INTERNATIONAL MONETARY FUND

IMF Country Report No. 17/369

ISLAMIC REPUBLIC OF MAURITANIA

December 2017

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR ISLAMIC REPUBLIC OF MAURITANIA

In the context of the request for a three-year arrangement under the Extended Credit Facility, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 6, 2017, following discussions that ended on October 14, 2017, with the officials of the Islamic Republic of Mauritania on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on November 21, 2017.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association (IDA).
- A **Statement by the Executive Director** for the Islamic Republic of Mauritania.

The documents listed below have been or will be separately released.

Letter of Intent sent to the IMF by the authorities of the Islamic Republic of Mauritania*

Memorandum of Economic and Financial Policies by the authorities of the Islamic Republic of Mauritania*

Technical Memorandum of Understanding*

*Also included in Staff Report

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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Press Release No. 17/468
FOR IMMEDIATE RELEASE
December 6, 2017

International Monetary Fund
Washington, D.C. 20431 USA

IMF Executive Board Approves US$ 163.9 Million Arrangement Under the Extended Credit Facility for the Islamic Republic of Mauritania

- Board decision enables immediate disbursement of US$ 23.4 million to Mauritania.
- Mauritania's ECF-supported program aims to address the challenges of economic growth, stability, sustainability, and poverty.
- Reforms will seek to create fiscal space for social spending and infrastructure through revenue mobilization and expenditure prioritization, as well as to modernize the monetary policy framework and maintain financial stability.

On December 6, 2017, the Executive Board of the International Monetary Fund (IMF) approved a three-year arrangement under the Extended Credit Facility (ECF) with Mauritania for SDR 115.92 million (about US$ 163.9 million, or 90 percent of Mauritania's quota) to support the country's economic and financial reform program.

The ECF-supported program is expected to help Mauritania economy foster inclusive and diversified growth to improve the population's living standards, maintain macroeconomic stability, strengthen debt sustainability, and reduce poverty.

An amount of SDR 16.56 million (about US$ 23.4 million) will be made available immediately to Mauritania. The remaining amount will be phased in over the duration of the program, subject to semi-annual reviews.

Following the Executive Board discussion on Mauritania, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, said:

"Mauritania is addressing decisively the aftermath of a terms-of-trade shock that slowed growth and widened imbalances. The authorities' policy adjustment efforts succeeded in restoring macroeconomic stability and stabilizing debt levels, while growth rebounded. The authorities also prepared a long-term inclusive growth strategy, including structural reforms and infrastructure investment, to support diversification, job creation, and poverty reduction.

"The authorities' program appropriately addresses Mauritania's macroeconomic and structural challenges. The program aims to support the nascent recovery, diversify the economy, and meet infrastructure needs while maintaining macroeconomic stability, increasing resilience to shocks, and strengthening debt sustainability. It also seeks to reduce poverty, inequality and unemployment. Strong political commitment, ownership and steadfast implementation of the Fund-supported program will be needed for success.

"Building on the significant adjustment achieved, the authorities will continue with fiscal consolidation to restore debt sustainability while creating fiscal space for social and infrastructure spending through revenue mobilization, expenditure prioritization, and public investment management reforms. The authorities will advance implementation of planned tax policy and administration reforms and control current spending. Given the high public debt ratio, they will limit non-concessional borrowing and strengthen debt management to set the debt-to-GDP ratio on a clear downward trajectory.

"As part of the program, the monetary policy framework will be modernized and the central bank operational autonomy will be strengthened. A competitive foreign exchange market will be introduced to ensure regular access to foreign exchange, increase exchange rate flexibility and support growth.

"To address financial stability risks and support credit, the authorities will improve banking sector regulations and strengthen supervision. They will continue to improve the business climate and governance, and seek to expand the social safety net."

Annex

Recent Economic Developments

Mauritania, a commodity exporter, continues to face the challenge of low and volatile metal prices which slowed growth and widened imbalances. Following the sharp drop in iron ore prices in 2014–15 which halved export revenues, widened imbalances, and exposed financial vulnerabilities, the authorities cut the budget deficit significantly, allowed the exchange rate to depreciate, and mobilized foreign grants and loans. These efforts succeeded in restoring macroeconomic stability and levelling off debt to 69 percent of GDP, while growth rebounded to an estimated 1.6 percent in 2016 and 3.1 percent in 2017, and inflation remained subdued at 0.8 percent in October. In parallel, the authorities prepared an inclusive growth strategy covering 2017–30, including structural reforms and sizable foreign-financed infrastructure investment to support growth and diversification. Poverty, however, remains widespread at about 31 percent of the population, and sizeable macroeconomic imbalances and risks remain.

Program Summary

The authorities' program aims to address the challenges of growth, stability and sustainability; support the reform momentum; and catalyze external financing. To support inclusive and diversified growth while addressing remaining external imbalances and reducing vulnerabilities, the program will:

- Modernize monetary policy and reform the foreign exchange market to improve access to foreign exchange and increase exchange rate flexibility, with a view to absorbing shocks and enhancing competitiveness, accompanied if needed by countercyclical monetary policy to address tight liquidity and support growth.
- Create space for infrastructure investment and social spending (to support inclusive growth and diversification) while maintaining a path of gradual fiscal consolidation to strengthen the external position and debt sustainability. This will require strengthening domestic revenue mobilization and public investment and debt management to ensure prioritization.
- Strengthen bank supervision, upgrade the regulatory framework and reinforce contingency plans to buttress financial stability.
- Support expanded social policies and improvements in the business environment critical for inclusive growth and diversification and to reduce poverty.

Background

Mauritania became a member of the IMF on September 10, 1963; its quota in the IMF is SDR 128.8 million.

For additional information on the IMF and Mauritania, see:
http://www.imf.org/external/country/MRT/index.htm

Mauritania: Selected Economic Indicators, 2015–20

Population: 4 million (2014 est.)	Poverty rate: 31 percent (2014)
Per capita GDP: US$ 1,335 (2014)	Unemployment: 13 percent (2014)

	2015	2016	2017	2018	2019	2020
			Proj.			
	(Annual change in percent)					
Output and prices						
Real GDP	0.8	1.6	3.1	2.7	4.5	7.5
Extractive	-6.7	-1.4	-4.4	-5.6	1.4	27.7
Non-extractive	1.9	2.0	4.2	3.7	4.9	5.4
GDP deflator	-4.3	5.0	6.0	4.2	4.5	5.6
Consumer prices (period average)	0.5	1.5	2.5	3.7	5.0	4.3
	(In percent of non-extractive GDP; unless otherwise indicated)					
Central Government Operations						
Revenues and grants	32.5	31.6	31.2	31.0	30.7	30.7
Non-extractive	26.7	27.8	27.5	27.3	27.9	27.8
Taxes	16.8	18.7	19.0	19.2	19.7	20.2
Extractive	3.8	1.7	3.0	2.8	1.6	1.9
Grants	2.0	2.1	0.8	0.9	1.1	1.0
Expenditure	36.3	32.2	31.3	31.2	30.7	30.4
Current	20.5	19.0	18.5	18.2	18.2	18.0
Capital	15.5	13.3	12.7	12.7	12.5	12.4
Primary balance (excl. grants)	-4.5	-1.5	0.2	0.3	0.5	1.0
Overall balance (in percent of GDP)	-3.4	-0.5	-0.1	-0.2	0.0	0.3
Public debt (in percent of GDP) 1/	77.9	77.8	72.9	74.4	74.6	71.7
	(Annual change in percent; unless otherwise indicated)					
Money and Credit						
Broad money	0.4	7.1	12.6	9.2	9.1	13.6
Credit to the private sector	9.7	8.0	8.1	7.9	9.9	10.0
Balance of Payments						
Current account balance (in percent of GDP)	-19.7	-14.9	-10.8	-11.3	-10.3	-5.1
Excl. FDI-financed imports of extractive capital goods	-11.9	-11.0	-4.9	-6.3	-5.5	-2.8
Foreign direct investment (net, in percent of GDP)	10.4	5.7	9.1	8.6	8.7	5.6
Gross official reserves (in millions of US$, end of period)	822.8	824.5	805.6	820.6	922.7	1,134.0
In months of prospective non-extractive imports	5.6	5.4	4.9	4.9	5.2	6.0
External public debt (in percent of GDP) 1/	68.1	71.8	68.4	67.5	68.0	65.7
Real effective exchange rate (period average)	8.2	-5.7	…	…	…	…
Memorandum items:						
Price of iron ore (US$/Ton)	56.1	58.6	71.7	62.0	57.1	54.6
Nominal GDP (in millions of US$)	4,841.2	4,758.2	5,124.9	5,324.5	5,432.3	5,767.5

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Excluding passive debt to Kuwait under negotiation.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

November 21, 2017

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY

EXECUTIVE SUMMARY

Mauritania is addressing decisively the aftermath of the terms-of-trade shock which slowed growth and widened imbalances. Following the sharp drop in iron ore prices in 2014–15 which halved export revenues, widened imbalances, and exposed financial vulnerabilities, the authorities cut the budget deficit by close to 5 percent of NEGDP in 2016–17, allowed the exchange rate to depreciate, and mobilized foreign grants and loans. These efforts succeeded in restoring macroeconomic stability and levelling off debt to 69 percent of GDP, while growth rebounded. In parallel, the authorities prepared an inclusive growth strategy covering 2017–30, including structural reforms and sizable foreign-financed infrastructure investment to support growth and diversification. Poverty, however, remains widespread at about 31 percent of the population.

The economic outlook is positive but debt remains a concern. Near-term prospects are promising—supported by some improvement in the terms of trade, FDI in the extractive sector, planned structural reforms, and growth-enhancing public investment—but external pressures and debt sustainability concerns are expected to persist with continued low and volatile metal prices. Risks are balanced: on the upside, possible development of a recently discovered off-shore gas field could be a game-changer starting in 2021. On the downside, the economy remains highly vulnerable to lower metals prices, weather-related events, and regional security developments.

The authorities request Fund support under a three-year Extended Credit Facility (ECF) arrangement. The authorities' program aims to address the challenges of growth, stability and sustainability; support the reform momentum; and catalyze external financing. Guided by the recently completed Article IV consultation and building on adjustment and reform efforts in 2016–17, policies supported by the proposed ECF arrangement will seek continued gradual fiscal consolidation to strengthen debt sustainability, while creating fiscal space for higher social spending and infrastructure investment through revenue mobilization, expenditure prioritization, and public investment management reforms. The authorities will introduce a competitive foreign exchange market along with a modernized monetary policy framework to

ensure regular access to foreign exchange, increase exchange rate flexibility, address tight liquidity and support growth. Actions will be taken to strengthen bank supervision, improve the business climate, and expand social safety nets. The requested access amounts to SDR 115.920 million (90 percent of quota).

Staff supports the authorities' request for the ECF arrangement. The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. Implementation risks are significant given the economy's vulnerability to shocks, but are mitigated by existing buffers and the authorities' commitment to the program, as demonstrated by the implementation of strong adjustment policies so far.

Approved By
Daniela Gressani and Kevin Fletcher

Discussions took place in Nouakchott during September 25–October 6, 2017 and subsequently in Washington during October 12–14. The team comprised Eric Mottu (head), Aminata Touré, Tarak Jardak (all MCD), Louis Dicks-Mireaux (SPR), and Nooman Rebei (Resident Representative), assisted by Aichetou Maaloum Braham (local economist). Mohamed-Lemine Raghani and Mohamed Sidi Bouna (both OED) joined the discussions. Ms. Kalla provided research assistance and Ms. Cruz, Ms. Prevost, and Mr. Kane provided support.
The mission met with Central Bank Governor Abdel Aziz Ould Dahi, Minister of Economy and Finance El Moctar Ould Djay, Minister of Petroleum, Energy, and Mining Mohamed Abdel Vettah, Minister of Fisheries and Maritime Economy Nanni Ould Chrougha, Minister of Budget Mohamed Ould Kembo, and other senior officials, as well as representatives of business associations, labor unions, banks, and development partners.

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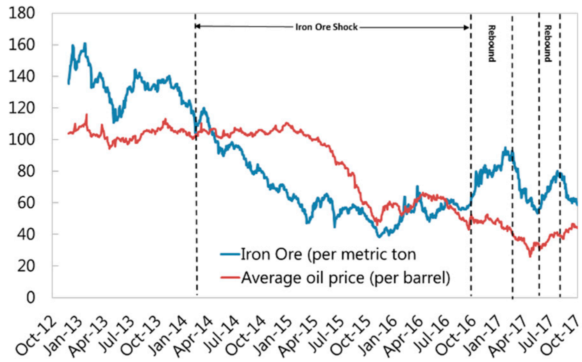
TABLES

APPENDIX

BACKGROUND

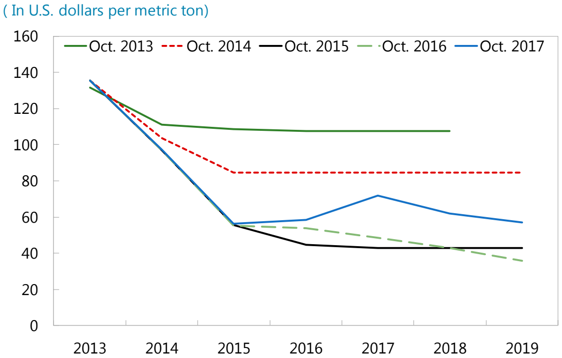
1. **Mauritania continues to face the challenge of low and volatile metal prices.** The economy largely depends on mining (iron ore, gold, copper) and fishing exports. In 2014–15, a severe deterioration in the terms of trade halved exports and widened the fiscal deficit. Nominal dollar GDP dropped by 17 percent over three years. Iron ore prices have been highly volatile over the past year, rebounding twice in November 2016 and in August 2017 due to uncertainties regarding global growth, supply swings, and dollar weakness. Medium- to long-term prices have oscillated between $40 and $70 per ton (against an average of $130 over 2012-13), complicating economic management and the assessment of long-term prospects.

International Commodity Prices
(In U.S. dollars)



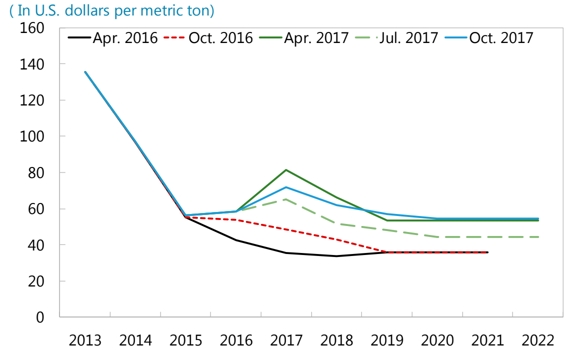
Sources: IMF and Bloomberg.

Iron Ore Prices, 2013-17
(In U.S. dollars per metric ton)



Sources: World Economic Outlook.

Iron Ore Prices, 2016-17
(In U.S. dollars per metric ton)



Sources: World Economic Outlook.

2. **The authorities responded to the terms-of-trade shock with significant policy adjustment.** They reduced the budget deficit sharply by 3 percent of non-extractive GDP (NEGDP) in 2016 while allowing the exchange rate to depreciate by 16 percent against the dollar. External resources were mobilized to finance deficits, maintain reserves, and mitigate pressure on liquidity. However, growth slowed to 1.6 percent in 2016.

3. **Sizeable imbalances and risks remain**. The sharp fiscal adjustment could not prevent debt from continuing to rise—albeit at a slower pace—to 72 percent of GDP at end-2016, partly as a result of slower growth and faster depreciation. Tight liquidity associated with the deceleration of economic activity exposed bank vulnerabilities.

4. The authorities request Fund support for their economic program. Following discussions on a possible Fund arrangement, broad agreement was reached in March 2017 on a policy and reform package to consolidate macroeconomic stability and reinvigorate growth—although a few issues remained pending, notably the size of the public investment program (PIP) and its financing. Since then, the 2017 Article IV consultation was completed and the authorities continued their fiscal adjustment efforts, prioritized their PIP, and engaged with bilateral partners to obtain greater concessionality for key development project loans. They also entered into discussions with the World Bank and African Development Bank on development policy grants.

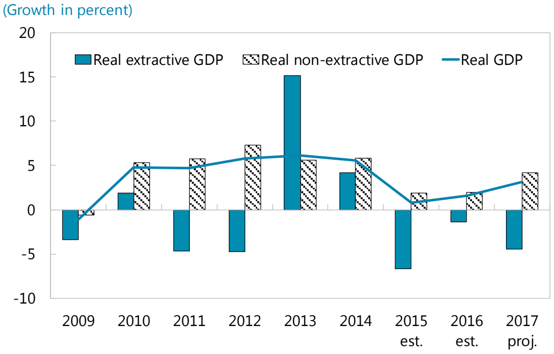
5. Political context. The referendum to amend the constitution to abolish the Senate and certain judicial institutions passed in August 2017. Municipal and parliamentary elections are due in 2018 and presidential elections in mid-2019; the president has stated he would not seek a third term as per the constitution.

RECENT ECONOMIC DEVELOPMENTS

Macroeconomic imbalances caused by the terms-of-trade shock narrowed in 2016–17 following sizable policy adjustment, while growth started to recover.

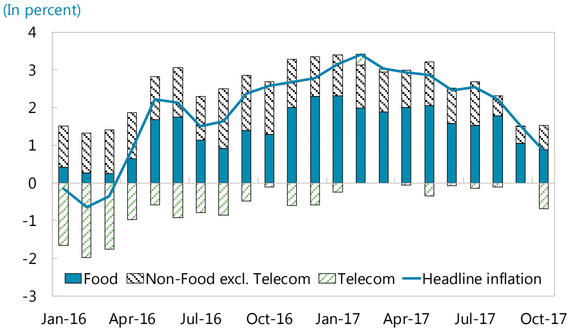
6. Growth is expected to rebound to 3.1 percent in 2017, aided by an improvement in the terms of trade and a pickup in mining investment, despite lower than projected iron ore production. Preliminary indicators suggest that growth was supported by construction and manufacturing (cement production and fish processing). Inflation dropped to 0.8 percent y-o-y in October along with the deceleration of both domestic and imported food inflation.

Gross Domestic Product
(Growth in percent)



Sources: ONS and IMF staff projections

Contributions to Inflation
(In percent)



Sources: ONS and IMF staff calculations

7. In the extractive sectors, several developments brightened prospects. A foreign operator decided on a second expansion of its gold treatment plant, expected to come online in 2020 with significant impact on GDP and gold exports. Investments by the publicly owned mining company to rehabilitate an iron ore treatment plant continued, with a view to improving production efficiency by 2020. And exploration and development work—by a consortium led by British

Petroleum—continued apace in the off-shore gas field shared with Senegal, which reportedly contains 15 trillion cubic feet and could start production in 2021.

8. **Fiscal adjustment continued in the first eight months of 2017.** As of August, the primary balance (excluding grants) improved further, reaching close to balance (against a deficit of 1.5 percent of NEGDP in 2016 as a whole) owing mainly to sustained tax revenue performance, a rebound in extractive revenues related to the offshore gas project, and under-execution of capital spending. To control current spending, the authorities are streamlining public employment practices (removing ghost workers, piloting new wage structures, and integrating parastatal entities into the central treasury system) and introducing a new targeted cash transfer system.

9. **With a supplementary budget for 2017 passed in October, the fiscal adjustment would reach 4.7 percentage points of NEGDP over the two years 2016–17.** The supplementary budget reflects the positive developments so far and would turn the primary budget deficit (excluding grants) of 4.5 percent of NEGDP in 2015 into a surplus of 0.2 percent in 2017—achieved through a combination of current and capital spending cuts and non-extractive revenue gains of close to 5 percent and 2 percent of NEGDP, respectively, while extractive and nontax revenue declined.

10. **The balance of payments extended last year's gains and improved in the first half of 2017 on the back of higher metal prices and fishing exports.** This, in addition to higher repatriation of fishing proceeds, allowed the central bank (BCM) to rebuild international reserves to $840 million (5.1 months of non-extractive imports) at end-September, while meeting a higher share of foreign exchange (FX) demand.[1] The dollar exchange rate remained stable over 2017, although the real effective exchange rate depreciated by 7.2 percent between December 2016 and September 2017 due to the depreciation of the dollar vis-à-vis the euro. The current account deficit is expected to continue to narrow in the second half of the year, which would bring it down to a projected 5 percent of GDP (excluding FDI-financed capital imports) for 2017—contributing to a substantial reduction in the estimated effective exchange rate misalignment.[2]

11. **Overall liquidity conditions improved somewhat, although not sufficiently to support credit expansion.** Lower FX intervention reduced the contractionary effect of non-sterilized intervention, freeing additional reserves for banks. As a result, broad money growth accelerated to 13.3 percent y-o-y in September. However, the impact of higher deposits on banks' liquidity in domestic currency was less pronounced as part of the increase was kept in correspondent banks

[1] Since the FX market's establishment in 2007, unmet FX demand—mostly from importers—has been a permanent feature. The BCM is the only official FX supplier, channeling iron ore and fishing proceeds through the official market. The exchange rate is set on the official market through a "fixing" arrangement, namely a two-way auction mechanism under which the BCM controls both the price and the quantity of FX.

[2] In the 2017 Article IV consultation, the real exchange rate was assessed as overvalued by respectively 21 and 14 percent using the External Balance Assessment (EBA-lite) current account (CA) and related external sustainability (ES) models, with 2016 and 2022, respectively, as the reference years; the corresponding CA norms were -4.8 and -2.7 percent of GDP.

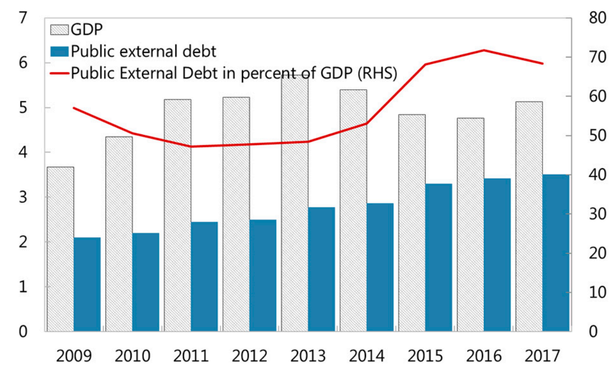
abroad. This, compounded with high credit risk and real interest rates, weighed on credit to the private sector, which grew by only 5.5 percent over the same period.

12. **Financial stability risks have eased somewhat but vulnerabilities persist.** Tight liquidity and the deceleration of economic activity in 2014–16 deteriorated banks' profitability and asset quality, exacerbated by loan concentration, including vis-à-vis related parties. The nascent recovery in 2017 and better terms of trade led to an improvement in the non-performing loan (NPL) ratio, which dropped to 23 percent at end-June from 25.5 percent in 2016. The number of banks continued to increase with a new bank starting activities in April 2017. Initial steps were taken to address financial stability risks by improving banks' capital position and strengthening asset quality.

13. **External public debt has levelled off and the ratio to GDP is projected to decline to 68½ percent by end-2017**[3] on account of a rise in nominal GDP, continued fiscal consolidation, and a moderate pace of project disbursements. With assistance from the World Bank, the authorities have started to improve the prioritization of public investment projects, in line with the decree passed in September 2016 establishing a framework to select and monitor projects; they have yet to strengthen debt management, particularly debt recording and monitoring.

Public External Debt

(Excl. Kuwaiti debt, in USD billion)



Sources: Mauritanian authorities and IMF staff projections.

14. **Significant progress was made to improve the business climate, resulting in a 10-rank gain in 2017 and a cumulative 26-rank gain in three years based on the World Bank's Doing Business report.** Mauritania improved in the areas of starting a business, registering property, paying taxes, trading across borders, and enforcing contracts. Significant room for improvement remains, nevertheless, including to strengthen governance where Mauritania is still ranked in the lowest 20th percentile in the World Bank's Worldwide Governance Indicators (Figure 6).

15. **The authorities are finalizing a new development strategy for 2017–30,** which aims at promoting more diversified and inclusive growth with a greater role for the private sector and a focus on infrastructure, human capital, and governance.[4] The strategy, called the "Strategy for Accelerated Growth and Shared Prosperity," was adopted by the council of ministers in October, and submission to parliament is planned in early 2018.

[3] Excluding a passive debt in arrears, estimated at 21 percent of GDP, owed to Kuwait since the 1970s, assumed by staff to be subject to full debt relief. Negotiations are ongoing between the authorities and Kuwait to achieve debt relief on terms at least comparable to, or better than, the 2002 HIPC Initiative operation.

[4] See IMF Country Report No. 17/324, Box 1.

PROGRAM POLICIES

A. Objectives and Policies

16. Mauritania faces the difficult challenges of supporting growth, jobs and economic diversification, while maintaining macroeconomic stability and strengthening its weak external position—giving rise to a protracted balance of payments need—and fragile debt sustainability. The severe terms-of-trade shock, limited policy space, and weak capacity have made these challenges even more acute, and call for sustained prudent policies and structural reforms over an extended period. At the same time, long-term funding—mostly on concessional or semi-concessional terms—and ongoing support from development partners could, if harnessed effectively, provide the resources needed to scale up public infrastructure and boost growth prospects.

17. The authorities' program aims to address the challenges of growth, stability and sustainability, support the reform momentum, catalyze external financing, and address the protracted balance of payments needs. To support inclusive and diversified growth while addressing remaining external imbalances and reducing vulnerabilities, the program will:

- Improve access to foreign exchange and increase exchange rate flexibility—through FX market reforms—to absorb shocks and enhance competitiveness, accompanied if needed by countercyclical monetary policy to address tight liquidity and support growth—while monitoring possible effects on the exchange rate and inflation.

- Create space for infrastructure investment and social spending (to support inclusive growth and diversification) while locking in the adjustment already achieved and maintaining a path of gradual fiscal consolidation to strengthen the external position and debt sustainability. This will require strengthening domestic revenue mobilization and public investment management to ensure prioritization. The program will accommodate new external borrowing focused on growth-enhancing infrastructure, with preference given to concessional loans and grants.

- Strengthen bank supervision, upgrade the regulatory framework and reinforce contingency plans to buttress financial stability.

- Support expanded social policies and improvements in the business environment critical for eliciting a supply and diversification response and reducing endemic poverty.

B. Macroeconomic Framework and Risks

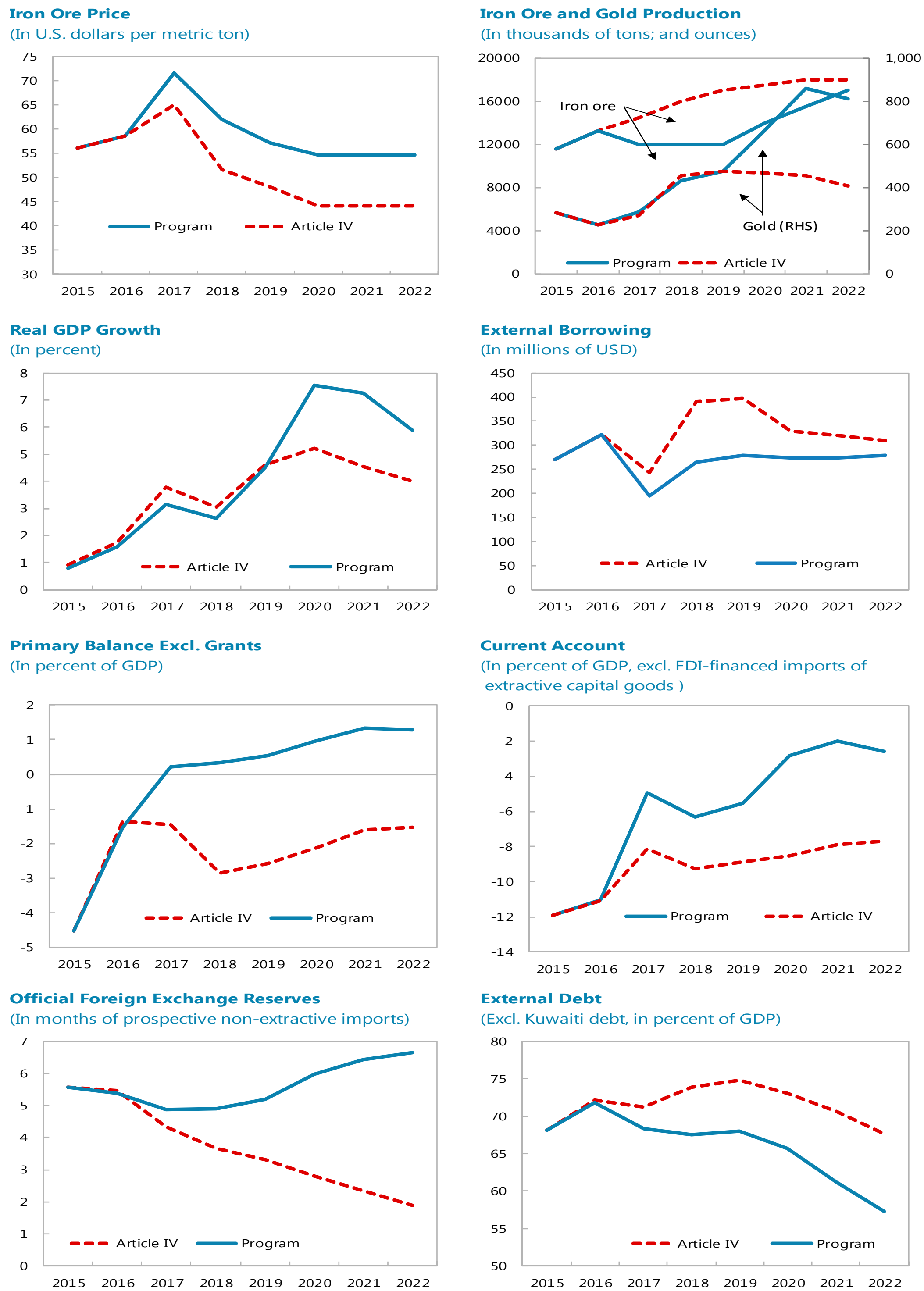
18. Growth prospects are promising—supported by a buoyant extractive sector, more efficient and growth-enhancing public investment, and planned structural reforms—although external pressures and debt sustainability concerns are expected to persist along with continued low and volatile metal prices. Under the program scenario, non-extractive GDP growth is expected to pick-up to 4.2 percent in 2017 and reach 6 percent in 2021, with a better integration of agropastoral and fishing activities in the value chain and continued investment in infrastructure, which will benefit construction, manufacturing, and services. An improved infrastructure and business climate will increase potential growth in the medium term. Expansion in the iron ore and gold sectors—financed by FDI—and increased offshore gas exploration and development activity will support growth in the extractive sectors, especially from 2020, with spillovers to non-extractive sectors. Fiscal consolidation will yield a primary budget surplus (excluding grants) of close to 1 percent of NEGDP in 2020 through continued tax revenue and spending containment efforts; as a result, external public debt is expected to decline to 66 percent of GDP by 2020. The current account deficit (excluding FDI-financed capital imports) is projected to decrease below 5 percent of GDP by 2020 along with increased mining and fishing exports, the adjustment of domestic demand related to fiscal consolidation, and improvements in competitiveness. Reserves are targeted to reach 6 months of non-extractive imports by end-2020 to ensure adequate buffers in case of commodity or other shocks.

19. Risks are significant in the short term but become more balanced in the long term (Table 11). On the downside, the economy remains highly vulnerable in the short term to lower metal prices, which would widen imbalances and strain buffers, with attendant stability risks. The impact of the rainfall deficit recorded this year and possible drought could affect the most vulnerable populations and strain the budget. High NPLs, if unaddressed, could weigh on financial stability. Domestically, socio-political activity in the run-up to municipal, parliamentary, and presidential elections in 2018–19, and associated possible reform fatigue, could delay key reforms and affect investor confidence. Administrative and absorptive capacity constraints could also slow reforms. Recurrent terrorist attacks in the Sahel could threaten regional stability. On the upside, possible gas production, starting in 2021, could be a game-changer with major positive implications for growth and external and fiscal accounts; however, its impact has not been included in macroeconomic projections as a final investment decision has yet to be made, possibly next year.

