INTERNATIONAL MONETARY FUND

IMF Country Report No. 21/52

ISLAMIC REPUBLIC OF MAURITANIA

March 2021

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF MAURITANIA

In the context of the Sixth Review Under the Extended Credit Facility Arrangement and Request for Waiver of Nonobservance of a Performance Criterion, 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 March 3, 2021, following discussions that ended on February 2, 2021, 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 February 16, 2021.
- A **Statement by the Executive Director** for the Islamic Republic of Mauritania.

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

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International Monetary Fund
Washington, D.C.

IMF Executive Board Completes Sixth Review Under the Extended Credit Facility Arrangement with the Islamic Republic of Mauritania, Approves US$23.8 Million Disbursement

FOR IMMEDIATE RELEASE

- *The COVID-19 pandemic continues to impose severe human and social hardships on Mauritania, and the economy contracted by about 2 percent in 2020.*
- *The authorities have responded swiftly to mitigate the impact of the pandemic while international partners have provided sizable financing and debt service suspension. This, together with high commodity exports, has placed Mauritania in a stronger position to support the recovery.*
- *Performance has been strong despite delays and the program has helped to support growth, improve fiscal balances and stabilize debt, increase foreign exchange reserves, and implement institutional reforms in the fiscal, monetary, and financial sector policy areas.*

Washington, DC – March 3, 2021: Today, the Executive Board of the International Monetary Fund (IMF) completed the sixth and final review of the arrangement with the Islamic Republic of Mauritania under the Extended Credit Facility (ECF) covering 2017–21, allowing the disbursement of SDR 16.56 million (12.9 percent of quota, about US$23.8 million). The arrangement was approved on December 6, 2017 with total access of SDR 115.92 million (about US$167 million at current exchange rates), or 90 percent of Mauritania's quota, to help the authorities meet social and infrastructure needs while maintaining macroeconomic stability and increasing resilience to shocks. It was augmented by SDR 20.24 million (15.7 percent of quota) on September 2, 2020 to address higher-than-anticipated financing needs due to the COVID-19 pandemic and was extended by three months on December 1, 2020.

Earlier last year, the Executive Board also approved on April 23, 2020 a disbursement of SDR 95.68 million (74.3 percent of quota) under the Rapid Credit Facility (RCF), which provided space to increase spending on health services and social protection programs in response to the pandemic and helped catalyze donor financing. Altogether, total access reached SDR 132.48 million (102.9 percent of quota) in 2020.

In completing the review, the Executive Board also approved the authorities' request for a waiver for the non-observance of the June 2020 performance criterion on net domestic assets of the central bank.

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

"The COVID-19 pandemic continues to impose severe human, economic, and social hardships in Mauritania. The economy contracted in 2020 and the crisis generated additional financing needs. The authorities responded swiftly to mitigate the impact of the pandemic while international partners provided sizable financing and debt service suspension. This, together with high commodity exports, has placed Mauritania in a stronger position to address upcoming challenges and support the recovery. The outlook remains highly uncertain and dependent on volatile commodity markets, with sizable downside risks in case new waves of the pandemic spill over.

“The authorities’ response to the pandemic is appropriate. The expansionary 2021 budget is justified to boost the recovery and longer-term inclusive growth, and could be supported by the external financing saved from last year. Prioritizing health and education spending and targeted support to the most vulnerable households, as well as stepping up infrastructure spending, should support livelihoods and limit post-pandemic scarring. Continued prudent monetary policy and careful monitoring of banking sector developments are needed. The authorities are appropriately channeling crisis-related spending through the budget, reporting transparently on the use of emergency resources, and publishing the names and legal owners of companies awarded emergency contracts. They are committed to auditing emergency spending and strengthening disclosure requirements on beneficial ownership.

“The authorities remain committed to the objectives of the economic reform program supported by the 2017–21 ECF arrangement concluded now. Despite delays, performance has been strong and the program has helped to support growth, improve fiscal balances and stabilize debt, increase foreign exchange reserves, and implement important institutional reforms in the fiscal, monetary, and financial sector policy areas. However, considerable challenges remain, and the authorities have requested a successor arrangement.

“In the context of massive developmental needs—including to achieve the Sustainable Development Goals—the authorities should continue to create fiscal space to increase priority spending on education, health, social protection, and infrastructure by mobilizing domestic revenues and strengthening public financial management. Given the high risk of debt distress, the authorities are encouraged to seek further grants and concessional resources to finance their development plans, maintain buffers, and safeguard debt sustainability.”

Mauritania: Selected Economic indicators, 2017–21

Poverty rate: 31 percent (2014) | Quota: SDR 128.8 million

Population: 4.4 million (2018) | Main exports: iron ore, fish, gold

	2017	2018	2019	2020	2021
			Est.	Proj.	
	(Annual change in percent; unless otherwise indicated)				
National accounts and prices					
Real GDP	3.5	2.1	5.6	-2.2	3.1
Real extractive GDP	-6.2	-9.5	27.2	0.9	5.0
Real non-extractive GDP	4.7	3.5	3.2	-2.9	2.5
GDP deflator	3.7	1.8	9.6	7.8	12.1
Consumer prices (period average)	2.3	3.1	2.3	2.3	2.4
	(In percent of non-extractive GDP; unless otherwise indicated)				
Central government operations					
Revenues and grants	22.8	25.0	24.4	27.2	24.5
Nonextractive	20.0	21.0	20.5	21.6	20.7
Taxes	14.1	15.5	15.0	14.3	15.1
Extractive	2.0	3.5	1.9	2.8	3.2
Grants	0.8	0.5	1.9	2.7	0.6
Expenditure and net lending	22.9	22.3	21.9	24.4	28.2
Current	14.0	14.3	13.7	15.8	18.2
Capital	8.7	8.0	8.3	8.7	10.0
Primary balance (excl. grants)	0.2	3.5	1.7	1.3	-3.0
Overall balance (in percent of GDP)	0.0	2.5	2.0	2.1	-2.5
Public sector debt (in percent of GDP) 1/ 2/	55.1	61.4	56.5	59.5	56.3
	(Annual change in percent; unless otherwise indicated)				
Money and Credit					
Broad money	13.7	13.8	11.8	21.0	14.9
Credit to the private sector	7.5	19.4	12.9	6.8	9.4
Balance of Payments					
Current account balance (in percent of GDP)	-10.0	-13.8	-10.5	-11.6	-11.8
Excl. externally financed extractive capital imports	-5.0	-8.6	-3.8	-3.3	-7.0
Gross official reserves (in millions of US$, eop) 3/	849	918	1,135	1,542	1,654
In months of prospective non-extractive imports	4.6	4.5	5.7	5.9	6.7
External public debt (in millions of US$) 2/	3,573	3,614	3,776	4,184	4,457
In percent of GDP	52.7	51.3	47.6	51.2	48.2
Real effective exchange rate	-1.7	-0.3	1.3	...	...
Memorandum items:					
Nominal GDP (in millions of US$)	6,784	7,048	7,930	8,176	9,239
Price of iron ore (US$/Ton)	71.1	70.1	93.6	108.1	152.6

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 hydrocarbon revenue fund.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

February 16, 2021

SIXTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT AND REQUEST FOR WAIVER OF NONOBSERVANCE OF A PERFORMANCE CRITERION

EXECUTIVE SUMMARY

Recent developments and outlook. The COVID-19 pandemic is having a severe human, economic, and social impact on Mauritania. The economy is estimated to have contracted by about 2 percent in 2020 and the crisis generated large financing needs. The authorities responded swiftly to mitigate the impact of the pandemic while international partners provided grants, loans, and debt service suspension. This, compounded by higher commodity exports (iron ore and gold) and some delays in emergency spending, resulted in unexpected fiscal surpluses and an accumulation of international reserves, which may now be used to support the recovery in 2021–22. The outlook remains highly uncertain and dependent on volatile commodity markets, with sizable downside risks in case new waves of the pandemic spill over into Mauritania.

Policy discussions. The authorities remain committed to the objectives of the economic program supported by the 2017–21 ECF arrangement and have requested a successor arrangement. They plan to increase social and infrastructure spending in 2021 to support livelihoods, reduce poverty, and limit post-pandemic scarring, financed by the unused donor funds from last year and ongoing debt service suspension. The authorities have implemented prior fiscal transparency commitments and intend to complete the structural reforms disrupted by the pandemic, notably in the areas of public financial management, monetary and foreign exchange policy, and governance.

Sixth ECF review. Performance has been strong despite delays, and the program's objectives have been broadly met. The ECF has helped the authorities' policies to support growth, improve fiscal balances and stabilize debt, increase FX reserves, as well as to implement important institutional reforms in the fiscal, monetary, and financial sector policy areas. Staff supports the completion of the sixth and final review under the ECF arrangement and the authorities' request for a waiver of nonobservance of the June 2020 performance criterion on net domestic assets of the central bank, set before the pandemic, as the breach was minor and temporary and the accommodative policy was warranted under the new circumstances. The indicative target on social spending was met in December 2020. Despite delays, all structural benchmarks were observed. The authorities are maintaining the course on policies and reforms with some delays and are responding appropriately to the challenges of the COVID-19 pandemic.

Approved By
Taline Koranchelian and Bjoern Rother

Discussions took place remotely during December 2020–January 2021 and were concluded on February 2, 2021 with Central Bank Governor Cheikh El Kebir Moulaye Taher, Minister of Finance Mohamed-Lemine Dhehby, and Minister of Economy Ousmane Mamoudou Kane. The team comprised Eric Mottu (head), Jean van Houtte, Mariam El Hamiani Khatat, Joseph Karangwa (all MCD), Thomas Benninger (FAD), and Eric Pondi Endengle (SPR). Mr. Mohamed Sidi Bouna (OED) attended policy meetings. Ms. Maaloum Braham and Ms. Abdulkarim provided research assistance; Ms. Calaycay and Mr. Kane provided administrative support.

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CONTEXT

1. **This is the sixth and final review of the arrangement under the Extended Credit Facility (ECF) covering 2017–21, prior to its expiration on March 5, 2021.** A three-month technical extension, due to the COVID-19 pandemic, was approved by the Executive Board on December 1, 2020. The fifth review was completed on September 2, 2020 along with an augmentation of access of SDR 20.24 million (15.7 percent of quota) to address higher-than-anticipated financing needs. Earlier, the Board also approved on April 23 a disbursement of SDR 95.68 million (74.3 percent of quota) under the Rapid Credit Facility (RCF), which provided space to increase spending on health services and social protection programs in response to the pandemic and catalyzed donor financing. Altogether, total access reached SDR 132.48 million (102.9 percent of quota) in 2020. This review would allow a disbursement of SDR 16.56 million (12.9 percent of quota, about US$23.9 million).

2. **The program has been successful in supporting growth and the authorities' structural reform agenda.** The program supported the recovery following the 2014–15 terms-of-trade shock, with pre-pandemic non-extractive growth averaging 3.8 percent, and helped meet social and infrastructure needs while maintaining macroeconomic stability and increasing resilience to shocks. Fiscal balances improved and FX reserves rose; Fund financing also helped catalyze other donor flows. The program—and debt limits in particular—helped to prioritize external borrowing and to broadly stabilize the external debt-to-GDP ratio despite the pandemic. With strong integration of capacity development (CD) activities, the program helped implement wide-ranging structural/institutional reforms to strengthen policy frameworks, including public financial management (PFM), monetary and exchange rate policy, banking supervision, and the expansion of social safety nets (Annex I). The program also supported reforms to the business environment, which along with the strengthening of PFM and the court of accounts contributed to improving governance and transparency.

3. **However, considerable challenges remain and the COVID-19 pandemic set back some of the progress and delayed reforms.** Moreover, considerable challenges remain to achieve higher and more inclusive growth and to significantly reduce poverty and inequalities, while entrenching macroeconomic stability and debt sustainability. Poverty remains high, social outcomes poor, and infrastructure limited. About 19 percent of GDP in additional spending is needed annually to reach the Sustainable Development Goals (SDGs) by 2030. A sizable unfinished reform agenda remains notably on PFM and public investment management, monetary and foreign exchange policy, social safety nets, governance, and the fight against corruption.

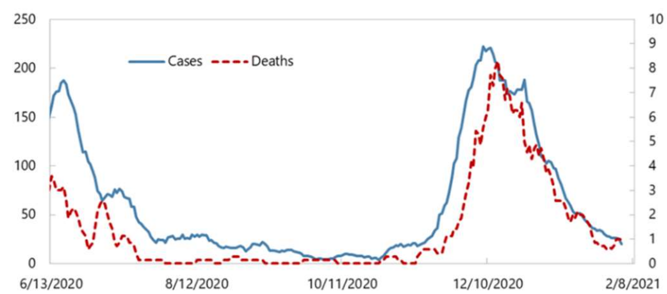
4. **The authorities have requested a successor ECF arrangement** to continue to support their broad-based structural reform agenda, strengthen buffers, and help finance potential needs.

5. **Security risks persist in the Sahel.** Mauritania participates in the G5 Sahel group of countries, with support from the international community, to counter terrorist attacks in the region and step up development spending.

RECENT DEVELOPMENTS

6. **A strong second wave of the COVID-19 pandemic struck in November–December 2020 but subsided following renewed confinement measures.** In October, offices and businesses had reopened and international commercial flights had resumed following the drop in infections. However, the number of new cases picked up again in November. In response, the authorities closed schools and universities and imposed new quarantines, curfews, and restrictions on domestic travel and gatherings in December, most of which remain in place; as a result, new cases and deaths declined. The government has sought vaccines from COVAX to cover 20 percent of the population; first deliveries are expected within the next two months.

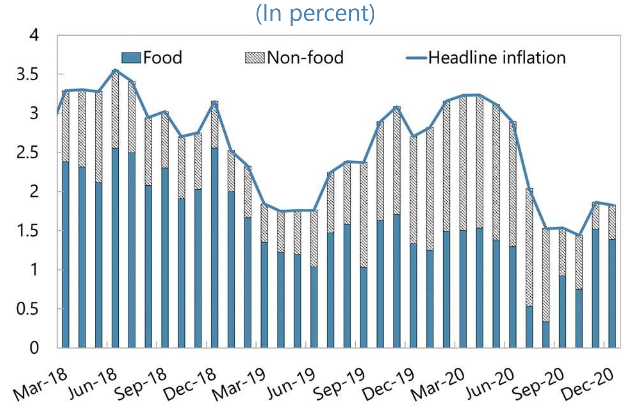
Mauritania: Daily COVID-19 New Cases and Deaths, 2020-21
(7 day moving average)



Source: Oxford Covid-19 Government Response Tracker; Hale et al. (2020).

7. **While extractive industries held up well, domestic non-extractive activity was severely affected by the pandemic.** Mining sector production increased by 2.2 percent in the first half of the year on the back of strong global demand for iron ore and gold, as well as continued investment in extractive capacity. However, transportation, trade, and services were hit by the lockdown, the fishing sector suffered from a sharp drop in global demand, and agriculture was impacted by a drought. Despite limited available data, non-extractive sectors are estimated to have contracted broadly as expected—by 2.9 percent—in 2020. Overall, the expansion of extractive sectors limited the overall GDP contraction to 2.2 percent in 2020 (against 3.2 percent previously projected). Inflation remained low at 2.3 percent on average in 2020 due to subdued domestic demand and a stable exchange rate, despite some pressure on food prices at the end of the year.

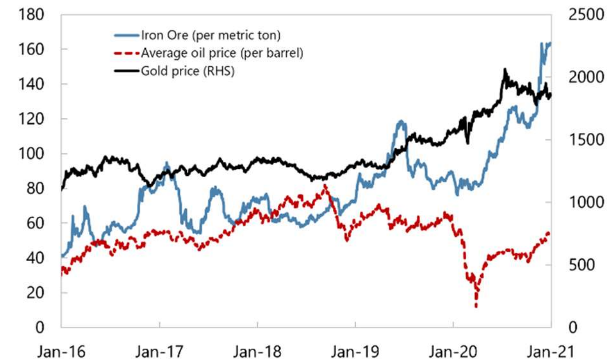
Contributions to Inflation
(In percent)



Sources: Mauritanian authorities; and IMF staff calculations.

8. External developments were stronger than expected on the back of buoyant iron ore and gold exports and large donor disbursements. Iron ore prices reached record highs at end-2020 due to strong global demand and supply bottlenecks. High commodity exports compensated for the sharp drop in fishing exports which, together with subdued imports due to the domestic slowdown, resulted in a lower current account deficit than expected. Large donor disbursements and debt service suspension supported the favorable trade outturn and pushed gross international reserves to $1,542 million at end-2020 (5.9 months of non-extractive imports), up by $407 million over the year.[1]

International Commodity Prices, 2016–21
(In U.S. dollars)



Sources: Bloomberg database; and IMF staff calculations.

9. The economic slowdown and the confinement measures affected both revenues and budget execution despite an acceleration in Q4 2020—resulting on balance in a fiscal surplus. Tax revenue dropped by 15 percent in Q2-Q3 2020 relative to the same period in 2019, reflecting weak economic activity and low tax collection. This, however, was more than compensated by higher dividends from SOEs, reflecting the previous year's profits, and by strong mining receipts reflecting high iron ore and gold prices. On the spending side, after a slow budget execution in the first six months of 2020, primary expenditure accelerated in the second half of the year, driven mainly by transfers, goods & services, wages (including hiring in the education and health sectors and wage increases for health workers), and capital spending—eventually exceeding last year's level by 10 percent. Social spending, in particular, was ramped up in Q4 and turned out 50 percent higher than in 2019. On balance, with larger-than-expected revenue and lower execution than authorized under the May supplementary budget, the budget yielded a sizable primary surplus of 1.3 percent of NEGDP (excluding grants), against a deficit of 3.6 percent projected during the fifth review.

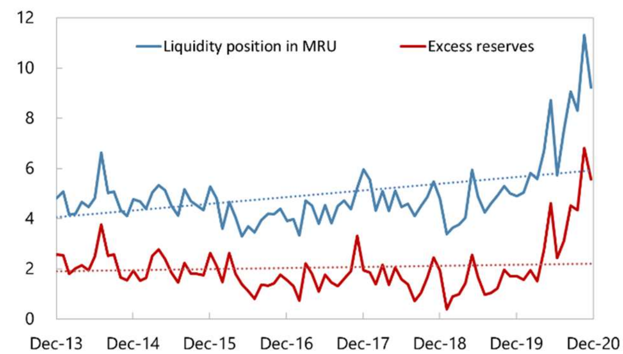
10. Much of the implementation of the emergency response was done through a social fund, with all spending on-budget. The fund—overseen by a broad-based committee including civil society—channeled spending to procure medical supplies, support vulnerable households, and finance water/electricity bills. Four reports covering May–December 2020 were published. In 2020, the fund received private contributions of 0.6 percent of NEGDP and disbursed over 80 percent of its target of 1.3 percent of NEGDP. However, some of the spending, authorized under the May supplementary budget, intended for food security stocks and support to formal and informal

[1] Pledges from international donors were disbursed as anticipated in 2020. In addition to $182 million from the Fund, $70 million (grant) from the Bank, and $10 million (grant) from the AfDB, the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club provided about $96 million (1.2 percent of GDP) in 2020. The authorities have requested further debt service suspension in 2021 under the DSSI. Separately, Saudi Arabia provided an additional three-year grace period for its $300 million deposit (3.7 percent of GDP) at the BCM (now to be amortized over 2024–28) and reduced the interest rate from 3 percent to 2 percent.

economic sectors (including through credit lines and a guarantee fund for bank credit) did not materialize due to limited capacity to design and roll out such programs.

11. Despite sizable monetary expansion supported by accommodative policies and foreign inflows, credit to the economy slowed. Broad money growth accelerated to 21 percent y-o-y in December on the back of strong accumulation of net foreign assets by banks and the central bank (BCM) and unsterilized artisanal gold purchases by the BCM. To absorb some of the excess liquidity, the BCM resumed its 7-day liquidity absorption operations and notched back up the reserve requirement ratio to 6 percent in December, after having reduced it from 7 percent to 5 percent in March. Credit growth decreased to 7 percent in December reflecting the contraction of domestic demand and deterioration of bank asset quality, despite strong deposit growth reaching 18 percent in December.

Liquidity Indicators, 2013–20
(In millions of MRU)



Liquidity position=Total reserves-reserve requirement-BCM repo
Sources: Mauritanian authorities and staff calculations.

12. The economic slowdown affected the banking sector. Non-performing loans (NPLs) rose to 26 percent of total loans in September against 22 percent at end-2019. Although banks remain well-capitalized, the overall capital adequacy ratio declined to 21 percent in September against 25 percent at end 2019. To preserve capital and banks' soundness, the BCM encouraged the suspension of dividend payments and requested banks to reassess their credit portfolio and counterparty risk and to closely monitor the impact of the COVID-19 crisis on credit quality. The BCM also temporarily allowed banks to be under the 100 percent minimum liquidity coverage ratio, although at least 80 percent.

13. In September, the authorities presented a new Priority Program to support the recovery and boost long-term inclusive growth in 2021–22. The program, which is more comprehensive than the May emergency response program, focuses on social sectors, infrastructure, support to agriculture and fishing, aid to businesses, and environmental interventions, totaling close to 7 percent of GDP. While some of its components were already incorporated in the 2020 budget, the program guided the preparation of the 2021 budget.

Mauritania: Presidential Priority Program 2020-22

	Total (2020-22)		2021	
	MRU (bil.)	% GDP	MRU (bil.)	% GDP
1. Infrastructure	**6.7**	***1.9***	**3.1**	***0.9***
Water and sanitation	3.0	*0.8*	1.4	*0.4*
Roads	1.9	*0.5*	0.9	*0.2*
Irrigation	1.4	*0.4*	0.6	*0.2*
Telecoms	0.3	*0.1*	0.1	*0.0*
Electricity	0.3	*0.1*	0.1	*0.0*
2. Social spending and income support	**8.2**	***2.3***	**3.7**	***1.1***
Education and training	4.5	*1.3*	2.0	*0.6*
Cash transfers	2.0	*0.6*	0.9	*0.3*
Health	1.7	*0.5*	0.8	*0.2*
3. Agriculture and fisheries	**5.4**	***1.5***	**2.5**	***0.7***
Fisheries infrastructure	2.2	*0.6*	1.0	*0.3*
Support to the private sector / fishermen	1.7	*0.5*	0.8	*0.2*
Support to the private sector / farmers	1.3	*0.4*	0.6	*0.2*
Agricultural infrastructure	0.2	*0.1*	0.1	*0.0*
4. Manufacturing and services	**2.3**	***0.6***	**1.0**	***0.3***
Temporary subsidies to existing firms	1.3	*0.4*	0.6	*0.2*
Subsidies for start-ups and new employment	1.1	*0.3*	0.5	*0.1*
5. Greening of the economy	**1.0**	***0.3***	**0.4**	***0.1***
Support to agricultural sector	0.6	*0.2*	0.3	*0.1*
Water and sanitation	0.4	*0.1*	0.2	*0.0*
6. Program coordination and other spending	0.5	***0.2***	0.2	***0.1***
Total	**24.2**	***6.8***	**11.0**	***3.1***

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

OUTLOOK AND RISKS

14. The short-term outlook has improved since the last ECF review, although downside risks remain high. The baseline assumes containment of the pandemic in Mauritania this year, and limited spillovers from the global second wave. Iron ore and gold prices are projected to remain elevated at least throughout 2021 and should provide sizable export proceeds in 2021–22.

- The economy is expected to rebound in 2021 by about 3 percent on the back of continued expansion of production in extractive sectors and renewed activity in non-extractive sectors amidst expansionary fiscal policy and a gradual lifting of restrictions related to the pandemic. The positive terms-of-trade developments in 2021 could lift nominal GDP considerably, before coming down the following year if iron ore prices subside as projected.

- The external position will continue to be supported by strong commodity exports, even though the economic rebound and accommodative policies will boost imports. Hence, gross reserves are expected to further increase to 6.7 months of non-extractive imports by end-2021 and to broadly stabilize over 7 months of imports thereafter. While this is above the estimated adequate level of 5 months of imports (Annex II), the high reserve buffers are justified given significant risks ahead (including high dependence on volatile commodity exports), ongoing FX market reforms, and large development needs.

Text Table 1. Mauritania: Selected Economic Indicators, 2019-23

	2019	2020			2021			2022	2023
		RCF	5th Rev.	Proj.	RCF	5th Rev.	Proj.	Proj.	
National accounts and prices	(Annual change in percent)								
Real GDP	5.6	-2.0	-3.2	-2.2	4.2	2.0	3.1	5.6	7.5
Real extractive GDP	27.2	-1.4	-2.7	0.9	9.1	2.3	5.0	9.6	18.7
Real non-extractive GDP	3.2	-2.1	-3.3	-2.9	3.3	2.0	2.5	3.8	4.1
Consumer prices (end of period)	2.7	5.0	5.0	1.8	4.0	4.0	3.0	4.0	4.0
Central government operations	(in percent of nonextractive GDP, unless otherwise indicated)								
Revenues and grants	24.4	21.6	20.7	27.2	22.7	22.0	24.5	24.5	24.6
Nonextractive	20.5	19.4	18.6	21.6	20.6	20.0	20.7	20.8	20.7
Taxes	15.0	13.8	12.7	14.3	15.5	14.7	15.1	15.3	15.4
Extractive	1.9	1.6	1.5	2.8	1.6	1.6	3.2	3.2	3.5
Expenditure and net lending	21.9	25.6	25.2	24.4	23.5	23.0	28.2	25.1	25.3
Of which: Current	13.7	17.9	16.7	15.8	15.0	14.3	18.2	16.5	16.6
Capital	8.3	7.7	8.5	8.7	8.5	8.7	10.0	8.6	8.7
Primary balance (excl. grants)	1.7	-3.2	-3.6	1.3	0.0	0.0	-3.0	0.2	0.2
Overall balance (in percent of GDP)	2.0	-3.4	-3.8	2.1	-0.7	-0.8	-2.5	-0.5	-0.5
Public sector debt (in percent of GDP)	56.5	67.8	65.8	59.5	68.0	66.1	56.3	61.6	61.0
External sector									
Current account balance (in percent of GDP)	-10.5	-17.3	-17.3	-11.6	-17.4	-18.5	-11.8	-11.9	-5.4
Excl. externally financed extractive capital imports	-3.8	-12.1	-12.2	-3.3	-11.6	-12.6	-7.0	-7.1	-4.0
Gross official reserves (in millions of US$, eop)	1,135	1,136	1,135	1,542	1,123	1,134	1,654	1,735	1,823
In months of prospective non-extractive imports	5.7	5.2	5.1	5.9	5.0	5.0	6.7	6.7	7.2
External public debt (in millions of US$)	3,776	4,269	4,164	4,184	4,387	4,282	4,457	4,594	4,701
In percent of GDP	47.6	57.6	56.1	51.2	57.3	56.7	48.2	52.7	51.0

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

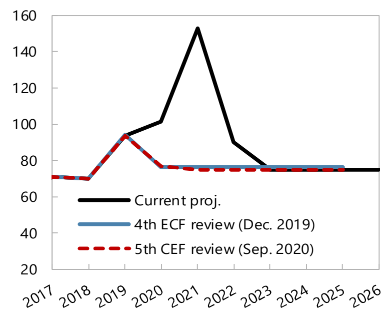
15. **The medium-term outlook is broadly positive due to good prospects in both extractive and non-extractive sectors, with sustained commodity prices and gas exports starting in 2023.** Gas revenues expected from 2023–24 onwards will help narrow the current account further and support reserves over 7 months of non-extractive imports. Those revenues, added to domestic revenue mobilization, should also create space to raise social and infrastructure spending while maintaining primary surpluses and setting debt on a downward trajectory.

