



# ISLAMIC REPUBLIC OF MAURITANIA

## FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT

May 2018

In the context of the First Review Under the Extended Credit Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 25, 2018 on a lapse-of-time basis, following discussions that ended on March 21, 2018 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 May 10, 2018.

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\*

Economic Development Document

\*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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May 29, 2018

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Washington, D.C. 20431 USA

## **IMF Executive Board Completes First Review of the Arrangement Under the Extended Credit Facility with the Islamic Republic of Mauritania**

On May 25, 2018, the Executive Board of the International Monetary Fund (IMF) completed the first review of the three-year arrangement with Mauritania under the Extended Credit Facility (ECF) for SDR 115.92 million (about US\$ 164.4 million). The Board's decision, which was taken on a lapse-of-time basis,<sup>1</sup> makes available SDR 16.56 million (about US\$ 23.5 million) immediately to Mauritania.

Macroeconomic conditions are improving, as expected, along with sizable policy adjustment and favorable commodity price developments. The economy is recovering, with growth estimated at 3.5 percent in 2017 and projected at about 3 percent in 2018—with the slight slowdown due to the delayed impact of last year's drought. Inflation is projected to remain moderate at 2.7 percent on average this year. International reserves rose to US\$849 million at end-2017 (5.1 months of non-extractive sector imports) and should continue to do so this year. The primary budget balance excluding grants turned positive in 2017 at 0.3 percent of non-extractive GDP and is expected to remain in positive territory this year. The current account deficit contracted as mining and fishing exports rebounded. Borrowing slowed, with external debt levelling at 72 percent of GDP.

Policy implementation has been satisfactory and the program is on track. All end-December 2017 performance criteria and eight of the ten structural benchmarks for December 2017–March 2018 were met; the remaining two were implemented with a one-month delay. An end-April structural benchmark on repayment of the government's liabilities to the central bank was delayed to end-June due to coordination issues. Quantitative targets for 2018 are within reach, and the authorities are committed to taking corrective actions to achieve them as needed. They will continue with sound fiscal policy and a prudent borrowing strategy, notably by avoiding non-concessional loans to ensure debt sustainability, and will press ahead with monetary, foreign exchange, and financial sector reforms. They plan to gradually expand targeted social safety nets throughout the country and step up efforts to improve the business environment and fight corruption.

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<sup>1</sup> The Executive Board takes decisions under its lapse-of-time procedure when it agrees that a proposal can be considered and approved without convening a formal discussion.

The outlook is positive and the authorities are maintaining the course on policy and reform implementation, although considerable challenges remain to achieve high and inclusive growth. Vulnerabilities remain elevated and sustained reforms are needed to entrench macroeconomic stability; achieve inclusive growth that creates employment and reduces poverty; and improve the business climate and governance.

## Mauritania: Selected Economic Indicators, 2015–20

Per capita GDP: US\$ 1,335 (2014)

Population: 4 million (2014)

Poverty rate: 31 percent (2014)

Quota: SDR 128.8 million

	2015	2016	2017	2018	2019	2020
			Est.	Proj.	Proj.	Proj.
(Annual change in percent; unless otherwise indicated)						
<b>National accounts and prices</b>						
Real GDP	0.4	1.8	3.5	2.9	5.3	7.2
Real extractive GDP	-6.2	0.5	-7.0	-2.4	12.7	22.6
Real non-extractive GDP	1.4	2.0	4.9	3.5	4.5	5.3
GDP deflator	-4.1	3.4	3.3	4.9	3.6	4.9
Consumer prices (period average)	0.5	1.5	2.3	2.7	4.8	4.7
(In percent of nonextractive GDP; unless otherwise indicated)						
<b>Central government operations</b>						
Revenues and grants	32.6	31.7	31.7	32.7	32.0	32.2
Non-extractive	26.8	27.9	27.8	27.3	28.9	28.9
Taxes	16.8	18.7	19.6	19.8	20.3	20.8
Extractive	3.8	1.7	2.8	4.4	1.9	2.3
Grants	2.0	2.2	1.1	1.0	1.2	1.0
Expenditure and net lending	20.8	32.3	31.8	32.1	31.8	31.8
Current	20.6	19.0	19.3	18.9	18.8	18.9
Capital	15.6	13.3	12.4	13.0	13.0	12.9
Primary balance (excl. grants)	-4.5	-1.5	0.3	1.1	0.7	1.1
Overall balance (in percent of GDP)	-3.4	-0.5	0.0	0.5	0.1	0.4
Public sector debt (in percent of GDP) 1/	78.0	78.8	76.4	77.1	77.7	74.7
(Annual change in percent; unless otherwise indicated)						
<b>Money and Credit</b>						
Broad money	0.4	7.1	13.7	8.4	11.0	12.4
Credit to the private sector	9.7	8.1	8.9	6.9	9.2	9.6
<b>Balance of Payments</b>						
Current account balance (in percent of GDP)	-19.8	-15.1	-14.4	-11.6	-11.3	-4.0
Excl. FDI-financed imports of extractive capital	-11.9	-11.2	-8.2	-6.4	-6.7	-1.1
Gross official reserves (in millions of US\$, eop)	822.8	824.4	849.0	881.3	1,080.0	1,324.9
In months of prospective non-extractive imports	5.6	5.6	5.1	5.2	6.1	7.0
External public debt (in millions of US\$) 1/	3,297.9	3,405.7	3,562.9	3,629.6	3,763.1	3,834.8
In percent of GDP	68.3	72.7	72.2	69.9	71.1	68.9
Real effective exchange rate	7.8	-5.8	-2.1	...	...	...
<b>Memorandum items:</b>						
Nominal GDP (in millions of US\$)	4,832.1	4,686.0	4,937.5	5,193.5	5,296.0	5,566.8
Price of iron ore (US\$/Ton)	56.1	58.6	71.1	74.6	67.8	63.7

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

1/ Excluding passive debt to Kuwait under negotiation.



# ISLAMIC REPUBLIC OF MAURITANIA

## FIRST REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

May 10, 2018

### EXECUTIVE SUMMARY

**Macroeconomic conditions are improving, as expected, along with sizable policy adjustment and favorable commodity price developments.** The economy is recovering, with growth estimated at 3½ percent in 2017 and projected at 3 percent in 2018—with the slight slowdown due to the delayed impact of last year’s drought. Inflation is projected to remain moderate at 2.7 percent on average this year. International reserves rose to US\$849 million at end-2017 (5.1 months of non-extractive sector imports) and should continue to do so this year. The primary budget balance excluding grants turned positive in 2017 at 0.3 percent of non-extractive GDP and is expected to remain in positive territory this year. The current account deficit contracted as mining and fishing exports rebounded. Borrowing slowed, with external debt levelling at 72 percent of GDP.

**The outlook is positive, although considerable challenges remain to achieve high and inclusive growth.** Vulnerabilities remain elevated and sustained reforms are needed to entrench macroeconomic stability; achieve inclusive growth that creates employment and reduces poverty; and improve the business climate and governance.

**Policy implementation has been satisfactory and the program is on track.** All end-December 2017 performance criteria and eight of the ten structural benchmarks for December 2017–March 2018 were met; the remaining two were implemented with a one-month delay. An end-April structural benchmark on repayment of the government’s liabilities to the central bank has been delayed to end-June due to coordination issues. Quantitative targets for 2018 are within reach, and the authorities are committed to taking corrective actions to achieve them as needed. They will continue with a prudent borrowing policy, notably by avoiding non-concessional loans to ensure debt sustainability. They plan to gradually expand targeted social safety nets throughout the country and to step up efforts to fight corruption.

**Staff recommends completion of the first review under the three-year Extended Credit Facility arrangement.** Program targets have been met, and the authorities are maintaining the course on policy and reform implementation. They are working to address the recommendations of the safeguards assessment, which noted continued elevated risks. The authorities’ Economic Development Document describing their poverty reduction strategy is being transmitted to the Executive Board separately.

Approved By  
**Adnan Mazarei and  
 Kevin Fletcher**

Discussions took place in Nouakchott during March 8–21. The team comprised Eric Mottu (head), Aminata Touré, Imen Benmohamed, Majdi Debbich, Joseph Karangwa (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 administrative support. The mission met with Prime Minister Yahya Ould Hademine, Central Bank Governor Abdel Aziz Ould Dahi, Minister of Economy and Finance El Moctar Ould Djay, Minister of Budget Mohamed Ould Kembo and other senior officials, private sector representatives, and development partners.

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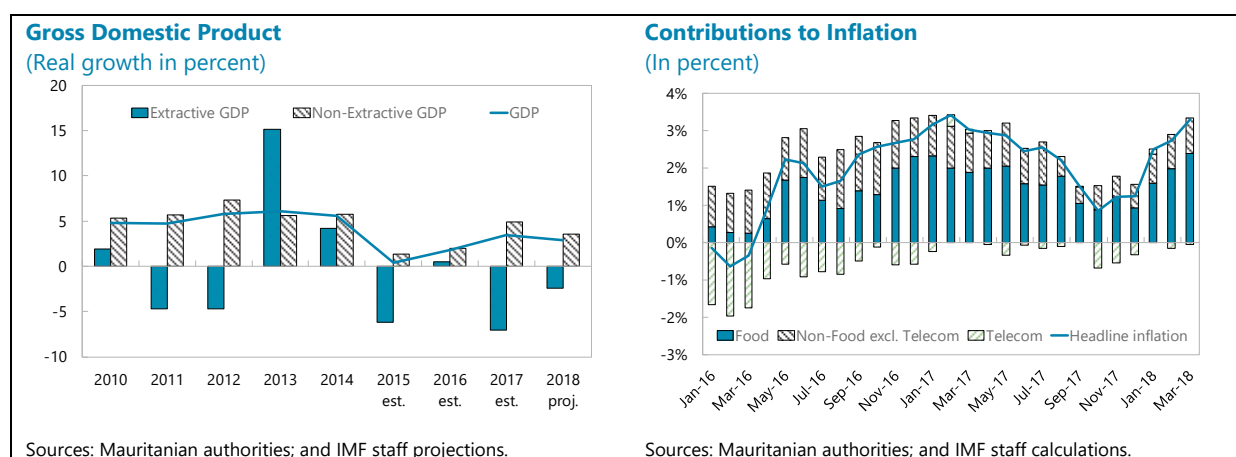
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## CONTEXT AND OUTLOOK

### 1. Macroeconomic imbalances caused by the 2014–15 terms-of-trade shock narrowed in 2016–17 following sizable policy adjustment and favorable commodity price developments, while growth started to recover.

- Fiscal adjustment reached a cumulative 4.8 percentage points of non-extractive GDP (NEGDP) in 2016–17 as the primary budget deficit (excluding grants) turned to a surplus of 0.3 percent of NEGDP in 2017. This was achieved through a combination of current and capital spending cuts and non-extractive tax revenue gains of 4½ percent and 2½ percent of NEGDP, respectively (even though extractive and nontax revenue declined). Borrowing slowed and the external debt ratio declined slightly from 73 percent of GDP in 2016 to 72 percent at end-2017.<sup>1</sup>
- Growth is estimated to have rebounded to 3.5 percent in 2017 (from 1.8 percent in 2016), with non-extractive sectors growing by 4.9 percent aided by an improvement in the terms of trade, an expansion in irrigated agriculture, and strong growth in manufacturing, transportation, and telecommunications.
- Inflation remained moderate at 2.3 percent on average in 2017, reflecting low global food price rises and stable non-tradable prices.

### 2. Growth is expected to slow only slightly to about 3 percent in 2018 due mainly to the delayed impact of the drought on agriculture, while inflation picked up in Q1 of 2018. Inflation rebounded to 3.3 percent y-o-y in March 2018 due mainly to the impact of the currency reform, which led to some speculative price increases, and some depreciation relative to the euro which raised the price of tradables, including food imports. Overall, however, inflation is expected to remain moderate at 2.7 percent on average in 2018.



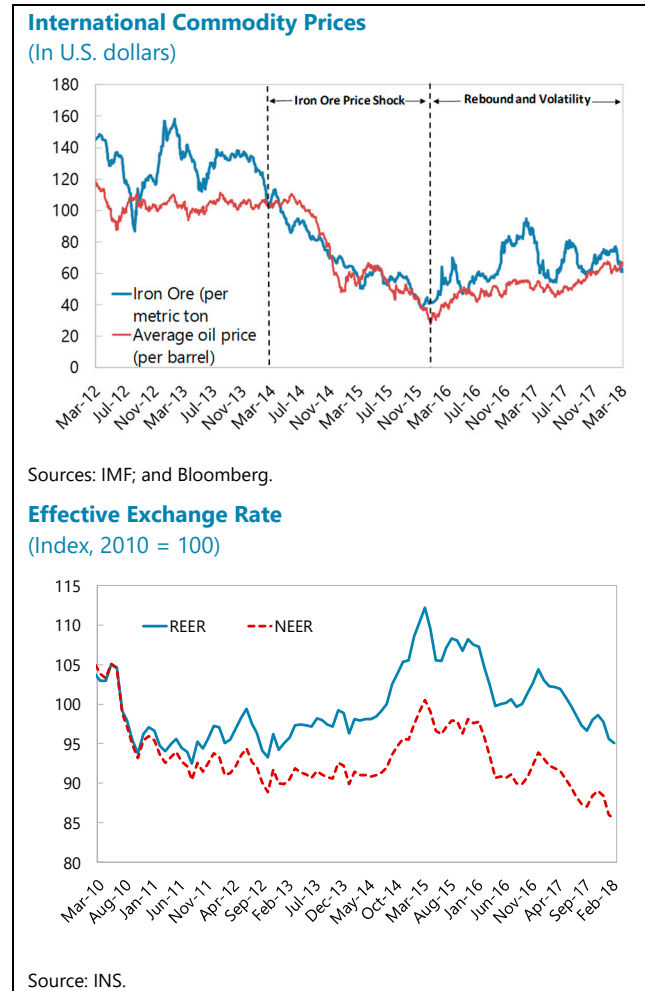
<sup>1</sup> Excluding a passive debt in arrears to Kuwait, see footnote 11. The end-2017 external debt ratio is higher than the expected 68½ percent of GDP at the time of the program request due to downward revisions in GDP over the past three years (due mainly to revisions in data and estimates of GDP deflators, themselves largely a function of commodity prices) and developments in the U.S. dollar/euro exchange rate which raised nominal external debt.



**3. Sustained global metals prices and higher fishing exports supported the balance of payments.** Iron ore prices, despite considerable volatility, averaged around US\$71 per ton in 2017—still less than half of the price of US\$145 in 2010–13 but up from the US\$57 in 2015–16. As a result—and aided by a strong fishing season—exports grew by 22 percent and the current account deficit (excluding FDI-financed capital imports) narrowed to 8 percent of GDP. Reserves rose to US\$849 million (5.1 months of non-extractive imports) at end-December. WEO projects iron ore prices to remain steady at US\$71 per ton on average over the next two years. While the dollar exchange rate remained broadly stable over 2017, the euro exchange rate depreciated by 11½ percent, which resulted in a real effective exchange rate depreciation of about 2 percent on average in 2017.

**4. The currency reform that took effect on January 1 created some short-term disruption but has been largely completed by now.** The Central Bank of Mauritania (BCM) redenominated the currency by replacing the old ouguiya (MRO) with a new one (MRU) at a rate of 10:1, and introduced new bills and coins. The reform aimed at facilitating commerce, reducing cash issuance and transaction costs, and preventing counterfeiting. Fear of a covert devaluation caused a bout of foreign exchange (FX) speculation, which raised the parallel market premium and caused a spike in FX demand on the official market; this prompted the central bank to temporarily increase its interventions (by about 50 percent) to support the currency. Price increases were reported for several basic commodities, and the consumer price index for food items rose by 1.6 percent in Q1 2018. Nevertheless, as of end-March, over 90 percent of the nominal value of the currency was already exchanged.

**5. The outlook has improved along with the sustained recovery in global growth and robust demand for commodities, despite signs of a drought and higher oil import prices.** Growth prospects are promising—supported by higher metals prices, FDI in the extractive sector, and growth-enhancing public investment. However, last year’s pluvial deficit across the Sahel could put pressure on livestock and agricultural livelihoods and on vulnerable populations in rural areas despite recent expansion of irrigated agricultural areas, thereby triggering additional budgetary spending for emergency relief. Higher-than-projected international oil prices this year will weigh on



the balance of payments and the budget—as higher oil import prices will reduce the positive differential with the fixed retail price.

**6. The political context is dominated by upcoming municipal and parliamentary elections in the second half of the year and presidential elections in mid-2019.** The sitting president's second term—the maximum allowed under the constitution—ends in 2019.