C. Monetary and Exchange Rate Policy

20. The program will focus on foreign exchange market reforms, with a view to ensuring regular access to FX and achieving greater exchange rate flexibility. Greater and more predictable access to FX will support efficient allocation of FX and encourage domestic and foreign investment, while exchange rate flexibility will act as a shock absorber and buttress resilience to terms-of-trade shocks. It will also help to address the impact of the recent stabilization of the exchange rate, which has reduced the build-up of reserves, is contractionary, and may lead to overvaluation—despite considerable nominal depreciation up to mid-2016.

Figure 1. Mauritania: 2017 Article IV and Program Scenarios, 2015–22



Sources: Mauritanian authorities; and IMF estimates and projections.

21. The FX market will be reformed gradually over the course of the three-year program, with a view to introducing a competitive and transparent FX auction system and developing an interbank market. The reform timetable is consistent with the BCM's implementation capacity and entails intermediate steps which will result in meaningful reforms by end-2018, including the introduction of a competitive multiple price auction, a gradual removal of distortionary commissions on FX transactions and a gradual loosening of the obligation for banks to sell their FX to the central bank (MEFP ¶17). This will be followed by the development of an interbank FX market by end-2019, based on Fund technical assistance. This gradual approach will allow the BCM to adapt, in parallel, its monetary policy and liquidity management framework while it builds its analytical and forecasting capacities. It also reduces financial stability risks associated with sharp exchange rate swings. As a prior action, the BCM will settle FX transactions so that sellers will receive the marginal rate determined by the BCM on the supply side, and the maximum price paid by buyers will be limited to the marginal supply rate plus 2 percent. The BCM will also loosen the obligation to use the official FX market for small transactions.

22. As FX market reforms proceed, the BCM is expected over time to modernize its monetary policy framework and switch its policy anchor from the exchange rate to a reserve money target. This will require continued efforts to strengthen analytical and forecasting capacity, and reform BCM's organization and decision-making processes, with support from Fund technical assistance.

23. Immediate steps will focus on activating monetary policy, improving liquidity management and strengthening the central bank's operational autonomy, including:

- Considering a gradual reduction in the central bank reference rate, to better anchor inflation expectations and support credit while at the same time allowing convergence with other market rates and encouraging banks to rebuild their stock of T-bills (MEFP ¶12).[5]

- Introducing monthly (instead of daily) averaging of banks' reserve requirements to ease liquidity conditions by giving banks more flexibility to manage their liquidity; diversifying liquidity management instruments by introducing new standing facilities with longer maturities; and defining a collateral framework for monetary policy operations, which will help reactivate repo operations and resume weekly liquidity auctions (MEFP ¶14).

- Recapitalizing the BCM to strengthen its autonomy and capacity to conduct monetary policy, with the government servicing its debt to the BCM (thereby providing income to bolster BCM's capital) following the schedule agreed in 2013 (but never implemented) or an updated schedule

[5] The BCM has a price stability objective and uses the exchange rate as de facto nominal anchor, but its monetary policy has been essentially passive. With a policy rate fixed at 9 percent since 2009 and disconnected from banks' interest rates, the monetary policy transmission channel is not functioning.

with interest payments starting in 2018, and BCM discontinuing to account unpaid interest revenue on this debt as profits (MEFP ¶15).

D. Fiscal Policy

24. Considerable fiscal adjustment—about 4¾ percentage points of NEGDP[6]—is being achieved in 2016–17 as reflected in the 2017 program targets. Given the frontloaded adjustment, the end-2017 starting fiscal position, both in terms of deficit and debt, is expected to be significantly better than anticipated during the Article IV consultation discussions earlier this year. Building on this, the program targets a primary surplus (excluding grants) of 0.2 percent of NEGDP in 2017 compared to a deficit of 1.5 percent in 2016. Revenues will increase by 0.9 percent of NEGDP owing to higher extractive and non-extractive tax revenue which will more than compensate for lower nontax revenue. Expenditure will decline by 0.9 percent of NEGDP on account of lower current and capital spending following wage bill reforms and prioritization of public investment.

25. The fiscal program for 2018-20 will lock in the achieved adjustment and seek to support growth, demand management, the narrowing of infrastructure gaps, and debt sustainability. Fiscal consolidation continues to be needed to contain domestic demand and strengthen debt sustainability, but its pace and composition should support the nascent recovery, including by rebalancing the budget toward social spending while providing space for priority infrastructure investment. For 2018–20, the program targets a further improvement of 0.8 percent of NEGDP in the primary balance (excluding grants) to reach a surplus of 1 percent of NEGDP by 2020.

- **Revenue.** Non-extractive tax revenue is projected to increase by about 1.2 percent of NEGDP as a result of improved oversight over exemptions, introduction of a modernized corporate income tax, and strengthened tax and customs administration. This will more than compensate for projected losses in nontax revenue due to assumed higher international oil prices and conservative projections of extractive revenues (MEFP ¶23–24).[7] To promote debt reduction, a program adjustor will ensure that at least half of positive extractive revenues surprises are saved; the adjustor will operate symmetrically, allowing some cushion also in case of negative shocks to extractive revenue.

- **Expenditure.** Total spending is expected to decline by close to 1 percent of NEGDP, building on considerable prioritization of the PIP along with continued rationalization of current spending, while still accommodating sizable foreign-financed investment on priority infrastructure projects. Program priorities include (MEFP ¶25–27): adopting the new organic budget law unifying the current and capital budgets and introducing multi-year budgeting; continuing to rationalize current spending under ongoing employment and wage reforms, and strengthening

[6] Calculated in terms of the primary budget balance excluding grants. In terms of the non-extractive primary balance (excluding grants), the adjustment reached 5.7 percent of NEGDP in 2016–17. The overall balance improved by 3.3 percent of GDP.

[7] Other measures include adopting the tax procedure code to simplify procedures and increase transparency, cleaning up the taxpayer registry and regularly updating it to ensure the integrity of the tax base, adopting the customs code, and operationalizing the customs valuation office.

management and oversight of parastatals with World Bank support; and introducing an integrated public investment management (PIM) framework to monitor all phases of project development, contracting, and disbursements. In the longer term, raising public spending efficiency, especially in education, health and social protection, will be sought on the basis of ongoing World Bank work.

- **2018 budget.** The 2018 budget consistent with the program (a prior action) is expected to lock in the adjustment achieved, with consolidation of tax mobilization while the above-mentioned tax measures are being prepared, and further moderation in domestically financed capital spending making space for growth-enhancing, foreign-financed infrastructure.

26. Over the course of the program, the authorities aim at strengthening the fiscal policy framework in anticipation of the potential increase in extractive revenues, particularly from gas. Such a framework would clarify policy choices in the allocation extractive/gas revenues toward various uses; help establish fiscal rules that account for the volatility and finite time horizon of non-renewable resources; and ensure good governance and transparency (MEFP ¶22).

E. Debt Limits and Debt Management

27. The program will accommodate limited concessional and non-concessional external borrowing (NCB) for selected growth-enhancing infrastructure projects, consistent with the debt limit policy (DLP) and debt sustainability. The authorities give high priority to a number of infrastructure projects in the energy, electricity transmission, road transportation, water/irrigation, and port sectors totaling about $700 million (14 percent of 2017 GDP) to be disbursed over 2018–23 which they deem critical to support diversification toward a broader production base in agriculture, fish processing, and manufacturing. Of those projects, they have signed and approved concessional loan agreements with regional Arab and African institutions of $358 million (7 percent of GDP); semi-concessional loans of $139 million (2.7 percent of GDP); and a commercial loan of $110 million (2.1 percent of GDP) by end-October 2017 (Table 9).

28. Debt limits under the program. While the authorities have made progress in prioritizing their public investment program and negotiating better financing terms over the past year, the program establishes a limit of new NCB of $103 million (2 percent of GDP, operationalized via an adjustor) for two specific high-priority projects in 2017–18, a wind power plant and a fishing port.[8] This limit will encourage the authorities to continue to rely on concessional financing. The non-zero NCB limit constitutes an exception under the IMF's DLP for a country at high risk of debt distress, and is allowed on the grounds that the projects are integral to the authorities' development program (which seeks to increase clean energy supply and expand the fishing sector currently operating well below potential) and concessional financing is not available. Staff's judgment is that

[8] The loan agreement for the former was signed in October and approved by the council of ministers on November 9, 2017, i.e. after the November 1 start date of the debt limit.

the conditions foreseen by the DLP are met. In addition, the program includes an indicative target on new concessional external borrowing.

29. With a prioritized PIP leading to lower debt disbursements than envisaged at the time of the 2017 Article IV consultation, the external public debt is projected to decline from 72 percent of GDP in 2016 to 66 percent by 2020 (7 percentage points lower than in the 2017 Article IV baseline scenario), and further to 57½ percent of GDP by 2022. In addition to tighter fiscal policies and lower external debt accumulation, the improved debt trajectory in the outer years is also due to the impact on GDP and exports of the expansion of a gold mine, projected to come online in 2020. The updated debt sustainability analysis (DSA) is similarly improved, indicating that debt is sustainable in the medium term and an exit from a high risk of debt distress around 2023 under program policies and current projections, which do not include possible gas production starting in 2021 (see accompanying DSA). With respect to the debt in arrears to Kuwait, staff considers that the authorities are continuing their best efforts to reach an agreement with Kuwait to resolve these arrears.

30. External debt management will be strengthened under the program. Better coordination between the finance ministry and the central bank—associated with integrated information systems currently being introduced in the context of PIM reforms—will help contract, record, and monitor external debt more effectively. In particular, the authorities will establish an interface bridging the various debt and budget management applications with a view to providing coherent, real-time information to all institutions involved in loan contracting, monitoring external debt disbursements and servicing debt (MEFP ¶36).

31. The domestic treasury bill market will be modernized. Following Fund technical assistance, the primary market auction system will be aligned with international standards to achieve market-based interest rates, lengthen maturities, and reduce refinancing risks (MEFP ¶29).

F. Financial Sector Policies

32. Financial sector vulnerabilities exposed by the deceleration of economic activity call for determined measures to strengthen bank supervision. The situation of a few banks is fragile due to significant NPLs and declining profitability and capital, compounded by weak supervision. Liquidity remains tight, and credit risks are elevated due to loan concentration and related-party lending, in the absence of lender-of-last-resort arrangements.

33. Building on recent progress in banking supervision and regulation, the program will continue to implement the 2014 FSAP recommendations (Table 13, MEFP ¶40-41). Measures will aim at strengthening bank supervision, upgrading the regulatory framework, and reinforcing contingency plans and crisis preparedness to buttress financial stability, including:

- ***Aligning the prudential regulation with international standards.*** The authorities will adopt a new banking law and a central bank law drafted in consultation with Fund technical assistance. These laws will widen the coverage of banking supervision and strengthen the BCM's operational independence and the prudential and bank resolution frameworks. The BCM will upgrade regulations on capital adequacy and liquidity ratios to comply with Basel II standards.

- ***Strengthening lender-of-last resort arrangements and liquidity monitoring*** by finalizing promptly the framework for emergency liquidity assistance designed with Fund technical assistance, and monitoring more closely liquidity risks through regular bank reporting and stress testing.

- ***Strengthening capital requirements and banks' management*** by raising the minimum capital requirement from UM6 to UM10 billion over two years, which will encourage mergers and reduce loan concentration and overbanking.

- ***Improving asset quality.*** The BCM will reinforce inspections to ensure adequate provisioning of NPLs and strictly enforce the regulation on concentration limits, including vis-à-vis related-parties. It will take the necessary steps to encourage banks to write-off their fully provisioned NPLs. The BCM will also continue to work with banks to update regularly the credit registry and to develop a NPL registry to reduce information asymmetry. Finally, the authorities will submit to parliament a new law on loan recovery, which will improve mechanisms for credit recovery and enforcement of collateral.

- ***Strengthening the deposit insurance fund*** to reach UM6 billion by 2020 by raising banks' contributions.

- ***Improving the payments infrastructure*** by finalizing development of a real-time settlement system and an automated clearing house, with World Bank support.

- ***Strengthening BCM's financial accounting and reporting standards*** by transitioning to IFRS standards, starting with a quantification of BCM's 2017 financial statements in accordance with IFRS.

G. Social Policies and Business Climate

34. Structural reforms envisaged under the authorities' new 2017–30 development strategy will help promote diversification and inclusive growth. The ambitious strategy currently being finalized focuses on appropriate targets and policies, but will require significant resources to be implemented in full and further coordination with the private sector to be effective. Swift finalization would allow preparation of an Economic Development Document (EDD) by the first program review.

35. Further reforms are needed to strengthen the business climate in support of private sector development (MEFP ¶45-46). Building on the progress to date, reforms will focus on the remaining shortcomings identified by the Doing Business survey, notably simplifying tax procedures and facilitating tax payments, resolving insolvency, and improving access to credit and to electricity. Strengthening governance and stepping up anti-corruption efforts and the AML/CFT framework will also continue. The World Bank's planned Development Policy Operation focuses on public procurement, public investment management, tax exemptions, and land tenure and property rights. In July 2017, Mauritania was found to have achieved meaningful progress in implementing the Extractive Industries Transparency Initiative (EITI) standards; yet, further efforts are needed including on contract disclosure.

36. The program will support an increase in social spending and expanded social safety nets to raise living standards and productivity and reduce poverty. Social spending[9] will be monitored under the program and will steadily increase from 12.4 percent of NEGDP in 2017 to 13.8 percent by 2020 (MEFP ¶43-44). The institutional setup of the social registry should be finalized and the pilot targeted transfer program expanded. Greater resources should be devoted to priority social policies such as education and health. The authorities' draft national strategy for gender equality should be launched without delay.

PROGRAM MODALITIES

37. The program will be supported by a three-year ECF arrangement and is fully financed. Based on balance of payments need and the strength of the program, staff proposes access of SDR 115.920 million (90 percent of quota, about US$162.7 million at current exchange rates). This is justified by (i) the large financing requirements and need for adequate reserve buffers to maintain confidence during the FX reforms, given continued vulnerability to shocks; and (ii) the strength of the program with sizable macroeconomic adjustment—achieved and planned—and wide-ranging structural reforms. The authorities' strong ownership and commitment have been demonstrated by the adjustment achieved to date. The schedule of disbursements is phased equally, to match the gradual FX market reforms and fiscal adjustment. The program is expected to strengthen policy coordination, buttress the authorities' commitment, and help catalyze donor support. The authorities are in advanced discussions with the World Bank and African Development Bank on development policy grants which, if successful, would cover projected financing needs in 2018 along with planned grants from other donors including the European Union.

38. Performance will be monitored through standard conditionality with semi-annual reviews (Table 8, MEFP Tables 1–2). A net international reserves floor will ensure that Fund resources are saved in part as buffers to support the FX market reforms, while allowing for limited intervention to prevent overshooting. Gross reserves will increase gradually over the three-years program to reach 6 months of non-extractive imports, which corresponds to the LIC reserve adequacy metric. The ceiling on the central bank's net domestic assets and the floor on the primary budget balance will ensure monetary and fiscal discipline, respectively. The combination of these targets will ensure that any monetary accommodation remains limited and does not lead to a loss of reserves. Debt limits on new external borrowing will ensure that public investment is circumscribed and consistent with implementation capacity and debt sustainability; the semi-annual reviews will

[9] Under the program, social spending includes mainly education, health, housing, social action and welfare, religious and cultural affairs, and environmental protection.

allow these annual limits to be re-calibrated to changing circumstances; a nonzero NCB limit (2 percent of GDP, operationalized via an adjustor) will be granted consistent with the debt limits policy (MEFP ¶28). Structural benchmarks will focus on macro-critical reforms supported by technical assistance.

39. A safeguards assessment update of the BCM has been initiated and will need to be completed by the first program review. The last assessment in 2010 found significant risks in the BCM's safeguards framework. Outstanding key recommendations include the implementation of IFRS to increase transparency of the BCM and legal reforms to strengthen its autonomy and establish stronger oversight arrangements. The update will follow up on these issues and, more broadly, on safeguards developments at the BCM.

40. Mauritania has adequate capacity to repay the Fund. Combined with the previous ECF arrangement completed in 2013, credit outstanding to the Fund would peak at SDR 134 million in 2020 (16 percent of gross international reserves, or 3.3 percent of GDP) while debt service to the Fund would remain manageable below 1.3 percent of exports. Mauritania has a track record of fully servicing its obligations to the Fund.

STAFF APPRAISAL

41. The authorities have responded appropriately to the terms-of-trade shock which slowed growth and widened imbalances. Following the sharp drop in iron ore prices in 2014–15 which halved export revenues, widened imbalances, and exposed financial vulnerabilities, the authorities cut the budget deficit sharply in 2016–17, allowed the exchange rate to depreciate, and mobilized foreign grants and loans. These efforts succeeded in restoring macroeconomic stability and levelling off debt to 69 percent of GDP, while growth rebounded. In parallel, the authorities prepared an inclusive growth strategy covering 2017–30, including structural reforms and sizable foreign-financed infrastructure investment to support growth and diversification. Poverty, however, remains widespread at about 31 percent of the population according to official estimates.

42. The outlook is favorable but risks are elevated, especially in the short term. Growth prospects are promising, supported by the recent improvement in terms of trade, higher FDI in the extractive sector, planned structural reforms, and more targeted growth-enhancing public investment. Yet, external pressures and debt sustainability concerns are expected to persist with continued low and volatile metal prices, and uncertainty on the impact of the recent rainfall deficit. On the downside, the economy remains highly vulnerable in the short term to lower metals prices, weather-related events, high NPLs, and regional security developments. Planned elections in 2018–19 could hamper reform implementation. On the upside, possible development of a recently discovered off-shore gas field could be a game-changer starting in 2021.

43. The proposed program addresses the main macroeconomic challenges facing Mauritania. The policy and reform package aims to support the nascent recovery, diversify the economy, and meet infrastructure needs while maintaining macroeconomic stability, buttressing the resilience of the economy to terms of trade shocks, and strengthening debt sustainability. The program also seeks to reduce poverty, inequality, and unemployment which remain ongoing challenges despite progress made over the past decade. Addressing these challenges in the context of limited resources and already high debt requires policy reorientation and structural reforms to complement public investment. The proposed policy mix of greater exchange rate flexibility, associated with more active monetary policy and gradual fiscal consolidation anchored on debt sustainability, would support growth, strengthen the external position, and help rebuild buffers.

44. Monetary, exchange rate, and financial policies need to continue to balance supporting the economy, preserving price and financial stability, and maintaining adequate buffers. Despite the large adjustment of the exchange rate in 2016, the external position remains fragile and vulnerable to terms of trade shocks; and the recent stabilization of the exchange rate contributed to higher real interest rates and delayed the rebuilding of buffers. Looking forward, the improvement in the terms of trade provides an opportunity to initiate the FX market reform toward greater exchange rate flexibility, thus increasing the role of the exchange rate as a shock absorber and boosting competitiveness. A greater and regular access to FX would also reduce imbalances between supply and demand, thereby reducing the need for central bank intervention and easing pressures on both reserves and liquidity. Development of an FX interbank market will provide depth to, and increase the efficiency of, the market.

45. Coordinated efforts are needed to modernize the monetary policy framework and activate liquidity management. The BCM's plans to introduce new monetary policy instruments and strengthen its analytical capacity are welcome. More regular access to central bank refinancing will foster interbank market operations. However, the BCM should reduce the spread between its reference rate and the T-bills rate, while extending eligible collateral cautiously to minimize the risks for its balance sheet. In parallel, the finance ministry should modernize its treasury operations and allocate resources to the recapitalization of the central bank to reinforce its operational autonomy.

46. Fiscal policy should focus on locking in the adjustment achieved so far while creating fiscal space by accelerating ongoing reforms. Building on the authorities' adjustment and reform efforts over the past two years, a continued gradual fiscal consolidation is needed to restore debt sustainability, while creating fiscal space for higher social spending and infrastructure investment through revenue mobilization, expenditure prioritization, and public investment management reforms. This will require the sustained implementation of planned tax policy and administration reforms, rationalizing costly tax exemptions, and strengthening public investment management, control over the public sector wage bill, and oversight of parastatals. New infrastructure borrowing should focus on growth-enhancing projects and be phased consistent with capacity.

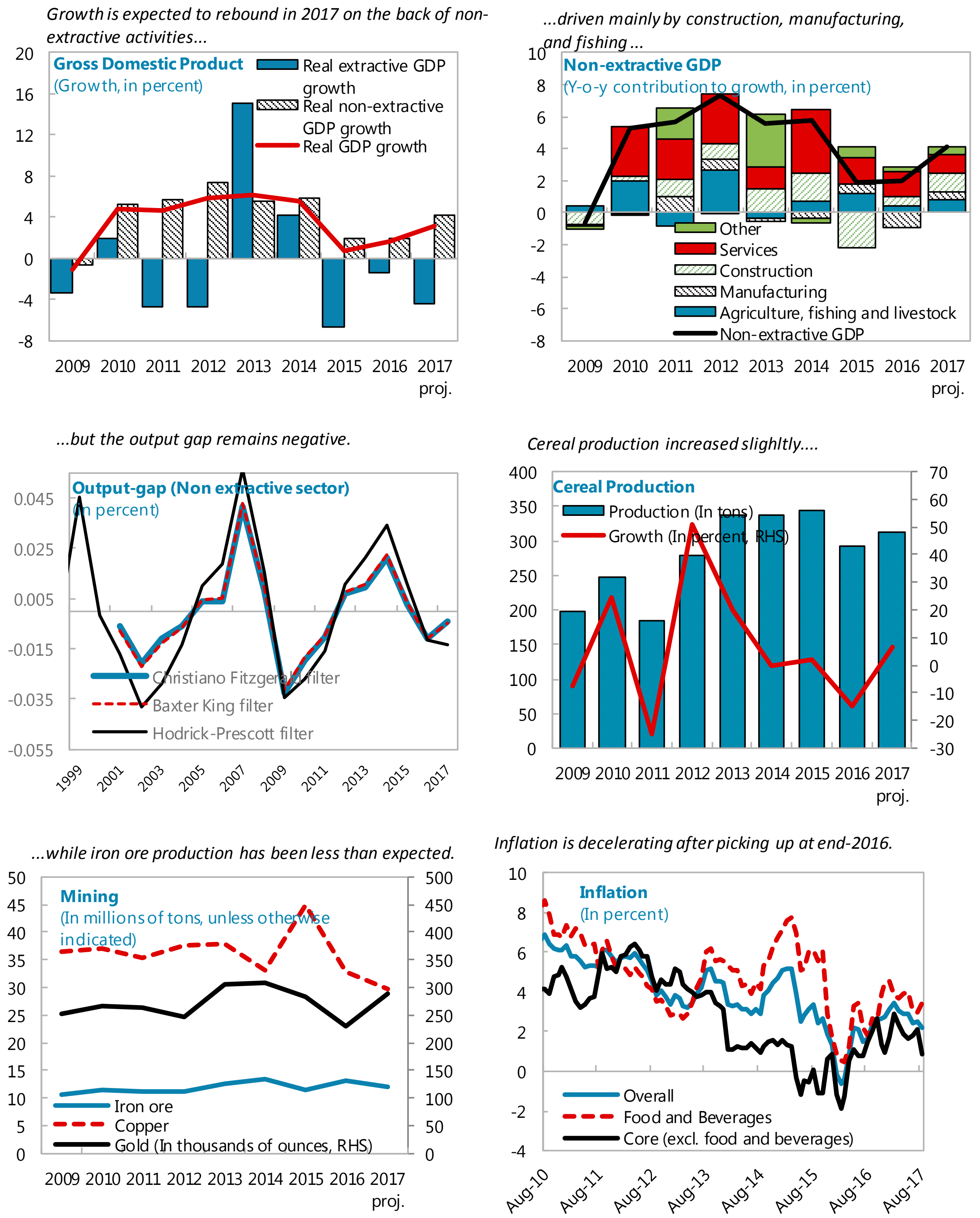
47. Debt management should be strengthened and the debt-to-GDP ratio should be set on a clear downward trajectory. Better coordination and integrated information systems would strengthen contracting, recording, and monitoring of debt. New borrowing on non-concessional terms should be avoided and preference given to concessional loans and grants given the already high debt. To durably address debt vulnerabilities and entrench debt sustainability significant economic transformation and diversification are needed. This will require determined and sustained implementation of the authorities' reform strategy supported by sizable foreign aid on concessional terms.

48. Measures to address financial stability risks will support credit growth and reallocate resources to productive sectors. In addition to the ongoing and welcome improvement in banking regulations, the BCM should ensure that NPLs are adequately reported and provisioned, legacy NPLs are addressed, and banks adequately capitalized. Liquidity risks should be monitored closely and recourse to the newly created emergency liquidity assistance be strictly circumscribed. Finally, granting new banking licenses should be avoided, especially to group-related banks, and mergers encouraged.

49. Fostering economic transformation will require further efforts to strengthen the business climate and governance, as well as greater focus on human capital. The authorities' inclusive growth strategy appropriately focuses on these issues and should be implemented swiftly, which requires close coordination with the private sector. Higher spending on education and health would improve social outcomes and productivity, and help reduce poverty which remains a challenge. Expanding social safety nets is a priority in this regard.

50. Staff supports the authorities' request for a three-year ECF arrangement. The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. While implementation risks are significant, they are mitigated by the authorities' commitment to the program, as demonstrated by the implementation of strong adjustment policies so far.

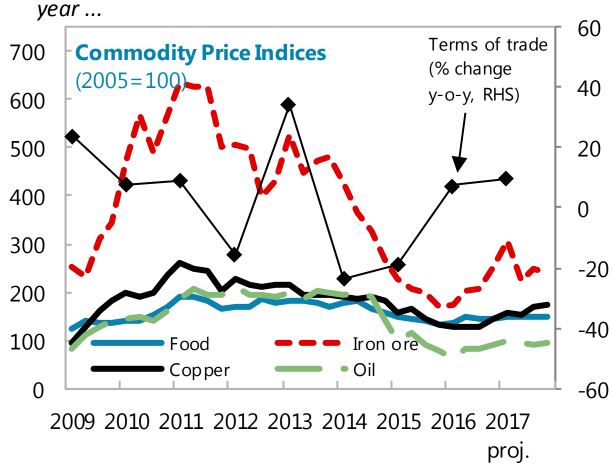
Figure 2. Mauritania: Real Sector Developments, 2009–17



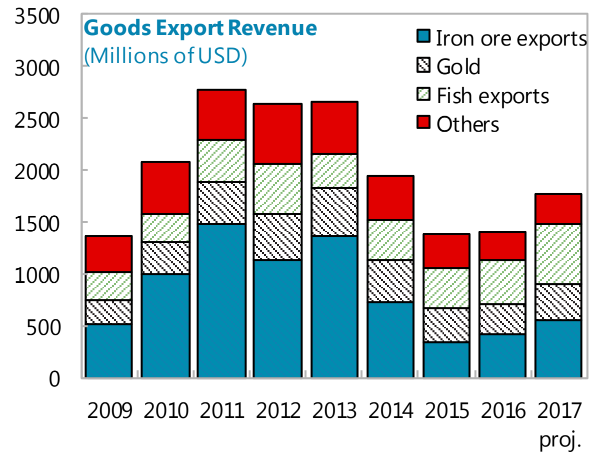
Sources: Mauritanian authorities; and IMF staff estimates.

Figure 3. Mauritania: External Sector Developments, 2009–17

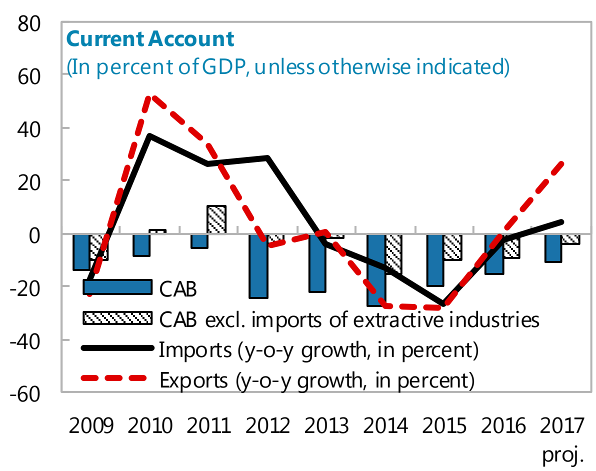
Terms of trade has improved for the second consecutive year ...



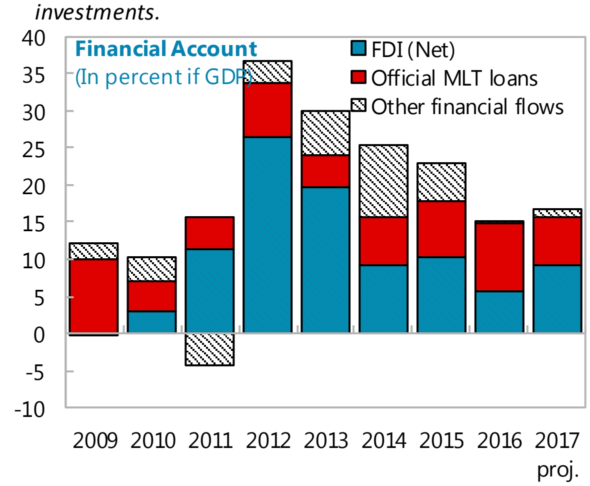
...and exports rebounded...



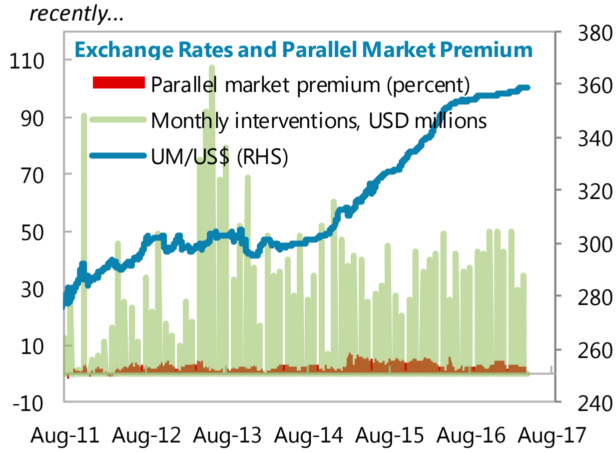
narrowing the current account deficit...



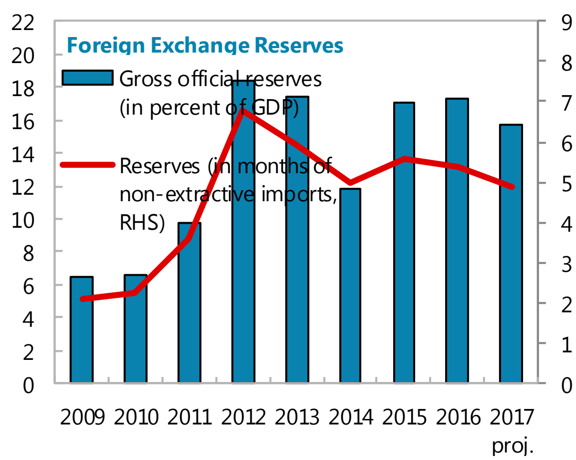
... while FDIs increased mostly because of mining investments.



The exchange rate depreciation against the dollar slowed recently...



