INTERNATIONAL MONETARY FUND

IMF Country Report No. 19/145

ISLAMIC REPUBLIC OF MAURITANIA

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF MAURITANIA

May 2019

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

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on May 20, 2019 following discussions that ended on March 13, 2019 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 3, 2019.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- A **Statement by the Executive Director** for the Islamic Republic of Mauritania.

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

Letter of Intent sent to the IMF by the authorities of the Islamic Republic of Mauritania*
Memorandum of Economic and Financial Policies by the authorities of the Islamic Republic of Mauritania*
Technical Memorandum of Understanding*
*Also included in Staff Report

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

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org
Price: $18.00 per printed copy

International Monetary Fund
Washington, D.C.

© 2019 International Monetary Fund

Press Release No. 19/177
FOR IMMEDIATE RELEASE
May 20, 2019

International Monetary Fund
Washington, D.C. 20431 USA

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

- Mauritania's performance continued to be strong and growth is projected to accelerate to 6.7 percent in 2019.
- The program aims at entrenching macroeconomic stability, supporting inclusive and job-creating growth, and building international reserve buffers.
- The authorities plan to use the prospective fiscal space prudently for priority social spending—education, health, and social protection—and public infrastructure.

On May 20, 2019, the Executive Board of the International Monetary Fund (IMF) completed the third review of the three-year arrangement with Mauritania under the Extended Credit Facility. The arrangement, with total access of SDR 115.92 million (about US$ 159.8 million at current exchange rates), or 90 percent of Mauritania's quota, was approved on December 6, 2017 (see Press Release No. 17/468). The completion of the review allows the authorities to draw SDR 16.56 million (about US$ 22.8 million), bringing total disbursements to SDR 66.24 million (about US$ 91.3 million).

Following the Executive Board discussion, Mr. Mitsuhiro Furusawa, Deputy Managing Director and Acting Chair, made the following statement:

"Mauritania's performance under the Extended Credit Facility Arrangement continues to be strong. Macroeconomic stability has been maintained, external debt-to-GDP declined, official reserves increased, and some fiscal space has been created. Structural reform implementation progressed as planned.

"Economic growth picked up to an estimated 3.6 percent in 2018 and is projected to accelerate to 6.7 percent this year, supported by continued broad-based non-extractive growth reflecting strong domestic demand and nascent diversification. The outlook has improved, buoyed by more favorable terms of trade and the upcoming development of a large offshore gas field. Nevertheless, downside risks related to global economic developments, commodity price volatility, adverse weather, and regional security concerns remain elevated.

“In the context of an uncertain global environment, the program aims at entrenching macroeconomic stability, supporting inclusive and job-creating growth, and building international reserve buffers. The authorities plan to use the prospective fiscal space prudently for priority social spending—education, health, and social protection—and public infrastructure, and to seek financing on concessional terms to improve debt sustainability.

“To support these objectives, the authorities’ program envisages continued policy discipline accompanied by broad-based structural reforms. Priorities include strengthening tax policy and administration to ensure broad-based tax compliance and reforming budget processes to improve the effectiveness of public spending. Modernizing the foreign exchange policy framework and increasing exchange rate flexibility will help to address external shocks and preserve official reserves, while activating the new monetary policy instruments will improve liquidity management. Upgrading bank regulatory standards and supervision will strengthen banking sector soundness and financial inclusion. The authorities are also committed to establishing a robust macro-fiscal framework to efficiently manage future windfall gas revenues.

“Going forward, it will be important to step up efforts to improve the business environment, strengthen economic governance, and fight corruption.”

Mauritania: Selected Economic Indicators, 2015–20

	2015	2016	2017	2018	2019	2020
				Est.	Proj.	Proj.
	(Annual change in percent)					
National accounts and prices						
Real GDP	0.4	1.8	3.1	3.6	6.7	5.8
Real extractive GDP	-5.6	0.7	-7.1	-18.7	20.6	6.3
Real non-extractive GDP	1.4	2.0	4.5	6.3	5.4	5.8
GDP deflator	-4.2	3.4	3.4	2.8	5.3	3.1
Consumer prices (period average)	0.5	1.5	2.3	3.1	3.6	4.0
	(In percent of non-extractive GDP; unless otherwise indicated)					
Central government operations						
Revenues and grants	32.6	31.7	31.8	33.6	30.5	31.2
Non-extractive	26.8	27.9	27.9	28.2	27.5	27.7
Taxes	16.9	18.7	19.7	20.8	20.4	20.7
Extractive	3.8	1.7	2.8	4.7	2.2	2.6
Grants	2.0	2.2	1.1	0.7	0.8	0.9
Expenditure and net lending	37.2	32.3	31.9	30.0	30.6	30.7
Current	20.6	19.0	19.6	19.1	18.1	18.0
Capital	15.8	13.3	12.3	10.8	12.4	12.8
Primary balance (excl. grants)	-4.5	-1.5	0.3	4.8	0.9	1.1
Overall balance (in percent of GDP)	-3.4	-0.5	0.0	3.3	0.0	0.5
Public sector debt (in percent of GDP) 1/ 2/	75.2	77.4	75.9	83.0	78.5	80.9
	(Annual change in percent; unless otherwise indicated)					
Money and Credit						
Broad money	0.4	7.1	13.7	13.8	11.5	11.6
Credit to the private sector	9.7	8.1	7.5	19.2	13.5	13.7
Balance of Payments						
Current account balance (in percent of GDP)	-19.8	-15.1	-14.4	-18.4	-15.7	-21.6
Excl. externally financed extractive capital imports	-9.6	-9.6	-7.4	-11.4	-10.2	-12.9
Gross official reserves (in millions of US$, eop) 3/	822.8	824.4	849.0	919.1	1,010.6	1,133.8
In months of prospective non-extractive imports	5.6	5.5	4.6	5.0	5.2	5.7
External public debt (in millions of US$) 2/	3,208.6	3,354.9	3,573.0	3,631.8	3,784.0	4,046.4
In percent of GDP	66.4	71.6	72.5	69.3	67.3	69.4
Real effective exchange rate	7.8	-5.8	-2.1	-0.8	…	…
Memorandum items:						
Nominal GDP (in millions of US$)	4,830.5	4,685.6	4,925.1	5,237.1	5,621.3	5,826.9
Price of iron ore (US$/Ton)	56.1	58.6	71.1	70.1	76.5	70.2

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including government debt to the central bank recognized in 2018.
2/ Excluding passive debt to Kuwait under negotiation.
3/ Excluding the hydrocarbon revenue fund.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

May 3, 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Program implementation continued to be satisfactory despite a somewhat less favorable external environment in 2018. Macroeconomic stability was maintained, external debt to GDP declined, official reserves rose, and some fiscal space was created by strong revenue performance and exceptional extractive proceeds, albeit also by under-execution of public investment. Structural reform implementation progressed as planned.

The economic outlook has improved, buoyed by more favorable terms of trade and the upcoming development of a large offshore gas field. Growth is projected to accelerate to 6¾ percent this year, supported by a recovery in extractive sectors and continued broad-based non-extractive growth reflecting strong domestic demand and budding diversification. Downside risks related to global economic developments, commodity price volatility, and regional security concerns remain elevated.

Considerable challenges remain to entrench macroeconomic stability, support inclusive growth, and build resilience to shocks. The prospective fiscal space should be used prudently for priority social policies (education, health, and social protection) and public infrastructure. Establishing a robust macro-fiscal framework will be critical to efficiently manage future offshore gas revenues. Borrowing should continue to focus on concessional terms.

Continued institutional and structural reforms are needed to support the policy agenda. Urgent priorities include strengthening tax policy and administration to ensure broad-based and equitable tax compliance; and reforming budget processes to improve the effectiveness of public spending. Modernizing the foreign exchange policy framework should seek to increase exchange rate flexibility to buffer the economy against external shocks; activating the new monetary policy instruments should proceed in parallel to improve liquidity management. Upgraded bank regulatory standards and supervision are needed to strengthen banking sector soundness and financial inclusion. Efforts to improve the business environment and governance and to fight corruption should be stepped up.

Staff supports completion of the third review under the ECF arrangement. Program targets were met—except for the floor on social spending due to capacity constraints—and the authorities are maintaining the course on policy and reform implementation.

Approved By
Taline Koranchelian and Kevin Fletcher

Discussions took place in Nouakchott during February 28–March 13, 2019. The team comprised Eric Mottu (head) Jean van Houtte, Imen Ben Mohamed (all MCD), Louis Dicks-Mireaux (SPR), and Joseph Karangwa (Resident Representative) assisted by Aichetou Maaloum Braham (local economist). Mohamed-Lemine Raghani and Mohamed Sidi Bouna (both OED) attended some meetings. Ms. Kalla provided research assistance and Ms. Cruz, Ms. Bondar, and Mr. Kane provided administrative support. The mission met with Prime Minister Salem Béchir, Central Bank Governor Abdel Aziz Dahi, Minister of Economy and Finance El Moctar Djay, Minister of Budget Mohamed Kembou, Minister of Petroleum, Energy, and Mining Mohamed Abdel Vetah, and other senior officials, private sector representatives, and development partners.

CONTENTS

CONTEXT 4

RECENT ECONOMIC DEVELOPMENTS 4

PROGRAM PERFORMANCE 7

OUTLOOK AND RISKS 7

POLICY DISCUSSIONS 8

A. Fostering More Responsive Monetary and Exchange Rate Policies 8
B. Maintaining a Prudent Yet Growth-Friendly Fiscal Policy 11
C. Strengthening Resilience in the Financial Sector 12
D. Improving Social Policies, Economic Governance, and the Business Environment 13
E. Safeguards and Other Program Issues 15

STAFF APPRAISAL 15

FIGURES

1. Program Scenarios, 2015–24 9
2. Real Sector Developments, 2010–19 17
3. External Sector Developments, 2010–19 18
4. Fiscal Sector Developments, 2010–18 19
5. Monetary and Financial Sector Indicators, 2010–18 20
6. Business and Governance Indicators, 2007–19 21

TABLES

1. Macroeconomic Framework, 2015–24 ____ 22
2. Balance of Payments, 2015-24 ____ 23
3a. Central Government Operations, 2015–24 (In billions of MRO) ____ 24
3b. Central Government Operations, 2015–24 (In percent of non-extractive GDP) ____ 25
4. Monetary Survey, 2015–21 ____ 26
5. Banking Soundness Indicators, 2010–18 ____ 27
6. External Financing Requirements and Sources, 2015–21 ____ 28
7. Capacity to Repay the Fund, 2019–33 ____ 29
8. Access and Phasing Under the Three-Year ECF Arrangement, 2017–20 ____ 30
9. Risk Assessment Matrix ____ 31

ANNEXES

I. Natural Resource Revenue Management Principles in the Context of the Upcoming Gas Project ____ 32
II. Financial Inclusion in Mauritania ____ 36

APPENDIX

I. Letter of Intent ____ 39
Attachment I. Memorandum of Economic and Financial Policies ____ 41
Attachment II. Technical Memorandum of Understanding ____ 67

CONTEXT

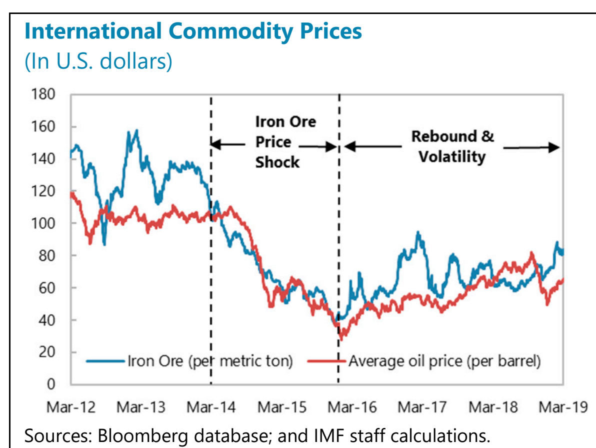
1. Policy implementation continued to be satisfactory despite a somewhat less favorable external environment in 2018. Under the program, macroeconomic stability was maintained, external debt to GDP declined, official reserves rose, and some fiscal space was created by strong revenue performance, exceptional extractive proceeds, albeit also by under-execution of public investment. Implementation of the reform agenda to modernize economic institutions and policy frameworks progressed as planned. Despite a slowdown in extractive sectors, growth picked up, reflecting a strong performance of non-extractive sectors.

2. The political context is dominated by the presidential election scheduled for June 2019. The sitting president is not running for a third term, in line with the constitution.

3. The international community is increasingly focused on containing security risks in the Sahel. This has resulted in a significant military deployment, accompanied by sizable mobilization of donor financing for development projects, in the context of the so-called G5 Sahel initiative.

4. Since the last review, the launch of the Grand Tortue/Ahmeyim (GTA) offshore gas project and improved terms of trade have been positive developments. First, BP, Kosmos Energy, Mauritania, and Senegal decided in December 2018 to launch the first phase of the GTA project, with first gas planned for 2022; this improves medium-term prospects despite some short-term borrowing costs.[1] Second, actual and projected higher iron ore and gold prices coupled with lower oil import prices are expected to support the external position this year and next.[2]

International Commodity Prices
(In U.S. dollars)



Sources: Bloomberg database; and IMF staff calculations.

RECENT ECONOMIC DEVELOPMENTS

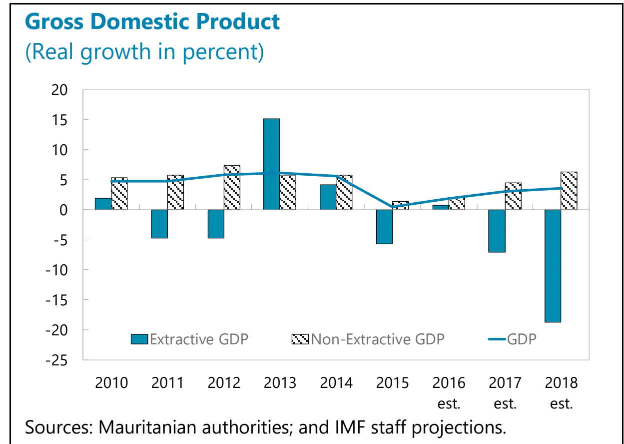
The economy continued to recover in 2018, although less favorable terms of trade and limited exchange rate flexibility widened external imbalances.

5. Growth picked up to 3.6 percent in 2018 on the back of a strong performance of non-extractive sectors, which grew over 6¼ percent, reflecting signs of diversification. The fishing sector grew strongly while government support to farmers and the expansion of irrigated and rainfed acreages helped mitigate the impact of the drought on agriculture and livestock. Transport,

[1] See IMF Country Report No. 18/365, Box 1.

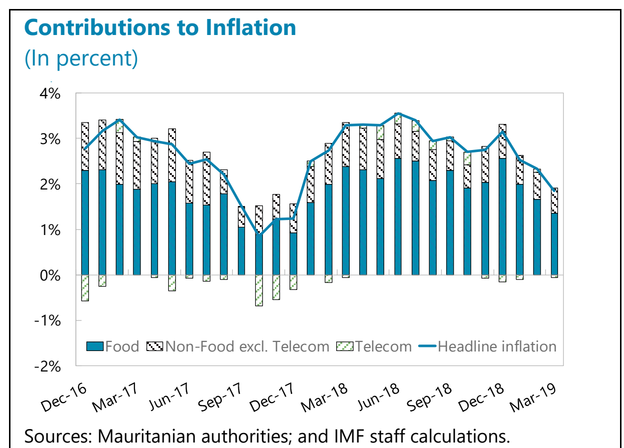
[2] Projections are based on the April 2019 WEO; since then, both export and import spot prices have risen somewhat.

telecommunication, and construction were boosted by strong domestic demand while growth in the manufacturing sector declined. Output in the extractive sector fell sharply due to the exhaustion of oil production, mine maintenance, and a shift to increasing iron ore quality over quantity.[3]



Sources: Mauritanian authorities; and IMF staff projections.

6. Inflation increased to 3.1 percent on average in 2018 due mostly to food price increases. A stable exchange rate and the authorities' decision not to raise administrated fuel prices moderated inflationary pressures. Inflation started trending downward in Q1 of 2019, dropping to 1.8 percent y-o-y in March.



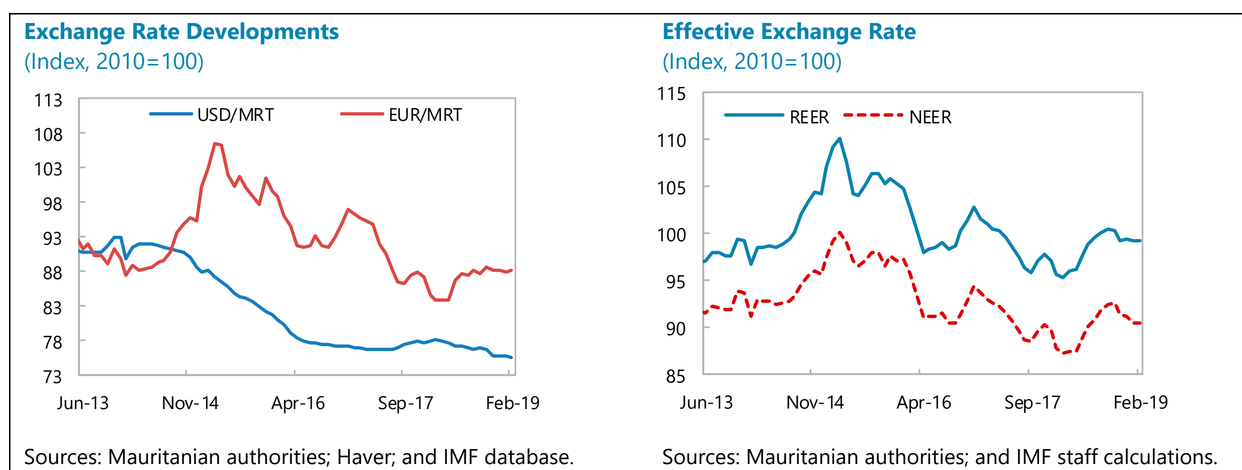
Sources: Mauritanian authorities; and IMF staff calculations.

7. Strong domestic demand and unfavorable commodity price developments widened the external current account deficit in 2018. The deficit (excluding foreign-financed extractive sector capital imports) widened to 11½ percent of GDP (against 7½ percent in 2017) as oil import costs rose while food and non-extractive FDI-related capital imports increased. Nonetheless, gross reserves rose to $919 million by year-end (equivalent to 5 months of non-extractive imports) from $849 million (4.6 months of imports) at end-2017 due to high foreign direct investment (FDI) and other financial flows from extractive sectors.

8. The central bank (BCM) allowed limited exchange rate movements during much of 2018, with an only 2.2 percent depreciation against the U.S. dollar in the fourth quarter. Overall, the real effective exchange rate appreciated during 2018, raising concerns over possible overvaluation as suggested by the last external assessment. Moreover, the dollar exchange rate remained virtually flat in the first four months of 2019.

9. Credit to the private sector expanded by 19 percent in 2018 despite tight overall liquidity conditions. Credit expansion—largely to the telecom, transportation, and construction sectors—was supported by recapitalization of several large banks; the operationalization of two new banks; support from an externally provided credit line for small and medium enterprises; and some softening of lending rates amidst greater bank competition. Banks' net foreign assets also improved due to high fishing sector receipts. Meanwhile, reserve money growth remained low at 6.8 percent, and tight bank liquidity exposed potential vulnerabilities for several small, less liquid banks.

[3] An ongoing revision of national accounts for 2005–17, yet to be completed, may raise GDP by about a quarter. The Fund and others are providing technical assistance.



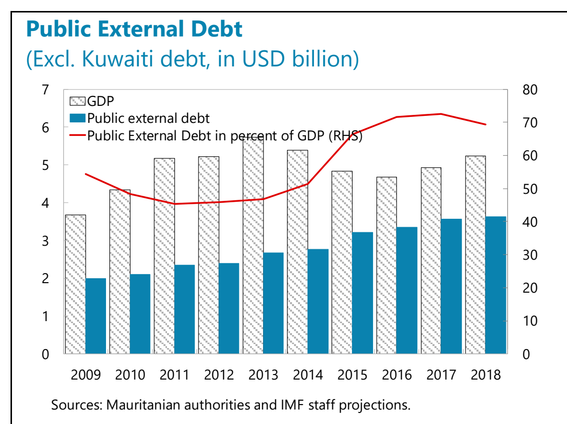
Sources: Mauritanian authorities; Haver; and IMF database.

Sources: Mauritanian authorities; and IMF staff calculations.

10. Banking sector vulnerabilities, particularly for small banks, persisted despite ongoing reforms to address them. Progress by six large banks in meeting the newly increased minimum capital requirement contributed to an increase in the capital adequacy ratio to 24.7 percent in 2018 (from 22.2 percent in 2017). Non-performing loans (NPL) stabilized around 22½ percent in 2018, of which 78 percent were provisioned (71 percent in 2017); however, accrued interests on old impaired loans continued to inflate NPLs.

11. The fiscal position strengthened significantly in 2018. The primary budget surplus excluding grants (the program's anchor) improved by 4½ percentage points of NEGDP owing to strong tax revenue performance, exceptional exploration licenses, and slow execution of externally financed capital spending, which more than compensated for a lower net fuel tax intake.[4] The non-extractive balance also improved significantly. Execution of capital spending was slower-than-programmed due to new, stricter procurement procedures and the later-than expected phasing of disbursements for many large projects launched the previous year.

12. The external public debt ratio dropped for the first time since 2011—from 72.5 percent of GDP in 2017 to 69.3 percent in 2018—reflecting low project disbursements and steady nominal GDP growth.[5] Only a handful of small external loans were contracted in 2018, all on concessional terms. Total public sector debt increased to 83.9 percent of GDP as the government recognized about 10 percent of GDP in liabilities to the BCM.[6]



Sources: Mauritanian authorities and IMF staff projections.

[4] The fuel price differential—between fixed domestic fuel prices and rising import prices—declined.

[5] Excluding a passive debt in arrears to Kuwait dating from the 1970s, estimated at about 19 percent of GDP in 2018.

[6] The memorandum recognizing those liabilities, originating from uncompensated quasi-fiscal activities in the 1990–2000s, was ratified by parliament in February 2019.

PROGRAM PERFORMANCE

13. The program is on track, and the authorities are maintaining the course on policy and reform implementation.

- All performance criteria (PC) and seven of the nine structural benchmarks (SB) for December 2018–April 2019 were met; the remaining two were completed with a one-month delay (MEFP Table 2b). The BCM established an interest rate corridor for its new deposit and refinancing facilities; introduced two-way wholesale auctions on the foreign exchange (FX) market; raised the threshold for the requirement to use the official FX market; published illustrative financial statements consistent with International Financial Reporting Standards (IFRS); finalized a national risk assessment and action plan on anti-money laundering/countering the financing of terrorism (AML/CFT); and modernized bank capital and liquidity requirements. The authorities also established new, more market-based procedures to issue Treasury bills, launched a new credit information bureau, and introduced internal performance objectives regarding tax compliance.
- A SB on a new general tax code and corporate income tax, planned for August 2019, was met earlier than scheduled in December 2018.
- However, the indicative floor on social spending was missed by about 13 percent due to capacity weaknesses and administrative reorganization.
- Structural reforms planned for this year are proceeding, including reforms in the monetary and exchange rate policy framework, bank supervision, tax administration, public financial management (PFM), and central bank accounting.

OUTLOOK AND RISKS

14. The outlook for 2019–21 is positive due to improving prospects in both extractive and non-extractive sectors, ongoing policy efforts, and a recovery in commodity prices (Figure 1). Over the next three years, the launch of the GTA offshore gas project and positive sentiment related to the stable policy framework are expected to sustain public and private investment, supporting domestic demand. Growth is projected to accelerate to 6¾ percent in 2019 and to hover around 6 percent in 2020–21 on the back of good prospects for iron ore and gold mining and continued strong performance of non-extractive sectors, including agriculture, construction, telecom, and other services. During the GTA construction years, some local contracting of onshore related investments will raise growth somewhat. While the current account deficit is expected to remain elevated, driven by FDI in the extractive sectors, the underlying deficit excluding extractive capital imports should stabilize along with more favorable terms of trade. As a result, reserves would increase to about 6 months of non-extractive imports. External public debt will rise in 2020 due to borrowing to finance the government's equity in the GTA project (up to $304.5 million, or 5.4 percent of GDP, over four years), but is projected to decline thereafter.

15. The outlook is expected to improve further after gas exports start in 2022. These will narrow the current account deficit and yield budgetary revenues of about 1 percent of NEGDP by 2024 over the long term.[7] The preliminary assumption is that half of the revenues will be spent on public investment and half will be saved in the existing hydrocarbons fund (which is not part of official reserves). The favorable impact of GTA-related private and public investment on growth (about one-half percent) and on the external position will improve long-term debt sustainability prospects.

16. Downside risks dominate given the uncertain global outlook. Major risks include a deceleration in global growth and a fall/volatility of iron ore and gold prices; a deterioration in regional security; a contentious political transition; and technical delays in the GTA project (Table 9). Upside risks include the potential expansion of gold mining and increases in the price of gas which would help secure the future expansion of the GTA project.

POLICY DISCUSSIONS

17. Discussions focused on policies to increase buffers, support inclusive growth, and build resilience to shocks. In the context of a highly uncertain global environment, the authorities agreed with staff on the importance of locking in the better-than-expected 2018 reserves outturn and continuing to build reserves, while they seek to build capacity for implementing a more active monetary policy with greater exchange rate flexibility to support growth and respond to exogenous shocks. They agreed on the need to strengthen bank soundness and confirmed their strong commitment to continued prudent and disciplined fiscal and debt policies with adequate spending on infrastructure and social protection in support of more diversified and inclusive growth. Prospects for offshore gas production were confirmed, which led to a shared understanding of the importance of a robust framework to manage future hydrocarbon revenues as a key component of governance reforms.

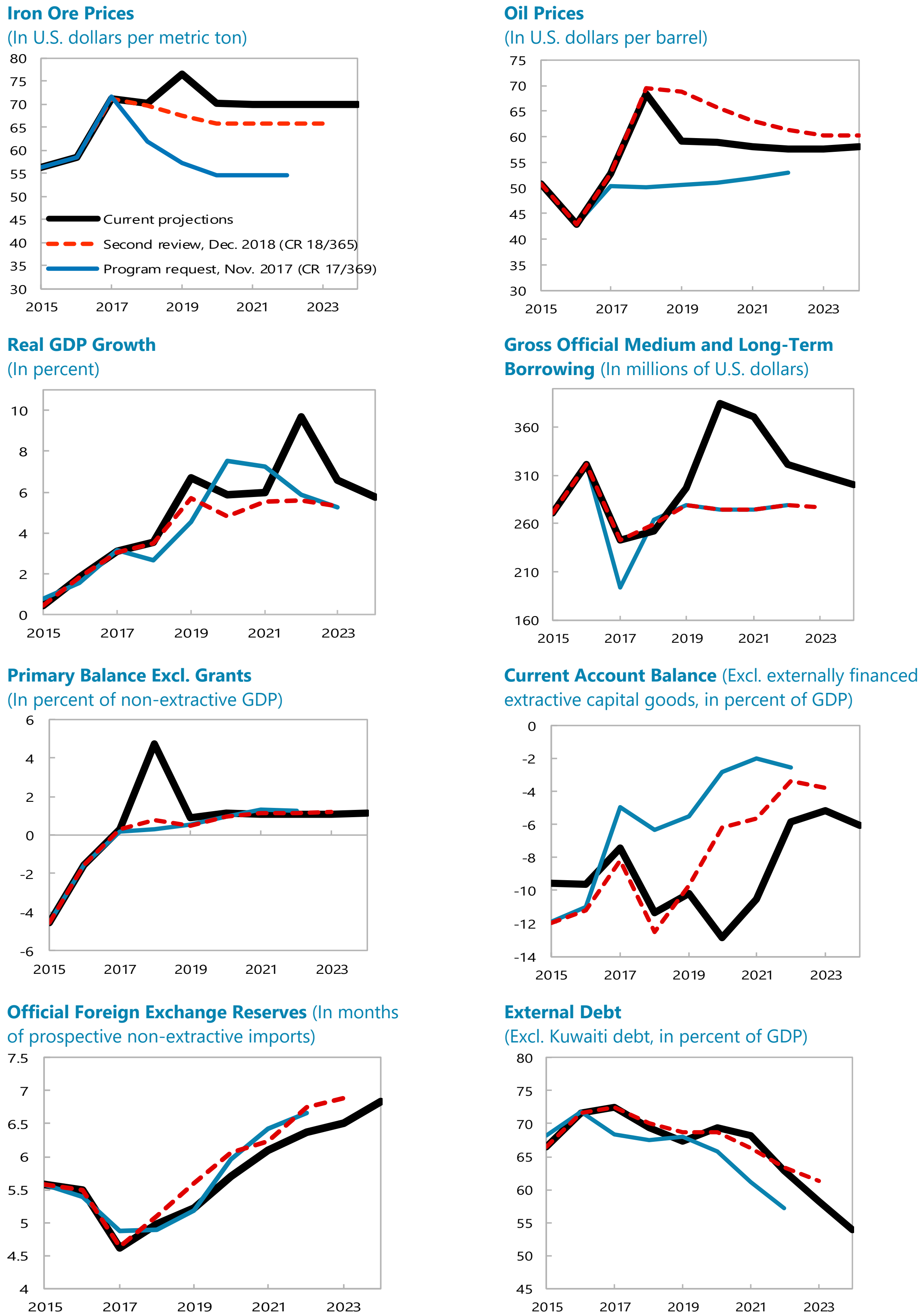
A. Fostering More Responsive Monetary and Exchange Rate Policies

18. The new monetary policy instruments, now operational, will need to be used more regularly to gain traction and effectively impact liquidity conditions.

- The BCM introduced in November 2018 a new monetary policy framework comprising refinancing and deposit instruments of various maturities, some available to banks continuously and some activated at the central bank's discretion. The BCM also set its policy interest rate at 6.5 percent with a corridor spanning a maximum of 9 percent for overnight refinancing and zero percent for overnight deposits.

[7] Only the first phase of the GTA project is incorporated in the macroeconomic framework.

Figure 1. Mauritania: Program Scenarios, 2015–24



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

- To test the system, the BCM carried out a first liquidity absorption operation in February by issuing one-week BCM bills through an auction which yielded an average weighted interest rate of 4.9 percent—close to the T-bill rate. Staff encouraged the BCM to continue such operations and to launch short-term refinancing operations to provide liquidity for banks in need, in the absence of a functioning interbank market. These could initially take the form of collateralized liquidity auctions around the new policy rate of 6.5 percent, which would help anchor liquidity pricing expectations in the primary market and address uneven liquidity distribution.

- Full activation of the new framework will require narrowing the interest rate corridor during the program period so that banks start using the new facilities more regularly, thereby improving monetary policy transmission. The BCM emphasized a cautious approach with a view to minimizing costs and avoiding overreliance on the central bank; it is on track to set up an interbank market for liquidity (SB for December 2019).

19. Greater exchange rate flexibility would help respond to exogenous shocks, conserve needed official reserves, and improve competitiveness. So far in 2018–19, the BCM has made very limited use of exchange rate flexibility to help absorb unfavorable terms-of-trade developments and preserve official reserves (the exchange rate moved by only 3 percent y-o-y relative to the U.S. dollar). While the authorities favor a stable exchange rate to help achieve price stability in the absence of effective monetary policy instruments and hedging instruments for banks and economic operators, they acknowledged the benefits of exchange rate flexibility to absorb shocks and support competitiveness. They agreed to (i) continue to reform the official FX market, with a view to achieving a more market-determined exchange rate and ensuring regular and timely provision of FX on the official market; (ii) establish a monthly FX intervention budget to limit interventions and help build official reserves consistent with agreed targets; (iii) review the calculation of the daily published reference exchange rate to better reflect the weighted average of transactions on the official FX market; and (iv) eliminate the obligation to go through the official FX market and develop a platform for an efficient FX interbank (SBs for December 2019, MEFP ¶19–20). Given that the BCM provides a large share of the economy's FX needs by intermediating mining and other proceeds, the option of introducing periodic, pre-announced FX auctions was discussed, with interventions limited to cases of excessive volatility, provided a well-functioning interbank market is in place. The authorities requested further technical assistance on these issues.

20. The objective of increasing official reserves by about $80 million in 2019 (agreed during the second review) was confirmed. This would raise gross international reserves above $1 billion by year-end (about 5.2 months of non-extractive imports). Risks to the global outlook warrant building adequate buffers, especially given the onset of sizeable debt servicing obligations to Saudi Arabia in 2021.