**7. Regional security risks in the Sahel remain a major concern and military spending is likely to rise.** While Mauritania has been shielded from security incidents that have occurred elsewhere in the region, it remains exposed to security threats from militant groups operating along its border with Mali, where it also hosts a number of refugees. Mauritania's participation in the G5-Sahel military deployment along with other countries will be increasingly costly, despite expected foreign financing for the force.<sup>2</sup>

**8. Risks are significant due to high vulnerabilities but remain balanced on account of medium-term upside opportunities.** On the upside, the likely development of the off-shore gas field could be a game-changer starting in 2021, with government revenue possibly rising by 1½–7 percent of GDP annually, depending on conditions and gas prices. The sharing agreement between Mauritania and Senegal signed in early February was a major step forward, and exploration is proceeding apace with a final investment decision from the consortium led by British Petroleum expected by year-end.<sup>3</sup> Other major oil companies have also launched off-shore exploration. On the downside, the upcoming elections in 2018–19 could trigger social unrest in case of a contested political transition, thereby affecting economic activity and hampering reform implementation. Moreover, if there is no significant progress on governance, corruption, and the business environment—which continue to be perceived as in need of improvement despite considerable progress in the Doing Business surveys over the past few years—private sector confidence and foreign investment could be affected (Figure 6). Spending pressures may arise from unforeseen costs of hosting the African Union summit in July 2018. More generally, the economy remains highly vulnerable to lower metal prices, inclement weather, and regional security developments. The latest Debt Sustainability Analysis in November 2017 (IMF Country Report No. 17/369) pointed to a high risk of debt distress.

## PROGRAM PERFORMANCE

**9. The authorities have made good progress under the program, and the three-year Extended Credit Facility (ECF) arrangement approved on December 6, 2017 is on track.** All end-December 2017 performance criteria (PCs) and eight of the ten structural benchmarks (SB) for December 2017–March 2018 were met, while the remaining two SBs were implemented with a one-month delay (MEFP Tables 1–2). However, the indicative target on social spending for end-

<sup>2</sup> Defense spending was about 3 percent of GDP in 2017 (11 percent of total spending).

<sup>3</sup> The possible impact of this project is not included in macroeconomic projections, pending a final investment decision from the consortium.

December was missed by a small margin (0.2 percent of the target) due to under-execution of the budget in some social sectors. Preliminary budget data for Q1 2018 suggest that the fiscal indicative target for March 2018 was met. However, implementation of the end-April 2018 SB (regarding a new agreement on the repayment of the government's liabilities to the BCM) was delayed to end-June due to coordination issues between the two institutions. Looking ahead, quantitative targets for 2018 appear to be within reach, and structural conditionality is on track, although short delays in finalizing the banking law and the central bank's statute (SBs for end-June 2018) are possible due to the need to incorporate recommendations from Fund technical assistance (TA) and the recently completed safeguards mission.

## PROGRAM POLICY DISCUSSIONS

**10. Discussions took place against the backdrop of a more favorable outlook for commodity prices on one hand, but adverse oil price developments and some spending pressures on the other.** Overall, fiscal and reserves projections are more favorable than at the program request (Figure 1).<sup>4</sup> The authorities reiterated their strong commitment to the program.

### A. Fiscal Policy

**11. The 2017 budget outturn was in line with program objectives.** The primary balance surplus at 0.3 percent of NEGDP (excluding grants) was slightly higher than the 0.2 percent expected, with somewhat higher non-extractive tax revenues almost fully compensating for lower nontax and extractive revenues. Primary spending was lower than projected—notably with respect to foreign-financed capital expenditure due to capacity constraints. Interest payments as well as grants were both higher by 0.3 percent of NEGDP.

**12. Updated 2018 budget projections indicate that the fiscal program is on track.** Extractive revenues were boosted by windfall receipts from new exploration license fees early in the year (1.6 percent of GDP);<sup>5</sup> this will compensate for the revenue shortfall resulting from higher projected global oil prices, which will reduce the positive differential between administered retail and import prices (-0.5 percent of GDP). On the expenditure side, pressures could come from an increase in emergency support programs following the drought in much of the Sahel last year, greater security expenses related to the Sahel G5 initiative, and the cost of hosting the African Union summit in July 2018. At the same time, delays in the advancement of externally financed projects can be expected. These effects are likely to broadly balance out.

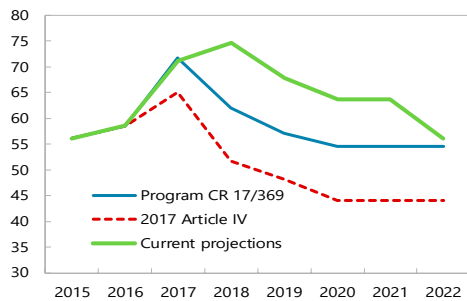
<sup>4</sup> However, ratios to GDP are higher than in the program request mainly because of lower estimated nominal GDP, see footnote 1.

<sup>5</sup> A program adjustor with respect to the fiscal balance PC ensures that at least half of the positive extractive revenue surprises are saved; the adjustor operates symmetrically, allowing some cushion in case of negative shocks to extractive revenues.

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

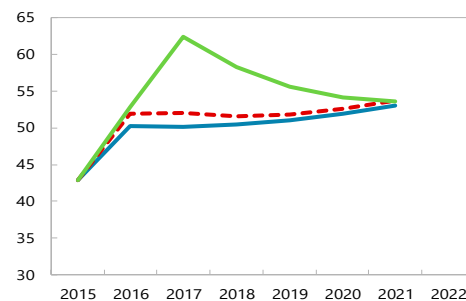
**Iron Ore Price**

(In U.S. dollars per metric ton)



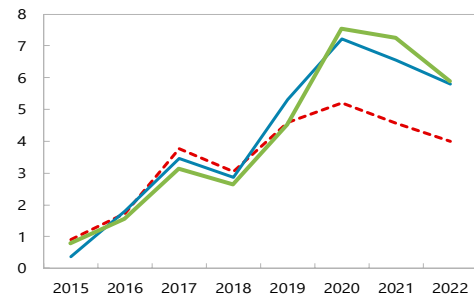
**Oil Prices**

(In U.S. dollars per barrel)



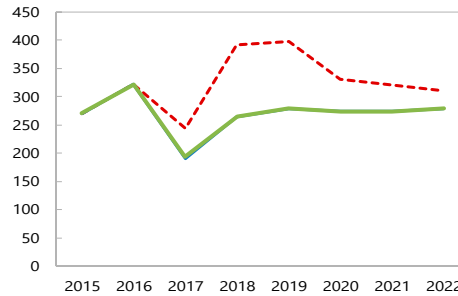
**Real GDP Growth**

(In percent)



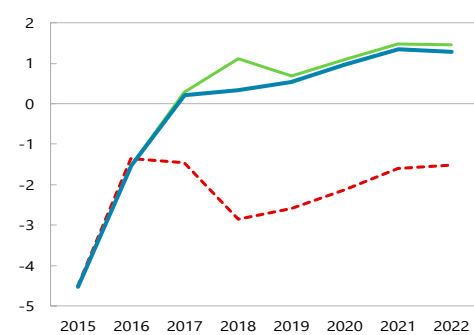
**External Borrowing**

(In millions of U.S. dollars)



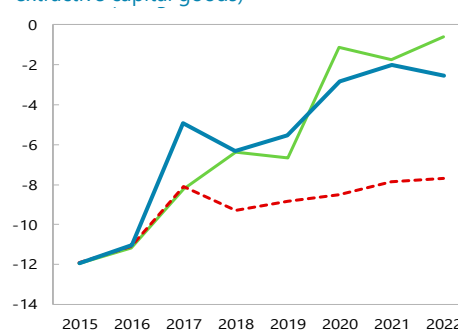
**Primary Balance Excl. Grants**

(In percent of GDP)



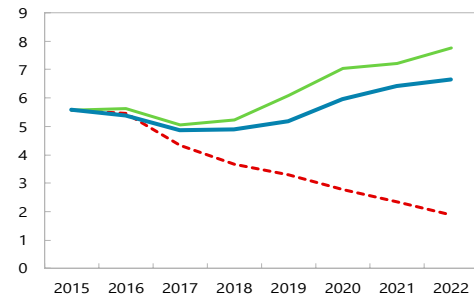
**Current Account**

(In percent of GDP, excl. FDI-financed imports of extractive capital goods)



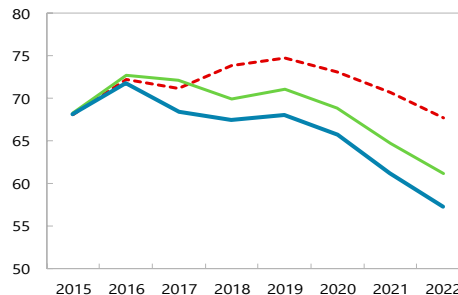
**Official Foreign Exchange Reserves**

(In months of prospective non-extractive imports)



**External Debt**

(Excl. Kuwaiti debt, in percent of GDP)



Sources: Mauritanian authorities; and IMF estimates and projections.

**13. The authorities reaffirmed their commitment to taking all measures necessary to achieve program targets and to continue with a prudent borrowing policy.** This included saving at least half of the extractive revenue surprises as per the program and continuing to control current and capital spending. There was broad agreement to continue with a prudent borrowing strategy, despite the large public infrastructure and development needs, to maintain debt sustainability and set the external public debt-to-GDP ratio (still high at 72 percent) on a clear downward trajectory. In particular, the authorities assured that they would avoid new non-concessional borrowing (except for the project agreed under the program); and so far, they have not decided whether to sign any major new loan, and hence the 2018 borrowing plan is still under review. They are also seeking to strengthen project and debt management; a decree to reactivate the National Public Debt Committee (CNDP) was issued in early May (SB for March 2018); and a coordination protocol between the CNDP and the Committee responsible for public investment project analysis and selection (CAPIP) setting out their respective responsibilities in project selection was signed in early May (SB for March 2018).

**14. The authorities and staff agreed on the need to design soon a robust fiscal framework to manage the possibly large prospective receipts from the offshore gas development.** The World Bank is advising both Senegal and Mauritania in this area. The framework should support decision-making on (i) the choices for the use of revenues—investment vs. recurrent spending vs. saving; (ii) the selection of investment projects; (iii) options for managing volatility; and (iv) the appropriate macroeconomic policy mix.

## B. Monetary and Exchange Rate Policies

**15. Liquidity conditions improved as broad money rose by 18 percent y-o-y in January 2018 on account of higher short-term deposits due to the currency reform.** This sharp rise, the highest since 2012, was due to an influx of demand deposits into the banking system owing to the mandatory use of a bank account for exchanging large amounts of old currency into the new one. In contrast, reserve money growth remained moderate at 9 percent. In parallel, private sector credit growth accelerated to 10 percent, suggesting supportive conditions for economic growth. It remains to be seen, however, whether this monetary expansion proves temporary or not, as the reform of the currency is completed and demand for cash—a traditional means of saving—returns to past levels.

**16. The reform of the bidding process in the official FX market, implemented in December, was a first step toward a more competitive price formation and improved access to the market.** However, exchange rate policy over the past few months was complicated by (i) the reform of the currency, which led to considerable speculation and required sizable FX intervention to prevent overshooting; and (ii) the depreciation of the U.S. dollar relative to the euro. So far, the authorities have continued to target *de facto* a stable dollar exchange rate by supplying considerable FX during the auctions, which led the euro exchange rate to depreciate significantly by about 11½ percent in 2017 and put upward pressure on import prices. Staff called for using the

opportunity of the relatively favorable global environment to build FX reserve buffers by limiting FX interventions and allowing greater exchange rate flexibility as market conditions permit.

**17. Staff recommended using both existing and newly introduced monetary policy instruments to address liquidity conditions.** As part of the program, in November the BCM introduced monthly (instead of daily) averaging of banks' reserve requirements to give banks more flexibility in managing their liquidity. Moreover, liquidity conditions eased along with higher deposits and bank reserves, but this may be temporary and a much more active monetary policy is needed. While new monetary policy instruments were introduced at end-December under the program, they are not used because of the high central bank policy interest rate, which at 9 percent has not been changed since 2009 and is now highly restrictive with inflation running at about 2½ percent.<sup>6</sup> The rate is also widely out of line with the T-bill rate, which is about 3 percent.<sup>7</sup> To make the policy rate effective as a monetary policy tool and encourage banks' use of the new monetary policy instruments, staff advised small, gradual reductions in the policy rate, while monitoring possible effects on the exchange rate and inflation.<sup>8</sup> The authorities reiterated their intention to implement a more active monetary policy by targeting monetary aggregates to meet their price stability objective and looked forward to possible Fund TA given capacity constraints.

**18. The central bank and the ministry of finance have yet to agree on a new memorandum of understanding to recapitalize the BCM through gradual repayment of the government's liabilities to the BCM.** The agreement, which is essential to strengthen the central bank's income, balance sheet, and autonomy and to support monetary policy operations, is now expected to be submitted to parliament by end-June 2018 (a delay in meeting the SB initially planned for end-April 2018).

## C. Financial Sector Policies

**19. The authorities and staff agreed on the need to continue to strengthen the regulatory framework and supervisory practices to address banking sector vulnerabilities.** Vulnerabilities stem from sizable NPLs and low profitability (Figure 5 and Table 5) exacerbated by tight liquidity and high credit risks due to loan concentration. Preliminary bank soundness indicators suggest, however, a drop in the aggregate NPL ratio from 25.5 percent in 2016 to 22.4 percent in 2017, which likely results mainly from the transfer of fully provisioned NPLs out of banks' balance sheets. Provisioning rose to cover 71 percent of NPLs in 2017. In the context of pressures on correspondent banking relationships (CBRs), with a potential adverse effect on trade and remittances, staff encouraged the authorities to address the long-standing shortcomings of the AML/CFT framework.

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<sup>6</sup> The policy rate affects, for example, the interest rate on the central bank's refinancing facility, which is not actively used.

<sup>7</sup> Staff recommended modernizing the issuance of T-bills, as per IMF technical assistance.

<sup>8</sup> The new collateral framework for monetary policy operations, introduced in March 2018 (SB), is also expected to help activate the new instruments.

**20. Recent measures taken under the program are expected to strengthen capital requirements, improve emergency liquidity management, and improve asset quality (I138–42).**

The BCM upgraded its regulations on banks' capital and on capital adequacy to align with Basel III principles, including by introducing new capital buffers. It raised the minimum capital requirement for banks (doubling over two years), which will strengthen banks' balance sheets and is expected to encourage mergers. The BCM established an emergency liquidity facility for banks in line with IMF technical assistance; the facility will be operationalized over the next few months as the central bank agrees with each bank on the eligible collateral. The authorities also submitted to parliament a new law facilitating loan recovery and enforcement of collateral by banks. They agreed to revise the draft banking law and central bank statute, notably to incorporate the recommendations of Fund TA and of the safeguards assessment mission.

**21. The BCM continues to strengthen its banking supervision capacity.** With Fund technical assistance, it is developing risk-based supervision based on comprehensive assessments of banks' risks, including concentration risks, and stronger on-site inspections. Greater resources will need to be devoted, however, to successfully strengthen bank supervision.

## **D. Social and Development Policies, Governance, and Business Climate**

**22. The authorities finalized a new national development strategy covering 2016–30, with economic diversification and inclusive growth at its core.**<sup>9</sup> The strategy, prepared with input from the World Bank and other development partners, was adopted by the council of ministers in January 2018 and by parliament in April and has been published. It comprises three pillars, namely (i) promoting higher, sustainable, and more inclusive growth and job creation (through promotion of higher value-added agriculture, pastoral, and fishing activities, improving infrastructure, and improving the business climate for the private sector); (ii) developing human capital and improving access to basic social services; and (iii) strengthening governance. The strategy is being implemented through five-year plans, the first of which covers 2016–20, during which the authorities will focus on macroeconomic stability, public infrastructure, and structural reforms to improve the business environment.

**23. Staff welcomed the new development strategy, which focuses appropriately on human capital, the business climate, and governance needed to foster economic transformation.** It encouraged the authorities to initiate reforms rapidly and in close coordination with the private sector. The strategy provides the basis for the Economic Development Document (EDD) which highlights the key objectives of the national development strategy and proposed reforms to achieve them. The IMF-supported program is closely aligned with the authorities' development strategy, reflecting staff's longstanding engagement during the strategy's elaboration over the past two years. Successful implementation of the strategy will depend on the authorities advancing key reforms, prioritizing programs and projects that seek to share the benefits of improved economic growth, achieving "quick wins," curtailing possible vested interests, and establishing a strong

<sup>9</sup> See IMF Country Report No. 17/324, Box 1.

monitoring and evaluation system underpinned by quality and timely data to assess program in implementation. In particular, implementation risks associated with the projects (including contingent liabilities from the planned public-private partnership program and debt sustainability risks) will need to be closely monitored and mitigated. Moreover, the strategy relies on large but yet unidentified financing, which will need to be prioritized and raised in a sustainable way.

**24. Staff called for increasing social spending, notably on education, healthcare, and social protection in line with the relevant indicative targets under the program and within a sustainable spending envelope.** Creating fiscal space through greater domestic revenue mobilization will help, as will tight execution of nonpriority spending. The authorities are advancing with the rollout of the social registry of vulnerable households, with support from the World Bank, and on that basis, will gradually expand targeted, conditional cash transfers throughout the country.

