

## ***Plus ça Change, Plus c'est la Même Chose: The Political Economy of Rent-driven Development in Mauritania***

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**Theme**<sup>1</sup>: After four decades of rent-driven development that has systematically killed off competition in the main sectors of the economy, Mauritania remains inherently prone to authoritarian intervention when powerful interests are threatened. The economy continues to grow relatively slowly and remains undiversified. While the election of Ould Cheikh Abdallahi in 2007 did signal a break with the past, his brief tenure was characterised by the same unresolved tensions that have routinely triggered the intervention of 'strong men' since the country's independence in 1960.

**Summary:** Mauritania's economy is driven by natural resources: iron ore, fisheries, copper, gold and, more recently, oil. Decades of rent-driven development in these sectors have fostered the development of a system based on clientelism and patronage. A few powerful groups are *de facto* in control of large businesses in trade and commerce and the banking sector, a phenomenon which has prevented the emergence of a competitive private sector. Although the 2007 elections resulted in the most politically diverse National Assembly in Mauritania's history, the bloc of MPs linked to the 'old guard' continued to control the majority of seats. The country has a complex cultural and ethnic mix. The degree of political representation and economic power, language issues and access to land in the Senegal River valley are at the core of the still unresolved 'national question', which characterises the interaction between Mauritania's main ethno-cultural groups. Looking forward, the stability of the country will depend on the ability of the political class to begin to address these issues openly and deal with them in an effective way.

### **Analysis:**

#### *Background*

The election of Sidi Ould Cheikh Abdallahi on 19 April 2007 has been termed the freest and fairest presidential poll in Mauritania history and signalled the beginning of Mauritania's 'Third Republic'. His advent brought to an end the transition government of the military *junta* –the Military Committee for Democracy and Justice (CMJD)– responsible for overthrowing Maaouiya Ould Sid'Ahmed Taya on 3 August 2005. The most politically diverse National Assembly, also freely elected, started its five year-mandate in May 2007. In August 2008, a coup d'état put an end to arguably the most promising phase of the country's troubled post-colonial history.

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<sup>1</sup> The findings, interpretations and conclusions are the author's own and should not be attributed to the World Bank, its Executive Board of Directors or any of its member countries. The usual disclaimers apply.

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### *The Political Economy of Rent Extraction*

The political economy of Mauritania reflects a model of rent-driven development since independence, beginning with the expansion of an iron ore mine, followed by foreign aid that from 1974 has averaged over one-fifth of gross national income annually, and more recently from fisheries. Since February 2006, Mauritania has also become an oil exporter, although technical problems have kept production well below initial expectations. Net revenues from oil are expected to average around 3% of non-oil GDP until 2011 before shooting up to around 10% of non-oil GDP in 2012. This translates into around US\$100-130 million a year until 2011, before doubling. In terms of export, in 2008 oil accounted for around 18% of total exports. Despite the relatively good framework put in place by the authorities –notably during the transition period– for a transparent management of oil revenues, the legacy of rent-driven growth is not propitious for the effective use of the projected oil rent.

The failure to promote competition and transparency in the enclave sectors of mining and fishing largely reflects the distortion of four decades of relatively high rent absorption. Neither mining nor fisheries have been able to expand beyond enclaves and both sectors under-performed in terms of value added and employment generation. In mining, the national company SNIM has been unable to increase substantially iron ore exports, which have fluctuated around 10 million tonnes annually since 1975. Fishing generates little domestic value added. Under the lucrative fishing agreements with the EU, up to 80% of the annual fish catch is being landed abroad or trans-shipped.

The rest of the economy is crippled by the lack of competition in key formal sectors. Rent-cycling has been traditionally centred upon Nouakchott. Large private trading monopolies and inefficient state-owned water and electricity companies skim rent from the urban economy at the expense of domestic private producers whose margins are shrunk by high-cost water and intermittent power. The monopolies also dominate bank credit at the expense of small and medium-size businesses. Large firms with political connections have dominated state procurement contracts and reserved domestic markets for imports, even in the presence of cheaper local producers. The monopolies, whether public or private, are indifferent to inflation and the exchange rate because they can pass costs on to their captive markets.

A further legacy of rent-driven growth has been the emergence of a dependent form of social capital. The massive rural-urban exodus that began in 1940s and then again in the late 1960s led to the accumulation of thousands of nomads in urban areas –seeking to cash in from the sale of their livestock on urban markets– often in vast shanty towns. This mass migration *de facto* transferred local extended family links to the national economy. The system works as follows: new urban residents rely on the hospitality of relatives and wait for access to the political patronage system rather than taking more direct steps to secure their livelihood. This system requires successful urbanites to redistribute income to those less fortunate, as the urban labour market is unable to absorb workers effectively.

However, the social safety nets afforded by the extended family have come under strain as wealthier urban residents find that although their incomes rise, the obligations to the less fortunate become increasingly onerous. The recent increase in the cost of living, which has affected Mauritania as other countries in Africa, has placed an additional burden on the population. Such concerns add to the pressure for government ministers to distort policy to help this impromptu social safety-net. The net effect has been to diminish the efficiency of resource use and retard the emergence of a competitive economy.