16. **While the outlook is broadly positive and public debt is sustainable, debt vulnerabilities remain.** Public debt is sustainable but at a high risk of external and overall debt distress (due to high present value of public external debt-to-GDP and debt service-to-revenue ratios).[2] The high debt service projected in the medium term, notwithstanding the rescheduling obtained under the DSSI and separately from Saudi Arabia, could put strains on liquidity in case of adverse developments. Financing needs would increase significantly over the medium term if more ambitious progress on SDGs were envisaged beyond what is currently assumed in the framework.

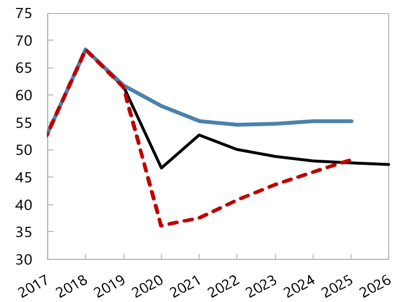
[2] See August 2020 Debt Sustainability Analysis, IMF Country Report No. 20/274.

Figure 1. Mauritania: Program Scenarios, 2017-26

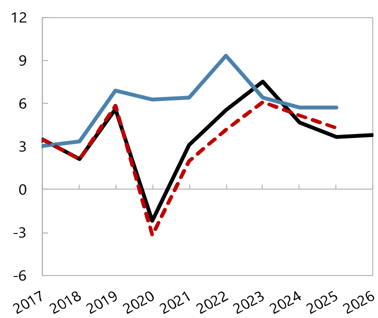
Iron Ore Prices
(In U.S. dollars per metric ton)



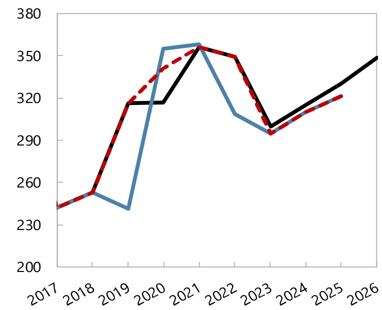
Oil Prices
(In U.S. dollars per barrel)



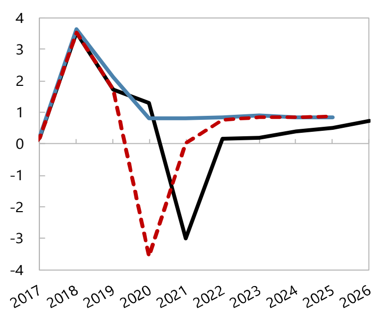
Real GDP Growth
(In percent)



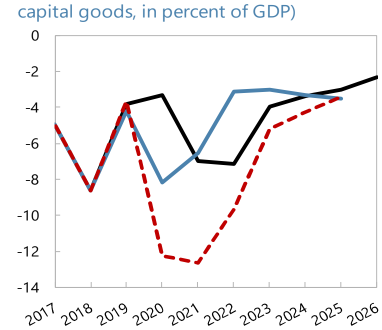
Gross Official Medium and Long-Term Borrowing (excl. IMF loans)
(In millions of U.S. dollars)



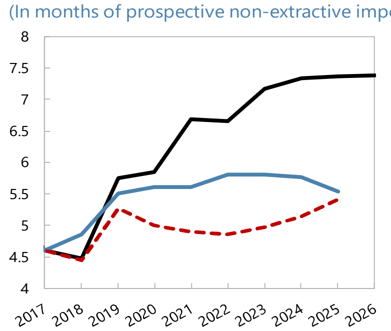
Primary Balance Excl. Grants
(In percent of non-extractive GDP)



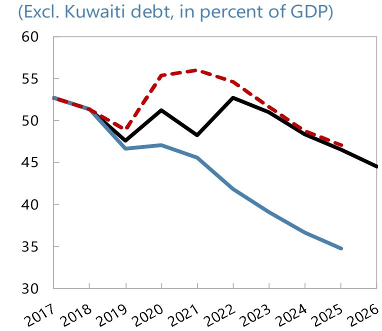
Current Account Balance
(Excl. Externally financed extractive capital goods, in percent of GDP)



Official Foreign Exchange Reserves
(In months of prospective non-extractive imports)



External Debt
(Excl. Kuwaiti debt, in percent of GDP)



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

17. Downside risks to the outlook continue to be high (Table 11). Security risks in the Sahel continue to be a major concern. A stronger and more protracted pandemic or weaker global commodity markets would translate into lower activity and fiscal revenues, and pressure on reserves; it would also affect medium-term growth and poverty reduction prospects and slow delivery of public and social services. Further delays in the offshore gas project could also affect the outlook. Contingency measures include cutting non-priority expenditure, mobilizing additional donor financing or debt relief beyond what has already been provided, and drawing down the national hydrocarbon fund and the Saudi deposit; however, the latter would reduce reserve buffers below prudent levels.

PROGRAM PERFORMANCE AND FINANCING

18. Performance remained strong despite the breach of one of the June 2020 performance criteria (PC) and delays in implementing structural benchmarks (SB).

- Despite being set before the pandemic, all but one end-June 2020 PCs were met (MEFP Table 1). The pre-pandemic ceiling on net domestic assets of the BCM was breached due to a more accommodative monetary policy stance, which was warranted under the new circumstances). The authorities requested a waiver of non-observance of the PC, which staff supports as the breach was minor, temporary, and does not jeopardize the objectives of the program; moreover, the September IT on the same variable, set post-pandemic, was observed.

- Social spending was slow to increase, largely due to the confinement of the administration at the height of the COVID-19 pandemic and limited administrative capacity. As a result, the June and September 2020 indicative targets (IT) on social spending were missed. However, social spending increased significantly in the fourth quarter and preliminary data suggest that the end-December target was met, reflecting a 50 percent increase of social spending relative to 2019. All other end-September ITs were met.

- The SBs for September and October 2020 on budget transparency, reforming the FX market, and increasing cash transfers to vulnerable households were observed, although the latter two were only fully implemented in January 2021 due to the technical complexity and to payment delays, respectively, in part due to capacity constraints during the pandemic (MEFP Table 2). Given the importance of prior fiscal governance and transparency commitments, the authorities published the names of the legal owners of companies awarded public procurement contracts by the social fund managing the COVID-19 emergency spending.[3]

19. Access continues to be justified by the high downside risks and the upcoming catch-up in spending to respond to the pandemic and support the recovery. Strong external and fiscal buffers continue to be needed given the risk of a prolonged global pandemic and mutating virus spilling over into Mauritania, to support the recovery, and meet the high development and external

[3] See http://tresor.mr/fr/afficher.php?tb=lKesq5qj&id=amY=.

debt service needs over the medium term. Moreover, the outlook remains highly uncertain, including projected export, growth, fiscal, and debt trajectories, which are vulnerable to a stronger impact of the pandemic, reversals in metal and oil prices, regional security developments, and climatic hazards. Financing gaps could also arise should expected donor support fall short in 2021–22, or the offshore gas project suffer further delays.

Text Table 2. Mauritania: Financing, 2020-21

	2020						2021		
	5th ECF Review			Revised projections			Projections		
Balance of Payments		*US$ million*	*percent of GDP*		*US$ million*	*percent of GDP*		*US$ million*	*percent of GDP*
Balance of payments deficit 1/		371	5.0		-59	-0.7		-19	-0.2
Other financing needs (BCM)		23	0.3		22	0.3		15	0.2
Total financing needs		394	5.3		-38	-0.5		-3	0.0
Drawdown of official reserves 2/		0	0.0		-407	-5.0		-113	-1.2
Debt service suspension initiative (DSSI)		96	1.3		96	1.2		86	0.9
IMF financing		203	2.7		182	2.2		24	0.3
RCF		130	1.7		130	1.6		0	0.0
ECF		73	1.0		52	0.6		24	0.3
Of which: Augmentation		28	0.4		28	0.3		0	0.0
Expected official grants 3/		95	1.3		95	1.2		0	0.0
Residual financing gap		0	0.0		0	0.0		0	0.0
Central Government	*MRU billion*	*US$ million*	*percent of GDP*	*MRU billion*	*US$ million*	*percent of GDP*	*MRU billion*	*US$ million*	*percent of GDP*
Overall deficit (excl. DSSI and expected official grants)	10.8	281	3.8	-2.9	-85	-1.0	9.0	225	2.5
Domestic financing (net)	-1.3	-34	-0.5	-13.7	-368	-4.5	8.2	197	2.3
External borrowing (baseline, net)	-3.1	-80	-1.1	-3.4	-90	-1.1	-3.4	-82	-1.0
Disbursments (projects)	4.2	110	1.5	2.5	90	0.8	4.5	109	1.3
Amortization	-7.3	-190	-2.6	-6.0	-180	-1.9	-7.9	-190	-2.2
Exceptional external financing	15.1	394	5.3	14.3	373	4.6	4.2	109	1.2
Debt service suspension initiative (DSSI)	3.7	96	1.3	3.6	96	1.2	3.3	86	0.9
IMF financing	7.8	203	2.7	7.0	182	2.3	0.9	24	0.3
RCF	5.0	130	1.7	5.0	130	1.6	0.0	0	0.0
ECF	2.8	73	1.0	2.0	52	0.6	0.9	24	0.3
Expected official grants 3/	3.7	95	1.3	3.7	95	1.2	0.0	0	0.0
Residual financing gap	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ A negative sign means a surplus.
2/ A negative sign means an accumulation of reserves.
3/ Expected official grants to respond to the COVID-19 crisis.

20. Capacity to repay the Fund remains adequate and the program is fully financed in the year ahead under the baseline. Credit outstanding to the Fund would peak at SDR 239.6 million in 2021 (20.1 percent of gross international reserves, 3.6 percent of GDP) while debt service to the Fund would remain manageable, peaking at 1.9 percent of exports (2.8 percent of GIR) in 2027 (Table 7). However, materialization of the risks identified may strain medium-term capacity to repay, in which case contingency measures such as those outlined in ¶17 would be needed.

21. Given budget needs generated by the pandemic, the authorities have asked for the ECF disbursement to be on-lent to the treasury, as for the 2020 RCF and ECF disbursements.[4]

[4] A memorandum of understanding is in place since April 2020 between the BCM and the finance ministry on their respective responsibilities for serving financial obligations to the Fund.

Budget financing is justified by the large health, social assistance, and infrastructure needs to respond to the pandemic and support the recovery, and preserve buffers in case of adverse developments. The authorities have committed to undergoing a safeguards assessment update to be completed before Board approval of any subsequent arrangement, and to provide staff with the necessary audit reports and authorize the external auditors of the BCM to hold discussions with staff; the latest safeguards assessment was completed in May 2018.

POLICY DISCUSSIONS

22. The ECF-supported program has helped Mauritania cope with the short-term effects of the COVID-19 pandemic, maintain the reform momentum, and set the stage for the recovery. The ECF and RCF-related disbursements provided space to increase spending on health services and social protection programs in the face of falling domestic revenues and heightened needs to respond to the pandemic, and catalyzed donor financing. At the same time, following sizable financing provided by the international community and favorable iron ore and gold export prices, the authorities have saved large FX reserves and treasury balances—more than initially expected. Now, one year into the pandemic, the country is in a relatively strong position to address the upcoming challenges of the recovery.

23. Discussion focused on the near-term priorities to support an inclusive recovery and continue with structural and governance reforms, in particular how to use available funds to support the recovery while enhancing medium-term inclusive growth prospects, maintaining macroeconomic stability, and strengthening debt sustainability; and structural/institutional reform priorities to enhance the capacity to deploy macroeconomic and social policies effectively. There was broad agreement that despite ample available financing, and given limited capacity, short-term policies should focus on a few key priorities, namely:

- ***Fiscal policy:*** adopting a 2021 budget with adequate appropriations for social spending, strengthening the execution of social spending, and expanding cash transfers.
- ***Monetary and financial sector:*** advancing with reforms of the official FX market, upgrading the monetary policy framework, and closely monitoring banking sector soundness.
- ***Governance:*** Ensuring transparency in the use of funds and procurement for the emergency response.

A. Fiscal and Social Policies

Fiscal Stance and Short-Term Expenditure Policy

24. The external financing accumulated in 2020 allows accommodation of a larger fiscal deficit in 2021. There was agreement to use the RCF and ECF proceeds from 2020–21 to finance the sizable spending increase that could not be fully executed in 2020 due to capacity limitations and restrictions related to the pandemic. Staff welcomed the 2021 budget—with a projected primary deficit of 3 percent of NEGDP (excluding grants)—as it envisages continuation of the emergency social aid measures, as well as further increases in social spending (primary healthcare, education, and social protection) and priority infrastructure spending. Mindful of the risks of possible administrative delays due to further waves of the pandemic, staff called for stepping up budget execution while strengthening tax collection. The authorities were confident that their revenue targets would be met as the economy rebounds and that higher expenditure could be executed as pandemic-related restrictions were eased, as illustrated by the sharp increase in spending in Q4 of 2020. They believed that targeted hiring and wage hikes in the education and health sectors will help improve service delivery and development outcomes. The authorities were ready to reprioritize spending in case of sizable revenue shortfalls.

25. There was agreement on the need to scale up social transfers for the most vulnerable. The authorities raised the number of recipients of regular targeted cash transfers from 34,000 vulnerable households in March 2020 to 60,000 at end-2020, somewhat short of their target of 70,000 households.[5] To respond to the COVID-19 pandemic, they also provided two ad hoc cash payments to 186,300 and 210,000 households, as well as food aid to several thousand households. They plan to increase the number of regular cash transfer recipients to 100,000 households (representing about 700,000 people, or 20 percent of the population) by end-2021. To achieve this, the authorities will continue to expand both the coverage of the social registry to the whole territory and the amounts provided, with World Bank support. In the areas still uncovered, the authorities will continue to provide emergency food aid and cash support on the basis of local lists.

Public Financial Management, Governance, and Transparency

26. The authorities are implementing their commitments, made at the time of the RCF request, regarding the transparent use of COVID-19-related resources in 2020–21. As per staff's advice, all emergency resources, many of which are implemented through a dedicated social fund, are channeled through the budget, i.e. dedicated budget lines can track and account for the funds deployed (a structural benchmark under the program) and four bimonthly reports have been published so far. Those include information on procurement contracts related to the COVID-19 emergency spending, including the names of the legal owners of companies awarded emergency contracts. Supported by Fund technical assistance, the authorities will also strengthen disclosure requirements in public procurement contracts to identify beneficial owners of companies awarded emergency contracts. They will ask the Court of accounts to audit crisis mitigation spending and publish its report by September 2021. They have requested assistance in preparing a Governance Diagnostic in 2021.

27. Despite delays due to the pandemic, the authorities are committed to advancing with PFM reforms engaged over the past years to increase execution of social and infrastructure spending. They will seek to implement the recommendations from the Public Investment

[5] Of this number, only three-quarters were paid on time and the remainder was paid in January 2021.

Management Assessment (PIMA) completed in January 2020, including adopting multi-year budgeting for public investment, ensuring adequate maintenance; strengthening project appraisal and selection; and improving public procurement process as capacity under the pandemic allows.[6] The authorities will also request technical assistance to translate the PEFA assessment completed last June into a specific reform program. However, staff regretted that several reforms were postponed to 2022 because of limited capacity in the aftermath of the pandemic, including preparing medium-term expenditure frameworks in key ministries; adding a complementary presentation of the annual budget according to a programmatic classification in an annex (to improve budget formulation); adopting a new budget nomenclature consistent with program budgeting; and adopting GFSM 2014.

Domestic Revenue Mobilization

28. The authorities vowed to continue administrative reforms and efforts to improve tax compliance. Staff and the authorities concurred that greater tax revenue mobilization will be key to increasing fiscal space, given the large spending needs in the short and medium terms. The authorities plan to step up desk audits during the pandemic in replacement of field audits and continue implementing a compliance risk management function; conduct at least 15 general audits and 40 targeted audits of large and medium-size businesses in 2021; and accelerate work on digitalized online tax payments. They requested technical assistance to help enforce tax compliance for large contractors in extractive industries.

Debt Management and Transparency

29. The authorities are continuing to strengthen public debt management, compilation, and disclosure while exploring options for alleviating the debt burden in the medium term. Debt management has improved following implementation of tighter screening processes to prioritize external borrowing and debt limits under the program have contained non-concessional financing. As a result, external public debt was stabilized despite the pandemic. Going forward, the authorities intend to publish annually a public debt bulletin with information on external and domestic borrowing by public sector entities, including loan details and debt service profile, with support from the World Bank by end-June 2021. They anticipate large financing needs in the medium term to achieve the SDGs and are concerned by the rising external debt service starting in 2022 following the DSSI rescheduling; in this context, they are seeking advice from external consultants on possible options for a future debt restructuring strategy—although no specific plans or timetable have been set at this stage.

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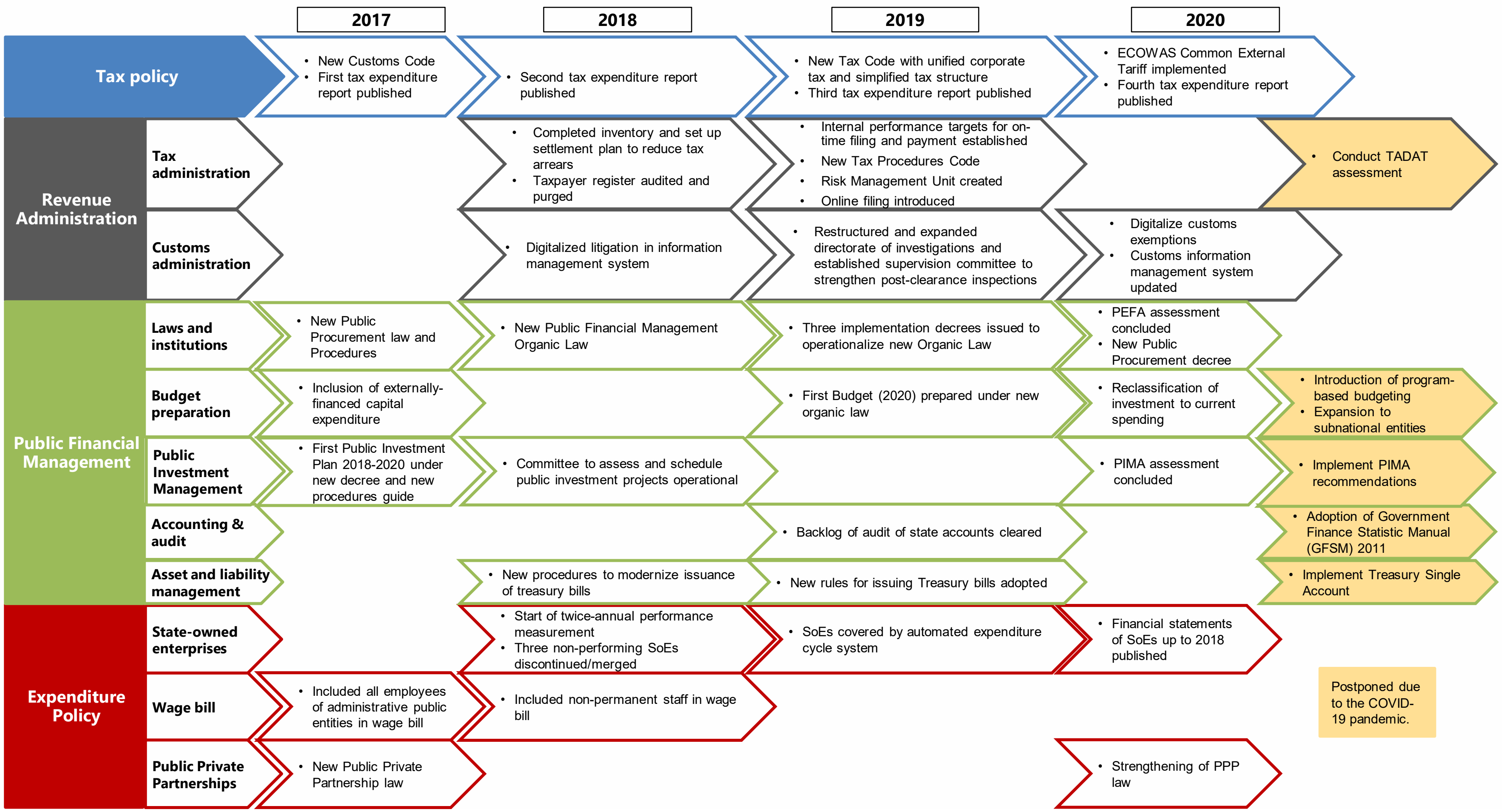
[6] In this regard, public procurement procedures were streamlined in September 2020 to increase speed, transparency, and accountability.

Figure 2. Mauritania: Fiscal Reforms Under the 2017-21 ECF



30. The authorities are continuing best efforts to resolve the passive debt in arrears with Kuwait and to seek debt relief on terms comparable to, or better than, those granted under the 2002 HIPC Initiative completion point; while a memorandum of understanding was announced in April 2019 and talks are ongoing between the relevant parties, a final agreement has yet to be reached.

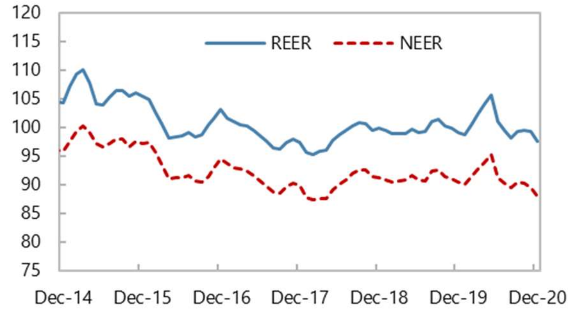
B. Monetary, Exchange Rate, and Financial Sector Policies

31. There was agreement that monetary policy, which was eased in March in response to the crisis and tightened back in December in response to high liquidity, was appropriate. Despite low inflation, the BCM preemptively increased reserve requirements and conducted liquidity management operations to absorb excess liquidity, which could lead to higher prices. Staff encouraged the BCM to continue with prudent, data-dependent monetary policy aimed at supporting the recovery and addressing liquidity volatility, while closely monitoring inflation and banking sector soundness. Given low demand, slow credit growth, and comfortable international reserves, inflationary pressures are expected to remain contained in the short term. The BCM stands ready to further tighten monetary policy should inflationary pressures return. It requested continued technical assistance to strengthen its monetary policy framework, manage liquidity more actively, and gradually narrow the interest rate corridor; it will continue to develop its collateral framework for liquidity management to expand it to bank credits.

32. The authorities remain committed to completing the foreign exchange market reforms initiated under the program and requested technical assistance to do so. The BCM plans to resume work on FX market reforms, which was put on hold during the confinement, to establish an interbank FX market and introduce regular competitive auctions, with a view to improving access to FX and prepare for greater exchange rate flexibility. It finalized the terms of reference for procurement of the technical FX market platform with AfDB financing and procurement rules in September (a structural benchmark under the program); the tender will be launched in early 2021. Next steps will involve establishing the regulatory framework and training, aiming at an effective launch by end-2021.

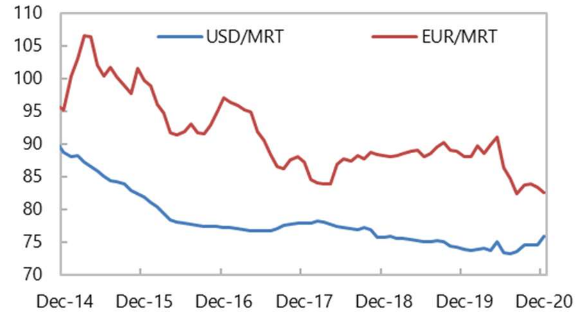
33. Staff supported limiting exchange rate fluctuations during the pandemic. The BCM saw limited effectiveness in letting the exchange rate depreciate to absorb the shock, as it would immediately lead to inflation given the high exchange rate pass-through. Furthermore, it was concerned that flexibility may pose risks to financial stability given banks' short net open FX positions. There was agreement that exchange rate flexibility should be preceded by preparatory work to create and deepen the interbank FX market, more effective liquidity management, and implementation of an alternative monetary policy framework. In the meantime, while the BCM should continue to supply FX in the official market for current account transactions, it should calibrate its interventions to maintain adequate reserve buffers. Staff's updated assessment suggests that the external position is now moderately stronger than fundamentals, as high commodity export proceeds and ample financing support the external position in the short term (Annex II).

Real and Nominal Effective Exchange Rate
(Index, 2010=100)



Sources: Mauritanian authorities; and IMF staff calculations.