**25. The authorities are implementing their annual business environment reform plan.** To address the shortcomings identified in the latest Doing Business survey, key measures include simplifying property registration and construction permits, improving access to credit and to electricity, and facilitating the settlement of small commercial disputes (¶146).

**26. The authorities are keen to strengthen their governance framework and anti-corruption institutions in line with their national development strategy (¶48–51).** The public procurement framework was strengthened in 2017, with World Bank support. Moreover, the new organic budget law, adopted by parliament earlier this month, is expected to strengthen governance in public financial management (¶149). The authorities plan to intensify the fight against corruption along the lines of their strategy anti-corruption covering 2016–20 (¶150), including by strengthening the implementation by the judiciary of the mandatory asset declaration regime for public officials and stepping up the activities of auditing and control institutions (¶151).

## E. Other Program Issues

**27. New PCs are proposed for end-December 2018 in line with the original indicative targets (MEFP Table 1).** New indicative targets are also proposed for end-March 2019 consistent with the revised program projections. The starting level of net international reserves (NIR) for end-June 2017 was revised downward following discussions between the BCM and the safeguards assessment mission in March 2018 regarding the treatment of non-monetary gold and the classification of certain short-term foreign liabilities which were found to encumber foreign assets; however, this revision had a minimal impact on the reporting of the change in NIR under the program (PC); the TMU was adjusted to clarify the definition of NIR.<sup>10</sup> The program for 2018 is fully financed, with grants expected mainly from the EU and the World Bank. Staff urged the authorities to set up promptly the anticipated technical committee to monitor the program.

<sup>10</sup> Three adjustors were also clarified in the TMU. Overall, the changes in the definition of NIR and of the adjustors would not have affected observance of the PCs at end-December 2017.



**28. A recent safeguards assessment of the BCM found continuing capacity challenges and elevated safeguards risks in key areas, as progress in implementing the 2010 safeguards recommendations was limited.** The assessment was conducted in March 2018 and is now substantially completed. It finds that the main risks relate to vulnerabilities in the BCM's legal framework that do not safeguard its institutional and financial autonomy, governance and oversight arrangements, and financial reporting practices which fall short of international standards. In addition, the financial autonomy of the central bank is strained by a large government debt (31 percent of total assets) that was consolidated in 2013 but not serviced; controls over the reporting of program data also need strengthening. To address some of these risks, a number of SBs under the program correspond to key safeguards recommendations; these include amendments to the new BCM statute (SB for June 2018), a framework for emergency liquidity assistance (SB for March 2018), a new convention to consolidate the government's debt along with a repayment schedule (SB for April 2018), and an updated IFRS gap analysis on the BCM's 2017 accounts (SB for December 2018) as a first step toward full transition to IFRS.

**29. Staff underscored the importance for the authorities to continue best efforts to resolve the debt in arrears with Kuwait.**<sup>11</sup> The authorities assured staff of their best efforts to seek debt relief on terms at least comparable to, or better than, those granted under the 2002 HIPC Initiative completion point. They reported renewed talks between the relevant parties.

**30. Mauritania continues to have adequate capacity to repay the Fund.** Credit outstanding to the Fund would peak at SDR 134 million in 2020 (15 percent of gross international reserves, or 3.5 percent of GDP) while debt service to the Fund would remain manageable, peaking at 1.3 percent of exports (Table 7).

## STAFF APPRAISAL

**31. Macroeconomic conditions are improving as expected along with sizable policy adjustment and favorable commodity price developments.** The economy is recovering, with growth estimated at 3½ percent in 2017 and projected at 3 percent in 2018—with the slight slowdown due to the delayed impact of last year's drought. Inflation, which was 2.3 percent on average in 2017, is projected to remain moderate at 2.7 percent this year. International reserves rose to US\$849 million at end-2017 (5.1 months of non-extractive sector imports) and should continue to do so this year. The primary budget balance excluding grants turned positive in 2017 at 0.3 percent of NEGDP, building on the consolidation efforts in 2016, and is expected to remain in positive territory this year. The current account deficit (excluding extractive sector capital imports) contracted from 11 percent of GDP in 2016 to 8 percent in 2017 as mining and fishing exports rebounded. Borrowing slowed, with external debt levelling at 72 percent of GDP.

<sup>11</sup> A passive debt in arrears, now estimated at 19 percent of GDP, is owed to the Kuwait Investment Authority since the 1970s. The authorities are seeking debt relief from Kuwait, but no agreement has been reached yet. Staff report tables show two debt stock figures, one including and one excluding it, for completeness.

**32. The outlook is favorable owing to sustained commodity prices and ongoing policy efforts, although considerable challenges remain to achieve high and inclusive growth.** Growth prospects are promising—supported by higher metals prices, FDI in the extractive sector, and growth-enhancing public investment. Nevertheless, vulnerabilities and risks remain high, and sustained reforms are needed to entrench macroeconomic stability; achieve strong and inclusive growth that creates employment and reduces poverty; and improve the business environment and economic governance. Moreover, the drought affecting most of the region may further dampen growth prospects this year. The government’s contribution to the G-5 Sahel joint counterterrorism force, which is being established, could rise.

**33. Against this favorable background, the program is on track and its implementation has been satisfactory.** All end-December 2017 PCs and eight of the ten SBs for December 2017–March 2018 were met; the remaining two were implemented with a one-month delay. The end-April SB regarding a new agreement on the repayment of the government’s liabilities to the BCM is now expected to be implemented with a delay by end-June; staff urges the authorities to complete this action expeditiously given its importance for strengthening the central bank’s income, balance sheet, and autonomy and supporting monetary policy operations. The banking law and central bank statute (SBs for June 2018) are being reviewed to incorporate IMF staff comments.

**34. Quantitative targets for 2018 are within reach, and the authorities’ commitment to taking corrective actions to achieve them is welcome.** To preserve an adequate level of official reserves, the central bank should be prepared to reduce its FX interventions and instead allow greater flexibility of the exchange rate as needed to clear the market efficiently.

**35. The authorities should continue to press ahead with monetary, exchange rate, and financial sector reforms.** Such reforms are needed to improve the functioning of the official foreign exchange market, enhance the monetary policy toolkit, and ensure the soundness of the banking sector. The authorities are encouraged to incorporate staff recommendations in the draft banking law and central bank statute and to finalize them as soon as possible. Preventing pressures on CBRs requires strengthening the AML/CFT framework and its implementation.

**36. Staff welcomes the authorities’ commitment to sound fiscal policy and debt sustainability.** A projected budget shortfall resulting from higher projected oil prices is expected to be more than offset by windfall revenue from extractive industries, but the authorities are encouraged to monitor developments closely and to continue to tightly control current and capital spending. Moreover, the authorities should continue with a prudent borrowing policy, notably by avoiding non-concessional borrowing to ensure debt sustainability and by strengthening debt management. While the 2018 borrowing plan is still under review, the authorities should refrain from signing large infrastructure loans.

**37. In line with their national development strategy, the authorities are encouraged to gradually expand targeted social safety nets throughout the country and continue to improve the business environment.** They should increase social spending, notably on education, healthcare, and social protection, within a sustainable budget envelope, to raise social outcomes and human

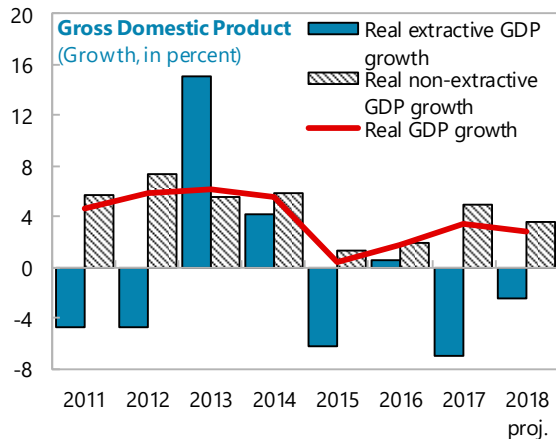
capital and reduce poverty, which remains a challenge. To this end, they are encouraged to create fiscal space by strengthening domestic revenue mobilization and prioritizing spending. The authorities' planned measures to improve the business environment, which will help bolster growth, are welcome and should be implemented steadfastly.

**38. Staff welcomes the authorities' commitment to improving governance and fighting corruption and stresses the need to strengthen implementation and enforcement.** The authorities have taken steps to strengthen public procurement practices and have prepared action plans to fight corruption in the context of their development strategy. Staff urges them to step up the implementation of those plans, enforce the mandatory asset declaration regime for public officials, and strengthen audit institutions.

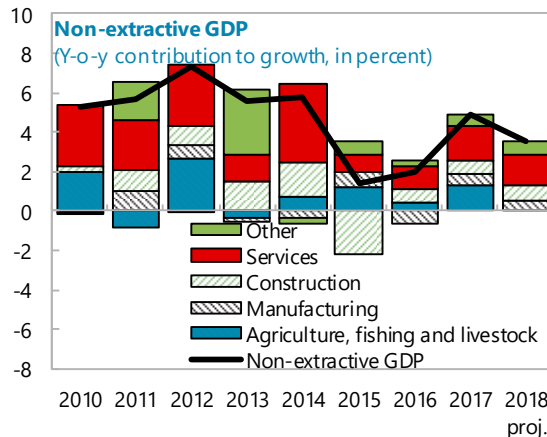
**39. Staff recommends completion of the first review under the ECF arrangement.** Program targets have been met, and the authorities are maintaining the course on policy and reform implementation. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. The capacity to repay the Fund is adequate, and risks to program implementation are manageable given the government's solid track record for policy implementation.

**Figure 2. Mauritania: Real Sector Developments, 2010–18**

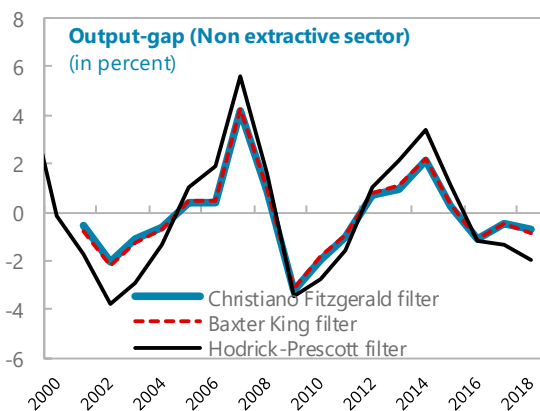
Growth is expected to continue on the back of non-extractive activities...



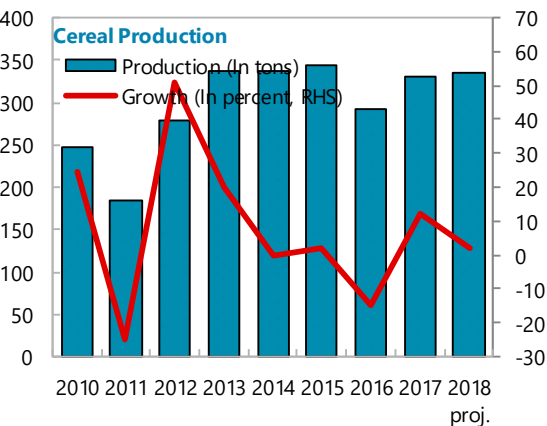
...driven mainly by services, construction, manufacturing, and fishing ...



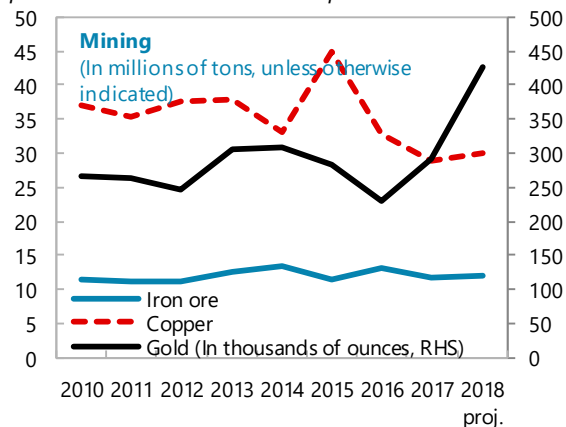
...but the output gap remains negative.



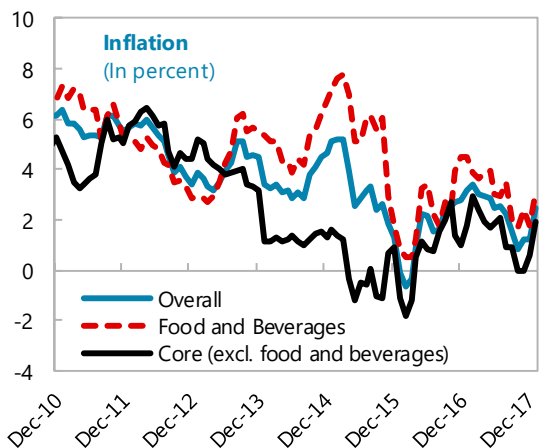
Cereal production increased slightly...



...while gold and copper have rebounded, iron ore production has been less than expected.



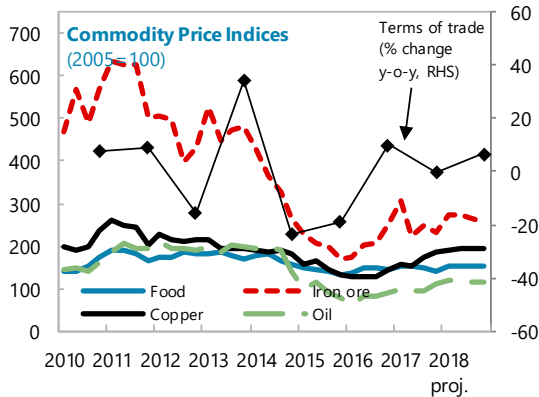
Inflation picked up at end-2017, after a period of deceleration.



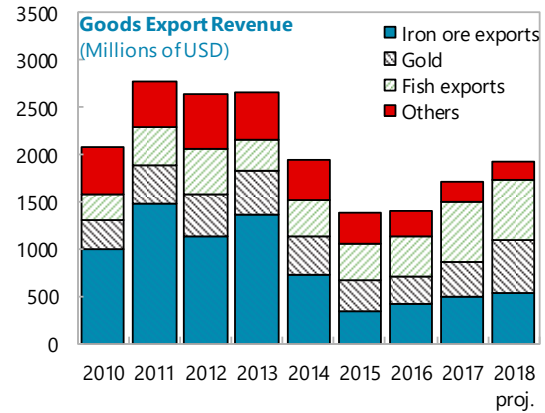
Sources: Mauritanian authorities; and IMF staff estimates.

**Figure 3. Mauritania: External Sector Developments, 2010–18**

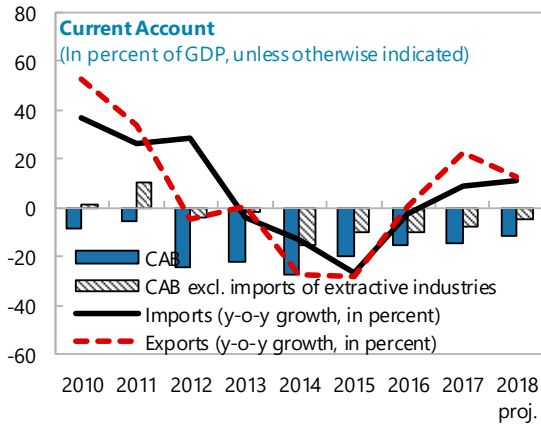
The terms of trade have improved for the second consecutive year ...



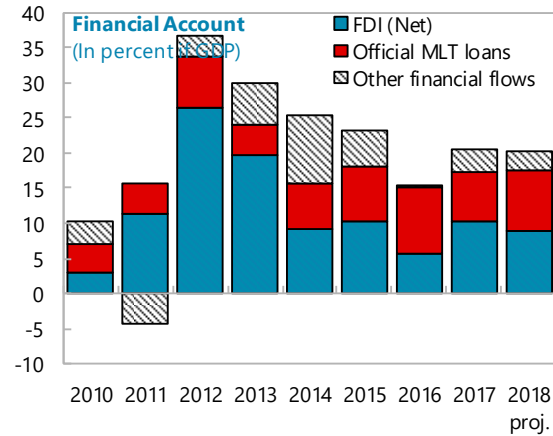
...and exports are rebounding...



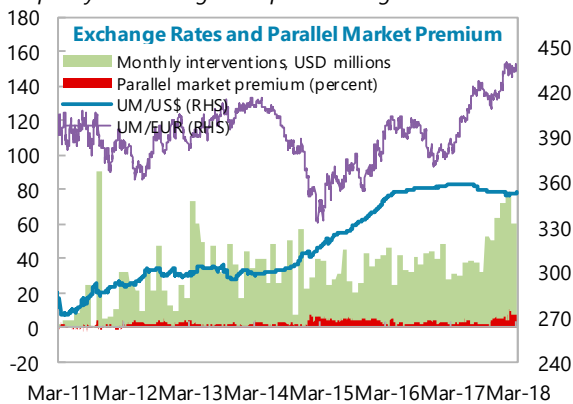
... narrowing the current account deficit...