Prior to the latest coup, some observers suggested that the Mauritanian government could defuse the social tensions arising from contests for rent by focusing on a dual track strategy. This strategy nurtures a dynamic market sector in the rural economy (Track 1) and promotes incremental reform of the largely rent-driven urban economy (Track 2). This approach would entail: (1) improving the economy-wide allocative efficiency by further strengthening macro-economic policy and the transparency of public finances; (2) accumulating assets during the projected oil revenue upswing to limit Dutch disease effects and neutralise economic shocks; and (3) eschewing subsidising employment in favour of stimulating competitive investment, notably in rural areas.

Over time, the dual track strategy is believed to increase the fraction of rent flowing to market-directed wealth creation and shrink the relative importance of patronage networks, avoiding alienating rent-seeking interests in urban areas. Meanwhile, a dynamic rural economy together with the competitive urban activity that it stimulates strengthens the pro-market political constituency relative to that of the rent-seekers. Urban reform to dismantle rent-seeking should be incremental in recognition of the political risks to a reforming government of moving too abruptly against powerful established rent-seekers.

This strategy, however cautiously implemented, requires a government with leadership, vision and the capacity to carry out policies that sometimes upset powerful interests, in order to make rents growth-enhancing. The military *coup* of August 2008 has ruled out such an eventuality, at least for the time being.

#### *The Politics of Clientelism and Patronage*

Allegations of corruption of the élite have surfaced time and again in Mauritania. The regime of its first President, Ould Daddah, was brought to an end by military *coup* in 1978 amidst such concerns, as well as rising poverty and the mismanagement of the economy as a result of the resource-draining Western Saharan conflict. The departure of Ould Daddah marked the end of Mauritania's 'First Republic'. Following a number of short-lived coups d'état, on the 12 December 1984, Ould Taya came to power by overthrowing Ould Heydalla.

Under Ould Taya's rule, the Social and Democratic Republican Party (PRDS) was created to 'civilianise' the military regime. A new Constitution –building a powerful presidential system– was submitted to a national referendum and approved in 1991, marking the beginning of the 'Second Republic'. Taya craftily manoeuvred to remain head of state for just over 20 years by controlling the coup-prone army, securing the support of the business community and embracing the democratisation process and the economic reform bandwagon of the 1990s.

Taya forged a *grand compromise*, an arrangement that brought together powerful Baydane groups (see below) –as well as some of the ruling black African elites– which together formed the backbone of the PRDS. His regime was characterised by a military oligarchy driven by 'neo-patrimonialism', a system where vertical relationships of loyalty and dependence permeate a formal political and administrative system through a predominant party system. Although legislative and presidential elections were contested (in 1992 and 1997 and 2003), the widespread control of state resources by the PRDS virtually killed off the rise of any realistic challenge from an increasingly splintered and fractioned opposition.

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Under Taya, the politics of identity manifested in regionalism, tribal identities, solidarities and conflicts played an important part, alongside the establishment of political pluralism. The increasing income disparity between the élite and the rest of the population fostered a process of wealth redistribution towards a clientele chosen because of 'ethnicity', 'tribalism' or 'status' within the caste system of the Mauritanian society. Fractiousness within the dominant groups allowed the leadership to maintain power by using state control of productive activity to generate the resources to sustain a clientelistic patronage system. Top government officials were rotated on a regular basis. The political power sought and obtained the support of the dynamic business élite, which set out to conquer the 'state market'.

Taya's regime in its last year was weakened by a number of factors, both internal and external. He forged new alliances, embraced the foreign policy of the Bush Administration –unpopular at home– and supported the fight against 'Islamic terrorism' in North-west Africa. Moreover, as proved by the attempted coup of 2003 –led by officers and soldiers from the Oulad Nacer, a Beydane eastern tribe– he began to antagonise important groups and their allies, making a dent in the solidity of the *grand compromise*. Externally, the regional dimension played against Taya, as the advent to power of Abdoulaye Wade in Senegal and Amadou Toumani Touré in Mali renewed hopes of democratisation in West Africa.

Ould Taya was ousted in a bloodless coup on 3 August 2005. The coup leaders established the CMJD, headed by Colonel Ely Ould Mohamed Vall (Taya's Chief of Security), dissolved parliament and formed a new transitional government. The new authorities soon gave out strong signals on their commitment to the return to democratic rule. A roadmap was agreed with representatives of political parties, which regained freedom of speech and association, and civil society on: (1) the return to democracy within 24 months; (2) the improvement of the judicial system; and (3) the deepening of reforms in the public finance sphere, including the transparent management of oil rents.

In June 2006, the country held a successful referendum on constitutional amendments. The amendment was approved by 97% of voters. Amendments included the limitation of future president to two consecutive terms of five years, introduced a maximum age limit of 75 for future Presidents, curbed the ability of the executive to rule by decree and provided for a mechanism that would make it impossible for the parliament to change these provisions. Municipal and legislative elections were held on 19 November 2006 and senatorial elections on 21 January 2007. The return to constitutional rule culminated with presidential elections on 11 March 2007.