Exchange Rates
(Index, 2010=100)

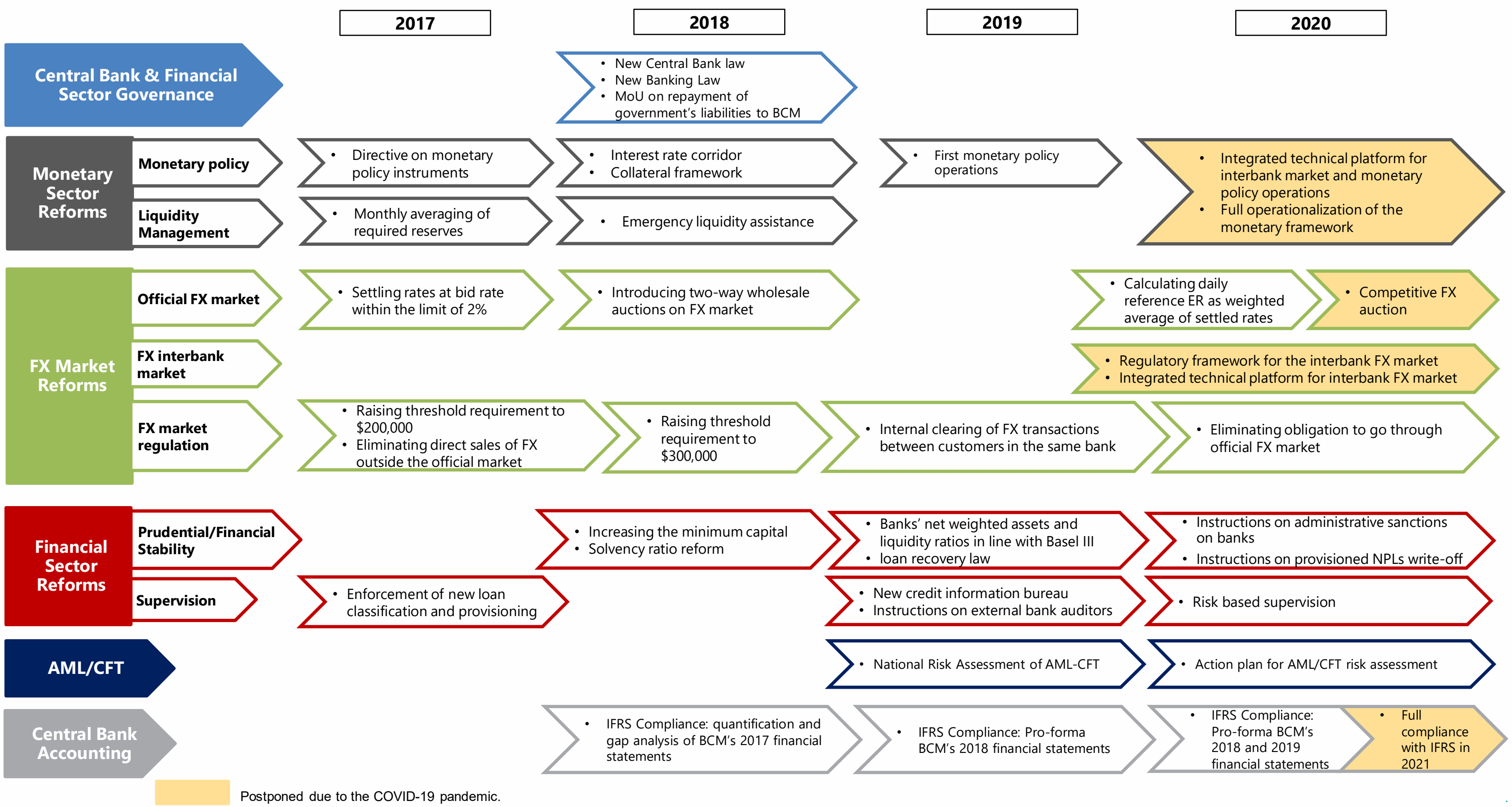


Sources: Mauritanian authorities, Haver, and IMF databases.

34. The BCM is closely monitoring bank developments and strengthening its supervisory capacity. The authorities were confident that the large systemic banks were sound and had responded appropriately to the slowdown, while the handful of small banks, which were already fragile beforehand, were taking appropriate measures to find new investors or raise capital. There was agreement that the BCM needed to continue to step up reporting by banks and to press banks to preserve asset quality and strengthen capital. The BCM required banks to establish credit, audit, and risk committees as per the new banking law to strengthen governance.

35. Staff encouraged the BCM to continue to work expeditiously toward adopting International Financial Reporting Standards (IFRS)—an outstanding recommendation from the 2018 safeguards assessment. The BCM published IFRS pro forma FY2019 financial statements in June 2020 and plans to do the same for FY2020. Following delays due to the confinement, the next step will be to implement a new information system and accounting framework by mid-2021, with a view to adopting IFRS by end-2021 and preparing IFRS statements the following year. Strengthening the internal audit function is another priority recommendation that remains to be implemented. An update safeguards assessment is planned for the coming months following the purchase under the Rapid Credit Facility (RCF) in April 2020.

Figure 3. Mauritania: Monetary, Exchange Rate, and Financial Sector Reforms Under the 2017-21 ECF



STAFF APPRAISAL

36. A determined response to the COVID-19 pandemic and sizable international financial support have placed the country in a strong position to support the recovery. In addition to the severe human and social impact of the pandemic, the economy is estimated to have contracted by about 2 percent in 2020 owing to the sharp deterioration in global economic conditions and the impact of containment measures. Per capita non-extractive GDP declined by 5½ percent, causing severe hardships for the population. The crisis gave rise to large balance of payments and fiscal financing needs. In response, the Fund and international partners provided grants, loans, and debt service suspension. However, Mauritania's main commodity exports (iron ore and gold) have held up better than expected due to sustained global demand, and execution of some of the emergency spending plans suffered delays due to weak capacity and pandemic-related restrictions. These developments resulted in an accumulation of international reserves and unexpected fiscal surpluses, which may now be used in part to address the challenges of the recovery in 2021–22 and to strengthen buffers.

37. The outlook remains highly uncertain and dependent on volatile global commodity markets, with sizable downside risks in case new waves of the pandemic spill over. The economy is expected to start recovering this year and next as confinement measures gradually ease, extractive sectors continue to expand, and social and infrastructure spending increases. Risks are tilted to the downside, though, given the uncertainty around a more protracted global and domestic COVID-19 outbreak, which could impede the recovery, and continued security threats in the Sahel.

38. Staff welcomes the authorities' response to contain and mitigate the effects of the pandemic while supporting the recovery and longer-term inclusive growth. Prioritizing health and education spending and targeted support to the most vulnerable households and sectors in the economy, as well as stepping up infrastructure spending, is appropriate and should continue with a view to supporting livelihoods, reducing poverty, and limiting post-pandemic scarring. Implementation of the new Priority Program to support the recovery and boost long-term inclusive growth should proceed expeditiously in the context of the 2021 budget, with an emphasis on increasing the efficiency of public spending. Given the large international reserves and treasury balances accumulated last year, and considering the need to support the recovery, staff supports the loosening of the fiscal stance in 2021. Careful monitoring of banking sector developments and continued enforcement of prudential regulations are needed to ensure financial stability. Staff welcomes the authorities' commitment to channel all crisis-related spending through the budget and to track, account for, and report in a transparent manner on the use of emergency resources, as well as to audit crisis mitigation spending as soon as possible and publish the results. Staff welcomes the publication of the names and legal owners of companies awarded emergency COVID-19 contracts and the commitment to strengthen disclosure requirements on beneficial ownership.

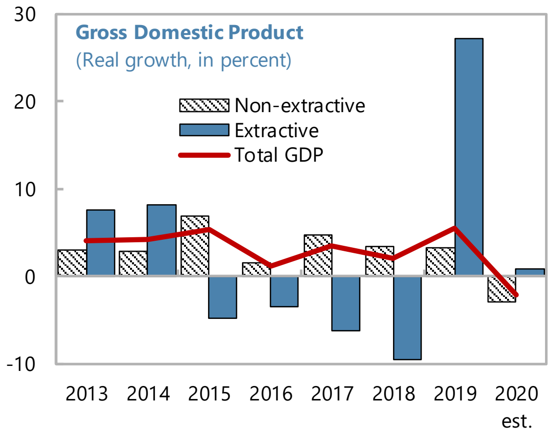
39. Staff welcomes the authorities' continued commitment to the objectives of the economic reform program supported by the 2017–21 ECF arrangement. The ECF has helped to support growth, improve fiscal balances and stabilize debt, increase FX reserves, as well as to implement important institutional reforms in the fiscal, monetary, and financial sector policy areas. However, considerable challenges remain to achieve high and more inclusive growth and to significantly reduce poverty and inequalities, while entrenching macroeconomic stability and debt sustainability. Despite signs of economic diversification, the recovery will take time to translate into broad-based, inclusive job creation and poverty reduction. In the context of massive needs—including to achieve the SDGs—staff supports the authorities' policies aimed at creating fiscal space by mobilizing domestic revenues and strengthening public financial management with a view to increasing priority spending on education, health, social protection, and infrastructure while maintaining prudent borrowing policies to preserve debt sustainability. Staff also welcomes the authorities' plans to resume the important PFM, foreign exchange market, and governance reforms—interrupted during the pandemic. Efforts to improve the business environment, economic governance, and the fight against corruption should also resume.

40. Staff welcomes the authorities' commitment to returning to primary surpluses as conditions normalize and preserving medium-term fiscal and debt sustainability. The significant grants, concessional financing, and debt service suspension provided by the international community were critical to closing the financing gaps last year and to helping Mauritania respond effectively to the COVID-19 crisis. Given the high risk of debt distress, the authorities are encouraged to seek additional grants and concessional resources from development partners to address any fiscal pressures that may arise, maintain buffers, and safeguard debt sustainability. While the proceeds of the deposit from Saudi Arabia at the BCM were on-lent to the government last year, it will be important to only use them as a last resort. Staff encourages the authorities to continue best efforts to resolve the passive debt in arrears with Kuwait.

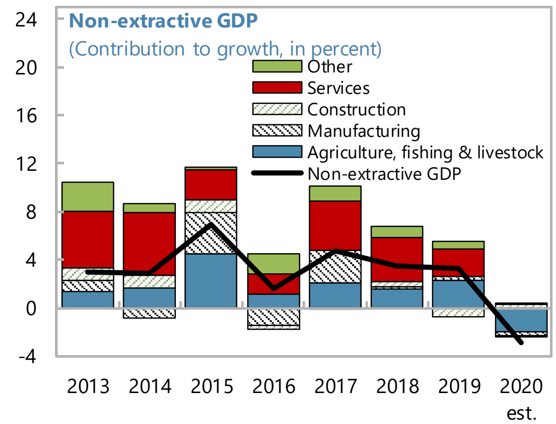
41. Program performance has been strong despite delays; staff supports the completion of the sixth and final review under the ECF arrangement and the authorities' request for a waiver of nonobservance of a PC. Program objectives were broadly met. The authorities are maintaining the course on policy and reform implementation and are responding appropriately to the challenges of the COVID-19 pandemic despite some delays given the circumstances. The nonobservance of the June 2020 PC on net domestic assets of the central bank was minor and temporary—the target was set before the pandemic and a more expansionary monetary policy was warranted under the new circumstances. Given the large fiscal financing needs, staff supports the request that the remaining ECF disbursements be made in the form of budget support. Capacity to repay the Fund is adequate under the baseline. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies—adapted to the new circumstances of the COVID-19 pandemic—to continue and reinforce the program's objectives beyond the period of the arrangement.

Figure 4. Mauritania: Real Sector Developments, 2013-20

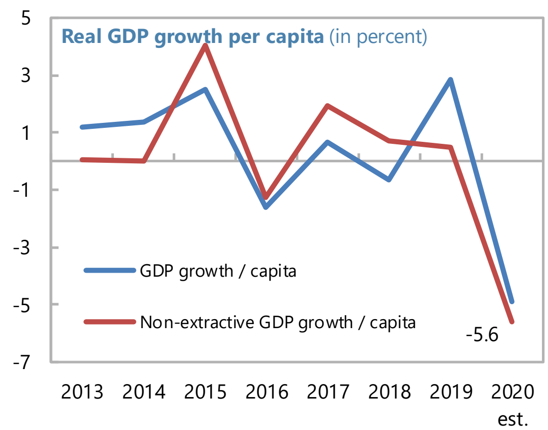
The Covid-19 pandemic is affecting both demand and production, leading to a contraction in activity in 2020.



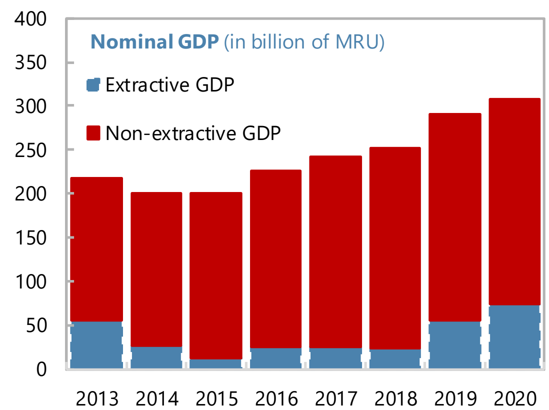
Services, agriculture, and fishing were all affected...



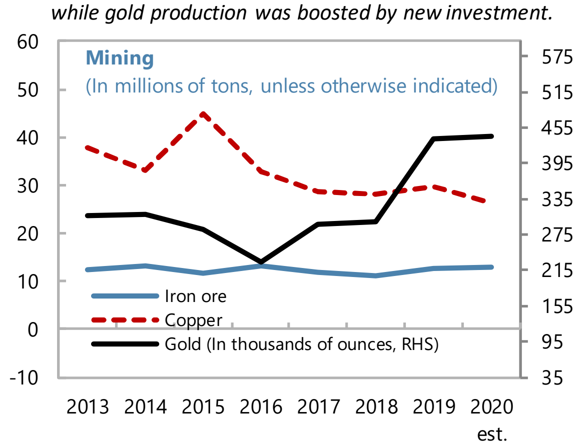
... and caused a contraction of non-extractive activity per capita by more than 5 percent.



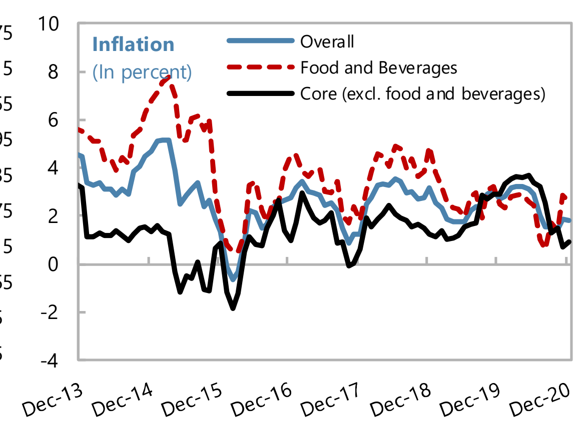
The extractive sector continued to grow as a share of GDP...



... as iron ore and copper production proved resilient, while gold production was boosted by new investment.



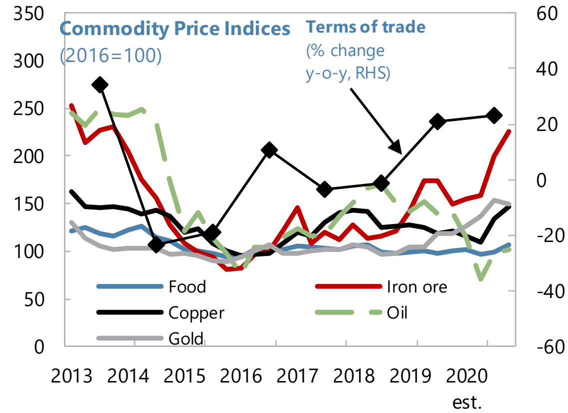
Meanwhile, inflation remained subdued.



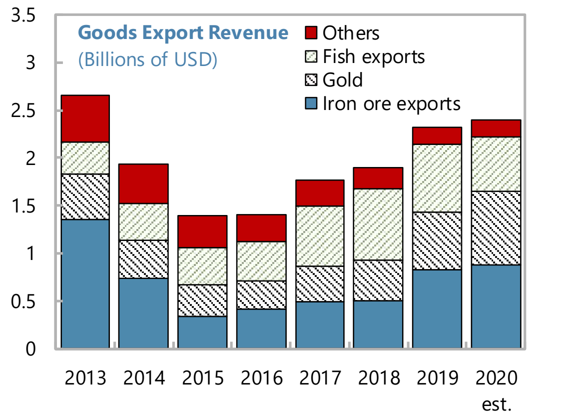
Sources: Mauritanian authorities; and IMF staff estimates and projections.

Figure 5. Mauritania: External Sector Developments, 2013-20

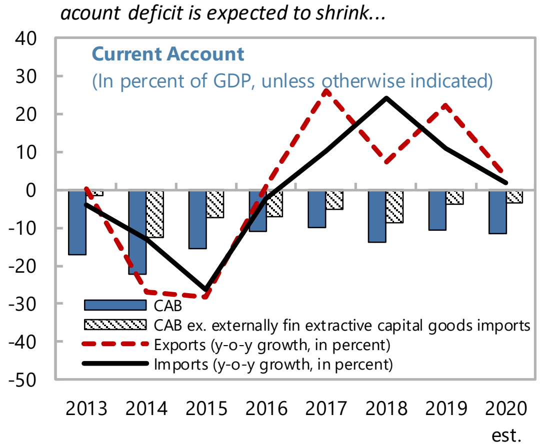
Terms of trade remain favorable so far given resilient metals prices and low oil prices...



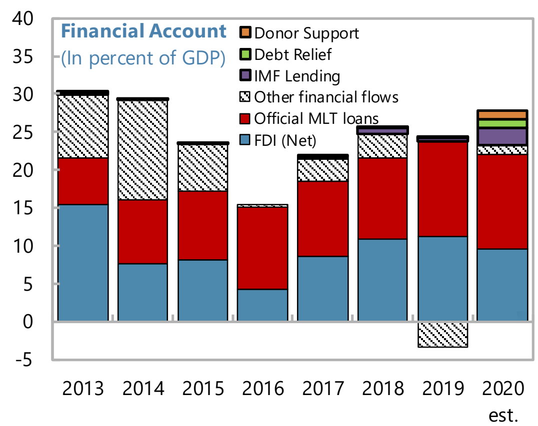
... but the fall in the global demand for fish has undermined the increase in demand for extractive commodities.



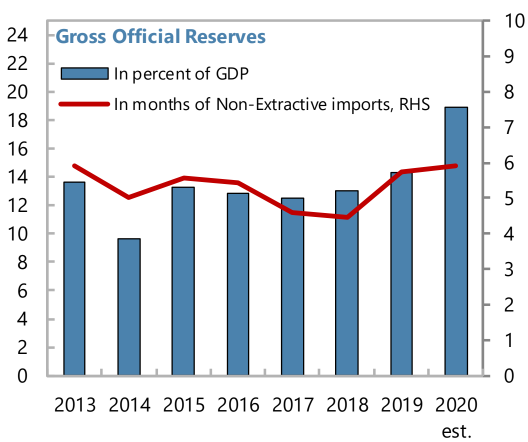
As imports dropped faster than exports, the current acount deficit is expected to shrink...



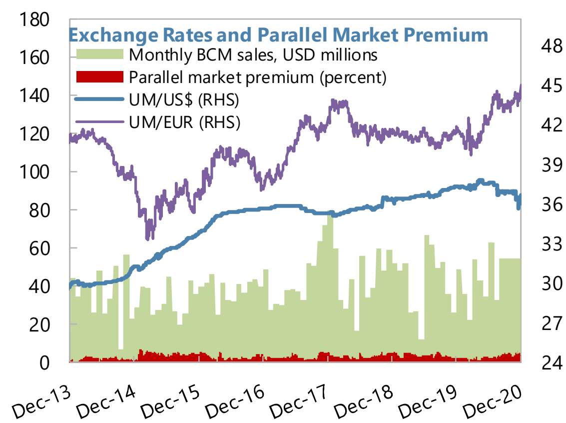
Significant official financing and exceptional budget support have helped fight the pandemic...



... and have helped support official reserves...



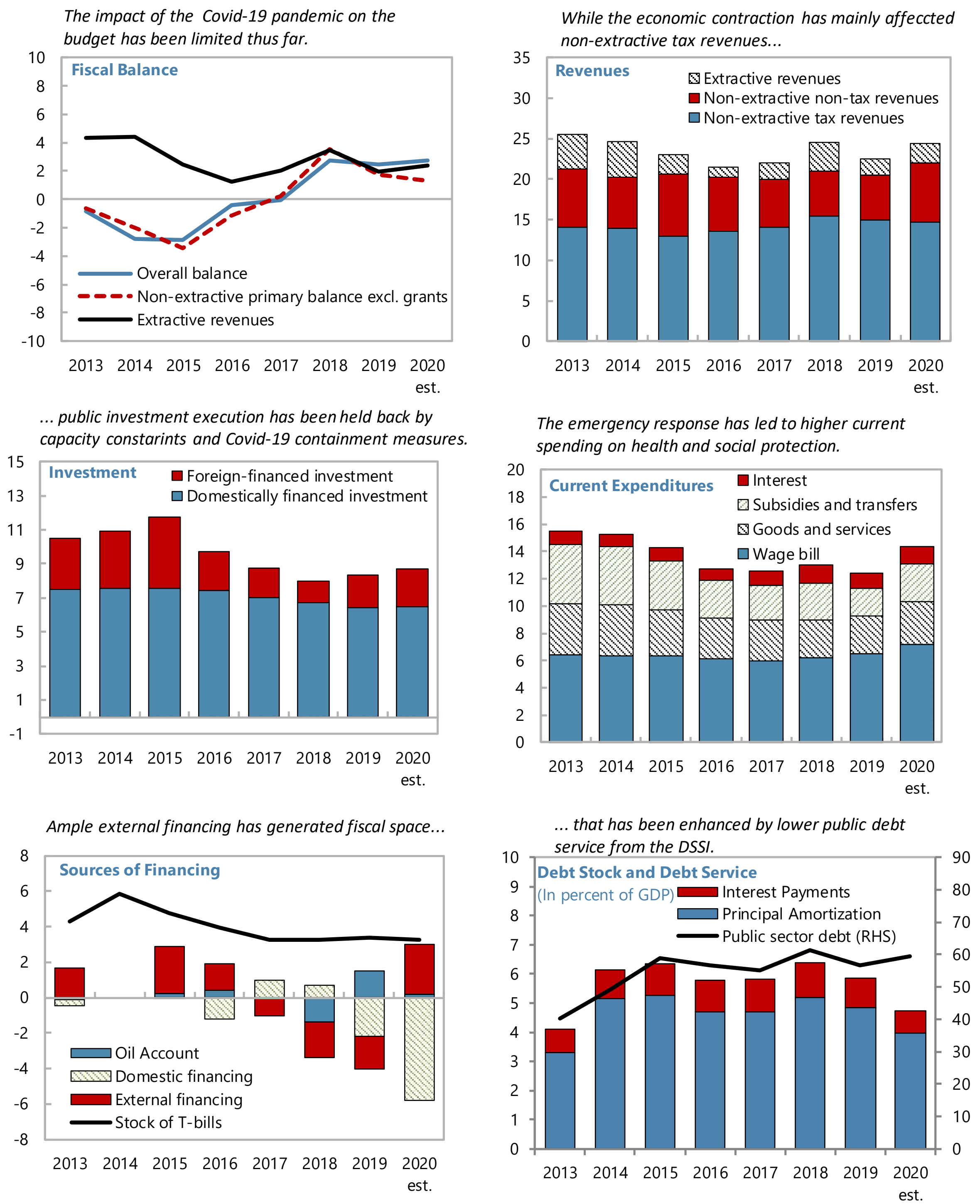
...while the exchange rate appreciated slightly against the dollar and deppreciated against the euro ...