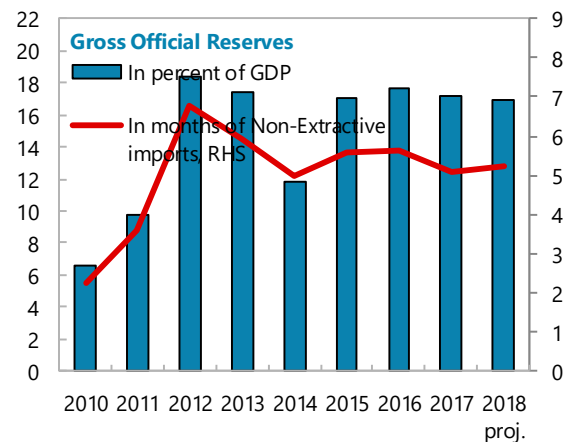
...while FDI increased, mostly in the extractive sector.



The exchange rate has stabilized against the dollar over the past year although it depreciated against the Euro ...



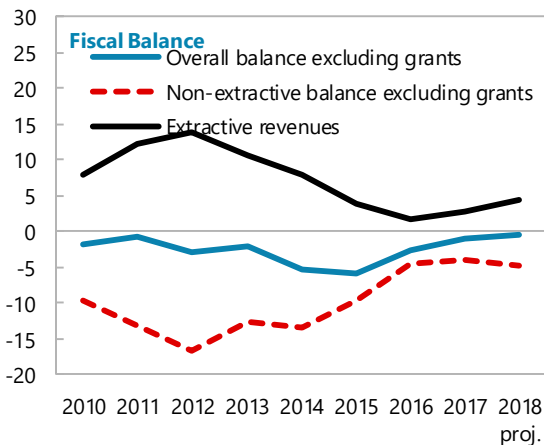
... while reserves remained broadly stable.



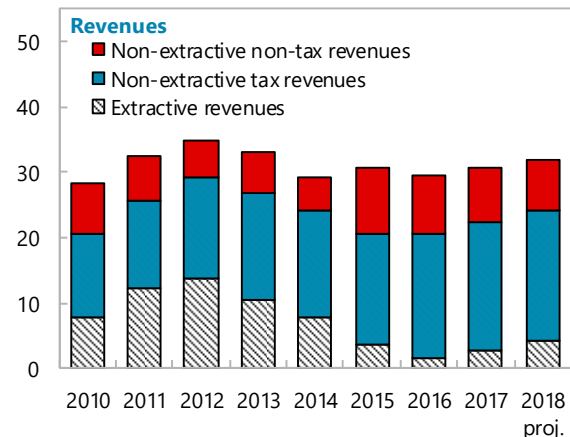
Sources: Mauritanian authorities; and IMF staff estimates.

**Figure 4. Mauritania: Fiscal Sector Developments, 2010–18**  
(Percent of non-extractive GDP, unless otherwise indicated)

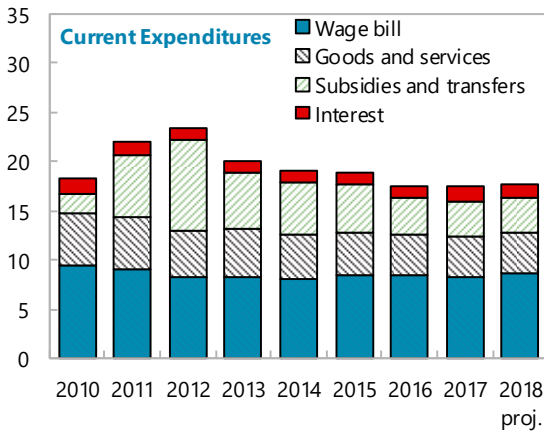
Consolidation efforts continued ...



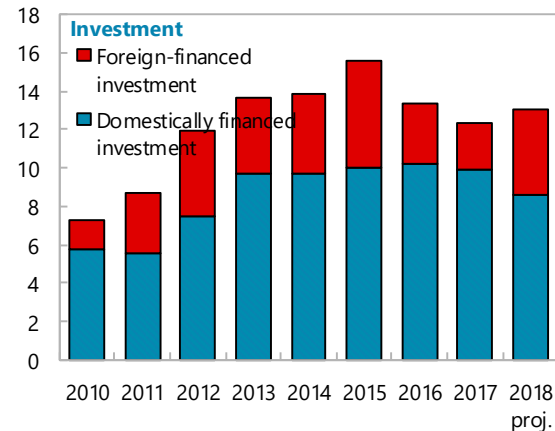
...supported by higher non-extractive tax revenues and a small pick-up in extractive revenues...



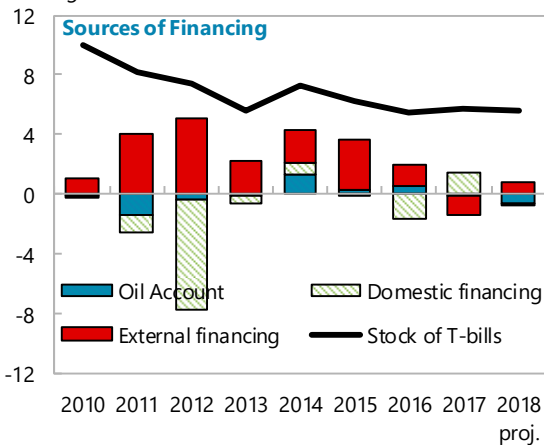
... as well as a restraint in current spending...



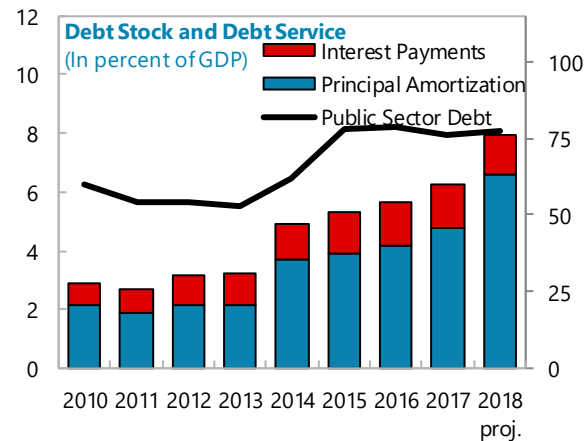
... and public investment.



The sizeable fiscal consolidation achieved has reduced financing needs...



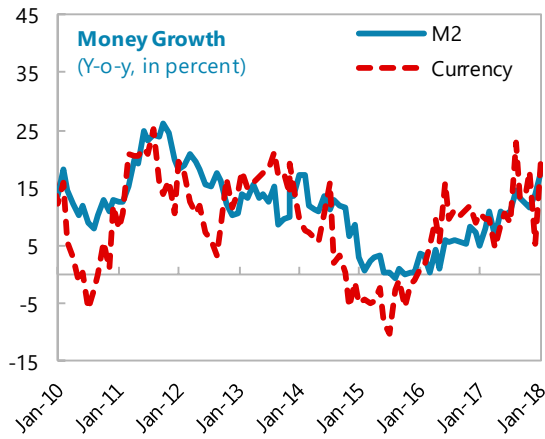
... and has stabilized public debt.



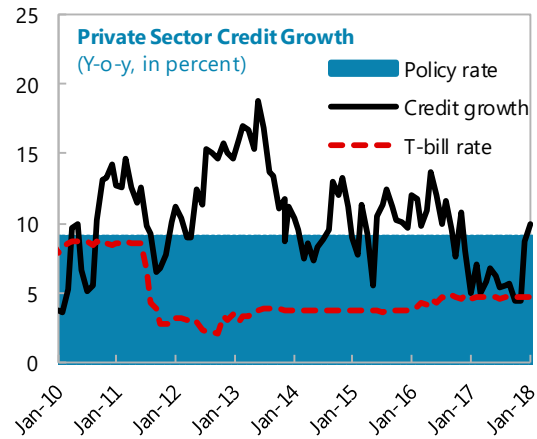
Sources: Mauritanian authorities; and IMF staff estimates.

**Figure 5. Mauritania: Monetary and Financial Sector Indicators, 2010–18**

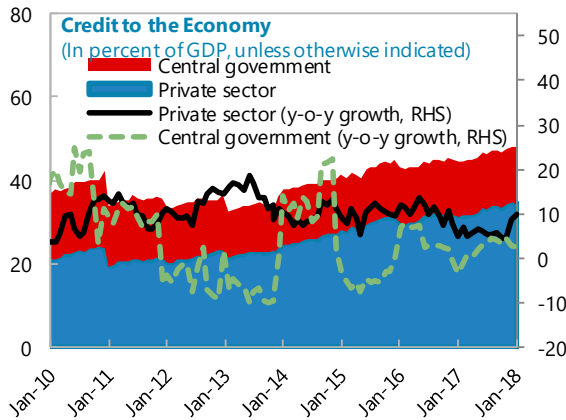
Broad money picked up in 2017....



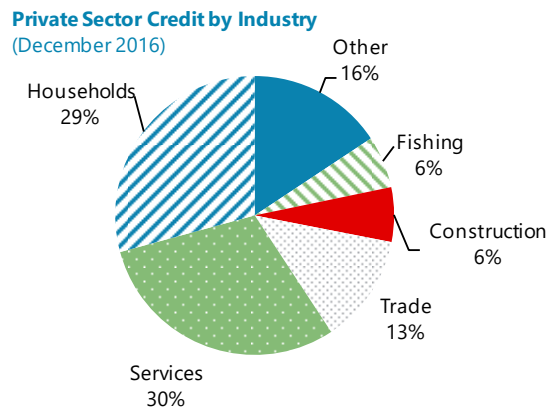
...but credit growth decelerated...



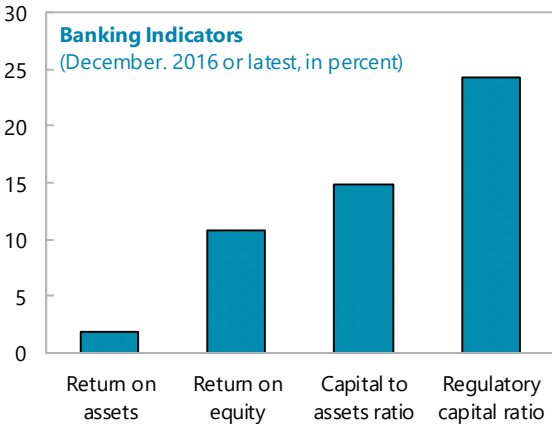
...while credit to the central government remained stable.



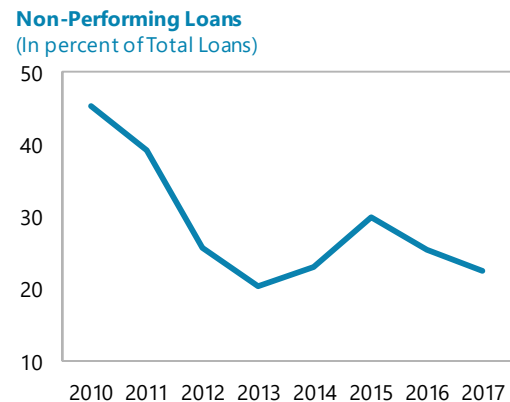
Household credit continues to represent a sizeable share of private sector credit.



While banks' capital levels remain adequate, their profitability remains weak, ....

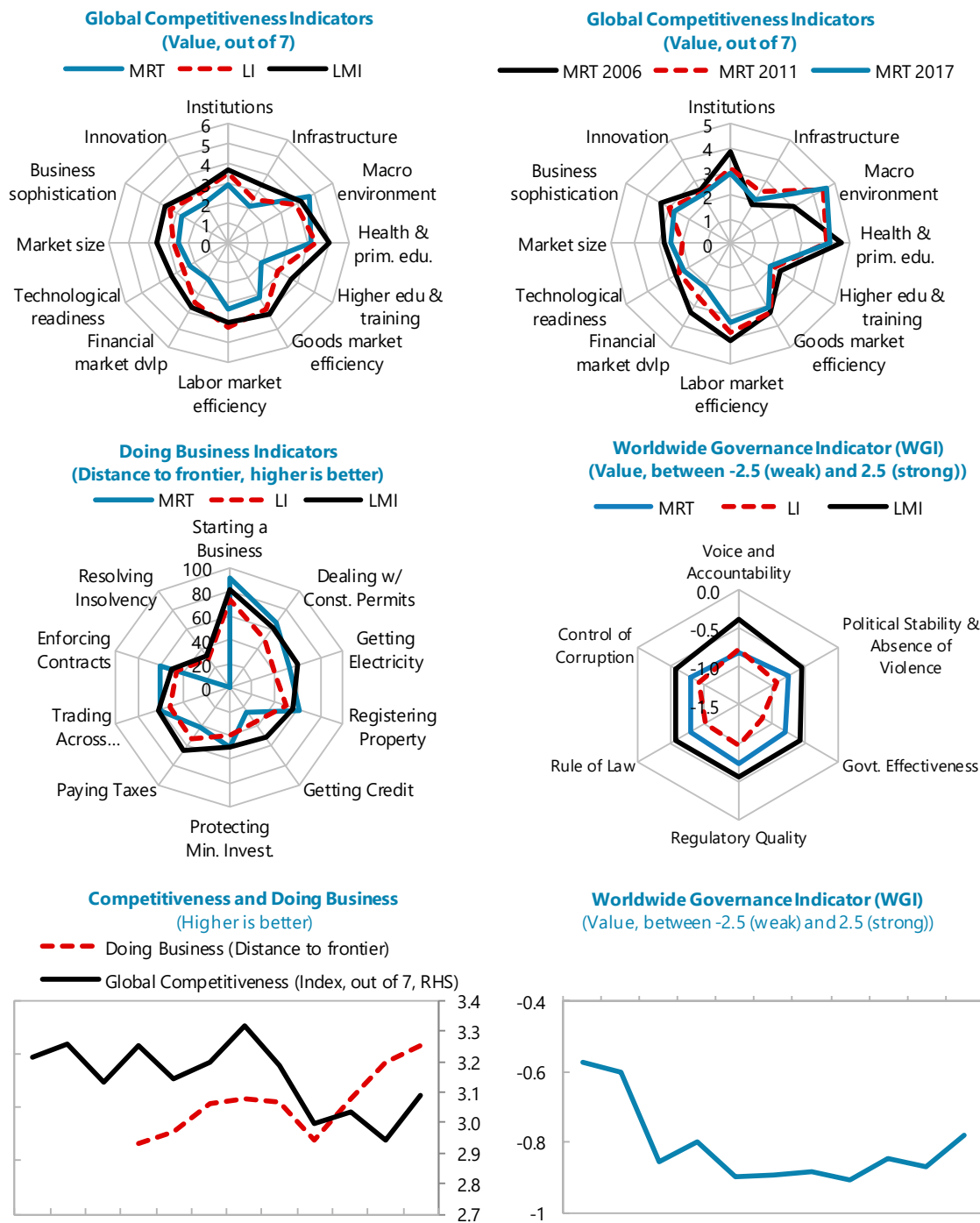


... and asset quality has been impacted by the economic slowdown.



Sources: Mauritanian authorities; and IMF staff estimates.

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



Sources: World Bank's Doing Business Report; World Economic Forum's Global Competitiveness Report; Worldwide Governance Indicators (WGI) by Daniel Kauffman (Natural Resource Governance Institute and Brookings Institution) and Aart Kraay (World Bank); and IMF staff calculations. Notes: MRT, LI, and LMI stand for Mauritania, Low-Income, and Lower-Middle Income countries, respectively. All estimates for the six WGI dimensions for Mauritania are statistically significant at 95 percent confidence interval. The WGI times series is an annual average of the six WGI dimensions. WGI data are perceptions-based.