21. The authorities modernized the issuance of Treasury bills and bonds and BCM instruments. The new procedures, adopted in April 2019 (SB for March 2019, MEFP ¶31), better distinguish maturities along with other improvements and shorter settlement time lags in line with best practices. This is expected to help improve domestic debt management, develop a yield curve,

lengthen maturities, and increase the attractiveness of T-bills for banks (including for use as collateral for refinancing operations).

B. Maintaining a Prudent Yet Growth-Friendly Fiscal Policy

22. Staff encouraged the authorities to continue with disciplined policies in 2019 while starting to consider using the prospective fiscal space for priority social and infrastructure spending. Following the exceptionally strong outturn in 2018, the 2019 budget is also projected to yield a sizable primary surplus of 0.9 percent of NEGDP (excluding grants).[8] This assumes some under-execution of externally financed capital spending due to revised programming of some projects and capacity constraints, while leaving room for higher social spending on health, education, and social protection. Tax revenues are projected to soften along with lower imports. With borrowing expected to remain low and no new major projects foreseen, external public debt is projected to drop by another 2 percentage points of GDP to 67.3 percent of GDP by year-end, creating space for higher domestically financed investment or contracting of new priority projects on concessional terms.

23. Continued revenue mobilization and disciplined recurrent spending would provide room for priority growth-enhancing social and infrastructure spending in 2020. With macroeconomic stability more firmly entrenched and debt sustainability strengthened, some of the newly created fiscal space could be used for priority social and infrastructure spending, given immense needs in the education and health sectors, as well as continued security challenges. Caution is warranted, though, to avoid complacency and ensure efficient spending channeled through the authorities' national development strategy, amidst weak administrative capacity.

24. Determined PFM reforms will help raise expenditure efficiency and strengthen prioritization of much-needed social spending and investment (MEFP ¶27–29). The authorities are working to improve budget formulation and execution by preparing decrees to operationalize the new organic budget law (SB for June 2019) and have strengthened public investment management by reactivating the project selection committee last year. After approving in May 2018 final budget accounts for 2013–15 audited by the Court of audit, parliament approved in January 2019 final budget accounts for 2016–17. This year, final accounts for 2018 are expected to be considered along with the draft 2020 budget. In addition, the authorities initiated an external Public Expenditure and Financial Accountability (PEFA) assessment and requested a Public Investment Management Assessment (PIMA) which is scheduled for 2019. Sizable technical assistance from donors including the Fund is supporting PFM modernization.

25. Economic diversification is raising new challenges for revenue mobilization (MEFP ¶25–26). Tax collection on domestic production is proving difficult relative to the more straightforward border taxation of imports. In this context, there was broad agreement on the need to strengthen domestic tax administration and to press ahead with ongoing reform plans emphasizing compliance and audit measures for large and medium-size taxpayers (SBs for March

[8] The end-2019 budget PC reflects this higher-than-previously projected surplus.

and December 2019). The new, modernized tax code introducing a proper corporate income tax adopted by parliament in April will help (SB for August 2019). Customs administration will also need to be strengthened by improving post-clearance customs controls (SB for June 2019).

26. There was broad agreement that contracting new debt should be guided by strong project selectivity, debt sustainability considerations, and more coordinated debt management. The updated debt sustainability analysis (DSA) suggests a continued high risk of debt distress due to a high external debt-to-GDP ratio and short-term debt service due on the Saudi deposit at the BCM (see separate DSA). Continued discipline is needed to ensure efficient public investment and judicious borrowing to sustain a durable decline in the external public debt-to-GDP ratios which began in 2018, reduce the risk of debt distress, and strengthen overall debt sustainability.[9] No new significant external loans were contracted in 2018, and the authorities remain committed to avoiding non-concessional borrowing, with well-defined exceptions under the program (notably for the GTA project and a port, MEFP ¶36).

27. The authorities concurred that the windfall revenues expected from the GTA project from 2022 onward will need to be managed within a robust institutional framework (Annex I). Preliminary estimates suggest that budget revenues could amount to about 1 percent of NEGDP from 2022, possibly rising to over 3 percent of NEGDP in 2025 if the GTA project is expanded. The authorities intend to establish a strong natural resource management framework building on the existing hydrocarbons fund, which currently receives all hydrocarbon revenues to either save or be transferred to the budget through the regular annual budget process. Staff emphasized the need to establish key building blocks for effective natural resource management, including: (i) overall macro-fiscal objectives (development/stabilization/savings) to guide revenue management strategies; (ii) a fiscal policy integrated within a medium-term fiscal framework and anchored on a non-extractive primary balance;[10] and (iii) stronger institutional arrangements for the hydrocarbons fund, including prudent distribution, management, and investment of revenues as well as transparent governance, auditing, and disclosure processes. This institution building, for which the authorities have requested technical assistance from development partners, should preferably be completed over the next year or so.

C. Strengthening Resilience in the Financial Sector

28. The BCM is continuing to upgrade the prudential supervision framework to address financial sector vulnerabilities and is strengthening its governance and transparency. The passage of new banking and central bank laws last year were welcomed steps towards strengthening prudential requirements, bank supervision, and the BCM's governance. The BCM adopted Basel III regulatory standards for capital adequacy and liquidity (SB for April 2019) and

[9] Exit from high risk is projected in 2026, one year earlier than previously on account of a more favorable medium-term outlook related to the GTA project despite higher GTA-related borrowing.

[10] This could be benchmarked on a pro-growth fiscal sustainability framework allowing prudent scaling-up of productive investment and adequate savings for stabilization and intergenerational purposes, and incorporating a resource-price smoothing formula to limit the impact of price volatility.

established an internal audit committee. It also published a quantification of its financial statements for 2017 in accordance with IFRS (SB for December 2018). Banks are raising their capital to meet the new minimum capital requirement (nearly doubled) by March 2020.

29. Discussions focused on further strengthening banks' balance sheets and reinforcing bank supervision, with a view to completing the recommendations of the 2014 FSAP (MEFP ¶40–52). Operationalizing the two new laws requires further action, including establishing the envisaged governance structures (the financial stability and Sharia compliance committees) and a specific regulatory framework for Islamic banks. Staff called for ensuring full and timely compliance of banks to the new minimum capital, solvency, and liquidity requirements. It urged the BCM to continue to upgrade its supervision of banks toward a risk-based approach, especially given the recent rise in credit to the private sector which should be monitored carefully. Staff called for full enforcement of the end-2018 deadline given to banks to bring their loan portfolio in compliance with limits on related-party exposure by applying statutory sanctions, with a view to reducing credit concentration risks (SB for July 2019). It also called for prompt adoption of the necessary regulations to facilitate the transfer of fully provisioned NPLs out of banks' balance sheets.

30. New initiatives are being implemented to foster financial inclusion and support finance sector development (Annex II). Staff welcomed the establishment of a credit bureau (SB for February 2019) to facilitate access to credit for small and medium enterprises and households; and operationalization of a modern digital payments system by end-2019 to reduce financial transaction costs.

31. Staff welcomed ongoing efforts to upgrade the AML/CFT framework, which is a prerequisite to address pressures on correspondent bank relations (CBR). Following adoption of an updated AML/CFT law by parliament in January, staff welcomed the finalization of the national risk assessment and action plan (SB for April 2019, MEFP ¶48). The latter should be implemented promptly with a view to strengthening the AML/CFT framework and practices in line with the standards of the Financial Action Task Force (FATF), including effective implementation of targeted financial sanctions and strong risk-based AML/CFT supervision of banks. Staff welcomed the BCM and banks' outreach efforts seeking to alleviate pressures on CBRs, as an increasingly limited number of banks can maintain CBRs in U.S. dollar. The authorities observed that CBR pressures derive not from country-specific concerns, but from broader commercial decisions by large foreign banks regarding their positioning in frontier markets.

D. Improving Social Policies, Economic Governance, and the Business Environment

32. Implementation of the social protection elements of the authorities' development strategy should be accelerated (MEFP ¶53–54). The registry of vulnerable households covered only eight regions at end-2018 instead of the 18 planned. Stepped-up efforts and greater resources will be needed to cover all 57 regions by mid-2020 as planned. Still, so far 100,000 vulnerable households were identified, of which 30,000 started receiving conditional cash transfers. Emergency

support for drought-affected regions was also successfully rolled out in 2018. However, social spending for 2018 fell short of the targeted amount under the program, amidst general under-execution of budget allocations and the reorganization of several ministries. Moreover, financing for the targeted cash transfer program beyond 2019 remains to be secured. Staff called for proactively monitoring implementation of social spending targets. The authorities confirmed that their national development strategy prioritizes inclusive growth and seeks to address the dearth of economic opportunity for the poorest and most vulnerable. They will conduct a new household survey this year to help track poverty outcomes and inform pro-poor policies.

33. Despite considerable progress, there remains scope to improve the business environment (MEFP ¶55–56). Mauritania remains in the last quartile at 148 out of 190 in the Doing Business survey despite gaining 28 ranks in the past four years. With a view to climbing among the first 100 countries, the authorities created a council on the business climate chaired by the prime minister. Staff welcomed the 2019 action plan focusing on introducing online tax payments, simplifying access to electricity, and modernizing commercial courts. It highlighted that greater regional integration would offer new opportunities for trade.

34. Progress was made on transparency in the extractive sectors (MEFP ¶58–59). The last review of compliance with the Extractive Industries Transparency Initiative (EITI) in February 2019 found that Mauritania had made meaningful progress in implementing the EITI standard. It identified corrective actions needed to enhance disclosures of license allocations and the license register, improve disclosures on state participation in the mining sector, and strengthen the evaluation of the EITI's impact, while welcoming ongoing efforts to ensure systematic disclosure of EITI data. The authorities intend to implement these actions, which would help limit vulnerabilities to corruption. Finally, Mauritania is the first candidate country in the new Fisheries Transparency Initiative.

35. Under the program, the authorities have committed to taking action in several governance areas. Operationalization of the new organic budget law should strengthen PFM. A new organic law, passed last year and intended to strengthen the mandate of the Court of audit, will need to be operationalized with added resources (MEFP ¶61). Program measures to avoid related-party lending (MEFP ¶45), strengthen AML/CFT controls (MEFP ¶47–48), and enhance central bank governance and oversight (MEFP ¶11) should further improve governance and reduce vulnerabilities to corruption. The authorities are also working with development partners to strengthen PFM, public procurement, the judiciary, land and other property rights, and EITI compliance, among others.

36. Staff stressed the need to step up the operations of existing institutions aimed at fighting corruption (MEFP ¶57). The authorities adopted an anti-corruption law and accompanying decrees in 2016 which established specialized courts. However, the oversight committee has yet to be nominated and to report on implementation of the anti-corruption strategy. A meaningful mandatory asset declaration regime for officials is also in place, but its implementation has been uneven. The authorities are keen to better communicate their efforts to fight corruption and plan to intensify implementation of their 2016–20 strategy, including by launching the relevant oversight committee.

E. Safeguards and Other Program Issues

37. The authorities made significant progress on several key recommendations from the safeguards assessment completed in May 2018. A new central bank law strengthening the BCM's autonomy and its governance and oversight arrangements, including through the establishment of an audit committee, was passed in July 2018; a new memorandum on repayment of the government's debt to the BCM was ratified earlier this year; a new emergency liquidity assistance framework is being operationalized; and steps have been taken to proceed toward transition to IFRS, including publication of a quantitative gap analysis.

38. A preliminary agreement was announced in April 2019 on the resolution of the debt in arrears with Kuwait. The authorities have been seeking debt relief on terms comparable to, or better than, those granted under the 2002 HIPC Initiative completion point. The final agreement will be incorporated in the macroeconomic framework after ratification by both countries.

39. New PCs are proposed for end-December 2019 in line with, or stronger than, previously agreed indicative targets. New indicative targets are also proposed for end-March 2020 consistent with the revised program projections. The program is fully financed for 2019 with grants commitments from various donors, with good prospects for the remainder of the arrangement.

40. Mauritania continues to have adequate capacity to repay the Fund. Credit outstanding to the Fund would peak at SDR 133.6 million in 2020 (15.4 percent of gross international reserves, or 3.2 percent of GDP) while debt service to the Fund would remain manageable, peaking at 1.1 percent of exports in 2026 (Table 7).

STAFF APPRAISAL

41. Performance under the ECF-supported program was strong, and policy and reform implementation continued to be satisfactory. Despite a somewhat less favorable external environment in 2018, macroeconomic stability was maintained, external debt to GDP declined, official reserves rose, and some fiscal space was created by strong revenue performance and exceptional extractive proceeds, albeit also by under-execution of public investment. Implementation of the structural reform agenda progressed as planned.

42. The economic outlook has improved, buoyed by more favorable terms of trade and the upcoming development of a large offshore gas field. Growth is projected to accelerate to 6¾ percent this year, supported by a recovery in extractive sectors and continued broad-based non-extractive growth reflecting strong domestic demand and budding diversification. Downside risks related to global economic developments, commodity price volatility, and regional security concerns remain elevated, though.

43. Considerable challenges remain to entrench macroeconomic stability, support inclusive job-creating growth, and build resilience to shocks. Despite signs of diversification, the

economy remains vulnerable to adverse external developments, and the recent recovery will take time to translate into broad-based job creation and poverty reduction.

44. Continued policy discipline accompanied by broad-based institutional and structural reforms are needed to address these challenges. Urgent priorities include strengthening tax policy and administration to ensure broad-based tax compliance and reforming budget processes to improve the effectiveness of public spending. A robust macro-fiscal framework should be established to manage future offshore gas revenues. Debt sustainability continues to rest on prudent borrowing on concessional terms. Modernizing the FX policy framework should seek to increase exchange rate flexibility to buffer the economy against external shocks, conserve much-needed official reserves, and improve competitiveness. Activating the new monetary policy instruments should proceed in parallel to improve liquidity management. Upgraded bank regulatory standards and stronger supervision are needed to improve banking sector soundness and banks' ability to expand credit and foster financial inclusion.

45. In the context of a highly uncertain global environment, the authorities should lock in the more favorable short-term prospects by increasing policy buffers. Their commitment to continue to increase official international reserves and maintain fiscal space through primary budget surpluses under the program is welcome.

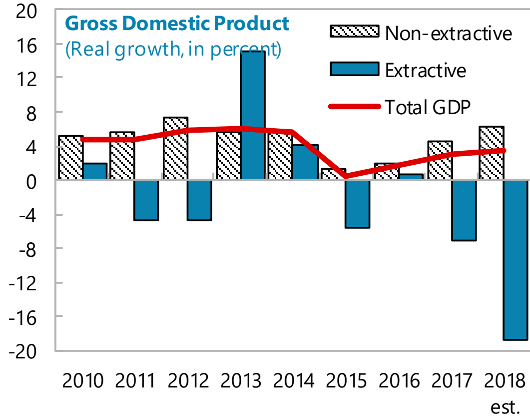
46. The authorities should proactively monitor implementation of the social spending targets. Addressing immense needs in the education and health sectors, social protection, and public infrastructure, as well as continued security challenges, is a priority. The prospective fiscal space should be used prudently, though, to preserve fiscal space and debt sustainability by continuing to mobilize domestic revenues, prioritize public expenditure, and strengthen governance. The authorities' focus on operating within their national development strategy, ensuring efficient spending, and strengthening administrative capacity is welcome.

47. Despite recent progress, efforts to improve the business environment and economic governance and to fight corruption should be stepped up. Leveraging past success, the authorities should decisively implement their action plans to improve the business climate and transparency in the extractive sectors. Ongoing efforts to strengthen PFM should be accelerated, and the operations of existing institutions aimed at fighting corruption stepped up.

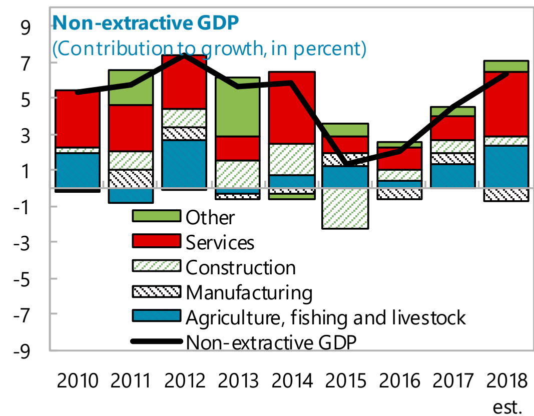
48. Staff supports completion of the third review under the ECF arrangement, approval of the associated disbursement, and the setting of new PCs for December 2019. Program targets have been broadly met and the authorities are maintaining the course on policy and reform implementation. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to continue and reinforce the program's objectives. The capacity to repay the Fund is adequate, and risks to the program are manageable given existing buffers and the government's solid track record of policy implementation.

Figure 2. Mauritania: Real Sector Developments, 2010–19

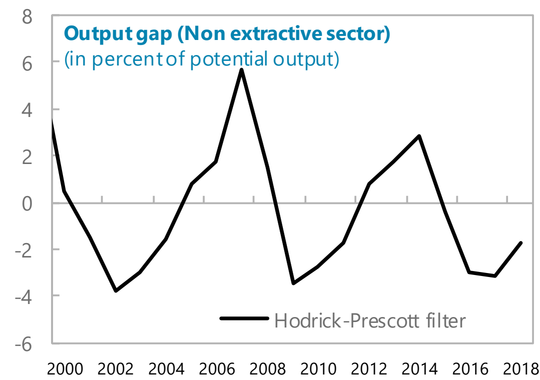
The rebound in growth has been driven by non-extractive activities while extractive sectors declined.



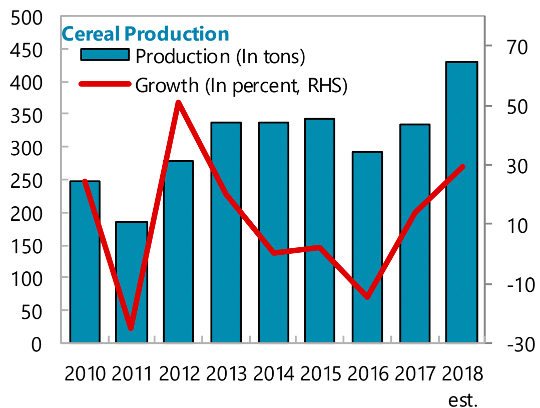
Services, agriculture, and fishing remained the main drivers of non-extractive growth ...



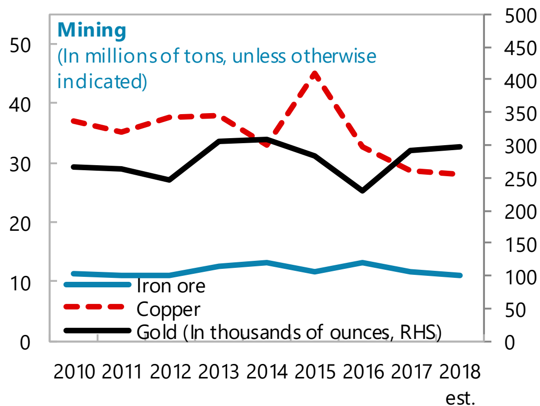
...but the output remains below its potential.



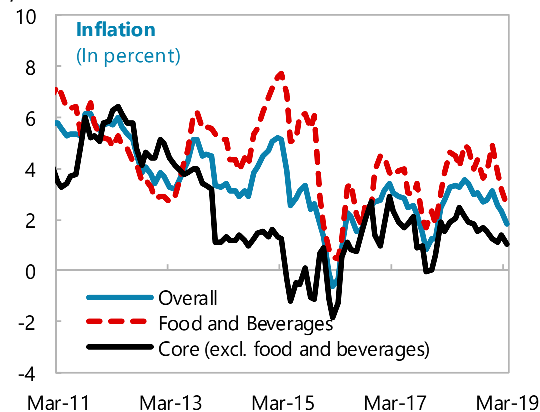
Cereal production increased.



Iron ore and copper production declined, while gold production rebounded ...



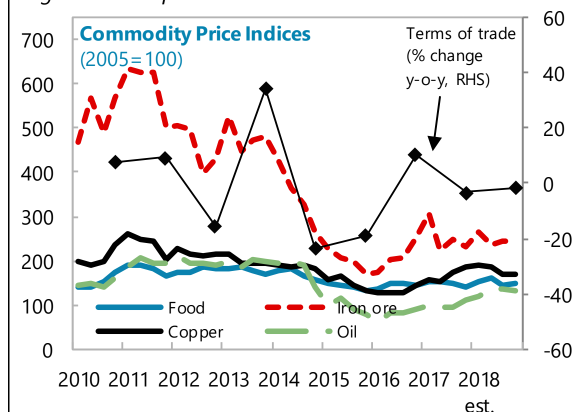
Inflation has ticked up in 2018 on the back of higher food prices...



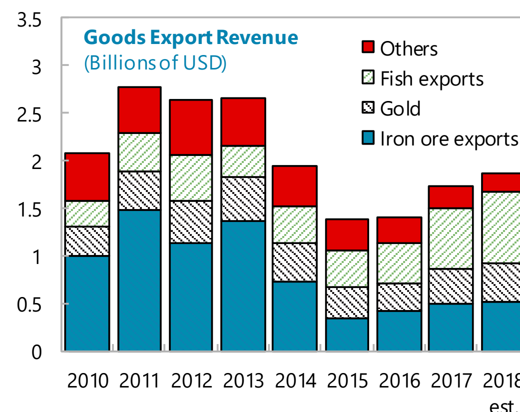
Sources: Mauritanian authorities; and IMF staff estimates.

Figure 3. Mauritania: External Sector Developments, 2010–19

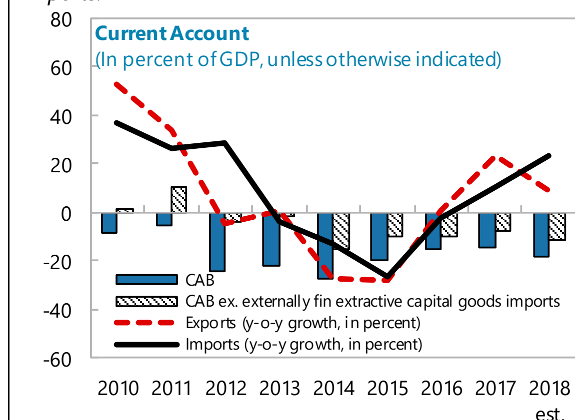
The terms of trade stabilized as higher oil prices offset higher metals prices.



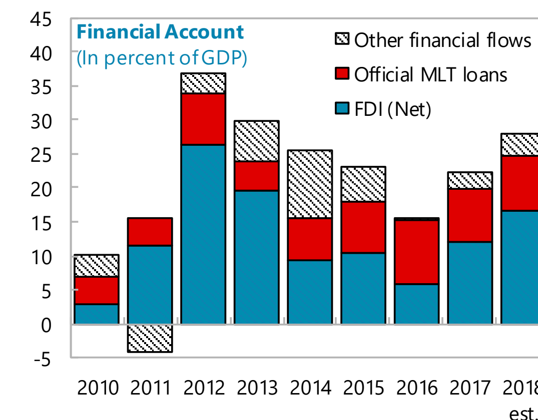
Despite continued high fish exports ...



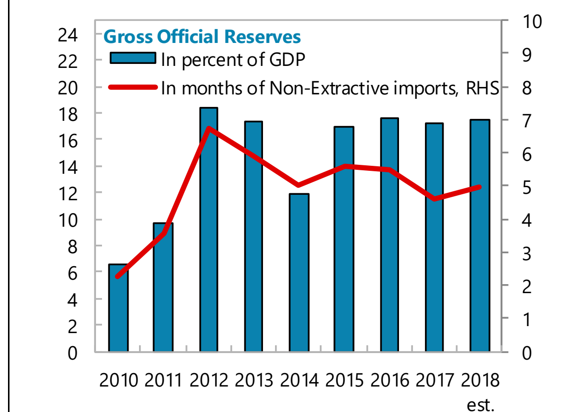
...the current account deficit widened on account of higher imports.



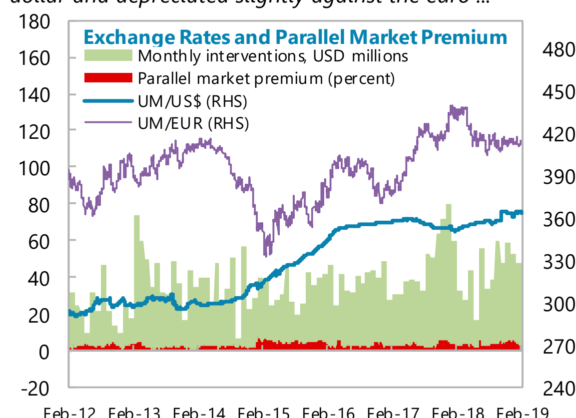
FDI continued to rebound strongly ....



... leading to mild reserves accumulation...



...while the exchange rate remained stable against the dollar and depreciated slightly against the euro ...

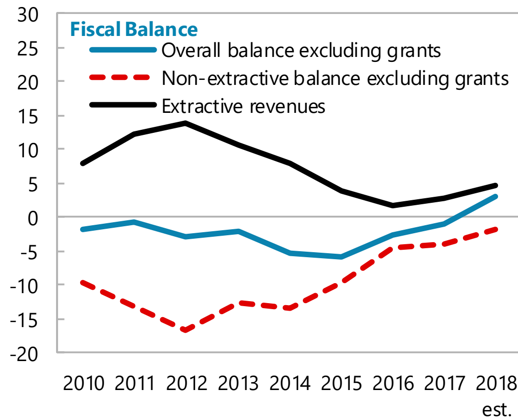


Sources: Mauritanian authorities; and IMF staff estimates.

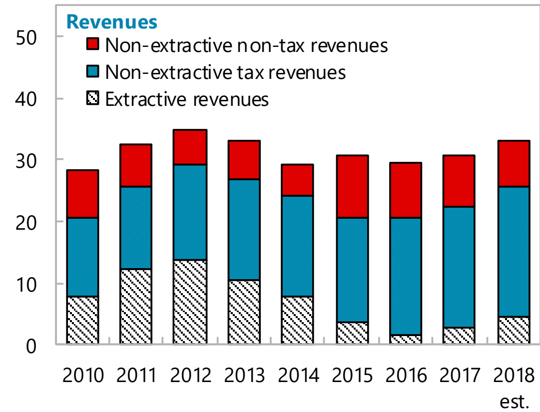
Figure 4. Mauritania: Fiscal Sector Developments, 2010–18

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

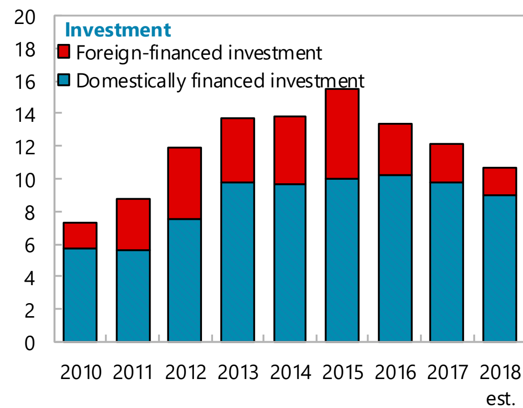
Consolidation efforts continued ...



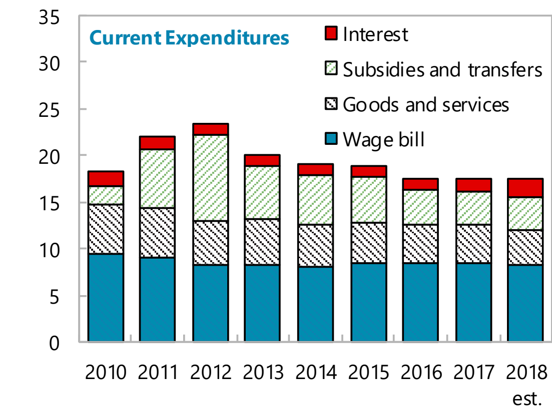
...supported by strong non-extractive tax revenues and a pick-up in extractive revenues.



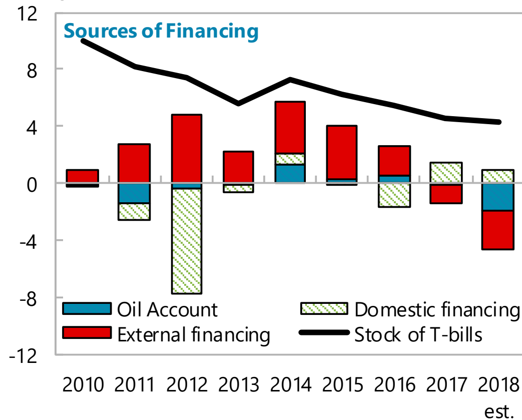
Public investment was hampered by low execution...



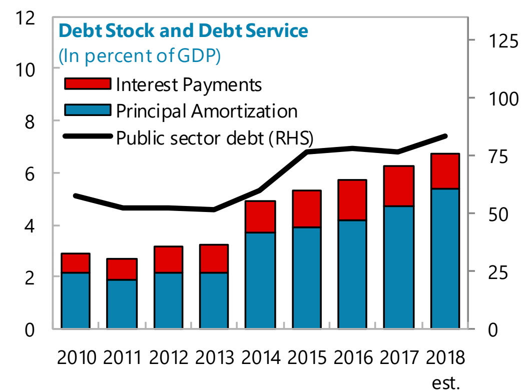
... while current spending remained contained.



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



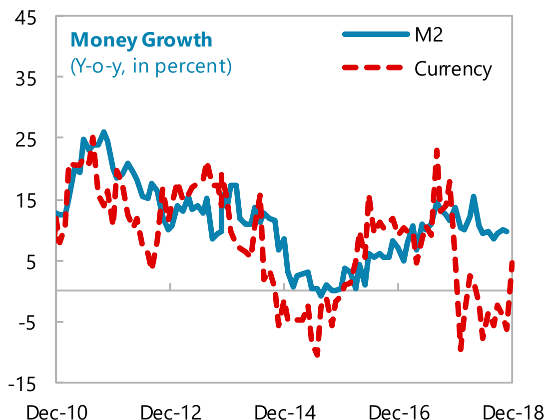
... although public debt service continued to rise.



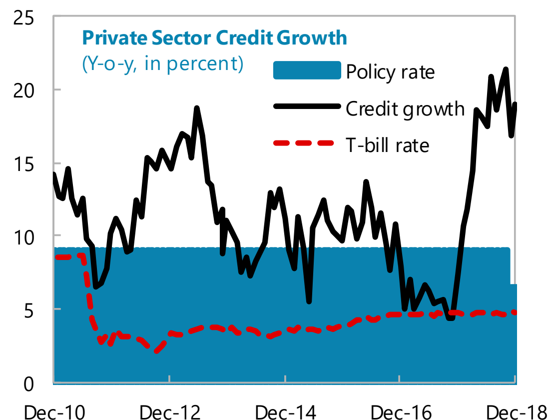
Sources: Mauritanian authorities; and IMF staff estimates.

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

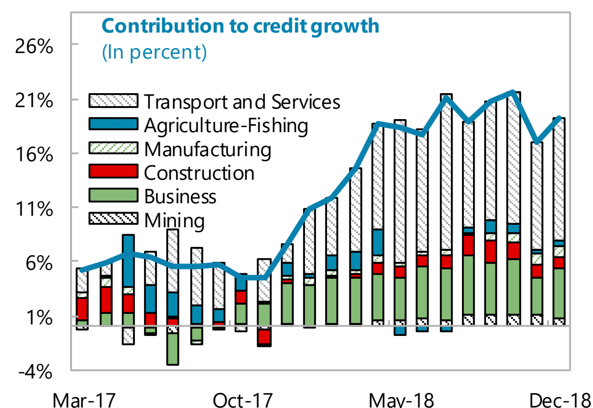
Broad money growth remained moderate.



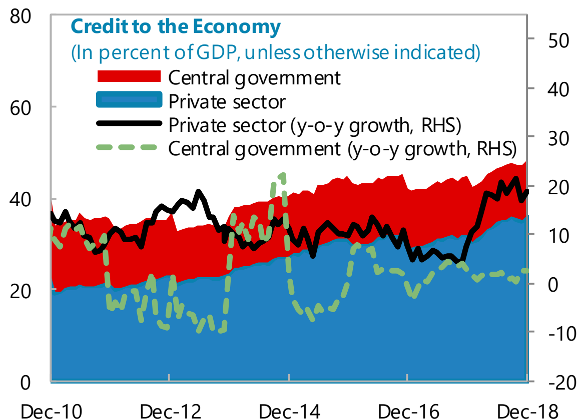
While private sector credit growth accelerated...