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

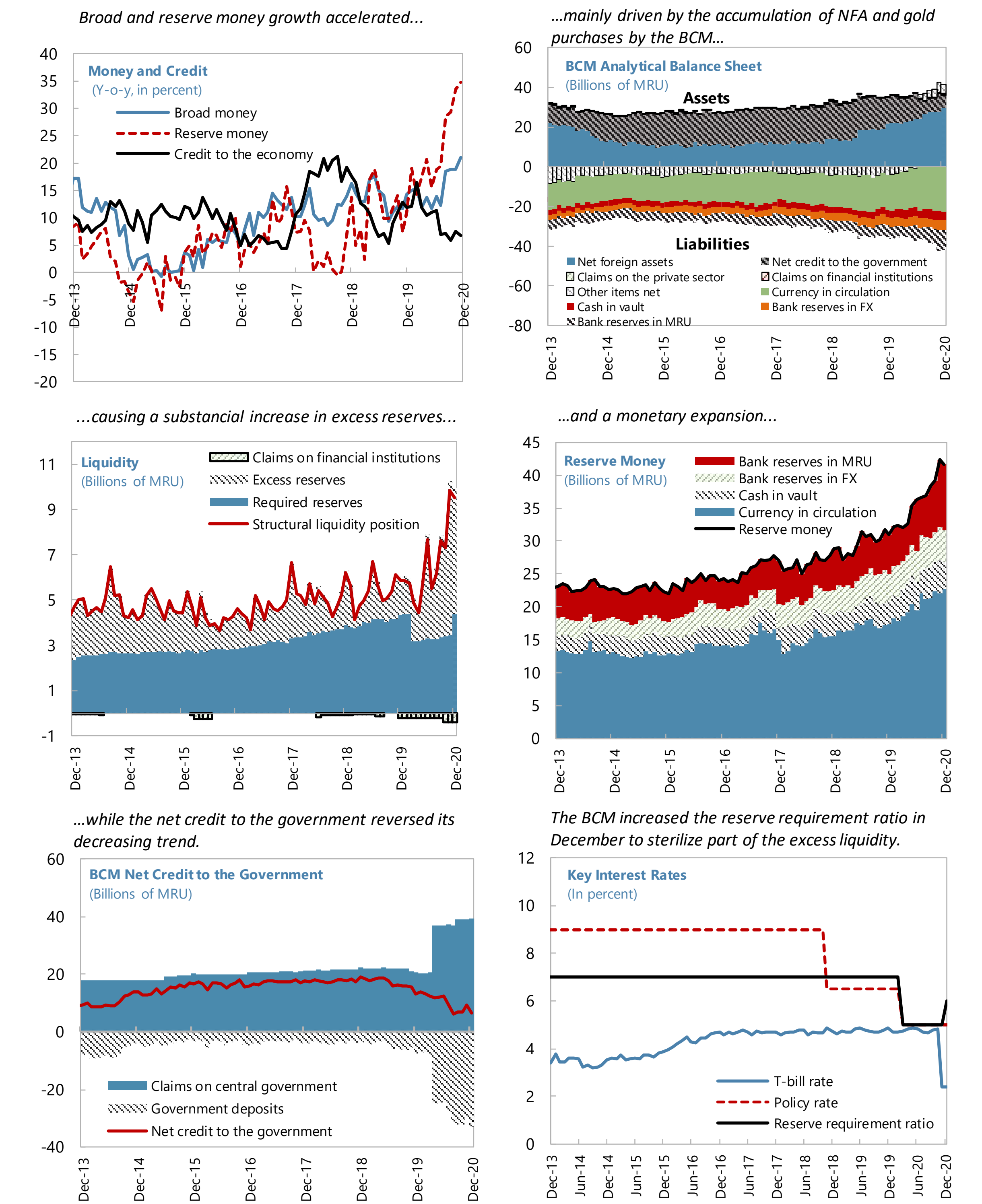
Figure 6. Mauritania: Fiscal Sector Developments, 2013-20

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



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

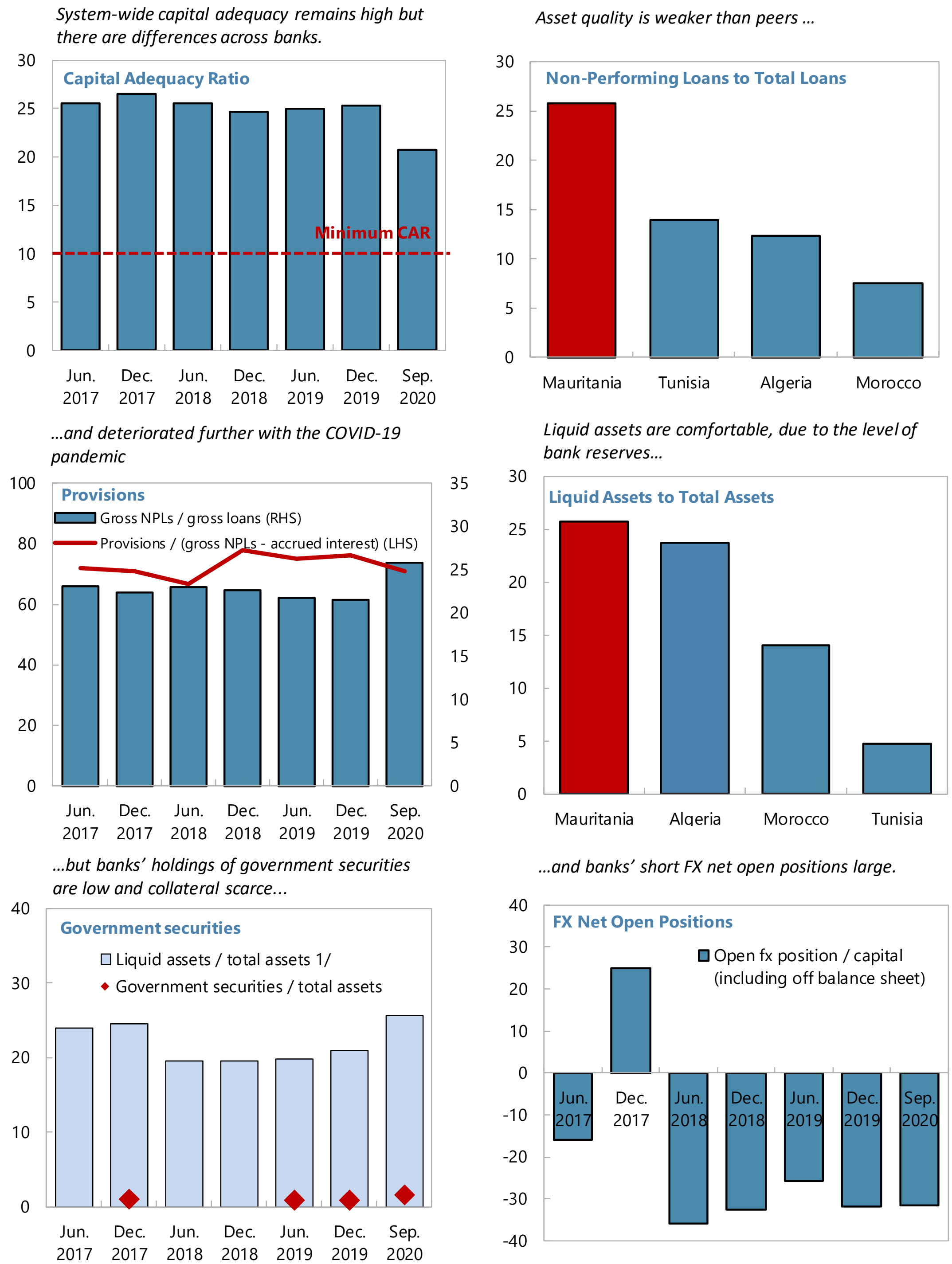
Figure 7. Mauritania: Monetary Sector Indicators, 2013-20



Sources: Mauritanian authorities; and IMF staff calculations.

Figure 8. Mauritania: Financial Sector Indicators, 2017-20

(In percent)



Sources: National authorities, and IMF staff calculations.

Notes: Ratios follow national standards, and observations are in: September 2020 for Mauritania, 2017 for Algeria, December 2019 for Morocco, and September 2019 for Tunisia.

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

Table 1. Mauritania: Macroeconomic Framework, 2017-26

Poverty rate: 31 percent (2014) | Quota: SDR 128.8 million
Population: 4.4 million (2018) | Main exports: iron ore, fish, gold - mainly to China and EU

	2017	2018	2019	2020	2020	2020	2021	2021	2022	2023	2024	2025	2026
			Est.	RCF	5th Rev.	Proj.	5th Rev.	Proj.	Projections				
				(Annual change in percent; unless otherwise indicated)									
National accounts and prices													
Real GDP	3.5	2.1	5.6	-2.0	-3.2	-2.2	2.0	3.1	5.6	7.5	4.7	3.7	3.8
Real extractive GDP	-6.2	-9.5	27.2	-1.4	-2.7	0.9	2.3	5.0	9.6	18.7	5.2	0.1	0.2
Real non-extractive GDP	4.7	3.5	3.2	-2.1	-3.3	-2.9	2.0	2.5	3.8	4.1	4.5	4.8	4.9
Real GDP per capita	1.2	-0.2	3.3	-4.2	-5.4	-4.4	-0.2	0.9	3.3	5.3	2.4	1.5	1.6
Iron ore production (million tons)	11.8	11.1	12.7	12.0	11.7	13.0	12.0	14.0	15.0	16.0	15.5	15.5	15.5
GDP deflator	3.7	1.8	9.6	4.1	5.5	7.8	4.1	12.1	-8.0	0.3	3.5	3.1	3.2
Nominal GDP	7.3	4.0	15.7	2.0	2.1	5.5	6.2	15.6	-2.9	7.9	8.3	6.9	7.1
Consumer prices (period average)	2.3	3.1	2.3	3.9	3.9	2.3	4.5	2.4	3.5	4.0	4.0	4.0	4.0
Consumer prices (end of period)	1.2	3.2	2.7	5.0	5.0	1.8	4.0	3.0	4.0	4.0	4.0	4.0	4.0
				(In percent of GDP)									
Savings and Investment													
Gross investment	30.5	28.4	39.9	41.4	42.0	42.2	43.8	49.4	43.8	37.5	34.6	34.4	35.1
Gross national savings	31.0	29.4	29.4	24.1	24.7	30.7	25.3	37.6	32.0	32.0	30.1	30.5	31.6
Saving - Investment balance	0.5	1.0	-10.5	-17.3	-17.3	-11.6	-18.5	-11.8	-11.9	-5.4	-4.5	-4.0	-3.6
				(In percent of nonextractive GDP; unless otherwise indicated)									
Central government operations													
Revenues and grants	22.8	25.0	24.4	21.6	20.7	27.2	22.0	24.5	24.5	24.6	24.8	24.6	24.6
Nonextractive	20.0	21.0	20.5	19.4	18.6	21.6	20.0	20.7	20.8	20.7	20.8	20.9	21.0
Taxes	14.1	15.5	15.0	13.8	12.7	14.3	14.7	15.1	15.3	15.4	15.5	15.6	15.7
Extractive	2.0	3.5	1.9	1.6	1.5	2.8	1.6	3.2	3.2	3.5	3.6	3.3	3.2
Grants	0.8	0.5	1.9	0.6	0.6	2.7	0.4	0.6	0.5	0.4	0.4	0.3	0.3
Expenditure and net lending	22.9	22.3	21.9	25.6	25.2	24.4	23.0	28.2	25.1	25.3	25.3	25.1	24.9
Of which: Current	14.0	14.3	13.7	17.9	16.7	15.8	14.3	18.2	16.5	16.6	16.5	16.4	16.3
Capital	8.7	8.0	8.3	7.7	8.5	8.7	8.7	10.0	8.6	8.7	8.8	8.7	8.6
Primary balance (excl. grants)	0.2	3.5	1.7	-3.2	-3.6	1.3	0.0	-3.0	0.2	0.2	0.4	0.5	0.7
Non-extractive primary balance (excl. grants)	-1.8	0.1	-0.2	-4.8	-5.1	-1.5	-1.6	-6.2	-3.1	-3.3	-3.2	-2.8	-2.5
Overall balance (in percent of GDP)	0.0	2.5	2.0	-3.4	-3.8	2.1	-0.8	-2.5	-0.5	-0.5	-0.4	-0.4	-0.2
Public sector debt (in percent of GDP) 1/	69.6	75.8	69.3	81.5	79.5	71.8	79.5	67.2	73.1	71.9	69.5	67.3	64.9
Public sector debt (in percent of GDP) 1/ 2/	55.1	61.4	56.5	67.8	65.8	59.5	66.1	56.3	61.6	61.0	59.2	57.9	55.9
				(Annual change in percent; unless otherwise indicated)									
Money													
Broad money	13.7	13.8	11.8	3.0	2.1	21.0	7.8	14.9	7.6	6.7	9.0	10.4	10.7
Credit to the private sector	7.5	19.4	12.9	5.1	4.3	6.8	10.0	9.4	11.8	10.9	11.3	11.2	11.3
External sector													
Exports of goods, f.o.b.	26.1	7.3	22.4	-12.2	-13.4	3.4	10.1	22.9	-8.6	11.7	4.0	0.9	0.6
Imports of goods, f.o.b.	10.2	24.2	11.1	-4.0	-4.7	2.0	4.2	13.1	-6.6	-3.3	-2.0	2.2	2.8
Terms of trade	-3.5	-1.2	20.8	10.3	13.5	23.2	3.4	12.2	-13.1	-1.2	3.7	3.4	3.2
Real effective exchange rate	-1.7	-0.3	1.3	...	...	...	...	...	...	...	...	...	...
Current account balance (in percent of GDP)	-10.0	-13.8	-10.5	-17.3	-17.3	-11.6	-18.5	-11.8	-11.9	-5.4	-4.5	-4.0	-3.6
Excl. externally financed extractive capital imports	-5.0	-8.6	-3.8	-12.1	-12.2	-3.3	-12.6	-7.0	-7.1	-4.0	-3.4	-3.0	-2.3
Gross official reserves (in millions of US$, eop) 3/	849	918	1,135	1,136	1,135	1,542	1,134	1,654	1,735	1,823	1,919	1,950	2,033
In months of prospective non-extractive imports	4.6	4.5	5.7	5.2	5.1	5.9	5.0	6.7	6.7	7.2	7.3	7.4	7.4
External public debt (in millions of US$)	4,567	4,608	4,769	5,263	5,158	5,178	5,276	5,451	5,588	5,695	5,704	5,737	5,753
In percent of GDP	67.3	65.4	60.1	71.0	69.4	63.3	69.8	59.0	64.1	61.8	58.5	56.3	53.8
External public debt (in millions of US$) 2/	3,573	3,614	3,776	4,269	4,164	4,184	4,282	4,457	4,594	4,701	4,710	4,743	4,759
In percent of GDP	52.7	51.3	47.6	57.6	56.1	51.2	56.7	48.2	52.7	51.0	48.3	46.5	44.5
Memorandum items:													
Nominal GDP (in billions of MRU)	241.9	251.5	291.0	284.4	284.8	307.0	302.4	355.0	344.6	371.8	402.7	430.5	461.0
Nominal non-extractive GDP (in billions of MRU)	216.2	227.0	236.2	240.9	238.9	232.8	252.9	245.5	264.1	284.4	307.2	331.6	358.5
Nominal GDP (in millions of US$)	6,784	7,048	7,930	7,417	7,428	8,176	7,554	9,239	8,724	9,210	9,748	10,195	10,685
Nominal GDP (US$, annual change in percent)	5.8	3.9	12.5	-2.4	-2.3	3.1	1.7	13.0	-5.6	5.6	5.8	4.6	4.8
Exchange rate (MRU/US$)	35.7	35.7	36.7	...	...	37.5	...	...	...	...	...	...	...
Price of oil (US$/barrel)	52.8	68.3	61.4	35.6	36.2	41.3	37.5	52.6	50.1	48.7	48.0	47.6	47.4
Price of iron ore (US$/Ton)	71.1	70.1	93.6	74.0	77.0	108.1	75.0	152.6	90.0	75.0	75.0	75.0	75.0
Price of gold (US$/Ounce)	1,257	1,269	1,392	1,640	1,699	1,770	1,767	1,861	1,875	1,897	1,915	1,933	1,951

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, 2017-26
(In millions of U.S. dollars, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023	2024	2025	2026
			Est.	RCF	5th Rev.	Proj.			Projections			
Current account balance	-681	-976	-831	-1,287	-1,285	-945	-1,093	-1,035	-499	-443	-409	-388
Excl. externally financed extractive capital imports	-337	-606	-303	-897	-908	-272	-646	-621	-365	-327	-306	-246
Trade balance	-327	-706	-570	-770	-776	-550	-388	-421	-2	180	142	74
Exports, fob	1,767	1,895	2,319	2,035	2,008	2,398	2,946	2,693	3,009	3,130	3,157	3,174
Of which: Iron ore	496	508	831	556	564	879	1,336	845	751	727	727	727
Hydrocarbons	65	11	0	0	0	0	0	0	361	550	549	548
Copper	139	148	145	99	106	131	127	81	55	0	0	0
Gold	370	420	596	772	780	772	817	972	1,056	1,002	1,011	1,021
Fish	625	750	712	569	550	571	638	728	712	775	791	801
Imports, fob	-2,094	-2,601	-2,889	-2,805	-2,784	-2,948	-3,334	-3,114	-3,011	-2,950	-3,015	-3,100
Of which: Food	-391	-495	-484	-590	-580	-693	-757	-637	-657	-600	-564	-539
Petroleum	-445	-624	-560	-396	-416	-425	-640	-602	-593	-566	-559	-571
Capital goods	-523	-558	-825	-714	-651	-928	-823	-751	-470	-471	-489	-543
Services and income (net)	-623	-471	-577	-650	-642	-617	-921	-793	-704	-834	-765	-679
Services (net)	-526	-432	-481	-640	-625	-567	-942	-872	-774	-694	-707	-781
Credit	230	250	313	219	219	278	227	235	242	248	258	236
Debit	-756	-682	-793	-860	-845	-845	-1,169	-1,107	-1,016	-943	-966	-1,017
Income (net)	-97	-38	-96	-9	-16	-50	21	79	70	-140	-58	102
Credit	71	80	86	154	156	48	205	220	227	227	241	254
Debit	-168	-119	-183	-164	-172	-99	-184	-141	-157	-367	-299	-152
Current transfers (net)	269	202	316	133	133	222	216	180	207	210	213	217
Private unrequited transfers (net)	93	97	102	52	52	88	91	105	109	112	116	120
Official grants	175	104	214	81	81	134	125	75	99	98	97	97
Capital and financial account	806	1,008	900	941	914	1,004	1,111	1,177	677	715	579	611
Capital account	11	19	22	0	0	32	0	0	0	0	0	0
Financial account	795	989	878	941	914	971	1,111	1,177	677	715	579	611
Foreign direct investment (net)	588	772	884	594	580	783	970	948	619	431	496	581
Official medium- and long-term loans	89	83	127	157	151	137	158	153	104	130	130	112
Disbursements	242	253	316	348	341	317	356	349	300	315	330	349
Of whch: GTA gas project	0	0	27	124	117	117	96	64	0	0	0	0
Amortization	153	169	189	191	189	180	198	196	196	185	200	237
SNIM medium- and long-term loans	-63	-63	-64	51	43	40	-35	-2	-43	17	25	20
Other financial flows	180	196	-69	139	139	12	19	79	-3	137	-72	-102
Errors and omissions	-82	159	19	0	0	0	0	0	0	0	0	0
Overall balance	43	191	88	-346	-371	59	19	143	178	272	170	224
Financing	-43	-191	-88	153	371	-59	-19	-143	-178	-272	-170	-224
Net foreign assets	-49	-195	-92	153	180	-250	-104	-99	-125	-219	-151	-204
Central bank (net)	-8	-57	-202	153	180	-247	-104	-92	-96	-179	-113	-165
Assets (negative=accumulation of reserves)	-26	-70	-219	0	0	-407	-113	-81	-88	-95	-31	-84
Liabilities	17	13	17	153	180	160	8	-11	-8	-83	-82	-81
Use of Fund resources	23	47	46	175	203	182	24	0	0	0	0	0
ECF (actual and prospective)	23	47	46	45	73	52	24	0	0	0	0	0
RCF	…	…	…	130	130	130	0	0	0	0	0	0
Other	-6	-34	-29	-22	-23	-22	-15	-11	-8	-83	-82	-81
Commercial banks (net)	-18	-44	25	0	0	-16	0	0	0	0	0	0
Hydrocarbon revenue fund (net)	-22	-93	85	0	0	12	0	-8	-28	-40	-38	-40
Exceptional financing (HIPC debt relief, DSSI)	5	4	5	0	96	96	86	-44	-53	-53	-19	-19
Exceptional official grants 1/	0	0	0	0	95	95	0	0	0	0	0	0
Residual financing gap	0	0	0	193	0	0	0	0	0	0	0	0
Memorandum items:												
Current account balance (in percent of GDP)	-10.0	-13.8	-10.5	-17.3	-17.3	-11.6	-11.8	-11.9	-5.4	-4.5	-4.0	-3.6
Excl. externally financed extractive capital imports	-5.0	-8.6	-3.8	-12.1	-12.2	-3.3	-7.0	-7.1	-4.0	-3.4	-3.0	-2.3
Trade balance (in percent of GDP)	-4.8	-10.0	-7.2	-10.4	-10.5	-6.7	-4.2	-4.8	0.0	1.9	1.4	0.7
Total external financing requirements (in percent of GDP)	13.2	17.2	13.7	20.7	20.7	14.5	14.6	14.7	8.0	6.5	6.0	5.8
External public debt (in millions of US$)	4,567	4,608	4,769	5,263	5,158	5,178	5,451	5,588	5,695	5,704	5,737	5,753
(in percent GDP)	67.3	65.4	60.1	71.0	69.4	63.3	59.0	64.1	61.8	58.5	56.3	53.8
External public debt service (millions of US$)	204	275	276	275	186	186	198	331	344	410	388	420
(in percent of revenue)	15.3	17.6	19.1	20.8	14.8	12.3	13.0	20.6	20.2	22.6	20.3	20.8
SNIM contribution to BOP (in millions of US$)	210	173	462	309	310	617	988	570	473	506	545	541
Gross official reserves (in millions of US$)	849	918	1,135	1,136	1,135	1,542	1,654	1,735	1,823	1,919	1,950	2,033
(in months of imports excluding extractive industries)	4.6	4.5	5.7	5.2	5.1	5.9	6.7	6.7	7.2	7.3	7.4	7.4
Hydrocarbon revenue fund	75	168	74	74	74	62	62	69	98	138	175	215
Nominal GDP (in millions of US$)	6,784	7,048	7,930	7,417	7,428	8,176	9,239	8,724	9,210	9,748	10,195	10,685

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

1/ Expected official grants to respond to the COVID-19 crisis, of which $70 million from the World Bank, $12 million from the EU, and $10 million from AfDB.

Table 3a. Mauritania: Central Government Operations, 2017-26

(In billions of MRU, unless otherwise indicated)

	2017	2018	2019	2020		2021			2022	2023	2024	2025	2026
			Est.	5th Rev.	Proj.	5th Rev.	Budget	Proj.			Proj.		
Revenues and grants	49.3	56.8	57.5	49.5	63.3	55.7	62.8	60.1	64.6	70.1	76.1	81.6	88.0
Revenues	47.6	55.6	53.1	48.1	56.9	54.7	58.9	58.5	63.4	68.9	74.9	80.5	86.9
Nonextractive	43.3	47.7	48.5	44.4	50.3	50.7	54.0	50.8	54.9	59.0	64.0	69.4	75.3
Tax	30.5	35.2	35.4	30.3	33.2	37.2	40.7	37.0	40.4	43.7	47.7	51.7	56.2
Nontax	12.8	12.5	13.1	14.0	17.1	13.5	13.2	13.8	14.5	15.3	16.3	17.7	19.1
Extractive	4.3	7.9	4.6	3.7	6.6	4.1	4.9	7.8	8.5	9.9	10.9	11.1	11.6
Oil and gas	1.9	6.3	1.8	1.0	0.5	1.0	0.0	1.0	1.7	3.6	4.7	4.6	4.9
of which gas	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.6	2.1	3.4	3.2	3.4
Mining	2.5	1.6	2.8	2.7	6.0	3.1	4.9	6.8	6.8	6.4	6.2	6.4	6.7
Grants 3/	1.7	1.2	4.4	1.4	6.4	1.0	3.9	1.6	1.2	1.2	1.1	1.1	1.1
Of which: Projects	0.6	1.0	1.8	0.0	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional support	…	…	…	…	3.7	…	…	…	…	…	…	…	…
Expenditure and net lending	49.4	50.6	51.6	60.2	56.8	58.1	70.0	69.1	66.4	72.0	77.8	83.3	89.2
Current	30.4	32.4	32.4	40.0	36.7	36.2	45.5	44.6	43.7	47.2	50.8	54.4	58.4
Compensation of employees	13.0	14.0	15.4	16.7	16.7	17.9	19.0	19.0	21.0	23.1	24.9	26.9	29.1
Goods and services	6.4	6.4	6.6	7.2	7.4	7.2	9.0	8.9	8.9	9.8	10.6	11.4	12.2
Subsidies and transfers 1/	5.5	6.0	4.8	10.2	6.4	5.6	10.4	9.5	7.9	8.2	8.5	9.1	9.8
Of which: Emergency program, incl. COVID-19	1.6	2.2	2.0	10.0	4.0	1.4	…	6.4	4.8	5.0	5.3	5.8	6.3
Energy subsidies	0.4	0.8	0.8	0.0	0.0	1.1	…	0.8	0.9	0.9	0.9	0.9	1.0
Arrears repayments	0.4	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Interest	2.2	3.1	2.6	3.6	2.9	3.4	3.0	3.2	3.4	3.7	4.1	4.5	4.9
External (before DSSI)	1.8	2.6	2.2	2.3	2.6	2.1	1.9	2.0	2.1	2.1	2.3	2.3	2.3
Domestic	0.5	0.4	0.5	1.3	0.3	1.3	1.1	1.1	1.4	1.5	1.8	2.2	2.6
Special accounts	1.5	1.1	1.4	0.7	0.8	0.7	2.0	2.2	0.7	0.7	0.7	0.7	0.7
Common reserves	1.1	1.2	1.4	1.5	2.5	1.4	2.1	2.0	1.8	1.9	2.1	2.0	1.9
Others	0.6	0.6	0.2	0.0	-0.1	0.0	0.0	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Capital	18.9	18.1	19.7	20.3	20.3	21.9	24.5	24.5	22.7	24.7	27.0	28.8	30.8
Foreign-financed	3.8	2.8	4.5	4.2	5.2	4.5	4.5	4.5	4.7	6.2	6.6	7.4	8.0
Domestically financed, incl. COVID-19	15.1	15.3	15.2	16.1	15.0	17.4	20.0	20.0	18.0	18.6	20.3	21.4	22.8
Net lending	0.2	0.2	-0.4	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	0.4	8.0	4.1	-8.5	3.0	0.1	-8.1	-7.4	0.4	0.6	1.2	1.7	2.6
Primary balance (excl. grants, prog. def.) 2/	…	6.5	3.9	-8.2	1.9	…	…	…	…	…	…	…	…
Primary balance	2.2	9.3	8.5	-7.1	9.4	1.1	-4.2	-5.8	1.6	1.7	2.4	2.9	3.7
Overal balance (excl. grants)	-1.8	5.0	1.5	-12.2	0.1	-3.4	-11.1	-10.6	-3.0	-3.1	-2.9	-2.8	-2.3
Overall balance	-0.1	6.2	5.9	-10.8	6.4	-2.3	-7.2	-9.0	-1.8	-1.9	-1.7	-1.6	-1.1
Financing	0.1	-6.2	-5.9	10.8	-6.4	2.3	…	9.0	1.8	1.9	1.7	1.6	1.1
Domestic	2.2	1.6	-5.1	-1.3	-13.7	2.9	…	8.2	6.3	6.3	6.4	4.8	3.5
Banking system	1.4	0.1	-4.2	0.1	-9.5	1.9	…	7.9	4.6	3.6	3.2	2.4	1.7
Treasury account	2.2	0.8	-5.3	-11.5	-20.0	3.4	…	7.7	3.0	1.0	2.5	2.5	2.6
Central bank	0.0	-0.6	0.0	11.5	11.4	-2.4	…	0.0	0.0	0.0	-2.5	-2.5	-2.6
Commercial banks	-0.8	-0.1	1.1	0.1	-1.0	0.9	…	0.2	1.6	2.6	3.2	2.4	1.7
Nonbanks	1.3	0.4	0.1	0.1	-0.4	0.9	…	0.2	1.6	2.6	3.2	2.4	1.7
Domestic arrears	0.2	0.1	1.4	-1.4	-1.3	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-0.6	1.0	-2.4	0.0	-2.4	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
External	-2.2	-7.7	-0.8	12.0	7.0	-0.5	…	0.8	-4.5	-4.4	-4.7	-3.2	-2.3
Hydrocarbon revenue fund (net)	-0.1	-3.1	3.5	0.0	0.5	0.0	…	0.0	-0.3	-1.2	-1.7	-1.6	-1.7
Oil and gas revenue	-1.9	-6.3	-1.8	-1.0	-0.5	-1.0	…	-1.0	-1.7	-3.6	-4.7	-4.6	-4.9
Transfer to the budget	1.8	3.1	5.3	1.0	1.0	1.0	…	1.0	1.4	2.4	3.0	3.0	3.2
Other external financing	-2.1	-4.6	-4.4	12.0	7.0	-0.5	…	0.8	-4.2	-3.2	-3.0	-1.6	-0.6
Borrowing (net)	-1.7	-4.3	-4.1	-3.1	-3.4	-3.7	…	-3.4	-2.5	-1.0	-0.8	-0.7	0.2
Disbursements	3.2	2.0	2.8	4.2	2.5	4.5	…	4.5	4.7	6.2	6.6	7.4	8.0
Amortization	-4.8	-6.3	-6.9	-7.3	-6.0	-8.2	…	-7.9	-7.2	-7.2	-7.4	-8.1	-7.8
Exceptional financing - debt relief (HIPC, DSSI)	0.0	0.2	0.3	3.7	3.6	0.0	…	3.3	-1.7	-2.1	-2.2	-0.8	-0.8
IMF (RCF)	0.0	0.0	0.0	5.0	5.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
IMF (ECF, actual and prospective)	0.0	0.0	0.0	2.8	2.0	0.0	…	0.9	0.0	0.0	0.0	0.0	0.0
Expected official grants 3/	0.0	0.0	0.0	3.7	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	…	…	…	0.0	0.0	3.2	…	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.1	-0.1	0.1	0.0	0.3	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:													
Real growth rate of public expenditure (percent)	2.8	-0.3	-0.3	12.4	7.6	-7.7	20.3	18.7	-7.2	4.3	3.9	3.0	3.0
Current (percent)	7.4	8.0	-2.1	18.9	10.9	-13.5	21.0	18.6	-5.5	4.1	3.4	3.1	3.2
Capital (percent)	-4.6	-12.0	6.3	-0.8	0.9	3.5	17.9	17.9	-10.3	4.7	4.8	2.8	2.6
Non-extractive primary balance (excl. grants)	-3.9	0.2	-0.5	-12.2	-3.5	-4.0	-13.0	-15.2	-8.1	-9.3	-9.7	-9.4	-9.0
Non-extractive primary balance	-2.2	1.4	3.9	-10.8	2.8	-3.0	-9.1	-13.6	-6.9	-8.2	-8.5	-8.2	-7.9
Basic budget balance (excl. grants) 4/	2.0	7.8	5.9	-8.0	5.3	1.1	-6.6	-6.1	1.7	3.1	3.8	4.6	5.7
Social spending	9.1	8.8	9.6	14.5	14.6	12.4	…	16.5	19.1	22.0	25.5	29.4	34.0
Poverty-reducing expenditure	9.1	8.8	…	32.0	…	29.2	…	…	…	…	…	…	…

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/ Disbursed official grants moved above the line for 2020 projection.