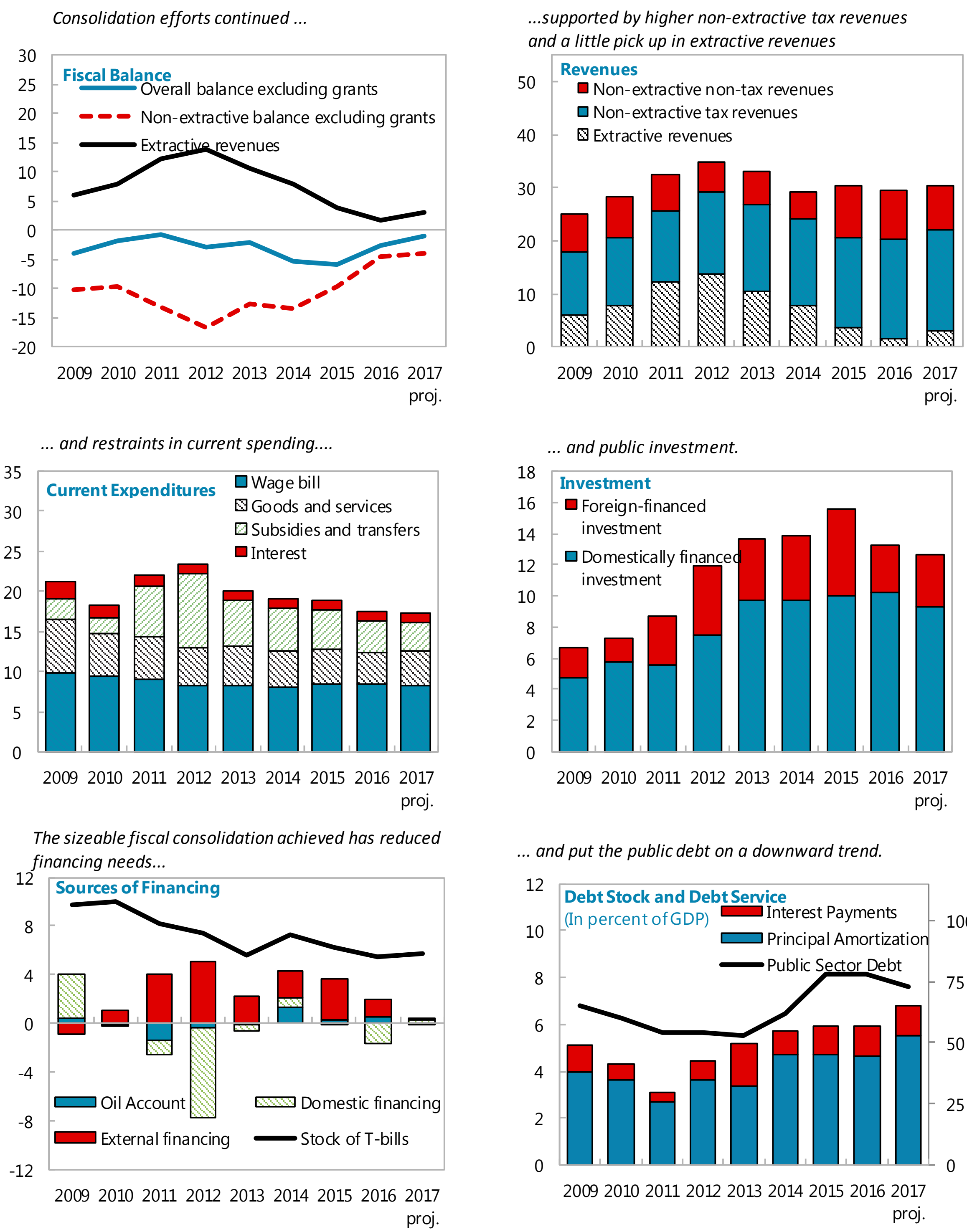
... while reserves remained broadly stable.



Sources: Mauritanian authorities; and IMF staff estimates.

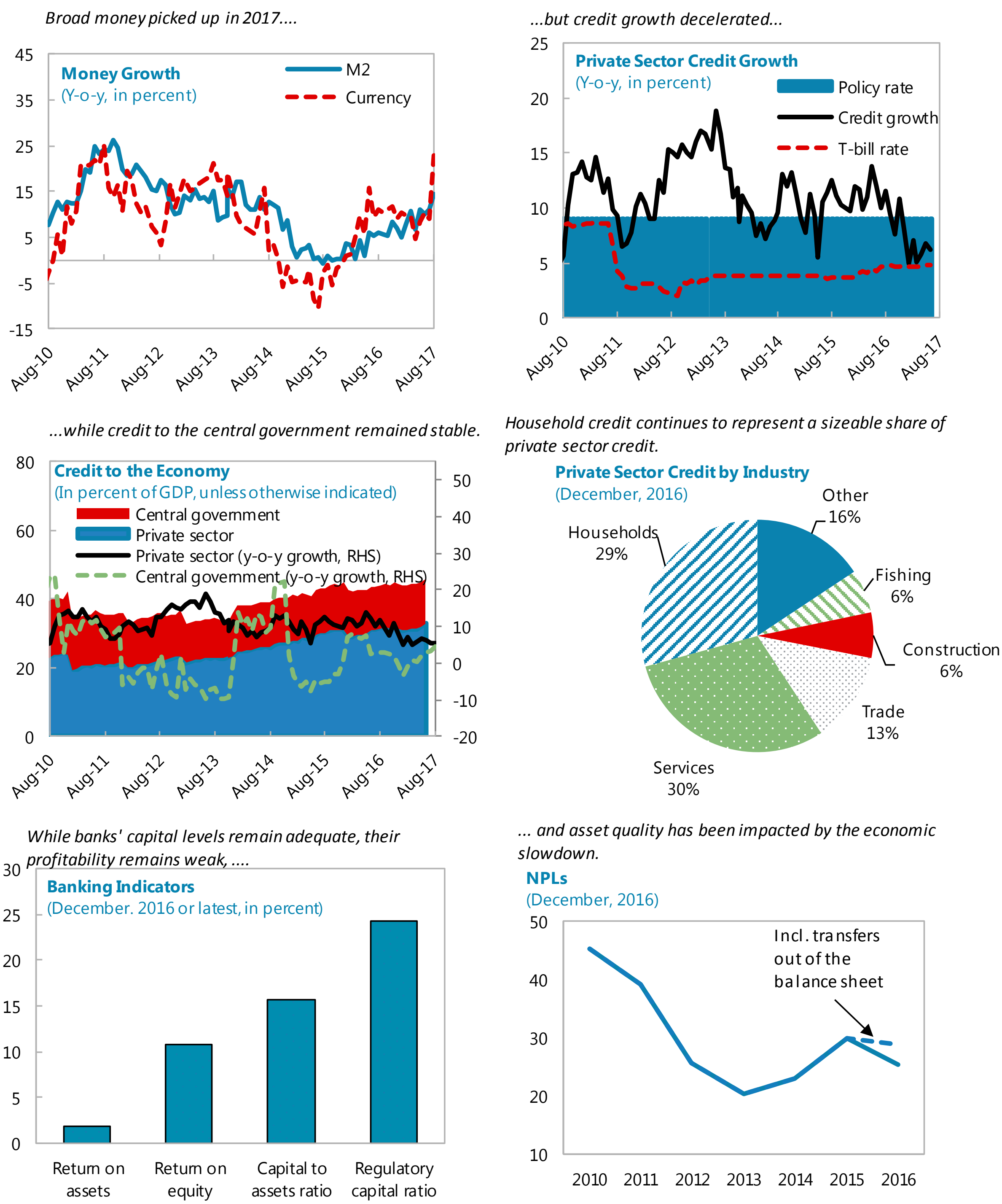
Figure 4. Mauritania: Fiscal Sector Developments, 2009–17

(Percent of non-extractive GDP, unless otherwise indicated)



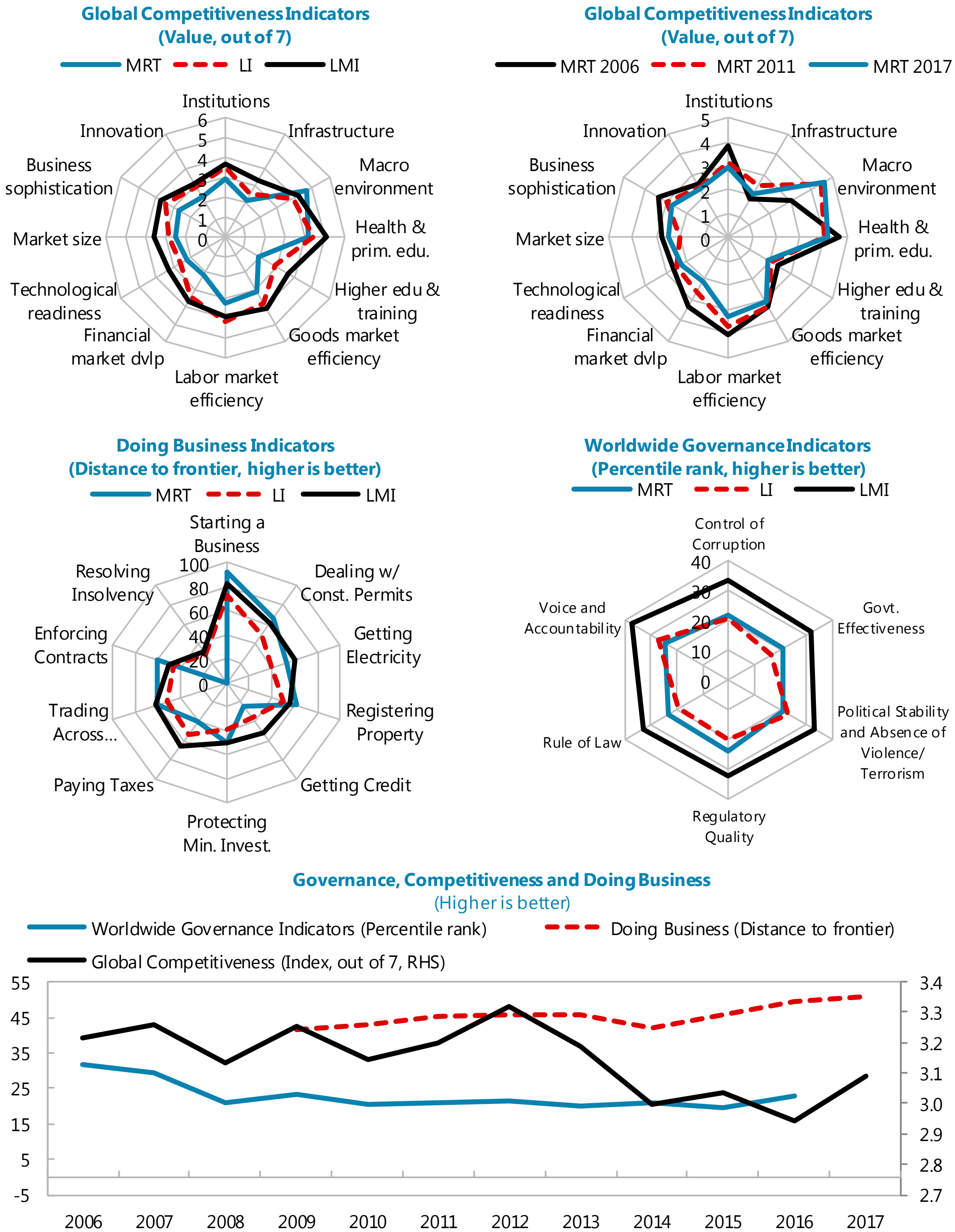
Sources: Mauritanian authorities; and IMF staff estimates.

Figure 5. Mauritania: Monetary and Financial Sector Indicators, 2010–17



Sources: Mauritanian authorities; and IMF staff estimates.

Figure 6. Mauritania: Business and Governance Indicators, 2006–17



Sources: World Bank's Worldwide Governance Indicators; World Bank's Doing Business Report; World Economic Forum's Global Competitiveness Report; and IMF staff estimates.

Table 1. Mauritania: Macroeconomic Framework, 2013–22

Per capita GDP: US$ 1,335 (2014) | Quota: SDR 128.8 million
Poverty rate: 31 percent (2014) | Main exports: Iron ore, fish, gold, copper
Population: 4 million (2014) | Key export markets: China, Europe

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
					Prog.					
	(Annual change in percent; unless otherwise indicated)									
National accounts and prices										
Real GDP	6.1	5.6	0.8	1.6	3.1	2.7	4.5	7.5	7.3	5.9
Real extractive GDP	15.1	4.2	-6.7	-1.4	-4.4	-5.6	1.4	27.7	17.8	4.8
Real non-extractive GDP	5.6	5.8	1.9	2.0	4.2	3.7	4.9	5.4	5.9	6.0
Iron ore production (million tons)	12.5	13.3	11.6	13.3	12.0	12.0	12.0	14.0	15.5	17.0
GDP deflator	3.0	-9.2	-4.3	5.0	6.0	4.2	4.5	5.6	5.4	4.2
Nominal GDP	9.3	-4.1	-3.6	6.7	9.4	6.9	9.2	13.6	13.0	10.4
Consumer prices (period average)	4.1	3.8	0.5	1.5	2.5	3.7	5.0	4.3	4.3	4.3
Consumer prices (end of period)	4.5	5.0	-2.8	2.8	2.7	4.7	5.0	4.3	4.3	4.3
	(In percent of GDP)									
Savings and Investment										
Gross investment	56.0	52.2	38.7	40.3	37.3	37.2	36.5	33.5	33.1	33.4
Gross national savings	33.3	25.0	18.9	25.4	26.5	25.9	26.2	28.4	29.6	29.6
Saving - Investment Balance	-22.7	-27.2	-19.7	-14.9	-10.8	-11.3	-10.3	-5.1	-3.5	-3.8
	(In percent of nonextractive GDP; unless otherwise indicated)									
Central government operations										
Revenues and grants	34.1	29.4	32.5	31.6	31.2	31.0	30.7	30.7	31.2	31.2
Nonextractive	22.7	21.3	26.7	27.8	27.5	27.3	27.9	27.8	28.3	28.5
Taxes	16.4	16.1	16.8	18.7	19.0	19.2	19.7	20.2	20.4	20.7
Extractive	10.5	8.0	3.8	1.7	3.0	2.8	1.6	1.9	2.2	2.1
Grants	0.9	0.2	2.0	2.1	0.8	0.9	1.1	1.0	0.7	0.7
Expenditure and net lending	35.2	34.7	36.3	32.2	31.3	31.2	30.7	30.4	30.6	30.6
Current	21.5	20.8	20.5	19.0	18.5	18.2	18.2	18.0	17.8	17.8
Capital	13.7	13.9	15.5	13.3	12.7	12.7	12.5	12.4	12.8	12.9
Primary balance (excl. grants)	-0.8	-4.3	-4.5	-1.5	0.2	0.3	0.5	1.0	1.3	1.3
Primary balance	0.1	-4.2	-2.5	0.6	1.0	1.3	1.7	1.9	2.0	1.9
Overall balance (in percent of GDP)	-0.8	-4.5	-3.4	-0.5	-0.1	-0.2	0.0	0.3	0.4	0.5
Public sector debt (expressed in UM, in percent of GDP)	70.6	80.4	98.4	98.7	92.3	93.1	92.9	88.9	80.5	74.4
Public sector debt (expressed in UM, in percent of GDP) 1/	53.1	61.9	77.9	77.8	72.9	74.4	74.6	71.7	64.6	59.7
	(Annual change in percent; unless otherwise indicated)									
Money										
Broad money	13.6	8.6	0.4	7.1	12.6	9.2	9.1	13.6	13.0	10.3
Credit to the private sector	11.1	11.2	9.7	8.0	8.1	7.9	9.9	10.0	10.4	10.7
External sector										
Exports of goods, f.o.b.	0.4	-27.0	-28.3	0.9	26.6	3.1	2.1	20.4	12.9	-1.0
Imports of goods, f.o.b.	-4.0	-13.1	-26.4	-2.5	4.6	5.6	0.4	-1.4	4.3	3.7
Terms of trade	34.2	-23.4	-18.7	7.5	9.8	-3.9	1.5	3.1	3.6	3.4
Real effective exchange rate	1.5	3.1	8.2	-5.7	...	...	...	...	...	...
Current account balance (in percent of GDP)	-22.0	-27.3	-19.7	-14.9	-10.8	-11.3	-10.3	-5.1	-3.5	-3.8
Excl. FDI-financed imports of extractive capital goods	-6.9	-19.5	-11.9	-11.0	-4.9	-6.3	-5.5	-2.8	-2.0	-2.6
Gross official reserves (in millions of US$, end of period) 2/	996.4	639.1	822.8	824.5	805.6	820.6	922.7	1,134.0	1,249.9	1,357.2
In months of prospective non-extractive imports	5.9	5.0	5.6	5.4	4.9	4.9	5.2	6.0	6.4	6.7
External public debt (in millions of US$)	3,770.1	3,856.0	4,291.8	4,407.6	4,498.0	4,586.7	4,688.7	4,783.3	4,810.8	4,853.2
In percent of GDP	65.9	71.5	88.7	92.6	87.8	86.1	86.3	82.9	77.1	72.0
External public debt (in millions of US$) 1/	2,769.2	2,858.8	3,297.9	3,414.5	3,504.9	3,593.7	3,695.6	3,790.2	3,817.7	3,860.1
In percent of GDP	48.4	53.0	68.1	71.8	68.4	67.5	68.0	65.7	61.2	57.3
Memorandum items:										
Nominal GDP (in billions of UM)	1,695.8	1,626.5	1,568.0	1,672.6	1,829.4	1,956.1	2,135.4	2,425.9	2,741.7	3,026.2
Nominal non-extractive GDP (in billions of UM)	1,240.4	1,381.0	1,415.6	1,458.1	1,572.6	1,697.6	1,866.4	2,054.0	2,269.6	2,512.9
Nominal GDP (in millions of US$)	5,724.2	5,391.5	4,841.2	4,758.2	5,124.9	5,324.5	5,432.3	5,767.5	6,238.0	6,740.8
Nominal GDP (annual change in percent)	9.5	-5.8	-10.2	-1.7	7.7	3.9	2.0	6.2	8.2	8.1
Exchange rate (UM/US$)	296.2	301.7	323.9	351.5	...	...	...	...	...	...
Price of oil (US$/barrel)	104.1	96.2	50.8	42.8	50.3	50.2	50.5	51.1	51.9	53.0
Price of iron ore (US$/Ton)	135.4	97.4	56.1	58.6	71.7	62.0	57.1	54.6	54.6	54.6
Price of gold (US$/Ounce)	1,411.1	1,266.2	1,160.1	1,248.3	1,253.7	1,291.4	1,313.4	1,341.4	1,366.7	1,393.4
Price of copper (US$/Ton)	7,331.5	6,863.4	5,510.5	4,867.9	6,030.2	6,429.9	6,461.5	6,470.9	6,469.1	6,469.0

Sources: Mauritanian authorities; and IMF staff estimates and projections.

1/ Excluding passive debt to Kuwait under negotiation.

2/ Excluding the oil account.

Table 2. Mauritania: Balance of Payments, 2013–22
(In millions of U.S. dollars, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
					Prog.					
Current account balance	-1,262.0	-1,470.7	-956.1	-706.8	-554.9	-602.6	-560.2	-296.5	-220.1	-257.7
Of which: excl. FDI-financed imports of extractive capital goods	-396.1	-1,052.6	-577.3	-524.2	-253.2	-337.6	-300.2	-164.0	-125.1	-172.7
Trade balance	-392.9	-710.9	-559.4	-499.4	-214.8	-272.3	-242.6	166.7	366.2	260.4
Exports, fob	2,651.4	1,935.4	1,388.6	1,400.7	1,773.0	1,827.4	1,865.3	2,245.2	2,533.9	2,508.7
Of which: Iron ore	1,358.1	730.7	340.0	418.3	550.0	475.4	438.3	488.7	541.0	593.4
Crude oil	216.9	194.8	73.1	87.0	68.9	0.0	0.0	0.0	0.0	0.0
Copper	216.3	165.8	195.1	138.2	155.2	207.2	174.7	183.6	92.2	0.0
Gold	471.7	407.4	333.6	288.5	352.2	543.5	606.0	869.4	1,139.9	1,099.8
Fish	329.7	377.5	388.9	421.3	579.7	524.4	556.4	599.8	644.5	688.2
Imports, fob	-3,044.4	-2,646.3	-1,948.0	-1,900.1	-1,987.8	-2,099.7	-2,107.9	-2,078.5	-2,167.7	-2,248.3
Of which: Food	-377.0	-370.5	-395.3	-334.4	-359.3	-373.2	-380.6	-382.0	-397.2	-418.6
Petroleum	-633.8	-595.9	-337.9	-355.3	-399.7	-410.8	-407.6	-418.0	-437.3	-460.5
Capital goods	-1,293.8	-954.8	-640.0	-538.1	-582.7	-594.3	-595.2	-464.5	-399.9	-413.9
Services and income (net)	-1,009.8	-873.5	-575.0	-452.0	-478.6	-477.1	-476.8	-620.7	-734.4	-671.7
Services (net)	-841.4	-731.0	-394.6	-335.5	-464.7	-441.0	-449.7	-567.9	-658.2	-611.5
Credit	158.3	168.1	246.2	269.9	207.2	214.4	221.2	227.3	233.5	239.8
Debit	-999.8	-899.1	-640.7	-605.4	-671.8	-655.4	-670.9	-795.2	-891.7	-851.3
Income (net)	-168.4	-142.5	-180.5	-116.5	-13.9	-36.1	-27.1	-52.8	-76.2	-60.3
Credit	147.5	128.7	77.0	59.3	150.6	167.7	173.9	192.4	205.2	199.6
Debit	-315.9	-271.1	-257.4	-175.8	-164.5	-203.8	-201.0	-245.1	-281.4	-259.8
Current transfers (net)	140.8	113.7	178.4	244.6	138.5	146.8	159.1	157.4	148.2	153.6
Private unrequited transfers (net)	56.9	49.8	77.3	74.8	77.4	80.1	83.0	85.9	88.9	92.1
Official transfers	83.9	63.9	101.0	169.8	61.1	66.7	76.2	71.5	59.2	61.6
Capital and financial account	1,569.6	1,222.6	953.4	491.6	581.0	660.0	698.5	542.5	411.5	436.2
Capital account	4.8	16.0	31.2	8.4	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	1,564.8	1,206.6	1,222.2	483.2	581.0	660.0	698.5	542.5	411.5	436.2
Foreign direct investment (net)	1,126.0	501.9	501.7	271.1	464.7	457.4	474.9	324.0	259.6	282.7
Official medium- and long-term loans	103.9	175.3	173.6	204.7	56.8	87.3	103.2	94.3	103.0	113.4
Disbursements	176.4	256.8	270.4	321.5	194.0	264.1	279.0	274.0	274.0	279.1
Amortization	72.5	81.5	96.7	116.8	137.2	176.8	175.8	179.7	171.0	165.7
SNIM medium- and long-term loans	112.1	-51.5	-66.0	-60.5	-31.4	-31.6	-24.9	-23.6	-57.7	-48.6
Other financial flows	222.8	581.0	312.9	67.9	91.0	146.8	145.4	147.7	106.6	88.6
Errors and omissions	-291.3	-61.3	-137.9	135.4	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	16.3	-309.4	-140.6	-79.8	26.1	57.4	138.3	246.0	191.4	178.4
Financing	-16.3	309.4	140.6	79.8	-26.1	-57.4	-138.3	-246.0	-191.4	-178.4
Net foreign assets	-27.3	298.8	134.7	79.8	-28.7	-57.4	-138.3	-246.0	-191.4	-178.4
Central bank (net)	-29.2	312.1	102.7	-20.9	26.3	-48.6	-138.3	-246.0	-191.4	-178.4
Assets (negative value implies accumulation of reserves)	-36.9	326.1	-182.1	-1.8	18.9	-15.0	-102.1	-211.3	-115.9	-107.3
Liabilities	7.7	-14.0	284.8	-19.1	7.4	-33.6	-36.2	-34.7	-75.5	-71.1
Of Which: Use of Fund resources (prospective)	17.0	0.0	0.0	0.0	23.3	46.7	46.7	46.8	0.0	0.0
Commercial banks (net)	5.8	-17.6	15.7	76.7	-49.4	0.0	0.0	0.0	0.0	0.0
Oil account flow	-3.9	4.3	16.3	23.9	-5.6	-8.9	0.0	0.0	0.0	0.0
Exceptional financing	11.0	10.6	5.9	0.0	2.6	0.0	0.0	0.0	0.0	0.0
Financing Gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Current account balance (in percent of GDP)	-22.0	-27.3	-19.7	-14.9	-10.8	-11.3	-10.3	-5.1	-3.5	-3.8
Of which: excl. FDI-financed imports of extractive capital goods	-6.9	-19.5	-11.9	-11.0	-4.9	-6.3	-5.5	-2.8	-2.0	-2.6
Trade balance (in percent of GDP)	-6.9	-13.2	-11.6	-10.5	-4.2	-5.1	-4.5	2.9	5.9	3.9
Total external financing requirements (in percent of GDP)	23.8	30.0	23.1	18.6	14.8	15.9	14.7	9.3	7.2	7.0
External public debt (in millions of US$)	3,770.1	3,856.0	4,291.8	4,407.6	4,498.0	4,586.7	4,688.7	4,783.3	4,810.8	4,853.2
External public debt (in percent GDP)	65.9	71.5	88.7	92.6	87.8	86.1	86.3	82.9	77.1	72.0
External public debt service (in millions of US$)	166.6	133.8	141.2	161.1	207.4	312.8	315.5	318.7	304.7	295.3
External public debt service (in percent of revenue)	12.0	10.0	10.6	13.2	15.5	22.5	22.5	21.9	19.3	17.3
SNIM contribution to BOP (in millions of US$)	613.0	430.2	135.4	102.2	223.3	213.6	186.1	214.5	261.7	304.5
Gross official reserves										
In millions of US$	996.4	639.1	822.8	824.5	805.6	820.6	922.7	1,134.0	1,249.9	1,357.2
In months of imports excluding extractive industries	5.9	5.0	5.6	5.4	4.9	4.9	5.2	6.0	6.4	6.7
Oil account	97.1	92.8	76.6	52.7	58.3	67.2	67.2	67.2	67.2	67.2
Nominal GDP (in millions of US$)	5,724.2	5,391.5	4,841.2	4,758.2	5,124.9	5,324.5	5,432.3	5,767.5	6,238.0	6,740.8

Sources: Mauritanian authorities; and IMF staff estimates and projections.

Table 3a. Mauritania: Central Government Operations, 2013–22

(In billions of UM, unless otherwise indicated)

	2013	2014	2015	2016	2017		2018	2019	2020	2021	2022
					Jan-Aug	Prog.		Prog.			
Revenues and grants	422.7	406.0	460.2	461.3	**318.6**	491.0	526.3	572.6	631.1	707.6	784.4
Revenues	411.4	403.8	431.9	430.0	**313.2**	478.2	510.5	551.8	610.9	692.3	767.9
Nonextractive revenue	281.7	293.9	378.3	404.9	**276.7**	431.8	462.8	521.5	570.8	642.1	715.2
Tax revenue	203.8	222.7	237.8	272.1	**204.6**	299.1	325.7	368.0	414.3	464.1	519.3
Nontax revenue	77.9	71.2	140.5	132.9	**72.2**	132.7	137.1	153.5	156.6	178.0	195.9
Extractive revenue	129.7	109.9	53.7	25.0	**36.4**	46.4	47.7	30.3	40.0	50.3	52.7
Net revenue from oil	20.7	6.1	13.2	10.9	**15.4**	20.0	15.0	2.8	2.8	2.9	2.9
Mining revenue	108.9	103.8	40.4	14.1	**21.0**	26.4	32.7	27.5	37.2	47.4	49.8
Grants	11.3	2.2	28.3	31.3	**5.4**	12.8	15.9	20.8	20.2	15.2	16.6
Of which: Projects	1.8	1.6	7.8	6.3	**3.7**	4.4	3.4	3.7	4.1	4.1	4.1
Expenditure and net lending	436.7	479.1	513.7	469.8	**329.4**	493.0	530.1	572.2	624.0	695.6	769.8
Current expenditure	267.2	287.6	290.9	276.4	**206.9**	290.6	309.6	338.9	370.1	404.0	446.7
Compensation of employees	103.7	110.4	119.4	123.1	**87.4**	131.0	145.1	156.9	170.9	186.7	205.8
Goods and services	60.1	64.7	62.4	58.7	**40.5**	66.3	66.0	71.6	76.6	83.8	93.8
Subsidies and transfers 1/	70.2	72.5	67.8	55.8	**28.6**	56.1	58.6	63.9	70.9	78.5	88.4
Of which: Emergency program	12.3	18.0	21.0	16.0		16.0	22.1	24.8	27.7	30.2	32.2
Energy subsidies	14.1	14.0	6.9	1.9		3.5	0.0	0.0	0.0	0.0	0.0
Arrears repayments	13.3	3.6	3.6	3.6		3.6	0.0	0.0	0.0	0.0	0.0
Interest	15.7	15.8	17.8	17.4	**14.8**	18.0	25.2	30.6	32.7	33.7	34.0
External	12.0	11.9	12.7	13.4	**11.5**	14.0	17.9	20.3	22.9	24.5	26.0
Domestic	3.6	3.9	5.1	4.0	**3.3**	4.0	7.2	10.3	9.8	9.2	8.1
Special accounts	6.5	10.3	3.2	9.3	**6.6**	7.0	2.5	2.5	2.5	2.5	2.5
Common reserves	10.7	11.3	11.9	11.4	**7.0**	12.2	12.2	13.3	16.6	18.8	22.2
Others	0.2	2.6	8.5	0.8	**22.0**	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	169.6	191.5	219.9	193.7	**117.8**	199.4	215.9	233.3	253.9	291.6	323.1
Foreign-financed investment	48.7	57.9	78.2	44.6	**26.3**	52.7	74.1	78.4	84.2	84.2	93.3
Domestically financed investment	120.9	133.6	141.7	149.1	**91.4**	146.7	141.8	154.9	169.7	207.4	229.8
Restructuring and net lending	0.0	0.0	2.9	-0.4	**4.8**	3.0	4.5	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	-9.7	-59.5	-64.0	-22.4	**-1.4**	3.2	5.6	10.2	19.5	30.4	32.1
Primary balance	1.6	-57.3	-35.7	8.9	**4.0**	16.0	21.4	31.0	39.7	45.6	48.7
Overal balance (excl. grants)	-25.4	-75.3	-81.8	-39.8	**-16.2**	-14.8	-19.6	-20.5	-13.1	-3.3	-1.9
Overall balance	-14.1	-73.2	-53.5	-8.5	**-10.8**	-2.0	-3.7	0.3	7.1	11.9	14.6
Financing	14.1	73.2	53.5	8.5	**10.8**	2.0	3.7	-0.3	-7.1	-11.9	-14.6
Domestic financing	-5.5	11.0	-1.2	-23.8	**28.6**	4.4	3.5	-3.6	-9.0	-16.1	-28.7
Banking system	58.1	50.0	12.2	-16.0	**15.2**	-7.6	3.5	-3.6	-9.0	-4.1	-16.7
Treasury account	83.7	49.2	36.9	-10.1	**15.3**	-7.6	3.5	-3.6	-9.0	0.9	-8.7
Commercial banks	-25.6	0.9	-24.7	-5.9	**-0.1**	0.0	0.0	0.0	0.0	-5.0	-8.0
Nonbanks	8.3	5.3	8.9	-7.1	**7.0**	12.0	0.0	0.0	0.0	-12.0	-12.0
Domestic arrears	-5.5	-8.8	-1.3	0.0	**2.0**	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-74.8	-31.4	7.5	-0.7	**4.3**	0.0	0.0	0.0	0.0	0.0	0.0
External financing	25.8	68.2	57.2	38.1	**-12.9**	-2.4	0.2	3.2	1.9	4.2	14.0
Oil account (net)	-1.3	18.9	4.8	8.5	**-8.2**	-2.0	-3.4	0.0	0.0	0.0	0.0
Net revenue from oil (net)	-20.7	-6.1	-13.2	-10.9	**-15.4**	-20.0	-15.0	-2.8	-2.8	-2.9	-2.9
Oil account contribution to the budget	19.4	25.0	18.0	19.4	**7.2**	18.0	11.6	2.8	2.8	2.9	2.9
Other (net)	27.1	49.3	52.3	29.6	**-4.6**	-0.4	3.6	3.2	1.9	4.2	14.0
Net borrowing (net)	23.8	46.1	48.4	27.7	**-1.1**	-0.4	3.6	3.2	1.9	4.2	14.0
Disbursements	46.9	69.9	77.0	63.4	**22.6**	48.3	70.7	74.7	80.1	80.1	89.2
Amortization	-23.1	-23.9	-28.3	-35.6	**-23.7**	-48.7	-67.1	-71.5	-78.1	-75.9	-75.2
Exceptional financing	3.7	3.1	3.0	2.5	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap	-6.2	-6.1	-2.5	-5.8	**-4.9**	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Real growth rate of public expenditure	-2.5	5.7	6.7	-9.9	**-32.4**	2.3	3.7	2.8	4.5	6.8	6.1
Current expenditure	-12.4	3.8	0.6	-6.3	**-17.5**	2.5	2.7	4.3	4.7	4.6	6.0
Capital expenditure	18.9	8.8	14.3	-13.2	**-14.9**	0.4	4.4	2.9	4.3	10.1	6.2
Non-extractive balance (excl. grants)	-155.1	-185.2	-135.4	-64.8	**-52.7**	-61.2	-67.3	-50.8	-53.2	-53.5	-54.6
Non-extractive balance	-25.4	-75.3	-81.8	-39.8	**-16.2**	-14.8	-19.6	-20.5	-13.1	-3.3	-1.9
Basic budget balance (excl. grants) 2/	23.3	-17.4	-3.6	4.8	**10.1**	37.9	54.5	57.9	71.1	81.0	91.3
Social spending	161.2	179.6	186.9	187.4		194.4	220.7	246.4	283.4	313.2	346.8

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including transfers to public entities outside the central government.
2/ Overall balance excluding foreign-financed investment expenditure.