**Table 1. Mauritania: Macroeconomic Framework, 2014–23**

Per capita GDP: US\$ 1,335 (2014)  
 Poverty rate: 31 percent (2014)  
 Population: 4 million (2014)

Quota: SDR 128.8 million  
 Main exports: Iron ore, fish, gold, copper  
 Key export markets: China, Europe

	2014	2015	2016	2017		2018		2019	2020	2021	2022	2023
				CR 17/369	Est.	CR 17/369	Proj.					
(Annual change in percent; unless otherwise indicated)												
<b>National accounts and prices</b>												
Real GDP	5.6	0.4	1.8	3.1	3.5	2.7	2.9	5.3	7.2	6.6	5.8	5.3
Real extractive GDP	4.2	-6.2	0.5	-4.4	-7.0	-5.6	-2.4	12.7	22.6	11.2	4.5	0.2
Real non-extractive GDP	5.8	1.4	2.0	4.2	4.9	3.7	3.5	4.5	5.3	5.9	6.0	6.0
Iron ore production (million tons)	13.3	11.6	13.3	12.0	11.8	12.0	12.0	14.0	15.6	15.6	17.0	17.0
GDP deflator	-9.2	-4.1	3.4	6.0	3.3	4.2	4.9	3.6	4.9	4.7	3.0	2.6
Nominal GDP	-4.1	-3.8	5.3	9.4	6.9	6.9	7.9	9.1	12.5	11.6	9.0	8.1
Consumer prices (period average)	3.8	0.5	1.5	2.5	2.3	3.7	2.7	4.8	4.7	4.4	4.4	4.4
Consumer prices (end of period)	5.0	-2.8	2.8	2.7	1.2	4.7	4.7	5.0	4.4	4.4	4.4	4.4
(In percent of GDP)												
<b>Savings and Investment</b>												
Gross investment	52.2	38.8	39.9	37.3	38.6	37.2	38.9	39.8	33.6	33.5	32.2	32.0
Gross national savings	25.0	19.0	24.8	26.5	24.2	25.9	27.2	28.5	29.6	29.8	29.8	29.2
Saving - Investment Balance	-27.2	-19.8	-15.1	-10.8	-14.4	-11.3	-11.6	-11.3	-4.0	-3.6	-2.4	-2.7
(In percent of nonextractive GDP; unless otherwise indicated)												
<b>Central government operations</b>												
Revenues and grants	29.4	32.6	31.7	31.2	31.7	31.0	32.7	32.0	32.2	32.9	33.3	33.7
Nonextractive	21.3	26.8	27.9	27.5	27.8	27.3	27.3	28.9	28.9	29.5	29.9	30.2
Taxes	16.1	16.8	18.7	19.0	19.6	19.2	19.8	20.3	20.8	21.1	21.4	21.6
Extractive	8.0	3.8	1.7	3.0	2.8	2.8	4.4	1.9	2.3	2.7	2.7	2.8
Grants	0.2	2.0	2.2	0.8	1.1	0.9	1.0	1.2	1.0	0.7	0.7	0.7
Expenditure and net lending	34.7	20.8	32.3	31.3	31.8	31.2	32.1	31.8	31.8	32.3	32.6	33.1
Current		20.6	19.0	18.5	19.3	18.2	18.9	18.8	18.9	18.8	19.0	19.3
Capital	13.9	15.6	13.3	12.7	12.4	12.7	13.0	13.0	12.9	13.5	13.6	13.8
Primary balance (excl. grants)	-4.3	-4.5	-1.5	0.2	0.3	0.3	1.1	0.7	1.1	1.5	1.5	1.3
Primary balance	-4.2	-2.5	0.6	1.0	1.4	1.3	2.1	1.9	2.1	2.2	2.2	2.0
Overall balance (in percent of GDP)	-4.5	-3.4	-0.5	-0.1	0.0	-0.2	0.5	0.1	0.4	0.5	0.6	0.5
Public sector debt (in percent of GDP)	80.4	98.6	100.0	92.3	96.5	93.1	96.9	96.5	92.5	84.9	79.7	76.4
Public sector debt (in percent of GDP) 1/	61.9	78.0	78.8	72.9	76.4	74.4	77.1	77.7	74.7	68.2	64.0	61.6
(Annual change in percent; unless otherwise indicated)												
<b>Money</b>												
Broad money	8.6	0.4	7.1	12.6	13.7	9.2	8.4	11.0	12.4	11.7	11.9	11.4
Credit to the private sector	11.3	9.7	8.1	8.1	8.9	7.9	6.9	9.2	9.6	11.8	12.7	11.9
<b>External sector</b>												
Exports of goods, f.o.b.	-27.0	-28.3	0.9	26.6	22.4	3.1	12.7	7.8	18.2	10.5	4.6	3.0
Imports of goods, f.o.b.	-13.1	-26.4	-2.5	4.6	8.9	5.6	11.1	5.1	-7.1	3.3	2.3	3.6
Terms of trade	-23.4	-18.7	7.5	9.8	9.9	-3.9	6.9	2.4	4.1	5.0	4.4	4.7
Real effective exchange rate	3.0	7.8	-5.8	...	-2.1	...	...	...	...	...	...	...
Current account balance (in percent of GDP)	-27.3	-19.8	-15.1	-10.8	-14.4	-11.3	-11.6	-11.3	-4.0	-3.6	-2.4	-2.7
Excl. FDI-financed imports of extractive capital	-19.5	-11.9	-11.2	-4.9	-8.2	-6.3	-6.4	-6.7	-1.1	-1.7	-0.6	-1.1
Gross official reserves (in millions of US\$, eop) 2/	639.1	822.8	824.4	805.6	849.0	820.6	881.3	1,080.0	1,324.9	1,420.9	1,601.0	1,793.9
In months of prospective non-extractive imports	5.0	5.6	5.6	4.9	5.1	4.9	5.2	6.1	7.0	7.2	7.8	8.6
External public debt (in millions of US\$)	3,856.0	4,291.8	4,398.8	4,498.0	4,557.3	4,586.7	4,624.0	4,757.5	4,829.1	4,842.6	4,874.2	4,971.2
In percent of GDP	71.5	88.8	93.9	87.8	92.3	86.1	89.0	89.8	86.7	81.5	76.9	74.1
External public debt (in millions of US\$) 1/	2,858.8	3,297.9	3,405.7	3,504.9	3,562.9	3,593.7	3,629.6	3,763.1	3,834.8	3,848.2	3,879.9	3,976.8
In percent of GDP	53.0	68.3	72.7	68.4	72.2	67.5	69.9	71.1	68.9	64.7	61.2	59.3
<b>Memorandum items:</b>												
Nominal GDP (in billions of MRO)	1,626.5	1,565.1	1,647.3	1,829.4	1,760.7	1,956.1	1,900.0	2,073.2	2,331.7	2,601.3	2,835.1	3,063.5
Nominal non-extractive GDP (in billions of MRO)	1,381.0	1,413.3	1,453.9	1,572.6	1,554.7	1,697.6	1,657.8	1,795.2	1,950.9	2,123.3	2,313.2	2,506.2
Nominal GDP (in millions of US\$)	5,391.5	4,832.1	4,686.0	5,124.9	4,937.5	5,324.5	5,193.5	5,296.0	5,566.8	5,943.4	6,341.6	6,708.4
Nominal GDP (annual change in percent)	-5.8	-10.4	-3.0	7.7	5.4	3.9	5.2	2.0	5.1	6.8	6.7	5.8
Exchange rate (MRO/US\$)	301.7	323.9	351.5	...	356.6	...	...	...	...	...	...	...
Price of oil (US\$/barrel)	96.2	50.8	42.8	50.3	52.8	50.2	62.3	58.2	55.6	54.1	53.6	53.6
Price of iron ore (US\$/Ton)	97.4	56.1	58.6	71.7	71.1	62.0	74.6	67.8	63.7	63.7	63.7	63.7
Price of gold (US\$/Ounce)	1,266.2	1,160.1	1,248.3	1,253.7	1,257.1	1,291.4	1,340.3	1,374.5	1,420.8	1,460.3	1,500.5	1,542.1
Price of copper (US\$/Ton)	6,863.4	5,510.5	4,867.9	6,030.2	6,169.9	6,429.9	7,131.7	7,228.0	7,242.0	7,237.3	7,232.0	7,232.0

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, 2014–23**  
(In millions of U.S. dollars, unless otherwise indicated)

	2014	2015	2016	2017		2018	2019	2020	2021	2022	2023
				CR 17/369	Est.						
Current account balance	-1,470.7	-956.1	-706.8	-554.9	-710.7	-604.0	-598.5	-220.0	-216.2	-150.7	-183.7
Excl. FDI-financed imports of extractive capital goods	-1,052.6	-577.3	-524.2	-253.2	-405.1	-331.0	-353.5	-62.5	-103.7	-38.2	-71.2
Trade balance	-710.9	-559.4	-499.4	-214.8	-354.2	-365.8	-332.0	218.1	400.5	471.7	470.6
Exports, fob	1,935.4	1,388.6	1,400.7	1,773.0	1,714.3	1,931.3	2,081.1	2,459.3	2,716.6	2,842.1	2,927.0
<i>Of which</i> : Iron ore	730.7	340.0	418.3	550.0	495.6	536.2	568.5	595.1	595.1	648.5	648.5
Crude oil	194.8	73.1	87.0	68.9	65.5	0.0	0.0	0.0	0.0	0.0	0.0
Copper	165.8	195.1	138.2	155.2	139.5	168.5	173.7	181.2	113.1	113.0	113.0
Gold	407.4	333.6	288.5	352.2	369.8	554.6	627.5	926.9	1,209.6	1,242.9	1,277.4
Fish	377.5	388.9	421.3	579.7	624.8	640.5	671.8	708.1	742.9	774.2	808.1
Imports, fob	-2,646.3	-1,948.0	-1,900.1	-1,987.8	-2,068.5	-2,297.1	-2,413.1	-2,241.3	-2,316.1	-2,370.3	-2,456.4
<i>Of which</i> : Food	-370.5	-395.3	-334.4	-359.3	-391.5	-412.6	-430.1	-435.3	-448.9	-472.9	-498.3
Petroleum	-595.9	-337.9	-355.3	-399.7	-444.9	-515.8	-489.2	-476.4	-471.0	-480.9	-501.4
Capital goods	-954.8	-640.0	-538.1	-582.7	-523.1	-622.0	-712.9	-445.3	-429.4	-451.8	-468.4
Services and income (net)	-873.5	-575.0	-452.0	-478.6	-539.6	-406.9	-443.6	-614.2	-783.8	-795.4	-829.5
Services (net)	-731.0	-394.6	-335.5	-464.7	-482.3	-421.8	-458.7	-555.4	-643.6	-659.0	-681.4
Credit	168.1	246.2	269.9	207.2	242.7	187.2	193.8	200.1	206.5	213.1	213.1
Debit	-899.1	-640.7	-605.4	-671.8	-724.9	-609.0	-652.5	-755.5	-850.1	-872.0	-894.5
Income (net)	-142.5	-180.5	-116.5	-13.9	-57.4	15.0	15.1	-58.8	-140.2	-136.5	-148.0
Credit	128.7	77.0	59.3	150.6	87.1	174.1	183.2	206.7	220.7	219.6	225.3
Debit	-271.1	-257.4	-175.8	-164.5	-144.5	-159.2	-168.1	-265.5	-360.9	-356.1	-373.4
Current transfers (net)	113.7	178.4	244.6	138.5	183.1	168.7	177.2	176.1	167.1	173.0	175.2
Private unrequited transfers (net)	49.8	77.3	74.8	77.4	92.5	96.5	100.5	104.2	107.8	111.4	115.0
Official transfers	63.9	101.0	169.8	61.1	90.6	72.1	76.6	72.0	59.3	61.6	60.2
Capital and financial account	1,222.6	953.4	491.6	581.0	717.3	699.0	832.9	498.7	402.3	402.5	385.1
Capital account	16.0	31.2	8.4	0.0	10.5	0.0	0.0	0.0	0.0	0.0	0.0
Financial account	1,206.6	1,222.2	483.2	581.0	706.7	699.0	832.9	498.7	402.3	402.5	385.1
Foreign direct investment (net)	501.9	501.7	271.1	464.7	504.2	466.3	431.4	318.9	281.6	300.7	318.0
Official medium- and long-term loans	175.3	173.6	204.7	56.8	37.4	84.8	99.2	85.5	103.5	103.3	105.4
Disbursements	256.8	270.4	321.5	194.0	190.2	264.1	279.0	274.0	274.0	279.1	279.9
Amortization	81.5	96.7	116.8	137.2	152.8	179.3	179.8	188.5	170.5	175.8	174.4
SNIM medium- and long-term loans	-51.5	-66.0	-60.5	-31.4	-62.5	26.2	167.1	-39.8	-57.7	-48.6	-43.3
Other financial flows	581.0	312.9	67.9	91.0	227.6	121.7	135.1	134.1	74.9	47.1	5.0
Errors and omissions	-61.3	-137.9	135.4	0.0	36.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-309.4	-140.6	-79.8	26.1	43.0	95.0	234.4	278.7	186.1	251.8	201.4
Financing	309.4	140.6	79.8	-26.1	-43.0	-95.0	-234.4	-278.7	-186.1	-251.8	-201.4
Net foreign assets	298.8	134.7	79.8	-28.7	-48.4	-95.0	-234.4	-278.7	-186.1	-251.8	-201.4
Central bank (net)	312.1	102.7	-20.9	26.3	-7.9	-65.4	-234.4	-278.7	-186.1	-251.8	-201.4
Assets (negative=accumulation of reserves)	326.1	-182.1	-1.8	18.9	-24.6	-32.3	-198.7	-244.8	-96.0	-180.2	-192.9
Liabilities	-14.0	284.8	-19.1	7.4	16.7	-33.1	-35.7	-33.9	-90.1	-71.6	-8.5
<i>Of Which</i> : Use of Fund resources (prospective)	0.0	0.0	0.0	23.3	23.4	48.2	48.5	48.7	0.0	0.0	0.0
Commercial banks (net)	-17.6	15.7	76.7	-49.4	-18.1	0.0	0.0	0.0	0.0	0.0	0.0
Oil account flow	4.3	16.3	23.9	-5.6	-22.3	-29.6	0.0	0.0	0.0	0.0	0.0
Exceptional financing	10.6	5.9	0.0	2.6	5.4	0.0	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	0.0
Memorandum items:											
Current account balance (in percent of GDP)	-27.3	-19.8	-15.1	-10.8	-14.4	-11.6	-11.3	-4.0	-3.6	-2.4	-2.7
Excl. FDI-financed imports of extractive capital goods	-19.5	-11.9	-11.2	-4.9	-8.2	-6.4	-6.7	-1.1	-1.7	-0.6	-1.1
Trade balance (in percent of GDP)	-13.2	-11.6	-10.7	-4.2	-7.2	-7.0	-6.3	3.9	6.7	7.4	7.0
Total external financing requirements (in percent of GDP)	30.0	23.2	18.9	14.8	18.8	16.4	15.8	8.4	7.5	5.9	6.0
External public debt (in millions of US\$)	3,856.0	4,291.8	4,398.8	4,498.0	4,557.3	4,624.0	4,757.5	4,829.1	4,842.6	4,874.2	4,971.2
External public debt (in percent GDP)	71.5	88.8	93.9	87.8	92.3	89.0	89.8	86.7	81.5	76.9	74.1
External public debt service (in millions of US\$)	133.8	141.2	0.0	207.4	207.3	316.6	320.6	328.5	318.4	305.5	242.4
External public debt service (in percent of revenue)	10.0	10.6	0.0	15.5	15.5	22.0	22.7	22.6	20.4	18.1	13.4
SNIM contribution to BOP (in millions of US\$)	430.2	135.4	102.2	223.3	209.8	233.4	257.3	247.3	217.6	259.1	225.9
Gross official reserves											
In millions of US\$	639.1	822.8	824.4	805.6	849.0	881.3	1,080.0	1,324.9	1,420.9	1,601.0	1,793.9
In months of imports excluding extractive industries	5.0	5.6	5.6	4.9	5.1	5.2	6.1	7.0	7.2	7.8	8.6
Oil account	92.8	76.6	52.7	58.3	56.3	85.9	85.9	85.9	85.9	85.9	85.9
Nominal GDP (in millions of US\$)	5,391.5	4,832.1	4,686.0	5,124.9	4,937.5	5,193.5	5,296.0	5,566.8	5,943.4	6,341.6	6,708.4