4/ Overall balance excluding foreign-financed investment expenditure.

Table 3b. Mauritania: Central Government Operations, 2017-26
(In percent of nonextractive GDP, unless otherwise indicated)

	2017	2018	2019	2020		2021			2022	2023	2024	2025	2026
			Est.	5th Rev.	Proj.	5th Rev.	Budget	Proj.			Proj.		
Revenues and grants	22.8	25.0	24.4	20.7	27.2	22.0	25.6	24.5	24.5	24.6	24.8	24.6	24.6
Revenues	22.0	24.5	22.5	20.1	24.4	21.6	24.0	23.9	24.0	24.2	24.4	24.3	24.2
Nonextractive	20.0	21.0	20.5	18.6	21.6	20.0	22.0	20.7	20.8	20.7	20.8	20.9	21.0
Tax	14.1	15.5	15.0	12.7	14.3	14.7	16.6	15.1	15.3	15.4	15.5	15.6	15.7
Nontax	5.9	5.5	5.6	5.9	7.4	5.3	5.4	5.6	5.5	5.4	5.3	5.3	5.3
Extractive	2.0	3.5	1.9	1.5	2.8	1.6	2.0	3.2	3.2	3.5	3.6	3.3	3.2
Oil and gas	0.9	2.8	0.8	0.4	0.2	0.4	0.0	0.4	0.7	1.3	1.5	1.4	1.4
of which gas	…	…	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.8	1.1	1.0	1.0
Mining	1.1	0.7	1.2	1.1	2.6	1.2	2.0	2.8	2.6	2.2	2.0	1.9	1.9
Grants 3/	0.8	0.5	1.9	0.6	2.7	0.4	1.6	0.6	0.5	0.4	0.4	0.3	0.3
Of which: Projects	0.3	0.4	0.8	0.0	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional support	…	…	…	…	1.6	…	…	… .	…	…	…	…	…
Expenditure and net lending	22.9	22.3	21.9	25.2	24.4	23.0	28.5	28.2	25.1	25.3	25.3	25.1	24.9
Current	14.0	14.3	13.7	16.7	15.8	14.3	18.5	18.2	16.5	16.6	16.5	16.4	16.3
Compensation of employees	6.0	6.2	6.5	7.0	7.2	7.1	7.7	7.7	8.0	8.1	8.1	8.1	8.1
Goods and services	3.0	2.8	2.8	3.0	3.2	2.8	3.7	3.6	3.4	3.4	3.5	3.4	3.4
Subsidies and transfers 1/	2.5	2.6	2.0	4.3	2.7	2.2	4.2	3.9	3.0	2.9	2.8	2.7	2.7
Of which: Emergency program, incl. COVID-19	0.7	0.9	0.8	4.2	1.7	0.6	…	2.6	1.8	1.8	1.7	1.7	1.8
Energy subsidies	0.2	0.3	0.3	0.0	0.0	0.4	…	0.3	0.3	0.3	0.3	0.3	0.3
Arrears repayments	0.2	0.0	0.0	0.0	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.0	1.3	1.1	1.5	1.3	1.4	1.2	1.3	1.3	1.3	1.3	1.4	1.4
External (before DSSI)	0.8	1.2	0.9	1.0	1.1	0.8	0.8	0.8	0.8	0.8	0.7	0.7	0.6
Domestic	0.2	0.2	0.2	0.6	0.1	0.5	0.4	0.5	0.5	0.5	0.6	0.7	0.7
Special accounts	0.7	0.5	0.6	0.3	0.4	0.3	0.8	0.9	0.3	0.2	0.2	0.2	0.2
Common reserves	0.5	0.5	0.6	0.6	1.1	0.5	0.9	0.8	0.7	0.7	0.7	0.6	0.5
Others	0.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	8.7	8.0	8.3	8.5	8.7	8.7	10.0	10.0	8.6	8.7	8.8	8.7	8.6
Foreign-financed	1.7	1.2	1.9	1.8	2.3	1.8	1.8	1.8	1.8	2.2	2.2	2.2	2.2
Domestically financed, incl. COVID-19	7.0	6.7	6.4	6.7	6.5	6.9	8.1	8.1	6.8	6.5	6.6	6.5	6.4
Net lending	0.1	0.1	-0.2	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	0.2	3.5	1.7	-3.6	1.3	0.0	-3.3	-3.0	0.2	0.2	0.4	0.5	0.7
Primary balance (excl. grants, prog. def.) 2/	…	2.9	1.6	-3.5	0.8	…	…	…	…	…	…	…	…
Primary balance	1.0	4.1	3.6	-3.0	4.0	0.4	-1.7	-2.4	0.6	0.6	0.8	0.9	1.0
Overal balance (excl. grants)	-0.8	2.2	0.6	-5.1	0.0	-1.3	-4.5	-4.3	-1.1	-1.1	-0.9	-0.8	-0.6
Overall balance	0.0	2.7	2.5	-4.5	2.8	-0.9	-2.9	-3.7	-0.7	-0.7	-0.6	-0.5	-0.3
Financing	0.0	-2.7	-2.5	4.5	-2.8	0.9	…	3.7	0.7	0.7	0.6	0.5	0.3
Domestic	1.0	0.7	-2.2	-0.6	-5.9	1.1	…	3.3	2.4	2.2	2.1	1.4	1.0
Banking system	0.6	0.0	-1.8	0.0	-4.1	0.8	…	3.2	1.8	1.3	1.0	0.7	0.5
Treasury account	1.0	0.4	-2.3	-4.8	-8.6	1.3	…	3.1	1.1	0.4	0.8	0.8	0.7
Central bank	0.0	0.0	0.0	4.8	4.9	-1.0	…	0.0	0.0	0.0	-0.8	-0.8	-0.7
Commercial banks	-0.4	-0.1	0.5	0.0	-0.4	0.4	…	0.1	0.6	0.9	1.0	0.7	0.5
Nonbanks	0.6	0.2	0.0	0.0	-0.2	0.4	…	0.1	0.6	0.9	1.0	0.7	0.5
Domestic arrears	0.1	0.1	0.6	-0.6	-0.6	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-0.3	0.5	-1.0	0.0	-1.1	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
External	-1.0	-3.4	-0.3	5.0	3.0	-0.2	…	0.3	-1.7	-1.5	-1.5	-1.0	-0.7
Hydrocarbon revenue fund (net)	-0.1	-1.4	1.5	0.0	0.2	0.0	…	0.0	-0.1	-0.4	-0.5	-0.5	-0.5
Oil and gas revenue	-0.9	-2.8	-0.8	-0.4	-0.2	-0.4	…	-0.4	-0.7	-1.3	-1.5	-1.4	-1.4
Transfer to the budget	0.8	1.4	2.2	0.4	0.4	0.4	…	0.4	0.5	0.8	1.0	0.9	0.9
Other	-1.0	-2.0	-1.8	5.0	3.0	-0.2	…	0.3	-1.6	-1.1	-1.0	-0.5	-0.2
Borrowing (net)	-0.8	-1.9	-1.8	-1.3	-1.5	-1.5	…	-1.4	-0.9	-0.4	-0.3	-0.2	0.1
Disbursements	1.5	0.9	1.2	1.8	1.1	1.8	…	1.8	1.8	2.2	2.2	2.2	2.2
Amortization	-2.2	-2.8	-2.9	-3.1	-2.6	-3.2	…	-3.2	-2.7	-2.5	-2.4	-2.5	-2.2
Exceptional financing - debt relief (HIPC, DSSI)	0.0	0.1	0.1	1.5	1.5	0.0	…	1.3	-0.7	-0.8	-0.7	-0.2	-0.2
IMF (RCF)	0.0	0.0	0.0	2.1	2.1	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
IMF (ECF, actual and prospective)	0.0	0.0	0.0	1.2	0.8	0.0	…	0.4	0.0	0.0	0.0	0.0	0.0
Expected official grants 3/	0.0	0.0	0.0	1.5	0.0	0.0	…	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	…	…	…	0.0	0.0	1.3	…	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	-0.1	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)	-1.8	0.1	-0.2	-5.1	-1.5	-1.6	-5.3	-6.2	-3.1	-3.3	-3.2	-2.8	-2.5
Non-extractive primary balance	-1.0	0.6	1.7	-4.5	1.2	-1.2	-3.7	-5.5	-2.6	-2.9	-2.8	-2.5	-2.2
Overall balance (in percent of GDP)	0.0	2.5	2.0	-3.8	2.1	-0.8	-2.0	-2.5	-0.5	-0.5	-0.4	-0.4	-0.2
Basic budget balance (excl. grants) 4/	0.9	3.4	2.5	-3.3	2.3	0.4	-2.7	-2.5	0.7	1.1	1.2	1.4	1.6
Social spending	4.2	3.9	4.1	6.1	6.3	4.9	…	6.7	7.2	7.7	8.3	8.9	9.5
Poverty-reducing expenditure	4.2	3.9	…	13.4	…	11.5	…	…	…	…	…	…	…

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/ Disbursed official grants moved above the line for 2020 projection.

4/ Overall balance excluding foreign-financed investment expenditure.

Table 4. Mauritania: Monetary Survey, 2017-23
(In billions of MRU at end-of-period exchange rates, unless otherwise indicated)

	2017	2018	2019	2020			2021	2022	2023
			Est.	RCF	5th Rev.	Proj.		Proj.	
Monetary survey									
Net foreign assets	7.0	10.0	18.5	13.5	12.4	27.0	32.9	37.2	42.1
Net domestic assets	55.4	61.0	60.9	68.2	68.7	69.0	77.4	81.5	84.7
Net domestic credit	74.9	86.7	89.7	94.4	92.9	86.4	101.8	116.9	131.3
Net credit to the government	18.6	19.6	13.9	14.7	14.0	5.5	13.4	18.0	21.7
Credit to the economy	56.3	67.1	75.8	79.6	79.0	80.9	88.4	98.8	109.6
Other items net	-19.6	-25.7	-28.8	-26.2	-24.3	-17.4	-24.4	-35.4	-46.6
Broad money (M2)	62.4	71.0	79.4	81.7	81.0	96.0	110.4	118.7	126.7
Monetary authorities									
Net foreign assets	11.7	13.8	21.6	16.8	15.7	29.5	35.6	39.9	44.8
Net domestic assets	15.3	15.1	9.4	15.0	15.8	12.2	12.3	11.6	10.0
Net domestic credit	18.2	19.5	13.7	13.3	13.3	7.2	14.7	17.7	18.7
Net credit to the government	17.8	19.0	13.1	13.1	13.1	6.5	14.2	17.2	18.2
Other items net	-2.9	-4.5	-4.3	1.8	2.6	5.0	-2.3	-6.1	-8.7
Reserve money	27.0	28.8	31.0	31.8	31.5	41.7	47.9	51.5	54.8
Currency in circulation	14.9	15.6	17.4	18.0	17.8	22.7	26.1	28.1	30.0
Reserves of banks	12.1	13.2	13.5	13.8	13.7	19.0	21.8	23.4	24.8
Of which : Banks deposits in FX	3.6	3.8	4.0	4.1	4.0	4.9	5.7	6.1	6.4
Commercial banks									
Net foreign assets	-4.7	-3.8	-3.1	-3.3	-3.3	-2.5	-2.6	-2.7	-2.8
Net domestic credit	56.8	67.3	76.2	80.9	79.4	79.6	87.3	99.4	112.8
Net credit to the government	0.8	0.5	0.8	1.6	0.8	-1.0	-0.8	0.9	3.5
Credit to the private sector	55.9	66.8	75.4	79.3	78.6	80.5	88.1	98.5	109.3
Other items net	-16.7	-21.2	-24.7	-27.7	-26.6	-22.3	-22.2	-29.5	-38.1
			(Annual change in percent)						
Monetary survey									
Net foreign assets	14.1	42.1	85.6	-27.2	-33.0	46.3	21.7	13.1	12.9
Net domestic assets	13.7	10.2	-0.3	12.1	12.8	13.3	12.3	5.2	3.9
Net domestic credit	8.1	15.7	3.4	5.2	3.6	-3.7	17.9	14.8	12.3
Net credit to the government	10.0	5.3	-28.9	6.1	0.4	-60.6	144.8	34.6	20.2
Credit to the economy	7.5	19.2	12.9	5.1	4.2	6.7	9.3	11.8	10.9
Other items net	5.2	-31.2	-12.3	9.3	15.7	39.7	-40.4	-45.2	-31.8
Broad money (M2)	13.7	13.8	11.8	3.0	2.1	21.0	14.9	7.6	6.7
Monetary authorities									
Net foreign assets	1.6	17.6	57.0	-22.5	-27.5	36.7	20.5	12.3	12.2
Net domestic assets	20.1	-1.5	-37.9	60.6	69.2	30.0	1.4	-6.0	-14.2
Net domestic credit	11.4	7.4	-29.8	-3.3	-3.3	-47.5	104.0	20.4	5.7
Net credit to the government	11.7	7.2	-31.1	0.0	0.0	-50.8	119.5	21.1	5.9
Reserve money	11.3	6.8	7.4	2.6	1.7	34.7	14.9	7.6	6.3
Commercial banks									
Net foreign assets	12.8	19.0	18.1	-5.3	-5.3	20.3	-6.6	2.0	2.4
Net domestic credit	7.0	18.6	13.2	6.2	4.3	4.5	9.7	13.8	13.5
Net credit to the government	-18.1	-36.3	48.4	109.7	7.2	-225.7	-22.9	-219.0	295.6
Credit to the private sector	7.5	19.4	12.9	5.1	4.3	6.8	9.4	11.8	10.9
Memorandum items:									
Broad money (M2) to GDP (in percent)	25.8	28.2	27.3	28.7	28.5	31.3	31.1	34.5	34.1
Velocity of broad money (to non-extractive GDP)	3.5	3.2	3.0	2.9	2.9	2.4	2.2	2.2	2.2
Credit to the private sector (percent of non-extractive GDP)	25.9	29.4	31.9	32.9	32.9	34.6	35.9	37.3	38.4
Net foreign assets of banks (in millions of U.S. dollars)	-132.6	-104.4	-83.3	-83.3	-83.3	-67.6	-67.6	-67.6	-67.6

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

Table 5. Mauritania: Banking Soundness Indicators, 2010-20

(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Sept.
Balance sheet											
Assets / GDP	31.1	30.9	32.5	35.2	42.5	43.2	45.6	52.5	55.6	54.1	39.4
Net private-sector credit / total assets	53.2	48.2	50.8	52.1	55.5	57.0	54.9	43.8	41.2	41.0	43.9
Public enterprise credit / total assets	13.3	10.2	7.2	3.4	6.9	3.3	5.4	5.3	4.7	5.3	4.3
Government securities / total assets	18.8	11.1	11.2	5.8	5.8	2.0	2.0	1.0	0.6	0.9	1.6
Private-sector credit growth (y-o-y)	16.0	10.6	15.1	14.9	21.3	8.0	8.3	7.5	19.4	12.8	7.2
Gross NPLs / gross loans	45.3	39.2	25.7	20.4	23.0	30.0	25.5	22.4	22.6	21.5	25.8
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	76.1	71.0
Provisions / loans 360+ days in arrears	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3	…	…	92.7
Deposits / total assets	59.3	60.9	59.1	57.8	61.0	60.8	59.0	60.2	55.6	63.2	62.3
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	94.7	90.7
Capital ratios											
Capital / total assets	16.7	18.5	17.5	18.7	14.7	13.7	14.2	13.8	12.9	18.4	15.4
Capital adequacy ratio (statutory min. = 10 percent) 1/	34.0	35.2	29.2	32.4	28.1	23.1	23.7	22.2	24.7	25.3	20.7
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	12.0	11.9
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	103.2	101.1
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	-31.8	-31.5
Profitability and liquidity											
Return on assets	0.4	1.2	1.4	1.2	1.2	0.7	…	0.6	0.4	0.5	…
Return on equity	2.7	6.0	8.4	6.4	6.6	5.1	…	3.4	3.5	3.1	…
Liquid assets / total assets 2/	29.5	29.7	29.8	24.0	23.5	21.4	17.0	24.6	19.6	20.9	25.7
Liquidity coverage ratio (statutory min. = 100 percent) 3/	…	…	…	…	…	…	…	…	…	…	158.9
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	…	…	35.7
Number of banks	10	12	12	15	15	16	16	17	17	18	18

Sources: Mauritanian authorities; and IMF staff.
1/ Revised definition from 2020.
2/ Liquid assets: cash, reserves, and treasury bills.
3/ Introduced in 2020, defined as liquid asset over 30-day ahead net outflows.

Table 6. Mauritania: External Financing Requirements and Sources, 2016-22

(In millions of U.S. dollars)

	2016	2017	2018	2019	2020			2021	2022
				Est.	RCF	5th Rev.	Proj.	Proj.	
Total Requirements	**-1,051**	**-1,035**	**-1,354**	**-1,325**	**-1,641**	**-1,572**	**-1,284**	**-1,426**	**-1,397**
Current account deficit, excl. grants	-877	-856	-1,080	-1,046	-1,368	-1,366	-1,079	-1,218	-1,110
External public debt amortization 1/	-175	-179	-274	-279	-273	-206	-206	-208	-287
Of which : Saudi Arabia	-5	-8	-8	-9	...	...	...	...	...
Arab Monetary Fund	0	-18	-46	-38	...	-28	-28	-23	-8
Arab Fund for Economic and Social Dev.	-35	-37	-45	-47	...	-54	-54	-63	-67
Islamic Development Bank	-10	-11	-30	-22	...	-22	-22	-25	-25
China	-18	-19	-18	-24	...	...	...	...	...
IMF	-10	-15	-19	-21	...	-20	-20	-14	-9
Total Sources	**1,051**	**1,035**	**1,354**	**1,325**	**1,273**	**1,178**	**912**	**1,316**	**1,397**
Foreign direct investment and capital inflows (net)	280	599	792	906	594	580	816	970	948
Official grants (baseline)	170	175	104	214	81	81	134	125	75
Of which : European Union	...	...	...	13	...	12	12	...	...
World Bank	26	26	15	34	...	35	35	...	...
AfDB	10	10	...	3	...	...	...	...	...
United Arab Emirates	40	...	2	...	...	...	...	...	...
Official loan disbursements (excluding IMF)	322	242	253	289	224	224	200	260	285
Of which : Arab Monetary Fund	100	...	...	...	...	...	...	...	...
Arab Fund for Economic and Social Dev.	81	122	110	164	...	...	...	...	...
Islamic Development Bank	51	25	14	7	...	...	...	...	...
China	39	7	11	...	...	...	...	...	...
India	...	9	53	39	...	...	...	...	...
Saudi Arabia	...	26	49	35	...	...	...	...	...
IMF disbursements	...	23	47	46	...	...	...	...	...
Other flows 2/	258	43	321	4	374	292	156	74	177
Drawdown of official reserves (negative = accumulation)	-2	-26	-70	-219	0	0	-407	-113	-81
Drawdown of oil account (negative = accumulation)	24	-22	-93	85	0	0	12	0	-8
Financing gap	...	...	...	...	**368**	**394**	**373**	**109**	**0**
Debt service suspension initiative (DSSI)					**n.a.**	**96**	**96**	**86**	**0**
IMF financing	...	...	...	...	**175**	**203**	**182**	**24**	**0**
RCF					130	130	130	0	0
ECF	...	...	...	...	45	73	52	24	0
Of which: Augmentation	...	...	...	...	...	28	28	0	0
Expected official grants	...	...	...	...	**0**	**95**	**95**	**0**	**0**
Residual financing gap					**193**	**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, 2021-35

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Payments to the Fund based on existing credit															
Principal (in million of SDRs)	8.83	6.62	6.07	11.59	26.13	43.06	43.06	38.09	31.46	16.93	0.00	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Payments to the Fund based on existing and prospective credit															
Principal (in million of SDRs)	8.83	6.62	6.07	11.59	26.13	44.71	46.37	41.40	34.78	20.24	1.66	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total payments to the Fund based on existing and prospective credit															
In millions of SDRs	8.87	6.66	6.11	11.63	26.17	44.75	46.41	41.44	34.82	20.28	1.70	0.04	0.04	0.04	0.04
In millions of US$	12.32	9.25	8.49	16.15	36.35	62.15	64.46	57.56	48.36	28.17	2.36	0.06	0.06	0.06	0.06
In percent of exports of goods and services	0.39	0.32	0.26	0.48	1.06	1.82	1.87	1.65	1.43	0.86	0.07	0.00	0.00	0.00	0.00
In percent of debt service	6.25	2.81	2.47	3.95	9.40	14.84	15.35	14.32	14.00	8.07	0.76	0.02	0.02	0.01	0.01
In percent of GDP	0.13	0.11	0.09	0.17	0.36	0.58	0.58	0.49	0.40	0.22	0.02	0.00	0.00	0.00	0.00
In percent of Gross International Reserves	0.74	0.53	0.47	0.84	1.86	3.06	3.18	2.84	2.26	1.31	0.11	0.00	0.00	0.00	0.00
In percent of quota	6.89	5.17	4.74	9.03	20.32	34.74	36.03	32.17	27.03	15.75	1.32	0.03	0.03	0.03	0.03
Outstanding Fund credit															
In millions of SDRs	239.6	232.9	226.9	215.3	189.2	144.4	98.1	56.7	21.9	1.7	0.0	0.0	0.0	0.0	0.0
In millions of US$	332.7	323.5	315.1	299.0	262.7	200.6	136.2	78.7	30.4	2.3	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	10.5	11.1	9.7	8.9	7.7	5.9	3.9	2.3	0.9	0.1	0.0	0.0	0.0	0.0	0.0
In percent of debt service	168.9	98.2	91.8	73.1	67.9	47.9	32.4	19.6	8.8	0.7	0.0	0.0	0.0	0.0	0.0
In percent of GDP	3.6	3.7	3.4	3.1	2.6	1.9	1.2	0.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0
In percent of gross international reserves	20.1	18.6	17.3	15.6	13.5	9.9	6.7	3.9	1.4	0.1	0.0	0.0	0.0	0.0	0.0
In percent of quota	186.0	180.9	176.1	167.1	146.9	112.1	76.1	44.0	17.0	1.3	0.0	0.0	0.0	0.0	0.0
Net use of Fund credit (in millions of SDRs)	7.73	-6.62	-6.07	-11.59	-26.13	-44.71	-46.37	-41.40	-34.78	-20.24	-1.66	0.00	0.00	0.00	1.00
Disbursements	16.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Repayments	8.83	6.62	6.07	11.59	26.13	44.71	46.37	41.40	34.78	20.24	1.66	0.00	0.00	0.00	0.00
Memorandum items:															
Exports of goods and services (in millions of US$)	3,173	2,928	3,251	3,379	3,415	3,411	3,455	3,493	3,373	3,293	3,307	3,322	3,337	3,353	3,370
Debt service (in millions of US$)	197	329	343	409	387	419	420	402	345	349	312	342	353	374	402
Nominal GDP (in millions of US$)	9,239	8,724	9,210	9,748	10,195	10,685	11,209	11,748	12,136	12,574	13,008	13,494	14,173	14,968	15,811
Gross international reserves (in millions of US$)	1,654	1,735	1,823	1,919	1,950	2,033	2,024	2,026	2,136	2,152	2,172	2,192	2,211	2,231	2,252
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 ECF Arrangement, 2017-21

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). *Drawn*
September 30, 2019	16.560	12.857	Completion of the fourth review (relevant PCs for end-June 2019). *Drawn*
March 31, 2020	36.800 2/	28.571	Completion of the fifth review (relevant PCs for end-December 2019). *Drawn*
September 30, 2020	16.560	12.857	Completion of the sixth (final) review (relevant PCs for end-June 2020).
Total	136.160	105.714	

Source: IMF staff calculations.
1/ Mauritania's quota is SDR 128.8 million. Percentages are rounded.
2/ Including an augmentation of SDR 20.24 million (about 15.714 percent of quota).