Table 3b. Mauritania: Central Government Operations, 2013–22

(In percent of nonextractive GDP, unless otherwise indicated)

	2013	2014	2015	2016	2017		2018	2019	2020	2021	2022
					Jan-Aug	Prog.		Prog.			
Revenues and grants	34.1	29.4	32.5	31.6	**20.3**	31.2	31.0	30.7	30.7	31.2	31.2
Revenues	33.2	29.2	30.5	29.5	**19.9**	30.4	30.1	29.6	29.7	30.5	30.6
Nonextractive revenue	22.7	21.3	26.7	27.8	**17.6**	27.5	27.3	27.9	27.8	28.3	28.5
Tax revenue	16.4	16.1	16.8	18.7	**13.0**	19.0	19.2	19.7	20.2	20.4	20.7
Nontax revenue	6.3	5.2	9.9	9.1	**4.6**	8.4	8.1	8.2	7.6	7.8	7.8
Extractive revenue	10.5	8.0	3.8	1.7	**2.3**	3.0	2.8	1.6	1.9	2.2	2.1
Net revenue from oil	1.7	0.4	0.9	0.7	**1.0**	1.3	0.9	0.2	0.1	0.1	0.1
Mining revenue	8.8	7.5	2.9	1.0	**1.3**	1.7	1.9	1.5	1.8	2.1	2.0
Grants	0.9	0.2	2.0	2.1	**0.3**	0.8	0.9	1.1	1.0	0.7	0.7
Of which: Projects	0.1	0.1	0.6	0.4	**0.2**	0.3	0.2	0.2	0.2	0.2	0.2
Expenditure and net lending	35.2	34.7	36.3	32.2	**20.9**	31.3	31.2	30.7	30.4	30.6	30.6
Current expenditure	21.5	20.8	20.5	19.0	**13.2**	18.5	18.2	18.2	18.0	17.8	17.8
Compensation of employees	8.4	8.0	8.4	8.4	**5.6**	8.3	8.5	8.4	8.3	8.2	8.2
Goods and services	4.8	4.7	4.4	4.0	**2.6**	4.2	3.9	3.8	3.7	3.7	3.7
Subsidies and transfers 1/	5.7	5.3	4.8	3.8	**1.8**	3.6	3.5	3.4	3.5	3.5	3.5
Of which: Emergency program	1.0	1.3	1.5	1.1		1.0	1.3	1.3	1.3	1.3	1.3
Energy subsidies	1.1	1.0	0.5	0.1		0.2	0.0	0.0	0.0	0.0	0.0
Arrears repayments	1.1	0.3	0.3	0.2		0.2	0.0	0.0	0.0	0.0	0.0
Interest	1.3	1.1	1.3	1.2	**0.9**	1.1	1.5	1.6	1.6	1.5	1.4
External	1.0	0.9	0.9	0.9	**0.7**	0.9	1.1	1.1	1.1	1.1	1.0
Domestic	0.3	0.3	0.4	0.3	**0.2**	0.3	0.4	0.6	0.5	0.4	0.3
Special accounts	0.5	0.7	0.2	0.6	**0.4**	0.4	0.1	0.1	0.1	0.1	0.1
Common reserves	0.9	0.8	0.8	0.8		0.8	0.7	0.7	0.8	0.8	0.9
Others	0.0	0.2	0.6	0.1		0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	15.4	13.9	15.5	13.3	**7.5**	12.7	12.7	12.5	12.4	12.8	12.9
Foreign-financed investment	4.7	4.2	5.5	3.1	**1.7**	3.4	4.4	4.2	4.1	3.7	3.7
Domestically financed investment	10.8	9.7	10.0	10.2	**5.8**	9.3	8.4	8.3	8.3	9.1	9.1
Restructuring and net lending	0.0	0.0	0.2	0.0	**0.3**	0.2	0.3	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	-0.8	-4.3	-4.5	-1.5	**-0.1**	0.2	0.3	0.5	1.0	1.3	1.3
Primary balance	0.1	-4.2	-2.5	0.6	**0.3**	1.0	1.3	1.7	1.9	2.0	1.9
Overal balance (excl. grants)	-2.0	-5.5	-5.8	-2.7	**-1.0**	-0.9	-1.2	-1.1	-0.6	-0.1	-0.1
Overall balance	-1.1	-5.3	-3.8	-0.6	**-0.7**	-0.1	-0.2	0.0	0.3	0.5	0.6
Financing	1.1	5.3	3.8	0.6	**0.7**	0.1	0.2	0.0	-0.3	-0.5	-0.6
Domestic financing	-0.4	0.8	-0.1	-1.6	**1.8**	0.3	0.2	-0.2	-0.4	-0.7	-1.1
Banking system	4.7	3.6	0.9	-1.1	**1.0**	-0.5	0.2	-0.2	-0.4	-0.2	-0.7
Treasury account	6.7	3.6	2.6	-0.7	**1.0**	-0.5	0.2	-0.2	-0.4	0.0	-0.3
Commercial banks	-2.1	0.1	-1.7	-0.4	**0.0**	0.0	0.0	0.0	0.0	-0.2	-0.3
Nonbanks	0.7	0.4	0.6	-0.5	**0.4**	0.8	0.0	0.0	0.0	-0.5	-0.5
Domestic arrears	-0.4	-0.6	-0.1	0.0	**0.1**	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-6.0	-2.3	0.5	0.0	**0.3**	0.0	0.0	0.0	0.0	0.0	0.0
External financing	2.1	4.9	4.0	2.6	**-0.8**	-0.2	0.0	0.2	0.1	0.2	0.6
Oil account (net)	-0.1	1.4	0.3	0.6	**-0.5**	-0.1	-0.2	0.0	0.0	0.0	0.0
Net revenue from oil (net)	-1.7	-0.4	-0.9	-0.7	**-1.0**	-1.3	-0.9	-0.2	-0.1	-0.1	-0.1
Oil account contribution to the budget	1.6	1.8	1.3	1.3	**0.5**	1.1	0.7	0.2	0.1	0.1	0.1
Other (net)	2.2	3.6	3.7	2.0	**-0.3**	0.0	0.2	0.2	0.1	0.2	0.6
Net borrowing (net)	1.9	3.3	3.4	1.9	**-0.1**	0.0	0.2	0.2	0.1	0.2	0.6
Disbursements	3.8	5.1	5.4	4.3	**1.4**	3.1	4.2	4.0	3.9	3.5	3.5
Amortization	-1.9	-1.7	-2.0	-2.4	**-1.5**	-3.1	-4.0	-3.8	-3.8	-3.3	-3.0
Exceptional financing	0.3	0.2	0.2	0.2	**0.0**	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap	-0.5	-0.4	-0.2	-0.4	**-0.3**	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:											
Non-extractive balance (excl. grants)	-12.5	-13.4	-9.6	-4.4	**-3.4**	-3.9	-4.0	-2.7	-2.6	-2.4	-2.2
Non-extractive balance	-2.0	-5.5	-5.8	-2.7	**-1.0**	-0.9	-1.2	-1.1	-0.6	-0.1	-0.1
Overall balance (in percent of GDP)	-0.8	-4.5	-3.4	-0.5	**-0.6**	-0.1	-0.2	0.0	0.3	0.4	0.5
Basic budget balance (excl. grants) 2/	1.9	-1.3	-0.3	0.3	**0.6**	2.4	3.2	3.1	3.5	3.6	3.6
Social spending	13.0	13.0	13.2	12.9		12.4	13.0	13.2	13.8	13.8	13.8

Sources: Mauritanian authorities; and IMF staff estimates and projections.

1/ Including transfers to public entities outside the central government.

2/ Overall balance excluding foreign-financed investment expenditure.

Table 4. Mauritania: Monetary Survey, 2013–20
(In billions of ouguiyas at end-of-period exchange rates, unless otherwise indicated)

	2013	2014	2015	2016	2017	2018	2019	2020
						Prog.		
Monetary survey								
Net foreign assets	196.7	108.1	78.5	61.4	69.3	92.6	155.3	273.1
Net domestic assets	273.0	402.1	433.5	487.0	548.4	582.2	580.7	563.3
Net domestic credit	522.6	618.2	669.5	693.4	733.3	781.5	838.3	896.4
Net credit to the government	124.2	175.3	183.8	168.9	166.6	170.1	166.5	157.5
Credit to the economy	398.4	443.0	485.7	524.4	566.7	611.5	671.8	738.9
Other items net	-249.6	-216.1	-236.0	-206.4	-184.9	-199.3	-257.6	-333.1
Broad money (M2)	469.7	510.2	512.1	548.4	617.8	674.8	736.1	836.4
Monetary authorities								
Net foreign assets	220.0	126.1	102.4	115.2	105.3	131.1	196.5	317.2
Net domestic assets	10.9	101.0	118.3	127.4	162.3	161.2	122.4	45.1
Net domestic credit	96.6	142.7	172.5	163.1	160.7	164.3	160.7	151.7
Net credit to the government	91.8	138.1	167.8	158.9	156.5	160.0	156.5	147.5
Other items net	-85.8	-41.8	-54.2	-35.7	1.6	-3.1	-38.3	-106.5
Reserve money	230.8	227.0	220.7	242.6	267.6	292.3	318.9	362.3
Currency in circulation	132.7	130.9	129.7	141.4	159.3	174.0	189.8	215.6
Reserves of banks	98.1	96.1	91.0	101.2	108.4	118.4	129.1	146.7
Of which: Banks deposits in FX	27.1	28.5	20.8	28.8	30.8	33.6	36.7	41.7
Commercial banks								
Net foreign assets	-23.3	-18.0	-23.9	-53.7	-36.0	-38.5	-41.2	-44.1
Net domestic credit	426.3	475.5	497.1	530.2	572.5	617.3	677.6	744.7
Net credit to the government	32.3	37.1	16.0	10.0	10.0	10.0	10.0	10.0
Credit to the private sector	394.0	438.4	481.1	520.2	562.5	607.2	667.6	734.7
Other items net	-163.8	-174.4	-181.8	-170.7	-186.4	-196.3	-219.3	-226.6
	(Annual change in percent)							
Monetary survey								
Net foreign assets	2.3	-45.1	-27.3	-21.8	12.9	33.6	67.7	75.9
Net domestic assets	23.4	47.3	7.8	12.3	12.6	6.2	-0.2	-3.0
Net domestic credit	13.9	18.3	8.3	3.6	5.8	6.6	7.3	6.9
Net credit to the government	23.8	41.1	4.9	-8.1	-1.4	2.1	-2.1	-5.4
Credit to the economy	11.1	11.2	9.7	8.0	8.1	7.9	9.9	10.0
Other items net	5.0	-13.4	9.2	-12.6	-10.4	7.8	29.2	29.3
Broad money (M2)	13.6	8.6	0.4	7.1	12.6	9.2	9.1	13.6
Monetary authorities								
Net foreign assets	2.7	-42.7	-18.8	12.5	-8.5	24.5	49.9	61.4
Net domestic assets	-700.7	829.5	17.1	7.8	27.4	-0.7	-24.1	-63.1
Net domestic credit	45.4	47.7	20.8	-5.4	-1.5	2.2	-2.2	-5.6
Net credit to the government	80.3	50.4	21.5	-5.3	-1.5	2.2	-2.2	-5.8
Reserve money	8.7	-1.6	-2.8	9.9	10.3	9.2	9.1	13.6
Commercial banks								
Net foreign assets	6.6	-22.7	32.4	125.0	-33.1	7.0	7.0	7.0
Net domestic credit	8.6	11.5	4.5	6.7	8.0	7.8	9.8	9.9
Net credit to the government	-34.5	14.8	-56.9	-37.4	0.0	0.0	0.0	0.0
Credit to the private sector	14.9	11.3	9.7	8.1	8.1	7.9	9.9	10.0
Memorandum items:								
Broad money (M2) to GDP (in percent)	27.7	31.4	32.7	32.8	33.8	34.5	34.5	34.5
Velocity of broad money (to non-extractive GDP)	2.6	2.7	2.8	2.7	2.5	2.5	2.5	2.5
Credit to the private sector (percent of non-extractive GDP)	31.8	31.7	34.0	35.7	35.8	35.8	35.8	35.8
Net foreign assets of banks (in millions of U.S. dollars)	-78.0	-57.7	-70.5	-150.7	-101.3	-101.3	-101.3	-101.3

Sources: Mauritanian authorities; and IMF staff estimates and projections.

Table 5. Mauritania: Banking Soundness Indicators, 2008–17
(In percent, unless otherwise indicated)

	2008	2009	2010	2011	2012	2013	2014	2015	2016 Est.	2017Q2 Est.
Balance sheet										
Assets / GDP	32.0	35.3	31.1	30.9	32.5	35.2	42.5	43.2	45.6	47.6
Net private-sector credit / total assets	56.6	51.1	53.2	48.2	50.8	52.1	55.5	57.0	54.9	45.8
Public enterprise credit / total assets	15.0	13.1	13.3	10.2	7.2	3.4	6.9	3.3	5.4	1.2
Government securities / total assets	17.2	16.0	18.8	11.1	11.2	5.8	5.8	2.0	2.0	...
Private-sector credit growth (y-o-y)	23.6	4.0	16.0	10.6	15.1	14.9	21.3	8.0	8.3	6.3
Gross NPLs / gross loans	...	...	45.3	39.2	25.7	20.4	23.0	30.0	25.5	...
Of which: accrued interest on NPLs / gross loans	...	...	11.6	11.5	8.3	7.1	...	...	...	...
Of which: legacy NPLs (pre-2010) / gross loans	...	...	16.7	13.7	13.8	12.8	...	...	...	...
Of which: new NPLs / gross loans	...	...	17.0	14.1	3.6	0.5	...	...	...	...
Provisions / (gross NPLs - accrued interest)	...	...	30.0	31.2	53.1	52.9	52.5	78.5	63.0	71.9
Provisions / loans 360+ days in arrears	84.1	85.2	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3
Uncovered loans 360+ days in arrears / gross loans	84.1	85.2	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3
Deposits / total assets	55.5	57.4	59.3	60.9	59.1	57.8	61.0	60.8	59.0	59.8
Private-sector gross loans / private-sector deposits	127.4	115.3	118.4	105.9	110.7	113.7	137.7	134.1	110.4	91.5
Capital ratios										
Capital / total assets	16.9	16.7	16.7	18.5	17.5	18.7	14.7	13.7	14.2	13.7
Capital adequacy ratio	33.0	38.2	34.0	35.2	29.2	32.4	28.1	23.1	23.7	25.5
Foreign exchange exposure										
Fx assets / total assets	9.3	13.9	10.5	10.5	10.5	10.6	10.5	6.7	8.9	12.7
Fx assets / fx liabilities (on balance sheet)	75.0	123.7	112.1	135.2	100.1	106.6	138.6	108.2	116.0	106.8
Open fx position / capital (including off balance sheet)	-19.1	5.0	-16.0	-32.7	-45.9	-26.0	-70.4	-72.7	-69.8	-16.0
Profitability and liquidity										
Return on assets	1.9	1.4	0.4	1.2	1.4	1.2	1.2	0.7	...	...
Return on equity	10.7	8.5	2.7	6.0	8.4	6.4	6.6	5.1	...	...
Liquid assets / total assets 1/	30.9	29.8	29.5	29.7	29.8	24.0	23.5	21.4	17.0	24.0
Memorandum items:										
Share of assets held by three largest banks	53.4	53.6	53.7	50.7	45.4	42.3	45.7	42.0	41.0	40.3
Number of banks	10	10	10	12	12	15	15	16	16	17

Sources: Mauritanian authorities; and IMF staff.

1/ Liquid assets: cash, reserves, and treasury bills.

Table 6. Mauritania: External Financing Requirements and Sources, 2015–20
(In millions of U.S. dollars)

	2015	2016	2017	2018	2019	2020
				Proj.		
Total Requirements	**-1,220.5**	**-1,051.4**	**-836.7**	**-994.0**	**-956.2**	**-688.8**
Current account deficit, excl. grants	-1,057.1	-876.6	-616.0	-669.3	-636.4	-368.0
External public debt amortization [1/]	-163.3	-174.8	-220.7	-324.7	-319.8	-320.9
Of which: Saudi Arabia	-2.6	-3.3	-7.2	-67.2	-68.1	-68.2
Arab Monetary Fund	-3.8	0.0	-21.1	-44.8	-37.4	-27.6
Arab Fund for Economic and Social Dev.	-30.3	-36.9	-38.6	-43.6	-44.3	-51.0
Islamic Development Bank	-18.3	-19.6	-19.8	-25.4	-25.9	-26.8
China	-19.3	-18.0	-23.0	-24.3	-25.6	-25.6
IMF	-4.6	-10.1	-13.7	-18.0	-20.7	-19.2
Total Sources	**1,220.5**	**1,051.4**	**752.3**	**880.6**	**833.3**	**570.6**
Foreign direct investment and capital inflows (net)	533.0	279.6	464.7	457.4	474.9	324.0
Official grants	101.0	169.8	…	…	…	…
Of which: European Union	12.6	11.2	…	…	…	…
World Bank	0.0	26.0	…	…	…	…
AfDB	…	10.0	…	…	…	…
United Arab Emirates	…	40.0	…	…	…	…
Saudi Arabia	50.0	5.3	…	…	…	…
Official loan disbursements	270.4	321.5	194.0	264.1	279.0	274.0
Of which: Arab Monetary Fund	20.8	99.6	…	…	…	…
Arab Fund for Economic and Social Dev.	127.7	80.7	…	…	…	…
Islamic Development Bank	83.2	50.7	…	…	…	…
China	8.9	39.4	…	…	…	…
Deposit from Saudi Arabia at the Central Bank	300.0	…	…	…	…	…
Other flows [2/]	182.0	258.4	80.4	182.9	181.5	183.9
Drawdown of reserves	-182.1	-1.8	18.9	-15.0	-102.1	-211.3
Drawdown of oil account	16.3	23.9	-5.6	-8.9	0.0	0.0
Financing gap	…	…	**84.4**	**113.4**	**122.9**	**118.2**
Expected sources of financing	…	…	**84.4**	**113.4**	**122.9**	**118.2**
Official grants	…	…	61.1	66.7	76.2	71.5
IMF ECF arrangement (prospective)	…	…	23.3	46.7	46.7	46.8
Residual gap	…	…	**0.0**	**0.0**	**0.0**	**0.0**

Sources: Mauritanian authorities; and IMF staff estimates and projections.
[1/] Including central government, central bank, and SNIM.
[2/] Including SNIM, commercial banks, errors and omissions, and exceptional financing.

Table 7. Mauritania: Capacity to Repay the Fund, 2017–31

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Payments to the Fund based on existing credit															
Principal (in million of SDRs)	3.70	14.55	15.46	14.35	9.94	6.62	1.10	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.09	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.00	0.00	0.00
Payments to the Fund based on existing and prospec															
Principal (in million of SDRs)	3.70	14.55	15.46	14.35	9.94	6.62	6.07	11.59	18.22	23.18	23.18	18.22	11.59	4.97	0.00
Charges and interest (in million of SDRs)	0.09	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39	0.39
Total payments to the Fund based on existing and prospective credit															
In millions of SDRs	3.79	14.94	15.85	14.74	10.33	7.01	6.46	11.98	18.61	23.57	23.57	18.61	11.98	5.36	0.39
In millions of US$	5.34	21.06	22.37	20.80	14.56	9.87	9.09	16.87	26.20	33.18	33.18	26.20	16.87	7.55	0.55
In percent of exports of goods and services	0.27	1.03	1.07	0.84	0.53	0.36	0.32	0.58	0.92	1.21	1.25	1.02	0.68	0.30	0.02
In percent of debt service	3.31	10.15	7.15	6.59	4.57	3.24	3.08	7.09	10.25	11.80	10.86	8.00	4.92	2.15	0.15
In percent of GDP	0.10	0.40	0.41	0.36	0.23	0.15	0.13	0.22	0.32	0.39	0.37	0.27	0.17	0.07	0.00
In percent of Gross International Reserves	0.66	2.57	2.42	1.83	1.16	0.73	0.60	0.98	1.37	1.62	1.54	1.17	0.73	0.32	0.02
In percent of quota	2.94	11.60	12.31	11.44	8.02	5.44	5.02	9.30	14.45	18.30	18.30	14.45	9.30	4.16	0.30
Outstanding Fund credit															
In millions of SDRs	78.6	97.2	114.8	133.6	123.7	117.0	111.0	99.4	81.1	58.0	34.8	16.6	5.0	0.0	0.0
In millions of US$	110.7	137.0	162.1	188.5	174.3	164.7	156.2	139.9	114.2	81.6	49.0	23.3	7.0	0.0	0.0
In percent of exports of goods and services	5.6	6.7	7.8	7.6	6.3	6.0	5.5	4.8	4.0	3.0	1.8	0.9	0.3	0.0	0.0
In percent of debt service	68.7	66.0	51.8	59.8	54.7	54.1	52.9	58.8	44.7	29.0	16.0	7.1	2.0	0.0	0.0
In percent of GDP	2.2	2.6	3.0	3.3	2.8	2.4	2.2	1.8	1.4	1.0	0.5	0.2	0.1	0.0	0.0
In percent of gross international reserves	13.7	16.7	17.6	16.6	13.9	12.1	10.3	8.1	6.0	4.0	2.3	1.0	0.3	0.0	0.0
In percent of quota	61.0	75.4	89.1	103.7	96.0	90.9	86.1	77.1	63.0	45.0	27.0	12.9	3.9	0.0	0.0
Net use of Fund credit (in millions of SDRs)	12.9	18.6	17.7	18.8	-9.9	-6.6	-6.1	-11.6	-18.2	-23.2	-23.2	-18.2	-11.6	-5.0	0.0
Disbursements	16.6	33.1	33.1	33.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Repayments	3.7	14.6	15.5	14.4	9.9	6.6	6.1	11.6	18.2	23.2	23.2	18.2	11.6	5.0	0.0
Memorandum items:															
Exports of goods and services (in millions of US$)	1980.2	2041.8	2086.5	2472.5	2767.3	2748.5	2830.4	2907.2	2841.4	2744.4	2651.6	2573.3	2491.2	2540.7	2598.5
Debt service (in millions of US$)	161.1	207.4	312.8	315.5	318.7	304.7	295.3	237.9	255.7	281.3	305.7	327.3	343.0	350.9	362.4
Nominal GDP (in millions of US$)	5124.9	5324.5	5432.3	5767.5	6238.0	6740.8	7184.3	7667.4	8092.7	8532.1	9020.0	9559.4	10154.1	10832.1	11564.6
Gross international reserves (in millions of US$)	805.6	820.6	922.7	1134.0	1249.9	1357.2	1517.1	1718.9	1906.5	2048.6	2150.9	2231.0	2306.7	2381.9	2444.2
Quota (millions of SDRs)	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8

Sources: IMF staff estimates; and projections.

Table 8. Mauritania: Access and Phasing Under the Three-Year ECF Arrangement, 2017–20

Availability	Amount		Conditions
	Millions of SDR	Percent of Quota 1/	
December 6, 2017	16.560	12.857	Approval of the arrangement.
March 31, 2018	16.560	12.857	Completion of the first review (relevant PCs for end-December 2017).
September 30, 2018	16.560	12.857	Completion of the second review (relevant PCs for end-June 2018).
March 31, 2019	16.560	12.857	Completion of the third review (relevant PCs for end-December 2018).
September 30, 2019	16.560	12.857	Completion of the fourth review (relevant PCs for end-June 2019).
March 31, 2020	16.560	12.857	Completion of the fifth review (relevant PCs for end-December 2019).
September 30, 2020	16.560	12.857	Completion of the sixth (final) review (relevant PCs for end-June 2020).
Total	115.920	89.999	

Source: IMF staff calculations.

1/ Mauritania's quota is SDR 128.8 million.

Table 9. Mauritania: Large Government Projects Contracted or Planned in 2017

Projects	Amount (in millions of USD)	Percent of GDP (in percent)	Project duration	Financing type	Creditors
1. Loans Contracted January 1–October 31, 2017 1/					
Concessional terms (grant element of 35 percent or higher)					
Bridge on Senegal river	34.9	0.7	2018-22	Loan	AFD
Electricity transmission to Zouérat (North east)	100.0	2.0	2018-22	Loan	SFD
Electricity transmission to Zouérat	138.8	2.7	2018-22	Loan	AFESD
Drinking water supply (South)	49.6	1.0	2018-21	Loan	AFESD
Road to Benichab (North east)	25.0	0.5	2018-22	Loan	SFD
Rehabilitation of Koundi Canal (South)	10.0	0.2	2019-23	Loan	SFD
Sub-total	**358.2**	**7.0**			
Semi-concessional terms (positive grant element lower than 35 percent)					
Iron ore mine modernization (SNIM)	105.7	2.1	2018-22	Guarantee	AFESD
Electricity network in South East	33.0	0.6	2018-22	Loan	KFAED
Sub-total	**138.7**	**2.7**			
Commercial terms (no grant element)					
Electricity transmission to Nouadhibou	110.0	2.1	2018-21	Loan	EximBank India
Sub-total	**110.0**	**2.1**			
2. Semi-Concessional Loans Subject to the Borrowing Limit Under the ECF, from Nov. 1, 2017					
Wind power plant 2/	18.0	0.4	2018-22	Loan	OFID
Fishing port in Nouakchott 3/	85.0	1.7	2018-22	TBD	…
Sub-total	**103.0**	**2.0**			
Total	**710.0**	**13.9**			

Source: Ministry of Economy and Finance.
1/ Approved by the council of ministers as of Oct. 31, 2017.
2/ Signed in October and approved by the council of ministers on Nov. 9, 2017.
3/ Planned in 2017-18.

Table 10. Mauritania: External Borrowing Program, January 1, 2017 to December 31, 2017

PPG external debt	Volume of new debt in 2017		PV of new debt in 2017 (program purposes)	
	USD million	Percent	USD million	Percent
By sources of debt financing	**710.0**	**100**	**506.1**	**100**
Concessional debt, of which	**219.4**	**31**	**135.8**	**27**
Multilateral debt	84.4	12	48.6	10
Bilateral debt	135.0	19	87.2	17
Other	0.0	0	0.0	0
Non-concessional debt, of which	**490.5**	**69**	**370.4**	**73**
Semi-concessional	380.5	54	260.4	51
Commercial terms	110.0	15	110.0	22
By Creditor Type	**710.0**	**100**	**506.1**	**100**
Multilateral	346.9	49	223.7	44
Bilateral - Paris Club	0.0	0	0.0	0
Bilateral - Non-Paris Club	363.0	51	282.5	56
Other	0.0	0	0.0	0
Uses of debt financing	**710.0**	**100**	**506.1**	**100**
Infrastructure	604.3	85	436.0	86
Social Spending	0.0	0	0.0	0
Budget Financing	0.0	0	0.0	0
Other	105.7	14.9	70.2	13.9

Type of New External Debt, USD million

By the type of interest rate	
Fixed Interest Rate	600.0
Variable Interest Rate	110.0
Unconventional Loans	0.0
By currency	
USD denominated loans	213.0
Loans denominated in other currency	497.0

Table 11. Mauritania: Risk Assessment Matrix 1/

Sources of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
Global Risks				
Retreat from cross-border integration	**Medium**	Short to Medium Term	**Medium.** Reduced prospects of attracting higher FDI in new sectors, impacting diversification, exports and growth potential.	Accelerate structural reforms to diversify the export base and export markets. Speed up business climate reforms and increase exchange rate flexibility to boost competitiveness and mitigate external shocks. Develop prudent borrowing plans based on concessional financing.
Tighter global financial conditions/ strengthening of the US dollar and the euro, higher rates	**High**	Short Term	**High.** Exchange rate appreciation would affect competitiveness. Higher interest rates could increase funding costs for infrastructure investment.	
Intensification of the risks of fragmentation/ security dislocation in part of the Middle East, Africa, Asia, and Europe	**High**	Short to Medium Term	**High.** Trade with neighbors would be adversely affected. Migrants from neighboring countries would generate fiscal and security-related costs. Negative investors' sentiment would jeopardize economic diversification plans.	Creating policy space for contingencies by consolidating the budget and broadening the tax base through reforms and economic diversification. Develop contingency plans, in coordination with neighbors and the international community.
Significant China slowdown and its spillovers; and significant slowdown in other large EMs/ frontier economies	**Medium**	Short to Medium Term	**High.** Lower global commodity prices (esp. metals and fish) and lower trade flows would reduce exports and investment, with a negative impact on the external and fiscal positions.	In the short term, greater exchange rate flexibility and use of external buffers for gradual adjustment. Over the medium term, structural reforms to diversify the economy, exports, and export markets to increase resilience to shocks.
Structurally weak growth in key advanced and EMEs	**High**	Medium Term	**Medium.** Weaker partner countries' growth would impact trade and the external position.	
Climate change	**High**	Medium term	**High.** Adverse weather patterns and higher temperatures would jeopardize living conditions, agriculture, and fishing.	Build long-term economic diversification, food security and climate resilience, and transition to targeted social safety nets.
Reduced correspondent banking services	**High**	Short to Medium Term	**Medium.** Curtailed cross-border payments would affect trade and remittances.	Strengthen the AML/CFT framework and its implementation.
Lower energy prices	**Low**	Short to Medium Term	**Medium positive.** Improved fiscal and external positions, but risks for gas development.	Rebuild fiscal and external buffers.
Cyber-attacks	**Medium**	Short to Medium Term	**Medium.** Attacks would trigger financial instability and disrupt socio economic activities.	Strengthen the payments infrastructure and recapitalize the central bank to reinforce its ability to safeguard financial stability.
Domestic Risks				
Political and social unrest; regional terrorist attacks	**Medium**	Short Term	**High.** Higher public spending, including on security; impaired investor confidence and lower growth prospects.	Promote good governance and a better business climate, strengthen anti-corruption frameworks. Promote inclusive growth and increase social and security spending.
Slower pace of reforms	**Medium**	Short Term	**High.** Negative impact on domestic and foreign investors' confidence and on growth prospects.	Build consensus on reforms. Invest in human capital and institutions.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Table 12. Mauritania: 2014 FSAP Main Recommendations and Progress		
Recommendation	**Timeframe** 1/	**Status**
Central Bank		
Adopt the Banking Act giving more legal protection to decisions made as part of the exercise of the BCM's powers.	Near term	In preparation, envisaged under the draft banking law
Adopt the Act concerning the BCM's charter, bolstering its independence, responsibilities and transparency.	Near/Medium term	In preparation, envisaged under the draft central bank law
Parliamentary approval of the 2013 agreement on BCM's claims on the government.	Near term	No progress
Financial stability		
Issue a timeline in which scheduled auction dates for Treasury bills are separate from those for Treasury bonds.	Immediate	No progress
Quarterly updates of monetary programming tables, setting out medium-term monetary objectives.	Medium term	Partial progress, the BCM has a monetary program and is developing a forecasting model
Gradually securitize the stock of BCM's claims on government, using marketable securities that would extend the yield curve.	Medium term	No progress
Increase the quality and reliability of data gathered by the banks' supervisor.	Near/Medium term	In progress
Ensure strict compliance with the new instruction issued in June 2014 concerning loan classification and provisioning.	Immediate	Done
Foreign exchange markets		
Adopt an instruction concerning systematic field audits for banks by applying the foreign currency regulation (authentication of the request, application of the upper limit of USD 100,000).	Immediate	Partially done, the BCM reinforced compliance with FX operations requirements
Adopt an instruction on non-compliance with FX regulations, and applying penalties with repeated violations, including suspension of participation in FX auctions on the fixing market (after two warnings).	Immediate	Partially done
Eliminate all penalties and commissions applied to foreign exchange auctions.	Near term	Partially done (commissions are still applied)
Adopt a multiple-rate auction system with a benchmark rate.	Near term	Not done
Eliminate direct sales of FX outside the official market	Near term	Done
Non-banking financial institutions (MFIs, pensions, insurance)		
Encourage the establishment of insurance companies.	Medium term	No progress
Transfer auditing and surveillance of the CDD (public development bank) and insurance companies to the BCM.	Medium term	In preparation, envisaged under the draft banking law
Supervision and oversight		
Publish the financial statements of banks audited by the BCM in June after the year-end.	Medium term	No progress
Establish a qualification approval system by the BCM for auditors, based on objective and known criteria.	Medium term	In preparation, envisaged under the draft banking law
Implement, without exceptions, the regulation on loans to related parties and application of sanctions in cases of infractions.	Immediate	In progress, gradual implementation
Crisis Management and Bank Resolution		
Approve the legal and regulatory framework on bank resolution.	Immediate	In preparation, envisaged under the draft banking law
Increase banks' contributions to the Deposits Guarantee Fund, to reach at least UM6 billion in 3 years.	Near term	Partial progress; contribution raised in 2015, more is needed

1/ "Immediate" refers to within one year; "near term" is 1–3 years; "medium term" is 3–5 years.