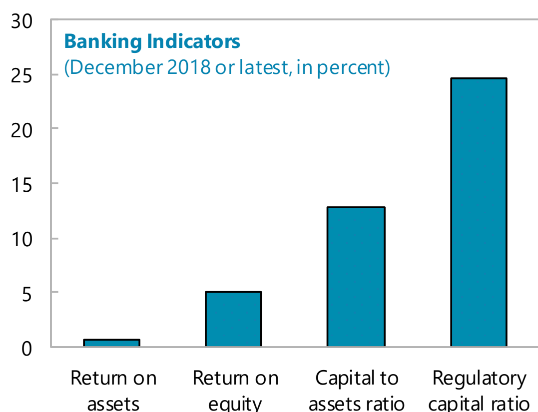
...driven by a surge of credit to the services sector...



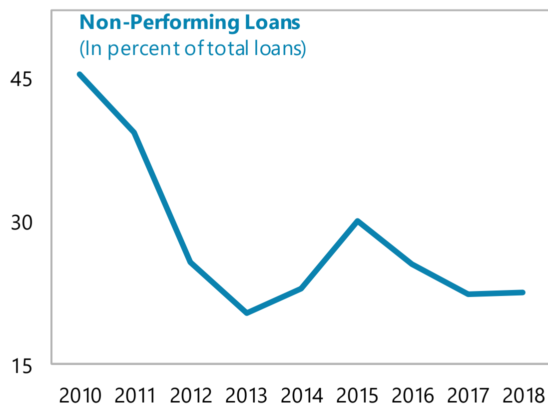
... credit to the central government remained stable.



While banks' capital levels remain adequate, profitability continues to be low.



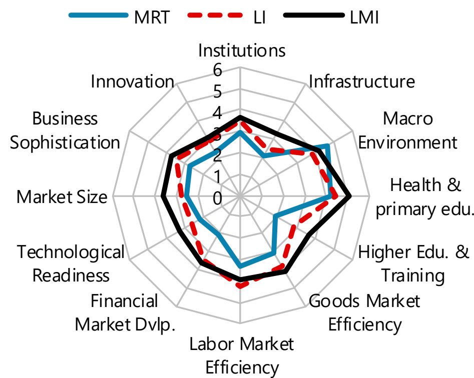
Asset quality is recovering after the recent economic slowdown, but remains weak.



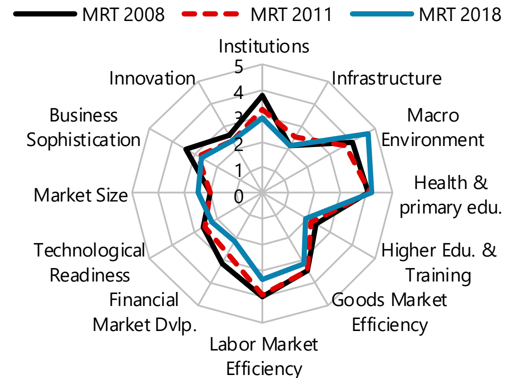
Sources: Mauritanian authorities; and IMF staff estimates.

Figure 6. Mauritania: Business and Governance Indicators, 2007–19

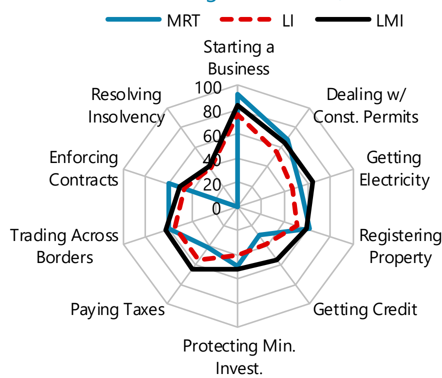
Global Competitiveness Indicators
(Value, out of 7)



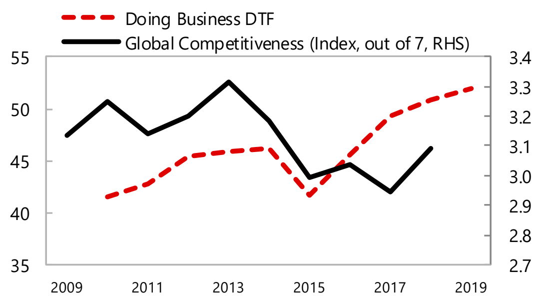
Global Competitiveness Indicators
(Value, out of 7)



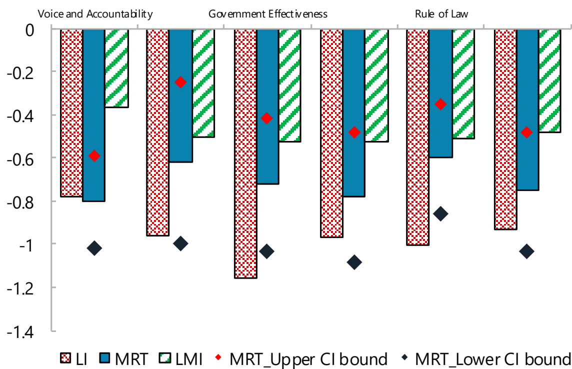
Doing Business Indicators
(Distance to frontier, higher is better)



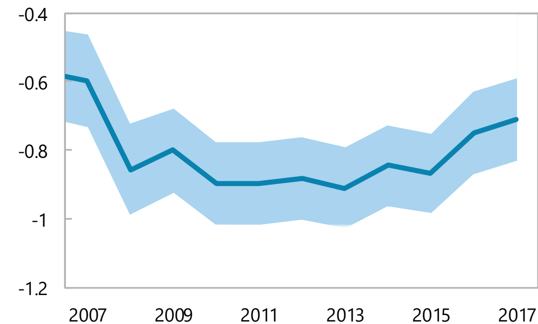
Competitiveness and Doing Business 1/
(Higher is better)



Worldwide Governance Indicator (WGI) 2/
(Value, between -2.5 (weak) and 2.5 (strong))



Worldwide Governance Indicator (WGI) 2/
(Value, between -2.5 (weak) and 2.5 (strong))
90% confidence interval (CI)



Sources: World Bank's Doing Business Report, World Economic Forum's Global Competitiveness Report, Worldwide Governance Indicators (WGI), by D. Kauffman (Natural Resource Governance Institute and Brookings Institution) and Aart Kraay (World Bank); and IMF staff calculations.
1/ The World Economic Forum's Global Competitiveness Index combines both official and survey responses from business executives on several dimensions of competitiveness.
2/ WGI scores rely on perceptions-based data and should be treated with some caution. For each year, they are normalized to have a mean of zero across countries. Hence, the time series measures Mauritania’s performance relative to other countries over time. Ranges are for a 90 percent confidence interval (CI). Confidence intervals for peer group averages are negligible.

Table 1. Mauritania: Macroeconomic Framework, 2015–24

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

	2015	2016	2017	2018		2019		2020	2021	2022	2023	2024
				CR/18/365	Est.	CR/18/365	Proj.			Proj.		
						(Annual change in percent; unless otherwise indicated)						
National accounts and prices												
Real GDP	0.4	1.8	3.1	3.5	3.6	5.7	6.7	5.8	6.0	9.7	6.6	5.7
Real extractive GDP	-5.6	0.7	-7.1	-8.7	-18.7	18.7	20.6	6.3	4.0	39.9	7.7	0.2
Real non-extractive GDP	1.4	2.0	4.5	5.0	6.3	4.3	5.4	5.8	6.2	6.5	6.5	6.5
Iron ore production (million tons)	11.6	13.3	11.8	11.9	11.1	13.6	12.6	14.4	15.5	17.4	17.4	17.0
GDP deflator	-4.2	3.4	3.4	3.0	2.8	2.9	5.3	3.1	3.7	3.0	3.5	3.8
Nominal GDP	-3.8	5.3	6.6	6.7	6.4	8.8	12.3	9.1	9.9	13.0	10.4	9.7
Consumer prices (period average)	0.5	1.5	2.3	3.0	3.1	3.9	3.6	4.0	4.0	4.0	4.0	4.0
Consumer prices (end of period)	-2.8	2.8	1.2	3.2	3.2	4.0	4.0	4.0	4.0	4.0	4.0	4.0
						(In percent of GDP)						
Savings and Investment												
Gross investment	38.8	39.9	39.2	40.8	42.3	37.2	43.7	49.5	45.1	36.4	33.9	35.1
Gross national savings	19.0	24.8	24.8	24.9	23.9	24.6	28.0	27.9	28.1	28.3	27.8	27.7
Saving - Investment balance	-19.8	-15.1	-14.4	-15.9	-18.4	-12.6	-15.7	-21.6	-17.0	-8.1	-6.1	-7.4
						(In percent of nonextractive GDP; unless otherwise indicated)						
Central government operations												
Revenues and grants	32.6	31.7	31.8	32.0	33.6	32.1	30.5	31.2	30.9	31.8	32.2	32.0
Nonextractive	26.8	27.9	27.9	27.9	28.2	27.6	27.5	27.7	27.8	28.2	28.4	28.6
Taxes	16.9	18.7	19.7	20.0	20.8	20.2	20.4	20.7	20.8	21.1	21.5	21.8
Extractive	3.8	1.7	2.8	3.2	4.7	3.4	2.2	2.6	2.4	3.0	3.2	2.9
Grants	2.0	2.2	1.1	0.8	0.7	1.2	0.8	0.9	0.7	0.6	0.6	0.5
Expenditure and net lending	36.3	32.3	31.9	31.7	30.0	31.9	30.6	30.7	30.7	31.5	31.8	31.6
Current	20.6	19.0	19.6	18.5	19.1	19.0	18.1	18.0	17.8	18.0	17.9	17.8
Capital	15.8	13.3	12.3	12.8	10.8	12.9	12.4	12.8	12.8	13.5	13.9	13.8
Primary balance (excl. grants)	-4.5	-1.5	0.3	0.8	4.8	0.5	0.9	1.1	1.1	1.1	1.1	1.1
Non-extractive primary balance (excl. grants)	-8.3	-3.3	-2.5	-3.8	0.1	-4.3	-1.3	-1.4	-1.4	-1.9	-2.1	-1.8
Overall balance (in percent of GDP)	-3.4	-0.5	0.0	0.2	3.3	0.2	0.0	0.5	0.2	0.3	0.3	0.4
Public sector debt (in percent of GDP) 1/	96.7	98.9	95.9	103.5	102.3	100.0	97.8	97.4	93.1	85.1	78.8	73.3
Public sector debt (in percent of GDP) 1/ 2/	75.2	77.4	75.9	84.4	83.0	82.1	78.5	80.9	78.2	71.3	66.0	61.1
						(Annual change in percent; unless otherwise indicated)						
Money												
Broad money	0.4	7.1	13.7	10.5	13.8	10.7	11.5	11.6	11.9	11.9	12.3	12.6
Credit to the private sector	9.7	8.1	7.5	16.9	19.2	12.2	13.5	13.7	13.7	13.0	13.5	13.6
External sector												
Exports of goods, f.o.b.	-28.3	0.9	23.0	5.3	8.7	8.8	9.8	3.3	3.8	16.5	6.6	-1.1
Imports of goods, f.o.b.	-26.4	-2.5	10.2	10.1	23.4	3.6	-2.1	11.9	-2.1	-3.5	2.5	5.1
Terms of trade	-18.7	10.3	-3.3	-1.9	-1.5	-1.9	13.6	0.3	3.4	3.2	3.7	3.5
Real effective exchange rate	7.8	-5.7	-2.1	...	-0.8	...	...	...	...	...	...	...
Current account balance (in percent of GDP)	-19.8	-15.1	-14.4	-15.9	-18.4	-12.6	-15.7	-21.6	-17.0	-8.1	-6.1	-7.4
Excl. externally financed extractive capital imports	-9.6	-9.6	-7.4	-12.5	-11.4	-9.7	-10.2	-12.9	-10.5	-5.8	-5.2	-6.0
Gross official reserves (in millions of US$, eop) 3/	822.8	824.4	849.0	900.2	919.1	983.9	1,010.6	1,133.8	1,260.8	1,393.7	1,473.7	1,615.2
In months of prospective non-extractive imports	5.6	5.5	4.6	5.1	5.0	5.6	5.2	5.7	6.1	6.4	6.5	6.8
External public debt (in millions of US$)	4,202.5	4,348.0	4,567.4	4,676.2	4,625.7	4,808.3	4,777.9	5,040.3	5,170.2	5,223.6	5,228.0	5,214.1
In percent of GDP	87.0	92.8	92.7	89.0	88.3	86.6	85.0	86.5	84.3	77.6	71.8	66.6
External public debt (in millions of US$) 2/	3,208.6	3,354.9	3,573.0	3,681.9	3,631.8	3,813.9	3,784.0	4,046.4	4,176.3	4,229.7	4,234.1	4,220.2
In percent of GDP	66.4	71.6	72.5	70.1	69.3	68.7	67.3	69.4	68.1	62.8	58.1	53.9
Memorandum items:												
Nominal GDP (in billions of MRO)	1,564.6	1,647.1	1,756.3	1,872.3	1,868.9	2,036.3	2,099.4	2,290.8	2,516.5	2,842.8	3,137.5	3,442.7
Nominal non-extractive GDP (in billions of MRO)	1,413.3	1,453.9	1,550.3	1,686.0	1,690.1	1,820.6	1,846.1	2,024.8	2,226.5	2,447.4	2,700.6	2,984.8
Nominal GDP (in millions of US$)	4,830.5	4,685.6	4,925.1	5,251.7	5,237.1	5,550.7	5,621.3	5,826.9	6,130.0	6,734.1	7,282.5	7,831.4
Nominal GDP (US$, annual change in percent)	-10.4	-3.0	5.1	6.7	6.3	5.7	7.3	3.7	5.2	9.9	8.1	7.5
Exchange rate (MRO/US$)	323.9	351.5	356.6	...	356.8	...	...	...	...	...	...	...
Price of oil (US$/barrel)	50.8	42.8	52.8	69.4	68.3	68.8	59.2	59.0	58.1	57.6	57.6	58.0
Price of iron ore (US$/Ton)	56.1	58.6	71.1	69.6	70.1	67.5	76.5	70.2	70.0	70.0	70.0	70.0
Price of gold (US$/Ounce)	1,160.1	1,248.3	1,257.1	1,261.0	1,269.1	1,217.7	1,321.3	1,358.7	1,397.8	1,430.1	1,463.2	1,498.3
Price of copper (US$/Ton)	5,510.5	4,867.9	6,169.9	6,542.5	6,529.8	6,208.5	6,226.9	6,277.9	6,286.1	6,294.1	6,298.0	6,298.0

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including government debt to the central bank recognized in 2018.
2/ Excluding passive debt to Kuwait under negotiation.
3/ Excluding the hydrocarbon revenue fund.

Table 2. Mauritania: Balance of Payments, 2015-24

(In millions of U.S. dollars, unless otherwise indicated)

	2015	2016	2017	2018		2019		2020	2021	2022	2023	2024
				CR/18/365	Est.	CR/18/365	Proj.			Proj.		
Current account balance	-956.1	-706.8	-709.0	-836.9	-965.6	-699.6	-882.8	-1,256.4	-1,044.7	-546.2	-446.5	-579.8
Excl. externally financed extractive capital imports 1/	-462.8	-450.9	-364.7	-656.9	-596.2	-537.1	-570.9	-749.1	-646.4	-391.8	-376.5	-473.0
Trade balance	-559.4	-499.4	-371.6	-492.3	-713.0	-417.3	-476.3	-708.9	-568.6	-109.5	-8.7	-178.1
Exports, fob	1,388.6	1,400.7	1,722.4	1,813.9	1,871.5	1,972.9	2,054.6	2,123.0	2,204.2	2,567.5	2,736.3	2,707.1
Of which: Iron ore	340.0	418.3	495.6	494.4	508.0	550.0	603.0	628.5	674.1	756.9	756.9	741.4
Hydrocarbons	73.1	87.0	65.5	0.0	11.5	0.0	0.0	0.0	0.0	278.7	416.7	414.8
Copper	195.1	138.2	139.5	140.3	148.1	146.7	138.1	118.6	98.2	63.3	43.5	0.0
Gold	333.6	288.5	369.8	441.7	420.0	548.1	520.4	531.6	543.5	552.9	562.6	531.3
Fish	388.9	421.3	624.8	696.2	750.1	678.5	738.6	770.4	804.4	822.2	840.9	888.8
Imports, fob	-1,948.0	-1,900.1	-2,093.9	-2,306.2	-2,584.6	-2,390.2	-2,530.9	-2,832.0	-2,772.8	-2,677.1	-2,745.0	-2,885.3
Of which: Food	-395.3	-334.4	-391.5	-480.8	-494.7	-437.0	-432.5	-454.3	-470.2	-493.8	-516.1	-539.8
Petroleum	-337.9	-355.3	-444.9	-531.8	-623.6	-550.5	-582.2	-598.0	-610.2	-622.5	-653.0	-680.6
Capital goods	-640.0	-538.1	-523.1	-405.3	-558.2	-512.6	-517.0	-760.5	-641.4	-415.8	-352.3	-411.1
Services and income (net)	-575.0	-452.0	-588.3	-516.1	-448.5	-474.7	-580.7	-734.1	-654.6	-621.8	-631.2	-604.4
Services (net)	-394.6	-335.5	-509.5	-530.4	-416.1	-492.9	-635.5	-814.0	-762.7	-629.3	-598.6	-587.9
Credit	246.2	269.9	230.0	201.6	269.3	210.0	191.5	198.7	206.4	214.2	222.7	232.7
Debit	-640.7	-605.4	-739.5	-732.0	-685.4	-702.9	-827.0	-1,012.6	-969.1	-843.5	-821.3	-820.7
Income (net)	-180.5	-116.5	-78.9	14.3	-32.4	18.2	54.8	79.8	108.1	7.5	-32.6	-16.5
Credit	77.0	59.3	88.9	176.2	83.2	193.1	169.0	191.4	194.4	197.9	206.0	211.9
Debit	-257.4	-175.8	-167.8	-161.9	-115.6	-174.9	-114.2	-111.6	-86.4	-190.4	-238.6	-228.4
Current transfers (net)	178.4	244.6	250.9	171.4	196.0	192.4	174.2	186.7	178.5	185.1	193.4	202.8
Private unrequited transfers (net)	77.4	74.8	93.4	97.3	97.1	101.3	110.7	114.6	118.7	123.0	132.1	141.5
Official transfers	101.0	169.8	157.4	74.1	98.9	91.1	63.5	72.1	59.8	62.1	61.3	61.3
Capital and financial account	953.4	491.6	806.3	883.5	1,146.4	760.9	922.2	1,363.6	1,255.2	771.6	594.9	792.8
Capital account	31.2	8.4	10.9	70.0	14.5	0.0	70.0	0.0	0.0	0.0	0.0	0.0
Financial account	1,222.2	483.2	795.4	813.5	1,131.9	760.9	852.2	1,363.6	1,255.2	771.6	594.9	792.8
Foreign direct investment (net)	501.7	271.1	588.2	592.5	869.4	388.1	659.4	1,034.2	958.6	484.6	344.1	453.8
Official medium- and long-term loans	173.6	204.7	89.5	78.6	83.0	94.6	112.7	196.0	163.9	124.8	115.5	107.7
Disbursements	270.4	321.5	242.3	259.1	252.5	279.0	297.1	384.8	370.5	321.5	311.0	300.4
Amortization	96.7	116.8	152.8	180.5	169.4	184.4	184.4	188.8	206.6	196.7	195.5	192.8
SNIM medium- and long-term loans	-66.0	-60.5	-62.5	-37.3	-62.9	128.4	-9.6	47.8	-16.2	-28.7	-43.4	17.1
Other financial flows	312.9	67.9	180.2	179.7	242.3	149.7	89.7	85.7	148.9	190.9	178.8	214.1
Errors and omissions	-137.9	135.4	-54.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	-140.6	-79.8	43.3	46.6	181.9	61.3	39.4	107.2	210.6	225.4	148.4	213.0
Financing	140.6	79.8	-43.3	-46.6	-181.9	-61.3	-39.4	-107.2	-210.6	-225.4	-148.4	-213.0
Net foreign assets	134.7	79.8	-48.6	-46.6	-185.6	-61.3	-39.4	-107.2	-210.6	-225.4	-148.4	-213.0
Central bank (net)	102.7	-20.9	-8.3	-25.5	-48.0	-61.3	-69.0	-98.8	-203.1	-204.3	-148.4	-213.0
Assets (negative=accumulation of reserves)	-182.1	-1.8	-25.7	-51.2	-70.1	-83.7	-91.5	-123.2	-127.0	-132.9	-80.0	-141.5
Liabilities	284.8	-19.1	17.4	25.7	22.1	22.4	22.5	24.4	-76.1	-71.5	-68.4	-71.5
Of Which: Use of Fund resources (prospective)	0.0	0.0	23.4	47.0	47.2	46.6	46.3	46.6	0.0	0.0	0.0	0.0
Commercial banks (net)	15.7	76.7	-17.9	0.0	-44.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hydrocarbon revenue fund (net)	16.3	23.9	-22.3	-21.1	-93.3	0.0	29.6	-8.4	-7.5	-21.1	-31.7	-30.0
Exceptional financing	5.9	0.0	5.4	0.0	3.7	0.0	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	0.0
Memorandum items:												
Current account balance (in percent of GDP)	-19.8	-15.1	-14.4	-15.9	-18.4	-12.6	-15.7	-21.6	-17.0	-8.1	-6.1	-7.4
Excl. externally financed extractive capital imports 1/	-9.6	-9.6	-7.4	-12.5	-11.4	-9.7	-10.2	-12.9	-10.5	-5.8	-5.2	-6.0
Trade balance (in percent of GDP)	-11.6	-10.7	-7.5	-9.4	-13.6	-7.5	-8.5	-12.2	-9.3	-1.6	-0.1	-2.3
Total external financing requirements (in percent of GDP)	23.2	18.9	18.8	20.7	22.9	17.0	20.1	25.8	21.4	11.8	9.4	10.0
External public debt (in millions of US$)	4,202.5	4,348.0	4,567.4	4,676.2	4,625.7	4,808.3	4,777.9	5,040.3	5,170.2	5,223.6	5,228.0	5,214.1
External public debt (in percent GDP)	87.0	92.8	92.7	89.0	88.3	86.6	85.0	86.5	84.3	77.6	71.8	66.6
External public debt service (in millions of US$)	141.2	161.1	204.2	257.7	280.6	265.4	273.6	282.6	365.8	360.1	359.5	366.6
External public debt service (in percent of revenue)	10.6	13.2	15.3	17.5	18.0	17.3	18.6	18.1	22.3	19.9	18.1	17.2
SNIM contribution to BOP (in millions of US$)	135.4	102.2	209.8	225.8	172.8	288.8	234.7	244.9	330.3	399.1	375.2	468.4
Gross official reserves												
In millions of US$	822.8	824.4	849.0	900.2	919.1	983.9	1,010.6	1,133.8	1,260.8	1,393.7	1,473.7	1,615.2
In months of imports excluding extractive industries	5.6	5.5	4.6	5.1	5.0	5.6	5.2	5.7	6.1	6.4	6.5	6.8
Hydrocarbon revenue fund	76.6	52.6	74.9	96.0	161.1	96.0	131.6	139.9	147.4	168.5	200.2	229.2
Nominal GDP (in millions of US$)	4,830.5	4,685.6	4,925.1	5,251.7	5,237.1	5,550.7	5,621.3	5,826.9	6,130.0	6,734.1	7,282.5	7,831.4

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

1/ ForCR/18/365: excluding FDI-financed extractive capital goods imports.

Table 3a. Mauritania: Central Government Operations, 2015–24

(In billions of MRO, unless otherwise indicated)

	2015	2016	2017	2018		2019		2020	2021	2022	2023	2024
				CR/18/365	Est.	CR/18/365	Prog.			Proj.		
Revenues and grants	460.2	461.3	493.3	538.9	568.4	585.1	563.5	632.5	688.7	779.2	869.5	954.7
Revenues	431.9	430.0	476.2	524.8	556.2	564.1	548.7	613.6	674.2	763.4	853.4	938.4
Nonextractive	378.8	405.0	432.7	470.3	477.3	502.2	507.5	561.3	619.7	690.1	766.9	852.3
Tax	238.2	272.1	304.7	337.0	352.0	368.3	377.3	419.7	463.7	517.6	580.4	651.4
Nontax	140.6	132.9	128.0	133.3	125.2	133.8	130.1	141.7	156.0	172.5	186.4	200.9
Extractive	53.2	25.0	43.4	54.5	78.9	62.0	41.3	52.2	54.5	73.3	86.6	86.1
Oil and gas	13.2	10.9	18.9	31.6	62.6	28.8	18.7	26.6	27.3	40.3	51.0	50.5
of which gas	…	…	…	…	…	…	0.0	6.8	6.2	18.0	27.5	25.8
Mining	40.0	14.1	24.6	22.9	16.3	33.2	22.6	25.6	27.2	33.1	35.5	35.6
Grants	28.3	31.3	17.1	14.1	12.2	20.9	14.8	19.0	14.6	15.8	16.1	16.3
Of which: Projects	7.8	6.3	6.2	9.4	10.2	5.3	3.7	4.1	4.1	4.1	4.1	4.1
Expenditure and net lending	513.7	469.8	494.1	535.2	506.3	580.1	564.3	622.1	683.1	770.7	859.0	941.9
Current	290.9	276.4	303.6	312.2	323.5	345.4	334.5	363.8	397.1	439.7	483.3	530.9
Compensation of employees	119.4	123.1	129.8	145.1	140.2	161.1	159.0	177.9	197.6	219.3	244.4	272.9
Goods and services	62.4	58.7	64.1	66.0	63.8	72.2	68.9	76.7	85.1	97.1	108.2	119.9
Subsidies and transfers 1/	67.8	55.8	55.0	61.0	60.1	63.8	59.1	60.0	62.3	66.2	69.7	73.3
Of which: Emergency program	21.0	16.0	16.0	21.5	21.5	23.0	19.9	20.8	21.8	22.7	23.7	24.7
Energy subsidies	6.9	1.9	3.5	7.5	7.5	7.8	7.9	8.0	8.4	8.9	9.4	9.8
Arrears repayments	3.6	3.6	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	17.8	17.4	22.3	23.9	30.6	25.1	32.6	31.6	33.0	34.3	35.5	37.0
External	12.7	13.4	17.6	16.7	26.2	17.5	22.3	22.4	23.8	24.8	25.8	26.9
Domestic	5.1	4.0	4.6	7.2	4.4	7.6	10.3	9.1	9.2	9.5	9.7	10.1
Special accounts	3.2	9.3	15.4	4.0	11.3	10.0	2.0	2.0	2.0	2.0	2.0	2.0
Common reserves	11.9	11.4	11.3	12.2	11.7	13.3	12.9	15.6	17.1	20.8	23.5	25.8
Others	8.5	0.8	5.8	0.0	5.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	219.9	193.7	188.9	216.0	180.8	234.7	222.1	251.3	279.0	324.0	368.7	404.0
Foreign-financed	78.2	44.6	37.8	62.8	28.1	78.4	72.1	81.1	84.5	88.4	86.8	85.2
Domestically financed	141.7	149.1	151.1	153.3	152.7	156.3	150.0	170.2	194.5	235.6	281.9	318.8
Net lending	2.9	-0.4	1.6	7.0	2.0	0.0	7.7	7.0	7.0	7.0	7.0	7.0
Primary balance (excl. grants)	-64.0	-22.4	4.4	13.5	80.4	9.1	17.0	23.0	24.1	27.0	29.8	33.5
Primary balance (excl. grants, prog. def.) 2/	…	…	…	10.1	64.8	9.1	17.0	23.0	…	…	…	…
Primary balance	-35.7	8.9	21.5	27.6	92.6	30.0	31.8	42.0	38.6	42.8	45.9	49.9
Overal balance (excl. grants)	-81.8	-39.8	-17.9	-10.4	49.8	-15.9	-15.6	-8.6	-8.9	-7.3	-5.6	-3.5
Overall balance	-53.5	-8.5	-0.7	3.7	62.0	5.0	-0.8	10.4	5.7	8.5	10.5	12.8
Financing	53.5	8.5	0.7	-3.7	-62.0	-5.0	0.8	-10.4	-5.7	-8.5	-10.5	-12.8
Domestic	-1.2	-23.8	21.9	12.6	16.5	-10.5	-10.0	-9.8	1.8	-0.8	4.9	4.1
Banking system	12.2	-16.0	25.4	4.5	10.3	-6.8	-8.3	-8.4	0.9	-0.4	2.5	2.0
Treasury account	36.9	-10.1	33.4	4.5	6.4	-6.8	-6.5	-7.0	0.0	0.0	0.0	0.0
Commercial banks	-24.7	-5.9	-8.1	0.0	3.9	0.0	-1.8	-1.4	0.9	-0.4	2.5	2.0
Nonbanks	8.9	-7.1	12.8	8.1	4.2	-3.7	-1.8	-1.4	0.9	-0.4	2.5	2.0
Domestic arrears	-1.3	0.0	1.8	0.0	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	7.5	-0.7	-6.5	0.0	5.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	57.2	38.1	-21.9	-16.3	-77.2	5.5	10.8	-0.6	-7.5	-7.8	-15.4	-16.9
Hydrocarbon revenue fund (net)	4.8	8.5	-1.3	-7.6	-31.4	0.0	11.3	-3.4	-3.1	-9.0	-13.8	-12.9
Oil and gas revenue	-13.2	-10.9	-18.9	-31.6	-62.6	-28.8	-18.7	-26.6	-27.3	-40.3	-51.0	-50.5
Transfer to the budget	18.0	19.4	17.6	24.0	31.2	28.8	30.0	23.2	24.2	31.3	37.3	37.6
Other	52.3	29.6	-20.6	-8.7	-45.9	5.5	-0.5	2.8	-4.4	1.2	-1.6	-4.0
Borrowing (net)	48.4	27.7	-16.9	-8.7	-42.9	5.5	-0.5	2.8	-4.4	1.2	-1.6	-4.0
Disbursements	77.0	63.4	31.6	55.7	19.6	73.2	68.4	77.0	80.4	84.3	82.7	81.1
Amortization	-28.3	-35.6	-48.5	-64.4	-62.6	-67.6	-68.9	-74.2	-84.8	-83.0	-84.4	-85.1
Exceptional financing	3.0	2.5	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap	-2.5	-5.8	0.7	0.0	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Real growth rate of public expenditure	6.7	-9.9	2.8	5.4	-0.3	4.3	7.6	6.0	5.6	8.5	7.2	5.4
Current	0.6	-6.3	7.4	4.3	8.0	6.5	-0.2	4.6	5.0	6.5	5.7	5.6
Capital	14.3	-13.2	-4.6	5.2	-12.0	4.6	18.6	8.8	6.7	11.6	9.4	5.3
Non-extractive primary balance (excl. grants)	-117.1	-47.4	-39.1	-41.0	1.5	-52.9	-24.2	-29.2	-30.4	-46.3	-56.7	-52.6
Non-extractive primary balance	-88.8	-16.1	-21.9	-26.9	13.7	-31.9	-9.5	-10.2	-15.9	-30.5	-40.6	-36.3
Basic budget balance (excl. grants) 3/	-3.6	4.8	19.9	52.4	77.9	62.5	56.5	72.6	75.6	81.1	81.2	81.7
Social spending	186.9	187.4	194.1	221.9	185.3	243.3	246.8	275.3	307.3	342.6	378.0	417.8

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, 2015–24

(In percent of non-extractive GDP, unless otherwise indicated)