Table 9. Mauritania: External Debt Outstanding and Debt Service, 2019-25

(Based on end-2019 debt outstanding, excluding DSSI)

	Stock	Debt service							Stock	Debt service						
	2019	2020 May-Dec	2020 Jan-Dec	2021	2022	2023	2024	2025	2019	2020 May-Dec	2020 Jan-Dec	2021	2022	2023	2024	2025
	In millions of USD								In percent of GDP							
Public and Publicly Guaranteed (PPG) External Debt 1/	**3,775.5**	**185.4**	**282.2**	**276.6**	**258.1**	**250.1**	**309.8**	**305.7**	**47.6**	**2.3**	**3.5**	**3.0**	**3.0**	**2.7**	**3.2**	**3.0**
Multilateral	2,290.6	115.2	179.4	174.3	156.1	147.9	149.9	153.6	28.9	1.4	2.2	1.9	1.8	1.6	1.5	1.5
Arab Fund for Economic and Social Development (FADES) 2/	1,118.5	41.3	78.5	84.2	85.9	83.7	84.5	87.0	14.1	0.5	1.0	0.9	1.0	0.9	0.9	0.9
Islamic Development Bank (IsDB)	367.9	23.3	29.8	30.2	29.6	32.1	31.1	31.4	4.6	0.3	0.4	0.3	0.3	0.3	0.3	0.3
International Development Association (IDA)	377.1	7.2	10.4	11.4	13.1	13.3	14.5	15.8	4.8	0.1	0.1	0.1	0.2	0.1	0.1	0.2
International Monetary Fund (IMF) 3/	160.0	16.7	19.8	13.8	9.2	6.1	9.2	9.2	2.0	0.2	0.2	0.1	0.1	0.1	0.1	0.1
African Development Bank (AfDB) 4/	95.9	1.3	2.5	2.6	2.9	3.1	3.6	3.7	1.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arab Monetary Fund (AMF)	61.6	18.7	29.5	23.7	7.9	2.6	0.0	0.0	0.8	0.2	0.4	0.3	0.1	0.0	0.0	0.0
International Fund for Agricultural Development (IFAD)	58.6	2.5	3.0	3.1	3.1	3.1	3.0	3.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Organization of the Petroleum Exporting Countries (OPEC)	34.6	3.6	4.6	3.9	3.0	2.5	2.5	2.0	0.4	0.0	0.1	0.0	0.0	0.0	0.0	0.0
European Investment Bank (EIB)	9.2	0.7	1.4	1.4	1.4	1.4	1.4	1.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Organization of Arab Petroleum Exporting Countries (OAPEP)	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	1,457.9	70.1	101.0	100.5	100.2	100.5	158.1	150.4	18.4	0.9	1.2	1.1	1.1	1.1	1.6	1.5
Paris Club	113.3	7.8	10.1	10.3	10.2	10.9	9.6	8.1	1.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
France	89.2	4.2	6.0	6.1	6.1	6.9	6.8	6.7	1.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Spain	21.6	3.5	4.0	4.0	4.0	3.9	2.7	1.2	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Germany	2.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Paris Club	1,344.6	62.3	90.9	90.2	90.0	89.5	148.5	142.3	17.0	0.8	1.1	1.0	1.0	1.0	1.5	1.4
China	322.1	14.8	29.9	31.7	33.4	32.8	32.2	31.7	4.1	0.2	0.4	0.3	0.4	0.4	0.3	0.3
Saudi Arabia	610.7	18.5	23.2	20.4	20.4	23.2	83.3	81.6	7.7	0.2	0.3	0.2	0.2	0.3	0.9	0.8
India	107.4	8.6	8.6	9.8	9.5	9.1	8.8	8.4	1.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Kuwait 5/	187.2	11.5	16.1	15.1	13.6	11.3	11.2	11.0	2.4	0.1	0.2	0.2	0.2	0.1	0.1	0.1
Iraq	48.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Libya	46.6	4.2	8.5	8.5	8.5	8.5	8.5	4.2	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Other 6/	22.1	2.2	2.2	2.2	2.2	2.2	2.2	3.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial (BP, Kosmos Energy)	27.0	0.0	1.8	1.8	1.8	1.8	1.8	1.8	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State-Owned Mining Company (SNIM) Debt	**306.0**	**41.9**	**81.0**	**68.5**	**63.9**	**52.1**	**45.1**	**7.1**	**3.9**	**0.5**	**1.0**	**0.7**	**0.7**	**0.6**	**0.5**	**0.1**
Multilateral	205.2	25.9	48.5	39.7	38.2	36.9	35.8	7.1	2.6	0.3	0.6	0.4	0.4	0.4	0.4	0.1
African Development Bank (AfDB)	89.5	12.2	22.7	18.1	17.5	16.9	16.5	0.0	1.1	0.1	0.3	0.2	0.2	0.2	0.2	0.0
European Investment Bank (EIB)	56.3	7.7	13.7	10.8	10.3	9.9	9.4	0.0	0.7	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Islamic Development Bank (IsDB)	52.9	5.9	12.0	10.7	10.3	9.9	9.7	6.9	0.7	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Arab Fund for Economic and Social Development (FADES)	6.5	0.0	0.1	0.0	0.0	0.1	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	100.8	16.0	32.5	28.8	25.7	15.2	9.3	0.0	1.3	0.2	0.4	0.3	0.3	0.2	0.1	0.0
Paris Club	100.8	16.0	32.5	28.8	25.7	15.2	9.3	0.0	1.3	0.2	0.4	0.3	0.3	0.2	0.1	0.0
Germany	53.9	10.0	20.2	17.7	15.8	5.6	0.0	0.0	0.7	0.1	0.2	0.2	0.2	0.1	0.0	0.0
France	46.9	6.0	12.3	11.1	10.0	9.6	9.3	0.0	0.6	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Memorandum items																
DSSI - initial initiative 7/	…	-95.6	-95.6	0.0	34.1	34.1	34.1	0.0	…	-1.2	-1.2	0.0	0.4	0.4	0.3	0.0
DSSI - extension 7/	…	…	…	-85.8	9.6	19.1	19.1	19.1	…	…	…	-0.9	0.1	0.2	0.2	0.2
Passive debt to Kuwait Investment Authority (KIA)	994.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	12.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi deposit at the central bank (stock and debt service)	300.0	9.0	9.0	6.0	6.0	6.0	66.0	64.3	3.8	0.1	0.1	0.1	0.1	0.1	0.7	0.6
Nominal GDP	7,930	8176	8176	9239	8724	9210	9748	10195	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Mauritanian authorities and IMF staff estimates.

1/ Excluding SNIM and passive debt to Kuwait Investment Authority (KIA) under negotiation.

2/ July-December 2020 instead of May-December 2020.

3/ Excluding SDR allocations.

4/ Including debt from the African Development Fund (ADF), which is managed by the AfDB.

5/ Excluding passive debt to Kuwait Investment Authority (KIA).

6/ Mainly debt from Abu Dhabi Fund for Development (ADFD).

7/ DSSI participants for Mauritania include G20 countries and FADES on similar terms.

Table 10. Mauritania: Gross Domestic Product by Sector, 2010-2021

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
											Proj.	
	(Annual change, in percent)											
Real Gross Domestic Product	**2.6**	**4.2**	**4.5**	**4.2**	**4.3**	**5.4**	**1.3**	**3.5**	**2.1**	**5.6**	**-2.2**	**3.1**
Extractive GDP	**-6.3**	**-3.4**	**-5.1**	**7.6**	**8.2**	**-4.8**	**-3.4**	**-6.2**	**-9.5**	**27.2**	**0.9**	**5.0**
Oil and gas sector	52.1	-18.0	-43.4	33.8	9.1	-12.0	85.2	-20.2	-100.0	0.0	0.0	0.0
Non-oil sector	-12.3	-2.1	-2.3	6.2	8.1	-3.7	-8.1	-5.7	-5.4	27.2	0.9	5.0
Metals	-13.7	-1.8	-2.7	5.4	7.8	-5.8	-14.9	-6.3	-5.8	27.2	0.9	5.0
Iron ore	-13.0	-2.0	-2.9	4.3	10.0	-9.7	14.3	-11.3	-9.0	13.9	2.5	8.0
Gold and copper	-15.8	-1.1	-2.1	8.8	0.2	3.2	-38.4	6.1	0.0	43.7	-2.2	-0.2
Other, mainly quarries	7.5	-7.3	12.9	25.1	14.3	9.5	7.9	-2.5	-3.7	27.2	0.9	5.0
Non-extractive GDP	**4.5**	**6.7**	**9.1**	**3.0**	**2.9**	**6.9**	**1.6**	**4.7**	**3.5**	**3.2**	**-2.9**	**2.5**
Agriculture, livestock and fisheries	6.4	0.1	6.9	-2.0	-3.9	10.3	5.4	-2.9	0.7	11.1	-5.4	-2.2
Manufacturing	-6.0	5.6	11.1	6.7	-9.4	14.2	-5.2	20.3	-2.1	-4.4	-4.0	3.1
Construction	-10.5	18.9	2.8	2.7	0.9	4.4	-9.0	-1.3	14.1	-1.5	5.0	3.5
Transport and telecommunications	18.5	19.1	25.9	16.8	29.5	2.6	9.4	-0.5	4.4	2.5	-0.3	1.8
Trade	-4.4	6.7	7.5	-0.6	11.2	4.3	-1.6	11.8	2.7	1.3	-9.1	1.3
Other services	8.6	5.3	4.6	3.9	1.1	4.2	3.4	-0.2	5.6	2.9	0.7	2.2
Public administration	13.6	6.6	2.3	2.3	1.9	11.8	6.4	12.7	5.0	2.6	2.5	1.8
Net tax on products	18.5	16.6	25.7	3.5	7.9	2.7	0.1	9.7	6.8	1.3	-3.3	1.4
Non-extractive non-agriculture GDP	**4.0**	**8.6**	**9.8**	**4.4**	**4.8**	**6.0**	**0.5**	**7.2**	**4.4**	**3.1**	**-0.1**	**2.3**
	(Contribution to real growth, in percent)											
Real Gross Domestic Product	**2.6**	**4.2**	**4.5**	**4.2**	**4.3**	**5.4**	**1.3**	**3.5**	**2.1**	**5.6**	**-2.2**	**3.1**
Extractive	**-1.1**	**-0.9**	**-1.7**	**1.9**	**2.1**	**-0.6**	**-0.2**	**-0.7**	**-1.0**	**2.7**	**0.2**	**1.2**
Oil and gas sector	0.9	-0.4	-1.0	0.4	0.1	-0.2	0.3	-0.1	-0.5	0.0	0.0	0.0
Non-oil sector	-2.0	-0.5	-0.7	1.5	2.0	-0.4	-0.5	-0.6	-0.6	2.7	0.2	1.2
Metals	-2.1	-0.4	-0.8	1.2	1.8	-0.6	-0.6	-0.6	-0.5	2.2	0.1	1.0
Iron ore	-1.4	-0.4	-0.7	0.7	1.8	-0.7	0.3	-0.7	-0.5	0.6	0.3	1.0
Gold and copper	-0.6	-0.1	-0.1	0.5	0.0	0.1	-0.9	0.2	0.0	1.6	-0.1	0.0
Other, mainly quarries	0.1	-0.1	0.1	0.2	0.2	0.2	0.1	0.0	-0.1	0.5	0.0	0.2
Non-Extractive	**3.7**	**5.0**	**6.1**	**2.2**	**2.2**	**6.0**	**1.5**	**4.2**	**3.1**	**2.9**	**-2.3**	**1.9**
Agriculture, livestock and fisheries	1.2	0.0	1.0	-0.3	-0.6	1.9	1.1	-0.6	0.1	2.2	-1.0	0.7
Manufacturing	-0.7	0.6	0.9	0.6	-0.8	1.4	-0.5	1.9	-0.2	-0.5	-0.4	0.3
Construction	-0.3	0.6	0.1	0.1	0.0	0.2	-0.5	-0.1	0.6	-0.1	0.2	0.1
Transport and telecommunications	0.7	0.9	1.2	0.9	1.5	0.2	0.6	0.0	0.3	0.2	0.0	0.1
Trade	-0.6	0.8	0.8	-0.1	1.2	0.6	-0.2	1.4	0.3	0.2	-1.1	0.1
Other services	1.7	0.9	0.7	0.6	0.2	0.8	0.7	0.0	1.0	0.5	0.1	0.3
Public administration/service	0.8	0.4	0.1	0.1	0.1	0.7	0.4	0.8	0.3	0.2	0.2	0.1
Net tax on products	1.0	0.9	1.3	0.3	0.6	0.2	0.0	0.9	0.7	0.1	-0.3	0.1
Non-extractive non-agriculture GDP	**2.5**	**5.0**	**5.1**	**2.6**	**2.8**	**4.1**	**0.4**	**4.8**	**3.0**	**2.2**	**-0.1**	**1.3**
	(Percent of nominal GDP)											
Nominal Gross Domestic Product	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Extractive	**25.2**	**32.9**	**25.2**	**25.8**	**13.2**	**6.4**	**11.3**	**10.6**	**9.8**	**18.8**	**24.2**	**30.8**
Oil and gas sector	2.1	2.2	1.3	1.5	1.8	0.3	0.4	0.5	0.0	0.0	0.0	0.0
Non-oil sector	23.1	30.6	23.9	24.3	11.4	6.1	10.9	10.2	9.8	18.8	24.2	30.8
Metals	22.1	29.8	23.0	23.1	9.8	4.3	9.1	8.4	8.0	15.5	19.9	25.4
Iron ore	17.3	23.9	17.3	18.1	6.8	1.9	6.5	5.4	4.4	10.2	12.7	18.4
Gold and copper	4.8	5.9	5.7	5.1	3.0	2.4	2.6	3.0	3.6	5.3	7.2	7.0
Other, mainly quarries	1.1	0.9	0.9	1.2	1.6	1.8	1.8	1.8	1.7	3.3	4.3	5.5
Non-Extractive	**74.8**	**67.1**	**74.8**	**74.2**	**86.8**	**93.6**	**88.7**	**89.4**	**90.2**	**81.2**	**75.8**	**69.2**
Agriculture, livestock and fisheries	16.7	14.5	16.1	16.3	18.8	20.6	21.7	20.9	20.0	18.7	17.7	16.3
Manufacturing	9.9	7.9	8.5	8.5	9.9	10.4	9.1	10.7	10.7	9.0	8.3	7.5
Construction	3.1	3.3	3.8	4.3	5.4	5.9	4.8	4.2	4.0	3.5	3.4	3.2
Transport and telecommunications	4.9	4.6	5.5	5.0	5.9	6.1	6.6	6.4	6.3	5.7	5.4	4.9
Trade	11.5	10.7	11.6	11.1	13.6	13.7	12.1	13.1	13.4	12.0	10.6	9.5
Other services	17.8	15.7	16.5	16.8	19.0	20.2	19.0	17.9	18.6	16.7	15.4	13.7
Public administration/service	5.8	5.2	5.3	5.1	5.9	6.5	6.2	6.6	6.9	6.6	6.8	6.7
Net tax on products	5.1	5.2	7.6	7.2	8.4	10.1	9.2	9.6	10.1	9.0	8.1	7.3
Non-extractive non-agriculture GDP	**58.1**	**52.6**	**58.8**	**57.9**	**68.0**	**72.9**	**67.0**	**68.5**	**70.2**	**62.4**	**58.2**	**52.9**

Sources: Mauritanian authorities (2010-18); and IMF staff estimates and projections (2019-21).

Table 11. Mauritania: Risk Assessment Matrix 1/

Sources of Risks	Relative Likelihood	Expected Impact	Policy Response
		Global Risks: Conjunctural shocks and scenarios	
Unexpected shift in the COVID-19 pandemic - Asynchronous progress - Prolonged pandemic - Faster containment	 Medium Medium Medium	**High.** Lower global commodity prices (metals, gas, fish) and trade flows, and impact of lockdowns reduce extractive exports, FDI, and non-extractive growth with a negative impact on incomes, poverty, and external and fiscal positions, exacerbated by higher health spending. **Medium.** Higher global commodity demand and prices buoy growth and buttress external and fiscal positions.	- Sizable donor support needed. Use external and fiscal buffers. Greater exchange rate flexibility for medium-term adjustment. Structural reforms to diversify the economy. - Rebuild fiscal and external buffers. Use fiscal space to increase social and infrastructure spending toward SDGs. Structural reforms to diversify the economy and increase resilience.
Sharp rise in global risk premia exposes financial and fiscal vulnerabilities	Medium	**High.** Lower global demand reduces commodity exports and FDI, with negative impact on growth, poverty, and external and fiscal positions.	Use fiscal and external buffers. Greater exchange rate flexibility for gradual adjustment. Structural reforms to diversify the economy and export markets to increase resilience.
Widespread social discontent and political instability	High	**High.** Possibly lower development finance and aid flows. Lower trade flows reduce exports and FDI, with negative impact on domestic growth and poverty.	
Oversupply and volatility in the oil market	Medium	**High.** Reduced FDI in extractive industries and risks for gas development; negative impact on growth.	
		Global Risks: Structural risks	
Intensified geopolitical tensions and security risks	High	**High.** Adverse impact on regional trade. Fiscal and security-related costs from migration from neighboring countries. Negative impact on investor sentiment, economic diversification.	Create policy space for contingencies by consolidating the budget and broadening the tax base through reforms and economic diversification. Deepen regional security cooperation.
Accelerating de-globalization	Medium	**Medium.** Reduced prospects for FDI in new sectors (including gas) impacting diversification, exports, and growth.	Accelerate business climate reforms and increase exchange rate flexibility to boost competitiveness and mitigate shocks. Develop prudent borrowing plans based on concessional financing.
Cyber-attacks	Medium	**Medium.** Financial instability and disruptions in socioeconomic activities.	Strengthen the payments infrastructure and the central bank to reinforce its ability to safeguard financial stability.
Higher frequency and severity of natural disasters related to climate change	Medium/ Low	**High.** Reduced productivity of agriculture. Higher emergency spending. Risks to critical infrastructure. Social and economic disruption.	Improve infrastructure mitigation; increase fiscal buffers for contingencies. Structural reforms to diversify the economy and reduce dependency of agriculture on weather.
		Domestic Risks	
Political and social unrest; regional terrorist attacks	Medium	**High.** Higher public spending, including on security; impaired investor confidence and lower growth prospects.	Improve governance and business climate, strengthen anti-corruption frameworks. Promote inclusive growth and increase social spending.
Slower pace of reforms	Low	**High.** Negative impact on social outcomes, confidence, and growth.	Build consensus on reforms. Invest in human capital and institutions.
Reduced correspondent banking services	Medium	**Medium.** Curtailed cross-border payments affecting trade and remittances. Rise in informality.	Strengthen the AML/CFT framework and its implementation; step up outreach to foreign banks.

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. 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. The conjunctural shocks and scenario highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Annex I. Integration of Capacity Development in the Program, 2017–2021

Capacity development (CD) has been closely integrated in the ECF-supported economic program just completed, mainly through intensive technical assistance (TA) either from headquarters or from AFRITAC West. Program structural benchmarks have supported CD while CD activities have supported achievement of the program's objectives. A few examples are provided below.

Objective: *Creating fiscal space, improving spending efficiency, and strengthening budget institutions*

Program structural benchmarks	**Supporting CD**
New general tax code	TA on tax policy over three years
Revenue mobilization through performance-based tax administration and risk-based tax controls	Quarterly missions within three-year TA program
Customs valuation and post-clearance controls	Quarterly TA missions
New organic budget law and its implementation	Quarterly TA missions
Public investment prioritization and execution	TA on medium-term budgeting from the Fund and the World Bank. Public Investment Management Assessment (PIMA)
New domestic debt issuance and management framework	TA missions

Objective: *Develop a monetary policy framework and greater exchange rate flexibility*

Program structural benchmarks	**Supporting CD**
New monetary policy framework and instruments, interest rate corridor, and FX market reform	Quarterly TA missions and resident advisor
New interbank monetary and FX markets (regulations and technical platform)	Fund and African Development Bank TA missions
New collateral framework for monetary operations	TA missions

Objective: *Strengthen central bank governance and banking supervision*

Program structural benchmarks	**Supporting CD**
New central bank law, new banking law	MCM and LEG missions
New capital adequacy and liquidity ratios, risk-based banking supervision	Quarterly TA missions
New emergency liquidity assistance framework	TA missions
Prepare AML/CFT national risk assessment	World Bank TA

Other objectives supported by TA included in the program: strengthen statistics (missions on e-GDDS, national accounts, external, monetary, and government finance statistics), improve economic governance and the anti-corruption framework, expand social spending to achieve the SDGs, improve macro-fiscal modeling and projections, address cybersecurity risks in the banking sector.

Annex II. External Sector Assessment[1]

Mauritania's external position strengthened significantly in 2019–20 despite the COVID-19 pandemic on the back of favorable terms of trade. Staff assesses that the external position was moderately stronger than medium-term fundamentals and desirable policy settings in both years. However, imbalances are expected to widen in the near term following the COVID-19 pandemic and risks are tilted to the downside. In response to the shock, external development partners including the IMF and the World Bank provided sizable financing, which created space for social and infrastructure spending and supported foreign exchange reserves. Priorities to address external imbalances include greater exchange rate flexibility and structural reforms to boost productivity, in line with the authorities' Fund-supported program.

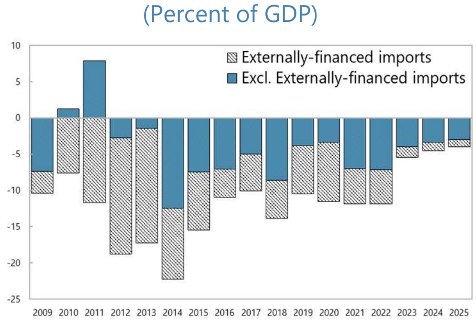
Recent Developments and Outlook

1. The current account deficit narrowed significantly in 2019 on the back of favorable terms of trade, especially high iron ore and gold prices. The terms of trade improved by about 21 percent in 2019, leading to an increase in exports by 22 percent, while imports (excluding externally financed capital imports of extractive sectors) increased by only 6 percent on the back of higher foodstuff imports. As a result, the current account deficit narrowed from 8.6 percent of GDP in 2018 to 3.8 percent of GDP in 2019 (excluding externally financed capital imports of extractive sectors, which are reserve neutral).

2. The external deficit is projected to have narrowed further in 2020 following a further 12 percent improvement in terms of trade, to 3.3 percent of GDP—despite COVID-19-related low fish exports and high foodstuff imports, due to favorable commodity export markets for iron ore and gold as well as increased production capacity which has supported exports, and lower public spending and oil import prices that have reined in imports. However, in 2021, the current account deficit is projected to widen to 7 percent of GDP on the back of a resumption of priority social and infrastructure spending, before narrowing in the medium term along with the start of gas exports in 2023.

Current Account Balance

(Percent of GDP)



Sources: Mauritanian authorities and IMF staff calculations.

International Commodity Prices

(In U.S. dollars)

Sources: Bloomberg database; and IMF staff calculations.

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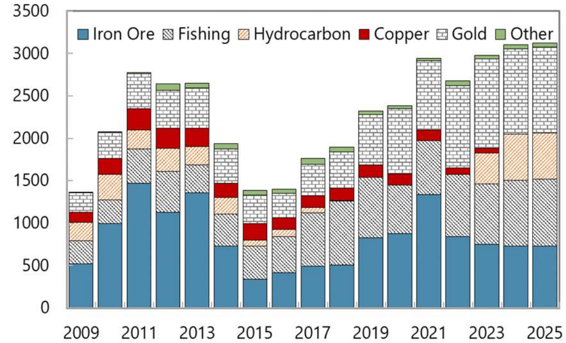
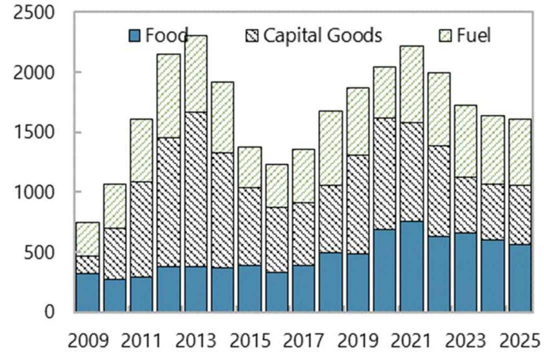
[1] Prepared by Eric Pondi Endengle (SPR).

Exports
(In millions of USD)



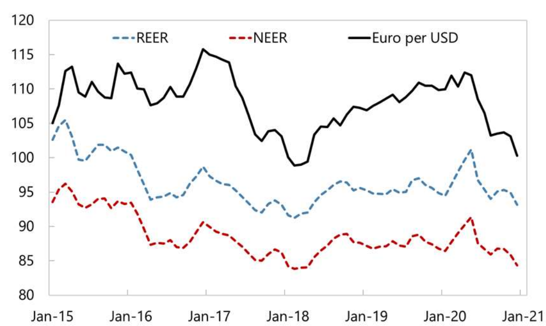
Imports
(In millions of USD)



Sources: Data from authorities and IMF staff calculations.