Appendix I. Letter of Intent

Nouakchott, November 21, 2017

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington DC

Madame Managing Director,

We request the IMF's support for our economic and social program to consolidate macroeconomic stability; promote strong, lasting, and inclusive growth; develop human capital and access to basic social services; reduce poverty; and improve all dimensions of governance.

The successful implementation of the previous arrangement under the Extended Credit Facility (ECF) in 2010-2013 enabled us to maintain macroeconomic stability and consolidate economic achievements. In this regard, Mauritania achieved one of the highest growth rates among petroleum importers in the Middle East and North Africa region in 2013 and reduced poverty from 42 percent to 31 percent over the period 2008-2014. Since 2014, however, we have faced a significant deterioration of terms of trade in light of the decline in mining product prices, which has slowed economic growth.

The aim of a new program for 2017–20 is first of all to counter the effects of external shocks that have slowed economic activity, jeopardized public finances, and could intensify the vulnerability of the neediest. The program will enable us to achieve our objectives of strengthening the wealth- and job-creating sectors, improve export capacities, attract foreign direct investment, and improve our economy's resilience to exogenous shocks while preserving debt sustainability.

The key economic policies of our program aim to: (a) continue with fiscal consolidation and reinforcing debt sustainability at a gradual pace favorable to the recovery of growth; (b) raise public revenue by expanding the tax base and modernizing tax administration procedures, and prioritize public investment; (c) modernize and strengthen the monetary policy to better manage bank liquidity; (d) improve bank supervision and regulation and the financial infrastructure to ensure the stability of the financial system and expand credit to the private sector; (e) reform the foreign exchange market to introduce greater exchange rate flexibility; (f) increase the fiscal space for social spending, especially in education and health, and consolidate progress in poverty reduction; and (g) continue reforms to improve the business environment and economic governance in order to support private sector development and economic diversification.

We request the Fund's financial support for our program through a new three-year arrangement under the ECF in the amount of SDR 115.920 million (approximately US$162.8 million) or the equivalent of 90 percent of our quota share, to be disbursed in seven tranches of SDR 16.560 million. Our program will be monitored through semiannual reviews (the first on or after March 31, 2018 and the second on or after September 30, 2018) with quantitative criteria and structural benchmarks as described in the attached Memorandum of Economic and Financial Policies (MEFP) and defined in the Technical Memorandum of Understanding (TMU) attached. The authorities will provide the IMF with all the data and information required to monitor implementation of the measures and achievement of the objectives as detailed in the TMU.

The authorities believe the policies described in the MEFP are appropriate to achieve the program objectives, but they will take any additional measures that become necessary for this purpose. The Mauritanian authorities will consult the IMF on the adoption of such measures, and prior to any revision of the policies set forth in the MEFP, in accordance with the Fund's policies on such consultations. The authorities consent to the publication of this letter and its attachments, and the related staff report.

Very truly yours,

/s/	/s/
Mr. El Moctar Ould Djay	Mr. Abdel Aziz Ould Dahi
Minister of Economy and Finance	Governor, Central Bank of Mauritania

Attachments (2):

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Introduction

1. This memorandum describes Mauritania's Fund-supported economic and financial program under the Extended Credit Facility (ECF) for the period 2017-2020. The program aims to preserve macroeconomic stability, consolidate the bases for sustained, inclusive growth, and reduce poverty in accordance with the country's development strategy, now known as the Accelerated Growth and Shared Prosperity Strategy (SCAPP).

2. The SCAPP, adopted by the inter-ministerial committee and to be published in 2018, covers the period 2016-30. Based on the lessons learned from the 2012–15 development strategy, it is aimed at boosting growth and employment, reducing inequality, eliminating extreme poverty and halving global poverty by speeding up the economy's structural transformation and overhauling social policy. To this end, we intend to: (i) revitalize the sectors with substantial potential for growth and employment through greater integration of the value chain in agriculture, pastoral activities and fishing; (ii) continue to modernize public infrastructure; and (iii) promote a stronger private sector role via improvements to the business climate, the development of public-private partnerships, improved access for small and medium-sized enterprises (SMEs) to financing, and encouraging foreign direct investment (FDI). Our strategy will also focus on developing human capital and improving access to basic social services such as education, vocational training and healthcare. Particular attention will be paid to gender equality through the launch and implementation of a national gender equality strategy. Lastly, strengthening governance is at the core of our development strategy. From an economic perspective, a new organic budget law will strengthen transparency and responsibility, while statistics will be reinforced to improve economic policymaking. and Greater efforts devoted to the fight against corruption and the inherent legal system will be strengthened.

A. Economic Environment and Reforms: Recent Developments

3. Since early 2014, our economy has seen a deterioration in the terms of trade, with the price of iron ore falling by 57 percent in 2016 with respect to 2013. Mining exports decreased by over 16 percentage points of GDP, and the current account deficit deteriorated in proportion. We have used fiscal and external buffers to support economic activity and, despite the shock, real GDP growth was maintained at 5.6 percent in 2014 by non-extractive activity. However, in view of the persistence of the shock, growth slowed to a rate of 1.6 percent in 2016 due to underperformance of the mining sector and weak non-extractive growth due to a slowdown in domestic demand. In 2017, the economy showed signs of recovery, supported by an improvement in the terms of trade and an uptick in investment in the extractive sector. Inflation remained moderate at 1.5 percent at end-September owing to a relatively stable exchange rate.

4. In response to the deterioration of the budget deficit in 2015 following the decline in mining receipts, resolute measures have been taken since 2016 to restore the fiscal balance. In 2016, improved tax collection and strict spending control helped to reduce the primary fiscal deficit (excluding grants) by 3 percent of non-extractive GDP (NEGDP). In 2017, budget execution at end-August reflected an improvement in revenue underpinned by the economic upturn, sustained fiscal rectitude and the slower-than-expected execution of investment expenditure, which helped keep the primary deficit (before grants) in check at 0.1 percent of NEGDP. These fiscal consolidation efforts in conjunction with the reforms implemented were included in the supplementary budget law for 2017 aimed at achieving a primary surplus (excluding grants) of 0.2 percent of NEGDP for the full year.

5. In 2016, the current account deficit narrowed to 15 percent of GDP (compared to 20 percent in 2015) due to a contraction of domestic demand and reduced private investment in extractive industries. The external adjustment was helped by depreciation of the exchange rate reaching 16 percent with respect to the dollar since mid-2014, although the exchange rate appreciated vis-à-vis the euro. This trend continued in 2017 owing to a distinct improvement in the terms of trade. The efforts of the Central Bank of Mauritania (BCM) to apply exchange rate regulations and abolish direct sales of foreign currency contributed to maintaining official reserves at US$850 million (5 months of imports) at end-August 2017 while significantly improving the demand satisfaction rate for currencies. The BCM has also increased competition on the foreign exchange market by removing the limit of 6 ouguiyas on bids to buy.

B. Short-Term and Medium-Term Outlook

6. The short-term outlook recently improved following an improvement in iron ore prices, but continues to depend significantly on commodities price trends, foreign investment in the extractive sector, and progress on reforms. We prepared an ambitious 2016–30 strategy for inclusive growth that aims to diversify the economy through human capital development, improved access to services, and strengthened governance.

7. The macroeconomic framework agreed with the IMF staff provides for prudent growth rates, gradually increasing from 4.2 percent in 2017 to 6 percent in 2022 for the non-extractive sectors. This growth will be sustained by the performance anticipated in agriculture, fisheries, livestock and fishery product processing, construction, and services – boosted by public investment and structural reforms. The mining expansion financed by foreign direct investment (FDI), particularly the gold sector, will promote the growth of the extractive sector, with spinoff effects for the non-extractive sectors. The current account deficit (excluding FDI-financed imports) is expected to decline to less than 4 percent of GDP by 2022 following increased exports, adjustment of domestic demand, improved competitiveness, and fiscal consolidation. Exploitation of the recently discovered offshore gas field, shared with Senegal, could significantly improve the economic and financial outlook as of 2021 if the final investment decision is taken by the consortium in 2018.

C. Economic Program for 2017–20

Objectives

8. The government's objective is to successfully complete the first phase of the SCAPP—the 2017–20 priority action plan— to lay the foundation for faster, stronger, and equitably distributed economic growth in an environment of sound governance, social justice, and sustainable development. Our ultimate objective is to transform our economy into a diversified economy that can withstand exogenous shocks. The support of the ECF program will enable us to pursue appropriate external and fiscal policies and implement ambitious structural reforms to correct macroeconomic imbalances in order to support the economic recovery and ensure the medium-term sustainability of our economic policies. To that end, our policies in 2017–20 will aim, in particular, to (a) restore growth at more than 5 percent, (b) contain inflation at less than 5 percent in the medium term, (c) reduce the current account deficit (excluding FDI-financed imports) to 5 percent of GDP, (d) reduce external public debt to below 67 percent of GDP (excluding Kuwaiti debt), and (e) maintain international reserves at five months of imports excluding extractive industries.

Monetary and Exchange Policy

9. During the program period, we plan to establish a more flexible and proactive monetary and exchange policy. With support from the IMF staff, we aim to anchor inflation expectations by targeting monetary aggregates while strengthening the role of the exchange rate in absorbing shocks. In parallel, we will develop the prerequisites for an interest rate-based system.

Strategic Framework for the Monetary Policy

10. Our monetary policy will focus more on its primary mission, which is price stability. In a transitional phase, we will adopt the growth rate of the money supply (M2) as an intermediate target. We will pursue a flexible monetary base target as the operational objectives.

11. A proactive monetary policy calls for enhanced independence for the BCM, which will be consolidated in the new charter to be submitted to the legislature by June 2018 (structural benchmark). In that context, the BCM has already established a macroeconomic framing and quarterly monetary programming; with support from the IMF, it will continue to develop an analytical and forecasting framework to serve as the basis for monetary policy decisions, and will adapt its institutional mechanism and organization accordingly.

12. In the short term and in view of relatively low inflation and the slowdown in credit, the BCM will gradually introduce flexibility in its monetary policy, taking care to avoid the return of inflationary pressures. In that context, we will adjust the lower policy rate to more closely align it with market rates and improve its effectiveness.

Operational Framework for Monetary Policy and Liquidity Management

13. The pressures and volatility that characterized bank liquidity in 2016, while less pronounced recently, demonstrate the urgency of managing bank liquidity in a more active and flexible manner while promoting development of the interbank market. Our essential priorities are to: (a) continue developing our liquidity forecasting and monitoring capacities, with increased management staff for the directorate in charge of these efforts, and (b) improve and leverage the full range of instruments available to us to manage liquidity. In that context, the BCM will apply the reserve requirement on a monthly basis to afford banks greater flexibility in managing cash flows (prior action) and will lower the required reserves ratio if circumstances permit.

14. The BCM will reform the operational framework for monetary policy implementation by adopting a directive introducing new intervention instruments with different maturities, particularly deposit and credit facilities (structural benchmark, December 2017). With technical assistance from the IMF, the BCM will define a collateral framework for these monetary policy operations (priority, discounts, and conditions of use) that accords preference to Treasury bills or BCM bills as collateral (structural benchmark, March 2018). More active cash flow management by the Ministry of Finance, including new procedures for issuing Treasury bills, combined with convergence between the BCM policy rate and Treasury bill rates, will be crucial to enabling banks to reconstitute their portfolios of Treasury bills.

15. Implementation of the monetary policy requires strengthened operational autonomy for the BCM. This will entail, inter alia, recapitalizing the BCM, which could be achieved through gradual repayment of government debts, provided the BCM does not distribute dividends on that revenue. To this end, the 2013 memorandum of understanding between the BCM and the Ministry of Economy and Finance (MEF) and the related payment schedule, or a new memorandum of understanding to be agreed, will be submitted to parliament by April 2018 (structural benchmark, April 2018) with the aim of beginning payments in 2018. Securitization of that claim could also provide the central bank with instruments for use in monetary policy operations. It would also promote the formation of a yield curve, which would facilitate migration to an interest rate-based framework in the medium term.

Exchange Policy

16. The exchange policy is geared toward modernizing the foreign exchange market to improve its functioning and introduce greater flexibility in the exchange rate so as to enhance its role in absorbing exogenous shocks and preserving external equilibrium while limiting exchange rate volatility.

17. The objective of the reform is to establish a system of competitive, multiple-price auctions that would save BCM foreign currency holdings, unify the foreign exchange market, and develop the interbank market in the medium term. In parallel, we will continue to monitor the strict application of exchange regulations and prudential standards relating to foreign exchange positions. The reform will be implemented in several stages:

- The first stage will represent a major step in improving the functioning of the foreign exchange market. The BCM will modify the regulations to temper the obligation to go through the foreign exchange market for currency transactions by raising the threshold from US$100,000 to US$200,000 (prior action); and to limit the rejection of bids to sell to exceptional circumstances. The BCM will modify the fixing system so that sellers will receive the marginal rate determined by the BCM on the supply side (rate that maximizes matching transactions, minimizes net supply/demand), and the maximum price paid by buyers will be limited to the marginal supply rate plus 2 percent (prior action). We will also gradually eliminate BCM commissions on those transactions.

- The second stage will promote the deepening of the foreign exchange market and convergence of BCM operating practices toward international standards. To this end, the BCM will gradually introduce one-way wholesale auctions: initially, while taking account of the continued easing of the obligation to go through the foreign exchange market by raising the threshold to US$300,000, we will implement a system of two-way wholesale auctions (structural benchmark, December 2018). Thereafter, the BCM will eliminate the obligation to go through the foreign exchange market and migrate toward one-way wholesale auctions by authorizing the internal clearing of customer orders (structural benchmark, December 2019). A mid-term technical assistance mission could evaluate the progress of reforms and assist in preparing an action plan to develop the interbank market (structural benchmark, September 2018), the objective being to adopt and implement the regulatory framework and technical platform for the interbank market by end-2019.

18. In light of the transmission of exchange rate fluctuations to domestic prices, we will limit the volatility of the exchange rate. To this end, we will define an intervention budget in line with the reserve objectives established in the program. We will also determine a tolerance threshold for exchange rate volatility defined with respect to the marginal rate for the previous auction. The current context of moderate global inflation combined with the absence of excess bank liquidity and prudent fiscal policy in the program context will serve to eliminate the risk of increased exchange rate volatility. If terms of trade improve during the program, we will accumulate international reserves that could be used to smooth exchange rate fluctuations in the event of negative shocks.

Fiscal Policies

19. Our fiscal policy will remain anchored in a rebalancing of public finances to ensure the sustainability of public debt over the medium term and contribute to the external adjustment. However, given the impact on growth of the combined effects of low prices for our exports and the macroeconomic adjustment, we expect to modulate the pace of fiscal rebalancing to support the recovery of growth to reach the objectives of our priority action plan (PAP). At the same time, we will work to make revenue sustainable, public spending more efficient and to limit the fiscal risks by undertaking thoroughgoing structural reforms to promote economic diversification. To that end, our objective by 2020 is to improve non-extractive GDP by at least 0.7 percent of the primary balance (excluding grants) with respect to 2017, following the already substantial improvement of 3percent of non-extractive GDP achieved in 2016 and 1.7 percent projected in 2017.

20. For 2017, we have adopted a supplementary budget (LFR) which reflects our intention to continue with the fiscal consolidation initiated last year, and to limit the fiscal risk of semi-public organizations. A strong tax revenue performance has helped to cover the additional costs generated owing to civil service reforms aimed at capturing all components of the government payroll and achieving a primary surplus excluding grants of 0.2 percent of non-extractive GDP, equivalent to an improvement of 1.7percent of NEGDP compared to 2016.

21. The aim of the 2018 budget is to consolidate the achievements and increase the primary surplus excluding grants to 0.3 percent of non-extractive GDP by maintaining a strong tax revenue performance and tight control over current expenditure and investment to more than offset the potential revenue losses related to the closure of the Chinguetti oil well and to petroleum products under the *Fonds d'assistance et d'intervention pour le développement* (FAID) account.

22. As part of the program, we will strengthen our fiscal policy framework to take into account the possible increase in government revenue from the extractive industries, particularly the gas sector. This framework will help to inform the choices for allocating these revenues, drafting fiscal rules that factor in the volatility and non-finite nature of non-renewable resources, and to guarantee good governance and transparency.

Tax Policy and Administration

23. Our tax policy and tax administration strategy will be based on optimizing tax performance, putting revenue on firmer footing, and simplifying and modernizing our tax system. To this end, we will submit to the legislature a customs code designed to simplify procedures and improve transparency by end-March 2018 (structural benchmark). We will submit to parliament a new corporate tax (*impôt unique*) to modernize and simplify the tax structure and encourage participation in the formal economy (submission to the Council of Ministers, structural benchmark for December 2018). We will also adopt a tax procedures code, after consultation with economic operators, that will consolidate and clarify all tax procedures for taxpayers and the administration (submission to the Council of Ministers, structural benchmark for March 2018).

24. Furthermore, in light of the fact that tax revenue has performed well in recent years, our objective is to implement a set of reforms to ensure sustainable tax administration (Directorate General of Taxation - DGI) and customs administration (Directorate General of Customs - DGD) revenue through:

- *Expansion of the tax base*. We will first protect the tax base by ensuring the integrity of taxpayer records through regular updates of the central file and by limiting the number of inactive taxpayer identification numbers (NIFs). We will strengthen risk management in terms of taxpayer compliance, beginning with control over taxpayer records. In keeping with the IMF's technical assistance recommendations, these records will be audited to eliminate duplicate entries, clean up the number of temporary taxpayer identification numbers, identify taxpayers that are managed effectively, are dormant or not registered, and monitor compliance with the tax system; the DGI will also draft a procedure and establish the actions required to update the records on a regular basis (structural benchmark for end-June 2018). To this end, a risk management unit will be created to analyze and utilize available information to prepare an action plan and take appropriate measures to expand the tax base.

- *Elimination of tax loopholes*. With support from the World Bank, we compiled a list of tax exemptions in effect in 2014-2016 and plan to estimate the cost of the foregone taxes by end-December 2017. We will then evaluate the relevance and social cost with a view to eliminating tax exemptions deemed ineffective. Beginning in 2018, we will present estimates of all tax expenditure in an appendix to the budget law.

- *Improved collection of tax arrears*. We intend to improve the management and rate of collection of tax arrears. We will identify recoverable arrears and adopt an action plan for collection. The DGI Directorate of Public Entities (DEP) and the Directorate of Financial Supervision (DTF) will rigorously monitor collection efforts in respect of public corporations. Moreover, cross arrears between public entities will be clarified in order to define an optimal rule for budget subsidies to those entities.

- *Improved DGD inspection and valuation mechanisms*. We plan to implement a program to strengthen customs inspection and valuation mechanisms for the DGD. We are in the process of strengthening customs units and their capacity to effectively manage the national customs value bureau (BNV) and the customs bureau. To this end, an evaluation of the BNV implementation will be conducted by end-March 2018 and the necessary measures will be taken to expedite effective use of the tool. In the interim, we drafted a guide for BNV procedures and will continue the application of customs clearance value to targeted products to break with previous valuation practices. We will also strengthen the merchandise valuation system implemented through the BNV by creating a post-clearance inspection unit, by end-2018, which will consolidate customs inspection and revenue collection capacities.

- In addition, by December 2017 we plan to implement the July 2013 memorandum of understanding between the DGD and the Nouadhibou free trade zone authority (AZF) with the involvement of all MEF entities

Public Expenditure Management

25. To improve public financial management, we plan first of all to secure approval of the organic budget law (LOF) by the Council of Ministers (prior action). The reforms provided by that law will considerably improve our fiscal management by unifying the government budget, encouraging the introduction of the program budget, establishing a ceiling on public debt, and improving budget formulation in a multiyear framework. The law will be submitted to the legislature by end-March 2018 (structural benchmark). It will be followed by the implementing texts in 2018, and used if possible for the 2019 budget formulation, otherwise for 2020 budget. In the interim, we have already introduced elements of the reform in the 2017 budget, such as the inclusion of externally financed capital expenditure, and will do the same in 2018, specifically by presenting 2016 tax expenditure in a budget annex.

26. Our objective is to continue rationalizing current expenditure. The reforms aimed to control budget risks by executing all government revenue and expenditure through a single channel, capturing the full amount of the wage bill, aligning public entities' budget cycles to improve cash flow management, limiting extra budgetary spending, and facilitating the consolidation of public finance statistics.

- *Wage bill*. To control the impact of salaries on the government budget and capture all components of the general government wage bill, we have included employees of all administrative public entities (EPA) through the 2017 supplementary budget, and we intend to include non-permanent staff in 2017 through the 2018 supplementary budget. We will continue to control the wage bill and improve our management of wages and salaries by adapting the current RATEB payroll system, which uses the new schedule of salaries introduced in the reform of the government human resource management system, while awaiting deployment of the dedicated human resource management system (SIGRHE).

- *Public consumption expenditure*. We will continue rationalizing public consumption expenditure and strictly limit nonpriority spending. In the context of the 2017 budget and civil service reform, we have already reduced subsidies to a number of public entities, rationalized goods and services consumption, and discontinued the renewal of technical ministries' appropriations initially allocated to occasional training and studies. The resultant budget margins will be reallocated to social spending or increased investment in strategic sectors.

27. We will work to further improve the effectiveness of capital expenditure. First, we will implement the reforms provided in the decree on the public investment program (PIP) adopted in 2016 to strengthen the selection and programming of public investment projects, and facilitate institutional coordination in implementing and financing the PIP. This program places particular emphasis on producing a manual of procedures to improve the preparation and follow-up of project execution. We have set up a committee to assess and schedule public investment projects (*Comité d'analyse et de programmation de l'investissement public* - CAPIP). A timetable for rendering this framework operational has been drafted with the help of the World Bank. In addition, with support from the African Development Bank, we have begun to implement a new automated application, the Integrated Public Investment Management System (SIGIP), which will support all phases of capital project management (from contract signature to disbursement). The new SIGIP system – which analyzes the project life cycle and determines a project's social impact – will enable us to assess and prioritize investments. It will also allow us to systematically monitor external debt disbursements and strengthen the external debt management framework. We will also request assistance from the IMF to analyze the effectiveness of public expenditure using the Public Investment Management Assessment framework.

28. To continue investment in infrastructure while containing the growth of public spending and to support private sector development, we adopted a new law on public-private partnerships (PPP) in December 2016. The PPP framework be put in operation this year for infrastructure projects. We will proceed cautiously, however, to minimize contingent risks for public finances.

29. We will modernize and strengthen our cash flow management.

- We will reinvigorate the Treasury bill market by modernizing the auction system on the primary market and aligning it with international standards, particularly by distinguishing auctions by maturities, and will improve communication with investors in order to reduce refinancing risks.
- We will continue the implementation of a modern Treasury single account (TSA), and have already created a committee for that purpose. We will adopt a government account maintenance convention between the MEF and the BCM by end-December 2017, which will serve as a binding contractual framework (with firm deadlines) for both parties to fulfill all conditions for the implementation of the TSA in line with applicable industry practices. We will request technical assistance, preferably over a long term, to fully implement the convention.
- To ensure the comprehensiveness of the government cash management plan, the Public Contracts Oversight Commission (CCMP) and the Directorate General of Budget will transmit, respectively, the monthly contracting plan and the budget commitment plan to the Directorate General of Treasury and Public Accounting (DGTCP).

30. To improve fiscal transparency, we will establish a strategy to expand the scope of coverage of the government fiscal reporting table (TOFE) to subnational jurisdictions beginning in 2018, followed by EPAs, and to all public corporations and entities in 2019.

Public Corporations

31. The DTF will continue to monitor and closely supervise the quasi-public sector, the country's second largest employer after the general government. In view of the need for more effective sector management in order to limit future budget risk, a study will be conducted to provide recommendations for rationalizing public entities and an action plan to improve management and governance.

32. We will strengthen surveillance and reporting on the quasi-public sector, with support from the World Bank, to strengthen control of expenditure and borrowing. In particular, nearly all public entities will be covered by the automated expenditure cycle system (RACHAD) in 2018.

33. After clarifying the cost and risk of public entities for the government, we plan to reduce budget support to public corporations and EPAs while intensifying financial monitoring. Their performance will be regularly measured twice a year by means of financial statements (June and December) and an auditor's report; and will be monitored by the DTF as from December 2017. The recent financial audits of the largest public corporations (SOMELEC, SOMAGAZ, SNDE, Mauripost, and SONIMEX) will be finalized and published on the Treasury website. Also, to limit potential fiscal risks the Caisse des Dépôts et de Développement (CDD) may generate in the medium term, we will oversee the allocation of resources and closely monitor the projects financed.

External Debt and Public Debt

34. To avoid excessive and costly borrowing, we will avoid non-concessional loans and will finance our investments through grants and concessional loans at the pace compatible with debt sustainability and within the limit of the ceiling indicated for reference in Table 1. However, in view of limited access to concessional resources, we will contract a limited amount of non-concessional external loans on an exceptional basis, subject to the ceiling indicated in Table 1, for two priority projects identified in our economic development program for which concessional financing is not available.

35. We will improve our debt management framework. To align borrowing with spending priorities, especially for large infrastructure projects, and to ensure institutional coordination, we will improve procedures for borrowing and providing government guarantees by clarifying responsibilities and conditions of approval among the ministries. At the same time, our ongoing dialogue with IMF staff, including consultations prior to the approval of new loans, will help strengthen our medium-term debt reduction strategy. To this end, we will revive the National Public Debt Committee (CNDP) which will hold regular meetings and update its terms of reference before March 2018 (structural benchmark) to make sure it will be involved in the process of selecting, scheduling and monitoring public investment projects established under the new PIP institutional framework. It will also play a role in aligning external borrowing with our investment priorities, and assessing the impact on debt of any new project funded through external borrowing before its inclusion in the PIP. To this end, we will strengthen the Debt Directorate's capacity to perform debt sustainability analyses, and will introduce a coordination procedure between the CAPIP and the CNDP outlining their responsibilities in terms of project selection by March 2018 (structural benchmark).

36. At the same time, by end-September 2018 we will establish a gateway interface between the SYGADE-SIGIP-RACHAD software applications for institutions involved in debt servicing (the Debt Directorate, Budget Directorate, DGTCP and the BCM) that will be used to keep track of external debt disbursements and debt service payments (structural benchmark). This interface will strengthen debt management capacity through the systematic monitoring of external debt disbursements (SYGADE-SIGIP) and will make sure debt service payment transactions are included in the automated chain of expenditure system (SYGADE-RACHAD). As a first step, we will ensure that the Debt Directorate has the skills required for programming this interface to put it into operation.

37. In parallel, our ongoing discussions with the IMF, including consultations prior to the approval of new loans, will help us to strengthen our strategy for reducing our medium-term debt levels.

Financial Policy

38. Our roadmap for the financial sector will be in line with the recommendations of the Financial Sector Assessment Program (FSAP) to preserve financial stability and deepen the financial markets. We will continue our efforts to implement risk-based bank supervision. To this end, our actions will be structured around continued improvement of the regulatory framework, enforcement of the framework, and improved quality of statistics.

39. With better-trained inspectors and supervisors, the BCM has improved on-site inspections in the context of its annual program, which covered anti-money laundering and terrorism financing mechanisms, control of transfer operations, surrender of foreign currency, general control of bank activities, and compliance in regard to exchange positions. The BCM will monitor compliance with prudential standards and is in the process of sanctioning noncompliant banks. Discussions are under way on reinforcing sanctions to make them more of a deterrent. In 2015, the BCM raised the contribution of banks to the deposit guarantee fund; we will continue to raise this contribution until the fund stands at MRO 6 billion. In view of the limited size of the Mauritanian banking sector, we will tighten conditions for licensing new banks and encourage combinations among existing banks.

40. The regulatory framework will be strengthened and adapted to international standards.

- A draft banking law is being finalized with technical assistance from AFRITAC West and IMF staff, and will be submitted to the legislature by June 2018 (structural benchmark). The draft provides, inter alia, for revision of the crisis management mechanism, in particular through the implementation of a new bank resolution system. It will expand the scope of bank supervision to include insurance and the CDD. The law will strengthen the legal force of BCM decisions by strictly limiting the conditions for appeal of its decisions before the courts.

- We also plan to adopt by March 2018 (structural benchmark) a new directive on the composition of capital and solvency requirements based on Basel II and III that will strengthen the solvency of our banks and their resilience to shocks by means of cyclical and systemic buffers. The directive will also raise the minimum capital to MRO 10 billion over two years, which should encourage combinations among banks and reduce the number of new license applications.

- We will facilitate the removal of non-performing loans from bank balance sheets. To do so, we will revise the corresponding directive by extending the duration, currently two years, for the removal of impaired assets. We will also submit by March 2018 a draft bill to parliament for the recovery of loans aimed at improving mechanisms for credit recovery and enforcement of collateral (structural benchmark). Lastly, we will clarify the accounting treatment for these debts and remove the tax barriers to resolving non-performing loans.

- To limit credit and concentration risks, we will continue to closely monitor the adjustment of exposures to related entities in excess of permissible limits, which are expected to be brought into compliance by end-2018. In the meantime, we will study the possibility of gradually tightening concentration standards.

- In regard to liquidity, we will implement an emergency refinancing mechanism to provide liquidity to banks experiencing temporary cash flow pressures against collateral (structural benchmark, March 2018). We have also initiated discussions on the methodology for calculating the liquidity ratio.

41. We will focus our efforts on improving the quality and timeliness of bank statistics. These efforts will address the following key areas:

- *Standardizing data and automating data transfers*. In this context, we have installed a secure line between the BCM and banks to facilitate secure, efficient data transfer, and with respect to the data storage and transmission mechanism, we will accelerate the integration of automated controls and analytical and feedback tools such as management dashboards for banks.

- *Continued implementation of the credit information bureau*. To reduce information asymmetries and credit risk, we have expanded the credit bureau's coverage to include microfinance institutions, lowered the reporting threshold to risks less than MRO 3000, and launched a project to migrate toward a unique identifier. We will ensure that this credit bureau, as well as the database of nonperforming loans, are updated on a regular basis and accessible to banks in real time.

42. Our objective is to promote financial inclusion and strengthen the role of the financial sector in financing the economy. Enhanced bank supervision, more reliable financial reporting, and strengthened regulation of collections will build trust between banks and economic agents, which will facilitate access to financing. Consistent with the FSAP development module, we will focus on the following pillars:

- *Reform of the microfinance sector*. We will prepare an action plan to reform the microfinance promotion agency (PROCAPEC) and another to withdraw from the sector.

- *Promotion of Islamic finance*. In view of the potential of this segment to better accommodate activity in the sector, the BCM intends to implement a regulatory framework specific to Islamic banks with technical assistance from the IMF staff.