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

**Table 3a. Mauritania: Central Government Operations, 2014–23**  
(In billions of MRO, unless otherwise indicated)

	2014	2015	2016	2017		2018		2019	2020	2021	2022	2023
				CR 17/369	Est.	CR 17/369	Proj.					
Revenues and grants	406.0	460.2	461.3	491.0	493.3	526.3	542.0	573.6	629.1	699.4	770.8	844.0
Revenues	403.8	431.9	430.0	478.2	476.2	510.5	526.1	552.7	608.7	684.2	754.2	827.2
Nonextractive revenue	293.9	378.5	404.9	431.8	432.7	462.8	453.2	518.6	562.9	627.3	692.1	756.4
Tax revenue	222.7	238.0	272.1	299.1	304.7	325.7	327.7	364.1	405.9	448.9	495.7	540.2
Nontax revenue	71.2	140.5	132.9	132.7	128.0	137.1	125.5	154.5	157.0	178.4	196.4	216.1
Extractive revenue	109.9	53.4	25.0	46.4	43.4	47.7	72.9	34.1	45.8	56.9	62.2	70.8
Net revenue from oil	6.1	13.2	10.9	20.0	18.9	15.0	41.2	2.8	2.8	2.9	2.9	3.0
Mining revenue	103.8	40.2	14.1	26.4	24.6	32.7	31.7	31.3	43.0	54.1	59.2	67.8
Grants	2.2	28.3	31.3	12.8	17.1	15.9	15.9	20.9	20.3	15.2	16.5	16.8
Of which: Projects	1.6	7.8	6.3	4.4	6.2	3.4	3.4	3.7	4.1	4.1	4.1	4.1
Expenditure and net lending	479.1	513.7	469.8	493.0	494.1	530.1	533.0	570.7	619.8	685.8	754.2	828.5
Current expenditure	287.6	290.9	276.4	290.6	300.4	309.6	312.6	337.6	367.8	399.0	439.3	483.8
Compensation of employees	110.4	119.4	123.1	131.0	129.8	145.1	145.1	156.7	171.2	187.1	206.4	227.6
Goods and services	64.7	62.4	58.7	66.3	64.1	66.0	66.0	71.5	75.8	81.8	90.4	99.1
Subsidies and transfers 1/	72.5	67.8	55.8	56.1	55.0	58.6	58.1	63.1	69.5	76.2	84.6	94.8
Of which: Emergency program	18.0	21.0	16.0	16.0	16.0	22.1	21.9	24.5	27.5	29.9	31.9	34.1
Energy subsidies	14.0	6.9	1.9	3.5	3.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears repayments	3.6	3.6	3.6	3.6	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	15.8	17.8	17.4	18.0	22.3	25.2	25.2	30.4	32.3	33.0	33.8	35.0
External	11.9	12.7	13.4	14.0	17.6	17.9	18.0	20.2	22.7	24.2	25.6	27.5
Domestic	3.9	5.1	4.0	4.0	4.6	7.2	7.2	10.2	9.6	8.8	8.2	7.6
Special accounts	10.3	3.2	9.3	7.0	12.2	2.5	6.0	2.5	2.5	2.5	2.5	2.5
Common reserves	11.3	11.9	11.4	12.2	11.3	12.2	12.2	13.3	16.5	18.4	21.5	24.8
Others	2.6	8.5	0.8	0.0	5.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	191.5	219.9	193.7	199.4	192.1	215.9	215.9	233.2	252.0	286.8	314.8	344.7
Foreign-financed investment	57.9	78.2	44.6	52.7	37.8	74.1	74.1	78.4	84.2	84.2	93.3	93.3
Domestically financed investment	133.6	141.7	149.1	146.7	154.3	141.8	141.8	154.8	167.8	202.5	221.6	251.4
Restructuring and net lending	0.0	2.9	-0.4	3.0	1.6	4.5	4.5	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	-59.5	-64.0	-22.4	3.2	4.4	5.6	18.3	12.4	21.3	31.5	33.9	33.7
Primary balance (excl. grants, prog. def.) 2/	...	...	...	...	...	...	5.7	...	...	...	...	...
Primary balance	-57.3	-35.7	8.9	16.0	21.5	21.4	34.2	33.2	41.6	46.6	50.4	50.5
Overall balance (excl. grants)	-75.3	-81.8	-39.8	-14.8	-17.9	-19.6	-6.9	-18.0	-11.1	-1.6	0.1	-1.3
Overall balance	-73.2	-53.5	-8.5	-2.0	-0.8	-3.7	9.1	2.9	9.3	13.6	16.6	15.5
Financing	73.2	53.5	8.5	2.0	0.8	3.7	-9.1	-2.9	-9.3	-13.6	-16.6	-15.5
Domestic financing	11.0	-1.2	-23.8	4.4	21.9	3.5	-0.8	-4.8	-7.8	-12.2	-26.3	-24.3
Banking system	50.0	12.2	-16.0	-7.6	25.4	3.5	-8.8	-4.8	-5.8	-7.2	-21.3	-19.3
Treasury account	49.2	36.9	-10.1	-7.6	33.4	3.5	-4.8	0.0	-0.8	-2.2	-16.3	-14.3
Commercial banks	0.9	-24.7	-5.9	0.0	-8.1	0.0	-4.0	-4.8	-5.0	-5.0	-5.0	-5.0
Nonbanks	5.3	8.9	-7.1	12.0	12.8	0.0	8.0	0.0	-2.0	-5.0	-5.0	-5.0
Domestic arrears	-8.8	-1.3	0.0	0.0	1.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-31.4	7.5	-0.7	0.0	-6.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External financing	68.2	57.2	38.1	-2.4	-21.9	0.2	-8.3	1.9	-1.5	-1.4	9.7	8.8
Oil account (net)	18.9	4.8	8.5	-2.0	-1.3	-3.4	-11.2	0.0	0.0	0.0	0.0	0.0
Net revenue from oil (net)	-6.1	-13.2	-10.9	-20.0	-18.9	-15.0	-41.2	-2.8	-2.8	-2.9	-2.9	-3.0
Oil account contribution to the budget	25.0	18.0	19.4	18.0	17.6	11.6	30.0	2.8	2.8	2.9	2.9	3.0
Other (net)	49.3	52.3	29.6	-0.4	-20.6	3.6	2.9	1.9	-1.5	-1.4	9.7	8.8
Net borrowing (net)	46.1	48.4	27.7	-0.4	-16.9	3.6	2.9	1.9	-1.5	-1.4	9.7	8.8
Disbursements	69.9	77.0	63.4	48.3	31.6	70.7	70.7	74.7	80.1	80.1	89.2	89.2
Amortization	-23.9	-28.3	-35.6	-48.7	-48.5	-67.1	-67.8	-72.8	-81.6	-81.5	-79.4	-80.4
Exceptional financing	3.1	3.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap	-6.1	-2.5	-5.8	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Real growth rate of public expenditure	5.7	6.7	-9.9	2.3	2.8	3.7	5.3	2.1	3.8	6.0	5.3	5.2
Current expenditure	3.8	0.6	-6.3	2.5	6.2	2.7	4.8	3.0	4.1	3.9	5.5	5.5
Capital expenditure	8.8	14.3	-13.2	0.4	-3.0	4.4	5.5	3.0	3.3	9.0	5.2	4.9
Non-extractive balance (excl. grants)	-185.2	-135.2	-64.8	-61.2	-61.3	-67.3	-79.8	-52.1	-56.9	-58.5	-62.1	-72.1
Non-extractive balance	-75.3	-81.8	-39.8	-14.8	-17.9	-19.6	-6.9	-18.0	-11.1	-1.6	0.1	-1.3
Basic budget balance (excl. grants) 3/	-17.4	-3.6	4.8	37.9	19.9	54.5	67.2	60.4	73.1	82.7	93.4	92.0
Social spending	179.6	186.9	187.4	194.4	194.1	220.7	217.7	239.3	271.9	295.9	322.4	349.3

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

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

2/ Adjusted for half of additional/shortfall in extractive revenue.

3/ Overall balance excluding foreign-financed investment expenditure.

**Table 3b. Mauritania: Central Government Operations, 2014–23**  
(In percent of non-extractive GDP, unless otherwise indicated)

	2014	2015	2016	2017		2018		2019	2020	2021	2022	2023
				CR 17/369	Est.	CR 17/369	Proj.					
Revenues and grants	29.4	32.6	31.7	31.2	31.7	31.0	32.7	32.0	32.2	32.9	33.3	33.7
Revenues	29.2	30.6	29.6	30.4	30.6	30.1	31.7	30.8	31.2	32.2	32.6	33.0
Nonextractive revenue	21.3	26.8	27.9	27.5	27.8	27.3	27.3	28.9	28.9	29.5	29.9	30.2
Tax revenue	16.1	16.8	18.7	19.0	19.6	19.2	19.8	20.3	20.8	21.1	21.4	21.6
Nontax revenue	5.2	9.9	9.1	8.4	8.2	8.1	7.6	8.6	8.0	8.4	8.5	8.6
Extractive revenue	8.0	3.8	1.7	3.0	2.8	2.8	4.4	1.9	2.3	2.7	2.7	2.8
Net revenue from oil	0.4	0.9	0.7	1.3	1.2	0.9	2.5	0.2	0.1	0.1	0.1	0.1
Mining revenue	7.5	2.8	1.0	1.7	1.6	1.9	1.9	1.7	2.2	2.5	2.6	2.7
Grants	0.2	2.0	2.2	0.8	1.1	0.9	1.0	1.2	1.0	0.7	0.7	0.7
Of which: Projects	0.1	0.6	0.4	0.3	0.4	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Expenditure and net lending	34.7	36.3	32.3	31.3	31.8	31.2	32.1	31.8	31.8	32.3	32.6	33.1
Current expenditure	20.8	20.6	19.0	18.5	19.3	18.2	18.9	18.8	18.9	18.8	19.0	19.3
Compensation of employees	8.0	8.4	8.5	8.3	8.3	8.5	8.8	8.7	8.8	8.8	8.9	9.1
Goods and services	4.7	4.4	4.0	4.2	4.1	3.9	4.0	4.0	3.9	3.9	3.9	4.0
Subsidies and transfers 1/	5.3	4.8	3.8	3.6	3.5	3.5	3.5	3.5	3.6	3.6	3.7	3.8
Of which: Emergency program	1.3	1.5	1.1	1.0	1.0	1.3	1.3	1.4	1.4	1.4	1.4	1.4
Energy subsidies	1.0	0.5	0.1	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arrears repayments	0.3	0.3	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.1	1.3	1.2	1.1	1.4	1.5	1.5	1.7	1.7	1.6	1.5	1.4
External	0.9	0.9	0.9	0.9	1.1	1.1	1.1	1.1	1.2	1.1	1.1	1.1
Domestic	0.3	0.4	0.3	0.3	0.3	0.4	0.4	0.6	0.5	0.4	0.4	0.3
Special accounts	0.7	0.2	0.6	0.4	0.8	0.1	0.4	0.1	0.1	0.1	0.1	0.1
Common reserves	0.8	0.8	0.8	0.8	0.7	0.7	0.7	0.7	0.8	0.9	0.9	1.0
Others	0.2	0.6	0.1	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital expenditure	13.9	15.6	13.3	12.7	12.4	12.7	13.0	13.0	12.9	13.5	13.6	13.8
Foreign-financed investment	4.2	5.5	3.1	3.4	2.4	4.4	4.5	4.4	4.3	4.0	4.0	3.7
Domestically financed investment	9.7	10.0	10.3	9.3	9.9	8.4	8.6	8.6	8.6	9.5	9.6	10.0
Restructuring and net lending	0.0	0.2	0.0	0.2	0.1	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	-4.3	-4.5	-1.5	0.2	0.3	0.3	1.1	0.7	1.1	1.5	1.5	1.3
Primary balance (excl. grants, prog. def.) 2/	...	...	...	...	...	...	0.3	...	...	...	...	...
Primary balance	-4.2	-2.5	0.6	1.0	1.4	1.3	2.1	1.9	2.1	2.2	2.2	2.0
Overall balance (excl. grants)	-5.5	-5.8	-2.7	-0.9	-1.2	-1.2	-0.4	-1.0	-0.6	-0.1	0.0	-0.1
Overall balance	-5.3	-3.8	-0.6	-0.1	0.0	-0.2	0.5	0.2	0.5	0.6	0.7	0.6
Financing	5.3	3.8	0.6	0.1	0.0	0.2	-0.5	-0.2	-0.5	-0.6	-0.7	-0.6
Domestic financing	0.8	-0.1	-1.6	0.3	1.4	0.2	0.0	-0.3	-0.4	-0.6	-1.1	-1.0
Banking system	3.6	0.9	-1.1	-0.5	1.6	0.2	-0.5	-0.3	-0.3	-0.3	-0.9	-0.8
Treasury account	3.6	2.6	-0.7	-0.5	2.1	0.2	-0.3	0.0	0.0	-0.1	-0.7	-0.6
Commercial banks	0.1	-1.7	-0.4	0.0	-0.5	0.0	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2
Nonbanks	0.4	0.6	-0.5	0.8	0.8	0.0	0.5	0.0	-0.1	-0.2	-0.2	-0.2
Domestic arrears	-0.6	-0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-2.3	0.5	0.0	0.0	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External financing	4.9	4.0	2.6	-0.2	-1.4	0.0	-0.5	0.1	-0.1	-0.1	0.4	0.4
Oil account (net)	1.4	0.3	0.6	-0.1	-0.1	-0.2	-0.7	0.0	0.0	0.0	0.0	0.0
Net revenue from oil (net)	-0.4	-0.9	-0.7	-1.3	-1.2	-0.9	-2.5	-0.2	-0.1	-0.1	-0.1	-0.1
Oil account contribution to the budget	1.8	1.3	1.3	1.1	1.1	0.7	1.8	0.2	0.1	0.1	0.1	0.1
Other (net)	3.6	3.7	2.0	0.0	-1.3	0.2	0.2	0.1	-0.1	-0.1	0.4	0.4
Net borrowing (net)	3.3	3.4	1.9	0.0	-1.1	0.2	0.2	0.1	-0.1	-0.1	0.4	0.4
Disbursements	5.1	5.5	4.4	3.1	2.0	4.2	4.3	4.2	4.1	3.8	3.9	3.6
Amortization	-1.7	-2.0	-2.4	-3.1	-3.1	-4.0	-4.1	-4.1	-4.2	-3.8	-3.4	-3.2
Exceptional financing	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap	-0.4	-0.2	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Non-extractive balance (excl. grants)	-13.4	-9.6	-4.5	-3.9	-3.9	-4.0	-4.8	-2.9	-2.9	-2.8	-2.7	-2.9
Non-extractive balance	-5.5	-5.8	-2.7	-0.9	-1.2	-1.2	-0.4	-1.0	-0.6	-0.1	0.0	-0.1
Overall balance (in percent of GDP)	-4.5	-3.4	-0.5	-0.1	0.0	-0.2	0.5	0.1	0.4	0.5	0.6	0.5
Basic budget balance (excl. grants) 3/	-1.3	-0.3	0.3	2.4	1.3	3.2	4.1	3.4	3.7	3.9	4.0	3.7
Social spending	13.0	13.2	12.9	12.4	12.5	13.0	13.1	13.3	13.9	13.9	13.9	13.9

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

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

2/ Adjusted for half of additional/shortfall in extractive revenue.

3/ Overall balance excluding foreign-financed investment expenditure.

**Table 4. Mauritania: Monetary Survey, 2014–20**  
(In billions of MRO at end-of-period exchange rates, unless otherwise indicated)

	2014	2015	2016	2017		2018		2019	2020
				CR 17/369	Est.	CR 17/369	Proj.		
<b>Monetary survey</b>									
Net foreign assets	108.1	78.5	61.4	69.3	70.1	92.6	99.7	201.6	336.4
Net domestic assets	402.1	433.5	487.0	548.4	553.7	582.2	576.3	548.9	507.4
Net domestic credit	618.2	669.5	693.4	733.3	756.1	781.5	786.6	837.7	900.1
Net credit to the government	175.3	183.8	168.9	166.6	185.8	170.1	177.0	172.5	171.7
Credit to the economy	443.0	485.7	524.4	566.7	570.4	611.5	609.6	665.1	728.3
Other items net	-216.1	-236.0	-206.4	-184.9	-202.4	-199.3	-210.3	-288.8	-392.7
Broad money (M2)	510.2	512.1	548.4	617.8	623.8	674.8	676.0	750.4	843.8
<b>Monetary authorities</b>									
Net foreign assets	126.1	102.4	115.2	105.3	117.0	131.1	149.9	255.2	393.8
Net domestic assets	101.0	118.3	127.4	162.3	153.0	161.2	142.7	69.5	-28.6
Net domestic credit	142.7	172.5	163.1	160.7	181.7	164.3	176.9	176.9	176.2
Net credit to the government	138.1	167.8	158.9	156.5	177.6	160.0	172.8	172.8	172.0
Other items net	-41.8	-54.2	-35.7	1.6	-28.7	-3.1	-34.2	-107.4	-204.8
Reserve money	227.0	220.7	242.6	267.6	270.0	292.3	292.6	324.8	365.2
Currency in circulation	130.9	129.7	141.4	159.3	148.9	174.0	161.4	179.2	201.4
Reserves of banks	96.1	91.0	101.2	108.4	121.0	118.4	131.2	145.6	163.7
Of which: Banks deposits in FX	28.5	20.8	28.8	30.8	35.5	33.6	38.5	42.7	48.0
<b>Commercial banks</b>									
Net foreign assets	-18.0	-23.9	-53.7	-36.0	-46.9	-38.5	-50.1	-53.7	-57.4
Net domestic credit	475.5	497.1	530.2	572.5	574.5	617.3	609.7	660.7	723.9
Net credit to the government	37.1	16.0	10.0	10.0	8.2	10.0	4.2	-0.3	-0.3
Credit to the private sector	438.4	481.1	520.2	562.5	566.3	607.2	605.5	661.0	724.2
Other items net	-174.4	-181.8	-170.7	-186.4	-173.7	-196.3	-176.1	-181.4	-187.9
(Annual change in percent)									
<b>Monetary survey</b>									
Net foreign assets	-45.1	-27.3	-21.8	12.9	14.1	33.6	42.3	102.1	66.9
Net domestic assets	47.3	7.8	12.3	12.6	13.7	6.2	4.1	-4.8	-7.6
Net domestic credit	18.3	8.3	3.6	5.8	9.1	6.6	4.0	6.5	7.5
Net credit to the government	41.1	4.9	-8.1	-1.4	10.0	2.1	-4.7	-2.5	-0.4
Credit to the economy	11.2	9.7	8.0	8.1	8.8	7.9	6.9	9.1	9.5
Other items net	-13.4	9.2	-12.6	-10.4	-1.9	7.8	3.9	37.3	36.0
Broad money (M2)	8.6	0.4	7.1	12.6	13.7	9.2	8.4	11.0	12.4
<b>Monetary authorities</b>									
Net foreign assets	-42.7	-18.8	12.5	-8.5	1.6	24.5	28.2	70.3	54.3
Net domestic assets	829.5	17.1	7.8	27.4	20.1	-0.7	-6.8	-51.3	-141.2
Net domestic credit	47.7	20.8	-5.4	-1.5	11.4	2.2	-2.6	0.0	-0.4
Net credit to the government	50.4	21.5	-5.3	-1.5	11.7	2.2	-2.7	0.0	-0.4
Reserve money	-1.6	-2.8	9.9	10.3	11.3	9.2	8.4	11.0	12.4
<b>Commercial banks</b>									
Net foreign assets	-22.7	32.4	125.0	-33.1	-12.8	7.0	7.0	7.0	7.0
Net domestic credit	11.5	4.5	6.7	8.0	8.3	7.8	6.1	8.4	9.6
Net credit to the government	14.8	-56.9	-37.4	0.0	-18.1	0.0	-48.8	-107.0	0.0
Credit to the private sector	11.3	9.7	8.1	8.1	8.9	7.9	6.9	9.2	9.6
<b>Memorandum items:</b>									
Broad money (M2) to GDP (in percent)	31.4	32.7	33.3	33.8	35.4	34.5	35.6	36.2	36.2
Velocity of broad money (to non-extractive GDP)	2.7	2.8	2.7	2.5	2.5	2.5	2.5	2.4	2.3
Credit to the private sector (percent of non-extractive GDP)	31.7	34.0	35.8	35.8	36.4	35.8	36.5	36.8	37.1
Net foreign assets of banks (in millions of U.S. dollars)	-57.7	-70.5	-150.7	-101.3	-132.6	-101.3	-132.6	-132.6	-132.6