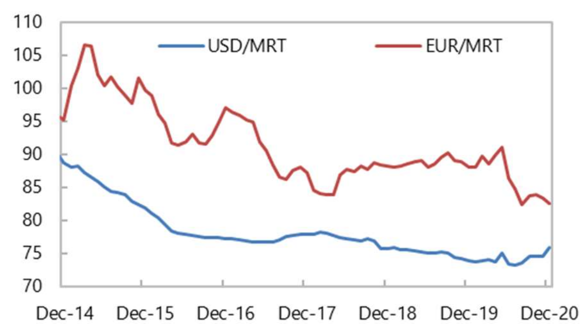
3. The real effective exchange rate (REER) appreciated in the first half of 2020 before declining, from May onwards, along with the depreciation of the U.S. dollar. The authorities continued to maintain a narrow crawling band with the U.S. dollar. As a result, the REER peaked in May on the back of a strong U.S. dollar, before declining due to its depreciation. As of December 2020, the exchange rate had appreciated vis-à-vis the U.S. dollar by 2.3 percent y-o-y in real terms (2.7 percent in nominal terms) and had depreciated vis-à-vis the euro by 8.2 percent y-o-y in real terms (6.3 percent in nominal terms).

Mauritania: Effective Exchange Rate
(Index, June 2010=100)



Sources: Mauritanian authorities and IMF staff calculations.

Exchange Rates
(Index, 2010=100)



Sources: Mauritanian authorities, Haver, and IMF staff databases.

Model-Based Estimates of External Balance

4. According to the EBA-lite methodology, the external position was moderately stronger than warranted by medium-term fundamentals and desirable policy settings in 2020—an upgrade from the assessment based on 2018 outturns. Based on current projections, the current account (CA) model suggests a positive current account gap of 1.1 percent of GDP in 2020 (indicating that the current account was moderately stronger than warranted by fundamentals) and a 4.1 percent undervaluation of the real exchange rate, while the REER model suggested a

7.5 percent undervaluation.[2] On balance, staff assessed the real exchange rate to be undervalued by about 4-8 percent. However, should the current account deteriorate by 2021 as projected, the assessment would change to an external position being moderately weaker than fundamentals—although there is much uncertainty around those short-term external projections.

Mauritania: External Balance Assessment (EBA-lite) 1/
(In percent of GDP, unless otherwise indicated)

	Current Account model	Real Effective Exchange Rate model
Current Account Reference (2020) 2/	**-5.3**	-
Current Account Norm 3/	**-6.4**	-
Current Account Gap	**1.1**	**2.1**
o/w Policy gap 4/	2.9	-
Real Exchange Rate Gap (in percent) 5/	**-4.1**	**-7.5**

Source: IMF staff estimates.
1/ Based on the Revised EBA-lite methodology (October-2020 template)
2/ For the CA method: 2020 outcome excluding extractive sector FDI financed imports of goods, cyclically adjusted. For the REER method: 2020 outcome.
3/ Multilaterally Consistent Cyclically adjusted CA Norm
4/ World policy gaps, notably fiscal policy in the rest of the world being more expansionary than desirable, among other factors results in a positive policy gap. The resulting large negative residual (i.e. the difference between the CA gap and policy gap) may reflect unmeasured structural policy gaps. Deviations in world variables from desirable levels also lead to a positive policy gap in the REER model.
5/ Positive numbers indicate overvaluation, in percent. The elasticity of the current account to the real exchange rates used in the current account model is -0.27. The change from the previous elasticity estimate (-0.348) stems from the variations in the ratios Import/GDP and Export/GDP

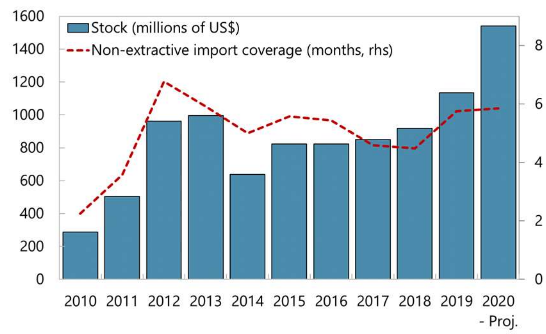
5. **The application of both models to Mauritania faces challenges** arising from data weaknesses, short sample periods owing to data gaps, and the poor statistical fit of the regressions possibly reflecting unmeasured structural factors. The REER model is less reliable for countries such as Mauritania with data issues or that have experienced large structural changes. Because of uncertainties with both models, staff recognizes that the magnitude of the real exchange rate over- or undervaluation is uncertain. Furthermore, non-regression-based approaches could also be applied to Mauritania as a resource-rich country. For example, a consumption-based approach estimating inter-generational and precautionary needs would likely suggest the need for additional buffers. However, these approaches are sensitive to calibration assumptions, and would require additional research and policy dialogue, including in the context of the fiscal management principles that may be applied to the offshore gas revenues expected in a few years.

[2] The EBA-lite current account and real effective exchange rate models estimate the cyclically adjusted current account and REER through panel models that control for policy variables, non-policy fundamentals, and exogeneous factors. The gaps are computed with respect to the desirable policy levels. For the EBA-Lite CA assessment, the reference current account excludes externally financed imports of capital goods of the extractive sector, as these self-financed investments are largely unrelated to the country's external competitiveness and are based on longer-term considerations and developments in global mineral commodity markets.

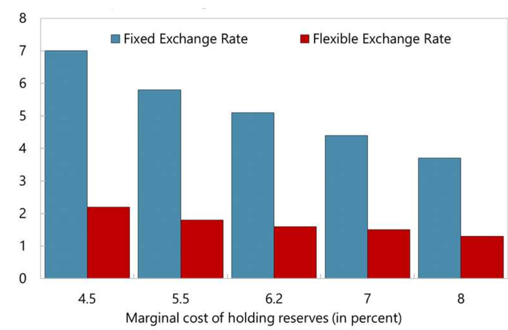
Reserve Adequacy

6. Gross official reserves, which have been increasing steadily since the 2014 terms-of-trade shock on the back of prudent policies and sizable external support, are assessed to be adequate. The LIC reserves metric suggests that an adequate level of reserves would amount to 5.1 months of non-extractive sector imports, assuming a fixed exchange rate and an IMF program,[3] slightly higher than the previous estimate of 4.9 months (in late 2019).[4] By comparison, actual reserves reached 5.7 months of non-extractive imports at end-2019 and 5.9 months at end-2020.[5] While the assessment of the adequate level of reserves is sensitive to the assumed marginal cost of holding reserves—which is uncertain—Mauritania's official reserves would be assessed as more than adequate using a reasonable range of values for that cost. However, given past large variations in key mineral exports such as iron ore and gold, a large share of price-inelastic imports (such as foodstuffs), and high dependence on imports, a higher level of reserves than indicated by the reserve adequacy metric could be considered appropriate to avoid an overly abrupt adjustment in case of exogenous shocks.

Gross Reserves



Optimal Level of Reserves: IMF Program
(Months of imports, excluding extractive industries)



Sources: Mauritanian authorities and IMF staff estimates.

[3] The model applied to Mauritania assumes a fixed exchange rate (since the exchange rate is managed in a crawl-like arrangement with minimal variation in the past twelve months), the presence of an IMF program, and the standard 6.2 marginal cost of holding reserves.

[4] The increase in the adequate level of reserves is primarily due to a lower fiscal balance, which increase the probability of a crisis and the marginal benefit of holding reserves, as well as a slightly lower ratio of imports to GDP which reduces the opportunity cost of holding reserves.

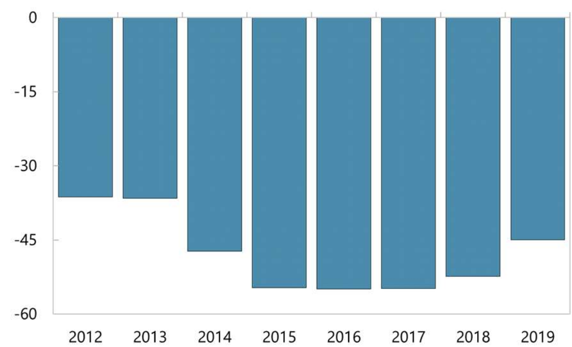
[5] The reserves metric uses contemporaneous imports in the calculation of the adequate level, while the program indicator is based on one-year ahead imports. In both cases, the measure of imports excludes imports of goods and services of the extractive sector which are externally financed, in large part by FDI.

Foreign Assets and Liabilities

7. The net asset-liability position of the public sector has improved over the past three years on account of lower debt disbursements and higher reserve accumulation. Mauritania had resorted to sizable external financing during 2014-16 to finance infrastructure projects and support reserves. Since 2017, under the ECF-supported arrangement, the authorities have committed to avoiding new borrowing on non-concessional terms, with few exceptions. The difference between international reserves and public and publicly guaranteed external debt improved by 6.6 percentage points in 2019, from a 2.5 percent points increase the year before. Although the final 2020 debt data are not yet available, preliminary estimates suggest that the upward trend in the net asset position has continued.

Public sector: External Asset-Liability Position

(Reserves – PPG External Debt; in percent of GDP)



Sources: Mauritanian authorities and IMF staff estimates.

Appendix I. Letter of Intent

ISLAMIC REPUBLIC OF MAURITANIA **CENTRAL BANK OF MAURITANIA**

Nouakchott, February 15, 2021

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington DC

Madame Managing Director,

The COVID-19 pandemic is causing a massive and unprecedented impact on the population and the economy of Mauritania. It affects human lives, people's health and their livelihoods, and threatens to destroy the social and economic fabric of our country. In consultation with WHO and other United Nations agencies, we have taken important steps to contain the spread of the pandemic and to mitigate its impact. We imposed containment measures and suspended non-core business activities, which had a dramatic effect on the economy. We estimate that the economy contracted by around 2 percent in 2020 (less than the 3 percent previously estimated, but in contrast to the pre-crisis growth projection of over 6 percent).

To mitigate the consequences of this scourge, we have adopted a budget for 2021 that includes all the emergency spending related to the fight against the pandemic, following those already implemented in 2020. Thus, we have increased our spending on health and related public services, extended social protection for the most deprived, introduced support measures for households and small businesses and supported national production. This budget law reflects our new priority recovery program adopted in September 2020, which revolves around six pillars: (i) development of growth-supporting infrastructure; (ii) improvement of social services and support for demand; (iii) development of productive sectors' potential and achievement of food self-sufficiency; (iv) support to the private sector (formal and informal); (v) reforestation and creation of green jobs; and (vi) governance and program implementation. As a result, the economy is expected to grow again by more than 3 percent in 2021.

Despite the considerable impact of the pandemic on the population and the economy, the medium-term economic and social program, supported by the IMF since 2017, continued to be implemented. This program aims to consolidate macroeconomic stability; promote strong, durable, and inclusive growth; develop human capital and access to basic social services; reduce poverty; and improve all dimensions of governance.

We will pursue these economic and social policies in the context of the Strategy for Accelerated Growth and Shared Prosperity (SCAPP) covering 2016–30, which constitutes a flexible intervention framework allowing us to integrate the main challenges posed by the multifaceted crisis caused by the COVID-19 pandemic. Our economic policies 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.

In the immediate term, our policies aim to allocate enough resources to critical spending on health, economic resilience, emergency services, economic resilience, and social protection. We are carrying out all expenditures through regular budget procedures and are ensuring that all resources devoted to emergency response are tracked, accounted for, and reported in a transparent manner. To avoid the misuse of resources, we are carefully monitoring emergency spending and publishing on the website of the Ministry of Finance the bimonthly reports on the execution of spending of the COVID-19 response fund. To strengthen the transparency of the public procurement contracts financed by this fund, we have published the names of contracting companies and their legal owners, the nature of the goods and services, as well as the certification of delivery. We will strengthen disclosure requirements on beneficial ownership for those contracts, with support from Fund technical assistance. We have also asked the Court of Accounts to audit emergency spending and publish the results of those audits by September 2021. We have accelerated the deployment of the social transfer program targeting vulnerable households to reach the coverage of 100,000 households by end-2021. We have also provided food aid to the most vulnerable households. We will re-prioritize non-essential current and investment spending as needed to increase priority health and social spending. We will continue our ongoing efforts to strengthen the monitoring and management of public debt, with the support of donors' technical assistance. We will not contract new non-concessional loans beyond the envelope allowed under the current arrangement. Finally, to anchor this year's fiscal expansion within a medium-term fiscal framework that preserves debt sustainability, we will prepare a plan to unwind the temporary measures and return to a primary budget surplus once the crisis abates.

All the performance criteria but one were met and all three structural benchmarks under the three-year arrangement under the Extended Credit Facility approved by the IMF Board on December 6, 2017 were observed, although two of those with delay. The performance criteria relating to the net domestic assets of BCM, set before the pandemic, was exceeded by 10 percent owing to our accommodating policy in response to the pandemic. The June and September indicative targets on social spending were only partially met due to administrative constraints imposed by the pandemic, despite an important increase of emergency spending; preliminary data suggest that the target was met in December 2020, representing a 50 percent increase over 2019.

Accordingly, we request a waiver for the temporary and minor breach of the performance criterion concerning the net domestic assets of the BCM, which does not affect negatively the objectives of the program and is due to exceptional circumstances; the completion of the sixth program review; and the disbursement of the last tranche of SDR 16.56 million. We request that the funds be disbursed as budget support. In this regard, the Ministry of Finance and BCM have signed a memorandum of understanding on their respective responsibilities for servicing financial obligations to the IMF. With the support of other development partners, including through the Debt Service Suspension Initiative supported by the G-20 and Paris Club, this disbursement will help fill the projected financing needs of the balance of payments and the budget in 2021. We are convinced that the IMF's support will continue to play a catalytic role in mobilizing additional financing from our partners.

The uncertainties weighing on the global economy and the sustainable development challenges we are facing remain significant. We have therefore requested the initiation of immediate discussions with IMF staff on an economic and social program that could be supported by a new arrangement. This program would have the objectives of promoting strong, sustainable, and inclusive growth, consolidating macroeconomic stability, developing human capital and access to basic social services, reducing poverty and strengthening governance in all its dimensions, as well as consolidating economic reforms.

Moreover, in the context of the considerable security and development challenges facing countries of the G5 Sahel, Mauritania has played a pivotal diplomatic role in the region by supporting calls for the cancellation of external debt by its partners to free up the budgetary space needed to implement development programs in the region.

We look forward to continuing to receive technical assistance from the IMF on economic policies and reforms. In line with the IMF's safeguards policy, we commit to undergoing a safeguards assessment update to be completed before IMF Board approval of any subsequent arrangement; providing IMF staff with the necessary audit reports; and authorizing the BCM's external auditors to hold discussions with IMF staff. We consent to the publication of this letter and its attachments and the related staff report.

Very truly yours,

/s/
Mr. Cheikh El Kebir Moulaye Taher
Governor of the Central Bank of Mauritania

/s/
Mr. Mohamed-Lemine Dhehby
Minister of Finance

/s/
Mr. Ousmane Mamoudou Kane
Minister of Economy and Promotion of Productive Sectors

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 2017-2021. 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. This strategy reflects Mauritania's strategic development vision for the period 2016–2030. It also takes into account the Agenda 2030 and the targets classified as priorities for the country among the Sustainable Development Goals (SDGs) as well as the African Union's Agenda 2063. It is based on three pillars, namely:

- Promoting high, durable, and inclusive growth by revitalizing sectors with strong employment and growth potential, modernizing public infrastructure; and strengthening the role of the private sector.
- Developing human capital and improving access to basic social services, particularly education, vocational training and healthcare.
- Strengthening governance in all its dimensions, notably economic governance and the fight against corruption.

A. Economic Environment and Reforms: Developments in 2019–20

3. Growth accelerated in 2019 and is estimated to have reached 5.6 percent (preliminary estimate), against 2.1 percent in 2018, driven by a rebound in extractive sectors (more than 27 percent) following the expansion of capacity in the iron ore and gold sectors, and a 3.2 percent growth rate in non-extractive sectors such as agriculture, telecommunications, transportation and fishing. Inflation remained under control at a low level (2.3 percent on an annual average in 2019) reflecting international prices of basic commodities and a stable exchange rate.

4. Despite this past good performance, the COVID-19 crisis seriously impacted the world economy and Mauritania in 2020. As early as March, the government has, in consultation with the WHO, taken measures to strengthen prevention and the health system, in particular health checks, hospital preparation, and the supply of drugs and medical equipment. The government has taken drastic measures to contain the spread of the virus such as (i) the suspension of all scheduled passenger flights; (ii) closure of land borders (except for the movement of goods); (iii) the imposition of a nighttime curfew; (iv) closure of schools and universities; (v) suspension of non-essential economic activities; and (vi) ban on large gatherings. We only started lifting these measures in July

2020, and had to reimpose some of them in November 2020 to deal with a resurgence of the pandemic.

5. The direct and indirect effects of the COVID-19 crisis have had a considerable negative impact on the economic and financial situation of the country in 2020, with effects that will continue into 2021 and beyond. Economic growth should be negative at -2 percent in 2020, with a contraction of about 3 percent of the non-extractive sectors (notably the services and fisheries) partially offset by the good performance of extractives sectors like iron ore and gold which grew by 1 percent. Inflation remained under control at 2.3 percent on an annual average in 2020.

6. The fiscal rebalancing that began in 2016 and led to primary surpluses since 2017 was impacted by the pandemic and related emergency measures. Exceptional measures to contain the crisis were authorized by the supplementary budget in 2020. Thus, despite a budget execution slowed by the crisis, budget expenditures increased. Those enabled the purchase of medicine as well as medical equipment and supplies, strengthening sanitary and health systems, significant support to poor households, including the payment by the government of the electricity and water bills of these households, tax breaks for essential goods, and other expenditures related to the fight against COVID-19, including support to businesses and security spending. The budget also suffered from significant revenue shortfalls due to the decline in economic activity. Ultimately, the primary balance excluding grants turned out a surplus of 1.3 percent of NEGDP (non-extractive gross domestic product) against a previously projected deficit of 3.6 percent and a primary surplus of 1.7 percent registered in 2019. We have ensured that most additional spending and tax breaks are reversible, in order to quickly adhere to fiscal sustainability targets once the crisis is over. Our efforts to mobilize exceptional emergency concessional financing will have enabled our external public debt to remain around 50 percent of GDP at the end of 2020.

7. The terms of trade continued to improve strongly in 2020, owing to a sustained rise in iron ore and gold prices accompanied by a decline in oil prices. The production of iron ore and gold was able to overcome the operational challenges posed by the pandemic, and the value of exports of mineral raw materials rose sharply. As a result, and despite a poor performance of exports of fishery products, the current account deficit (excluding externally financed capital imports of extractive sectors) will probably have fallen to 3.3 percent of GDP, against 3.8 percent of GDP in 2019. These developments, as well as emergency aid from our development partners estimated at around $373 million, purchases of artisanal gold by the BCM and drawings on the National Hydrocarbon Resources Fund (FNRH), contributed to a sharp increase in official reserves which reached $1,542 million (6.1 months of non-extractive imports) at end-December 2020, against $1,136 million (5.8 months) at end-December 2019 (and $824 million at end-2016).

B. Short- and Medium-Term Outlook

8. Despite the economy's resilience, Mauritania's short-term prospects are clouded by the aftermath of the COVID-19 crisis which has hit the global economy. The delayed impact of measures taken to curb the spread of the virus could limit the growth of non-extractive sectors to around

2.5 percent in 2021. Nonetheless, extractive sectors could grow by around 5 percent and commodity exports are expected to continue to benefit from high demand and prices, which will support the balance of payments despite imports linked to the recovery of trade and public spending to fight the pandemic. The 2021 budget includes most of the measures to fight the pandemic not implemented in 2020 and will therefore show a primary deficit excluding grants of 3 percent of NEGDP, financed by the grants and external loans already mobilized last year.

9. The recovery should strengthen in 2022, provided the pandemic is contained in 2021. Non-extractive sectors could grow by more than 4 percent from 2023 on the back of robust performance in agriculture, fisheries, services as well as the impulse provided by public investment and structural reforms to the private sector in general. Inflation will remain moderate below 4 percent in 2022–23, owing to prudent monetary policy and sterilization of excess liquidity stemming from gold purchases by the BCM. The situation of public finances is expected to improve gradually on the back of an increase in revenues after the resumption of economic activities as well as to the gradual reduction of emergency measures. Thus, the primary fiscal position (excluding grants) is expected to reach close to balance in 2022 and turn positive thereafter. Finally, the current account deficit (excluding externally financed extractive capital imports) should narrow gradually in the medium term below 5 percent of GDP, reflecting increased exports, an adjustment of domestic demand, improved competitiveness, fiscal consolidation, and development of the offshore gas field Grand Tortue/Ahmeyim (GTA), which will significantly improve the economic and financial outlook upon the start of production expected in 2023.

C. Economic Program for 2021–22

Objectives

10. The government's priority in 2021 is to contain the COVID-19 pandemic, respond to its economic and social impact and implement the recovery plan. To that end, the government has prepared a broad priority program for 2020-22 around six pillars: (i) development of growth-supporting infrastructure; (ii) improvement of social services and support for demand; (iii) development of productive sectors' potential and achievement of food self-sufficiency; (iv) support to the private sector (formal and informal); (v) reforestation and creation of green jobs; and (vi) governance and program implementation. This plan, whose total cost is estimated at MRU 24.2 billion (about $645 million) has been or will be included in the 2020-22 budgets. It will be financed with the government's own resources and with support from development partners in the form of grants, concessional loans, and debt relief.

11. The government will continue to implement the first phase of the SCAPP 2016–30, after taking into account the report on the execution of priority action plan (PAP) for the first phase (2016-20). Although the assessment of the results of the first PAP and the preparation of the new PAP have been delayed due to the pandemic, the objectives of the SCAPP remain relevant: 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. We will pursue appropriate monetary and fiscal policies and will 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. In this perspective, our policies in 2021–22 will aim, in particular, to (a) reach growth of over 5 percent in 2022, (b) contain inflation below 4 percent in the medium term, (c) reduce the current account deficit (excluding externally financed extractive capital imports) to less than 5 percent of GDP in the medium term, (d) reduce external public debt to less than 50 percent of GDP in the medium term (excluding Kuwaiti and GTA project-related debt) while maintaining a high level of concessionality to ensure its sustainability, and (e) maintain international reserves to at least 5 months of imports excluding extractive industries to respond to exogenous shocks. We will continue to monitor closely the risks posed by the COVID-19 on the economy and public finances and will take additional measures if necessary. We have called for a cancellation of the debt by our external partners to generate the budgetary space that the pandemic has reduced.

Monetary and Exchange Policy

12. We will continue to strengthen and modernize the monetary policy framework and implement a proactive monetary policy, an active liquidity management, and a more flexible exchange rate policy. With support from the IMF staff, our objective is to anchor inflation expectations by targeting monetary aggregates while strengthening the role of the policy rate in the conduct of monetary policy and the role of the exchange rate in absorbing external shocks. In parallel, we will continue to develop the prerequisites for an interest rate-based monetary policy.

Strategic Framework for the Monetary Policy

13. Our monetary policy will focus 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 indicator and the monetary base target as operational indicator. We will use the policy rate more actively and monetary operations more regularly. We will also initiate the necessary reforms to help develop activity on the interbank money market and aim for the emergence of a short-term (daily) benchmark interbank rate. We will continue to cautiously use the reserve requirement ratio as an instrument for managing banking system liquidity, reducing (increasing) it in the event of a structural tightening (increase) in liquidity.

14. We strengthened the BCM's autonomy by adopting a new law establishing the BCM charter in July 2018. 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 were established: the Audit Committee in 2018 and the Prudential, Resolution, and Financial Stability Board in July 2019. The Sharia-Compliance Committee was set up in December 2019. The new convention between the BCM and the government on the consolidation of past government debt towards the central bank, with a repayment schedule, was ratified by parliament in January 2019; and payments for 2018 and 2019 were made at end-2019, while payments for the 2020 maturities were made in January 2021.

Operational Framework for Monetary Policy and Liquidity Management

15. The BCM will continue to develop its operational framework for monetary policy. It introduced new instruments for liquidity management with various maturities, particularly permanent lending and deposit facilities for 24 hours, as well as refinancing and liquidity absorption operations with one-week maturity: it has issued one-week bonds since February 2019. It has also prepared a procedures manual detailing the implementation of monetary policy operations. It will adjust the rates of those permanent facilities and reduce gradually the width of the interest rate corridor as it acquires experience. The BCM is continuing, with the support of the IMF, to develop its capacities for forecasting and monitoring short- and medium-term liquidity by setting up a macroeconomic framework and quarterly monetary programming, as well as by improving its short-term liquidity forecasting framework.

16. Due to the containment measures linked to the COVID-19 pandemic, the BCM will not be able to implement an integrated technical platform for monetary policy operations which had been scheduled for September 2020 (a former structural benchmark) in the context of a financing from the African Development Bank (AfDB) subject to its public procurement procedures. Nevertheless, it will continue to advance on this project to the extent of the availability of expert technical assistance and financing, with the objective to complete it in 2021.

17. The BCM defined a framework for collateral eligible for its monetary policy operations including bank credits in 2018, while still favoring Treasury bills or BCM bills as collateral. On that basis, the BCM signed bilateral agreements with 11 banks setting out the parties' obligations and detailed in a procedures manual the system to mobilize collateral for refinancing purposes. The BCM is working to fully operationalize this mechanism with IMF technical assistance, by carrying out an inventory of the banks' claims, assessing their haircuts, and preparing the legal framework for their mobilization. The BCM will operationalize, if need be through a new circular, the gradual extension of the collateral to bank credits on the basis of criteria of volume, quality and maturity, and will apply the associated risk control measures to these assets and the appropriate haircuts. The BCM is also working on potential refinancing instruments for Islamic banks.

18. In parallel to the more active use of new monetary policy instruments, we will strengthen the coordination with the Ministry of Finance's cash/treasury management. More active cash management, coordination between issuance of Treasury bills and BCM bills, new procedures for issuing Treasury bills introduced in early-2019, and consistency between short-term Treasury bill rates and the BCM policy rate will be crucial for banks to reconstitute their portfolios of Treasury bills (see paragraph 33).

19. 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, and it prepared the 2018 financial statements of the BCM *pro forma* in accordance with the IFRS international accounting standards (structural benchmark September 2019); it published those statements in March 2020. The BCM also arranged for the verification of the program's quantitative performance criteria for December 2019 and June 2020 by international external auditors. It prepared and published its *pro forma* 2019 financial statements according to IFRS in June 2020 (structural benchmark). In order to prepare for the adoption of the IFRS accounting standards in 2021 with effect in 2022, the BCM is working with its partners to establish a new information system and a new accounting framework by mid-2021.

Foreign Exchange Policy

20. The foreign exchange policy will be geared toward modernizing the interbank foreign exchange market to improve its organization and functioning, develop its activity, improve access to foreign currency, 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.