- *Financing of small and medium-size enterprises (SMEs)*. To address the scarcity of long-term bank resources to finance productive investment, particularly for SMEs, we contracted a US$50 million line of credit in 2014 (and will continue ensuring an optimal allocation of those funds.

- *Development of financial infrastructure*. In close cooperation with the World Bank, we are undertaking the modernization of our payment system (large value transfer system, clearing system) in order to reinforce security and develop financial transactions. We have begun implementation of the banknote sorting center at the BCM and are also developing automated payment instruments and mobile banking to reduce cash in the economy and promote financial inclusion for the poorest.

- *Regular monitoring of financial inclusion indicators*. We are in the process of defining these indicators and will regularly produce a dashboard to support the evaluation of policies in this area.

Social Policies and Anti-Poverty Measures

43. To increase the effectiveness of our social spending, our social programs will be better targeted to protect the most vulnerable households. After reducing the poverty rate by 11 percentage points over the period 2008-2014, we began deployment of a better-targeted social support system with assistance from the World Bank in December 2016. We expect to complete the institutional strengthening of the consolidated social registry of vulnerable households, with complete coverage of all sectors and areas of poverty by end-2017, to ensure continuity of the policy of targeting transfers on the most vulnerable. We will also allocate resources in the 2018 budget to update the social registry. That program will be accompanied by a broad outreach campaign on the social protection strategy.

44. Our program provides for an MRO 7 billion increase in social spending (including education, health, social protection, housing and small-scale collective infrastructures, culture, recreation, and religious affairs) in 2017 and MRO 8 billion in 2018. These expenditures will continue to be increased over the program period, and will be subject to a spending floor (performance criterion, Table 1).

Governance and the Business Environment

45. We have made very significant progress in implementing the roadmap adopted by the government in December 2016 for reforms to improve the business climate. In particular, we focused on the following key reforms: (a) the effective use of a single form for business creation; (b) upgrading the information system for the one-stop business creation window; (c) implementing online filing for taxes and assessments collected by the DGI; (d) improving the one-stop window for construction permits; (e) implementing online filings for social contributions payable to the national health insurance (CNAM) and social security (CNSS) administrators; (f) drafting a code governing real property rights; and (g) implementing systematic publication of all decisions by the Nouakchott Commercial Tribunal. Most of these measures have been, or are currently being, implemented.

46. We will prepare a new roadmap in December 2017 in light of the latest results produced by the World Bank's Doing Business survey. In addition, we will enhance dialogue with the private sector through the establishment of a coordination committee by end-2017.

Economic Statistics

47. Statistical development remains one of our priorities to allow us to better evaluate the impact of our economic policies and monitor the implementation of our development strategy. We plan to make up for delays in preparing and finalizing the national accounts and migrate to the 2008 System of National Accounts (SNA 2008) in 2018. We will also take all necessary measures to improve external debt statistics. With support from the World Bank, we will also undertake an organizational reform of the National Statistics Office (ONS) and strengthen its institutional capacities in parallel with improving the statistics function in the ministerial departments. Finally, in the context of regular monitoring of social indicators and in order to better evaluate the impact of our economic policies, we have initiated the second survey on informal sector employment and are preparing to launch the household living conditions survey this year.

48. In the context of harmonizing accounting and statistics with international standards, the BCM plans to publish a quantification of the impact of adoption of the International Financial Reporting Standards (IFRS) for preparation of the BCM 2017 financial statements at end-December 2018 (structural benchmark). With support from the IMF staff, the coverage of public finance statistics will also be expanded during the program to the general government and public non-financial institutions, beginning with the subnational jurisdictions.

D. Program Monitoring

49. The government will create a Technical Monitoring Committee (CTS) to ensure the effective implementation of the program. It will include, inter alia, representatives of the MEF, the BCM, and representatives of other government ministries and agencies able to contribute support to the CTS as needed. The committee's actions will be guided by an inter-ministerial committee which will include the BCM governor and the minister of economy and finance. The CTS will have a permanent secretariat and will meet regularly to assess progress and forward the data required to monitor program performance. Program implementation will be evaluated semiannually by the IMF's Executive Board based on performance criteria and quantitative indicators and structural benchmarks (Tables 1 and 2). The first review will be based on the performance criteria and quantitative indicators at end-December 2017 (Table 1) and structural benchmarks (Table 2). Those criteria and quantitative benchmarks are defined in the Technical Memorandum of Understanding (TMU), as well as adjusters in case of contingencies.

Table 1. Mauritania: Performance Criteria and Quantitative Benchmarks for 2017–18 1/

	End-June 2017	End-Dec. 2017	End-Mar. 2018	End-June. 2018	End. Dec 2018
	Initial level	Performance criteria	Indicative Target	Performance criteria	Indicative Target
Quantitative targets					
Net international reserves of the BCM (floor); in million of U.S. dollars	226.3	-14.3	-24.3	-35.0	46.8
Net domestic assets of the BCM (ceiling); in billions of ouguiyas	145.6	15.4	11.8	23.6	7.3
Primary balance excluding grants; in billions of ouguiyas 2/	6.8	-3.6	4.5	9.0	5.6
Contracting or guaranteeing of new medium- and long-term nonconcessional external debt with maturities of one year or more by the government, BCM, or state-owned enterprises, excluding SNIM (continuous ceiling); in millions of U.S. dollars 3/ 4/	...	0.0	0.0	0.0	0.0
Contracting or guaranteeing of new nonconcessional external debt with an original maturity of less than one year by the government, BCM, or state-owned enterprises, excluding SNIM (continuous ceiling); in millions of U.S. dollars 4/	...	0.0	0.0	0.0	0.0
New external payment arrears (continuous ceiling) 5/	0.0	0.0	0.0	0.0	0.0
Social spending (indicative target); in billions of ouguiyas	97.2	97.2	55.2	110.3	220.7
Adjustement Factors (in millions of U.S. dollars)					
Net international assistance	....	-101.8	-41.2	-147.0	-278.0
Cumulative disbursements of official loans and grants in foreign currency	....	18.8	7.7	7.7	34.8
Cumulative amounts of external cash debt service payments	....	-120.7	-48.9	-154.7	-312.8
FNRH contribution to the budget	20.0	30.2	0.0	12.9	32.5
European Union fishing compensation fee	....	66.2	0.0	0.0	66.2
Extractive revenues, in billion ouguiya	20.9	25.5	9.7	21.8	47.7
Memorandum items:					
Indicative Target: Contracting or guaranteeing of new medium- and long-term concessional external debt with maturities of one year or more by the government, BCM, or state-owned enterprises, excluding SNIM (continuous ceiling) 3/	...	100.0	200.0	200.0	200.0
Program exchange rate (ouguiyas/dollar)	358.5	358.5	358.5	358.5	358.5

1/ For definitions, see Technical Memorandum of Understanding. Quantitative targets correspond to cumulative changes from the beginning of the relevant year. For 2017, cumulative changes are calculated with respect to June 2017.
2/ Adjusted by half of the difference between recorded and projected extractive industry budgetary revenues.
3/ Cumulative limit as from November 1, 2017 to end-2018 for loans approved by the Council of Ministers.
4/ Adjusted upward, up to 103 million U.S. dollars, exclusively for the following two projects : additional financing for the Boulenoir wind farm project, and financing for the Nouakchott fishing port project (development hub at PK28).
5/ Excluding arrears subject to rescheduling.

Table 2. Mauritania: Structural Benchmarks, 2017–19

Measure	Date	Objectives
Prior actions		
Fiscal policy: Submit 2018 budget consistent with the program to parliament	Approval of ECF	Maintain macroeconomic stability and strengthen debt sustainability
Fiscal policy: submit the proposed organic budget law to the Council of Ministers	Approval of ECF	Improve budget formulation and public financial management in order to support fiscal consolidation
Exchange policy: Reform the foreign exchange market by settling transactions at the rates offered within the limit of 2 percent of the marginal supply-side rate; and raise the minimum threshold for the requirement to go through the foreign currency market for amounts of US$200,000	Approval of ECF	Improve the functioning of the foreign exchange market and introduce greater flexibility in the exchange rate to offset external shocks
Monetary policy: adopt monthly averaging for required reserves	Approval of ECF	Improve liquidity management and develop an interbank market to support credit
Structural benchmarks		
Exchange policy		
Introduce two-way wholesale auctions on the foreign exchange market; and consider raising the threshold for the requirement to go through the foreign exchange market to US$300,000	December 2018	Deepen the exchange market and authorize greater exchange rate flexibility
Prepare an action plan for development of the interbank currency market by end-2019	September 2018	Deepen the exchange market
Authorize the internal clearing of foreign exchange transactions between customers in the same bank; and eliminate the obligation to surrender foreign currency	December 2019	Deepen the exchange market and authorize greater exchange rate flexibility

Table 2. Mauritania: Structural Benchmarks, 2017–19 (continued)		
Monetary policy		
Adopt a directive on monetary policy instruments	December 2017	Enhance the effectiveness of monetary policy instruments
Define a collateral framework for monetary policy operations	March 2018	Enhance the effectiveness of monetary policy instruments
Submit to parliament the 2013 memorandum of understanding on repayment of the government's liabilities to the BCM or a new memorandum to be agreed by then	April 2018	Strengthen the central bank's independence and its capacity to conduct the monetary policy
Financial policy		
Submit to parliament the bill on loan recovery	March 2018	Improve the business environment and facilitate access to credit
Adopt a directive reforming calculation of the solvency ratio and raising the minimum capital requirement for banks to 10 billion ouguiyas over two years	March 2018	Strengthen the banking system and promote closer ties between banks
Establish an emergency liquidity facility for banks	March 2018	Improve macro-prudential instruments to strengthen financial stability and the monetary policy
Submit to parliament the banking law and BCM charter prepared in consultation with IMF staff	June 2018	Improve the prudential and bank resolution framework and strengthen the central bank's independence
Publish a quantification of the BCM 2017 financial statements in accordance with the IFRS	December 2018	Bring central bank financial reports in line with international standards
Fiscal policy		
Submit the draft tax procedures code to the Council of Ministers	March 2018	Clarify tax procedures and strengthen tax administration
Submit the proposed Customs Code to parliament	March 2018	Improve customs administration to raise revenue and facilitate trade
Revive the National Public Debt Committee (hold regular meetings and update the terms of reference)	March 2018	Strengthen the management, coordination and monitoring of public investment and debt to improve debt sustainability

Table 2. Mauritania: Structural Benchmarks, 2017–19 (concluded)

Establish a coordination procedure between CAPIP and CNDP outlining their responsibilities for project selection	March 2018	Strengthen the management, coordination and monitoring of public investment and debt to improve debt sustainability
Audit taxpayer records in line with the IMF technical assistance recommendations; draft a procedure to update taxpayer records on a regular basis	June 2018	Improve tax revenue mobilization and tax equity by maintaining control over taxpayer records
Establish a gateway interface between the SYGADE, SIGIP and RACHAD software applications to keep track of external debt disbursements and debt service payments	September 2018	Strengthen the management, coordination and monitoring of public investment and debt to improve debt sustainability
Submit the draft bill on corporate tax to the Council of Ministers	December 2018	Improve the mobilization of tax revenue and tax equity

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding describes the quantitative and structural assessment criteria established to monitor the program supported by the Fund's Extended Credit Facility and described in the Memorandum of Economic and Financial Policies (MEFP), Tables 1 and 2. It also specifies the content and periodicity of the data that must be forwarded to Fund staff for program monitoring purposes. Under this memorandum, the government is defined as the central government exclusively.

2. The quantitative targets are defined as ceilings and floors set on cumulative changes between the reference periods described in Table 1 of the MEFP and the end of the month covered, unless otherwise indicated.

Definitions

3. **Net international reserves (NIR) of the Central Bank of Mauritania (CBM)** are defined as the difference between the reserve assets of the CBM (i.e., the external assets that are readily available to, and controlled by, the CBM, as per the 5th edition of the IMF *Balance of Payments Manual*), minus the CBM's foreign exchange liabilities to residents and nonresidents. Gold holdings will be evaluated at the gold price in effect on June 30, 2017 (US$1,242.3 per oz.), and the U.S. dollar value of the reserve assets (other than gold) and foreign exchange liabilities will be calculated using the program exchange rates, namely, the June 30, 2017 rates for exchange of the U.S. dollar against the ouguiya ($1 = UM 358.5), the SDR ($1.39 = SDR 1), the euro ($1.14 = 1 euro), and other currencies published in the IMF's *International Financial Statistics* (*IFS*).

4. **Net domestic assets (NDA) of the CBM** are defined as reserve money minus net foreign assets (NFA) of the CBM. Reserve money comprises: (a) currency in circulation (currency outside banks plus the commercial banks' cash in vaults); and (b) deposits of commercial banks at the CBM. NFA are defined as the gross foreign assets of the CBM, including external assets not included in the reserve assets, minus all foreign liabilities of the CBM (i.e., NDA = reserve money—NFA, based on the CBM balance sheet). NFA will be measured at the program exchange rates described in paragraph 3.

5. **The primary fiscal balance excluding grants** is defined, for program monitoring purposes, as the overall balance, apart from grants, of the central government, excluding interest due on public debt. This balance is equal to government revenue (excluding grants) minus government expenditure (excluding interest due on public debt). The primary fiscal balance will be measured on the basis of Treasury data. Revenue is defined in accordance with the *Government Finance Statistics Manual (GFSM 2001)*. It will be monitored on a cash basis (*revenue taken by the Treasury*). Expenditure will be monitored on a commitment basis, including interest on domestic debt (paid by the Treasury or automatically debited from the Treasury's account at the CBM, including but not limited to discounts on Treasury bills held by banks and nonbanks as well as interest due on the government's consolidated debt to the CBM).

6. **Treasury float** (technical gap) is defined as the stock of payments validated and recorded at the Treasury but not yet executed by the latter. With the introduction of the payment module in the RACHAD system, this technical gap is defined as the stock of payments validated in the RACHAD payment module but not yet executed by the Treasury.

7. **Poverty reducing expenditure** is estimated using the functional classification of public expenditure introduced on the basis of the recommendations in the January 2006 technical assistance mission report of the IMF Fiscal Affairs Department ("Les réformes en cours de la gestion budgétaire et financière" [Ongoing Fiscal Management Reforms], March 2006). This estimate will take into account only domestically funded expenditure under the following headings: "General public services," "Economic affairs," "Environmental protection," "Community facilities and housing," "Health, religious affairs, culture, and leisure," "Education," and "Social action and welfare."

8. **For program purposes, the definition of external debt** is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to IMF Executive Board Decision No. 15688-(14/107) adopted on December 5, 2014.[1]

(a) For the purposes of these guidelines, the term "debt" is understood to mean a current (i.e., noncontingent) liability created by a contractual arrangement whereby a value is provided in the form of assets (including currency) or services, and under which the obligor undertakes to make one or more payments in the form of assets (including currency) or services at a future time, in accordance with a given schedule; these payments will discharge the obligor from its contracted principal and interest liabilities. Debt may take several forms, the primary ones being as follows:

i) Loans, that is, advances of money to the borrower by the lender on the basis of an undertaking that the borrower will repay the funds in the future (including deposits, bonds, debentures, commercial loans, and buyers' credits), as well as temporary swaps of assets that are equivalent to fully collateralized loans, under which the borrower is required to repay the funds, and often pays interest, by repurchasing the collateral from the buyer in the future (repurchase agreements and official swap arrangements);

ii) Suppliers' credits, that is, contracts under which the supplier allows the borrower to defer payments until some time after the date when the pertinent goods are delivered or the services are provided; and

iii) Leases, that is, agreements governing the provision of property that the lessee has the right to use for one or more specified period(s), generally shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of the guidelines, the debt is the present value (at the inception of the lease) of all lease

[1] http://www.imf.org/external/pp/longres.aspx?id=4927.

payments expected to be made during the period of the agreement, apart from payments related to the operation, repair, or maintenance of the property.

(b) According to the above-mentioned definition, debt includes arrears, penalties, and damages awarded by the courts in the event of a default on a contractual payment obligation that represents a debt. Failure to make payment on an obligation that is not considered a debt according to this definition (e.g., payment on delivery) does not give rise to a debt.

9. External payment arrears are defined as payments (principal and interest) on external debt contracted or guaranteed by the government or the CBM that are overdue (taking into account any contractually agreed grace periods). For the purposes of the program, the government and the CBM undertake not to accumulate any new external payments arrears on its debt, with the exception of arrears subject to rescheduling

10. External debt, in the assessment of the relevant criteria, is defined as any borrowing from or debt service payable to nonresidents. The relevant performance criteria are applicable to external debt contracted or guaranteed by the government, the CBM, and public enterprises (excluding the debt of the National Industrial and Mining Company (SNIM) not backed by the government), or to any private debt for which the government and the CBM have provided a guarantee that would constitute a contingent liability. Guaranteed debt refers to any explicit legal obligation for the government and the CBM to repay a debt in the event of default by the debtor (whether payments are to be made in cash or in kind). For program purposes, this definition of external debt does not include routine commercial debt related to import operations and maturing in less than a year, foreign currency-denominated deposits at the CBM, rescheduling agreements, and IMF disbursements.

11. Medium- and long-term external debt contracted or guaranteed by the government, the CBM, and public enterprises corresponds, by definition, to borrowings from nonresidents maturing in one year or more. **Short-term debt** corresponds, by definition, to the stock of borrowings from nonresidents initially maturing in less than one year and contracted or guaranteed by the government, the CBM, and public enterprises.

12. External debt is deemed to have been contracted or guaranteed on the date of approval by the Council of Ministers. For program purposes, its U.S. dollar value of is calculated using the average exchange rates for July 2017 as described in the *IFS* (International Financial Statistics) database of the IMF, namely, the rates of exchange for the US dollar against the SDR ($1.3955 = SDR 1) and other national currencies, namely, the euro (0.86873 euro = $1), the Kuwaiti dinar (KWD 0.302668 = $1), the Saudi rial (SR 3.75 = $1), and the pound sterling (£0.769827 = $1).

13. For program purposes, a loan is deemed concessional if it contains a grant element representing at least 35 percent, calculated as follows: the grant element is the difference between the present value (PV) of the loan and its face value, expressed as a percentage of the loan's face value. The PV of a loan is calculated by discounting future principal and interest payments, on the basis of a discount rate of 5 percent. Concessionality will be assessed on the basis of all aspects of the loan agreement, including maturity, grace period, repayment schedule, front-end fees, and management fees. The calculation is performed by the authorities, using the IMF model,[2] and verified by IMF staff on the basis of data provided by the authorities. For loans with a grant component of zero or less, the PV is set at an amount equal to the face value.

14. In the case of debt with a variable interest rate represented by a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of a program reference rate plus a fixed margin (in basis points) specified in the loan agreement. The program reference rate for the US dollar six-month LIBOR is 3.23 percent and will remain unchanged until December 31, 2017. The margin between the euro six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the yen six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the pound sterling six-month LIBOR and the US dollar six-month LIBOR is -200 basis points. For interest rates applicable to currencies other than the euro, the yen, and the pound sterling, the difference from the US dollar six-month LIBOR is -300 basis points.[3] For the period from January 1, 2018 to December 31, 2018, the program benchmark rate for the US dollar six-month LIBOR is 3.42 percent. The margin between the euro six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the yen six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the pound sterling six-month LIBOR and the US dollar six-month LIBOR is -200 basis points. For interest rates applicable to currencies other than the euro, yen, and pound sterling, the difference from the US dollar six-month LIBOR is -300 basis points. When the variable rate is linked to a benchmark interest rate other than the US dollar six-month LIBOR, a margin corresponding to the difference between the benchmark rate and the US dollar six-month LIBOR (rounded to the closest 50 basis points) is added. For the period from September 1, 2017 to December 31, 2018 these rates will be fixed on the basis of the fall 2017 edition of the *WEO*.

15. Performance criteria on the introduction or modification of multiple currency practices. The performance criteria on the introduction or modification of multiple currency practices (MCP) will exclude the contemplated implementation or modification of the multiple price foreign exchange auction system, developed in consultation with Fund staff, which gives rise to an MCP.

Adjustment Factors

16. NIR and NDA targets are calculated on the basis of projections of the contribution of the National Hydrocarbon Revenue Fund (FNRH) to the budget, the amount of the European Union (EU) fishing compensation, and the volume of net international assistance. The latter is defined as the

[2] http://www.imf.org/external/np/spr/2015/conc/index.htm.

[3] The program reference rate and margins are based on the "average projected rate" for the US dollar six-month LIBOR over the period of 10 years in the fall 2017 edition of the *World Economic Outlook* (*WEO*): for 2017, the average for the period 2017-26; and for 2018, the average for the period 2018-27. The rates will be updated each year on the basis of the fall edition of the *WEO*.

difference between: (a) the sum of the cumulative loan disbursements of official foreign currency-denominated loans and grants (budget support, excluding assistance under the Heavily Indebted Poor Countries (HIPC) Initiative and project-related loans and grants) and the impact of any debt relief obtained after June 30, 2006; and (b) the total amount of cash payments for servicing the external debt (including amortizations and interests paid on the CBM's foreign liabilities).

17. If the volume of net international assistance or the FNRH's contribution to the budget or the amount of EU fishing compensation falls short of the amounts projected in Table 1, the NIR floor will be lowered, and the NDA ceiling will be raised by an amount equivalent to the difference between the projected and actually recorded amounts. For its part, the NDA ceiling will be converted into ouguiya at the programmed exchange rates. The lowering of the NIR floor will be limited to US$70 million. The raising of the NDA ceiling will be limited to the ouguiya equivalent of US$70 million, at the programmed exchange rates. If the contribution of the FNRH to the budget or the amount of EU fishing compensation exceeds the amounts indicated in Table 1, the NIR floor will be raised, and the NDA ceiling will be lowered by an amount equivalent to the difference between the projected and actually recorded amounts.

18. **The floor pertaining to the primary fiscal balance excluding grants** will be raised—in other words, the maximum deficit will be reduced—for any amount higher than the disbursements of the EU fishing compensation indicated under the program. If the EU fishing compensation is lower than expected, the floor pertaining to the primary deficit will be adjusted downward by an amount equivalent to the difference between the actual and the projected level.

19. **The floor relating to the primary fiscal balance excluding grants** will also be adjusted symmetrically upwards or downwards by an amount equivalent to 50 percent of the difference between the actual extractive revenues and the projected ones under the program. Extractive fiscal revenues are defined as the mining and hydrocarbon tax and non-tax revenues included in the TOFE. Extractive tax revenues correspond to TOFE headings denominated "SNIM VAT", "SNIM single tax" and hydrocarbon tax revenues (BIC, ITS, other). Non-tax extractive revenues correspond to dividends paid by SNIM, to mining revenues (cadastral revenues, operating revenues, and other mining revenues); and non-tax revenue from hydrocarbons (bonuses, royalties, capital income, profit oil, etc.).

20. **The ceiling on nonconcessional external debt contracted or guaranteed** will be adjusted upward up to US$ 103 million exclusively for the following two projects: the complementary financing for the wind power station project in Boulenoir, and the financing for the fishing port project of Nouakchott (development pole at PK28). This limit is cumulative from November 1, 2017.

IMF Reporting Requirements

21. To facilitate the monitoring of developments in the economic situation and performance of the program, the Mauritanian authorities will provide the IMF with the information listed below:

A. Central Bank of Mauritania (CBM)

- The monthly statement of the CBM and monthly statistics on: (a) the gross international reserves of the CBM (calculated at the programmed and actual exchange rates); and (b) the balance of the FNRH, as well as the amounts and dates of its receipts and expenditures (transfers to the Treasury account). These details will be provided within a period of two (2) weeks after the end of each month;

- The monthly monetary survey, the consolidated balance sheet of the commercial banks, and the weekly statistics on the net foreign exchange positions of the individual commercial banks, by foreign currency and in consolidated form, at the official exchange rates recorded. These details will be supplied within a period of four (4) weeks after the end of each month;

- The monthly cash flow table and projections to the end of the year, within a period of 15 days after the end of each month;

- Data on Treasury bill auctions and on the new stock of Treasury bills, within a period of one (1) week after each auction;

- Monthly data on the volume of each public enterprise's liabilities to the banking sector, within a period of one (1) month after the end of each month;

- The CBM undertakes to consult with IMF staff on any proposed new external debt;

- Monthly external debt data within a period of 30 days after the end of the month under consideration, following the monthly meeting of the technical committee on debt, the minutes of which will be attached. The information required consists of:

- The external debt status file: external debt service of the CBM, the government, and the SNIM, including any changes in arrears and in rescheduling operations; the amount of debt service that became payable and the portion of it paid in cash; the HIPC relief granted by the multilateral and bilateral creditors; and the amount of HIPC relief provided to Mauritania in the form of grants;

- The quarterly balance of payments and the annual data on the stock of external debt (broken down by creditor, debtor, and currency denomination), within a period of 45 days after the end of each quarter, or year;

- Quarterly statistics on the autonomous factors and on foreign exchange market operations, within a period of 10 days after the end of the month;

- Quarterly statistics on the required reserves and the current account balance, by bank, within a period of 10 days after the end of the month;

- Quarterly data on lending and borrowing rates, by bank, as well as the liquidity ratios;

- Quarterly data on capital-debt ratios and on claims, classified by bank and consolidated, within a period of 45 days after the end of the reference period.

B. Ministry of Economy and Finance

- The Treasury's cash and liquidity management plan, updated by the technical committee on fiscal and monetary policy coordination, will be forwarded on a monthly basis with the minutes of weekly meetings;

- Monthly data from the Treasury on budget operations: revenue (including FNRH transfers), expenditure and financing, data on the special accounts operations, execution of the domestically funded portion of the capital budget (capital expenditure, purchases of goods and services, and wages included in this budget), and monthly reports on revenue collected by the Directorates of Taxes and Customs. This information will be provided within a period of two (2) weeks after the end of each month;

- Monthly data, reconciled between the Treasury and the Budget Office, on the execution of expenditure on wages, including a breakdown of the indicator-based balance and civil service reviews of wages authorized for payment and of those in the process of being validated for payment for diplomatic missions, military personnel, the gendarmerie, the national guard, and public institutions;

- Monthly reports on the execution of externally funded capital expenditure, based on the summary statement of the consolidated capital budget, as well as on the external grants and loans received or contracted by the government, its agencies, and public enterprises, classified by donor or creditor and by disbursement currency. This information will be provided within a period of two (2) weeks after the end of each month;

- A monthly list of new medium-term and long-term foreign borrowings contracted or guaranteed by the government, with indications, for each loan, of: the creditor, the borrower, the amount, and the currency denomination, as well as the maturity and grace period, interest rate, and fees. This list should also cover loans under negotiation. Data on new external debt will be provided within a period of two (2) weeks;

- Monthly reports on the production of oil and other hydrocarbons and the related financial flows, including data on oil sales and the breakdown of oil revenue among the various partners, within a period of one (1) month after the end of each month;

- Annual balance sheets, audited or certified by a statutory auditor, for the public enterprises and autonomous public institutions;

- Quarterly data on the operations of enterprises in the oil sector and on those in the mining sector.

C. National Statistics Office

- The monthly consumer price index, within a period of two (2) weeks after the end of each month;
- The quarterly industrial production index, within a period of 45 days after the end of each quarter;
- Quarterly memoranda on economic activity and foreign trade.

D. Technical Committee on Program Monitoring

22. Monthly program implementation report: four (4) weeks, at the latest, after the end of the month.

23. All data will be sent by electronic means. Any revision of previously reported data will be immediately submitted to IMF staff, together with an explanatory memorandum.

CENTRAL GOVERNMENT OPERATIONS TABLE

24. The Treasury will compile a monthly budget execution report in the format of a central government operations table (TOFE). For the preparation of this table, the definitions below will be applied:

- **Grants** are defined as the sum of the following components: foreign project grants (used for the implementation of foreign-financed investment projects contained in the parts of the consolidated investment budget covering the central government and other administrative units (EPA) —parts BE and BA); and foreign program grants for budget support, including multilateral HIPC debt relief as regards the public external debt and the external debt of the CBM and the SNIM (including the portion of the relief pertaining to the debt to the African Development Fund/African Development Bank on Cologne terms);
- **Domestic bank financing** of the government deficit is defined as a change in net banking system credit to the government, that is, claims on the government minus government deposits with the banking system (excluding deposits of public institutions and EPA at the CBM, but including the HIPC account);
- **Domestic nonbank financing** of the government deficit is defined as a change in the stock of Treasury bills held by nonbanks;
- **Domestic arrears** are defined as a net change (beyond a period of three months) in the Treasury float and in the stock of domestic claims on the government recorded by the Ministry of Finance (including but not limited to cumulative payment arrears to public enterprises (water,

electricity, etc.) and international organizations, and those covered by government contracts and court decisions);

- **External financing** is defined as the sum of the net drawings on the FNRH (i.e., the opposite of a change in the FNRH's offshore account balance), net disbursements of foreign loans, and exceptional financing. The latter comprises: (a) the cumulative debts payable and technical arrears defined in paragraph 9; and (b) the debt relief obtained on the government's external debt net of HIPC assistance, deemed to be a part of grants.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

November 21, 2017

REQUEST FOR A THREE-YEAR ARRANGEMENT UNDER THE EXTENDED CREDIT FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By
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Prepared by the Staffs of the International Monetary Fund and the International Development Association.

Mauritania's risk of debt distress remains high owing to a substantial increase in external debt over the past three years to finance infrastructure and external deficits, a contraction in nominal GDP due to the 2014–15 terms-of-trade shock, and the depreciation of the exchange rate in 2016. However, the outlook for external debt sustainability has improved compared to the 2017 Article IV DSA and the debt profile shows earlier prospects of an exit from high risk of debt distress. The improvement reflects a stronger than-expected-fiscal adjustment in 2017 and during the medium term, an expansion in gold mining capacity financed by foreign direct investment, higher gold and iron ore prices, an improved current account, and lower projected debt disbursements owing to a more prioritized and restrained public investment program. At the same time, projected export and growth performance, as well as fiscal and debt trajectories, are vulnerable to significant downside risks stemming from lower global commodity prices, weather-related events, regional security developments, and possible reform implementation delays. Baseline projections show breaches of all debt indicator thresholds except for the debt service-to-exports ratio. However, these breaches are shorter than previously projected. Moreover, for two—the ratios of the present value (PV) of PPG external debt-to-exports and PV of PPG external debt-to-revenues—the breaches are small and temporary only in 2017, therefore have no bearing on the risk rating.[1]

The DSA highlights the need to follow sound economic policies, including a prudent borrowing strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing taken up at a moderate pace. To limit existing near-term liquidity risks, new external borrowing resulting in significant additional short-term debt service should be avoided. The authorities should also continue their best efforts to resolve the external debt in arrears with Kuwait, consistent with the HIPC Initiative.

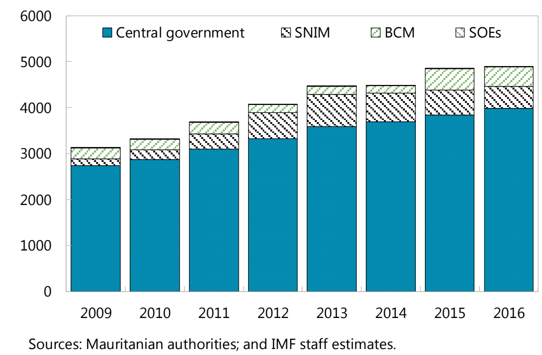
[1] Prepared under the joint Fund-Bank Low-Income Country Debt Sustainability Framework. The previous DSA was prepared as part of the 2017 Article IV Consultation and published in IMF Country Report No. 17/324. Mauritania's policy performance continues to be rated as medium with a Country Policy and Institutional Assessment (CPIA) average of 3.36 for 2014–16; Mauritania graduated from weak to medium in the previous DSA based on the CPIA score for 2013–15 (3.33).