However, rent-cycling continued to thrive under the rule of the CMJD. Moreover, the composition of the National Assembly (NA) during the tenure of Ould Cheikh Abdallahi underscored the continuation of a familiar political pattern, ie, the emergence of a party or a party coalition that imposes a hegemonic control over the country's political system. In the newly elected NA, the bloc of the so-called 'old guard' –linked to the former regime of Ould Taya– still made up nearly the 60% of the total, controlling 54 of the 95 seats. The coalition of opposition parties thus failed to gain a majority. What is more, powerful factors played against the opposition, such as divisions on the scope and pace of reforms, the lack of financial means and the much needed connections within the state apparatus enjoyed by the old guard.

Under circumstances such as these, it would have been naïve to assume that the NA would push for reforms fostering transparency, fighting corruption and promoting competition. This is not to deny that the presence of new genuine reformist forces in the NA meant that for the first time in the country's history the old guard could be taken on in a contest. The influence of the opposition in the NA increased from zero in the 1992 election to one in 1996, 11 in 2001 and 41 in 2007. Moreover, the NA included political actors who had been oppressed under previous regimes and widely respected for their integrity.

Indeed, it should not be ignored that amongst the concerns that prompted the military to intervene yet again was the possibility that the NA was on the road to becoming a politically active –rather than submissive– institution, and that opposition parties and deputies could be progressively given the chance to participate more fully in parliamentary affairs, monitor effectively the decision-making process and expose publicly and debate any irregularities in the process. The international community explicitly pushed for such an outcome with Ould Cheick Abdallahi, since the beginning of his tenure in April 2007.

#### *The Unresolved National Question*

The origin of the last coup needs to be understood by looking at Mauritania's unresolved 'national question'. The country has traditionally served as a geographical bridge, crisscrossed by merchants transporting gold, salt and slaves between the northern and southern edges of the Sahara. The social landscape is characterised by the interaction of three main groups: 'black African Mauritians' (Halpuulaar-en, Wolof, Soninké and Bambara); nomadic Arab-Berbers (light-skinned, also known as Moors or Beydane); and Haratin –the descendant of enslaved black Africans– who identify culturally with the Beydane, although not uniformly. Beydane and Haratin speak Hassaniya and make up slightly more than two-thirds of the population, with the Haratin significantly outnumbering their former masters.

Traditionally, the interaction between the three cultures has been charged with social and political conflict that has defined and will continue to define the country's political and economic development. From 1960 to 1965 the focus of the discussion was the degree of representation within government structures. Between 1966 and 1980 the debate shifted to education, on the imposition of Arabic as a language of instruction. Following the approval of new land legislation in 1983 and 1984, animosity erupted over access to land in the Senegal River Basin, notably on the expansion of Beydane interests into areas formally farmed by Haratin, Halpuulaar-en and Wolof groups.

The influence of the tribe, the region and the ethnic group –as places of refuge and solidarity– has emerged time and again, with different shades of intensity, in the history of Mauritania. But it would be wrong to conclude that ethnic tensions have followed a linear trajectory. Tensions based on ethnic differences have unfolded in conjunction with political struggles within ethnic communities, with accommodation across ethnic boundaries and with debates about the type of political regime. In fact, Beydane and black African élites have colluded –at different times and under different forms of alliance– to capture the state institutions to their advantage. In collaborating with Ould Taya, for instance, some segments of the black African élite gained the continued capacity to control their communities, the access to the state's resources and the ability to retain most of the land they owned.

At the same time, strong opposition to Beydane-dominated governments has also emerged throughout the country's history. In 1986 the 'Manifesto of the Oppressed Black Mauritanian' was published and demonstrations led by the African Liberation Forces of Mauritania (FLAM) were carried out in many parts of the country, leading to arrests and executions. An attempt to overthrow Ould Taya by Halpulaar-en officers resulted in a violent backlash in 1988, while in 1989 –following a petty incident between Senegalese farmers and Mauritanian herders– the 'Senegalese-Mauritanian' conflict erupted. This conflict led to the forced exile of about 70,000 southerners to Senegal, despite most of them having no links to that country.

Ethnic, regional, and tribal identities in present-day Mauritania are strong and continue to permeate the political discourse. An acceptable formula for the sharing of economic power and political representation between the various ethno-cultural groups has so far not been found. Nearly 85% of the NA under Ould Cheikh Abdallahi, for instance, was composed of Arab-Berbers. The latter also have a firm grip on the economy. In addition, tensions have marked the attempted resolution by Ould Cheikh Abdallahi of the so-called *passif humanitaire*, that is, the set of issues surrounding the return of Mauritanian refugees from Senegal.

**Conclusion:** The legacy of Mauritanian political and economic history includes ineffective economic policies, widespread rent seeking, concentration of wealth within a class of high-level state officials –including military officers– and business oligopolies, mounting inequality and tensions between the main ethno-cultural groups. Only the ability of the political class to openly debate these issues with a view to finding some acceptable compromises can put Mauritania firmly on the path towards stability.

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