	2015	2016	2017	2018		2019		2020	2021	2022	2023	2024
				CR/18/365	Est.	CR/18/365	Prog.			Proj.		
Revenues and grants	32.6	31.7	31.8	32.0	33.6	32.1	30.5	31.2	30.9	31.8	32.2	32.0
Revenues	30.6	29.6	30.7	31.1	32.9	31.0	29.7	30.3	30.3	31.2	31.6	31.4
Nonextractive	26.8	27.9	27.9	27.9	28.2	27.6	27.5	27.7	27.8	28.2	28.4	28.6
Tax	16.9	18.7	19.7	20.0	20.8	20.2	20.4	20.7	20.8	21.1	21.5	21.8
Nontax	9.9	9.1	8.3	7.9	7.4	7.4	7.0	7.0	7.0	7.0	6.9	6.7
Extractive	3.8	1.7	2.8	3.2	4.7	3.4	2.2	2.6	2.4	3.0	3.2	2.9
Oil and gas	0.9	0.7	1.2	1.9	3.7	1.6	1.0	1.3	1.2	1.6	1.9	1.7
of which gas	...	...	... ..	...	...	...	0.0	0.3	0.3	0.7	1.0	0.9
Mining	2.8	1.0	1.6	1.4	1.0	1.8	1.2	1.3	1.2	1.4	1.3	1.2
Grants	2.0	2.2	1.1	0.8	0.7	1.2	0.8	0.9	0.7	0.6	0.6	0.5
Of which: Projects	0.6	0.4	0.4	0.6	0.6	0.3	0.2	0.2	0.2	0.2	0.2	0.1
Expenditure and net lending	36.3	32.3	31.9	31.7	30.0	31.9	30.6	30.7	30.7	31.5	31.8	31.6
Current	20.6	19.0	19.6	18.5	19.1	19.0	18.1	18.0	17.8	18.0	17.9	17.8
Compensation of employees	8.4	8.5	8.4	8.6	8.3	8.8	8.6	8.8	8.9	9.0	9.1	9.1
Goods and services	4.4	4.0	4.1	3.9	3.8	4.0	3.7	3.8	3.8	4.0	4.0	4.0
Subsidies and transfers 1/	4.8	3.8	3.5	3.6	3.6	3.5	3.2	3.0	2.8	2.7	2.6	2.5
Of which: Emergency program	1.5	1.1	1.0	1.3	1.3	1.3	1.1	1.0	1.0	0.9	0.9	0.8
Energy subsidies	0.5	0.1	0.2	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Arrears repayments	0.3	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.3	1.2	1.4	1.4	1.8	1.4	1.8	1.6	1.5	1.4	1.3	1.2
External	0.9	0.9	1.1	1.0	1.5	1.0	1.2	1.1	1.1	1.0	1.0	0.9
Domestic	0.4	0.3	0.3	0.4	0.3	0.4	0.6	0.5	0.4	0.4	0.4	0.3
Special accounts	0.2	0.6	1.0	0.2	0.7	0.5	0.1	0.1	0.1	0.1	0.1	0.1
Common reserves	0.8	0.8	0.7	0.7	0.7	0.7	0.7	0.8	0.8	0.9	0.9	0.9
Others	0.6	0.1	0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	15.6	13.3	12.2	12.8	10.7	12.9	12.0	12.4	12.5	13.2	13.7	13.5
Foreign-financed	5.5	3.1	2.4	3.7	1.7	4.3	3.9	4.0	3.8	3.6	3.2	2.9
Domestically financed	10.0	10.3	9.7	9.1	9.0	8.6	8.1	8.4	8.7	9.6	10.4	10.7
Net lending	0.2	0.0	0.1	0.4	0.1	0.0	0.4	0.3	0.3	0.3	0.3	0.2
Primary balance (excl. grants)	-4.5	-1.5	0.3	0.8	4.8	0.5	0.9	1.1	1.1	1.1	1.1	1.1
Primary balance (excl. grants, prog. def.) 2/	...	...	...	0.6	3.8	0.5	0.9	1.1	...	...	...	...
Primary balance	-2.5	0.6	1.4	1.6	5.5	1.7	1.7	2.1	1.7	1.7	1.7	1.7
Overal balance (excl. grants)	-5.8	-2.7	-1.2	-0.6	2.9	-0.9	-0.8	-0.4	-0.4	-0.3	-0.2	-0.1
Overall balance	-3.8	-0.6	0.0	0.2	3.7	0.3	0.0	0.5	0.3	0.3	0.4	0.4
Financing	3.8	0.6	0.0	-0.2	-3.7	-0.3	0.0	-0.5	-0.3	-0.3	-0.4	-0.4
Domestic	-0.1	-1.6	1.4	0.7	1.0	-0.6	-0.5	-0.5	0.1	0.0	0.2	0.1
Banking system	0.9	-1.1	1.6	0.3	0.6	-0.4	-0.4	-0.4	0.0	0.0	0.1	0.1
Treasury account	2.6	-0.7	2.2	0.3	0.4	-0.4	-0.4	-0.3	0.0	0.0	0.0	0.0
Commercial banks	-1.7	-0.4	-0.5	0.0	0.2	0.0	-0.1	-0.1	0.0	0.0	0.1	0.1
Nonbanks	0.6	-0.5	0.8	0.5	0.2	-0.2	-0.1	-0.1	0.0	0.0	0.1	0.1
Domestic arrears	-0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	0.5	0.0	-0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	4.0	2.6	-1.4	-1.0	-4.6	0.3	0.6	0.0	-0.3	-0.3	-0.6	-0.6
Hydrocarbon revenue fund (net)	0.3	0.6	-0.1	-0.5	-1.9	0.0	0.6	-0.2	-0.1	-0.4	-0.5	-0.4
Oil and gas revenue	-0.9	-0.7	-1.2	-1.9	-3.7	-1.6	-1.0	-1.3	-1.2	-1.6	-1.9	-1.7
Transfer to the budget	1.3	1.3	1.1	1.4	1.8	1.6	1.6	1.1	1.1	1.3	1.4	1.3
Other	3.7	2.0	-1.3	-0.5	-2.7	0.3	0.0	0.1	-0.2	0.0	-0.1	-0.1
Borrowing (net)	3.4	1.9	-1.1	-0.5	-2.5	0.3	0.0	0.1	-0.2	0.0	-0.1	-0.1
Disbursements	5.5	4.4	2.0	3.3	1.2	4.0	3.7	3.8	3.6	3.4	3.1	2.7
Amortization	-2.0	-2.4	-3.1	-3.8	-3.7	-3.7	-3.7	-3.7	-3.8	-3.4	-3.1	-2.9
Exceptional financing	0.2	0.2	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions/financing gap	-0.2	-0.4	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Non-extractive primary balance (excl. grants)	-8.3	-3.3	-2.5	-3.8	0.1	-4.3	-1.3	-1.4	-1.4	-1.9	-2.1	-1.8
Non-extractive primary balance	-6.3	-1.1	-1.4	-3.0	0.8	-3.1	-0.5	-0.5	-0.7	-1.2	-1.5	-1.2
Overall balance (in percent of GDP)	-3.4	-0.5	0.0	0.2	3.3	0.2	0.0	0.5	0.2	0.3	0.3	0.4
Basic budget balance (excl. grants) 3/	-0.3	0.3	1.3	3.1	4.6	3.4	3.1	3.6	3.4	3.3	3.0	2.7
Social spending	13.2	12.9	12.5	13.2	11.0	13.4	13.4	13.6	13.8	14.0	14.0	14.0

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, 2015–21

(In billions of MRO at end-of-period exchange rates, unless otherwise indicated)

	2015	2016	2017	2018		2019		2020	2021
				CR/18/365	Est.	CR/18/365	Proj.	Proj.	
Monetary survey									
Net foreign assets	78.5	61.4	70.1	80.7	99.9	106.4	131.6	178.3	269.7
Net domestic assets	433.5	487.0	553.7	608.4	610.3	656.4	660.4	705.5	719.5
Net domestic credit	669.5	693.4	749.3	848.3	866.1	921.0	948.1	1,043.3	1,162.4
Net credit to the government	183.8	168.9	185.8	190.2	195.6	183.5	187.4	179.0	179.9
Credit to the economy	485.7	524.4	563.5	658.0	670.5	737.6	760.7	864.3	982.5
Other items net	-236.0	-206.4	-195.6	-239.9	-255.9	-264.6	-287.7	-337.8	-443.0
Broad money (M2)	512.1	548.4	623.8	689.1	710.1	762.8	792.0	883.8	989.1
Monetary authorities									
Net foreign assets	102.4	115.2	117.0	128.5	137.9	155.9	171.6	220.4	313.3
Net domestic assets	118.3	127.4	153.0	146.1	150.4	125.7	150.0	138.4	88.3
Net domestic credit	172.5	163.1	181.7	186.2	195.2	179.4	186.0	174.5	124.4
Net credit to the government	167.8	158.9	177.6	182.0	190.4	175.3	183.9	176.9	176.9
Other items net	-54.2	-35.7	-28.7	-40.1	-44.8	-53.7	-36.0	-36.0	-36.0
Reserve money	220.7	242.6	270.0	274.6	288.3	281.5	321.5	358.8	401.6
Currency in circulation	129.7	141.4	148.9	164.5	155.9	182.1	173.9	194.1	217.2
Reserves of banks	91.0	101.2	121.0	110.1	132.4	99.4	147.6	164.7	184.4
Of which: Banks deposits in FX	20.8	28.8	35.5	32.3	37.8	29.2	42.1	47.0	52.6
Commercial banks									
Net foreign assets	-23.9	-53.7	-46.9	-47.8	-38.0	-49.5	-40.0	-42.1	-43.6
Net domestic credit	497.1	530.2	567.6	662.1	671.9	741.6	760.3	862.6	981.7
Net credit to the government	16.0	10.0	8.2	8.2	5.2	8.2	3.4	2.0	3.0
Credit to the private sector	481.1	520.2	559.4	653.9	666.7	733.4	756.9	860.6	978.8
Other items net	-181.8	-170.7	-166.9	-199.8	-211.1	-189.8	-249.9	-295.5	-350.6
				(Annual change in percent)					
Monetary survey									
Net foreign assets	-27.3	-21.8	14.1	15.1	42.5	31.9	31.7	35.5	51.2
Net domestic assets	7.8	12.3	13.7	9.9	10.2	7.9	8.2	6.8	2.0
Net domestic credit	8.3	3.6	8.1	13.2	15.6	8.6	9.5	10.0	11.4
Net credit to the government	4.9	-8.1	10.0	2.4	5.3	-3.6	-4.2	-4.5	0.5
Credit to the economy	9.7	8.0	7.5	16.8	19.0	12.1	13.5	13.6	13.7
Other items net	-9.2	12.6	5.2	-22.7	-30.8	-10.3	-12.4	-17.4	-31.1
Broad money (M2)	0.4	7.1	13.7	10.5	13.8	10.7	11.5	11.6	11.9
Monetary authorities									
Net foreign assets	-18.8	12.5	1.6	9.9	17.9	21.3	24.4	28.5	42.1
Net domestic assets	17.1	7.8	20.1	-4.5	-1.7	-14.0	-0.3	-7.7	-36.2
Net domestic credit	20.8	-5.4	11.4	2.5	7.5	-3.6	-4.8	-6.2	-28.7
Net credit to the government	21.5	-5.3	11.7	2.5	7.2	-3.7	-3.4	-3.8	0.0
Reserve money	-2.8	9.9	11.3	1.7	6.8	2.5	11.5	11.6	11.9
Commercial banks									
Net foreign assets	-32.4	-125.0	12.8	-2.0	19.0	-3.5	-5.3	-5.3	-3.6
Net domestic credit	4.5	6.7	7.0	16.7	18.4	12.0	13.2	13.4	13.8
Net credit to the government	-56.9	-37.4	-18.1	0.0	-36.3	0.0	-34.0	-40.9	45.3
Credit to the private sector	9.7	8.1	7.5	16.9	19.2	12.2	13.5	13.7	13.7
Memorandum items:									
Broad money (M2) to GDP (in percent)	32.7	33.3	35.5	36.8	38.0	37.5	37.7	38.6	39.3
Velocity of broad money (to non-extractive GDP)	2.8	2.7	2.5	2.4	2.4	2.4	2.3	2.3	2.3
Credit to the private sector (percent of non-extractive GDP)	34.0	35.8	36.1	38.8	39.4	40.3	41.0	42.5	44.0
Net foreign assets of banks (in millions of U.S. dollars)	-70.5	-150.7	-132.6	-132.6	-104.4	-132.6	-104.4	-104.4	-104.4

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

Table 5. Mauritania: Banking Soundness Indicators, 2010–18

(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018 Est.
Balance sheet									
Assets / GDP	31.1	30.9	32.5	35.2	42.5	43.2	45.6	52.5	55.6
Net private-sector credit / total assets	53.2	48.2	50.8	52.1	55.5	57.0	54.9	43.8	41.2
Public enterprise credit / total assets	13.3	10.2	7.2	3.4	6.9	3.3	5.4	5.3	4.7
Government securities / total assets	18.8	11.1	11.2	5.8	5.8	2.0	2.0	1.0	0.6
Private-sector credit growth (y-o-y)	16.0	10.6	15.1	14.9	21.3	8.0	8.3	7.5	19.2
Gross NPLs / gross loans	45.3	39.2	25.7	20.4	23.0	30.0	25.5	22.4	22.6
Of which: accrued interest on NPLs / gross loans	11.6	11.5	8.3	7.1	10.1	5.1	7.2	6.0	...
Of which: legacy NPLs (pre-2010) / gross loans	16.7	13.7	13.8	12.8	9.7	9.7	9.7	...	...
Of which: new NPLs / gross loans	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	77.8
Provisions / loans 360+ days in arrears	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	55.6
Private-sector gross loans / private-sector deposits	118.4	105.9	110.7	113.7	137.7	134.1	110.4	88.4	94.5
Capital ratios									
Capital / total assets	16.7	18.5	17.5	18.7	14.7	13.7	14.2	13.8	12.9
Capital adequacy ratio	34.0	35.2	29.2	32.4	28.1	23.1	23.7	22.2	24.7
Foreign exchange exposure									
Fx assets / total assets	10.5	10.5	10.5	10.6	10.5	6.7	8.9	12.0	10.1
Fx assets / fx liabilities (on balance sheet)	112.1	135.2	100.1	106.6	138.6	108.2	116.0	102.5	99.5
Open fx position / capital (including off balance sheet)	-16.0	-32.7	-45.9	-26.0	-70.4	-72.7	-69.8	25.0	-32.6
Profitability and liquidity									
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	19.6
Memorandum items:									
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	17

Sources: Mauritanian authorities; and IMF staff.

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

Table 6. Mauritania: External Financing Requirements and Sources, 2015–21
(In millions of U.S. dollars)

	2015	2016	2017	2018	2019	2020	2021
				Est.		Proj.	
Total Requirements	**-1,220.5**	**-1,051.4**	**-1,088.1**	**-1,343.6**	**-1,216.0**	**-1,599.8**	**-1,445.4**
Current account deficit, excl. grants	-1,057.1	-876.6	-866.4	-1,064.5	-946.3	-1,328.5	-1,104.5
External public debt amortization 1/	-163.3	-174.8	-221.7	-279.1	-269.7	-271.3	-340.9
Of which: Saudi Arabia	-2.6	-3.3	-7.2	-67.2	-68.1	-68.2	-68.2
Arab Monetary Fund	-3.8	0.0	-22.2	-47.0	-39.2	-28.8	-28.8
Arab Fund for Economic and Social Dev.	-30.3	-36.9	-39.1	-45.9	-46.6	-53.4	-53.4
Islamic Development Bank	-18.3	-19.6	-20.4	-23.6	-24.4	-25.3	-25.3
China	-19.3	-18.0	-19.1	-22.0	-24.9	-24.9	-24.9
IMF	-4.6	-10.1	-14.5	-19.1	-21.9	-20.3	-20.3
Total Sources	**1,220.5**	**1,051.4**	**1,088.1**	**1,343.6**	**1,106.2**	**1,481.1**	**1,385.5**
Foreign direct investment and capital inflows (net)	533.0	279.6	599.1	884.0	729.4	1,034.2	958.6
Official grants	101.0	169.8	157.4	98.9	…	…	…
Of which: European Union	12.6	11.2	11.4	…	…	…	…
World Bank	0.0	26.0	26.0	15.1	…	…	…
AfDB	…	10.0	10.0	…	…	…	…
United Arab Emirates	…	40.0	…	1.9	…	…	…
Saudi Arabia	50.0	5.3	…	48.7	…	…	…
Official loan disbursements	270.4	321.5	242.3	252.5	242.3	274.0	274.0
Of which: Arab Monetary Fund	20.8	99.6	…	…	…	…	…
Arab Fund for Economic and Social Dev.	127.7	80.7	122.1	109.9	…	…	…
Islamic Development Bank	83.2	50.7	25.4	14.2	…	…	…
China	8.9	39.4	7.1	11.4	…	…	…
India			9.3	52.8			
IMF	…	…	23.4	47.2	…	…	…
Deposit from Saudi Arabia at the Central Bank	300.0	…	…	…	…	…	…
Other flows 2/	182.0	258.4	137.3	271.7	196.5	304.5	287.4
Drawdown of reserves (negative = accumulation)	-182.1	-1.8	-25.7	-70.1	-91.5	-123.2	-127.0
Drawdown of oil account (negative = accumulation)	16.3	23.9	-22.3	-93.3	29.6	-8.4	-7.5
Financing gap	…	…	…	…	**109.8**	**118.7**	**59.8**
Expected sources of financing	…	…	…	…	**109.8**	**118.7**	**59.8**
Official grants	…	…	…	…	63.5	72.1	59.8
IMF ECF arrangement (prospective)	…	…	…	…	46.3	46.6	0.0
Residual gap	…	…	…	…	**0.0**	**0.0**	**0.0**

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

1/ Including central government, central bank, and SNIM.

2/ Including SNIM, SMHPM, commercial banks, errors and omissions, and exceptional financing.

Table 7. Mauritania: Capacity to Repay the Fund, 2019–33

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Payments to the Fund based on existing credit															
Principal (in million of SDRs)	15.46	14.35	9.94	6.62	6.07	9.94	9.94	9.94	9.94	4.97	0.00	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.64	0.65	0.64	0.65	0.65	0.65	0.64	0.65	0.65	0.65	0.64	0.65	0.65	0.65	0.64
Payments to the Fund based on existing and prospective credit															
Principal (in million of SDRs)	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	0.00
Charges and interest (in million of SDRs)	0.64	0.65	0.64	0.65	0.65	0.65	0.64	0.65	0.65	0.65	0.64	0.65	0.65	0.65	0.64
Total payments to the Fund based on existing and prospective credit															
In millions of SDRs	16.10	15.00	10.58	7.27	6.72	12.24	18.86	23.83	23.83	18.87	12.23	5.62	0.65	0.65	0.64
In millions of US$	22.57	21.17	15.03	10.39	9.66	17.71	27.29	34.49	34.49	27.31	17.70	8.13	0.94	0.94	0.93
In percent of exports of goods and services	1.00	0.91	0.62	0.37	0.33	0.60	0.90	1.12	1.10	0.85	0.54	0.24	0.03	0.03	0.03
In percent of debt service	8.28	7.52	4.12	2.89	2.70	4.95	7.83	12.52	12.39	10.21	6.91	3.33	0.41	0.44	0.45
In percent of GDP	0.40	0.36	0.25	0.15	0.13	0.23	0.33	0.39	0.37	0.28	0.17	0.08	0.01	0.01	0.01
In percent of Gross International Reserves	2.23	1.87	1.19	0.75	0.66	1.10	1.48	1.67	1.49	1.04	0.61	0.26	0.03	0.02	0.02
In percent of quota	12.50	11.65	8.21	5.64	5.22	9.50	14.64	18.50	18.50	14.65	9.50	4.36	0.50	0.50	0.50
Outstanding Fund credit															
In millions of SDRs	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	0.0
In millions of US$	161.0	188.5	175.6	167.2	159.5	143.8	117.4	83.9	50.3	24.0	7.2	0.0	0.0	0.0	0.0
In percent of exports of goods and services	7.2	8.1	7.3	6.0	5.4	4.9	3.9	2.7	1.6	0.7	0.2	0.0	0.0	0.0	0.0
In percent of debt service	59.0	67.0	48.1	46.6	44.5	40.2	33.7	30.5	18.1	9.0	2.8	0.0	0.0	0.0	0.0
In percent of GDP	2.9	3.2	2.9	2.5	2.2	1.8	1.4	1.0	0.5	0.2	0.1	0.0	0.0	0.0	0.0
In percent of gross international reserves	15.9	16.6	13.9	12.0	10.8	8.9	6.3	4.1	2.2	0.9	0.2	0.0	0.0	0.0	0.0
In percent of quota	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	0.0
Net use of Fund credit (in millions of SDRs)	17.7	18.8	-9.9	-6.6	-6.1	-11.6	-18.2	-23.2	-23.2	-18.2	-11.6	-5.0	0.0	0.0	1.0
Disbursements	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	1.0
Repayments	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	0.0
Memorandum items:															
Exports of goods and services (in millions of US$)	2,246.1	2,321.7	2,410.6	2,781.8	2,959.0	2,939.8	3,019.9	3,083.9	3,147.9	3,224.2	3,292.6	3,365.1	3,440.7	3,530.1	3,607.8
Debt service (in millions of US$)	272.7	281.5	364.8	359.0	358.1	357.8	348.4	275.4	278.3	267.5	256.1	244.0	227.5	214.9	203.9
Nominal GDP (in millions of US$)	5,621.3	5,826.9	6,130.0	6,734.1	7,282.5	7,831.4	8,276.9	8,737.3	9,216.9	9,738.3	10,230.6	10,796.7	11,416.6	12,089.2	12,791.4
Gross international reserves (in millions of US$)	1,010.6	1,133.8	1,260.8	1,393.7	1,473.7	1,615.2	1,850.0	2,068.4	2,310.5	2,628.5	2,882.5	3,167.9	3,543.0	4,045.4	4,468.5
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 (drawn).
March 31, 2018	16.560	12.857	Completion of the first review (relevant PCs for end-December 2017). Drawn
September 30, 2018	16.560	12.857	Completion of the second review (relevant PCs for end-June 2018). Drawn
March 31, 2019	16.560	12.857	Completion of the third review (relevant PCs for end-December 2018).
September 30, 2019	16.560	12.857	Completion of the fourth review (relevant PCs for end-June 2019).
March 31, 2020	16.560	12.857	Completion of the fifth review (relevant PCs for end-December 2019).
September 30, 2020	16.560	12.857	Completion of the sixth (final) review (relevant PCs for end-June 2020).
Total	115.920	90.000	

Source: IMF staff calculations.

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

Table 9. Mauritania: Risk Assessment Matrix 1/

Sources of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
		Global Risks		
Rising protectionism and retreat from multilateralism	**High**	Short to Medium Term	**Medium.** Reduced prospects for FDI in new sectors (including gas) impacting diversification, exports, and growth.	Accelerate structural reforms to diversify export base and export markets. Speed up business climate reforms and increase exchange rate flexibility to boost competitiveness and mitigate shocks. Develop prudent borrowing plans based on concessional financing and use gas proceeds to reduce debt.
Sharp tightening of global financial conditions resulting from market expectation of tighter U.S. monetary policy; or sustained rise in risk premium	**Low** (U.S. monetary policy) **Medium** (risk premium)	Short Term	**High.** Reduced competitiveness in case of exchange rate appreciation. Higher funding costs for infrastructure investment in case of higher interest rates.	
Weaker-than-expected global growth (weakening outlooks in the U.S., Europe, and China)	**Medium** (U.S.) **High** (Europe) **Medium** (China)	Short to Medium Term	**High.** Lower global commodity prices (esp. metals, gas, and fish) and lower trade flows would reduce exports and investment, with a negative impact on the external and fiscal positions.	In the short term, greater exchange rate flexibility and use of external buffers for gradual adjustment. Over the medium term, structural reforms to diversify the economy, exports, and export markets to increase resilience to shocks.
Intensification of security risks in parts of Africa, Asia, Europe, Latin American, and/or the Middle East	**High**	Short to Medium Term	**High.** Adverse impact on trade with neighbors. Fiscal and security-related costs from migration from neighboring countries. Negative impact on investors' sentiment jeopardizing economic diversification plans.	Create policy space for contingencies by consolidating the budget and broadening the tax base through reforms and economic diversification. Further develop regional security cooperation with neighbors and the international community.
Large swings in energy prices	**Medium**	Short to Medium Term	**High.** Reduced investment in extractive industries and risks for future gas development, with a negative impact on growth, external and fiscal positions.	Build larger fiscal and external buffers.
Cyber-attacks	**Medium**	Short to Medium Term	**Medium.** Financial instability and disruptions in socioeconomic activities.	Strengthen the payments infrastructure and the central bank to reinforce its ability to safeguard financial stability.
Reduced correspondent banking services	**High**	Short to Medium Term	**Medium.** Curtailed cross-border payments adversely affecting trade and remittances. Rise in informality	Strengthen the AML/CFT framework and its implementation; step up outreach.
		Domestic Risks		
Political and social unrest; regional terrorist attacks	**Medium**	Short Term	**High.** Higher public spending, including on security; impaired investor confidence and lower growth prospects.	Promote good governance and a better business climate, strengthen anti-corruption frameworks. Promote inclusive growth and increase social spending.
Slower pace of reforms	**Medium**	Short Term	**High.** Negative impact on domestic and foreign investors' confidence and on growth prospects.	Build consensus on reforms. Invest in human capital and institutions.

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

Annex I. Natural Resource Revenue Management Principles in the Context of the Upcoming Gas Project

A. Context

1. The Grande-Tortue/Ahmeyim (GTA) gas project is an offshore gas field straddling the maritime boundary between Mauritania and Senegal under development by BP, Kosmos Energy, and the two national oil companies. Gas resources are currently estimated at 15 trillion cubic feet. The project will be developed in three phases, the first of which is scheduled to start producing about 2.3 million tons annually (mtpa) from 2022. Each subsequent two phases would raise production by 4 mtpa over 2–3 years, for about 25 years. The final investment decision to launch the project was made at end-December 2018.

2. Estimates suggest aggregate gross revenues for all three phases around $80 billion over a total of 30 years, under a baseline Brent oil price of $60 per barrel. Net revenues will be shared among BP, Kosmos Energy, the two national oil companies, and the two governments as profit oil, income taxes, and dividends. Net revenues for Mauritania for all three phases could reach $14 billion during 2022–51 (about 8 percent of 2019 GDP annually), of which $1.4 billion would be in dividends to the national hydrocarbon company SMHPM. The latter estimates vary between $4.2 billion–$25.5 billion under oil price assumptions between $30–$90 per barrel.[1]

3. Mauritania's financial participation in GTA as a shareholder is estimated at $304.5 million (5.4 percent of GDP) for the first phase, possibly rising to $0.8–1 billion for all three phases, if it buys the maximum contractual share of 7 percent (i.e. 14 percent of its half). This equity is payable over four years from 2019, financed by a loan from BP and Kosmos Energy. The subsequent phases may be financed by the consortium through project financing, which would reduce the need for the government to fund subsequent development costs.

4. Projected revenues are highly uncertain and depend largely on international oil price assumptions. The first phase entails negative flows by the national oil company SMHPM while it pays its equity in the project until 2022, followed by positive cash flows during the production period after 2022. Total net revenues from this phase for Mauritania—in the form of income taxes, profit oil, and dividends to SMHPM—could reach between $0.9 billion for a Brent price of $45 per barrel to $1.7 billion at $60 (16 percent to 30 percent of 2019 GDP).

B. Opportunities

5. The medium-to-long-term economic gains from the GTA project will largely depend on the authorities' revenue management strategy. If well harnessed, these revenues could translate into higher economic growth and employment.

[1] Sources: Mauritanian authorities, World Bank, BP, Kosmos Energy, SMHPM, and IMF staff estimates.

6. Opportunities from the project derive mainly from increased fiscal space that will allow increasing productive public spending and/or reducing indebtedness. Productive spending would raise capital (human capital and infrastructure) and private sector productivity. Increased public spending would raise domestic demand, thereby potentially supporting domestic production of goods and services purchased by the public sector and providing opportunities for Mauritanian enterprises—although higher domestic demand would also boost imports. At the same time, the fiscal space offers the possibility of retiring external debt.

7. The project's economic impact also includes business opportunities for Mauritanian subcontractor enterprises participating directly or indirectly in the GTA project. The operators will also offer training programs for local technicians, which could generate employment opportunities.

C. GTA Revenues: Macroeconomic and Institutional Issues[2]

Volatility

8. Income from the GTA will be uncertain and volatile. Revenues will inevitably fluctuate significantly due to changes in global gas/oil prices and possible changes in production levels (voluntary or for technical reasons). These fluctuations will be potentially large but mostly unpredictable.

Institutions

9. Institutionally, most countries with large and volatile natural resource revenues deposit those revenues in a dedicated hydrocarbon fund. Mauritania already has a National Hydrocarbon Revenue Fund (FNRH) which would be the natural recipient of GTA-related government revenues. In parallel, the national hydrocarbon company SMHPM should receive the dividends from the project and use them to service its debt.

10. This model requires clear and transparent governance rules for the hydrocarbon fund and for the national hydrocarbon company. Good governance of the FNRH and its transformation from a mere bank account to a sovereign wealth fund will be key. New institutions and rules for the management and transfer of assets to the budget will be needed. In this regard, the fund should invest its assets exclusively abroad to avoid becoming an extra-budgetary fund competing with the government's regular budget. Similarly, good governance of the SMHPM will be needed, including by strengthening its board and institutions, rules for asset allocation and management, clear guidelines for it to service and repay its debt, and rules for the transfer of net dividends to the budget.

[2] See also International Monetary Fund, 2012, *Macroeconomic Policy Frameworks for Resource-Rich Developing Countries*, August; and International Monetary Fund, 2015, *Managing Resource Wealth in Mauritania: Considerations for a Fiscal Framework, Selected Issues Paper*, IMF Country Report No. 15/36.

Uses of GTA Revenues: Save or Spend, How Much, and For What?

11. The key macroeconomic policy question is how to use the revenue from the GTA: should it be saved and/or spent? *Saving* part or all of the GTA revenues could be justified for short-term stabilization purposes (to deal with revenue fluctuations) or to save for the long term, e.g., for future generations. *Spending* part or all of the revenues could be justified to address the country's economic and social needs.

12. If the decision is made to spend part or all of the GTA revenues, then the question is how to spend. An important principle is to spend exclusively through the government budget, i.e. to avoid making the FNRH an extra-budgetary spending institution competing with the government budget. A corollary principle is that the FNRH should not invest its assets domestically, so that it does not add to domestic demand.

13. How much should be spent? A ***fiscal rule*** could help to decide, each year, how much to transfer from the FNRH to the budget. This will depend, inter alia, on how much is left after the savings objectives of the fund are met (whether for stabilization or intergenerational purposes) and on the absorptive capacity of the economy and the administration (see below).

14. Spend on what? The options are to spend on public consumption, salaries, transfers, public investments, tax cuts, or public debt repayment. Current spending on salaries and transfers is not advisable, as such spending should be covered by current revenues; instead, the long-term GTA revenues should cover long-term capital spending. The precise spending mix will depend on priority needs and fiscal sustainability, which can be determined using normal budget preparation processes. In this regard, it would not be advisable to create a special, separate channel to allocate gas revenues distinct from the government's budget; avoiding the earmarking of GTA revenues would preserve the unity of the government's budget.

D. Macroeconomic Risks and Possible Responses

15. Injecting large and possibly volatile amounts in the economy can lead to overheating and loss of competitiveness, which can significantly reduce the gains expected from the project. The GTA revenues are external resources, which if they add to existing public spending (or reduce domestic taxation) increase overall demand. Given the economy's limited absorptive capacity, the additional demand could lead to supply bottlenecks that result in (i) inflationary pressures, (ii) wage pressures, (iii) a rise in imports instead of local production. In turn, inflation can lead to real appreciation of the exchange rate and economy-wide wage pressures, resulting in loss of private sector competitiveness (the so-called Dutch disease). Avoiding such outcome requires an appropriate fiscal rule that limits both the size and the volatility of the additional spending from GTA revenues. It also requires close coordination between monetary policy and fiscal policy to avoid real appreciation by establishing a balance between domestic spending and domestic absorption (technically, the central bank must sell the foreign currency obtained by the government from the GTA to avoid monetary expansion leading to overheating and inflation). In this regard, exchange rate flexibility will facilitate the economic adjustment to these shocks.

16. Addressing GTA revenue volatility requires a fiscal rule that determines the public spending envelope independently from the spot gas price. The objective is to avoid significant fluctuations in public spending due to the volatility of gas revenues, which leads to booms and bust cycles that are detrimental to growth and hinder expenditure planning. Options include using average oil/gas prices over several years in the past and/or in the future to smooth fluctuations without eliminating medium-term price changes. Or using the FNRH holdings to smooth expenditure, i.e. using it as a stabilization fund (preferably with clear and transparent rules). Alternatively, the transfers from the FNRH can be determined using a long-term oil/gas price and a savings objective for intergenerational purposes (e.g., based on a calculation of the permanent income hypothesis), further insulating the budget from volatility.

17. If the objective is to use some of the GTA revenues for investment purposes while preventing short-term volatility, the first best is to anchor the government's budget on the non-extractive primary budget balance (NEPB), which is a variable that does not move with extractive (gas) revenues. The level of the NEPB should be determined with due consideration of the macro-fiscal factors listed above, namely the economy's absorptive capacity, the short-term investment needs, and debt sustainability. In years when GTA revenues are high, they will exceed the NEPB and will lead to net savings; in years GTA revenues are low, the rule will result in lower savings or even a drawdown of FNRH assets to finance the NEPB.