BACKGROUND

1. **External debt rose during 2015-16 due to sizable borrowing, reflecting the government's strategy to seek external financing and donor support for large capital investment projects, primarily for infrastructure development, in the context of its national strategy for stronger, diversified and inclusive growth.**[2] Between 2014–16, the ratio of external public debt to GDP rose sharply by 21 percentage points of GDP to 92.6 percent of GDP.[3] The impact of an increase in debt of $552 million (10 percent of 2014 GDP), was compounded by a 12 percent contraction in the nominal dollar GDP, on account of a terms-of-trade shock during 2014-15 and the depreciation of the exchange rate in 2016. Mauritania's stock of external debt includes a passive debt in arrears owed to Kuwait.[4] Excluding this latter debt, external public debt reached 71.8 percent of GDP at end-2016. Much of the nominal increase during 2015-16 owed to a $300 million non-concessional deposit from Saudi Arabia to support the central bank's reserves in 2015. The rest was mostly contracted by the central government to finance the budget and public investment projects.

External Debt by Debtor, 2009–16

(In millions of USD)



Source: Mauritanian authorities.

2. **External debt is largely composed of public debt contracted on concessional or semi-concessional terms with official creditors.** External public and publicly guaranteed (PPG) debt represented about 84 percent of total external debt at end-2016. PPG external debt includes debt contracted by the central government, the central bank, and state-owned enterprises (SOEs). It excludes borrowing by the public mining company, SNIM, as the company is run on a commercial basis and borrowed without government guarantees up to end-2016; this is classified as private external debt.[5] However, in 2017 the government provided a guarantee on a new external loan contracted by SNIM, and the DSA projections include the related disbursements and debt service as part of PPG debt. Apart from SNIM there is very little debt contracted directly by SOEs; at end-2016 outstanding state-owned enterprise debt amounted to $1.1 million (0.025 percent of total PPG debt).[6] Instead, SOEs primarily receive foreign

[2] The authorities are in the process of finalizing Mauritania's national development strategy "National Strategy for Accelerated Growth and Shared Prosperity 2016-2030" (SCAPP).

[3] In Table 4, the external public debt to GDP at end-2016 is recorded as 94 percent of GDP. The difference between the two figures stems from different exchange rates (average or end-period) implicitly used to value foreign debt in local currency.

[4] A passive pre-HIPC debt, now estimated at 21 percent of GDP, is owed to the Kuwait Investment Authority (KIA) since the 1970s. The authorities are seeking debt relief from Kuwait, but no agreement has been reached yet. This DSA assumes full debt relief in 2018; in the previous DSA the debt relief was assumed to be granted in 2017.

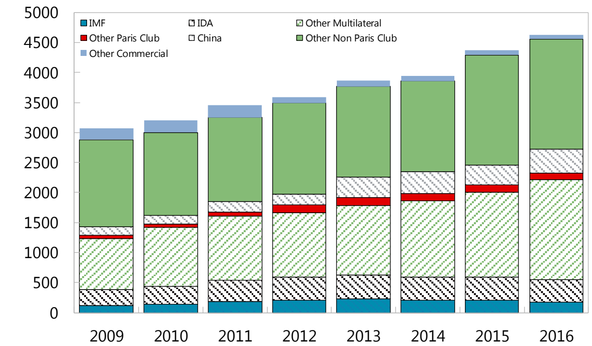
[5] Nevertheless, SNIM debt represents a contingent liability for the central government, which is a majority shareholder.

[6] This is owed by the Airport Company of Mauritania (SAM) and the predecessor (SONELEC) of SOMELEC, the electricity company.

financing through on-lending of loans contracted by the government; at end-2016, the stock of such on-lent debt amounted to $178 million (4 percent of total PPG debt) and had been on-lent to the electricity sector. PPG external debt is mostly denominated in U.S. dollars and currencies pegged to or closely following it. Private sector external debt comprises debt contracted by commercial banks and SNIM.

PPG External Debt by Creditor, 2009-16

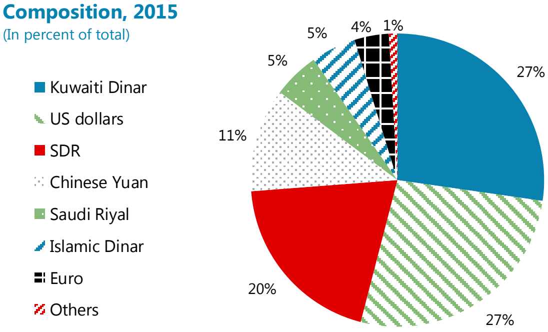
(In millions of USD)



Sources: Mauritanian authorities; and IMF staff estimates.

External Debt of the Central Government: Currency Composition, 2015

(In percent of total)



Sources: Mauritanian authorities.

Table 1. Mauritania: Public and Publicly Guaranteed External Debt, 2013–16

	2013	2014	2015	2016	2013	2014	2015	2016
	(in Million of USD)				(in percent of GDP)			
Public and Publicly Guaranteed External Debt	**3,770.1**	**3,856.0**	**4,291.8**	**4,407.6**	**65.9**	**71.5**	**88.7**	**92.6**
Bilateral Creditors	1,985.7	1,994.7	2,289.3	2,294.3	34.7	37.0	47.3	48.2
Paris Club	136.3	123.1	119.4	115.9	2.4	2.3	2.5	2.4
Of which: France	95.5	87.0	81.4	81.5	1.7	1.6	1.7	1.7
Spain	35.8	31.7	34.3	31.1	0.6	0.6	0.7	0.7
Non Paris Club	1,849.4	1,871.6	2,169.9	2,178.4	32.3	34.7	44.8	45.8
Of which: China	333.4	367.3	340.4	339.3	5.8	6.8	7.0	7.1
Kuwait [1/]	1,140.9	1,140.1	1,141.8	1,146.5	19.9	21.1	23.6	24.1
Saudi Arabia [2/]	214.6	212.0	509.4	522.8	3.7	3.9	10.5	11.0
Multilateral Creditors	1,784.4	1,861.4	2,002.5	2,113.2	31.2	34.5	41.4	44.4
Of which: Islamic Development Bank (IDB)	218.1	273.8	340.5	374.9	3.8	5.1	7.0	7.9
International Development Association (IDA)	396.6	379.5	385.6	364.8	6.9	7.0	8.0	7.7
International Monetary Fund (IMF)	211.3	195.5	190.9	166.1	3.7	3.6	3.9	3.5
Arab Monetary Fund (AMF)	18.7	47.4	62.4	159.8	0.3	0.9	1.3	3.4
Arab Fund for Economic and Social Development (AFESD)	702.5	749.0	819.2	856.4	12.3	13.9	16.9	18.0
Memorandum items:								
Passive debt to Kuwait Investment Authority (KIA)	1,001.0	997.2	993.9	993.1	17.5	18.5	20.5	20.9
Saudi deposit at BCM	-	-	300.0	300.0	-	-	6.2	6.3
PPG external debt excluding passive debt to KIA	**2,769.2**	**2,858.8**	**3,297.9**	**3,414.5**	**48.4**	**53.0**	**68.1**	**71.8**
Nominal GDP	5,724.2	5,391.5	4,841.2	4,758.2	-	-	-	-

Source: Mauritanian authorities.

1/ Including passive debt to KIA under negotiation.

2/ Including Saudi deposit at BCM.

3. **The authorities external borrowing strategy is aimed at strengthening debt sustainability while providing sufficient financing for priority projects that are key to their economic development strategy.** To that end, they intend to give preference to loans on concessional terms and grants to finance their development projects, and contain the pace of borrowing consistent with strengthening debt sustainability. However, in cases where adequate concessional financing is not available to finance priority

development projects, notably large-scale projects critical to economic diversification, external non-concessional loans may be contracted on an exceptional basis for priority projects. Consistent with this strategy, new external loans contracted through end-October 2017 amount to 12 percent of GDP, of which 7 percent on concessional terms, 2.7 percent of GDP on semi-concessional terms, and 2.1 percent of GDP on commercial terms. However, in 2018 the volume of new borrowing is to be sharply curtailed. In late 2016, a new law on public-private-partnerships (PPP) was adopted with a view to using PPPs to reduce reliance on borrowed resources to finance infrastructure projects.

4. The authorities' capacity to monitor and record external debt remains weak. Debt stock figures reported to staff for 2014–15 and estimates for 2016 were revised upward in early 2017 by over $200 million due to incomplete or delayed reporting, primarily of disbursements by government ministries, agencies, and public enterprises. Improving capacity to monitor and record debt will be critical for effective debt management in the future. In this respect, several initiatives are underway to strengthen debt management: the authorities are introducing and connecting information systems on investments and government expenditures to the debt database in order to improve the coverage and timeliness of the exchange of information between the Ministry of Finance and its Debt Department, central bank and project/investment entities to ensure that the debt database is updated on a timely basis; they also intend to reactivate the National Committee for Public Debt and ensure that it is more involved in the investment selection and loan contracting process and to monitor the impact on debt and debt sustainability. Past IMF technical assistance has focused on debt sustainability analysis (2014 and 2016), the organizational structure of public debt management (2014), issuance procedures for domestic debt (2016), and the regulations for primary market operations (2017). A World Bank DeMPA report was issued in 2011.

5. The authorities continue to actively seek debt relief from Kuwait. An agreement has not yet been reached between the Kuwait Investment Authority (KIA) and Mauritania to resolve this longstanding issue. Both parties are seeking agreement on the valuation of the debt, including interest in arrears. Under the 2002 Paris Club agreement following the completion point for Mauritania in 2002, Mauritania is expected to seek debt relief on at least comparable terms from non-Paris Club creditors. In the DSA's baseline projection, staff assumes full debt relief on these arrears in 2018.

6. The stock of central government domestic debt has remained broadly stable during 2008-16 (about 5 percent of GDP). While the stock of debt has remained broadly stable in terms of GDP, the share held by nonbank has been steadily rising since 2010 from 22 percent of total government domestic debt to 55 percent in 2016. Government domestic debt issuance is limited to treasury bills of four to fifty-week maturities with most concentrated on the shorter end—four and thirteen-week maturities.

7. The initial conditions for the current DSA are improved compared to those on which the 2017 Article IV consultation DSA (2017-A4 DSA) was based. The current DSA benefits from more complete actual data for 2017. In particular, through the first eight months, fiscal adjustment was significantly larger than anticipated previously, reflecting better revenue performance and lower spending. As a result, the primary fiscal surplus is now expected to be 0.7 percent of GDP higher than in the 2017-A4 DSA. Also, the authorities further prioritized their investment plan, which together with lower-than-expected absorption capacity has led to lower capital spending and new external borrowing. Economic prospects also benefited from the decision of a foreign operator to implement a second expansion of its gold treatment plant expected to come on line in 2020 with a significant impact on GDP and exports.

DEBT SUSTAINABILITY ASSESSMENT

A. Macroeconomic Assumptions and Outlook

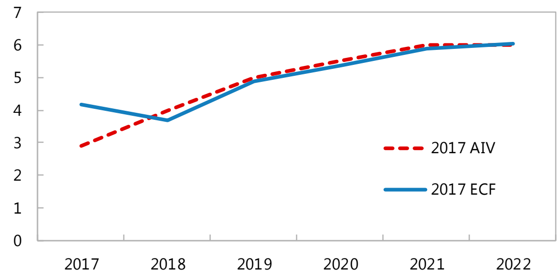
8. **Compared to previous DSA (2017 Article IV consultation, 2017-A4 DSA), the outlook has improved,** mainly due to higher growth and exports and lower projected loan disbursements in the medium term. The macroeconomic framework for the 2017-A4 DSA was based on staff's understanding of the authorities' policy stance at that time. By contrast the current DSA (2017-ECF DSA) is consistent with the macroeconomic framework underlying the Staff Report prepared for the authorities' request for a three-year ECF arrangement. In this context, the current framework entails a greater measure of fiscal consolidation over the medium term, including a more prioritized and restrained investment program. Thus, with higher growth and exports, the more restrained fiscal path leads to a larger and more rapid fall in the ratio of external PPG debt in terms of GDP. However, risks to the baseline projections are significant in the short-term even if they become more balanced in the long-term. In the short-term, the economy remains vulnerable to lower metal prices, the impact of the rainfall deficit recorded this year, and recurrent terrorist attacks in the Sahel which could threaten regional stability. On the upside, possible gas production, starting in 2021, could be a game-changer with major positive implications.

9. **Real GDP growth is projected to be on average 1 percent higher over the medium term** primarily because of an expansion in gold mining activity, recently decided by a large foreign operator. Growth will be supported by the authorities' public infrastructure investment program, foreign investment in the extractive sector, and planned structural reforms aimed at improving the business climate, diversifying the economy, and raising inclusive growth. Non-extractive growth is expected to pick up over the medium term largely in line with the 2017-A4 DSA projection, reaching close to 6 percent by 2021, supported by gains in agriculture, fishing, construction, and services, and the implementation of the authorities' planned economic reforms. The current account deficit will be lower than in the 2017-A4 DSA because of higher exports stemming primarily from an increase in gold exports, as well as higher iron ore and gold prices.[7] Moreover, this DSA projects lower debt disbursements consistent with the authorities' more prioritized and restrained public investment program than the 2017-A4 DSA, averaging about 4½ percent of GDP over the medium term (almost 2 percent of GDP less than in the previous DSA); over the long term, disbursements gradually decline to slightly under 4 percent of GDP, reflecting the greater prioritization of public investment. The average grant element of new disbursements on the arrears owed to KIA is assumed to take place in the 2018, compared to 2017 in the 2017-A4 DSA; this drives the large reduction in public and external debt in 2018.

[7] Compared to the 2017 A4 DSA, the new FDI-financed second expansion in gold processing and output is reflected in higher capital and equipment imports during 2018-20, somewhat dampened by a slowdown in food imports and imports related to project loan disbursements.

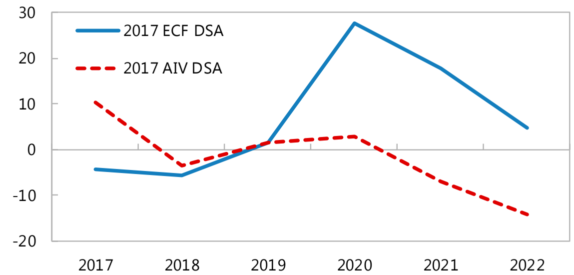
Mauritania: Macroeconomic Projections, 2016–35

Real Non-Extractive GDP Growth
(Percent change)



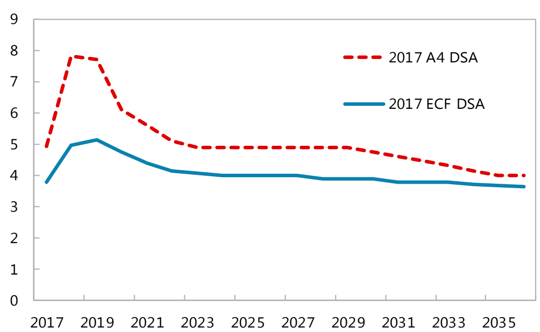
Source: IMF staff projections.

Real Extractive GDP Growth
(Percent change)



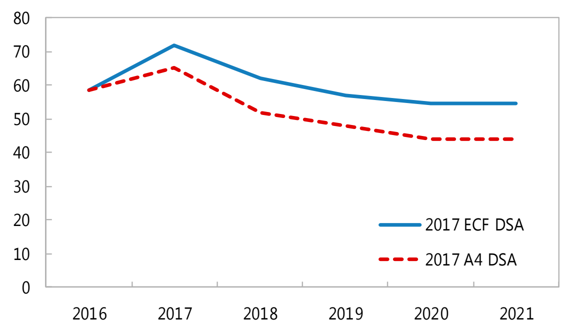
Source: IMF staff projections.

Projected New Debt Disbursements
(In percent of GDP)



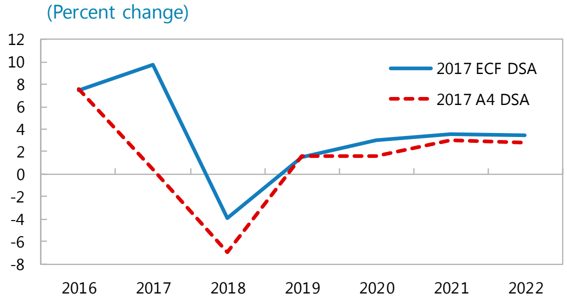
Source: IMF staff projections.

Price of Iron Ore
(US$/Ton)



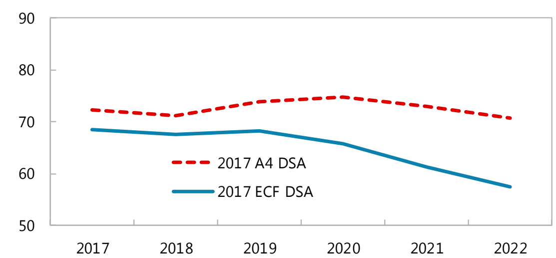
Source: World Economic Outlook.

Terms of Trade
(Percent change)



Source: IMF staff estimates.

PPG External Debt 1/
(In percent of GDP)



Sources: IMF staff projections.
1/ Excluding arrears to Kuwait for which debt relief under HIPC-MDRI is assumed.

Table 2. Mauritania: Macroeconomic Assumptions, 2016–37

	2016	2017	2018	2019	2020	2021	2022	2023-29	2030-37
Real GDP growth									
2017 A4 DSA	1.7	3.8	3.0	4.6	5.2	4.6	4.0	5.3	4.8
2017 ECF DSA	1.6	3.1	2.7	4.5	7.5	7.3	5.9	4.6	4.7
Nominal GDP (in millions of US$)									
2017 A4 DSA	4,729	4,961	5,000	5,164	5,417	5,710	6,073	8,133	13,503
2017 ECF DSA	4,758	5,125	5,324	5,432	5,768	6,238	6,741	8,601	13,836
Exports of goods (growth)									
2017 A4 DSA	0.9	13.7	8.8	2.1	1.4	-1.8	-5.1	4.0	4.7
2017 ECF DSA	0.9	26.6	3.1	2.1	20.4	12.9	-1.0	-1.8	3.7
Imports of goods (growth)									
2017 A4 DSA	-2.5	7.1	-2.6	0.7	0.9	0.4	1.1	4.0	4.2
2017 ECF DSA	-2.5	4.6	5.6	0.4	-1.4	4.3	3.7	2.3	3.7
Current account balance (in percent of GDP)									
2017 A4 DSA	-14.9	-15.3	-11.2	-10.3	-9.9	-9.2	-8.9	-7.6	-6.2
2017 ECF DSA	-14.9	-10.8	-11.3	-10.3	-5.1	-3.5	-3.8	-4.0	-4.8
Revenue and grants (in percent of GDP)									
2017 A4 DSA	27.9	26.3	26.3	26.3	25.9	26.1	26.6	26.6	20.1
2017 ECF DSA	27.6	26.8	26.9	26.8	26.0	25.8	25.9	25.8	25.8
Primary balance (in percent of GDP)									
2017 A4 DSA	0.7	0.5	-0.7	-0.5	-0.8	-0.7	-0.7	-0.9	-1.0
2017 ECF DSA	0.8	1.2	1.2	1.5	1.7	1.7	1.6	-0.3	-1.3
Price of iron ore (US$/Ton)									
2017 A4 DSA	58.6	65.1	51.7	48.1	44.2	44.2	44.2	44.2	44.2
2017 ECF DSA	58.6	71.7	62.0	57.1	54.6	54.6	54.6	54.6	54.6

Sources: Mauritanian authorities; and Fund staff estimates and projections.

B. External Debt Sustainability

11. Baseline projections for four of the five debt indicators breach their respective thresholds, although two indicators show only a small and temporary breach.[8] The baseline breaches under the current DSA framework are less severe than in the 2017-A4 DSA, and debt burden indicators drop below their respective policy-dependent thresholds earlier, indicating an exit from a high risk of debt distress in the medium term. The PV of debt-to-GDP ratio is now projected on a firm downward trajectory from the outset of the projection period and falls below the threshold from 2024 onward, six years earlier than in the 2017-A4 DSA. The PV of debt-to-exports ratio only breaches its threshold in 2017 and remains below it, albeit by a small margin thereafter; in the 2017-A4 DSA the threshold was breached in 2022 and remained above it by a relatively small margin thereafter. Under the 2017-A4 DSA the PV of debt-to-revenue ratio did not breach its threshold but in the current DSA does, but only in 2017 and drops to a lower level than in the 2017-A4 DSA thereafter. The breaches for these two debt burden indicators are small and only in 2017, and given the late stage of the year they are discounted in the debt distress rating. As in the 2017-A4 DSA, debt service-to-revenue ratio breaches the threshold, but for one year less, during 2018–20 due to the

[8] The residuals in the external debt sustainability baseline scenario (Table 2) are largely positive beyond the short term, and reflects a steady buildup of reserves and net private sector financial inflows of the mining sector. In the short term, negative residuals reflect (i) debt relief in 2018 on the debt in arrears to the KIA; (ii) and a drawdown in reserves in 2017.

amortization of the $300 million deposit from Saudi Arabia received in 2015 to support reserves and of the budget support loans contracted from the Arab Monetary Fund (AMF). Private external debt, which mainly consists of debts of the iron ore mining company SNIM and banking sector liabilities, is relatively small and is projected to decline over the projection period based on a conservative assumption on new borrowing, as private sector borrowing plans are unknown.

12. Standardized stress tests show breaches of respective thresholds by all five debt indicators. Stress tests highlight vulnerabilities to shocks to exports and to exchange rate depreciation; however, the magnitude of the breaches is somewhat less than in the 2017-A4 DSA. As regards the standard historical scenario, which projects rising debt and debt service ratios, this is not considered to be realistic since it assumes that the current account deficits due to FDI-financed expansion of mining capacity would in the future be financed by debt.

13. While the outlook for external debt sustainability has improved compared to the 2017-A4 DSA, Mauritania's risk of external debt distress continues to be assessed as high on the basis of two threshold breaches under the baseline, one less than in the A4 DSA. The debt profile has improved owing to projected higher growth, reflecting an expansion in gold mining capacity financed by foreign direct investment, higher gold and iron ore prices, an improved current account, and lower projected debt disbursements owing to a more prioritized and restrained public investment program. This DSA indicates that with prudent policies, such as those proposed by the authorities in their request for a three-year ECF arrangement, most debt burden indicators show a clear decline and earlier prospects of exit from a high risk of debt distress. However, this debt trajectory is subject to significant downside risks affecting the projected export and growth performance, and the fiscal path, stemming from lower global commodity prices, weather-related events, regional security developments, and possible reform implementation delays; the stress tests illustrate these vulnerabilities. In the near term, the authorities should monitor closely the consequences of any new borrowing on short-term debt service in view of the considerable rise in debt service falling due (owing to the repayment profile of both the $300 million deposit at the central bank and AMF loans to the central government), and ensure that adequate resources are available to meet those payments without undue disruption to other budget expenditures or a sharp drawdown of international reserves.

C. Public Debt Sustainability

14. The dynamics of total public debt reflect the large share of external debt, and thus are also improved compared with 2017-A4 DSA. The public debt stock is largely composed of external debt, with domestic debt only about 5 percent of GDP at end-2016. Domestic debt consists mostly of short-term treasury bills. Under the baseline, the PV of public debt-to-GDP ratio shows a marked steady decline, falling below the 56 percent benchmark in 2020 and continuing to decline thereafter.[9] The stress test which

[9] The residuals in the public debt sustainability baseline scenario (Table 5) are largely positive during the first ten years of the projection period and turn negative thereafter. This reflects two factors: (i) the central government budget does not capture debt disbursements on loans on-lent to public enterprises or loans directly contracted by public enterprises; the budget does however capture the debt service of the on-lent loans which are paid by the government; this has a positive impact on the residuals; and (ii) a buildup of government deposits, notably in the second half of the projection period, which has a negative impact on the residuals.

assumes a fixed primary balance shows debt dynamics similar to the baseline, as both reflect a restrained fiscal policy stance—a small primary surplus under the stress test and surpluses over the medium term under the authorities' program for the requested three-year ECF arrangement (baseline). The historical scenario illustrates well the risk of a sustained shortfall in growth compared to the baseline which would preclude any marked decline in the debt-to-GDP ratio. This is further highlighted in the bound test for a temporary shock to growth, in which during 2018-2019 real growth is 0.7 percent versus 3.6 percent on average in the baseline. Over the projection period the PV of public debt-to-GDP ratio is higher than under the baseline and the divergence between the two scenarios widens over time, reaching 18 percentage points by 2037. A similar pattern is observed for the negative impact of a growth shock on the PV of public debt-to-revenue ratio and the debt service-to-revenue ratio. Indeed, this bound test has the second largest impact (after the most extreme test) on the debt burden indicators during the first 10 years of the projections. The most extreme shock is associated with a one-time depreciation and illustrates the significant vulnerability related to the preponderance of foreign currency-denominated debt.

CONCLUSIONS

15. Mauritania's risk of debt distress remains high, following the increase in external debt over the past three years to finance infrastructure and external deficits, and a contraction in nominal GDP due to the terms-of-trade shock and exchange rate depreciation. However, with the adoption by the authorities of a program of restrained fiscal policy as part of their request for a three-year ECF arrangement and improved growth and export prospects in the medium term, the DSA indicates a clear decline in debt burden indicators and earlier prospect of an exit from high risk of debt distress than in the 2017-A4 DSA, although the improved prospects are subject to significant downside risks stemming from lower global commodity prices, weather-related events, regional security developments, and possible reform implementation delays. The high risk of debt distress is still present for the next five years, and in the near term it will be important to monitor closely the impact of any new borrowing on debt service in view of the considerable rise in debt service falling due, and ensure that adequate resources are available to meet those payments without undue disruption to other budget expenditures or a sharp drawdown of international reserves.

16. The DSA highlights the need to follow sound economic policies, including a prudent borrowing strategy that takes on new debt at a moderate pace, avoids non-concessional borrowing, and relies instead on grants and concessional financing. To avoid exacerbating short-term liquidity risks, new borrowing resulting in significant additional short-term debt service should be avoided. The authorities should also continue their best efforts to resolve the external debt in arrears with Kuwait; partial realization of the assumed full debt relief on the arrears would negatively impact debt prospects. More generally, raising prospects for debt sustainability hinge on sustaining structural reforms to promote strong and inclusive growth and economic diversification through private sector development; improving the governance of the public investment program to raise its efficiency and growth dividends; and implementing further reforms to improve the business climate and encourage private sector investment. Strengthening debt management capacity is essential, and an early start to planned improvements will be important to ensure that they become fully operational over the next few years. To the extent that the authorities, as planned, turn to public-private partnerships (PPP) to finance and manage future projects, they should also strengthen their capacity to evaluate and monitor PPP-related contingent liabilities for the budget. They should also minimize their direct financial participation in PPPs and avoid providing explicit guarantees or taking on implicit contingent budget liabilities related to the financial performance of PPP projects.

17. As with the 2017-A4 DSA, the authorities acknowledge the need for prudent debt policies and stronger investment management, but question the risk rating of external debt distress. They consider that public debt is sustainable and can be serviced, even in the current environment of low commodity prices. They point to low debt service-to-revenue ratios, when excluding the servicing of deposits made at the central bank by development partners, which present low rollover risks. They look forward to the rebasing of their national accounts, which they expect will raise GDP and therefore reduce debt ratios. They acknowledge the need to strengthen public investment and debt management by implementing the recently adopted framework to prioritize projects under the public investment program, and highlight the progress made in this regard during this past year. They believe that their long-term public investment strategy is critical for Mauritania's development, and that this strategy will be viable if it generates the sustained strong economic growth and crowds-in sufficient FDI, which would serve as an alternative financing source for future development. They also note that most borrowing benefits from favorable terms. They underscore the high priority given to strengthening the governance and efficiency of public enterprises as well to improving the business climate. They also aim at relying more on financing projects through PPPs involving only a small financial participation, if any, by the government. However, in the absence of alternative financing options, they consider that it will be necessary to use external borrowing to finance projects considered critical for the country's development and demonstrated to be cost-effective.

Table 3. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2014–37 1/

(in percent of GDP, unless otherwise indicated)

	Actual			Historical 6/ Average	Standard 6/ Deviation	Projections									
	2014	2015	2016			2017	2018	2019	2020	2021	2022	2017-2022 Average	2027	2037	2023-2037 Average
External debt (nominal) 1/	**88.9**	**108.2**	**109.9**			**101.4**	**82.0**	**81.0**	**77.0**	**69.8**	**64.4**		**53.8**	**37.4**	
of which: public and publicly guaranteed (PPG)	74.1	92.8	94.0			87.3	69.8	70.3	67.9	61.9	57.9		49.3	35.1	
Change in external debt	7.0	19.3	1.7			-8.5	-19.5	-0.9	-4.1	-7.2	-5.4		-1.8	-1.3	
Identified net debt-creating flows	23.0	19.6	11.1			-1.4	0.1	-2.0	-6.2	-5.8	-4.2		-1.2	-1.3	
Non-interest current account deficit	**25.6**	**17.9**	**12.8**	**15.1**	**7.0**	**8.8**	**9.4**	**8.5**	**3.4**	**2.0**	**2.4**		**3.6**	**3.2**	3.6
Deficit in balance of goods and services	26.7	19.7	17.5			13.3	13.4	12.7	7.0	4.7	5.2		6.4	5.2	
Exports	39.0	33.8	35.1			38.6	38.3	38.4	42.9	44.4	40.8		29.4	18.3	
Imports	65.8	53.5	52.7			51.9	51.7	51.2	49.8	49.0	46.0		35.8	23.5	
Net current transfers (negative = inflow)	-2.1	-3.7	-5.1	-3.7	1.2	-2.7	-2.8	-2.9	-2.7	-2.4	-2.3		-1.9	-1.0	-1.6
of which: official	-1.2	-2.1	-3.6			-1.2	-1.3	-1.4	-1.2	-0.9	-0.9		-0.7	-0.4	
Other current account flows (negative = net inflow)	1.0	1.9	0.4			-1.7	-1.2	-1.3	-0.8	-0.3	-0.5		-0.9	-1.0	
Net FDI (negative = inflow)	**-9.3**	**-10.4**	**-5.7**	**-9.3**	**8.3**	**-9.1**	**-8.6**	**-8.7**	**-5.6**	**-4.2**	**-4.2**		**-3.4**	**-3.6**	-3.6
Endogenous debt dynamics 2/	**6.7**	**12.0**	**4.0**			**-1.2**	**-0.7**	**-1.7**	**-4.0**	**-3.6**	**-2.4**		**-1.5**	**-0.9**	
Contribution from nominal interest rate	1.7	1.9	2.2			2.0	1.9	1.9	1.8	1.6	1.4		0.8	0.8	
Contribution from real GDP growth	-4.9	-0.8	-1.7			-3.2	-2.6	-3.6	-5.8	-5.2	-3.8		-2.2	-1.7	
Contribution from price and exchange rate changes	9.9	10.9	3.6			...	...	...	...	...	...		...	...	
Residual (3-4) 3/	**-16.1**	**-0.3**	**-9.4**			**-7.1**	**-19.6**	**1.1**	**2.1**	**-1.4**	**-1.3**		**-0.6**	**-0.1**	
of which: exceptional financing	-0.2	-0.1	0.0			-0.1	-18.7	0.0	0.0	0.0	0.0		0.0	0.0	
PV of external debt 4/	...	...	91.2			84.2	63.9	62.5	58.8	53.2	48.9		41.2	29.4	
In percent of exports	...	...	259.7			218.0	166.7	162.7	137.1	119.9	119.8		140.0	161.1	
PV of PPG external debt	**...**	**...**	**75.2**			**70.1**	**51.7**	**51.8**	**49.7**	**45.2**	**42.3**		**36.7**	**27.1**	
In percent of exports	**...**	**...**	**214.2**			**181.3**	**134.9**	**134.8**	**116.0**	**102.0**	**103.9**		**124.9**	**148.4**	
In percent of government revenues	**...**	**...**	**292.6**			**268.0**	**198.2**	**200.4**	**197.5**	**179.2**	**166.9**		**144.4**	**106.7**	
Debt service-to-exports ratio (in percent)	**11.9**	**15.5**	**16.6**			**16.4**	**20.9**	**20.1**	**17.0**	**14.5**	**13.8**		**12.3**	**17.4**	
PPG debt service-to-exports ratio (in percent)	**6.4**	**8.6**	**9.6**			**10.5**	**15.3**	**15.1**	**12.9**	**11.0**	**10.7**		**12.3**	**17.4**	
PPG debt service-to-revenue ratio (in percent)	**10.0**	**10.6**	**13.2**			**15.5**	**22.5**	**22.5**	**21.9**	**19.3**	**17.3**		**14.3**	**11.8**	
Total gross financing need (Billions of U.S. dollars)	1.3	0.8	0.8			0.6	0.8	0.7	0.6	0.6	0.6		0.6	0.8	
Non-interest current account deficit that stabilizes debt ratio	18.7	-1.3	11.1			17.3	28.9	9.4	7.5	9.1	7.9		5.5	4.6	
Key macroeconomic assumptions															
Real GDP growth (in percent)	5.6	0.8	1.6	3.2	2.5	3.1	2.7	4.5	7.5	7.3	5.9	5.2	4.3	4.7	4.6
GDP deflator in US dollar terms (change in percent)	-10.8	-10.9	-3.2	1.6	10.5	4.4	1.2	-2.4	-1.3	0.8	2.1	0.8	1.4	2.2	1.8
Effective interest rate (percent) 5/	1.9	1.9	2.0	1.5	0.9	2.0	2.0	2.4	2.3	2.2	2.2	2.2	1.5	2.1	1.7
Growth of exports of G&S (US dollar terms, in percent)	-25.1	-22.3	2.2	4.2	24.5	18.5	3.1	2.2	18.5	11.9	-0.7	8.9	-3.4	0.0	1.0
Growth of imports of G&S (US dollar terms, in percent)	-12.3	-27.0	-3.2	9.0	25.1	6.2	3.6	0.9	3.4	6.5	1.3	3.6	0.0	0.0	1.8
Grant element of new public sector borrowing (in percent)	...	...	...	...	...	34.0	33.8	33.7	33.7	32.9	32.8	33.5	30.3	19.7	26.5
Government revenues (excluding grants, in percent of GDP)	24.8	27.5	25.7			26.1	26.1	25.8	25.2	25.3	25.4		25.4	25.4	25.4
Aid flows (in Billions of US dollars) 7/	0.0	0.1	0.1			0.1	0.2	0.2	0.2	0.1	0.1		0.2	0.2	
of which: Grants	0.0	0.1	0.1			0.0	0.0	0.1	0.0	0.0	0.0		0.0	0.1	
of which: Concessional loans	0.0	0.0	0.0			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.1	
Grant-equivalent financing (in percent of GDP) 8/	...	...	...			2.3	3.0	3.2	2.9	2.0	1.9		1.6	1.1	1.4
Grant-equivalent financing (in percent of external financing) 8/	...	...	...			42.5	41.1	42.2	41.5	40.5	40.6		36.7	27.9	33.6
Memorandum items:															
Nominal GDP (Billions of US dollars)	5.4	4.8	4.8			5.1	5.3	5.4	5.8	6.2	6.7		9.0	17.3	
Nominal dollar GDP growth	-5.8	-10.2	-1.7			7.7	3.9	2.0	6.2	8.2	8.1	6.0	5.7	7.1	6.5
PV of PPG external debt (in Billions of US dollars)			3.5			3.6	2.7	2.7	2.8	2.8	2.8		3.3	4.6	
(PVt-PVt-1)/GDPt-1 (in percent)						1.7	-18.5	1.1	1.0	0.3	0.5	-2.3	1.0	1.1	1.1
Gross workers' remittances (Billions of US dollars)	0.0	0.1	0.1			0.1	0.1	0.1	0.1	0.1	0.1		0.1	0.1	
PV of PPG external debt (in percent of GDP + remittances)	...	...	74.1			69.0	51.0	51.0	49.0	44.6	41.8		36.3	26.9	
PV of PPG external debt (in percent of exports + remittances)	...	...	205.1			174.5	129.8	129.7	112.1	98.8	100.5		120.0	143.2	
Debt service of PPG external debt (in percent of exports + remittanc	...	...	9.2			10.1	14.7	14.5	12.5	10.7	10.4		11.9	16.8	

Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, and ρ = growth rate of GDP deflator in U.S. dollar terms.