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

**Table 5. Mauritania: Banking Soundness Indicators, 2010–17**  
(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017 Est.
<b>Balance sheet</b>								
Assets / GDP	31.1	30.9	32.5	35.2	42.5	43.2	45.6	52.5
Net private-sector credit / total assets	53.2	48.2	50.8	52.1	55.5	57.0	54.9	43.8
Public enterprise credit / total assets	13.3	10.2	7.2	3.4	6.9	3.3	5.4	5.3
Government securities / total assets	18.8	11.1	11.2	5.8	5.8	2.0	2.0	1.0
Private-sector credit growth (y-o-y)	16.0	10.6	15.1	14.9	21.3	8.0	8.3	8.9
Gross NPLs / gross loans	45.3	39.2	25.7	20.4	23.0	30.0	25.5	22.4
<i>Of which: accrued interest on NPLs / gross loans</i>	11.6	11.5	8.3	7.1	10.1	5.1	7.2	...
<i>Of which: legacy NPLs (pre-2010) / gross loans</i>	16.7	13.7	13.8	12.8	9.7	9.7	9.7	...
<i>Of which: new NPLs / gross loans</i>	17.0	14.1	3.6	0.5	0.4	0.4	0.6	...
Provisions / (gross NPLs - accrued interest)	30.0	31.2	53.1	52.9	52.5	78.5	63.0	70.7
Provisions / loans 360+ days in arrears	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3
Uncovered loans 360+ days in arrears / gross loans	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3
Deposits / total assets	59.3	60.9	59.1	57.8	61.0	60.8	59.0	60.2
Private-sector gross loans / private-sector deposits	118.4	105.9	110.7	113.7	137.7	134.1	110.4	88.4
<b>Capital ratios</b>								
Capital / total assets	16.7	18.5	17.5	18.7	14.7	13.7	14.2	13.8
Capital adequacy ratio	34.0	35.2	29.2	32.4	28.1	23.1	23.7	22.2
<b>Foreign exchange exposure</b>								
Fx assets / total assets	10.5	10.5	10.5	10.6	10.5	6.7	8.9	12.0
Fx assets / fx liabilities (on balance sheet)	112.1	135.2	100.1	106.6	138.6	108.2	116.0	102.5
Open fx position / capital (including off balance sheet)	-16.0	-32.7	-45.9	-26.0	-70.4	-72.7	-69.8	25.0
<b>Profitability and liquidity</b>								
Return on assets	0.4	1.2	1.4	1.2	1.2	0.7	...	...
Return on equity	2.7	6.0	8.4	6.4	6.6	5.1	...	...
Liquid assets / total assets 1/	29.5	29.7	29.8	24.0	23.5	21.4	17.0	24.6
<b>Memorandum items:</b>								
Share of assets held by three largest banks	53.7	50.7	45.4	42.3	45.7	42.0	41.0	38.8
Number of banks	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.		
<b>Total Requirements</b>	<b>-1,220.5</b>	<b>-1,051.4</b>	<b>-984.2</b>	<b>-1,004.6</b>	<b>-1,000.1</b>	<b>-622.9</b>
Current account deficit, excl. grants	-1,057.1	-876.6	-801.3	-676.2	-675.1	-292.0
External public debt amortization 1/	-163.3	-174.8	-182.9	-328.4	-325.1	-330.9
<i>Of which:</i> Saudi Arabia	-2.6	-3.3	-7.2	-67.2	-68.1	-68.2
Arab Monetary Fund	-3.8	0.0	-22.2	-47.0	-39.2	-28.8
Arab Fund for Economic and Social Dev.	-30.3	-36.9	-39.1	-45.9	-46.6	-53.4
Islamic Development Bank	-18.3	-19.6	-20.4	-23.6	-24.4	-25.3
China	-19.3	-18.0	-19.1	-22.0	-24.9	-24.9
IMF	-4.6	-10.1	-14.5	-19.1	-21.9	-20.3
<b>Total Sources</b>	<b>1,220.5</b>	<b>1,051.4</b>	<b>984.2</b>	<b>884.3</b>	<b>875.0</b>	<b>502.2</b>
Foreign direct investment and capital inflows (net)	533.0	279.6	514.8	466.3	431.4	318.9
Official grants	101.0	169.8	90.6	...	...	...
<i>Of which:</i> European Union	12.6	11.2	11.4	...	...	...
World Bank	0.0	26.0	26.0	...	...	...
AfDB	...	10.0	10.0	...	...	...
United Arab Emirates	...	40.0	...	...	...	...
Saudi Arabia	50.0	5.3	...	...	...	...
Official loan disbursements	270.4	321.5	190.2	264.1	279.0	274.0
<i>Of which:</i> Arab Monetary Fund	20.8	99.6	...	...	...	...
Arab Fund for Economic and Social Dev.	127.7	80.7	122.1	...	...	...
Islamic Development Bank	83.2	50.7	25.4	...	...	...
China	8.9	39.4	7.1	...	...	...
IMF	...	...	23.4	...	...	...
Deposit from Saudi Arabia at the Central Bank	300.0	...	...	...	...	...
Other flows 2/	182.0	258.4	235.5	215.8	363.3	154.1
Drawdown of reserves	-182.1	-1.8	-24.6	-32.3	-198.7	-244.8
Drawdown of oil account	16.3	23.9	-22.3	-29.6	0.0	0.0
<b>Financing gap</b>	...	...	...	<b>120.3</b>	<b>125.1</b>	<b>120.7</b>
<b>Expected sources of financing</b>	...	...	...	<b>120.3</b>	<b>125.1</b>	<b>120.7</b>
Official grants	...	...	...	72.1	76.6	72.0
IMF ECF arrangement (prospective)	...	...	...	48.2	48.5	48.7
<b>Residual gap</b>	...	...	...	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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, 2018–32

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>Payments to the Fund based on existing credit</b>															
Principal (in million of SDRs)	12.34	15.46	14.35	9.94	6.62	4.42	3.31	3.31	3.31	3.31	0.00	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.38	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.00	0.00	0.00
<b>Payments to the Fund based on existing and prospective credit</b>															
Principal (in million of SDRs)	12.34	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	0.00
Charges and interest (in million of SDRs)	0.38	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52
<b>Total payments to the Fund based on existing and prospective credit</b>															
In millions of SDRs	12.72	15.98	14.87	10.46	7.14	6.59	12.11	18.74	23.70	23.70	18.74	12.11	5.49	0.52	0.52
In millions of US\$	18.56	23.44	21.90	15.47	10.60	9.81	18.03	27.90	35.29	35.29	27.90	18.03	8.17	0.77	0.77
In percent of exports of goods and services	0.88	1.03	0.82	0.53	0.35	0.31	0.59	0.95	1.26	1.33	1.10	0.75	0.34	0.03	0.03
In percent of debt service	5.86	7.31	6.67	4.86	3.47	4.05	6.93	10.08	11.81	10.80	8.28	5.31	2.37	0.22	0.20
In percent of GDP	0.36	0.44	0.39	0.26	0.17	0.15	0.26	0.39	10.80	0.46	0.35	0.22	0.10	0.01	0.01
In percent of Gross International Reserves	2.11	2.17	1.65	1.09	0.66	0.55	0.92	1.31	1.60	1.59	1.28	0.85	0.40	0.04	0.04
In percent of quota	9.88	12.41	11.55	8.12	5.54	5.12	9.40	14.55	18.40	18.40	14.55	9.40	4.26	0.40	0.40
<b>Outstanding Fund credit</b>															
In millions of SDRs	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	0.0
In millions of US\$	141.8	168.4	196.8	182.9	173.7	165.2	148.0	120.8	86.3	51.8	24.7	7.4	0.0	0.0	0.0
In percent of exports of goods and services	6.7	7.4	7.4	6.3	5.7	5.3	4.9	4.1	3.1	1.9	1.0	0.3	0.0	0.0	0.0
In percent of debt service	44.8	52.5	59.9	57.4	56.9	68.2	56.9	43.6	28.9	15.8	7.3	2.2	0.0	0.0	0.0
In percent of GDP	2.7	3.2	3.5	3.1	2.7	2.5	2.1	1.7	26.4	0.7	0.3	0.1	0.0	0.0	0.0
In percent of gross international reserves	16.1	15.6	14.9	12.9	10.9	9.2	7.5	5.7	3.9	2.3	1.1	0.3	0.0	0.0	0.0
In percent of quota	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	0.0
<b>Net use of Fund credit (in millions of SDRs)</b>															
Disbursements	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	0.0
Repayments	12.3	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	0.0
<b>Memorandum items:</b>															
Exports of goods and services (in millions of US\$)	2118.5	2274.9	2659.4	2923.2	3055.1	3140.1	3048.2	2942.2	2801.3	2662.3	2535.3	2401.6	2414.2	2432.3	2494.1
Debt service (in millions of US\$)	316.6	320.6	328.5	318.4	305.5	242.4	260.1	276.8	298.8	326.9	337.0	339.4	344.9	357.5	383.7
Nominal GDP (in millions of US\$)	5193.5	5296.0	5566.8	5943.4	6341.6	6708.4	7014.8	7218.8	7418.9	7643.5	7893.4	8169.7	8524.9	8902.7	9303.7
Gross international reserves (in millions of US\$)	881.3	1080.0	1324.9	1420.9	1601.0	1793.9	1964.2	2122.9	2206.0	2216.5	2181.2	2114.7	2035.0	1929.0	1832.0
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).
<b>Total</b>	<b>115.920</b>	<b>90.000</b>	

Source: IMF staff calculations.

1/ Mauritania's quota is SDR 128.8 million. Percentages are rounded.

## Appendix I. Letter of Intent

Nouakchott, May 9, 2018

Madame Christine Lagarde  
Managing Director  
International Monetary Fund  
Washington DC

Madame Managing Director,

The economic and social program implemented by the Mauritanian authorities with support from the International Monetary Fund (IMF) has started well. This program aims 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.

Guided by the Strategy of Accelerated Growth and Shared Prosperity (SCAPP) adopted by the government in January 2018 and by the National Assembly in April, the key economic policies of our program remained unchanged and 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 and to fight corruption, with a view to supporting private sector development and economic diversification.

All the performance criteria and structural benchmarks for the period end-December 2017 to March 2018 under the three-year arrangement under the ECF approved by the IMF Board on December 6, 2017 were implemented. Admittedly, two structural benchmarks were met with a one-month delay and the one previously planned for end-April 2018 will be met with a two-month delay at most, but we are confident that we will meet the upcoming objectives and benchmarks. On the basis of the results achieved, we request completion of the first review of the program and the disbursement of a new tranche of SDR 16.560 million.

The next semiannual review will be completed on or after September 30, 2018 and the following one on or after March 31, 2019, on the basis of the 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. We will continue to provide the IMF with all the data and information required to monitor implementation of the measures and achievement of the objectives as per the attached TMU.

We believe the policies described in the attached MEFP are appropriate to achieve the program objectives, but we will take any additional measures that become necessary for this purpose. We 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. We consent to the publication of this letter and its attachments, and the related staff report.

Very truly yours,

/s/

Mr. Abdel Aziz Dahi  
Governor of the Central Bank of Mauritania

/s/

Mr. El Moctar Djay  
Minister of Economy and Finance

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 Council of Ministers in January 2018 and by the National Assembly in April, 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. On the economic front, the 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. Following the strong deterioration in the terms of trade since 2014, economic growth slowed down in in 2015-16 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, with a preliminary growth estimate of 3.5 percent supported by an improvement in the terms of trade and a significant expansion of irrigated agriculture areas which compensated for the deficit in rainfall. Inflation remained moderate at an annual average of 2.3 percent 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, important 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, we continued our efforts to rebalance the budget and to reform. Thus, the strong improvement in revenue

underpinned by the economic upturn, sustained fiscal rectitude and the slower-than-expected execution of foreign-financed investment expenditure, enabled to further reduce the primary deficit (before grants) by about 2 percent of NEGDP and to achieve a positive primary balance (excluding grants) of 0.3 percent of NEGDP.

**5.** The external current account deficit (excluding FDI-financed imports of extractive sectors) narrowed significantly in 2017 to about 8 percent of GDP (compared to 11 percent in 2016) owing to a strong recovery of exports of the mining and fishing sectors supported especially by an increase in international commodity prices. 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\$849 million (5 months of non-extractive imports) at end-December 2017 while significantly improving the demand satisfaction rate for currencies. The BCM 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, ranging between 4.9 percent in 2017 and 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. The signature of an intergovernmental agreement between the two countries in February of this year has significantly improved prospects for this project.

## C. Economic Program for 2018–20

### 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. We plan to establish a more flexible and proactive monetary and exchange policy during the program period. 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 autonomy for the BCM, which will be consolidated in the new BCM statute to be submitted to the legislature by June 2018 (structural benchmark). This text will modernize BCM’s institutional structures and will take into consideration recent IMF staff recommendations in the areas of governance, internal and external audit, publication of accounts, and accounting standards. The BCM has already established a macroeconomic framework 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 gradually lower the policy rate to align it more closely to market rates and improve its effectiveness.

### ***Operational Framework for Monetary Policy and Liquidity Management***

**13.** The pressures and volatility that characterized bank liquidity in 2016-17, 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. Since November 2017, the BCM applies banks' reserve requirement on a monthly basis to afford banks greater flexibility in managing cash flows. It will lower the required reserves ratio if circumstances permit.

**14.** The BCM has reformed 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). These instruments will be implemented especially through two committees: a monetary market committee and a technical committee for monetary policy. With technical assistance from the IMF, the BCM has defined a framework of eligible collaterals 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). On that basis, the BCM will prepare bilateral agreements with each bank describing the obligations of the parties, as well as a handbook of procedures detailing the system to mobilize collateral for refinancing purposes, by end-September 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, a new memorandum of understanding replacing the 2013 one between the BCM and the Ministry of Economy and Finance (MEF) and the related payment schedule will be agreed and submitted to parliament by end-June 2018 (a delay in implementing the structural benchmark initially set for end-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 limit the interventions of the BCM in the foreign exchange market and 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 represented a major step in improving the functioning of the foreign exchange market. In November 2017, the BCM eased the obligation to go through the foreign exchange market for currency transactions by raising the threshold from US\$100,000 to US\$200,000, and limited the rejection of sell-side bids to exceptional circumstances. In November 2017, the BCM also modified the fixing system so that sellers 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 is limited to the marginal supply rate plus 2 percent. 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 considering 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 will allow evaluation of reform progress and will 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 4.8 percent of non-extractive GDP achieved in 2016 and 2017.

**20.** For 2017, the strong tax revenue performance has helped to cover the additional costs generated by civil service reforms aimed at capturing all components of the government payroll and to achieve a primary surplus (excluding grants) of 0.3 percent of non-extractive GDP, which represented an improvement of 1.8 percent of NEGDP compared to 2016.