E. Governance of GTA Revenues: Risks and Responses

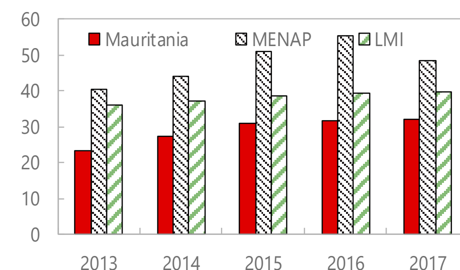
18. Good governance of the GTA revenues will be key for success. This involves transparent institutions, rules, and clear and well-defined responsibilities, with a view that all revenues and their uses can be explained and published. Full accountability and responsibility are needed and all accounts related to the GTA (FNRH, SMHPM) must be audited on a regular basis and all reports published. The standards of the Extractive Industries Transparency Initiative should be applied in full.

19. Fiscal rules, good governance, and strengthened administrative capacity can help mitigate the associated risks. The surge in GTA revenues could lead to unproductive public spending and wasted resources. Pressure could build to use these resources for short-term current spending and subsidies while neglecting investment in infrastructure and human capital which fosters long-term growth. The project presents an increased risk of corruption given the concentration of large financial flows. In response, effective institutional arrangements, fiscal rules, good governance, and strengthened fiduciary rules can help mitigate these risks. Similarly, a well-designed development strategy such as the existing National Strategy for Accelerated and Inclusive Growth (SCAPP) accompanied by a strong medium-term budgetary framework are needed. A moderate pace of spending can also help reduce the risks of spending inefficiencies and misuse of funds. Training of civil servants and public sector employees is needed to address the limited capacity of the public administration.

Annex II. Financial Inclusion in Mauritania[1]

1. Financial intermediation in Mauritania is lower than in peer countries. In 2017, credit to the private sector stood at a low 32 percent of GDP, against 48 percent in MENAP and 39 percent in lower-middle income countries (LMI) despite despite some recovery following the 2014 terms-of-trade shock (Figure 1).

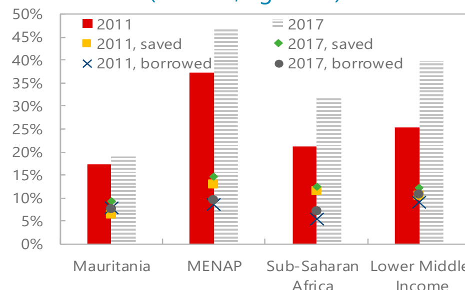
Figure 1. Credit to the Private Sector (Percent of GDP)



Source: Mauritanian authorities; World Bank database; and IMF staff calculations.

2. Access to financial services in Mauritania remains limited and lags behind peer countries. According to the World Bank Findex statistics,[2] only 19 percent of the adult population (aged 15 years or more) had an account at a formal financial institution in 2017, slightly higher than 17 percent in 2011. This remains far below the 46 percent rate in MENAP, 33 percent in Sub-Saharan Africa (SSA) and 37 percent in LMI countries. Similarly, the share of adults with savings held at a financial institution is well below peer countries (6 percent against 15 percent in MENAP, 7 percent in SSA and 11 percent in LMI). Only the share of the population having a loan is broadly in line with peer averages (Figure 2).

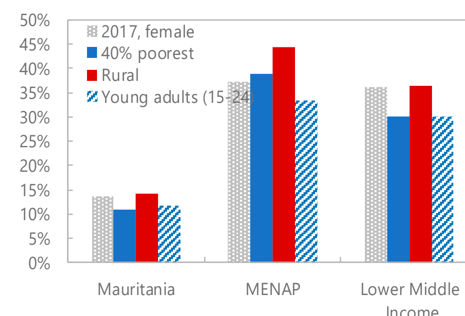
Figure 2. Accounts Ownership at Financial Institutions (Percent, age 15+)



Source: FINDEX database; and IMF staff calculations.

3. Barriers to financial inclusion are particularly strong for certain groups of the population. In 2017, financial account ownership amounted to only 14 percent for women, 14 percent in rural areas, 11 percent of the poor, and 12 percent of young adults-well below the range of 30–45 percent for the same groups in MENAP and LMI (Figure 3). Moreover, there are large gender and income gaps, with the share of women owning a financial account lower by 11 percentage points relative to men, while the difference in access to financial services is about 13 percentage points between the top 60 percent and the bottom 40 percent income recipients.

Figure 3. Accounts Ownership Breakdown (Percent, age 15+; 2017 data)



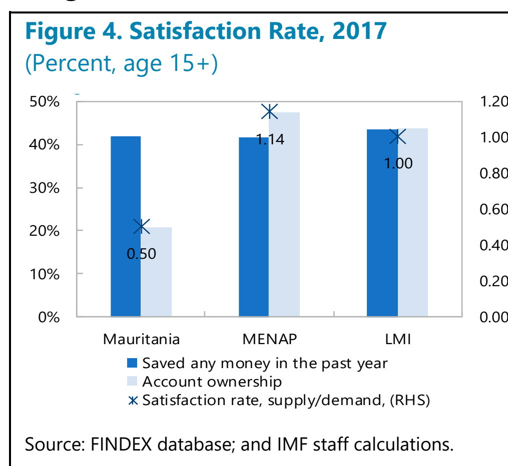
Source: FINDEX database; and IMF staff calculations.

[1] Prepared by Samira Kalla and Imen Ben Mohamed.

[2] The World Bank's Global Findex database collects data every three years since 2011 on saving, borrowing, making payments, and managing risks through nationally representative surveys in over 140 economies.

4. Financial inclusion is constrained primarily by supply-side factors, namely inadequate supply of bank accounts and services, which results in savings outside formal institutions. Specifically, high costs (20 percent of survey respondents), the lack of necessary documents and complexity of the process (16 percent) and geographical isolation (13 percent) represent the main barriers to financial inclusion in Mauritania.[3] The geographic concentration of financial services in urban areas and within a postal banking network offering limited services, as well as the low financial literacy, presents other impediments to financial inclusion.[4] Moreover, despite rapid changes and innovations in technology, digitalization remains low: only 4 percent of adults have a mobile money account and 3 percent use the internet to pay bills. On the other hand, demand for financial accounts and mobile money services, proxied by the share of adult population that saved money (42 percent), was broadly in line with that of MENAP and LMI. Thus, only half of the demand for a bank account (and related financial services) is satisfied in Mauritania, against more than 100 percent in the MENAP and LMI (Figure 4).

Figure 4. Satisfaction Rate, 2017
(Percent, age 15+)



Source: FINDEX database; and IMF staff calculations.

5. Policy reforms to improve financial inclusion should focus on addressing regulatory as well as technical obstacles.

- Upgrading legal and regulatory frameworks by simplifying documentation requirements using a tiered approach and requiring banks to provide low-fee accounts for low-income customers would support access to finance while preserving safeguards related to money laundering. This should help to promote competition among banks, while diversifying their deposits base and developing financial products targeted for unbanked/underbanked categories of the population. In this regard, the central bank established recently a new credit information bureau, which will help improve documentation of small borrowers and assist banks in assessing creditworthiness, ultimately increasing the supply of credit, particularly for households and small and medium enterprises.

- Technological innovations and better public infrastructure in rural areas (including roads and telecom) could improve geographic coverage of banks. Improving the digital infrastructure for the provision of financial services could also support financial inclusion, by reducing transaction costs and enhancing security; the ongoing development of a national digital payments system should help in this regard. Further efforts to harness Fintech (mobile banking, e-banking, e-wallets) could contribute to expanding bank services to a wider share of the population.

[3] In contrast, only 8 percent of those surveyed reported trust to be an obstacle, 5 percent reported religion, and only 2 percent do not need an account.

[4] Financial inclusion Measurement in the Arab World. Arab Monetary Fund. January 2017.

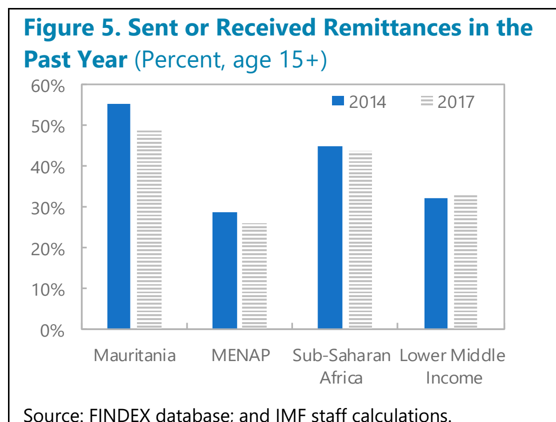
- Morocco, for example, managed to open 500,000 new account by granting its postal network a banking license.

- Developing the regulatory framework for Islamic finance could help overcome religious impediments to expanding financial services.

- Finally, microfinance could support financial inclusion of low-income households and small-scale entrepreneurs.

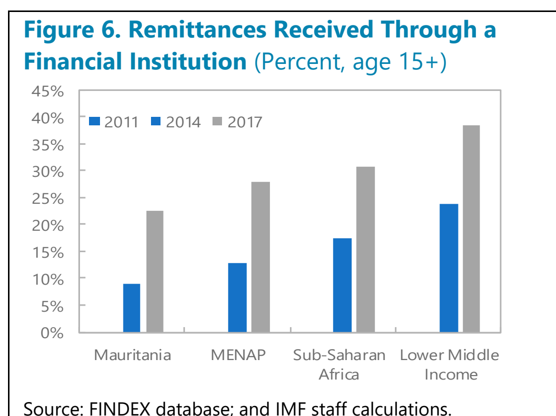
6. Improving financial literacy and communicating on the soundness of the banking system could increase demand for credit and other financial services. Mauritania is one of the largest recipient of remittances among its peers in 2017 (Figure 5), but a small share goes through a formal financial institution (Figure 6). There may be room to increase demand for financial services by enhancing financial literacy and communicating on the benefits of using the banking system.

Figure 5. Sent or Received Remittances in the Past Year (Percent, age 15+)



Source: FINDEX database; and IMF staff calculations.

Figure 6. Remittances Received Through a Financial Institution (Percent, age 15+)



Source: FINDEX database; and IMF staff calculations.

Appendix I. Letter of Intent

Central Bank of Mauritania

Ministry of Economy and Finance

Nouakchott, May 3, 2019

Madame Christine Lagarde
Managing Director
International Monetary Fund
Washington DC

Madame Managing Director,

The Mauritanian authorities' economic and social program, supported by the International Monetary Fund (IMF), continues to be implemented successfully. The 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 for Accelerated Growth and Shared Prosperity (SCAPP) covering 2016–30, the key economic policies of our program aim to: (a) continue with fiscal consolidation and reinforcing debt sustainability at a gradual pace favorable to the recovery of growth; (b) mobilize public revenue by expanding the tax base and modernizing tax administration procedures, and prioritize public investment; (c) modernize and strengthen monetary policy to better manage bank liquidity; (d) strengthen 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, health, and social protection to 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 December 2018–April 2019 under the three-year arrangement under the ECF approved by the IMF Board on December 6, 2017 were met or were observed with a one-month delay. Accordingly, we request completion of the third program review and disbursement of a new tranche of SDR 16.560 million, and the setting of new quantitative performance criteria for end-December 2019. The next semiannual review will be conducted on or after September 30, 2019 and the following review on or after March 31, 2020, based on the quantitative performance criteria and structural benchmarks as described in the attached Memorandum of Economic and Financial Policies (MEFP) and the Technical Memorandum of Understanding (TMU). 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 in accordance with the 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 Strategy for Accelerated Growth and Shared Prosperity (SCAPP).

2. The SCAPP, adopted by the Council of Ministers in January 2018 and ratified by the National Assembly in April 2018, covers the period 2016-2030. Based on the lessons learned from the 2012–2015 development strategy, it aims at boosting growth and employment, reducing inequality, eliminating extreme poverty and halving global poverty by accelerating the structural transformation of the economy and reforming social policy. The strategy focuses on three pillars:

- Promoting high, durable, and inclusive growth. To this end, we intend to: (i) revitalize the sectors with strong employment and growth potential by better integrating 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).

- Developing human capital and improving access to basic social services, particularly education, vocational training and healthcare. Particular attention will be paid to gender equality through the launch and implementation of a national gender equality strategy.

- Strengthening governance in all its dimensions—a core element 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: Developments in 2018

3. Growth accelerated in 2018 to about 3.6 percent (preliminary estimate), supported by a significant expansion of irrigated farming areas, which compensated for the rainfall deficit, and growth in the construction, transportation, and telecommunication sectors. As a result, non-extractive sector growth was particularly strong, reaching about 6.3 percent. Inflation accelerated only slightly to an annual average of 3.1 percent due to price increases for imported foodstuffs, compensated by a relatively stable exchange rate and administered fuel prices at the pump.

4. The substantial fiscal rebalancing efforts and reforms begun in 2016 continued and led to a significant improvement in the overall fiscal position in 2018. The increase in revenue supported by the economic recovery, increased tax collection, and offshore exploration, as well as continued

budget rigor and slower-than-expected execution of externally financed investment expenditure led to an exceptionally high primary surplus (excluding interest and grants) of 4.8 percent of non-extractive gross domestic product (NEGDP), against 0.3 percent of NEGDP in 2017. We continued to improve the performance of tax revenue and to control spending while increasing budget support for the emergency program to counter the effects of the drought. Exceptional revenue from offshore exploration offset the revenue losses related to petroleum products under the *Fonds d'assistance et d'intervention pour le développement* (FAID) account.

5. The economic recovery, however, caused the external current account deficit (excluding externally financed capital imports of extractive sectors) to widen from 7½ percent of GDP in 2017 to about 11½ percent of GDP owing to a sizable rise in global oil prices and non-extractive sector growth, and despite sustained exports of the mining sectors and strong exports of the fishing sector. The availability of external financing of this deficit contributed to a sharp increase in official reserves to $919 million (5.1 months of non-extractive imports) at end-December 2018 (against $849 million, or 4.6 months of imports a year earlier).

B. Short-Term and Medium-Term Outlook

6. We have prepared an ambitious 2016-2030 strategy for inclusive growth that aims to diversify the economy through human capital development, expanded access to services, and improved governance. Moreover, the short-term outlook has improved following the drop in international oil prices at the end of 2018 and the rise in iron ore prices in early 2019. Those developments should impact favorably economic growth and the balance of payments during the first half of 2019, although the outlook remains highly dependent on commodity price trends, foreign investment in the extractive sector, and progress on structural reforms.

7. The macroeconomic framework agreed with the IMF staff projects robust growth rates for non-extractive sectors of 5.4 percent in 2019, rising up to 6.5 percent from 2022. Growth will be sustained by the anticipated performance in agriculture, fisheries, manufacturing industries, construction, and services driven by public and private investment and structural reforms. Inflation will remain moderate, averaging around 3.6 percent in 2019 reflecting steady import prices and a disciplined monetary policy. The current account deficit (excluding externally financed extractive capital imports) should stabilize in the short term around 10 percent of GDP, reflecting increased exports, an adjustment of domestic demand, improved competitiveness, and fiscal consolidation, before narrowing to around 5 percent of GDP following the development of the offshore gas field Grand Tortue/Ahmeyim (GTA), which will significantly improve the economic and financial outlook after "first gas" expected in 2022.

C. Economic Program for 2018–20

Objectives

8. The government's objective is to successfully complete the first phase of the SCAPP—the 2016–20 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 monetary 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 2019–20 will aim, in particular, to (a) reach growth of over 5 percent, (b) contain inflation at less than 4 percent in the medium term, (c) reduce the current account deficit (excluding externally financed extractive capital imports) to 5 percent of GDP in the medium term, (d) reduce external public debt to less than 67 percent of GDP (excluding Kuwaiti and GTA project-related debt), while maintaining a high level of concessionality to ensure its sustainability, and (e) increase international reserves to at least six months of imports excluding extractive industries to respond to exogenous shocks.

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 monetary policy.

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. We strengthened the BCM's autonomy by adopting a new law establishing the BCM charter in July 2018 (structural benchmark). The law modernizes the BCM institutional structures and incorporates IMF staff recommendations for governance, internal and external audit, publication of financial statements, and accounting standards. The new BCM bodies will be created by May 2019 (after the Audit Committee already set up, these will include the Prudential, Resolution, and Financial Stability Board and the Sharia-Compliance Committee). 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 tightening of bank liquidity, the BCM will gradually accommodate its monetary policy while taking care to avoid the return of inflationary pressures. In this context, we lowered the policy interest rate from 9 percent to 6.5 percent to align it more closely to market rates and improve its operationality.

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 and develop the interbank market. Since November 2017, the BCM applies banks' reserve requirement on a monthly basis to afford banks greater flexibility in managing cash flows while reducing volatility in bank liquidity. 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 refinancing facilities (structural benchmark, December 2017). It established an interest rate corridor for the new deposit and refinancing facilities in December 2018 (structural benchmark); and it launched a first bank liquidity management operation in February 2019. The BCM will (i) adjust the rates of this corridor according to market needs and (ii) reduce the width of the corridor as it acquires experience. These instruments will be implemented through two newly created committees: a monetary market committee and a monetary policy technical committee which were established at end-2018. Finally, the BCM will implement an integrated technical platform for monetary policy operations by end-December 2019 (structural benchmark) in the context of a financing from the African Development Bank (AfDB) subject to its public procurement procedures.

15. While committing to accord preference to Treasury bills or BCM bills as collateral, the BCM defined a framework for collateral eligible for its monetary policy operations (priority, discounts, and conditions of use) with technical assistance from the IMF (structural benchmark for March 2018). On that basis, the BCM transmitted draft bilateral agreements setting out the parties' obligations to all banks, and prepared a procedures manual detailing the system to mobilize collateral for refinancing purposes. More active cash flow management by the Ministry of Economy and Finance (MEF), 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 (see paragraph 31).

16. Implementation of monetary policy requires strengthened operational autonomy for the BCM. This will entail, inter alia, recapitalizing the BCM through gradual repayment of government debts to the BCM and withholding of dividends on that income. To this end, a new memorandum of understanding between the BCM and the MEF, with a repayment schedule starting in 2018, replacing the 2013 agreement, was submitted to parliament in June 2018 (structural benchmark) and was ratified in January 2019.

17. To increase the transparency of the BCM financial position and harmonize its accounting system with international standards, the BCM published a quantification of its 2017 accounts based in the International Financial Reporting Standards (IFRS) in December 2018 (structural benchmark).

This analysis will serve as a prelude for preparing an action plan and timetable to transition to the IFRS standards with a view to adopt those norms in principle by 2020. In the interim, we will prepare the 2018 financial statements of the BCM pro forma in accordance with the IFRS international accounting standards (new structural benchmark September 2019). The BCM also arranged for the verification of the program's December 2017 and June 2018 quantitative performance criteria by external auditors, and is doing the same for the December 2018 criteria.

Exchange Policy

18. 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.

19. 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 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 modified regulations to relax the obligation to execute currency transactions on the foreign exchange market by raising the threshold from US$100,000 to US$200,000, and limited the rejection of sell-side bids to exceptional circumstances. In the same month, the BCM also modified the fixing system so that sellers receive the marginal rate determined on the supply side (rate that maximizes matching transactions, minimizes net supply/demand), currency purchases are settled at the rate offered, and the maximum purchase price is limited to the marginal rate plus 2 percent. We will also gradually eliminate BCM commissions on those transactions and will replace them with intermediation gains.

- 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, it continued to relax the obligation to use the foreign exchange market by increasing the threshold to US$300,000 and implemented two-way wholesale auctions in December 2018 (structural benchmark). Thereafter, the BCM will eliminate the obligation to go through the official foreign exchange market and will migrate to one-way wholesale auctions by authorizing the internal clearing of customer orders (structural benchmark, December 2019). In parallel, it will establish the regulatory framework by June 2019 and the technical platform to create an interbank foreign exchange market by end-2019 (structural benchmarks, June 2019 and December 2019) in the context of a financing from the AfDB subject to its public procurement procedures, thereby applying the action plan to develop the interbank market prepared in September 2018 (structural benchmark).

20. 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, which could serve as a shock absorber to smooth exchange rate fluctuations in the event of adverse shocks.

Fiscal Policies

21. Our fiscal policy continues to be 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.

22. The 2019 budget objective, anchored in the budget law approved by parliament in November 2018, is to consolidate gains and maintain the primary surplus (excluding interest and grants) at 0.5 percent of NEGDP through continued improvement in tax revenue performance to generate additional fiscal space and expenditure control by improving the quality of expenditure. At the same time, we will continue to increase social spending in education, health, and social protection. The execution of the 2019 budget will be disciplined, and we anticipate generating a more sizable budgetary surplus by the end of the year. We will take all necessary measures during the year, in particular by controlling the level of current spending, to achieve the fiscal quantitative targets of the program and the objectives related to social spending.

23. Mauritania decided in December 2018, along with Senegal and their private partners, to participate in the development of the offshore gas project GTA, which should improve the economic and financial outlook of the two countries. The first phase of the work in 2019-21 should result in first gas production in 2022. We have found an advantageous formula to finance the Mauritanian participation in the GTA project, given our limited resources, even if it leads to a temporary increase in debt.

24. During the program and with help from our development partners, 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

25. 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 aimed at simplifying procedures and improving transparency (structural benchmark).
- To strengthen legal security for taxpayers, we submitted to the Council of Ministers and to parliament in December 2018 a new, modernized General Tax Code (CGI) purged of the contradictory regulatory provisions contained in the current code adopted in 1982. The CGI will improve tax revenue mobilization and tax equity and will reduce informality and tax fraud. In the context of the CGI, we integrated 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 of these two elements is a structural benchmark for August 2019, which we have implemented ahead of schedule).
- The new CGI incorporates a new Tax procedures code, prepared after consultation with economic operators, which consolidates and clarifies all tax procedures for taxpayers and the administration (a first version of the tax procedures code was submitted to the Council of Ministers in March 2018, structural benchmark).

26. 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 the register of taxpayers 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 the taxpayers register. In keeping with the IMF's technical assistance recommendations, the register was 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 also designed a procedure accompanied by the appropriate actions to update the register on a regular basis (structural benchmark for end-June 2018). These actions, as well as a systematic sharing of names of the largest suppliers of each taxpayer, are being implemented strictly and regularly in 2019. Our risk management unit, created in September 2017, analyzes and uses already the available information to take appropriate measures to expand the tax base, in particular by seeking to identify unregistered or wrongly classified large and medium-size businesses.

- *Improvement of taxpayer timely filing and payment rates*. We launched vigorous measures to monitor taxpayers, especially for large and medium-size businesses subject to VAT and profit tax, to ensure that taxpayers declare and pay their taxes on a timely basis, which is facilitated by an online filing system since March 2019. Our objective is to achieve a timely filing rate of 85–90 percent for large businesses and 65–75 percent for medium-size businesses by end-2019, and a timely payment rate of at least 50 percent by December 2019. We established internal DGI performance targets in April 2019 regarding the timely payment rates for large and medium-size businesses in 2019 (structural benchmark for March 2019) to guide and measure the effectiveness of our taxpayer monitoring actions.

- *Strengthening of taxpayer audits by the DGI*. We will increase the number of on-site taxpayer audits with a view to improving voluntary compliance. Our objective is to conduct at least 15 general audits and 40 targeted audits of large and medium-size businesses in 2019 (structural benchmark for December 2019) and to double this number in 2020 by reallocating DGI resources, improving auditor training, and providing auditors with appropriate analytic tools and procedures.

- *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 estimated tax expenditures were presented in an appendix to the 2018 budget law and again in 2019.

- *Improved collection of arrears*. We intend to improve the management and collection rate of tax arrears. We completed an inventory of tax arrears, identified recoverable arrears, and set up settlement plans that have already improved tax collections. The DGI's Directorate of Public Entities (DEP) and the Directorate of Financial Supervision (DTF) rigorously monitor collection efforts in respect of public corporations and concluded tripartite agreements for those providing services to the government. We will continue to focus our collection efforts on large and medium-size businesses and the most recent arrears, and will accelerate the write-off of unrecoverable arrears.

- *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 strengthened customs units and their capacity to effectively manage the national valuation bureau (BNV) and took appropriate measures to operationalize this tool, including the preparation of a BNV procedures guide. We digitalized and put online litigations in the ASYCUDA system. The next step will be to digitalize exemptions by December 2019. With technical assistance from the IMF, we are launching a new program to strengthen post-clearance inspections by establishing a supervision committee, restructuring and expanding the directorate of investigations, and revising the regulatory framework by June 2019 (structural benchmark).

Public Expenditure Management

27. The new organic budget law (LOLF), approved by the National Assembly in May 2018 and promulgated in October 2018, will considerably improve public financial management (submission of the law to parliament, which occurred in January 2018, was a structural benchmark for March 2018) by unifying the government budget, promoting the introduction of program budgeting, capping the public debt, and improving budget formulation in a multiyear framework. Implementation of the LOLF will take place through implementation decrees in 2019, enabling the law to be gradually used for budget preparation beginning in 2020. We will adopt a decree setting out the General Regulations on Budget Management and Public Accounting by June 2019 (structural benchmark) and a decree on budget governance (structural benchmark for June 2019). A decree formalizing the calendar for the preparation of the budget will also be adopted in 2019. We have already introduced elements of the reform in the 2017–19 budget, such as the inclusion of externally financed capital expenditure and a presentation of tax expenditure in a budget annex. The Court of Audit submitted to parliament its observations and recommendations on the law on the final accounts of the 2014–17 budgets and should be able to do the same for the 2018 budget before end-2019. We launched this year an assessment of our public expenditure management and accountability framework with the help from a *Public Expenditure and Financial Accountability* (PEFA) conducted by the international PEFA secretariat.

28. Our objective is to continue rationalizing current expenditure within a framework of budgetary efficiency. 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 and 2019 budgets. 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 2017–19 budgets and civil service reform, we have already reduced subsidies to a number of public entities and rationalized goods and services consumption. The resulting fiscal space will be reallocated to social spending or increased investment in strategic sectors.

29. We intend to further improve the efficiency of capital expenditure. First, we implemented the reforms envisaged in the decree on management of the public investment program (PIP) adopted in October 2016 aimed at strengthening the formulation, selection, and programming of public

investment projects, and facilitating institutional coordination in implementing and financing the PIP.

- In this context, we prepared a manual of procedures to improve the preparation and follow-up of project execution and set up a committee to assess and schedule public investment projects (*Comité d'analyse et de programmation de l'investissement public*—CAPIP) which is now operational.
- We implemented a new automated application, the Integrated Public Investment Management System (SIGIP), which supports all phases of capital project management (from contract signature to disbursement). This new system, which analyzes the projects' life cycle, enables us to assess and prioritize investments to program in the PIP. It also allows us to systematically monitor disbursements of external debt and strengthen the external debt management framework.
- Based on this new framework, we regularly prepare the moving triennial PIP which forms the basis for selecting priority projects in line with the action plan of the SCAPP.
- We also requested assistance from the IMF to analyze the effectiveness of public expenditure using the *Public Investment Management Assessment* (PIMA) framework and intend to refine our monitoring framework for project execution thanks to a better implementation of budgetary engagement and payment orders, with help from the IMF.

30. 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 as well as its implementation texts. A portfolio of projects eligible for this mode of contracting was adopted by the inter-ministerial committee in charge of PPPs, and the first project was launched in this context in September 2018 for a port infrastructure project in Nouakchott. We will proceed cautiously, however, to minimize contingent risks for public finances.

31. We will modernize and strengthen our cash flow management through the following actions:

- We will reinvigorate the Treasury bill market by modernizing the issuance system on the primary market and aligning it with international standards, particularly by distinguishing auctions by maturities, following the recommendations of IMF technical assistance. This will provide for cost-effective financing of public expenditure while developing financial markets. We adopted a decree establishing the new issuance procedures for Treasury bills (including differentiating maturities) in December 2018 (structural benchmark) and also adopted implementation instructions for these procedures in April 2019 (structural benchmark for March 2019). Once the new system is in place and the auctions prove to be competitive, we will consider eliminating the interest rate ceiling.

- 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.

32. To improve fiscal transparency, we will modernize the presentation of the government fiscal reporting table (TOFE) in accordance with the international standards of the *2001/2014 Government Finance Statistics Manual*. We will also gradually expand the scope of coverage to include subnational jurisdictions and EPAs by end-2019, and thereafter by all public corporations as and when these entities are integrated in the automated expenditure cycle system (RACHAD).

Public Enterprises

33. 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 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.

34. 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.

35. After clarifying the cost and risk of public entities for the government, we plan to reduce budget subsidies to public enterprises and EPAs while intensifying financial monitoring. Their performance is regularly measured twice a year by means of financial statements (June and December) and an auditor's report; and is monitored by the DTF since 2018. 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 ensure close monitoring of the projects financed. Under the new banking law, the CDD is now covered by the BCM's supervision. By 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

36. 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, and for Mauritania's participation in the GTA offshore gas project.

37. 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 CAPIP and 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. In this context, we held a joint meeting between CAPIP and CNDP to examine new projects to add to the PIP.

38. At the same time, in September 2018 we finalized the establishment of 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 for end-September 2018). 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).

39. Our ongoing dialogue 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 Sector Policy

40. 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, strict enforcement of the framework, and improved quality of statistics.

41. We improved considerably the regulatory framework and adapted it to international standards by adopting a new law on credit institutions (banking law) in July 2018 (structural benchmark for end-June 2018). The law aligns prudential standards on the principles of Basel II and III and strengthens the crisis management mechanism by establishing a new framework for bank

resolution and depositor protection. It expands the scope of bank supervision to include insurance companies and the CDD, strengthens the legal force of BCM decisions by strictly framing the conditions for appealing its decision before the courts, and establishes a general regulatory framework for Islamic banks.

42. To strengthen banks' solvency and resilience to shocks, we adopted a new directive on capital composition and solvency requirements based on Basel II and III in March 2018 (structural benchmark). The directive also increased the minimum capital of banks to MRU 1 billion over two years, which should encourage bank mergers and reduce the number of new license applications.

43. We will continue to raise the prudential standards applicable to banks. Pursuant to the new banking law, we adopted in April 2019 a new method to calculate banks' net weighted assets and liquidity ratios in accordance with Basel II and III, with technical assistance from the IMF (structural benchmark). The directive will supplement the provisions reinforcing prudential solvency rules and banks' capital requirements.

44. We will facilitate the elimination of nonperforming loans from banks' balance sheets. We will revise by May 2019 the associated directive by extending the time limit for eliminating bad loans from banks' balance sheets from the current two years, which is too short, to four years. We submitted to parliament in March 2018 a draft law on loan recovery aimed at improving mechanisms for credit recovery and enforcement of collateral by banks (structural benchmark). We will clarify the accounting treatment of these debts and eliminate tax obstacles to the resolution of nonperforming loans in an instruction following adoption of this law.

45. To limit credit and concentration risks, we continue to closely monitor the adjustment of banks' net positions toward related entities that exceed concentration limits, which should have been corrected by end-2018. Onsite inspection missions are being organized and verifications are ongoing with the banks concerned. From July 2019, we will fully apply the prudential standards in this area (new structural benchmark) and will require noncompliant banks to increase their capital to comply. In the meantime, we will examine the possibility of gradually tightening concentration rules.

46. With respect to liquidity, we established an emergency refinancing facility in March 2018 that can be used to provide liquidity to banks experiencing temporary cash flow pressures in exchange for collateral (structural benchmark March 2018). This mechanism will be implemented through the same conventions, signed with those banks wishing to access the facility, related to the main monetary policy operations (which detail the parties' obligations and define the eligible collateral) but with a higher discount.

47. The BCM strengthened its supervisory capacity 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 countering the financing of terrorism (AML-CFT), control of foreign currency transfer and surrender operations, general control of bank activities, and compliance with foreign exchange positions. It also stepped up offsite surveillance and conducts systematic analyses of banks' financial position. The BCM

monitors compliance with prudential standards and sanctions noncompliant banks. Work is under way to reinforce sanctions and make them more of a deterrent, which will result in a new instruction on sanctions in June 2019. The BCM raised the contribution of banks to the deposit guarantee and resolution fund in 2015, which helped achieve the objective of MRU 0.6 billion. In addition, following the increase in the minimum capital, this amount will be raised to MRU 1 billion. In view of the limited size of the Mauritanian market, the new banking law tightened conditions for licensing new banks, which should encourage mergers among existing banks.

48. The BCM is strengthening the AML-CFT framework and its implementation, in concert with all parties involved including banks. In particular, we adopted in January 2019 a new AML-CFT law which follows the international standards of the Financial Action Task Force (FATF) and its recommendations. We completed and submitted to the Council of ministers the national risk assessment as well as an action plan in April 2019 (structural benchmark). In parallel, we are conducting a technical review of regulations and are working with the Mauritanian banks to modernize their practices.