3/ Includes exceptional financing (i.e., changes in arrears and debt relief); changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate

4/ Assumes that PV of private sector debt is equivalent to its face value.

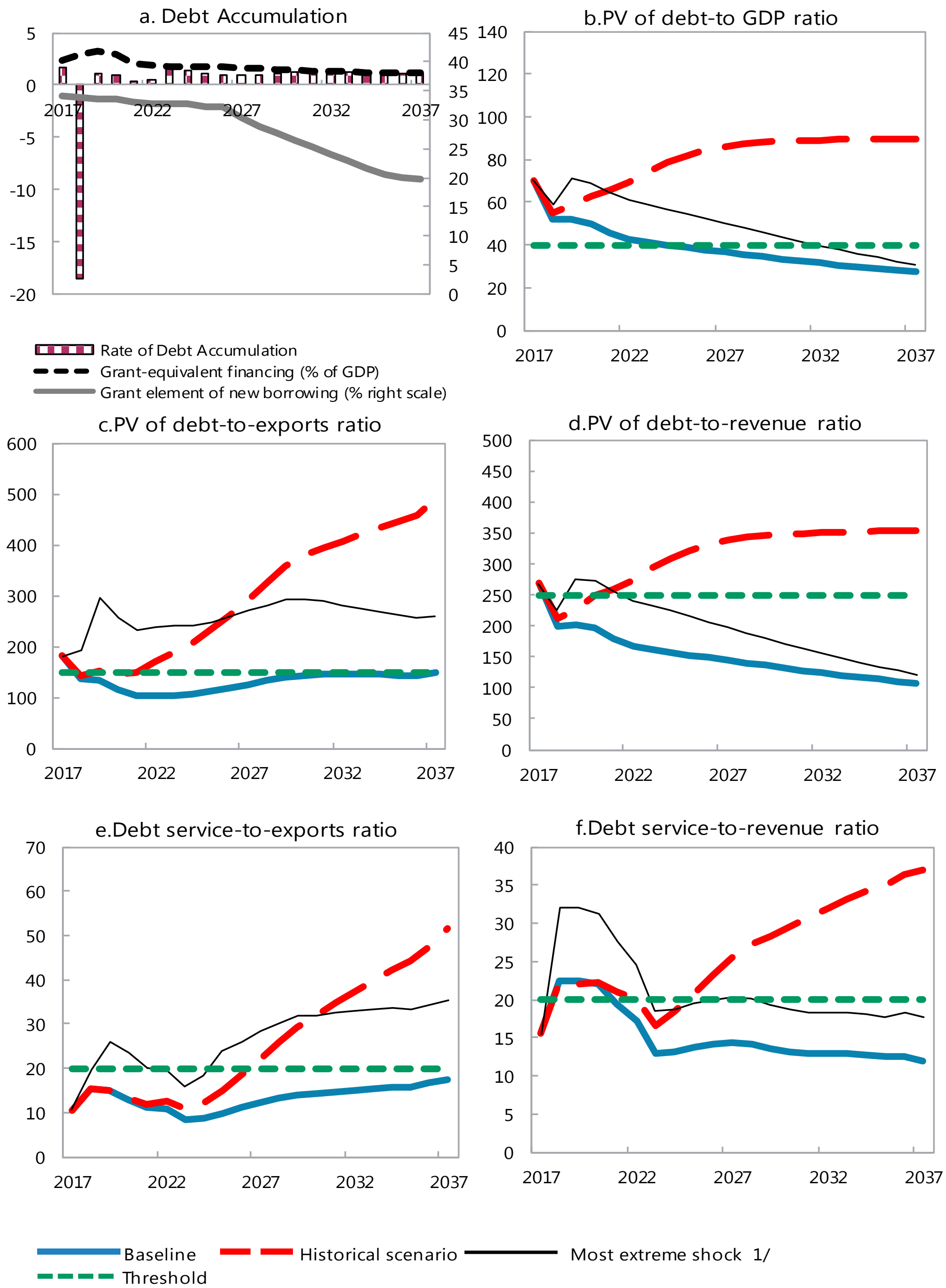
5/ Current-year interest payments divided by previous period debt stock.

6/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

7/ Defined as grants, concessional loans, and debt relief.

8/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

Figure 1. Mauritania: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2017–37 1/



Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio on or before 2027. In figure b. it corresponds to a Combination shock; in c. to a Exports shock; in d. to a Combination shock; in e. to a Exports shock and in figure f. to a One-time depreciation shock

Table 4. Mauritania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2017–37

(In percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
PV of debt-to GDP ratio								
Baseline	70	52	52	50	45	42	**37**	27
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	70	55	58	63	66	70	**86**	90
A2. New public sector loans on less favorable terms in 2017-2037 2/	70	51	53	52	49	47	**46**	43
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	70	51	53	51	47	44	**38**	28
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	70	57	68	66	62	59	**48**	28
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	70	56	60	57	53	50	**43**	32
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	70	56	62	60	56	53	**44**	28
B5. Combination of B1-B4 using one-half standard deviation shocks	70	59	71	69	64	61	**50**	31
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	70	71	71	68	63	59	**51**	38
PV of debt-to-exports ratio								
Baseline	181	135	135	116	102	104	**125**	148
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	181	143	152	147	148	171	**292**	491
A2. New public sector loans on less favorable terms in 2017-2037 2/	181	134	137	121	111	116	**155**	234
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	181	131	130	112	101	102	**123**	146
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	181	191	295	255	232	238	**270**	258
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	181	131	130	112	101	102	**123**	146
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	181	146	162	140	127	130	**149**	152
B5. Combination of B1-B4 using one-half standard deviation shocks	181	163	211	182	165	169	**194**	192
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	181	131	130	112	101	102	**123**	146
PV of debt-to-revenue ratio								
Baseline	268	198	200	198	179	167	**144**	107
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	268	211	225	250	260	274	**338**	353
A2. New public sector loans on less favorable terms in 2017-2037 2/	268	197	204	206	196	186	**180**	168
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	268	195	205	202	187	174	**151**	111
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	268	217	265	262	245	231	**189**	112
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	268	213	231	227	211	196	**170**	125
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	268	214	241	238	223	209	**173**	110
B5. Combination of B1-B4 using one-half standard deviation shocks	268	226	276	273	255	239	**197**	122
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	268	273	275	271	251	234	**202**	150

Table 4. Mauritania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt 2017–37 (concluded)

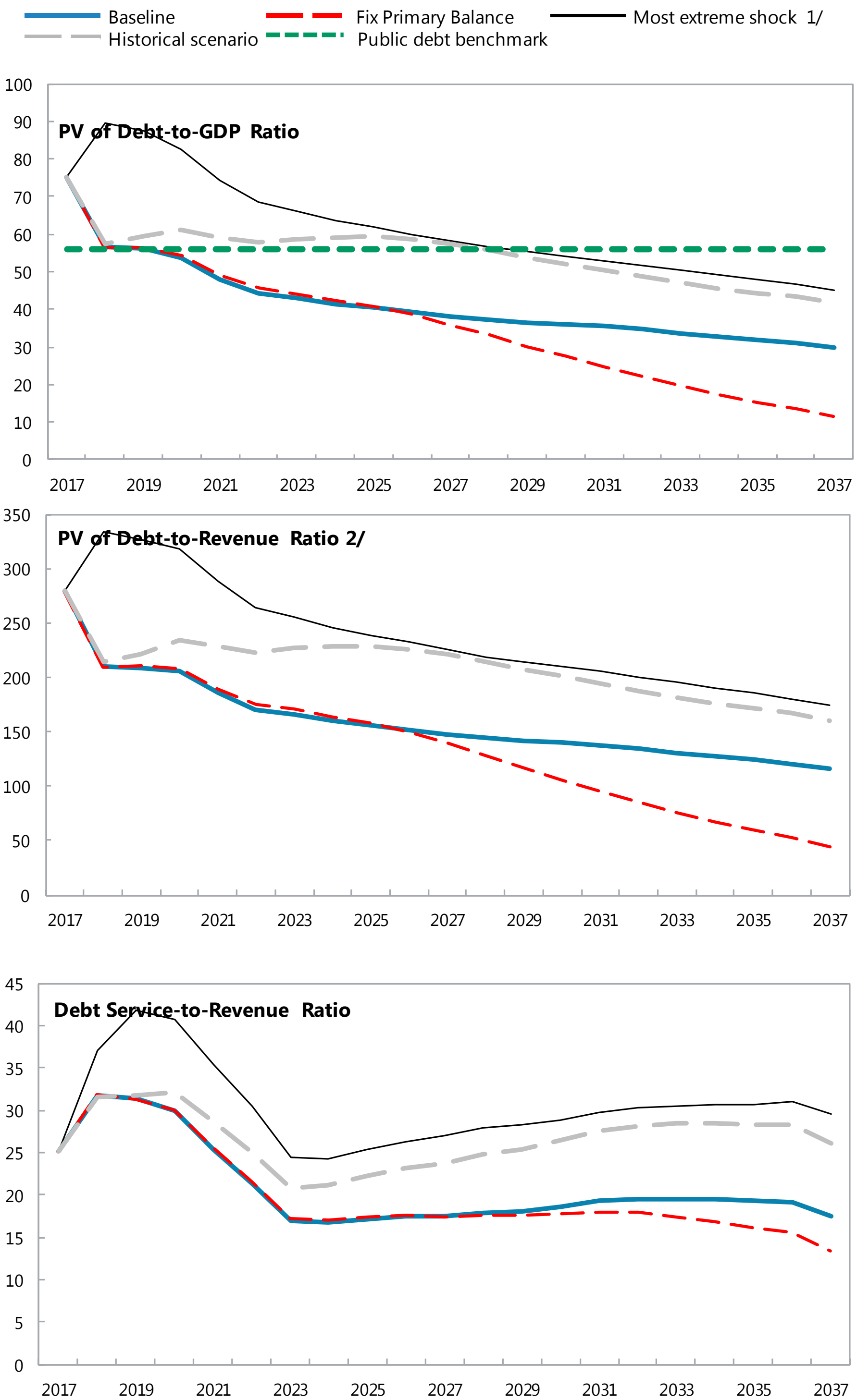
(In percent)

	Projections							
	2017	2018	2019	2020	2021	2022	**2027**	2037
Debt service-to-exports ratio								
Baseline	10	15	15	13	11	11	**12**	17
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	10	15	15	13	12	13	**22**	51
A2. New public sector loans on less favorable terms in 2017-2037 2/	10	15	15	13	12	12	**14**	24
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	10	15	15	13	11	11	**12**	17
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	10	20	26	23	20	20	**28**	35
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	10	15	15	13	11	11	**12**	17
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	10	15	16	14	12	11	**15**	20
B5. Combination of B1-B4 using one-half standard deviation shocks	10	17	19	17	15	15	**20**	26
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	10	15	15	13	11	11	**12**	17
Debt service-to-revenue ratio								
Baseline	15	23	22	22	19	17	**14**	12
A. Alternative Scenarios								
A1. Key variables at their historical averages in 2017-2037 1/	15	22	22	22	21	20	**26**	37
A2. New public sector loans on less favorable terms in 2017-2037 2/	15	23	23	22	20	19	**16**	17
B. Bound Tests								
B1. Real GDP growth at historical average minus one standard deviation in 2018-2019	15	23	24	23	20	18	**15**	13
B2. Export value growth at historical average minus one standard deviation in 2018-2019 3/	15	23	23	24	21	19	**20**	15
B3. US dollar GDP deflator at historical average minus one standard deviation in 2018-2019	15	25	27	26	23	21	**17**	15
B4. Net non-debt creating flows at historical average minus one standard deviation in 2018-2019 4/	15	23	23	23	21	18	**18**	14
B5. Combination of B1-B4 using one-half standard deviation shocks	15	24	25	26	23	21	**21**	16
B6. One-time 30 percent nominal depreciation relative to the baseline in 2018 5/	15	32	32	31	27	25	**20**	18
Memorandum item:								
Grant element assumed on residual financing (i.e., financing required above baseline) 6/	24	24	24	24	24	24	**24**	24

Sources: Country authorities; and staff estimates and projections.

1/ Variables include real GDP growth, growth of GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
2/ Assumes that the interest rate on new borrowing is by 2 percentage points higher than in the baseline., while grace and maturity periods are the same as in the baseline.
3/ Exports values are assumed to remain permanently at the lower level, but the current account as a share of GDP is assumed to return to its baseline level after the shock (implicitly assuming
an offsetting adjustment in import levels).
4/ Includes official and private transfers and FDI.
5/ Depreciation is defined as percentage decline in dollar/local currency rate, such that it never exceeds 100 percent.
6/ Applies to all stress scenarios except for A2 (less favorable financing) in which the terms on all new financing are as specified in footnote 2.

Figure 2. Mauritania: Indicators of Public Debt Under Alternative Scenarios, 2017–37 1/



Sources: Country authorities; and staff estimates and projections.
1/ The most extreme stress test is the test that yields the highest ratio on or before 2027.
2/ Revenues are defined inclusive of grants.

Table 5. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2014–37
(In percent of GDP, unless otherwise indicated)

	Actual					Estimate	Projections								
	2014	2015	2016	Average 5/	Standard Deviation 5/	2017	2018	2019	2020	2021	2022	2017-22 Average	2027	2037	2023-37 Average
Public sector debt 1/	80.4	98.4	98.7			92.3	74.4	74.6	71.7	64.6	59.7		50.8	37.8	
of which: foreign-currency denominated	74.1	92.8	94.0			87.3	69.8	70.3	67.9	61.9	57.9		49.3	35.1	
	6.2	5.7	4.7			5.0	4.7	4.3	3.8	2.7	1.8				
Change in public sector debt	9.8	18.1	0.3			-6.4	-17.8	0.2	-2.9	-7.1	-4.9		-1.7	-1.4	
Identified debt-creating flows	10.7	12.9	-1.1			-8.7	-18.7	-1.8	-4.9	-7.4	-5.3		-1.0	-0.9	
Primary deficit	3.5	2.2	-0.8	0.6	2.2	-1.2	-1.2	-1.5	-1.7	-1.7	-1.6	-1.5	0.9	0.8	0.8
Revenue and grants	25.0	29.3	27.6			26.8	26.9	26.8	26.0	25.8	25.9		25.8	25.8	
of which: grants	0.1	1.8	1.9			0.7	0.8	1.0	0.8	0.6	0.5		0.4	0.4	
Primary (noninterest) expenditure	28.4	31.5	26.8			25.7	25.7	25.3	24.3	24.1	24.3		26.7	26.6	
Automatic debt dynamics	7.2	10.7	-0.3			-7.6	1.2	-0.2	-3.2	-5.7	-3.7		-1.9	-1.7	
Contribution from interest rate/growth differential	-3.5	0.0	-1.7			-3.9	-3.1	-3.3	-5.3	-5.0	-3.7		-1.2	-0.9	
of which: contribution from average real interest rate	0.2	0.6	-0.2			-0.9	-0.7	-0.1	-0.1	-0.1	-0.2		0.9	0.9	
of which: contribution from real GDP growth	-3.7	-0.6	-1.5			-3.0	-2.4	-3.2	-5.2	-4.9	-3.6		-2.1	-1.8	
Contribution from real exchange rate depreciation	10.7	10.7	1.4			-3.6	4.2	3.1	2.2	-0.7	0.0		...	...	
Other identified debt-creating flows	0.0	0.0	0.0			0.0	-18.7	0.0	0.0	0.0	0.0		0.0	0.0	
Privatization receipts (negative)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Recognition of implicit or contingent liabilities	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Debt relief (HIPC and other)	0.0	0.0	0.0			0.0	-18.7	0.0	0.0	0.0	0.0		0.0	0.0	
Other (specify, e.g. bank recapitalization)	0.0	0.0	0.0			0.0	0.0	0.0	0.0	0.0	0.0		0.0	0.0	
Residual, including asset changes	-0.9	5.2	1.4			2.3	0.9	1.9	2.0	0.3	0.4		-0.6	-0.5	
Other Sustainability Indicators															
PV of public sector debt	...	...	79.9			75.0	56.4	56.1	53.5	47.9	44.1		38.1	29.9	
of which: foreign-currency denominated	...	...	75.2			70.1	51.7	51.8	49.7	45.2	42.3		36.7	27.1	
of which: external	...	...	75.2			70.1	51.7	51.8	49.7	45.2	42.3		36.7	27.1	
PV of contingent liabilities (not included in public sector debt)	...	...	...			...	...	...	...	...	...		...	...	
Gross financing need 2/	13.6	14.7	10.5			9.9	12.0	11.1	9.9	8.2	6.4		6.8	8.0	
PV of public sector debt-to-revenue and grants ratio (in percent)	...	...	289.9			279.5	209.6	209.0	205.6	185.8	170.2		147.6	115.6	
PV of public sector debt-to-revenue ratio (in percent)	...	...	311.0			287.0	216.1	216.9	212.4	189.8	173.9		150.0	117.5	
of which: external 3/	...	...	292.6			268.0	198.2	200.4	197.5	179.2	166.9		144.4	106.7	
Debt service-to-revenue and grants ratio (in percent) 4/	23.4	20.7	21.7			25.2	31.8	31.4	30.0	25.4	21.4		17.5	17.6	
Debt service-to-revenue ratio (in percent) 4/	23.5	22.0	23.3			25.8	32.8	32.5	30.9	26.0	21.8		17.8	17.9	
Primary deficit that stabilizes the debt-to-GDP ratio	-6.3	-15.9	-1.0			5.3	16.6	-1.7	1.2	5.4	3.3		2.5	2.2	
Key macroeconomic and fiscal assumptions															
Real GDP growth (in percent)	5.6	0.8	1.6	3.2	2.5	3.1	2.7	4.5	7.5	7.3	5.9	5.2	4.3	4.7	4.6
Average nominal interest rate on forex debt (in percent)	1.2	1.1	1.2	0.8	0.9	1.2	1.2	1.6	1.6	1.5	1.5	1.4	1.6	2.3	1.8
Average real interest rate on domestic debt (in percent)	16.0	9.6	-0.5	4.8	8.6	-0.9	3.4	6.3	4.5	4.4	6.3	4.0	8.9	2.9	6.3
Real exchange rate depreciation (in percent, + indicates depreciation)	17.2	14.5	1.5	0.7	9.4	-4.0	...	...	...	...	...	...	...	...	...
Inflation rate (GDP deflator, in percent)	-9.2	-4.3	5.0	4.4	8.5	6.0	4.2	4.5	5.6	5.4	4.2	5.0	3.6	4.4	3.9
Growth of real primary spending (deflated by GDP deflator, in percent)	25.3	11.9	-13.7	3.0	11.3	-1.2	2.7	2.9	3.5	6.3	6.8	3.5	6.7	18.4	6.1
Grant element of new external borrowing (in percent)	...	...	...	...	...	34.0	33.8	33.7	33.7	32.9	32.8	33.5	30.3	19.7	...

Sources: Country authorities; and staff estimates and projections.

1/ Public sector debt includes public and publicly guaranteed debt contracted by the central government, central bank, and public enterprises excluding SNIM (except for governement guarantees).

Debt is recorded on a gross basis.

2/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period.

3/ Revenues excluding grants.

4/ Debt service is defined as the sum of interest and amortization of medium and long-term debt.

5/ Historical averages and standard deviations are generally derived over the past 10 years, subject to data availability.

Table 6. Mauritania: Sensitivity Analysis for Key Indicators of Public Debt, 2017–37

	Projections							
	2017	2018	2019	2020	2021	2022	2027	2037
PV of Debt-to-GDP Ratio								
Baseline	75	56	56	53	48	44	38	30
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	75	57	59	61	59	58	57	42
A2. Primary balance is unchanged from 2017	75	56	56	54	49	45	36	11
A3. Permanently lower GDP growth 1/	75	57	57	55	50	47	46	52
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	75	58	61	59	54	51	50	48
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	75	59	62	60	54	50	43	33
B3. Combination of B1-B2 using one half standard deviation shocks	75	59	63	60	55	52	48	42
B4. One-time 30 percent real depreciation in 2018	75	90	88	83	74	69	58	45
B5. 10 percent of GDP increase in other debt-creating flows in 2018	75	64	64	61	55	51	44	34
PV of Debt-to-Revenue Ratio 2/								
Baseline	280	210	209	206	186	170	148	116
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	280	214	222	234	228	222	221	160
A2. Primary balance is unchanged from 2017	280	210	210	208	190	175	139	44
A3. Permanently lower GDP growth 1/	280	211	212	211	193	180	176	199
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	280	215	226	227	210	197	192	184
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	280	221	233	229	208	192	167	127
B3. Combination of B1-B2 using one half standard deviation shocks	280	219	233	232	213	199	184	161
B4. One-time 30 percent real depreciation in 2018	280	333	327	317	288	264	225	174
B5. 10 percent of GDP increase in other debt-creating flows in 2018	280	237	238	234	213	196	171	130
Debt Service-to-Revenue Ratio 2/								
Baseline	25	32	31	30	25	21	17	18
A. Alternative scenarios								
A1. Real GDP growth and primary balance are at historical averages	25	32	32	32	29	25	24	26
A2. Primary balance is unchanged from 2017	25	32	31	30	26	22	17	13
A3. Permanently lower GDP growth 1/	25	32	32	30	26	22	19	24
B. Bound tests								
B1. Real GDP growth is at historical average minus one standard deviations in 2018-2019	25	32	33	32	27	23	20	23
B2. Primary balance is at historical average minus one standard deviations in 2018-2019	25	32	32	31	27	22	19	19
B3. Combination of B1-B2 using one half standard deviation shocks	25	32	33	32	27	23	20	22
B4. One-time 30 percent real depreciation in 2018	25	37	42	41	35	31	27	29
B5. 10 percent of GDP increase in other debt-creating flows in 2018	25	32	32	32	26	22	20	20

Sources: Country authorities; and staff estimates and projections.

1/ Assumes that real GDP growth is at baseline minus one standard deviation divided by the square root of the length of the projection period.

2/ Revenues are defined inclusive of grants.

Statement by Mr. Daouda Sembene, Executive Director for the Islamic Republic of Mauritania, Mr. Mohamed-Lemine Raghani, Alternate Executive Director, and Mr. Sidi Bouna, Senior Advisor to Executive Director
December 6, 2017

Our Mauritanian authorities would like to express their strong appreciation to staff for the constructive policy discussions held during the recent program negotiations.

Mauritania has implemented strong and consistent adjustment policies in recent years in an effort to mitigate the impact of the sizeable terms-of-trade shock that has adversely affected the economy. They have enabled the exchange rate to depreciate gradually, while pursuing steady fiscal consolidation. This has helped contain the impact of the substantial decline in iron ore prices on the rest of the economy although the external position remains weak and external debt is still relatively elevated.

The severe terms-of-trade shock has reinforced the authorities' resolve to accelerate the diversification of the economy away from commodities. They request Fund's support under a new three-year ECF arrangement to address the significant challenges that lie ahead as they pursue their adjustment efforts. Their policy priorities will continue to focus on pursuing fiscal consolidation, securing debt sustainability, and enabling greater exchange rate flexibility. To support private sector development and economic diversification, they will continue to take necessary steps to improve further the business environment and economic governance, while making further progress in their efforts to further reduce poverty.

The authorities reiterate their firm commitment to pursue sound and prudent policies moving forward. They are confident that a new ECF arrangement will also help catalyze adequate donor financing in support of their ambitious long term strategy aimed at making growth more inclusive and the economy more diversified, while preserving the hard-won macroeconomic gains achieved in recent years.

Recent Economic Developments and Outlook

The economy is currently showing strong signs of a recovery driven by a scale-up of investment in the mining sector and improvement in the terms-of-trade. Real GDP growth is projected to reach 3.1 percent in 2017, up from 1.6 percent in 2016. Inflation remains moderate at 1.5 percent at end-September 2017.

Since last year, the authorities have taken decisive actions to improve the fiscal position. Tax collection has improved, while strict spending control has helped reduce the fiscal deficit. As a result of continued fiscal discipline, the deficit is projected to be kept in check this year at near zero balance.

The external position has continued to adjust since 2016 as domestic demand contracted and private investment in the mining sector declined. The current account deficit is expected to narrowed down to 10.8 percent of GDP in 2017 after reaching 14.9 percent in 2016. The depreciation of the exchange rate also contributed to this adjustment. The favorable trend in the external sector continued in 2017 supported by an improvement in the terms-of-trade. Official reserves stood at a healthy 5 months of imports at end-August 2017.

Mauritania's outlook remains positive as iron ore prices are forecast to improve further although risks are elevated due to the price volatility of the key commodities exported. Economic growth in the non-extractive sectors is projected to gradually increase from 4.2 percent in 2017 to 6 percent in 2022 led by infrastructure investment and improvement in terms-of-trade while the current account deficit is projected to decline to less than 4 percent of GDP by 2021. The external public debt is forecast to decline to 57 percent of GDP in 2022.

Fiscal Policy and Debt

For 2017, the authorities have adopted a supplementary budget with the intent to reinforce the fiscal consolidation measures taken in 2016. They will build on the strong fiscal revenue performance achieved in recent years. Specifically, the authorities will continue to expand the tax base and will submit to parliament a new corporate tax to modernize and simplify the tax structure and encourage participation in the formal economy. In an effort to eliminate tax loopholes, they have reviewed a list of tax exemptions with World Bank assistance and will assess their economic and social impact with a view to eliminating all tax exemptions considered ineffective. On the expenditure side, the authorities will continue to rationalize current expenditure. With support from the World Bank, and to better control the wage bill and capture all components of the general government wage bill, they have included the employees of all administrative public entities in the 2017 supplementary budget.

Efforts are also under way to further improve the effectiveness of capital expenditure. The authorities have set up a committee to assess and schedule public investment projects (*Comité d'analyse et de programmation de l'investissement public-CAPIP*). A timetable for making this framework operational has been drafted with World Bank assistance.

The authorities remain committed to prudent external borrowing and will give priority to grants and concessional loans to finance their investments while consulting the IMF prior to the approval of any new external loan. However, they have informed staff of their decision to contract non-concessional loans for two key priority infrastructure projects identified in the country's economic development program.

Monetary and Exchange Rate Policy

Monetary Policy and the Financial Sector. The central bank (BCM) will enhance its efforts to manage bank liquidity more actively following the pressures on bank liquidity in 2016. It will improve the range of instruments available to manage liquidity and will introduce new intervention instruments to provide liquidity to banks experiencing temporary liquidity pressures against collateral.

The financial sector regulatory framework will be further strengthened and adapted to international standards. In this regard a draft banking law is being finalized with technical assistance from AFRITAC West and IMF staff, and will be submitted to parliament by June 2018. Following the adoption of the legislation, a new bank resolution system will be implemented. Bank supervision will also include insurance and the CDD (*Caisse des Dépôts et de Développement*). By March 2018, a new directive on the composition of capital and solvency requirements based on Basel II and III is expected to be adopted to strengthen the solvency of banks and their resilience to shocks.

Exchange Rate Policy. The gradual reform of the foreign exchange market will continue. The reform will be implemented in several stages, taking into account the central bank's limited capacity. The purpose of the reform is to introduce greater flexibility in the exchange rate so as to enhance its role as a shock absorber. The first stage will seek to improve the functioning of the foreign exchange market including by raising the threshold needed to go through the foreign exchange market for currency transactions from US$100,000 to US$200,000. The second stage will promote the deepening of the foreign exchange market including by preparing an action plan to develop the interbank market with a view to aligning BCM operating practices with international standards.

Structural Reforms and Poverty Reduction

Key structural reforms implemented by the authorities in recent years have helped improve the business climate significantly, including in the areas of investor protection, starting a business, and getting electricity leading to significant improvement in the country's ranking in the latest World Bank's Doing Business indicator. The authorities' new development strategy for 2016–30 will give a greater role for the private sector and a focus on human capital development and governance.

The authorities have also begun deployment of a better-targeted social support system with assistance from the World Bank in December 2016. They will complete the institutional strengthening of the consolidated social registry of vulnerable households, with complete coverage of all sectors and areas of poverty by end-2017, to ensure continuity of the policy of targeting transfers on the most vulnerable.

Conclusion

The authorities have implemented strong adjustment policies in recent years to address the severe terms-of-trade shocks that has adversely affected Mauritania's economy. They request Fund assistance under a new ECF arrangement to support their efforts to further diversify the economy away from the mineral sector and raise growth to more sustainable and inclusive levels.

They are thankful to the Board, Management, and staff for their support throughout the years and look forward to continued close engagement with the IMF and with development partners to support of their development agenda.