com/news/International/lrsquoancienchefdelatransitionmau_n_166521.html

Sherpa keeps an updated list of all people with close links to the president who hold positions of responsibility in the mechanisms of the Mauritanian economy and who could, taking their position into account, participate in this vast predation of resources system.

This capture of the means of economic creation is mainly based on BASEP: the presidential security battalion has effectively become, *de facto*, the one-stop shop for business in Mauritania since, in the opinion of many investors, all decisions are subject to its direct authority: mining authorisations, fishing licenses, land concessions, awarding of contracts, etc. BASEP has allegedly also become the mandatory waypoint for numerous appointments (ministers, senators, Central Directors, Ambassadors) to the detriment of the constitutional rules relative to the organisation of power. This situation is all the more intolerable because this body does not draw its legitimacy either from Parliament or from the government.

A provider of illicit funds, BCM is also used as a weapon of intimidation or even repression against rival economic operators (confiscation of currency, non-execution of transfer orders, etc.). The same applies to the Inland Revenue (tax authorities), which conducts targeted tax recovery actions in a timely manner.

As a result of manipulation of the country's legal institutions⁷⁷ and the president's attempts to modify the constitution to allow him to remain in power for a third term, the "Aziz" system is henceforth totally locked in place.

In any case, any interference by the political authority in the field of economic competition can only distort free competition, undermine investor confidence and call into question the legitimacy of Mauritanian institutions: this puts a serious brake on growth and development.

Conclusion

In light of the above, it is perfectly legitimate to doubt the sincerity of the commitments made by the Mauritanian government with regard to its **Cadre Stratégique de Lutte contre la Pauvreté (CSLP) (Strategic Framework for the Fight against Poverty)** – a document that constitutes (and this deserves to be underlined) **the frame of reference within which Mauritania's international donors operate.**

In particular, the commitments made under axis 4 ("improve governance and increase capacities") and specifically, the measures announced in the field concerning the fight against corruption (*via* development of National Strategies to Fight against Corruption), seem to be no more than window dressing; an "umbrella" of fine declarations that will serve no other purpose than to give guarantees of good governance to international donors.

The case of the new Public Procurement Code, which came into force in February 2012, is particularly emblematic for this reason. Legitimately presented as a great step forward in terms of transparency and good governance in the awarding of procurement contracts, it was immediately deprived of all substance through adoption of several implementing decrees establishing exemption schemes for

⁷⁷Concerning this issue, in particular, see confirmed the report published last December by the president of the national bar association, Mr. Ahmed Salem Ould Bouhoubeyni, on the state of justice in Mauritania. Source: <http://webcache.googleusercontent.com/search?q=cache:http://www.quotidien-nouakchott.com/rapport-batonnier-sur-justice-mauritanienne-regne-l-arbitraire-et-sabotage-droit>

approximately twenty public bodies, a good number of which had been implicated in cases relative to the opaque awarding of contracts.⁷⁸

Similarly, in 2007, a law relative to the declaration of assets was adopted “institut[ing] an obligation to declare wealth and interests periodically for the President of the Republic, the Prime Minister, Members of Government, certain holders of elected public office and the State officials designated by this law” (article 1).⁷⁹ It specifies that the latter must draw up a declaration of their assets and make it available to the public when they take up their duties and at the end of their term of office. Similarly, article 11 of this same law specifies that “the persons subject to this law must communicate all substantial changes to their wealth and interests each time they consider it useful and at least once every two years during execution of their mandate or performance of their official duties to the commission for financial transparency in public life.” These different provisions are praiseworthy but in practise, none of the people targeted seems to have completed this initial declaration (and, in any case, declarations have not been made public and can not be consulted on line), no more than those specified in article 11.⁸⁰ It is also regrettable that the Commission for financial transparency in public life, born from this law and responsible for receiving the declarations, has still neither produced nor published in the Official Journal any report on the state of application of the obligations arising from the law relative to financial transparency in public life as specified by article 11 of Decree no. 2007-207 of 3 December 2007 laying down the organisation and operation of the Commission for financial transparency in public life.⁸¹

These examples of bad governance show how Mauritania is currently on the road to ruin without its people having been able to benefit from its own revenues to date. The clan in power has become increasingly rich and the populations increasingly poor. With more than 30% of the population unemployed,⁸² *trabelsisation* in progress in the Mauritanian economy raises fears of a popular uprising likely to lead to a new “Arab Revolution.” The recent multiplication of demonstrations throughout the country as well as the extreme severity with which the latter are put down by the security forces constitute warning signs in this regard to which donors can not remain indifferent.⁸³ Many human rights activists are currently in prison. In Nouakchott, anger is growing in the streets and threats of violence abound. As many seams that will be seized upon by the nefarious networks lurking in the shadows.

Mauritania is currently one of the most corrupt countries in the world. Donors can no longer be passive witnesses to this serious regression. On the contrary, they must obtain firm commitments from the

⁷⁸ See order nos. 718 of 3 April 2012, 729 of 8 April 2012 and 829 of 2 May 2012. Among the bodies concerned by the exemptions: Société Nationale Industrielle et Minière (SNIM); Agence Nationale pour les Etudes et de Suivi des Projets (ANESP); Société Nationale d'Importation et d'Exportation (SONIMEX); Société Mauritanienne de Gaz (SOMAGAZ); Société Nationale d'Aménagement de Terrains, de Développement de l'Habitat et de Promotion et de Gestion Immobilière (ISKAN); Mauritanie Airlines International (MAIL)

⁷⁹ Source: Law 2007-054 of 18 September 2007 relative to Financial transparency in public life -

http://www.environnement.gov.mr/images/archive_env/abcdef3.pdf

⁸⁰ Source: Press - <http://www.cridem.org/imprimable.php?article=634300>. In this regard, it is at least interesting to note that the implementing circulars no longer mention the head of state among the persons subject to the law. Source:

<http://www.coursupreme.mr/CourSup/rubriques.aspx?urlchans=/CourSup/right2/CommissionpourlaTransparenceFinanciere/elaViePublique/Circulaires/>

⁸¹ Source: Decree no. 2007-207 of 03 December 2007 laying down the organisation and operation of the Commission for financial transparency in public life - <http://www.coursupreme.mr/NR/rdonlyres/1D10E08B-6405-4ABC-B8FE-980AD637F843/6723/decret20707fr.pdf>

⁸² Source: Press - <http://mondafrique.com/chiffres-secrets-de-faillite-de-leconomie-mauritanienne/>

⁸³Source: FIDH - http://www2.ohchr.org/english/bodies/hrc/docs/ngos/FIDH_Mauritania107.pdf

Mauritanian authorities to put an end to these serious abuses and carry out the necessary investigations. With their powers of persuasion and capacity to make their aid conditional, donors have a responsibility to ensure that their funds are not used to fuel this gigantic evaporation system.

July 2017.