49. We will focus our attention to improving the quality and timeliness of monetary and financial statistics, including the sectorization of credit, in line with technical assistance recommendations. In this regard, we progressed in standardizing data and automating data transfers. We installed a secure line between the BCM and banks to facilitate secure, efficient data transfer, and accelerated the integration—with respect to the data storage and transmission mechanism—of automated controls and analytical and feedback tools such as a monitoring dashboard for banks. We also revised the prudential and accounting framework for financial soundness indicators as well as their compilation by credit institutions in conformity with the IMF's international standards.

50. We launched a project to modernize the financial infrastructure and payments system based on a new law adopted in July 2018. A modern payments system (large-value transfers, check clearing system, interbank money market operations), which should be completed by end-2019, will represent a lever for development of the financial system and the economy as a whole by promoting larger and faster trade while strengthening financial stability and enhancing the security of financial transactions. We have also embarked on the development of automatic payment instruments and mobile banking to reduce cash in the economy and promote financial inclusion for the poorest. We have also established a banknote sorting center at the BCM.

51. We established a new credit information bureau, which compiles, centralizes, and makes available to banks consolidated information on borrowers' credit and payment histories. The bureau started operations at end-February 2019 (structural benchmark). By improving transparency of information, it will serve to reduce banks' credit risk, thereby promoting bank credit and access to credit.

52. Our objective is to promote financial inclusion and strengthen the role of the financial sector in financing the economy. Consistent with the FSAP development module, we will focus on the following pillars:

- *Reform of the microfinance sector*. We implemented consolidation measures in the microfinance promotion agency (PROCAPEC) to reduce costs and 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 will implement a regulatory framework specific to Islamic banks with technical assistance from the IMF.

- *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 which was allocated by banks to SMEs until 2018. Given its largely positive impact on credit to SMEs and since it is now starting to be repaid, we will seek to renew this facility on concessional terms to maintain external debt sustainability while improving access to bank financing for SMEs.

- *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

53. To increase the effectiveness of our social spending, our social programs are now better targeted to protect the most vulnerable households. After reducing the poverty rate by 11 percentage points between 2008 and 2014, we began deployment of a better-targeted social support system with assistance from the World Bank in December 2016. We plan to expand the coverage of the single social registry (SR) of vulnerable households to the entire national territory by June 2020, so as to cover 200,000 households and facilitate better targeting of transfers to the most vulnerable.

- At end-2018, over 100,000 vulnerable households were registered in the SR in eight departments (*moughatas*) out of 57 planned. To achieve the national coverage target on time, both the collection of data the SR and the collaboration between the SR and the National Statistics Office will be strengthened. In addition, the resources under the counterpart funds will be regularly provided to the SR. We intend to complete the targeting and surveys in 20 additional departments in 2019 and in another 19 in 2020.

- A number of programs such as the "Tekavoul" program of targeted and conditional social transfers covering about 30,000 households (over 200,000 people) already use the SR for their support to the most vulnerable households. We will initiate discussions with development partners to finance the next phase of this social safety net program, which will require about $14 million to cover the whole territory.

54. 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, MRU 2.4 billion in 2018, and MRU 2.3 billion in 2019, representing

over 44 percent of primary budget expenditure, or 13.4 percent of NEGDP. These expenditures will continue to be increased continuously during the program period, and will be subject to a spending floor (indicative target, Table 1). However, our social spending target for 2018 was not reached due to the under-execution in particular in the agriculture, livestock, water supply and sanitation, and health, partly due to the reorganization of several ministries. We will strive to reach the social spending targets in 2019 by raising budget execution in the priority social sectors. In addition, by the next review, we will work on a more targeted definition of the social protection spending targeted by this floor.

Governance, Business Environment and the Fight Against Corruption

55. We have significantly improved the business environment over the last few years. Specifically, we gained 28 ranks in four years in the "Doing Business" rankings of the World Bank published in October 2018, reaching the 148th rank out of 190 countries. These gains resulted mainly from progress with procedures to start a business and obtain construction permits, as well as with credit information. However, much progress remains to be made to maintain and improve this ranking.

56. The government is determined to continue with reforms to further improve the business climate, with the objective of rising among the first 100 countries in the near future. To this end, the government formed in February 2019 a High Council on improving the business climate chaired by the prime minister and comprising the relevant ministers and other officials as well as the private sector. This council is tasked, among others, with coordinating the implementation of business climate reforms, proposing an annual action plan of reforms, and informing the Council of ministers about possible obstacles in their implementation. The action plan for 2019 focuses on the weaknesses identified by the "Doing Business" and includes 18 measures, of which 12 are planned by end-April 2019. These aim to (1) simplify, dematerialize, and strengthen transparency in several areas, such as improving current regulations on construction and access to electricity; (2) simplify taxation and promote access to credit, including simplifying tax declaration for taxpayers; (3) improve the resolution of commercial disputes, including by adopting a number of regulations on business law and modernizing commercial justice; and (4) improve dialogue and communication on reforms.

57. The Mauritanian authorities are convinced of the need to accelerate implementation of the strategy to fight corruption adopted in December 2010 which includes fostering transparency, the rule of law, and institutional reforms. An anti-corruption law was adopted in April 2016, which defines the criminal acts and related sanctions and created a specialized court; implementation decrees were adopted that same year. Now, the committee charged with following up on the implementation of the strategy, created in 2014, will be operationalized with the nomination of its members and the provision of necessary resources to produce its first report on implementation of the strategy by end-September 2019. Thereafter, this committee will prepare a specific action plan for the period 2020-23.

58. Notable progress was made in implementing the norms of the Extractive Industries Transparency Initiative (EITI). This progress was validated by the EITI Board in February 2019, which stated that Mauritania had made meaningful progress overall and considerable improvements across all individual requirements of the EITI standard. As a result, all the EITI requirements are now classified as being achieved or having seen meaningful progress, and there no longer is a requirement classified as inadequate. The Board highlighted three corrective measures to implement, namely disclosure of license allocations and a license register; clarification and publication of the relations between the state and public enterprises in the sector; and conducting a study of the impact of EITI. All necessary actions will be taken to implement these measures by end-2019, with support from development partners. The Mauritanian authorities will also ensure that the new gas project and the companies involved comply with all transparency principles of the EITI.

59. Mauritania is a founding country of the Fisheries Transparency Initiative (FiTI) and our objective is to comply with this new international standard by end-2019. We fulfilled all membership criteria and became the first candidate country in December 2018, and formed a national stakeholder group to achieve compliance.

60. To improve public investment outcomes, public procurement procedures were reformed in 2017, with assistance from the World Bank, to separate the functions of contracting, oversight, and regulation to increase the transparency of procurement management. This led to the consolidation of the four decrees implementing the law into a single text, the adaptation of regulations to conform to the law, and simplification of procedures. Furthermore, to improve public expenditure management, the new organic budget law recently approved by parliament in 2018 provides for unification of the government's budget, promotes program budgeting, establishes a ceiling on public debt, and improves budget formulation in a multi-year framework. It will be implementing through the associated decrees from mid-2019. The PIMA requested this year should help make further progress in the sound management of public investments. The PEFA should also propose recommendations to strengthen the management of public spending.

61. The government strengthened the authority and operations of the Court of Audit through a new organic law on the court of audit. We will now adopt the necessary decrees to operationalize this law and will strengthen the human resources and technical means of the Court of audit to allow it to fulfill its mandate. Its reports will be published in the future. The government also plans to support the judiciary in reinforcing the activities of the commission on financial transparency in public affairs, which is charged with implementing the 2007 law requiring all senior officials to declare their assets. It will revitalize the other institutions charged with audit and control such as the Government Inspector General, the Inspector General of Finance, and the internal ministerial inspection units.

Economic Statistics

62. 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 are working on revising, revaluing, and updating the national accounts in conformity with the 2008

System of National Accounts (SNA 2008). We will publish by April 2019 a revised gross domestic product for 2014 and a revised series for the years 2005–16. We will also improve external debt statistics. Finally, in the context of regular monitoring of social and poverty indicators and to better evaluate the impact of our economic policies, we initiated the second survey on employment and on the informal sector and launched a new household living conditions survey in 2019.

D. Program Monitoring

63. We established 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, which has a permanent secretariat, will continue to meet regularly to assess progress and forward the data required to monitor program performance.

64. 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, 2019 based on the performance criteria and quantitative indicators at end-June 2019 (Table 1) and relevant 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 1a. Mauritania: Performance Criteria and Quantitative Benchmarks for 2017–18

(cumulative changes) 1/

	End-June 2017	End-Dec. 2017				End-Mar. 2018	End-June. 2018				End-Sept. 2018	End-Dec 2018			
	Initial Level	Performance criteria	Adjusted Performance Criteria	Actual	Status	Indicative Target	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Indicative Target	Performance Criteria	Adjusted Performance Criteria	Actual	Status
Quantitative targets															
Net international reserves of the BCM (floor); in million of U.S. dollars	200.2	-14.3	-15.9	9.7	Met	-24.3	-35.0	13.4	25.1	Met	-10.4	7.9	5.2	40.5	Met
Net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRO)	145.6	15.4	16.0	6.3	Met	11.8	23.6	6.3	-9.4	Met	16.0	26.0	27.0	1.3	Met
Primary balance excluding grants; in billions of ouguiyas (MRO) 2/	6.5	-3.6	-5.1	-2.1	Met	4.5	9.0	18.1	57.2	Met	4.5	5.6	21.2	80.4	Met
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 non-guaranteed debt of SNIM (continuous ceiling); in millions of U.S. dollars 3/ 4/	...	0.0	18.0	18.0	Met	0.0	0.0	18.0	18.0	Met	0.0	0.0	18.0	18.0	Met
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 non-guaranteed debt of SNIM (continuous ceiling); in millions of U.S. dollars 3/	...	0.0		0.0	Met	0.0	0.0		0.0	Met	0.0	0.0		0.0	Met
New external payment arrears (continuous ceiling) 5/	0.0	0.0		0.0	Met	0.0	0.0		0.0	Met	0.0	0.0		0.0	Met
Social spending (indicative target); in billions of ouguiyas (MRO)	97.2	97.2		97.0	Not met	55.2	110.3		111.3	Met	165.5	217.7		185.0	Not met
Adjustment Factors (in millions of U.S. dollars)															
Net international assistance	....	-101.8		19.1		-41.2	-147.0		-124.9		-187.7	-197.4		-255.2	
Cumulative disbursements of official loans and grants in foreign currency	....	18.8		25.3		7.7	7.7		0.0		18.2	34.8		5.6	
Cumulative amounts of external cash debt service payments	....	-120.7		-6.2		-48.9	-154.7		-124.9		-205.9	-232.2		-260.8	
FNRH contribution to the budget	20.0	30.2		29.1		0.0	12.9		39.2		26.6	32.5		88.0	
European Union fishing compensation fee	....	66.2		65.8		0.0	0.0		0.0		0.0	66.2		65.7	
Extractive revenues, in billions of ouguiya	21.1	25.5		22.4		9.7	21.8		40.0		38.0	47.7		78.9	
Memorandum items:															
Indicative Target: Contracting or guaranteeing of new medium- and long-term concessional external debt with maturities of one year or more by the government, BCM, or state-owned enterprises, excluding non-guaranteed debt of SNIM (continuous ceiling) 3/	...	100.0		0.0	Met	200.0	200.0		13.2	Met	200.0	200.0		13.2	Met
Program exchange rate (MRO/USD)	358.5	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, unless otherwise indicated. 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 for loans approved by the Council of Ministers.
4/ Adjusted upward, up to $103 million, 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).
And adjusted upward, up to $307 million, exclusively for the Grande Tortue/Ahmeyim offshore gas project.
5/ Excluding arrears subject to rescheduling.

Table 1b. Mauritania: Performance Criteria and Quantitative Benchmarks for 2019–20

(cumulative changes) 1/

	End-Mar 2019	End-Jun 2019	End-Dec 2019		End-Mar 2020
	Indicative Target	Performance Criteria	Indicative Target	Proposed Performance Criteria	Proposed Indicative Target
Quantitative targets					
Net international reserves of the BCM (floor); in million of U.S. dollars	15.8	31.5	62.7	63.0	25.3
Net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRO)	8.3	9.0	10.6	8.4	4.7
Primary balance excluding grants; in billions of ouguiyas (MRO) 2/	8.1	16.6	9.1	17.0	8.2
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 non-guaranteed debt of SNIM (continuous ceiling); in millions of U.S. dollars 3/ 4/	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 non-guaranteed debt of SNIM (continuous ceiling); in millions of U.S. dollars 3/	0.0	0.0	0.0	0.0	0.0
New external payment arrears (continuous ceiling) 5/	0.0	0.0	0.0	0.0	0.0
Social spending (indicative target); in billions of ouguiyas (MRO)	60.8	121.6	243.3	243.3	61.3
Adjustement Factors (in millions of U.S. dollars)					
Net international assistance	-49.2	-107.9	-192.2	-192.2	-60.7
Cumulative disbursements of official loans and grants in foreign currency	7.5	14.6	43.8	43.8	7.0
Cumulative amounts of external cash debt service payments	-56.7	-122.5	-236.0	-236.0	-67.7
FNRH contribution to the budget	0.0	64.2	80.3	82.4	7.8
European Union fishing compensation fee	0.0	0.0	77.1	77.1	0.0
Extractive revenues, in billions of ouguiya	13.7	28.4	62.0	41.3	11.8
Memorandum items:					
Indicative Target: Contracting or guaranteeing of new medium- and long-term concessional external debt with maturities of one year or more by the government, BCM, or state-owned enterprises, excluding non-guaranteed debt of SNIM (continuous ceiling) 3/	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

1/ For definitions, see Technical Memorandum of Understanding. Quantitative targets correspond to cumulative changes from the beginning of the relevant year, unless otherwise indicated.

2/ Adjusted by half of the difference between recorded and projected extractive industry budgetary revenues.

3/ Cumulative limit from November 1, 2017 for loans approved by the Council of Ministers.

4/ Adjusted upward, up to $103 million, 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). And adjusted upward, up to $307 million, exclusively for the Grande Tortue/Ahmeyim offshore gas project.

5/ Excluding arrears subject to rescheduling.

Table 2a. Mauritania: Past Structural Benchmarks 2017–18 (First and Second Reviews)

Measure	Date	Objectives	Status
Exchange policy			
Reform the foreign exchange market by settling transactions at the rates offered within the limit of 2 percent of the marginal supply-side rate; and raise the minimum threshold for the requirement to go through the foreign currency market for amounts of US$200,000	Prior action November 2017	Improve the functioning of the foreign exchange market and introduce greater exchange rate flexibility to offset external shocks	Met
Prepare an action plan for development of the interbank foreign exchange market by end-2019	September 2018	Deepen the foreign exchange market	Met
Monetary policy			
Adopt monthly averaging for required reserves	Prior action November 2017	Improve liquidity management and develop an interbank market to support credit	Met
Adopt a directive on monetary policy instruments	December 2017	Enhance the effectiveness of monetary policy instruments	Met
Define a collateral framework for monetary policy operations	March 2018	Enhance the effectiveness of monetary policy instruments	Met
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	Strengthen the central bank's autonomy and its capacity to conduct monetary policy	Met
Financial sector policy			
Submit the bill on loan recovery to parliament	March 2018	Improve the business environment and facilitate access to credit	Met
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	Strengthen the banking system and encourage bank mergers	Met
Establish an emergency liquidity facility for banks	March 2018	Broaden macro-prudential instruments to strengthen financial stability and monetary policy	Met

Table 2a. Mauritania: Past Structural Benchmarks 2017–18 (First and Second Reviews) (continued)

Measure	Date	Objectives	Status
Submit the banking law prepared in consultation with IMF staff to parliament	June 2018	Improve the prudential and bank resolution framework	Observed with delay in July (law adopted in July and promulgated in September 2018)
Submit the law on the BCM charter prepared in consultation with IMF staff to parliament	June 2018	Strengthen the central bank's autonomy and capacity to conduct monetary policy	Met (law adopted in July 2018, promulgated in August)
Fiscal policy			
Submit 2018 budget consistent with the program to parliament	Prior action November 2017	Maintain macroeconomic stability and strengthen debt sustainability	Met
Submit the draft organic finance law to the Council of ministers	Prior action November 2017	Strengthen budget formulation and public finance management to support fiscal consolidation	Met
Submit the draft organic finance law to parliament	March 2018	Strengthen budget formulation and public finance management to support fiscal consolidation	Met (law adopted in May 2018, promulgated in October
Submit the draft tax procedures code to the Council of ministers	March 2018	Clarify tax procedures and strengthen tax administration	Met
Submit the draft Customs code to parliament	March 2018	Strengthen customs administration to mobilize revenue and facilitate trade	Met; the code was enacted
Reactivate the National Public Debt Committee (hold regular meetings and update its terms of reference)	March 2018	Strengthen the management, coordination and monitoring of public investment and debt to improve debt sustainability	Observed with delay in April
Establish a coordination procedure between CAPIP and CNDP outlining their responsibilities for project selection	March 2018		Observed with delay in April

Table 2a. Mauritania: Past Structural Benchmarks 2017–18 (First and Second Reviews) (concluded)

Measure	Date	Objectives	Status
Purge the taxpayer register in line with IMF technical assistance recommendations; and design a procedure to update the taxpayer register on a regular basis	June 2018	Improve tax revenue mobilization and tax equity by maintaining control over the register of taxpayers	Met
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	Met
Submit a 2019 budget consistent with the program's budget targets to parliament	Prior action November 2018	Maintain macroeconomic stability and strengthen debt sustainability	Met

Table 2b. Mauritania: Current and Upcoming Structural Benchmarks 2018-2019 (Third Review and Following)

Measure	Date	Objectives	Status
Exchange policy			
Introduce two-way wholesale auctions on the foreign exchange market; and raise the threshold for the requirement to go through the foreign exchange market to US$300,000	December 2018	Deepen the exchange market and allow greater exchange rate flexibility	Met
Establish the regulatory framework for the interbank foreign exchange market	June 2019	Deepen the foreign exchange market	
Implement the integrated technical platform for the interbank foreign exchange market	December 2019	Deepen the foreign exchange market	
Authorize the internal clearing of foreign exchange transactions between customers in the same bank; and eliminate the obligation to go through the official foreign exchange market	December 2019	Deepen the exchange market and allow greater exchange rate flexibility	
Monetary policy			
Establish an interest rate corridor for the new BCM deposit and refinancing facilities	December 2018	Improve the effectiveness of monetary policy instruments	Met
Implement the integrated technical platform for monetary policy operations	December 2019	Improve the effectiveness of the new monetary policy framework	
Financial sector policy			
Publish a quantification of the BCM's 2017 financial statements in accordance with IFRS accounting standards	December 2018	Harmonize central bank financial reports with international standards	Met
Establish the credit information bureau	February 2019	Improve access to bank credit	Met
Adopt a directive on the calculation of banks' net weighted assets and liquidity ratios in accordance with Basel III	April 2019	Tighten the capital and liquidity requirements applicable to banks and strengthen the solvency of the banking system	Met

Table 2b. Mauritania: Current and Upcoming Structural Benchmarks 2018-2019
(Third Review and Following)
(continued)

Measure	Date	Objectives	Status
Finalize the national risk assessment with respect to AML-CFT, accompanied by an action plan, and submit them to the Council of ministers	April 2019	Strengthen the framework to combat money laundering and terrorism financing	Met
Apply concentration limits on banks' net positions toward related entities	July 2019	Strengthen banks' soundness and improve bank governance	
Prepare pro forma BCM financial statements for 2018 in accordance with IFRS international accounting standards	September 2019	Increase the transparency of the central bank's accounts	
Fiscal policy			
Finalize the decree establishing new procedures to modernize the issuance of Treasury bills based on technical assistance from the IMF	December 2018	Support cost-effective financing of the government, monetary policy, and development of financial markets	Met
Adopt the new rules for issuing Treasury bills	March 2019		Observed with delay in April
Establish indicative internal performance objectives for the DGI regarding timely payment rates of large and medium-size businesses in 2019	March 2019	Improve tax revenue mobilization and tax equity, and reduce tax arrears	Observed with delay in April
Strengthen post-clearance inspections by establishing a supervision committee, restructuring and strengthening the directorate of investigations, and revising the regulatory framework	June 2019	Strengthen the customs administration to mobilize revenue and facilitate trade	

Table 2b. Mauritania: Current and Upcoming Structural Benchmarks 2018-2019 (Third Review and Following) (concluded)

Measure	Date	Objectives	Status
Adopt implementation decrees under the new organic budget law (decrees on the general budget management and public accounting regulations and decree on budget governance)	June 2019	Strengthen budget formulation, institutions, and governance in public financial management to support efficient spending and fiscal consolidation	
Submit the draft laws on the General Tax Code and the corporate tax to the Council of ministers	August 2019 (deferred from December 2018)	Improve tax revenue mobilization and tax equity, reduce informality and tax fraud	Met
Conduct at least 15 general tax audits and 40 targeted audits of large and medium-size businesses by the DGI in 2019	December 2019	Improve tax revenue mobilization and tax equity, and reduce tax arrears	

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 6th 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 = reserve money—NFA, based on the BCM balance sheet). NFA excludes assets held as participation in the capital of the Arab Monetary Fund and 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.[1]

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

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

ii) Suppliers' credits, that is, contracts under which the supplier allows the borrower to defer payments until 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

[1] 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 guaranteed 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,[2] and verified by IMF staff on the basis of data provided by the authorities. For loans with a grant component of zero or less, the PV is set at an amount equal to the face value.

14. In the case of debt with a variable interest rate represented by a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of a program reference rate plus a fixed margin (in basis points) specified in the loan agreement. The program reference rate for the US dollar six-month LIBOR is 3.23 percent and will remain unchanged until December 31, 2017. From January 1 to December 31, 2018, the benchmark rate is 3.42 percent. From January 1 to December 31, 2019, the benchmark rate is 3.31 percent. For 2019, the margin between the euro six-month LIBOR and the US dollar six-month LIBOR is -250 basis points. The margin between the yen six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the pound sterling six-month LIBOR and the US dollar six-month LIBOR is -200 basis points. For interest rates applicable to currencies other than the euro, the yen, and the pound sterling, the difference from the US dollar six-month LIBOR is -300 basis points.[3]

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.

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 interest[4] paid on the BCM's foreign liabilities).

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

[3] The program reference rate and margins are based on the "average projected rate" for the US dollar six-month LIBOR over the period of 10 years in the fall 2017 edition of the *World Economic Outlook* (*WEO*): for 2017, the average for the period 2017-26; for 2018, the average for the period 2018–27. For 2019, the average for the period 2019–28 on the basis of the fall 2018 edition of the WEO.

[4] Until the first review of the program (quantitative targets for June 2018 and before), principal amortization payments were also included. However, because these principal payments affect both assets and liabilities of the

(continued)

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). It will also be adjusted by up to US$307 million exclusively for Mauritania's participation in the Grande Tortue/Ahmeyim offshore gas project. 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:

BCM, they are neutral on NIR et hence should not be part of adjustment factors. Hence, these principal payments are excluded from the definition of the adjustment factors from the second program review onward (quantitative targets for December 2018 and following).

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

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

22. 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

23. 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.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

May 3, 2019

THIRD REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS UPDATE

Approved By
Taline Koranchelian and Kevin Fletcher (IMF) and Marcello Estevao (IDA)

Prepared by staffs of the International Monetary Fund and the International Development Association

Risk of external debt distress:	High
Overall risk of debt distress:	High
Granularity in the risk rating:	Sustainable
Application of judgment:	No

The risk of external debt distress remains high as the present value (PV) of public and publicly guaranteed (PPG) external debt-to-GDP and debt service-to-revenue ratios both breach their relevant thresholds over the next several years under the baseline projections. The overall risk of public debt distress also remains high because the two external debt indicators and the PV of public debt-to-GDP ratio exceed their thresholds and benchmark value, respectively, under the baseline projections. However, external and public debt are assessed to be on a sustainable path as the three above-mentioned indicators are projected to be on a steady downward trend and to fall (and remain) below their respective thresholds and benchmark value within 5–7 years.

The outlook has improved relative to the previous Debt Sustainability Analysis (DSA) in November 2018, with the PV of external debt-to-GDP ratio projected to fall below its relevant threshold one year earlier. This stems from a more favorable growth outlook related to the new offshore gas project despite associated debt disbursements under the project. Nevertheless, projected export and growth performance, as well as fiscal and debt trajectories, continue to be highly vulnerable to metal and oil prices, adverse weather, policy implementation risks, and regional security developments. The DSA highlights the need to follow sound economic policies, including a prudent borrowing strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity.[1]

[1] This DSA was prepared under the joint Fund-Bank Low-Income Country Debt Sustainability Framework and provides a streamlined update to the previous DSA prepared in November 2018 (IMF Country Report No. 18/365). Mauritania's Composite Indicator (CI) score based on the April 2019 WEO and the CPIA is 2.90 and its debt-carrying capacity remains unchanged at medium.

PUBLIC DEBT COVERAGE

1. The coverage of public debt includes the central government, the central bank (BCM), and state-owned enterprises' (SOEs) debt guaranteed by the government. Public and publicly guaranteed (PPG) debt now includes borrowing by the state-owned oil company SMHPM to finance Mauritania's share in the Grand Tortue/Ahmeyim (GTA) offshore gas project.[2] As in previous DSAs, it excludes non-guaranteed borrowing by the state-owned mining company SNIM, as the company is run on a commercial basis and has borrowed without government guarantee up to end-2016. SNIM's non-guaranteed external debt is classified as private external debt.[3] Other parts of the government and SOEs are unable to borrow from abroad or require a government guarantee.[4] Public external debt also includes a passive debt in arrears owed to Kuwait.[5] As noted in the previous DSA, the authorities have been in active discussions with Kuwait to resolve these longstanding arrears.

Mauritania: Coverage of Public Sector Debt

	Subsectors of the public sector	Subsectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

[2] This debt is not guaranteed by the government.

[3] SNIM's shareholders comprise the government (majority) and two other shareholders with significant holdings. The company has managerial independence including over pricing and employment policies. It operates on a commercial basis, is profitable and does not receive subsidies from, and pays dividends, to the government. It publishes annual reports and audited accounts. Nevertheless, SNIM debt represents a contingent liability for the central government as a majority shareholder and the DSA captures this through the contingent liability test

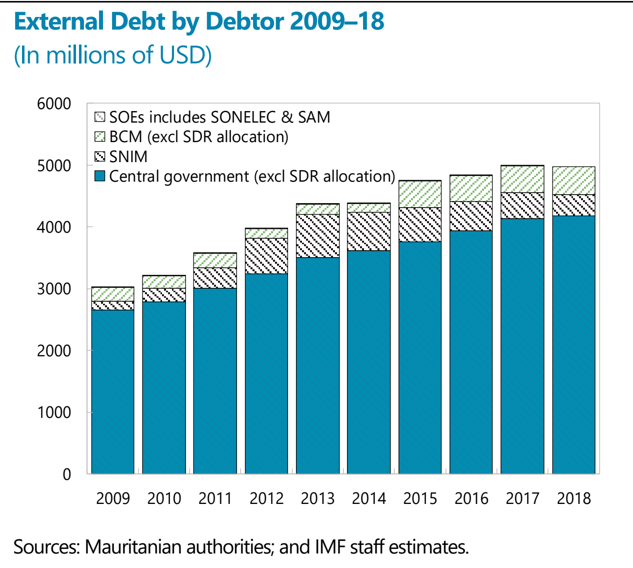
[4] Externally-financed projects managed by SOEs and government agencies are funded through loans contracted by the government and are on-lent by the government to parastatals. This on-lending/investment is not recorded in the central government budget; however, debt service on these loans is paid by the central government and is included in the budget. The associated debt is included in the stock of central government external debt.

[5] A passive pre-HIPC debt, estimated at 19 percent of GDP in 2018, is owed to the Kuwait Investment Authority (KIA) since the 1970s. Negotiations have been ongoing between the authorities and Kuwait to achieve debt relief on at least comparable terms to, or better than, the 2002 HIPC Initiative operation. In April 2019, a memorandum of understanding was signed on a framework to restructure these arrears; its terms will be incorporated in the DSA after final agreement and ratification by both countries. This DSA assumes full debt relief in 2020; in the previous DSA debt relief was assumed to be granted in 2019.

DEBT DEVELOPMENTS

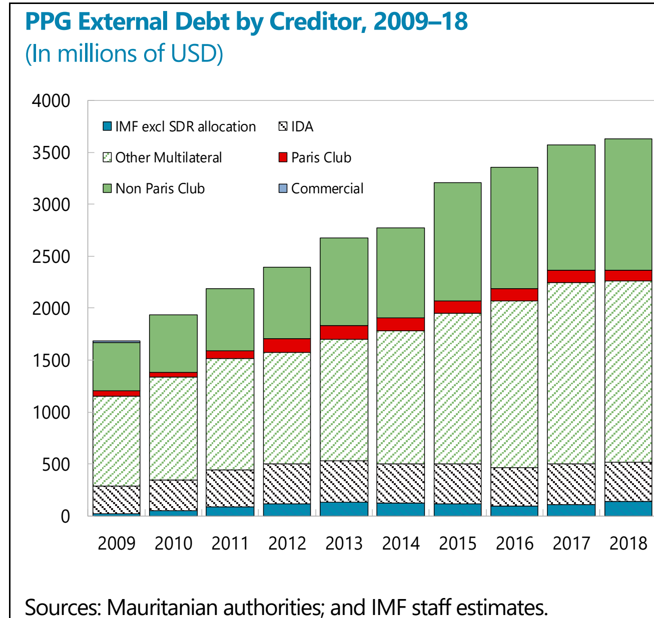
2. External PPG debt in percent of GDP declined in 2018 as a result of a slowdown in project loan disbursements for public investment. Excluding the passive debt to Kuwait, external public debt declined from 72.5 percent of GDP at end-2017 to 69.3 percent in 2018.[6] External PPG debt is largely contracted on concessional or semi-concessional terms from official creditors. Much of the nominal increase in external debt in 2015 owed to a $300 million non-concessional deposit from Saudi Arabia to the support the BCM's foreign exchange reserves. Most of the rest of external debt contracted in 2015–17 was by the central government to finance public investment projects. Domestic public debt increased in 2018 as the government formally recognized a debt toward the BCM equal to about 8.3 percent of GDP.

External Debt by Debtor 2009–18
(In millions of USD)

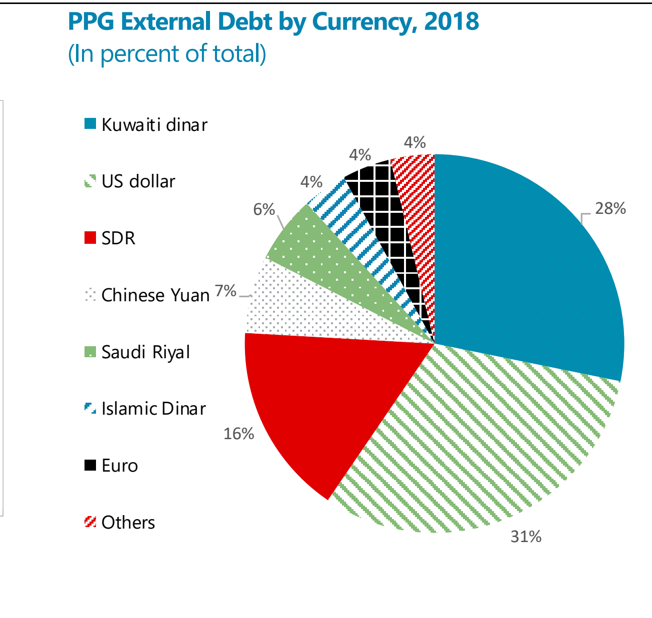


Sources: Mauritanian authorities; and IMF staff estimates.

PPG External Debt by Creditor, 2009–18
(In millions of USD)



PPG External Debt by Currency, 2018
(In percent of total)



Sources: Mauritanian authorities; and IMF staff estimates.

[6] In Table 1 of the DSA, the figures for PPG external debt in percent of GDP are different from those reported in this paragraph and text table and in Tables 1 and 2 of the Staff Report for 3rd Review of the ECF Arrangement. The difference stems from different exchange rates (average or end-period) implicitly used to value foreign debt in local currency vs GDP in foreign currency; Table 1 of the DSA uses end-period exchange rates.