**21.** The aim of the 2018 budget is to consolidate the achievements and maintain the primary surplus excluding grants at 0.3 percent of NEGDP. We will continue to improve tax revenue performance and to control spending. The revenues from off-shore exploration fees received in January will offset in part the revenue losses related to petroleum products under the *Fonds d'assistance et d'intervention pour le développement* (FAID) account. We will take all necessary measures during the year, including controlling the level of current and investment spending, to achieve the fiscal quantitative targets of the program and the objectives related to social spending.

**22.** During the program, we will strengthen our fiscal policy framework to take into account the potential increase in government revenue from the extractive industries, particularly the gas sector. This framework will help to inform the choices for allocating these revenues, design fiscal rules that account for the volatility and finite nature of non-renewable resources, and to ensure 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, the Parliament passed a new Customs code in December 2017 designed to simplify procedures and improve transparency (structural benchmark). We will adopt a Tax procedures code, after consultation with economic operators, which will consolidate and clarify all tax procedures for taxpayers and the administration (the tax procedures code was submitted to the Council of Ministers in March 2018 (structural benchmark). We will strengthen the legal security of taxpayers by submitting to the Council of Ministers a new General tax code (GTC) that will be purged of the contradictory provisions contained in the current code adopted in 1982.

Finally, in the context of the GTC revision, we will submit to parliament a new unified corporate tax 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).

**24.** Furthermore, building on the good performance of our tax revenue in recent years, our objective is to implement a set of reforms to sustain durably the receipts of the Directorate General of Taxation (DGI) and the Directorate General of Customs (DGD) 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 design a procedure and the actions required to update the records on a regular basis (structural benchmark for end-June 2018). The operationalization of our risk management unit, created in September 2017, will enable to analyze and utilize available information to prepare an action plan and take appropriate measures to expand the tax base.
- *Elimination of certain tax loopholes.* With support from the World Bank, we compiled a list of tax exemptions in effect in 2014-2016 and estimated the cost of the foregone taxes. We will then evaluate the relevance and social cost with a view to eliminating tax exemptions deemed ineffective. The estimate of tax expenditures was presented in an appendix to the 2018 budget law.
- *Improved collection of arrears.* We intend to improve the management and collection rate of tax arrears. We have started identifying recoverable arrears and have set up settlement plans that have already improved tax collections. 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 to define an optimal rule for budget subsidies to those entities.
- *Improved DGD inspection and valuation mechanisms.* We are currently putting in place 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 was conducted in 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 improving the training of the staff of the post-

clearance inspection unit, by end-2018, which will consolidate customs' revenue collection capacity.

- We also plan to operationalize 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 secured the approval of the organic budget law (LOF) by the Council of Ministers on November 23, 2017 and its adoption by the National Assembly on May 5, 2018 (the law was submitted to the parliament on January 16, 2018, a structural benchmark for end-March 2018). 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. Adoption of the law will be followed by implementation decrees during the year, and the law will be used if possible for the 2019 budget formulation, otherwise from the 2020 budget. We have already introduced elements of the reform in the 2017 budget, such as the inclusion of externally financed capital expenditure, and have done the same in 2018, especially 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) in the 2017 supplementary budget, and we have included non-permanent staff in the 2018 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 efficiency 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. Thus, consistent with this new framework, we have prepared the 2018–20 PIP that will form the basis for selecting priority projects for which we will seek to mobilize financing in 2018. We will also request assistance from the IMF to analyze the effectiveness of public expenditure using the Public Investment Management Assessment (PIMA) framework.

**28.** To continue investing 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 February 2017. This framework will be start being operationalized 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 prepared a government account maintenance convention between the MEF and the BCM 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 thereafter by all public corporations by 2019, as and when these entities are integrated in the automated expenditure cycle system (RACHAD).

### ***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) by 2019.

**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 budgetary risks that 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. In applying these guidelines, we have terminated the activities of a public enterprise facing significant financial difficulties (the SONIMEX) and merged two other enterprises (the ATTM and the ENER).

### **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. To this end, we have reactivated and updated the terms of reference of the National Public Debt Committee (CNDP), which will

hold regular meetings, through a new decree in April 2018 (structural benchmark for end-March 2018) 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 have adopted a coordination procedure between the CAPIP and the CNDP outlining their responsibilities in terms of project selection in April 2018 (structural benchmark for end-March 2018). In addition, in the context of the reactivation of the CNDP, we have integrated in the new decree on the CNDP a provision aimed at strengthening its involvement in the process of selecting and including projects in the PIP.

**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, DGIPCE, 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.** The BCM has now better-trained inspectors and supervisors, and focuses its supervision on a comprehensive analysis of banking risks. In the context of the annual supervision program, the BCM has strengthened the on-site inspections which cover anti-money laundering and terrorism financing mechanisms, control of foreign currency transfer and surrender operations, general control of bank activities, and compliance with foreign exchange positions. The BCM monitors compliance with prudential standards and is in the process of sanctioning noncompliant banks. Discussions are under way to reinforce sanctions and 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 MRU 0.6 billion. In view of the

limited size of the Mauritanian banking sector, the BCM will tighten conditions for licensing new banks and will encourage mergers 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 parliament 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 framework. 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 framing the conditions for appeal of its decisions before the courts.
- We adopted in March 2018 (structural benchmark) a new directive on the composition of capital and solvency requirements which draws from 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 also raised the minimum capital to MRU 1 billion over two years, which should encourage bank mergers 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. In March 2018, we submitted a draft law to parliament on loan recovery aimed at improving mechanisms for credit recovery and enforcement of collateral by banks (structural benchmark). 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 established in March 2018 an emergency refinancing mechanism to provide liquidity to banks experiencing temporary cash flow pressures against collateral (structural benchmark, March 2018). The implementation of this mechanism will be completed with the adoption of conventions with each bank detailing the obligations of the parties and defining the eligible collateral. 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 over than MRU 0.3 thousand, 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 during 2018, to ensure continuity of the policy of targeting transfers on the most vulnerable. We have also allocated resources in the 2018 budget to update the social registry. We intend to gradually expand those targeted social protection measures throughout the country. The program will be accompanied by a broad outreach campaign on the social protection strategy.

**44.** Our program provides for an increase in social spending (including education, health, social protection, housing and small-scale collective infrastructures, culture, recreation, and religious affairs) of MRO 7 billion in 2017 and MRU 2.4 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). In 2017, we missed our social spending target by only MRO 0.2 billion (0.2 percent of the target) due to the low execution of some expenditure on goods and services in the health and social affairs sectors. For 2018, the availability of budgetary resources from February will enable us to improve the execution rate of social spending and reach the set target.

### **Governance, Business Environment and the Fight Against Corruption**

**45.** We have significantly improved the business environment over the last few years. Specifically, we gained 26 ranks in three years in the “Doing Business” rankings of the World Bank published in October 2017, reaching the 150<sup>th</sup> rank out of 190 countries. However, much progress remains to be made to decisively climb out the bottom quintile.

**46.** In addition to the five reforms that were recognized in the last “Doing Business Report”, we are quite advanced in implementing the road map for 2018-19 on the reforms to improve the business environment adopted by the government on January 11, 2018. We are focused in particular on: (a) the real property rights code; (b) the law on the settlement of small disputes; (c) communication on the effective implementation of the SARL statutes established under private agreement; (d) implementation of and communication on the cancellation of the registration fees for SMEs/SMIs; (e) communication on the one-stop center for the connection to medium tension electric power; (f) ratification of the customs code; (g) publication of the court judgements on the website of the Ministry of Justice; (h) adoption by the Council of Ministers of the implementation decrees of the urbanism code; (i) integration of payment incidents in the credit risk bureau; and (j) revision of the banking law. Most of these measures have been, or are currently being, implemented.

**47.** The public-private sector dialogue is being strengthened. To this end, a concertation forum was held in February 2018 and discussions aimed at establishing a coordination commission were initiated.

**48.** The Mauritanian authorities have started to design and implement an anti-corruption strategy which includes fostering transparency, the rule of law, and institutional reforms. In this context, the authorities adopted in December 2010 a National Strategy to Fight Corruption. An

anti-corruption law was adopted in April 2016, which defines the criminal acts and related sanctions and creates a specialized court; implementation decrees followed that same year. These efforts have started to pay off, as Mauritania progressed in the African Governance indicator (measured by Global Integrity) in 2017. Since 2012, Mauritania has been found compliant by the Extractive Industries Transparency Initiative (EITI).

**49.** To improve public investment outcomes, public procurement procedures were reformed in 2017—with assistance from the World Bank—by merging the four implementation decrees of the law into one, aligning those regulations with the law, and streamlining procedures. Furthermore, to improve public expenditure management, a new organic law on public finance was recently approved by parliament; the law will unify the government’s budget, encourage program budgeting, establish a ceiling on public debt, and improve budget formulation in a multi-year framework.

**50.** To step up the fight against corruption, the authorities are planning the following actions in the short term: (i) establish the implementation committee of the national anti-corruption strategy—with members selected from the public administration, private sector, and civil society; (ii) implement the action plan of the anti-corruption strategy for 2016-20; and (iii) launch criminal proceedings in cases of misappropriation of public funds.

**51.** In the medium term, the authorities plan to (i) support the judiciary in reinforcing the activities of the commission for the financial transparency of the public life, in charge of implementing the 2007 law requiring all senior officials to declare their assets; and (i) revitalize the audit and control institutions such as the chamber of accounts, the general inspection of the state, the general inspection of finance, as well as the internal inspections of the ministries.

### **Economic Statistics**

**52.** 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) by end-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 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.

**53.** 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**

**54.** We will create a Program Monitoring Committee (PMC) in May 2018 to ensure the effective implementation of the program. Composed of representatives of the MEF and the BCM, the PMC will be able to call upon representatives of other government ministries and agencies, 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 PMC will have a permanent secretariat and will meet regularly to assess progress and forward the data required to monitor program performance.

**55.** 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 next review of the program will be completed on or after September 30, 2018 based on the performance criteria and quantitative indicators at end-June 2018 (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 2017–19 1/

	End-June 2017	End-Dec. 2017				End-Mar. 2018	End-June. 2018	End-Sept. 2018	End-Dec. 2018	End-Mar. 2019
	Initial level	Performance criteria	Adjusted Performance Criteria	Actual	Status	Indicative Target	Performance criteria	Indicative Target	Proposed performance criteria	Proposed indicative target
<b>Quantitative targets</b>										
Net international reserves of the BCM (floor); in million of U.S. dollars	200.2 6/	-14.3	-15.9	9.7	Met	-24.3	-35.0	-10.4	46.8	-19.6
Net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRO)	145.6	15.4	16.0	6.0	Met	11.8	23.6	16.0	7.3	9.7
Primary balance excluding grants; in billions of ouguiyas (MRO) 2/	6.5	-3.6	-5.1	-2.1	Met	4.5	9.0	4.5	5.6	3.1
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	18.0	18.0	Met	0.0	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	Met	0.0	0.0	0.0	0.0	0.0
New external payment arrears (continuous ceiling) 5/	0.0	0.0		0.0	Met	0.0	0.0	0.0	0.0	0.0
Social spending (indicative target); in billions of ouguiyas (MRO)	97.2	97.2		97.0	Not met	55.2	110.3	165.5	217.7	59.8
<b>Adjustment Factors (in millions of U.S. dollars)</b>			-5.4		7.7					
Net international assistance	....	-101.8		-87.1		-41.2	-147.0	-187.7	-278.0	-42.0
Cumulative disbursements of official loans and grants in foreign currency	....	18.8		25.3		7.7	7.7	18.2	34.8	8.2
Cumulative amounts of external cash debt service payments	....	-120.7		-112.4		-48.9	-154.7	-205.9	-312.8	-50.1
FNRH contribution to the budget	20.0	30.2		29.1		0.0	12.9	26.6	32.5	0.0
European Union fishing compensation fee	....	66.2		65.8		0.0	0.0	0.0	66.2	0.0
Extractive revenues, in billions of ouguiya	21.1	25.5		22.4		9.7	21.8	38.0	47.7	7.7
<b>Memorandum items:</b>										
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		0	Met	200.0	200.0	200.0	200.0	200.0
Program exchange rate (MRO/USD)	358.5	358.5		358.5		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 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.

6/ Corrected relative to our November 21, 2017 Letter Of Intent to account for reclassification of non-monetary gold and certain short-term foreign liabilities.

**Table 2. Mauritania: Structural Benchmarks, 2017–19**

<b>Measure</b>	<b>Date</b>	<b>Objectives</b>
<b>Exchange policy</b>		
Prepare an action plan for development of the interbank currency market by end-2019	September 2018	Deepen the exchange market
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
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
<b>Monetary policy</b>		
Adopt a directive on monetary policy instruments	December 2017 (Met)	Enhance the effectiveness of monetary policy instruments
Define a collateral framework for monetary policy operations	March 2018 (Met)	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	June 2018 (postponed from end-April 2018)	Strengthen the central bank's autonomy and its capacity to conduct the monetary policy
<b>Financial policy</b>		
Submit to parliament the bill on loan recovery	March 2018 (Met)	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 MRU 1 billion over two years	March 2018 (Met)	Strengthen the banking system and promote closer ties between banks
Establish an emergency liquidity facility for banks	March 2018 (Met)	Improve macro-prudential instruments to strengthen financial stability and the monetary policy
Submit to parliament the banking law prepared in consultation with IMF staff	June 2018	Improve the prudential and bank resolution framework

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

Submit to parliament the BCM statute prepared in consultation with IMF staff	June 2018	Strengthen the central bank's autonomy and capacity to conduct monetary policy
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
<b>Fiscal policy</b>		
Submit to the Parliament the draft organic finance law <sup>1/</sup>	March 2018 (Met, and the law was adopted by parliament in May 2018)	Strengthen budget formulation and public finance management to support fiscal consolidation
Submit the draft tax procedures code to the Council of Ministers	March 2018 (Met)	Clarify tax procedures and strengthen tax administration
Submit the proposed Customs Code to parliament	March 2018 (Met, the code was enacted)	Improve customs administration to raise revenue and facilitate trade
Reactivate the National Public Debt Committee (hold regular meetings and update the terms of reference)	March 2018 (Not Met, decree adopted in April 2018)	Strengthen the management, coordination and monitoring of public investment and debt to improve debt sustainability
Establish a coordination procedure between CAPIP and CNDP outlining their responsibilities for project selection	March 2018 (Not Met, procedure adopted in April 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; design 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
<sup>1/</sup> This measure was set as a structural benchmark in our November 21, 2017 letter of intent (paragraph 25 of the MEFP), but was inadvertently omitted from Table 2 of the MEFP at the time.		

## 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.

### A. Definitions

3. **Net international reserves (NIR) of the Central Bank of Mauritania (BCM)** are defined as the difference between the reserve assets of the BCM (i.e., the external assets that are readily available to, and controlled by, the BCM, as per the 6<sup>th</sup> edition of the IMF *Balance of Payments Manual*), minus the BCM's foreign exchange liabilities to residents and nonresidents (including letters of credit and guarantees issued by the BCM, but excluding resident foreign exchange deposits that are payable in local currency). Monetary 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 = MRO 358.5), the SDR (\$1.39 = SDR 1), the euro (\$1.14 = 1 euro), and other currencies published in the IMF's database *International Financial Statistics (IFS)*.
4. **Net domestic assets (NDA) of the BCM** are defined as reserve money minus net foreign assets (NFA) of the BCM. 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 BCM. NFA are defined as the gross foreign assets of the BCM, including external assets not included in the reserve assets, minus all foreign liabilities of the BCM (i.e.,  $NDA = \text{reserve money} - NFA$ , based on the BCM 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 BCM, 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 BCM).

**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.<sup>1</sup>

- (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 sometime 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

<sup>1</sup> <http://www.imf.org/external/pp/longres.aspx?id=4927>.



guidelines, the debt is the present value (at the inception of the lease) of all lease 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 BCM that are overdue (taking into account any contractually agreed grace periods). For the purposes of the program, the government and the BCM 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 BCM, 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 BCM have provided a guarantee that would constitute a contingent liability. Guaranteed debt refers to any explicit legal obligation for the government and the BCM 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 BCM, rescheduling agreements, and IMF disbursements.

**11. Medium- and long-term external debt** contracted or guaranteed by the government, the BCM, 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 BCM, 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,<sup>2</sup> 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.<sup>3</sup> 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.

<sup>2</sup> <http://www.imf.org/external/np/spr/2015/conc/index.htm>.

<sup>3</sup> 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*.

## B. 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 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 BCM'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 recorded and projected 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 volume of net international assistance or the FNRH's contribution 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 recorded and projected amounts.

**18. The floor pertaining to the primary fiscal balance excluding grants** will be adjusted symmetrically upwards (respectively, downwards) by an amount equivalent to the excess (respectively, shortfall) of disbursements of the EU fishing compensation relative to the amounts projected in Table 1.

**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 budgetary extractive revenues and those projected in Table 1. Extractive budgetary 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.

## C. 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:

### Central Bank of Mauritania (BCM)

- The monthly statement of the BCM and monthly statistics on: (a) the gross international reserves of the BCM (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 BCM 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 BCM, 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.

### **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.

### 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.

### 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.

## D. 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 BCM 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 BCM, 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.