Mauritania: External Debt, 2013–18

	2013	2014	2015	2016	2017	2018	2013	2014	2015	2016	2017	2018
	(In millions of USD)						(In percent of GDP)					
External debt	**4,562.9**	**4,566.1**	**4,950.7**	**5,107.5**	**5,307.8**	**5,260.2**	**79.7**	**84.7**	**102.5**	**109.0**	**107.8**	**100.4**
Public and publicly guaranteed (PPG) external debt	**3,675.0**	**3,766.7**	**4,202.5**	**4,348.0**	**4,567.4**	**4,625.7**	**64.2**	**69.9**	**87.0**	**92.8**	**92.7**	**88.3**
***Of which:* Excluding passive debt to Kuwait**	**2,674.0**	**2,769.5**	**3,208.6**	**3,354.9**	**3,573.0**	**3,631.8**	**46.7**	**51.4**	**66.4**	**71.6**	**72.5**	**69.3**
Bilateral creditors	1,977.4	1,986.3	2,250.9	2,274.8	2,318.7	2,363.9	34.5	36.8	46.6	48.5	47.1	45.1
Paris Club	136.3	123.1	119.4	115.9	119.7	105.0	2.4	2.3	2.5	2.5	2.4	2.0
Of which: France	95.5	87.0	81.4	81.6	85.1	76.3	1.7	1.6	1.7	1.7	1.7	1.5
Spain	35.8	31.7	34.3	31.1	30.9	25.9	0.6	0.6	0.7	0.7	0.6	0.5
Non Paris Club	1,841.1	1,863.3	2,131.6	2,158.9	2,199.0	2,258.9	32.2	34.6	44.1	46.1	44.6	43.1
Of which: China	333.4	367.3	340.4	339.3	347.1	325.3	5.8	6.8	7.0	7.2	7.0	6.2
Kuwait 1/	1,140.9	1,140.1	1,141.8	1,156.2	1,170.7	1,170.1	19.9	21.1	23.6	24.7	23.8	22.3
Saudi Arabia 2/	214.6	212.0	509.4	531.9	549.0	589.7	3.7	3.9	10.5	11.4	11.1	11.3
Multilateral creditors	1,697.6	1,780.4	1,951.5	2,073.1	2,248.7	2,261.8	29.7	33.0	40.4	44.2	45.7	43.2
Of which: Islamic Development Bank (IDB)	218.1	273.8	340.5	371.6	395.0	376.2	3.8	5.1	7.0	7.9	8.0	7.2
International Development Association (IDA)	396.6	379.5	385.6	365.6	388.5	382.6	6.9	7.0	8.0	7.8	7.9	7.3
International Monetary Fund (IMF) 3/	131.2	120.2	115.7	96.7	111.4	136.7	2.3	2.2	2.4	2.1	2.3	2.6
Arab Monetary Fund (AMF)	18.7	47.4	62.4	159.8	149.1	100.6	0.3	0.9	1.3	3.4	3.0	1.9
Arab Fund for Economic and Social Development (AFESD)	702.5	749.0	819.2	856.4	950.8	1,009.6	12.3	13.9	17.0	18.3	19.3	19.3
Non-PPG debt (by debtor)	**887.9**	**799.4**	**748.3**	**759.6**	**740.4**	**634.6**	**15.5**	**14.8**	**15.5**	**16.2**	**15.0**	**12.1**
SNIM 4/	693.9	618.2	546.8	482.5	415.1	348.7	12.1	11.5	11.3	10.3	8.4	6.7
Commercial banks	194.0	181.2	201.5	277.1	325.3	285.9	3.4	3.4	4.2	5.9	6.6	5.5
Memorandum items:												
Passive debt to Kuwait Investment Authority (KIA)	1,001.0	997.2	993.9	993.1	994.4	993.9	17.5	18.5	20.6	21.2	20.2	19.0
Saudi deposit at the central bank	-	-	300.0	300.0	300.0	300.0	-	-	6.2	6.4	6.1	5.7
Domestic debt	233.1	324.7	262.2	221.6	197.8	628.3	4.1	6.0	5.4	4.7	4.0	12.0
Nominal GDP	5,724.2	5,391.5	4,830.5	4,685.6	4,925.1	5,237.1	-	-	-	-	-	-

Source: Mauritanian authorities.

1/ Including passive debt under negotiation.
2/ Including deposit at the central bank.
3/ Excluding SDR allocation.
4/ Creditors include AfDB, KFW, France, IDB, EIB.

MACROECONOMIC PROJECTIONS

3. **The projections in the baseline scenario are derived from the macroeconomic framework presented in the Staff Report for the third ECF program review.** Compared to the previous DSA in November 2018, the macroeconomic framework incorporates the first phase of the GTA offshore gas project, as well as Mauritania's borrowing to finance its share in the project ($304.5 million over 2019–22).[7] Key variables affected include project-related FDI inflows (mostly to finance corresponding imports), gas exports, and government revenues. As a result, while the debt profile is slightly higher, the medium-term outlook for growth, exports, and revenues has improved. In the framework, a preliminary assumption is made that half of the government revenues from the GTA project is saved in the existing hydrocarbon fund and half is used to increase public investment; at the same time the share of externally financed investment declines.[8]

[7] The framework does not incorporate two potential additional GTA project development phases, which would have further implications for the economic and debt outlooks, as no investment decision has been made yet.

[8] At this time, the authorities have not decided on a plan for using the GTA revenues.

Consequently, real GDP growth is projected to be higher on average than in the previous DSA during 2019–29, and marginally higher during 2029-39. For 2019, real GDP growth is projected at 6.7 percent of GDP, owing to sustained non-extractive sector growth supported by the authorities' public investment program and planned structural reforms aimed at improving the business climate and diversifying the economy; gains are projected in agriculture, construction, telecom, and other services. During the GTA construction years, some local contracting of onshore project-related investments (such as a breakwater) are projected to raise growth somewhat. In the extractive sector, medium- and long-term growth is supported by past upgrades to iron ore and gold mines and the onset of GTA gas production in 2022. External borrowing is projected to be higher by about 1 percent of GDP per year than in the previous DSA in 2019–22 due to the financing of the GTA project. Inflation is projected to average 4 percent per year during 2019–29.

Mauritania: LIC DSA Macroeconomic Assumptions, 2018–39

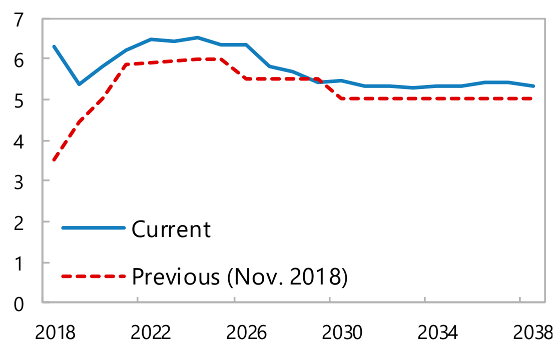
	2018	2019	2020	2021	2022	2023	2024	2019-2029	2030-39 1/
Real GDP growth									
Current	3.6	6.7	5.8	6.0	9.7	6.6	5.7	6.1	5.0
Previous (Nov. 2018)	3.5	5.7	4.8	5.6	5.6	5.3	5.4	5.3	4.6
Nominal GDP (in millions of US$)									
Current	5,237	5,621	5,827	6,130	6,734	7,283	7,831	7,784.2	14252.9
Previous (Nov. 2018)	5,252	5,551	5,775	6,058	6,372	6,629	6,858	7,247.9	12661.5
Exports, goods & services (growth; in percent)									
Current	8.7	9.8	3.3	3.8	16.5	6.6	-1.1	4.7	2.1
Previous (Nov. 2018)	3.2	8.3	3.4	1.7	2.6	1.8	-1.0	2.9	1.2
Imports, goods & services (growth; in percent)									
Current	23.4	-2.1	11.9	-2.1	-3.5	2.5	5.1	2.4	2.7
Previous (Nov. 2018)	7.2	1.8	-5.3	-0.1	-1.9	2.6	1.4	0.9	1.5
Current account balance (in percent of GDP)									
Current	-18.4	-15.7	-21.6	-17.0	-8.1	-6.1	-7.4	-10.0	-6.5
Previous (Nov. 2018)	-15.9	-12.6	-8.9	-8.1	-5.6	-5.9	-7.0	-6.7	-4.4
Revenue and grants (in percent of GDP)									
Current	30.4	26.8	27.6	27.4	27.4	27.7	27.7	27.5	27.0
Previous (Nov. 2018)	28.8	28.7	28.6	28.8	29.0	29.0	27.9	28.4	28.0
Primary fiscal balance (in percent of GDP)									
Current	5.3	1.7	2.0	1.7	1.7	1.6	1.6	1.4	0.5
Previous (Nov. 2018)	1.5	1.5	1.7	1.6	1.6	1.6	1.6	1.4	0.9
Price of iron ore (US$/Ton)									
Current	70.1	83.9	75.5	75.5	75.5	75.5	75.5	76.2	75.5
Previous (Nov. 2018)	69.6	67.5	65.8	65.8	65.8	65.8	65.8	66.0	65.8

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

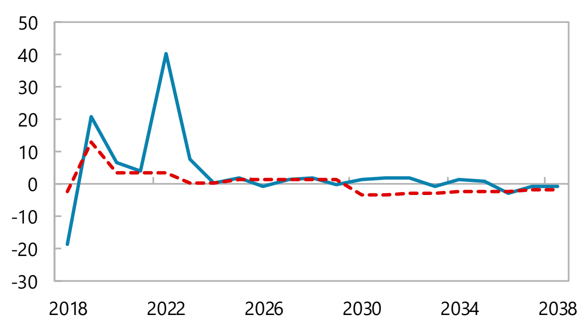
1/ For Previous (Nov. 2018): 2029-38.

Figure 1. Mauritania: Macroeconomic Projections, 2018–38

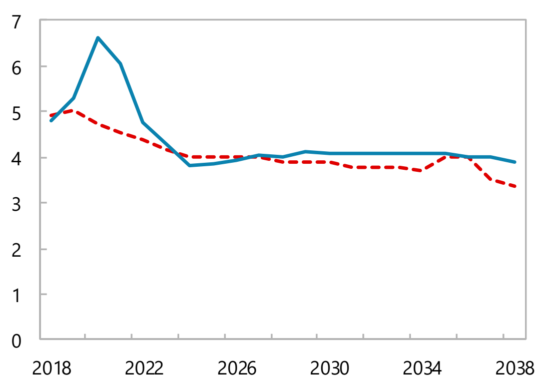
Real Non-Extractive GDP Growth
(Percent change)



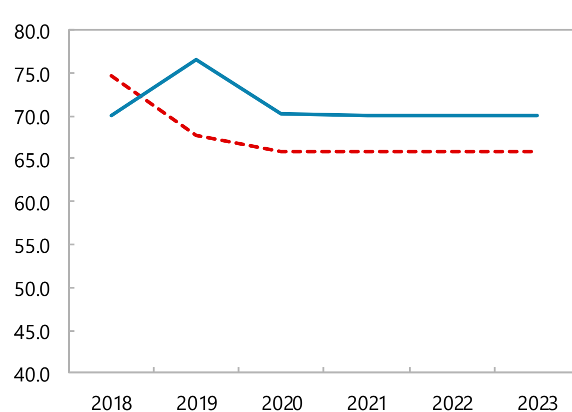
Real Extractive GDP Growth
(Percent change)



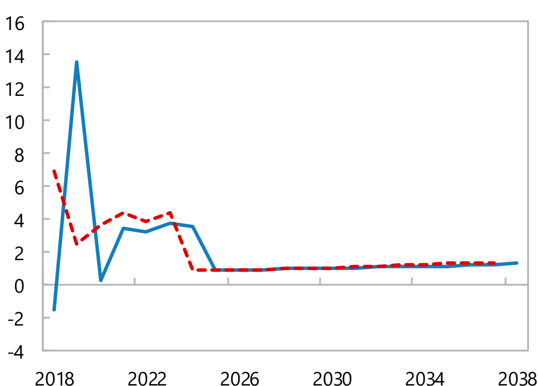
Projected New Debt Disbursements
(In percent of GDP)



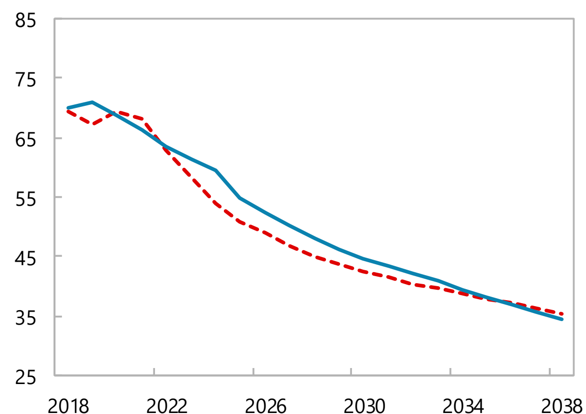
Price of Iron Ore
(US$/Ton)



Terms of Trade
(Percent change)



PPG External Debt 1/
(In percent of GDP)



Source: Mauritanian authorities; and IMF staff estimates.
1/ Excluding arrears to Kuwait for which debt relief under HIPC-MDRI is assumed.

4. The LIC-DSF realism tools suggest that projections underpinning this DSA are reasonable (Figures 4 and 5). The decomposition of the drivers of debt dynamics reveal a similar pattern to that in the November 2018 DSA. It highlights the adverse effects of the drop in commodity prices in 2014–16 which had a significant impact on the current account and growth owing to the undiversified structure of the economy. The large increase in borrowing in 2014–16 is not expected to recur in the context of the authorities' ECF-supported program and their strong commitment to a prudent debt management policy consistent with debt sustainability and seeking to avoid non-concessional financing. Cross-country experience with fiscal adjustment under IMF programs for low-income countries suggests that the programmed three-year primary balance adjustment for Mauritania is well within the range of realistic outcomes. The projected baseline pickup in growth, which is larger than projected using fiscal multipliers, reflects the impact of a return to average weather conditions on agriculture and livestock following the drought and an increase in iron ore and gold production. The current DSA anticipates only a slight increase in the contribution of public investment to growth over the next five years (before the onset of large fiscal GTA-related revenues) compared with the last DSA. Instead, the higher projected growth is expected to be driven by higher productivity growth, structural reforms, and increased private investment, in part linked to the development of the GTA project.

COUNTRY CLASSIFICATION AND STRESS TESTS

5. Mauritania's debt-carrying capacity continues to be assessed as medium. Based on the IMF's April 2019 *World Economic Outlook* (WEO) data and the 2017 CPIA (the latest available), the Composite Indicator (CI) score is 2.90, indicating a medium debt-carrying capacity. This is higher than the CI score of 2.69 (based on the October 2018 WEO data) in the November 2018 DSA, which indicated a weak debt-carrying capacity. The improved CI reflects a higher projected import coverage of reserves, driven by higher projected commodity prices, increased mining production, and the inclusion of projected GTA gas exports. Mauritania's debt carrying capacity continues to be assessed as medium. A change in debt-capacity requires two consecutive changes from the previous classification and the October 2018 WEO-based signal was the only weak result.

Mauritania: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.381	1.30	45%
Real growth rate (in percent)	2.719	4.971	0.14	5%
Import coverage of reserves (in percent)	4.052	36.212	1.47	51%
Import coverage of reserves^2 (in percent)	-3.990	13.113	-0.52	-18%
Remittances (in percent)	2.022	1.736	0.04	1%
World economic growth (in percent)	13.520	3.566	0.48	17%
CI Score			2.90	100%
CI rating			Medium	

6. Default values were used for the standardized stress tests and the two applicable stress tests—contingent liabilities and commodity price shocks. The use of the default values for the combined contingent liability stress test and public-private partnerships (PPP) is unchanged relative to the previous DSA.[9]

Mauritania: Combined Contingent Liability Shock

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	2.0	
4	PPP	35 percent of PPP stock	0.0	
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)	7.0		

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be

DEBT SUSTAINABILITY ASSESSMENT

A. External Debt Sustainability

7. Baseline projections for two of the four debt indicators—the PV of debt-to-GDP and the debt service-to-revenue ratios—persistently breach their respective thresholds (Table 1 and Figure 2). The PV of debt-to-GDP indicator, albeit on a declining trend, remains above its 40 percent threshold until 2026. The debt service-to-revenue indicator breaches its relevant 18 percent threshold until 2024. Compared to the November 2018 DSA, the first indicator falls below its relevant threshold one year earlier due to a more favorable growth outlook related to the GTA gas project despite somewhat higher related debt. The breach in the second indicator, which mainly reflects the onset of repayments in 2021 on the Saudi deposit at the BCM, is more persistent than before due to more conservative short-term extractive revenue projections. The standardized stress tests show breaches of the thresholds by all the debt indicators (Table 2). The most extreme shocks are the combination shock (PV of debt-to-GDP ratio and debt service-to-revenue ratio) and the export growth shock (PV debt-to-exports ratio and debt service-to-exports ratio). The tailored commodity price shock results in a persistent breach of the threshold for all four debt indicators, and the contingent liability shock shows breaches of the PV of debt-to-GDP and debt service-to-revenue ratios.[10]

[9] While a PPP law was adopted in 2017, World Bank data indicate no PPP capital stock, and a reported project has yet to be launched; hence the zero default value was retained. For SOEs, the default parameter of 2 percent of GDP is retained to capture a potential fiscal risk stemming from SNIM. SNIM's external debt (not guaranteed by the government) was equivalent to 7 percent of GDP at end-2018.

[10] Both the external and the public debt sustainability framework (Tables 1 and 3) show a sizeable residual in 2020, which reflects the assumed debt relief of the debt in arrears to Kuwait. Other residuals in the public debt sustainability framework are due to debt disbursements on loans on-lent by the government to SOEs that are not captured in the central government budget (but are in the external debt sustainability framework); debt service on these loans, however, is paid by the government and is included in the fiscal flows.

B. Public Debt Sustainability

8. Baseline projections suggest a sustained breach of the 55 percent of GDP benchmark for the PV of public debt until 2022, unchanged from the previous DSA (Table 3 and Figure 3). The public debt dynamics are mostly driven by external debt given low domestic debt of only 12 percent of GDP at end-2018. The breach is slightly shorter than in the external DSA. The PV of debt-to-revenue and debt-service-to revenue indicators also show a steady decline from an initial high point in 2018–21. The standardized stress tests suggest that the largest negative impact (most extreme shock) on the three debt indicators would stem from a shock to non-debt flows (PV of debt-to-GDP and PV of debt-to-revenues ratios) and a real GDP growth shock (debt service-to-revenue ratio) (Table 4). The PV of debt-to-GDP ratio breaches its benchmark value under all the standardized stress shocks. With respect to the tailored stress tests, both contingent liability and commodity price shocks result in breaches of the benchmark value for the PV of debt-to-GDP ratio.

RISK RATING AND VULNERABILITIES

9. Despite a slowdown in external debt disbursements in 2018, the risk of external debt distress remains high. This is largely the legacy of the sharp increase in borrowing during 2014-16 to finance infrastructure, and the contraction in nominal GDP due to a large terms-of-trade shock and some exchange rate depreciation in 2016. The projected trajectory of the debt-to GDP and the PV of debt-to-GDP ratios is slightly lower than in the November 2018 DSA, reflecting stronger economic prospects across non-extractive and extractive sectors, including the GTA gas project. Moreover, under the current macroeconomic framework, these two debt burden indicators continue to show a clear downward trend. However, the DSA still projects an exit from a high risk of external debt distress only after 2025, and the trajectories of the two external debt service indicators remain above or close to their thresholds for several years, pointing to the need to monitor closely the consequences of any new borrowing on debt service. The stress tests illustrate the vulnerabilities of the debt indicators to negative shocks affecting exports, commodity prices, growth, and the fiscal stance. The DSA also suggests that the overall risk of debt distress is high because two external debt indictors breach their respective thresholds under the baseline and the PV of public debt-to-GDP breaches its benchmark value for a sustained period.

10. While the risk of external and overall debt distress is high, two longer-term mitigating factors could contribute to lowering risks and improving debt sustainability. First, the inclusion of dividends received by the SMHPM as part of consolidated public sector revenues would improve long-term debt service indicators. Second, the future assets potentially accumulated in the future by the hydrocarbons fund from its GTA-related revenues (assumed to represent half of annual GTA revenues, see paragraph 3) could be available to meet debt service payments or to retire external debt, which would help reduce long-term vulnerabilities. These options would depend on future macro-fiscal rules adopted on the use of GTA-related revenues and assets.

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

Kuwait. Reducing risks of debt distress also hinge on sustaining structural reforms to promote inclusive growth and economic diversification through private sector development, improving public financial management to raise the efficiency and growth dividends of public spending, and strengthening debt management capacity. The authorities have reflected these objectives in their growth and development strategy and have made progress in implementing the policies needed to achieve them under their IMF-supported program.

AUTHORITIES' VIEWS

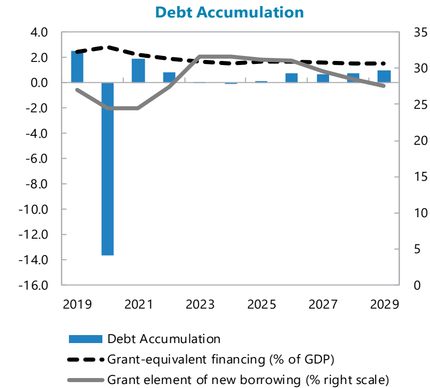
12. The authorities acknowledge the need for prudent debt policies and stronger public investment management but question the rating of high risk of debt distress. They consider that the borrowing incurred for their investment in the GTA project is done on a commercial basis without a state guarantee, and therefore should not be counted as publicly guaranteed debt. Staff's response is that this debt is incurred by a state-owned entity on behalf of the government. The authorities also considered the debt service burden to be manageable in the short-term, and subsequently more so with the onset of GTA fiscal and export revenues which in their view makes their largely concessional debt stock manageable. They also noted that the deferred repayment of the deposit made at the central bank by a development partner had helped reduce possible short-term liquidity risks regarding debt service payments. They look forward to the rebasing of their national accounts aimed at measuring economic activity more accurately, which they expect will raise GDP and therefore reduce debt ratios.

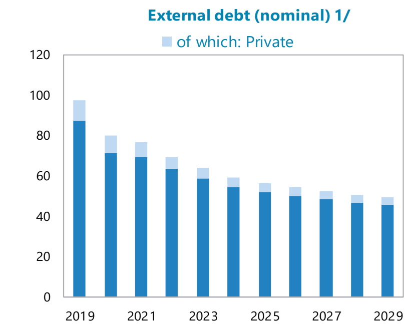
Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2016–39

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
External debt (nominal) 1/	110.3	107.0	102.2	97.3	79.9	76.6	69.2	64.0	59.4	49.4	38.2	91.2	64.5
of which: public and publicly guaranteed (PPG)	94.1	91.9	90.1	87.2	71.2	69.3	63.5	58.7	54.4	45.7	36.1	78.5	58.8
Change in external debt	3.8	-3.4	-4.8	-4.9	-17.4	-3.3	-7.4	-5.2	-4.7	-1.3	-0.9		
Identified net debt-creating flows	12.6	-2.9	-4.5	-2.4	-1.7	-3.1	-5.8	-2.8	-1.8	-0.6	-0.1	3.3	-2.3
Non-interest current account deficit	13.0	12.2	16.3	13.8	19.7	15.1	6.2	4.4	5.8	5.5	5.9	15.3	8.4
Deficit in balance of goods and services	-89.1	-97.2	-103.3	-99.7	-105.8	-100.4	-93.6	-89.6	-84.9	-73.0	-50.5	-106.3	-87.7
Exports	35.7	39.6	40.9	40.0	39.8	39.3	41.3	40.6	37.5	32.2	21.6		
Imports	-53.5	-57.5	-62.4	-59.7	-66.0	-61.0	-52.3	-49.0	-47.3	-40.8	-28.9		
Net current transfers (negative = inflow)	-5.2	-5.1	-3.7	-3.1	-3.2	-2.9	-2.7	-2.7	-2.6	-2.0	-0.9	-3.8	-2.6
of which: official	-3.6	-3.2	-1.9	-1.1	-1.2	-1.0	-0.9	-0.8	-0.8	-0.6	-0.3		
Other current account flows (negative = net inflow)	107.3	114.5	123.4	116.6	128.7	118.4	102.6	96.6	93.3	80.5	57.2	125.3	98.7
Net FDI (negative = inflow)	-5.8	-11.9	-16.6	-11.7	-17.7	-15.6	-7.2	-4.7	-5.8	-5.0	-4.9	-11.4	-8.3
Endogenous debt dynamics 2/	5.4	-3.2	-4.3	-4.5	-3.6	-2.6	-4.9	-2.5	-1.8	-1.1	-1.1		
Contribution from nominal interest rate	2.1	2.2	2.1	1.9	1.9	2.0	1.9	1.7	1.6	1.2	0.8		
Contribution from real GDP growth	-2.0	-3.2	-3.6	-6.4	-5.5	-4.5	-6.8	-4.2	-3.4	-2.3	-1.9		
Contribution from price and exchange rate changes	5.3	-2.1	-2.8	...	...	...	...	...	...	...	...		
Residual 3/	-8.8	-0.5	-0.2	-2.5	-15.7	-0.1	-1.6	-2.4	-2.9	-0.6	-0.8	-0.6	-2.5
of which: exceptional financing	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	72.9	70.2	54.5	53.7	49.6	45.9	42.6	35.5	29.2		
PV of PPG external debt-to-exports ratio	...	...	178.3	175.7	136.9	136.5	120.0	113.0	113.4	110.2	135.1		
PPG debt service-to-exports ratio	9.6	10.5	13.1	12.2	12.2	15.2	12.9	12.1	12.5	12.4	15.8		
PPG debt service-to-revenue ratio	13.2	15.3	18.0	18.6	18.1	22.3	19.9	18.1	17.2	14.8	12.8		
Gross external financing need (Billion of U.S. dollars)	0.8	0.6	0.7	0.8	0.8	0.7	0.7	0.7	0.7	0.8	1.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	1.8	3.1	3.6	6.7	5.8	6.0	9.7	6.6	5.7	4.8	5.1	3.5	6.1
GDP deflator in US dollar terms (change in percent)	-4.8	2.0	2.7	0.6	-2.1	-0.7	0.2	1.4	1.7	0.2	1.4	-0.3	0.2
Effective interest rate (percent) 4/	1.9	2.1	2.1	2.0	2.0	2.6	2.7	2.7	2.7	2.5	2.2	1.7	2.5
Growth of exports of G&S (US dollar terms, in percent)	2.2	16.9	9.7	4.9	3.4	3.8	15.4	6.4	-0.6	2.1	1.7	4.1	4.1
Growth of imports of G&S (US dollar terms, in percent)	-3.2	13.1	15.4	2.7	14.5	-2.7	-5.9	1.3	3.9	-0.6	2.7	4.6	2.4
Grant element of new public sector borrowing (in percent)	...	...	...	27.0	24.5	24.5	27.5	31.6	31.6	27.5	20.9	...	28.6
Government revenues (excluding grants, in percent of GDP)	26.1	27.1	29.8	26.1	26.8	26.8	26.9	27.2	27.3	27.1	26.6	24.9	27.0
Aid flows (in Billion of US dollars) 5/	0.1	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.4	2.8	2.2	1.9	1.7	1.5	1.5	1.0	...	1.9
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	34.2	31.4	30.5	35.0	39.9	40.2	32.7	23.7	...	35.4
Nominal GDP (Billion of US dollars)	5	5	5	6	6	6	7	7	8	10	18		
Nominal dollar GDP growth	-3.0	5.1	6.3	7.3	3.7	5.2	9.9	8.1	7.5	5.1	6.6	3.3	6.3
Memorandum items:													
PV of external debt 7/	...	...	85.0	80.3	63.2	60.9	55.3	51.2	47.5	39.2	31.3		
In percent of exports	...	...	207.9	200.9	158.6	154.9	133.9	126.0	126.5	121.9	144.8		
Total external debt service-to-exports ratio	28.7	30.8	33.6	29.5	28.8	31.0	26.2	24.4	23.5	22.0	23.0		
PV of PPG external debt (in Billion of US dollars)			3.8	3.9	3.2	3.3	3.3	3.3	3.3	3.6	5.4		
(PVt-PVt-1)/GDPt-1 (in percent)				2.5	-13.7	1.9	0.8	0.1	-0.1	1.0	1.4		
Non-interest current account deficit that stabilizes debt ratio	9.2	15.6	21.1	18.7	37.0	18.4	13.6	9.6	10.5	6.8	6.7		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	Yes





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

2/ Derived as [r - g - ρ(1+g) + Ɛα (1+r)]/(1+g+ρ+gρ) times previous period debt ratio, with r = nominal interest rate; g = real GDP growth rate, ρ = growth rate of GDP deflator in U.S. dollar terms, Ɛ=nominal appreciation of the local currency, and α= share of local currency-denominated external debt in total external debt.

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

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

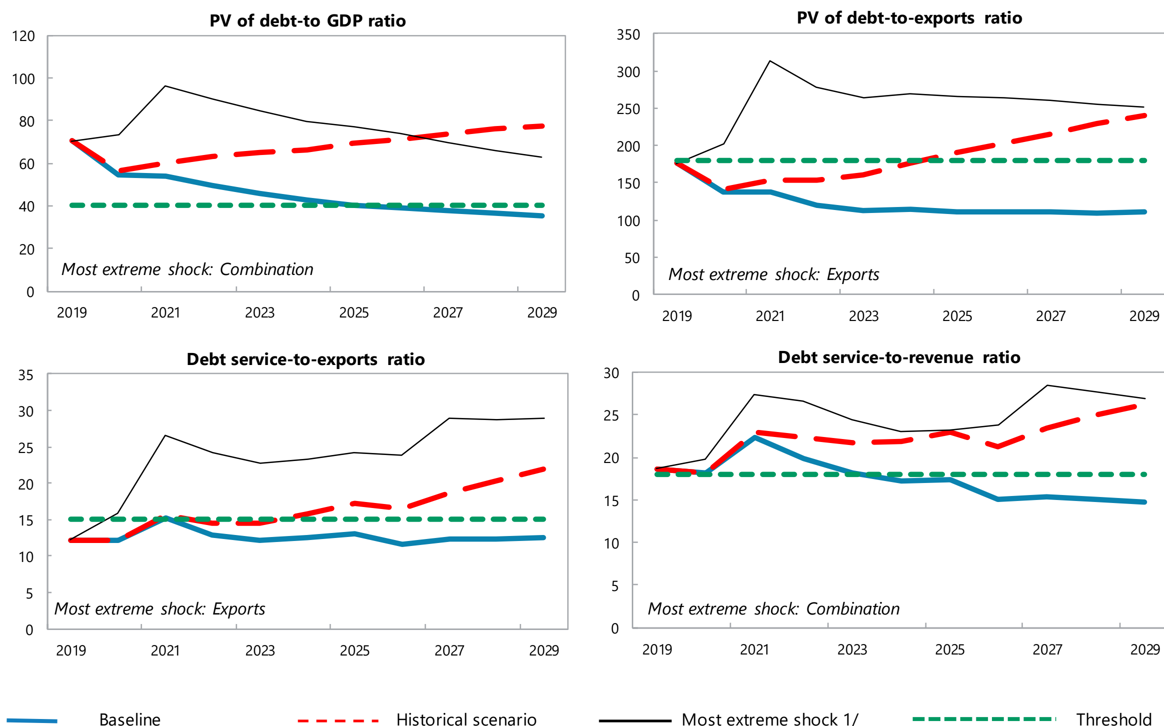
5/ Defined as grants, concessional loans, and debt relief.

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

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

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 2. Mauritania: Indicators of Public and Publicly Guaranteed External Debt Under Alternatives Scenarios, 2019–29



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL	No	
Natural disaster	n.a.	n.a.
Commodity price 2/	No	No
Market financing	n.a.	n.a.

Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	19	19
Avg. grace period	5	5

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

2/ The magnitude of shocks used for the commodity price shock stress test are based on the commodity prices outlook prepared by the IMF research department.

Table 2. Mauritania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2019–29 (In percent)

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
PV of debt-to GDP ratio											
Baseline	**70**	**55**	**54**	**50**	**46**	**43**	**40**	39	38	36	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**70**	**56**	**60**	**63**	**65**	**66**	**69**	**71**	**73**	**76**	**77**
B. Bound Tests											
B1. Real GDP growth	**70**	**59**	**63**	**58**	**54**	**50**	**47**	**45**	**44**	**42**	**41**
B2. Primary balance	**70**	**57**	**60**	**57**	**54**	**52**	**50**	**50**	**48**	**47**	**47**
B3. Exports	**70**	**66**	**82**	**76**	**71**	**67**	**64**	**62**	**59**	**56**	**54**
B4. Other flows 3/	**70**	**66**	**76**	**71**	**66**	**62**	**60**	**57**	**54**	**52**	**49**
B5. Depreciation	**70**	**69**	**87**	**81**	**76**	**71**	**68**	**66**	**63**	**60**	**58**
B6. Combination of B1-B5	**70**	**73**	**96**	**90**	**85**	**80**	**77**	**74**	**70**	**66**	**63**
C. Tailored Tests											
C1. Combined contingent liabilities	**70**	**59**	**60**	**56**	**54**	**51**	**50**	**49**	**48**	**47**	**47**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**70**	**60**	**63**	**60**	**58**	**56**	**55**	**54**	**54**	**53**	**53**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of debt-to-exports ratio											
Baseline	176	137	136	120	113	113	111	110	110	110	110
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	176	141	152	152	160	177	**189**	**202**	**215**	**229**	**241**
B. Bound Tests											
B1. Real GDP growth	176	137	136	120	113	113	111	110	110	110	110
B2. Primary balance	176	143	152	138	133	138	138	140	142	143	146
B3. Exports	176	**201**	**314**	**278**	**265**	**269**	**266**	**265**	**260**	**255**	**251**
B4. Other flows 3/	176	167	**193**	171	163	166	164	163	159	156	154
B5. Depreciation	176	137	174	154	146	149	146	147	145	142	141
B6. Combination of B1-B5	176	**190**	**212**	**240**	**230**	**234**	**232**	**231**	**226**	**220**	**216**
C. Tailored Tests											
C1. Combined contingent liabilities	176	147	151	136	132	136	136	138	140	142	145
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	176	177	**185**	162	154	157	155	159	162	165	169
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	12	12	15	13	12	12	13	12	12	12	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	12	12	16	14	15	16	17	16	19	20	22
B. Bound Tests											
B1. Real GDP growth	12	12	15	13	12	12	13	12	12	12	12
B2. Primary balance	12	12	15	13	13	13	14	13	14	15	15
B3. Exports	12	16	27	24	23	23	24	24	29	29	29
B4. Other flows 3/	12	12	16	14	14	14	15	15	18	18	18
B5. Depreciation	12	12	15	14	13	13	14	13	16	16	16
B6. Combination of B1-B5	12	14	21	19	18	19	19	20	25	25	25
C. Tailored Tests											
C1. Combined contingent liabilities	12	12	15	13	13	13	14	12	13	13	13
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	12	14	18	15	14	14	15	14	16	16	17
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt service-to-revenue ratio											
Baseline	**19**	**18**	**22**	**20**	**18**	17	17	15	15	15	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**19**	**18**	**23**	**22**	**22**	**22**	**23**	**21**	**23**	**25**	**26**
B. Bound Tests											
B1. Real GDP growth	**19**	**20**	**26**	**23**	**21**	**20**	**20**	18	18	18	17
B2. Primary balance	**19**	**18**	**23**	**21**	**19**	**18**	**18**	17	18	18	18
B3. Exports	**19**	**19**	**26**	**25**	**22**	**21**	**21**	**21**	**24**	**23**	**23**
B4. Other flows 3/	**19**	**18**	**24**	**22**	**20**	**19**	**19**	**20**	**22**	**22**	**21**
B5. Depreciation	**19**	**23**	**28**	**27**	**25**	**24**	**24**	**21**	**26**	**25**	**24**
B6. Combination of B1-B5	**19**	**20**	**27**	**27**	**24**	**23**	**23**	**24**	**28**	**28**	**27**
C. Tailored Tests											
C1. Combined contingent liabilities	**19**	**18**	**23**	**21**	**19**	18	**18**	16	16	16	16
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**19**	**19**	**24**	**22**	**20**	**19**	**19**	18	**19**	**19**	**19**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the threshold.

2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.

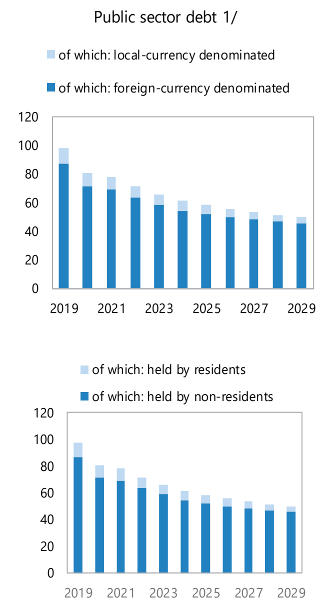
3/ Includes official and private transfers and FDI.

Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2016-2039

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 6/	
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029	2039	Historical	Projections
Public sector debt 1/	**98.9**	**95.9**	**102.3**	**97.8**	**80.9**	**78.2**	**71.3**	**66.0**	**61.1**	**49.9**	**42.2**	**84.8**	**65.8**
of which: external debt	**94.1**	**91.9**	**90.1**	**87.2**	**71.2**	**69.3**	**63.5**	**58.7**	**54.4**	**45.7**	**36.1**	**78.5**	**58.8**
Change in public sector debt	2.2	-3.0	6.4	-4.5	-17.0	-2.7	-6.9	-5.3	-4.8	-1.5	0.0		
Identified debt-creating flows	**0.4**	**-6.7**	**-7.0**	**-6.8**	**-4.1**	**-4.7**	**-7.5**	**-5.4**	**-4.7**	**-2.3**	**-1.6**	**-1.8**	**-4.3**
Primary deficit	**-0.5**	**-1.2**	**-5.0**	**-1.5**	**-1.8**	**-1.5**	**-1.5**	**-1.5**	**-1.4**	**-0.9**	**0.0**	**-0.3**	**-1.3**
Revenue and grants	28.0	28.1	30.4	26.8	27.6	27.4	27.4	27.7	27.7	27.4	26.8	**26.1**	**27.5**
of which: grants	1.9	1.0	0.7	0.7	0.8	0.6	0.6	0.5	0.5	0.3	0.1		
Primary (noninterest) expenditure	27.5	26.9	25.5	25.3	25.8	25.8	25.9	26.2	26.3	26.5	26.8	**25.8**	**26.2**
Automatic debt dynamics	**1.0**	**-5.5**	**-1.8**	**-5.3**	**-2.3**	**-3.2**	**-6.0**	**-3.9**	**-3.2**	**-1.5**	**-1.6**		
Contribution from interest rate/growth differential	-1.6	-3.4	-3.9	-6.8	-5.7	-4.7	-6.9	-4.4	-3.5	-2.2	-1.8		
of which: contribution from average real interest rate	0.1	-0.5	-0.6	-0.4	-0.3	-0.1	0.0	0.0	0.0	0.1	0.3		
of which: contribution from real GDP growth	-1.7	-2.9	-3.3	-6.4	-5.4	-4.6	-6.9	-4.4	-3.6	-2.4	-2.1		
Contribution from real exchange rate depreciation	2.6	-2.1	2.2	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**0.0**	**0.0**	**-0.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual	**1.8**	**3.7**	**13.4**	**3.9**	**-9.4**	**3.6**	**1.5**	**0.6**	**0.2**	**1.6**	**1.8**	**4.3**	**0.6**
Sustainability indicators													
PV of public debt-to-GDP ratio 2/	**...**	**...**	**86.5**	**82.7**	**65.6**	**63.5**	**57.9**	**53.6**	**49.7**	**40.1**	**35.6**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**284.6**	**308.0**	**237.5**	**231.9**	**211.2**	**193.4**	**179.2**	**146.3**	**132.8**		
Debt service-to-revenue and grants ratio 3/	**32.4**	**31.7**	**30.5**	**33.0**	**29.9**	**32.7**	**29.4**	**26.6**	**25.5**	**19.5**	**20.7**		
Gross financing need 4/	8.5	7.7	4.0	7.1	6.1	6.0	5.1	4.6	4.3	3.9	5.5		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	1.8	3.1	3.6	6.7	5.8	6.0	9.7	6.6	5.7	4.8	5.1	**3.5**	**6.1**
Average nominal interest rate on external debt (in percent)	1.2	1.3	1.4	1.4	1.5	2.1	2.2	2.3	2.2	2.1	2.4	**1.0**	**2.0**
Average real interest rate on domestic debt (in percent)	1.1	2.3	1.8	-0.7	1.0	0.5	1.2	0.8	0.7	2.3	2.6	**3.2**	**1.4**
Real exchange rate depreciation (in percent, + indicates depreciation)	2.9	-2.3	2.4	...	...	...	...	...	...	...	...	**2.0**	**...**
Inflation rate (GDP deflator, in percent)	3.4	3.4	2.8	5.3	3.1	3.7	3.0	3.5	3.8	2.3	3.5	**3.6**	**3.0**
Growth of real primary spending (deflated by GDP deflator, in percent)	-11.8	0.8	-1.9	6.2	7.7	6.2	10.0	8.0	5.9	4.8	5.6	**4.9**	**6.5**
Primary deficit that stabilizes the debt-to-GDP ratio 5/	-2.7	1.8	-11.4	2.9	15.1	1.1	5.4	3.8	3.4	0.7	0.0	**-4.1**	**3.5**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**Yes**



Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-based.

2/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

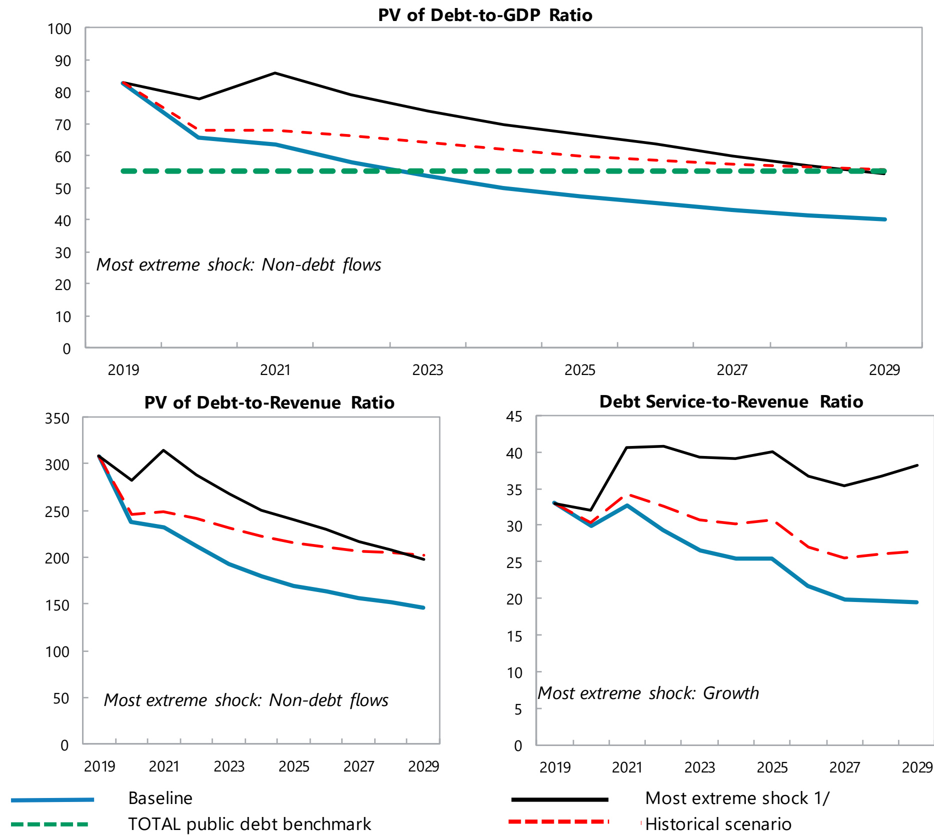
3/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

4/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

5/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

6/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Figure 3. Mauritania: Indicators of Public Debt Under Alternative Scenarios, 2019–29



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	71%	71%
Domestic medium and long-term	2%	2%
Domestic short-term	27%	27%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	2.4%	2.4%
Avg. maturity (incl. grace period)	19	19
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.4%	4.4%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.9%	2.9%

* Note: The public DSA allows for domestic financing to cover the additional financing needs generated by the shocks under the stress tests in the public DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

1/ The most extreme stress test is the test that yields the highest ratio in or before 2029. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 4. Mauritania: Sensitivity Analysis for Key Indicators of Public Debt, 2019-2029

	Projections 1/										
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
	PV of Debt-to-GDP Ratio										
Baseline	**83**	**66**	**63**	**58**	54	50	47	45	43	41	40
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	**83**	**68**	**68**	**66**	**64**	**62**	**60**	**59**	**57**	**56**	**55**
B. Bound Tests											
B1. Real GDP growth	**83**	**72**	**79**	**75**	**73**	**72**	**72**	**73**	**74**	**75**	**77**
B2. Primary balance	**83**	**69**	**70**	**63**	**59**	55	52	50	48	46	45
B3. Exports	**83**	**73**	**83**	**76**	**71**	**67**	**64**	**61**	**58**	**55**	53
B4. Other flows 3/	**83**	**78**	**86**	**79**	**74**	**70**	**67**	**64**	**60**	**57**	54
B5. Depreciation	**83**	**82**	**76**	**68**	**61**	54	50	46	42	39	36
B6. Combination of B1-B5	**83**	**68**	**67**	**58**	53	49	45	43	41	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	**83**	**71**	**69**	**62**	**58**	54	51	49	47	46	45
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**83**	**68**	**71**	**70**	**69**	**69**	**70**	**71**	**72**	**73**	**75**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
	PV of Debt-to-Revenue Ratio										
Baseline	308	238	232	211	193	179	170	163	156	151	146
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	308	246	248	241	231	223	215	211	207	205	202
B. Bound Tests											
B1. Real GDP growth	308	261	287	274	264	258	259	263	267	275	281
B2. Primary balance	308	250	255	231	212	197	187	180	174	170	165
B3. Exports	308	264	304	279	258	242	232	223	210	202	192
B4. Other flows 3/	308	282	314	289	267	251	240	230	217	208	198
B5. Depreciation	308	297	279	247	219	197	180	166	153	143	133
B6. Combination of B1-B5	308	245	246	213	193	175	163	155	147	144	138
C. Tailored Tests											
C1. Combined contingent liabilities	308	258	251	228	209	194	184	178	171	167	163
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	308	257	269	264	257	253	253	256	260	267	274
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
	Debt Service-to-Revenue Ratio										
Baseline	33	30	33	29	27	25	26	22	20	20	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2019-2029 2/	33	30	34	33	31	30	31	27	25	26	27
B. Bound Tests											
B1. Real GDP growth	33	32	41	41	39	39	40	37	35	37	38
B2. Primary balance	33	30	37	36	31	29	29	26	24	24	25
B3. Exports	33	30	33	31	28	27	27	25	26	25	25
B4. Other flows 3/	33	30	34	32	29	27	27	26	27	26	26
B5. Depreciation	33	31	37	34	31	30	30	26	24	23	23
B6. Combination of B1-B5	33	30	34	30	29	29	29	28	26	29	29
C. Tailored Tests											
C1. Combined contingent liabilities	33	30	40	33	30	29	29	25	22	22	22
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	33	31	35	36	37	37	38	35	34	35	37
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

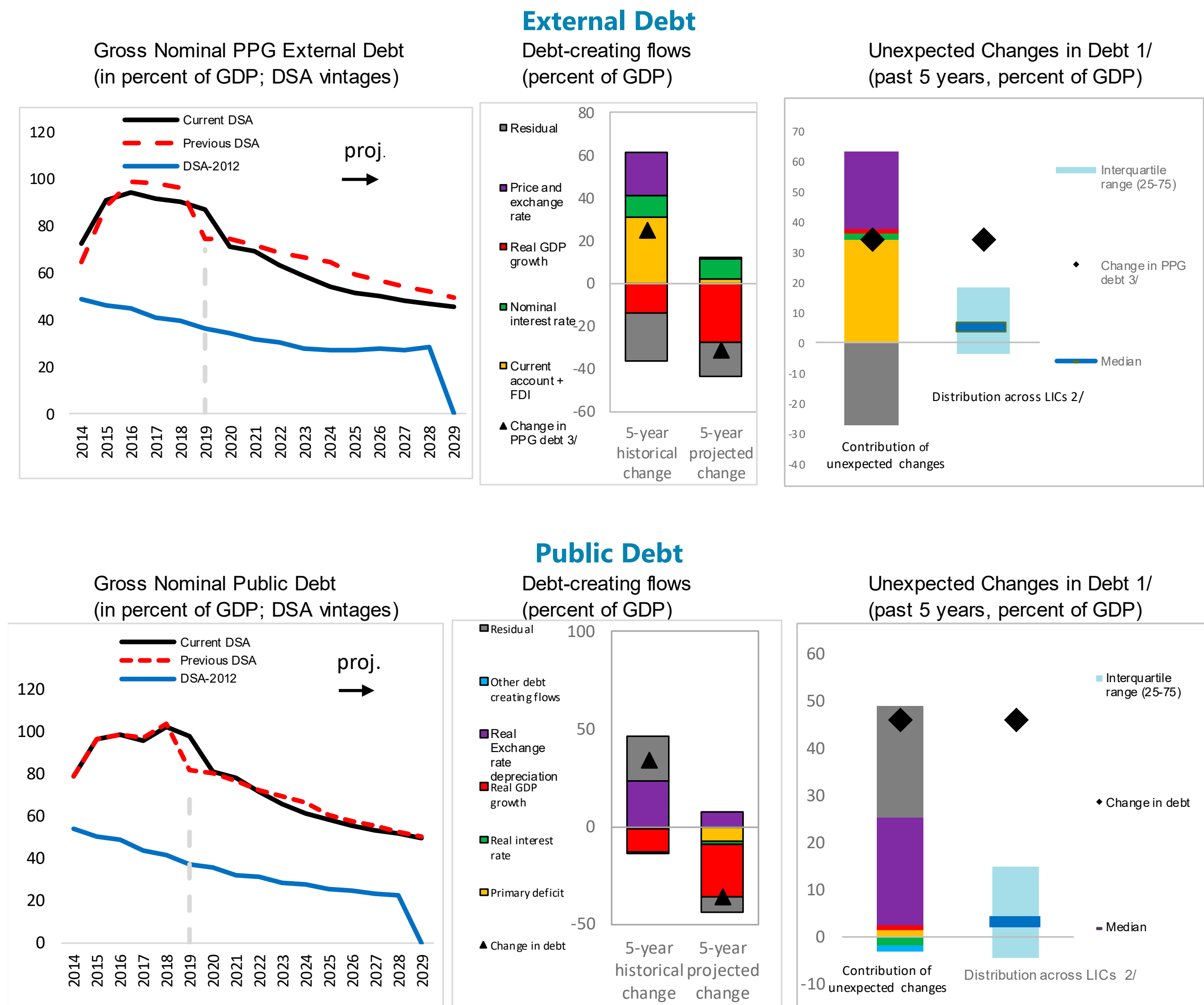
Sources: Country authorities; and staff estimates and projections.

1/ A bold value indicates a breach of the benchmark.

2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

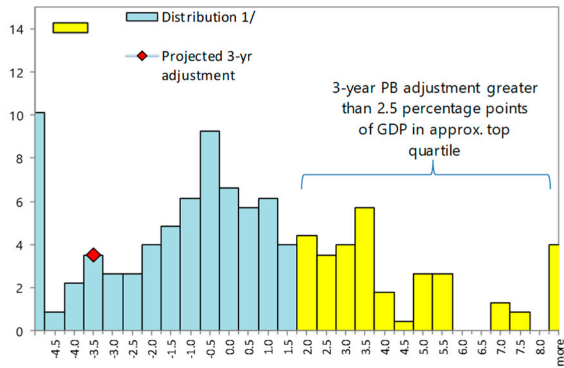
Figure 4. Mauritania: Drivers of Debt Dynamics—Baseline Scenario External Debt



1/ Difference between anticipated and actual contributions on debt ratios.
2/ Distribution across LICs for which LIC DSAs were produced.
3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

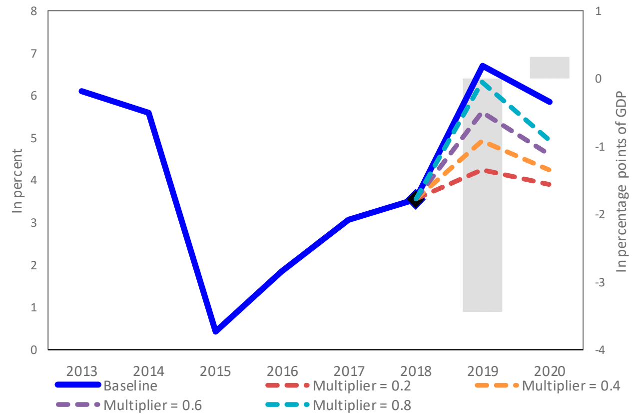
Figure 5. Mauritania: Realism Tools

3-Year Adjustment in Primary Balance
(Percentage points of GDP)



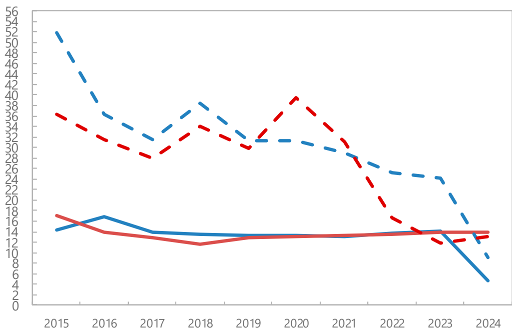
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/

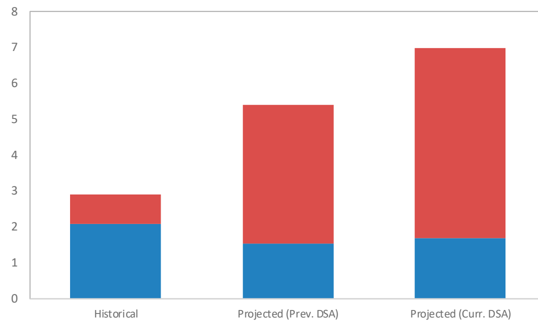


1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(Percent of GDP)



Contribution to Real GDP Growth
(Percent, 5-year average)



Statement by Mr. Mohamed-Lemine Raghani,
Executive Director for the Islamic Republic of Mauritania,
and Mr. Mohamed Sidi Bouna, Senior Advisor to the Executive Director
Monday, May 20, 2019

I. INTRODUCTION

On behalf of my Mauritanian authorities, I would like to thank staff for the constructive policy discussions held in Nouakchott in February-March 2019 in the context of the third review under the ECF-supported program.

The economic recovery has further strengthened since the completion of the second review. The fiscal balance is in surplus, external public debt has declined, and foreign exchange reserves have increased. Inflation is under control despite pressures from food price increases last year while the current account deficit has widened mainly due to strong domestic demand and higher oil prices.

Mauritania has continued to deliver on its commitments under the ECF-supported program. All performance criteria for end-December 2018 and end-March 2019 have been met. The structural benchmarks have all been completed albeit two with a slight delay.

Looking forward, Mauritania's economic prospects are positive on account of favorable developments in both the extractive and non-extractive sectors as well as the continued implementation of sound policies. The authorities concur with the staff's assessment that the outlook is subject to downside risks, but these are mostly external, stemming from an uncertain global environment and security challenges in the region. Against this backdrop, they highly value the Fund's support and remain fully committed to prudent policies and reforms under the ECF-supported program with the view to reinforcing macroeconomic stability, enhancing economic resilience and promoting inclusiveness.

II. RECENT DEVELOPMENTS AND PROSPECTS

1. Recent Developments

Real GDP growth is estimated to have reached 3.6 percent in 2018 up from 3.1 percent in 2017 and 1.8 percent in 2016, driven by the non-extractive sectors, particularly fishing, construction, transport, and telecommunications. Excluding extractive industries, growth rose to a robust 6.3 percent in 2018 from 4.5 percent in 2017. Consumer prices increased slightly in 2018 but have remained in-check at 3.1 percent on average compared to 2.3 percent in

2017. The buoyant non-extractive growth has been accompanied by an increase in credit to the sectors that have driven growth, mainly construction, transport and telecommunications.

Continued fiscal consolidation efforts have led to a solid fiscal performance in 2018. The overall fiscal balance improved significantly in 2018, reaching a surplus of 3.3 percent of GDP from a balanced budget in 2017, thanks to increased tax revenues helped in part by the ongoing economic recovery as well as slower-than-expected execution of capital expenditures. The primary fiscal balance exceeded 4 percent of non-extractive GDP.

As the recovery took hold in 2018, imports grew at a faster pace than exports. Paired which with higher international oil prices, this has resulted in a widening of the current account deficit (excluding externally-financed extractive capital imports) from 7.4 percent of GDP in 2017 to 11.4 percent in 2018. Nonetheless, foreign exchange reserves stood at a comfortable 5 months of prospective non-extractive imports.

The authorities' efforts to stabilize external debt and put it on a downward path have started to bear fruit. External public debt dropped in 2018 to 69.3 percent of GDP down from 72.5 percent in 2017 and is forecast to decline further over the medium-to long-term, owing in part to favorable prospects for offshore gas production. They reiterate their commitment to seeking non-concessional borrowing only in exceptional circumstances and for essential development projects and when concessional financing is unavailable.

On the issue of the passive debt owed to Kuwait, progress has been made in recent months as both countries have agreed to resolve the issue at a high-level meeting held in Kuwait in April 2019. In this regard, the details of the agreement are under discussion.

2. Outlook

Medium- and long-term growth prospects remain favorable. Planned public and private investments in the non-extractive sector as well as steady progress in the implementation of structural reforms under the ECF-supported program and the *Stratégie de Croissance Accélérée et de Prospérité Partagée 2016-30* (SCAPP) —Mauritania's development strategy— should contribute to stimulating growth over the medium-term. In addition, the positive outlook for the commodities exported by Mauritania, especially iron ore and gold should help boost growth. Growth is expected to reach 6 percent on average in the medium-term. A gradual narrowing of the current account deficit as well as a further buildup of foreign exchange reserves are also projected.

From 2022 onwards, the launching of gas production and exports should significantly improve economic prospects. Taking into account the expected substantial revenues from gas exports, the authorities with the assistance of the IMF and other partners, will reinforce their fiscal policy framework. It is also worth noting that the staff's projections currently only take

into account the first phase of the GTA gas project. Therefore, given the substantial increases in gas production expected during phases two and three of the project, the authorities believe that the long-term outlook should further improve substantially.

III. POLICY AND REFORM PRIORITIES

1. Fiscal Policy

Fiscal consolidation efforts have continued in 2018, leading to a strong fiscal stance. In October 2018, the government submitted to parliament the 2019 budget which is consistent with program objectives. This budget approved by parliament in November 2018 foresees a fiscal balance for 2019 through measures to enhance the performance of the tax system and streamline current expenditures.

On the revenue side, reforms are underway to simplify and modernize the tax system. A new tax code has been approved by parliament in April 2019 which aims notably to improve tax fairness and reduce informality. In this context, a new corporate tax has been introduced which streamlines the tax structure while fostering the formalization of the economy. Measures have also been put in place to simplify tax returns and encourage timely payments, particularly by large and medium-sized enterprises subject to the VAT and income taxes. Performance targets have been introduced at the Directorate General of Taxation (DGI) to better monitor and assess the effectiveness of government actions on tax compliance by large and medium-sized enterprises. Regarding customs administration, controls after clearance of imports will be enhanced with the assistance of the IMF, including through the establishment of a supervisory committee.

On the expenditure side, the focus remains on rationalizing current expenditures, including by containing the wage bill and trimming public consumption spending through a reduction in subsidies allocated to certain public enterprises. To further improve the efficiency of investment spending, the authorities have requested technical assistance from the IMF to conduct a public investment management assessment (PIMA). Broader efforts are also underway to strengthen public expenditure management and financial accounting, as well as fiscal governance.

2. Monetary and Exchange Rate Policy

The central bank of Mauritania (BCM) lowered its key interest rate from 9 percent to 6.5 percent in December 2018. The policy easing intervenes in a context of stable inflation and relative tightening of liquidity conditions, as well as a solid fiscal position.

The implementation of the reforms aimed at promoting the development of the interbank market are moving forward and progress continues to be made in improving liquidity

management. In this respect, following the introduction by BCM of new refinancing facilities in November 2018 and the adoption of a framework for eligible collaterals, BCM issued the newly created central bank bills for the first time in February 2019, to manage liquidity. It also established an interest rate corridor in November 2018 and will adjust its rates based on market needs. Two committees have been set up at the end of 2018 —a money market committee and a technical monetary policy committee— to guide the implementation of these new instruments.

Following the adoption last year of a central bank law to modernize the institutional structures of BCM and enhance its autonomy, another step towards reinforcing the central bank's autonomy has been made in February 2019 with the ratification by parliament of the memorandum of understanding on the reimbursement of the government's debt owed to the central bank.

The authorities remain committed to a full transition to International Financial Reporting Standards (IFRS) by 2020.

The central bank will pursue a gradual approach to reforming the foreign exchange market and introducing greater exchange rate flexibility with the assistance of the IMF. The objective remains to set up an interbank foreign exchange market in compliance with international standards by end-2019. An action plan to develop this market had been adopted in September 2018. The associated regulatory framework should be finalized by June 2019, and an appropriate technical platform operational by the end of 2019. It is expected that a one-way wholesale auction system will be introduced by the end of 2019.

3. Financial Sector Stability

Building on the progress achieved last year with the adoption of a new banking law that has contributed to the strengthening of prudential standards for banks and aligning them with Basel II and Basel III Principles, the BCM intends to further reinforce the stability of the financial sector and address its vulnerabilities, including the need to further reduce non-performing loans (NPLs) and concentration risks.

The new banking law has also led to strengthening banks' solvency and capital requirements and, as a result, banks' minimum capital has been raised. This has contributed to enhancing the overall capital adequacy ratio of the banking sector in 2018. To tackle vulnerabilities, the removal of NPLs from banks' balance sheets will be facilitated. Furthermore, starting from

July 2019, banks will be required to apply prudential standards to limit concentration risks, including by further increasing their capital.

In addition, to help reduce banks' credit risks while also encouraging access to credit, a new credit information bureau has been set up and made operational since February 2019.

The authorities are taking actions to address the weaknesses identified in the AML/CFT framework. In particular, they have adopted in January 2019 a new AML-CFT law consistent with the international norms of the Financial Action Task Force (FATF). They have also finalized the National Risk Assessment and prepared an action plan to address identified vulnerabilities. Continued progress in this area should help address correspondent banking relationship (CBR) pressures.

4. Structural Reforms and Poverty Reduction

Mauritania's development agenda is underpinned by the SCAPP 2016-30 which pursues the three-fold objective of achieving a strong, sustainable and inclusive growth; developing human capital and better accessing basic social services; and improving governance. Ultimately, their goal is to increase per-capita GDP more rapidly and accelerate the poverty reduction within a more diversified, robust, and vibrant economy.

Structural reforms have lately focused on improving the business environment. While Mauritania has made rapid gains in the ranking of the World Bank's Doing Business reports in recent years, the authorities recognize that much remains to be done to render the business climate fully attractive to investments. To make further inroads in this area, a High Council on the improvement of the business climate has been set up in February 2019, chaired by the Prime Minister and which also includes representatives of the private sector. The council will be responsible for coordinating the implementation of reforms and proposing an annual action plan. For 2019, the action plan takes into account the weaknesses underscored in the most recent Doing Business report, including regarding access to electricity and justice.

Given the favorable outlook in the gas sector, the progress accomplished by Mauritania on EITI compliance is noteworthy. At the meeting of the EITI Board in February 2019, all standards pertaining to Mauritania have either been considered as being "met" or having achieved "substantial progress". The authorities are committed to implementing the remaining required actions by end-2019 with the assistance of development partners.

As regards the fight against corruption, the government will operationalize the monitoring committee in charge of implementing the national anti-corruption strategy adopted in 2010

by designating its members and providing the committee with the necessary resources to carry out its duties.

On poverty reduction, despite a steady and substantial increase in the resources allocated to social spending over the years, the program's indicative target at end-December 2018 has not been observed due to capacity limitations. The authorities will take the necessary actions to ensure that this important target is met moving forward. They remain steadfast in their commitment to provide by June 2020 targeted social transfers to the estimated 200,000 most vulnerable households in the country. However, launching the next phases of the important social programs targeted towards the poorest segments of the population will require additional financial support from the international community. Talks with development partners will be initiated to ensure that these social programs are adequately financed.

The authorities are cognizant of the importance to make well-informed policy decision-making based on accurate statistics. In this regard, they have undertaken a revision and an update of their national accounts in accordance with the 2008 System of National Accounts (SNA) with support from various donors, including the IMF. The rebasing of the country's national statistics should result in a 26 percent increase in nominal GDP.

IV. CONCLUSION

My Mauritanian authorities would like to reiterate their firm commitment to the objectives of the program. They express their deep appreciation to the Executive Board, Management and staff for their continued support which has been instrumental in their efforts to preserving macroeconomic stability and fostering inclusive growth. In view of Mauritania's satisfactory progress under the ECF-supported program, they request the Board's support for the completion of the third review.