21. The objective of the reform is to establish a system of competitive, multiple-price auctions and to limit the intervention of the BCM as main supplier of foreign currency in the foreign exchange market so as to preserve foreign exchange reserves, unify the foreign exchange market, and develop the interbank market. In parallel, we will continue to monitor the strict application of foreign exchange regulations and prudential standards relating to foreign exchange positions.

- We eliminated the obligation to go through the official foreign exchange market and migrated to one-way wholesale auctions by authorizing banks to proceed to the internal clearing of customer orders ("netting") (structural benchmark, December 2019).

- We then modified the calculation of the daily reference exchange rate of the BCM as the weighted average of the rates actually settled on the official market in March 2020 (structural benchmark) to increase market transparency.

- Due to the containment measures linked to the COVID-19 pandemic, the BCM will not be able to establish the technical platform to create an interbank foreign exchange market as scheduled in September 2020, in the context of a financing from the AfDB subject to its public procurement procedures (former structural benchmarks, postponed from the benchmark initially planned for December 2019 due to significant delays encountered in the procurement process which is not under the control of the authorities). The BCM will nevertheless continue this project to the extent of the availability of experts and funding, with the objective of finalizing it in 2021. To that end, it finalized the terms of reference for the procurement of the integrated technical platform for the interbank foreign exchange market in January 2021 (structural benchmark for September 2020). The BCM has already prepared a draft regulatory framework in July 2019 which it will also adopt in 2021 (former structural benchmark, postponed from June 2019). The establishment of the interbank market for foreign exchange will require the formation of a market advisory committee comprising all stakeholders as well as an ethics code, which will contribute to good governance of the market and its deepening.

- Once the interbank foreign exchange market is established in 2021, we will take necessary measures to support the development of activity on the foreign exchange market, introduce a system of regular competitive foreign exchange auctions, and will evolve from an intervention strategy aimed at stabilizing the exchange rate to a strategy mainly aimed at limiting excessive volatility of a market-determined exchange rate (former structural benchmark October 2020).

- We continue to be committed not to impose nor intensify restrictions on payments for current international transactions, and not to introduce nor modify multiple currency practices (continuous performance criteria).

22. 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 have defined an intervention budget in line with the reserves objectives established in the program. The current context of moderate global inflation and prudent fiscal policy in the program context will serve to eliminate the risk of increased exchange rate volatility. Taking advantage of the favorable terms-of-trade developments, we will continue to accumulate international reserves, which will serve as a shock absorber to smooth exchange rate fluctuations in the event of adverse shocks.

Fiscal Policies

23. Our medium-term fiscal policy continues to be anchored in balancing public finances and widening fiscal space to support economic growth and address social needs by raising social spending (including for education, health, and social protection) while ensuring the sustainability of public debt over the medium term. At the same time, we will work to mobilize more revenue, improve public spending efficiency, and limit fiscal risks while undertaking wide-ranging structural reforms to promote economic diversification.

24. Although we increased social expenditures significantly in 2020, the pandemic has partially hindered the budget execution in 2020. Hence, the 2021 budget (initial budget law passed by parliament in December 2020) reprograms some of the emergency measures in response to the pandemic and envisages an increase in social spending and public investment. Combined with a drop in tax revenue, the execution of the budget could lead to a primary deficit (excluding grants and interest payments) projected at 3 percent of NEGDP in 2021, in contrast with a return to equilibrium as envisaged at the time of the fifth program review. This deficit will be financed mainly with the external financing received in 2020.

- Social expenditures in education, health and social protection, as well as supplemental crisis-related expenditure to strengthen the health system, support to the neediest, and support to small businesses will be increased. We will ensure that at least 100,000 vulnerable households benefit from cash transfers from "Tekavoul" program by the end of 2021.

- We will also ensure that capital expenditure for priority infrastructure is maintained, so as to support economic activity and lay the ground for the recovery. At the same time, we will reprioritize current expenditure and non-essential investment spending as needed to increase priority social and health expenditure. We have increased the salaries of public health staff to recognize their difficult working conditions and ensure that the pandemic is brought under control as soon as possible.

- Finally, to anchor this year's fiscal expansion in a medium-term fiscal framework that preserves debt sustainability, we will prepare a plan to unwind the temporary measures and return to a primary budget surplus when the crisis subsides. The 2021 budget has already eliminated most of the tax exemptions and tariff reductions that had been introduced temporarily in 2020 during the crisis.

25. 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 revenues from the extractive industries, particularly those expected from the GTA gas project. 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

26. The main objectives of our tax reforms remain unchanged, even if the COVID-19 crisis and the confinement measures have hindered their roll-out. Our tax policy and tax administration strategy will be based on optimizing tax performance, putting revenue on firmer footing, as well as simplifying and modernizing our tax system. To strengthen legal security for taxpayers, a modernized General Tax Code (CGI) adopted in April 2019 started to be implemented in 2020; it will improve tax revenue mobilization and tax equity and will reduce informality and tax fraud. We integrated in the CGI a new unified corporate tax to modernize and simplify the tax structure and encourage participation in the formal economy, as well as a new compilation of tax rules, prepared after consultation with economic operators, which consolidates and clarifies all tax procedures for taxpayers and the administration. Finally, since January 1, 2020 we have transitioned to the common external tariff of ECOWAS.

27. We will continue to implement a set of reforms to increase the receipts of the Directorate General of Taxation (DGI) and the Directorate General of Customs (DGD), in particular through:

- *Expansion and monitoring 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 continue to strengthen risk management in terms of taxpayer compliance, beginning with a better control over the taxpayers register. 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 implements the procedure to update the register on a regular basis. These actions, as well as a systematic sharing of names of the largest suppliers of each taxpayer, are being implemented strictly and regularly since 2019. A new risk management unit was created at end-2019, which analyzes and uses 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, or whose activities and size would suggest abuses of tax rules. Cross-checks of taxpayer data and transactions has helped limit fraud, under-declaration, and payment delays.

- *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. We established internal DGI performance targets in April 2019 regarding the timely payment rates for large and medium-size businesses in 2019 to guide and measure the effectiveness of our taxpayer monitoring actions. We formally introduced internal indicative performance targets for 2020 regarding the timely filing rate of at least 85 percent for large businesses and at least 65 percent for medium-size businesses, as well as internal indicative targets for timely payment rates (structural benchmark March 2020). Eventually, we achieved a timely filing rate for the various taxes of 64-78 percent for large businesses and of 48-63 percent for medium-size businesses, as well as a timely payment rate of about 97 percent in 2020.

- *Strengthening of taxpayer audits by the DGI*. We continue to increase the number of on-site taxpayer audits with a view to improving tax compliance. We exceeded our objective of conducting at least 15 general audits and 40 targeted audits of large and medium-size businesses in 2019 (structural benchmark for December 2019) as well as in 2020 by reallocating DGI resources, improving auditor training, and providing auditors with appropriate analytic tools and procedures. To facilitate cross-checks, the online declaration system includes since January 2020 a module to provide the list of the largest suppliers. We also recruited 70 new staff of the DGI in 2019 who will receive a two-year training before taking their post and contribute to strengthening tax controls. Twenty staff out of 70 have already integrated the DGI for training centered on large businesses.

- *Elimination of certain tax loopholes*. With support from the World Bank, we compiled a list of tax exemptions in effect and estimated the cost of the foregone taxes. We will continue to evaluate the relevance and social cost with a view to eliminating tax exemptions deemed ineffective, in particular those unrelated to special schemes (such as the mining code). The estimated tax expenditures were presented in an appendix to the budget laws since 2018.

- *Improved collection of arrears*. We seek 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), the Directorate of Financial Supervision (DTF) and the DGTCP will strengthen their monitoring of collection efforts with respect to public corporations with a view to better tracking the latter's tax arrears. 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 taxpayer services.* To improve the business environment for taxpayers, we reorganized the DGI's website this year to offer additional online taxpayer services, including downloading tax forms and regulations, filing online, and accessing taxpayer information. We plan to introduce online tax payments in 2021.

- *Evaluation of the tax administration.* We will request technical assistance from our partners in 2020 to prepare for an assessment in 2021 using the international standardized tool "Tax Administration Diagnostic Assessment Tool" (TADAT) which will help identify and prioritize upcoming required reforms.

- *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. With technical assistance from the IMF, the DGD introduced several tools aimed at strengthening post-clearance controls (PCC). We restructured and expanded the directorate of investigations, trained its personnel, and established a supervision committee in charge of implementing and monitoring the actions to be taken to strengthen PCC in August 2019. To combat fraud and ensure security, we installed two mobile scanners and will develop the intelligence function. We have digitalized customs exemptions and updated the ASYCUDA system in July 2020 (structural benchmark for March 2020), which will allow better monitoring and control of exemptions and accelerated treatment of customs data.

Public Expenditure Management

28. 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 by unifying the government budget, promoting the introduction of program budgeting, capping the public debt, and improving budget formulation in a multiyear framework.

- 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.

- Implementation of the LOLF has been enabled by implementation decrees in 2019, to allow the law to be gradually used for budget preparation beginning in 2020. To that end, we adopted in July 2019 a decree setting out the General Regulations on Budget Management and Public Accounting as well as a decree on budget governance, the medium-term budget framework, and the calendar for the preparation of the budget.

- We have started to establish a new budget nomenclature consistent with program budgeting, with technical assistance from our partners, which we will adopt by end 2021. To improve budget formulation, clarify budget orientations, and increase spending efficiency, we will present the budget according to a program structure in the annex to the 2022 budget.

- Parliament adopted the laws on the final accounts of the 2013-15 budgets in May 2018, those for 2016–17 in January 2019; and the one for 2018 in January 2020. The Court of Accounts submitted to parliament its observations and recommendations on these laws on final accounts. We submitted the law on the final accounts of the 2019 budget, whose preparation was delayed by the pandemic, in January 2021.

- We finalized in June 2020 a *Public Expenditure and Financial Accountability* (PEFA) assessment of our public expenditure management and accountability framework, with the assistance from the international PEFA secretariat. This assessment will inform the reform strategy for the medium term.

29. The urgency of implementing an adequate crisis response, and the magnitude of the financing that was mobilized, justify a particular emphasis on transparency, expenditure quality, accountability and the integrity of financial management.

- The government has set up a national committee for the monitoring of the execution of the Solidarity Fund and of all expenditure of the fight against COVID-19. This committee is chaired by the Minister of Finance and includes 20 members representing Parliament, the democratic opposition, the economic, social and environmental council, regional councils, the Association of mayors of Mauritania, Ulemas and Imams, the employers' association, workers' unions, civil society, technical and financial partners, the press, and the diaspora. It will regularly brief the public at large in full transparency on the execution of the special fund for social solidarity and the fight against the coronavirus. This committee is accountable to the inter-ministerial council in charge of the management and monitoring of the fight against the COVID-19 pandemic, which is chaired by the Prime Minister.

- We will ask the Court of Accounts to audit emergency expenditures and to publish the findings of those audits before September 2021.

- To avoid the misuse of resources, we will carefully monitor emergency spending. As part of the report on the execution of emergency pandemic response spending published every two months on the website of the public treasury, we have started to publish detailed information on public procurement contracts, the names of the contracting companies and their legal owners, the nature of the goods and services, and the status of the delivery of the relevant goods and services. We will strengthen disclosure requirements on beneficial ownership for those contracts, with support from Fund technical assistance, and will consider expanding those transparency measures to all procurement in 2021.

- To ensure a comprehensive monitoring and a clear reading of the exceptional expenditures related to the crisis, we have created dedicated budget lines for emergency response spending, and we have integrated their execution with public accounting systems. All these budget resources (including external grants) are channeled through these lines (new structural benchmark for September 2020).

30. 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 now control the wage bill and are strengthening our management of wages and salaries through the roll-out of the RATEB payroll system across all ministries; this system is available online and allows for the deconcentration of the management of the wage bill.

- *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 ill-targeted subsidies and rationalized goods and services consumption. At the same time, we have reapportioned some capital expenditures as current expenditures to better reflect their true nature. The resulting fiscal space is reallocated to social spending or increased investment in strategic sectors.

- *Transfers*. The increase in their level is in part the temporary consequence of the COVID-19 crisis, and in part reflects the sustained expansion of our cash transfers policy in favor of the neediest households. We will closely monitor these funds to ensure their efficient and fair use.

31. 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 operational.

- We have implemented a new automated application called « Temwil/Istithmar, 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, as well as to ensure the monitoring and the execution of the consolidated investment budget. 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 will implement the recommendations of the recent diagnostic of the public investment management framework (*Public Investment Management Assessment,* PIMA) undertaken in early 2020 by IMF staff, with a view to improving the execution and efficiency of investment spending. In particular, we will refine our monitoring framework for project execution thanks to a better implementation of budgetary engagement and payment orders, with help from the IMF. By end-2021, we will set up a standard methodology to evaluate and budget the needs for maintenance and renovation of public buildings and infrastructure. We will fully implement the national public procurement portal and the integrated management system (SIGMAP) in order to digitalize and put online public procurements. We will strengthen the operational framework of CAPIP and will develop an evaluation methodology, including an appraisal matrix, for public investment projects in the PIP. Finally, we will put in place as soon as possible Medium-Term Expenditure Frameworks (MTEFs) for 2021-23 for at least three of the most important ministries in terms of public investments.

32. To continue investing in infrastructure while containing the growth of public spending and to support private sector development, a new law on public-private partnerships (PPP) was adopted in January 2021 which amends and supplements the 2017 law. This new law brought major innovations to simplify procedures and quickly operationalize PPP projects, thus translating a coherent policy of development of public investments and efficiency into the coordination and supervision of projects. In addition, this revision offers investors an attractive legal and institutional framework including all the guarantees for the realization of PPP projects and extends the scope to the entire national territory including the Nouadhibou Free Zone. Thus, the PPP projects of the Free Zone will be awarded on the basis of a secure national legal regime, attractive to international investors. A portfolio of projects eligible for this mode of contracting was adopted by the inter-ministerial committee in charge of PPPs. We will proceed cautiously, however, to minimize contingent risks for public finances.

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

- To finance public expenditure in a cost-effective manner while developing financial markets, we have reinvigorated 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. To do so, we adopted a decree establishing the new issuance procedures for Treasury bills (including differentiating maturities) in December 2018 and adopted implementation instructions for these procedures in April 2019 (structural benchmark for March 2019). In the context of this new system, we will issue treasury bills through regular, competitive auctions at market interest rates, taking due account of the monetary policy rates (see paragraph 18).

- We continue the implementation of a modern Treasury single account (TSA), and have created a committee for that purpose. We signed a government account maintenance convention between the Ministry of Finance and the BCM which serves as a binding contractual framework for both parties to fulfill all conditions for the implementation of the TSA in line with applicable industry practices. Even before the BCM implements its new payments systems, we have established a simplified single account.

34. To improve fiscal transparency, we will modernize the presentation of budget statistics and the government fiscal reporting table (TOFE) in accordance with the international standards of the *2001/2014 Government Finance Statistics Manual*. To do so, we intend to form a committee charged with leading the work to produce public finance statistics (GFS committee) by mid-2021. We will also gradually expand the scope of coverage to include subnational jurisdictions and EPAs by end-2021, and thereafter to all public corporations and entities.

Public Enterprises and public entities

35. The DTF will continue to monitor and closely supervise the quasi-public sector, the country's second largest employer after the general government. This sector comprises the entities benefiting from state subsidies, or in which the state is a reference shareholder. In view of the need for more effective sector management, better control over subsidies, and improved profitability to limit budget risks, a study will be conducted to provide recommendations for rationalizing public entities and an action plan to improve management and governance. Meanwhile, we have strengthened the monitoring of state-owned enterprises and public entities. In particular, nearly all are now covered by the automated expenditure cycle system (RACHAD) since end-2019. Their performance is measured twice a year by means of financial statements (June and December) and an auditor's report which form a note from the DTF endorsed by the Minister of Finance. This performance is monitored since 2018 by the DTF, which will work with the DGI, DGD and DGTCP to identify cross debts between the state and SOEs. The financial statements of all SOEs up to 2018, as well as a large share of the 2019 reports. are now published on the site of the DTF.

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 contracted 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 first phase of the GTA offshore gas project. Our ongoing dialogue with IMF staff, including consultations prior to the approval of new loans, will help us to strengthen our strategy for reducing our medium-term debt levels.

37. We are improving our debt management framework. To align borrowing with spending priorities, especially for large infrastructure projects, and to ensure institutional coordination, we will continue to 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) in April 2018; the committee is holding regular meetings with a view to: (i) being involved in the process of selecting, scheduling and monitoring public investment projects established under the new PIP institutional framework; (ii) aligning external borrowing with our investment priorities; and (iii) assessing the impact on debt of any new project funded through external borrowing before its inclusion in the PIP. To this end, we will continue to strengthen the Debt Directorate's capacity to perform debt sustainability analyses, calculate the concessionality of financing agreement projects, and prepare a medium-term debt management strategy with technical assistance. We also adopted a coordination procedure between CAPIP and CNDP outlining their respective and joint responsibilities in terms of project selection in 2018. In this context, joint meetings between CAPIP and CNDP were held to examine new projects to add to the PIP.

38. In parallel, we finalized the establishment of a gateway interface between the SYGADE-Temwil/Istithmar-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. What remains now is to strengthen the real-time monitoring, by the DGTCP and the Debt Directorate, of the programming and execution of the debt service by the BCM. This monitoring will be achieved by linking the SYGADE interface between the DGTCP, the Debt Directorate, and the BCM. This interface whose implementation was delayed by the pandemic, will strengthen debt management capacity through the systematic monitoring of external debt disbursements (SYGADE-Temwil/Istithmar) and will ensure that debt service payment transactions are included in the automated chain of expenditure system (SYGADE-RACHAD).

39. The government has mandated the Franklin-Finexem consortium for advice on possible options to restructure the external debt. Following the extension of the debt service suspension for low-income countries and in a context marked by the health crisis linked to Covid-19, Mauritania will explore possible options to initiate negotiations in the medium term with its public and private creditors with a view to reducing its debt burden, preserve budgetary space, and thus better meet the health and social needs of the population.

Financial Sector Policy

40. Our roadmap for the financial sector is based on 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 strengthening of the regulatory framework, compliance with prudential norms and its strict enforcement, 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. 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. We have strengthened prudential standards for banks to improve their solvency and resilience to shocks. To that end, we have adopted in the past two years, with technical assistance from the IMF, several new directives on capital composition, the calculation of net weighted assets, and solvency and liquidity requirements drawing on Basel III, with full effect in January 2020. We also increased by two thirds the minimum capital of banks to MRU 1 billion, with a deadline of end-March 2020, which has strengthened their solvency and is expected to encourage bank mergers and reduce the number of new license applications. To date, 13 banks out of 18 have raised their minimum capital according to regulations, and five are close to the minimum required. In case of shortfalls, the BCM will enforce the sanctions foreseen by existing regulations, including monetary and administrative sanctions which may go as far as the suspension of the bank's activity. The BCM also encourages the relevant banks to consider mergers, acquisitions, or opening their capital to external shareholders.

43. We will accelerate the elimination of nonperforming loans from banks' balance sheets. We have revised in March 2020 the associated directive by extending the time limit for eliminating fully provisioned nonperforming loans from banks' balance sheets from the initial two years, which is too short, to five years (structural benchmark); banks will have to comply with this new regulation when preparing their 2020 financial statements to be published by June 2021. A revised draft law on bank loan recovery was adopted by the Council of Ministers and submitted to Parliament in July 2020. This draft law will improve mechanisms for credit recovery and enforcement of collateral by banks, including in cases of loans to related parties where the calling of guarantees could involve unpledged assets. We will clarify the accounting treatment of nonperforming loans and eliminate tax obstacles to their resolution in an instruction which will follow adoption of this law.

44. To limit credit and concentration risks, we continue to closely monitor the adjustment of banks' net positions toward related entities that exceed concentration limits. Onsite inspection missions and verifications were undertaken with the banks concerned. Since July 2019, we fully apply the prudential standards in this area and any excess is automatically deducted from the calculation of the capital of the banks concerned. Onsite inspection missions in January 2020 ensured the compliance of net positions on related parties and found no breach in this regard.

45. 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. This mechanism was activated twice so far to alleviate temporary liquidity constraints, and the BCM has worked with the two banks to find sustainable solutions. Currently, only one bank uses the BCM's emergency liquidity assistance.

46. During this difficult period caused by the COVID-19 pandemic, the BCM encouraged banks to maintain sufficient levels of capital to counter the effects of the pandemic, in particular by suspending dividend payments for fiscal year 2019. The central bank also authorized banks to temporarily maintain a liquidity coverage ratio (LCR) below the minimum prudential requirement of 100 percent, but above 80 percent, and published several regulations on specific measures to address the COVID-19 crisis. These measures encourage banks to be particularly vigilant with regard to counterparty risk, to carry out the necessary assessments of their asset portfolio, and regularly monitor the impact of the COVID-19 crisis, and to establish a business continuity plan of their essential activities. The BCM will continue to discuss with commercial banks options to help individuals and firms faced with difficulties in servicing their loans, including pushing back payment deadlines without incurring penalties or restructuring certain debts while complying with prudential standards. Moreover, the government will grant, if necessary, well-targeted and time-bound direct loans and partial guarantees to firms to help them preserve jobs and their production capacity.

47. The BCM intends to strengthen the good governance of banks as laid out in the new banking law. To this end, it adopted a directive in September 2020 requiring banks to establish the committees envisaged in the areas of audit, credit, and risk and will verify that the probity criteria are fulfilled for members of the boards and the bank committees. Moreover, the BCM has strengthened the supervision and the accountability of the auditors tasked with controlling and certifying the quarterly financial statements of banks by requiring a pre-certification of eligible auditors and strengthening their terms of reference; the necessary instructions and measures were adopted in December 2019 (structural benchmark).

48. 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. To further strengthen the analytical and inspection capacities of bank supervision, the BCM has recruited 12 agents.

49. The BCM monitors compliance with prudential standards and sanctions noncompliant banks. With technical assistance from the IMF, it has reinforced and modernized sanctions to make them more effective and deterrent, through a new instruction on administrative sanctions by June 2020 (structural benchmark). The BCM has also raised the target of the deposit guarantee fund to MRU 1 billion over five years, following the increase in the minimum capital. 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.

50. The BCM is strengthening the AML-CFT framework and its implementation, in concert with all parties involved including the Mauritanian unit on financial investigations and banks. In particular, we adopted in January 2019 a new AML-CFT law which draws largely from the international standards of the Financial Action Task Force (FATF) and the United Nations security council regarding combatting terrorism. The implementation regulations stemming from this law were adopted in 2019 and have in large part corrected the technical compliance deficiencies noted by the last mutual evaluation of the Mauritania's national framework conducted by MENAFATF. We finalized the national risk assessment as well as an action plan in April 2019.

51. 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.

52. 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) 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. This payment system was to be completed by September 2020 but will be delayed until next year due to the pandemic. We are also developing automatic payment instruments and the regulatory framework for mobile banking to reduce cash in the economy and promote financial inclusion for the poorest.

53. We established a new credit information bureau, which compiles, centralizes, and makes available to banks consolidated information on borrowers' credit and payment histories, as well as a rating system. The bureau started operations at end-February 2019. By improving transparency of information, it serves to reduce banks' credit risk, thereby promoting bank credit and access to credit.

54. 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 adopt implementation regulations specific to Islamic banks with technical assistance from the IMF.

- *Financing of small and medium-size enterprises (SMEs)*. Support to SMEs is a priority of our national development program to address the scarcity of long-term bank resources to finance productive investment and employment creation, in particular for SMEs. In that connection, we contracted a US$50 million line of credit in 2014 which was allocated by banks to SMEs until 2018. This line of credit has helped finance 105 SMEs in priority sectors, including 65 new ones, and generated 2,500 jobs. Given its largely positive impact on credit to SMEs and since it is now starting to be repaid, we have sought to renew this facility on concessional terms. However, no concessional financing has been made available by donors. Moreover, we are setting up a branch of the African Guarantee Fund in Mauritania by end-2020 along with domestic economic partners; the fund could provide partial guarantees for bank credit to SMEs to improve access to finance and contribute to job creation.

- *Financial inclusion*. With the support of the Alliance for financial inclusion (AFI), which we joined in 2017, the BCM is preparing a national financial inclusion strategy, the launch of which is expected in September 2020. It launched a national survey to collect data on financial inclusion, and BCM staff has been trained in relevant analyses and policy development.

Social Policies and Anti-Poverty Measures

55. 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 targeted social support system with assistance from the World Bank on the basis of a single social registry (SR) of vulnerable households which is expected to cover the entire national territory, so as to facilitate better targeting of transfers to the most vulnerable.

56. To consolidate progress to date and further coordinate our social interventions, we created in early 2020 a coordination agency for the national strategy for social protection of targeted populations, the National Delegation for Solidarity and the Fight against Exclusion "Taazour", which reports directly to the President of the Republic, with an initial budget of MRU 4 billion for 2020.

- At end-January 2020, over 173,000 vulnerable households were registered in the SR in all regions of the country with the exception of Nouakchott and Nouadhibou. To accelerate the national coverage in these urban regions, the SR has created its own unit to collect households' socioeconomic data in February 2020.

- A number of programs such as the "Tekavoul" program of targeted and conditional social transfers already use the SR for their support to the most vulnerable households. This program benefits from a combination of domestic financing and support from the World Bank and provided a regular financial aid to around 70,000 households (more than 450,000 persons) as of end-2020, which is higher than the 55,000 households that had been targeted at end-October 2020 (structural report).

- Our objective is to increase the coverage and amounts of social assistance, including by providing financial assistance to 100,000 vulnerable households by end-2021 through a national coverage. To that end, the central team for Tekavoul is being strengthened. We plan to increase the amount of social transfers in stages over the period 2022-24. We have mobilized the necessary resources from our development partners to finance these social safety nets.

- Taazour also took charge of the temporary social support program in the context of the COVID-19 response plan. As of end-December 2020, nearly 210,000 households had received food aid and two exceptional financial transfers. These households were identified on the basis of the SR, pre-existing lists for the cities of Nouakchott and Nouadhibou, and lists compiled by the local authorities, providing support for a total of approximately 1.5 million people.

57. We have significantly increased social spending (including education with the exception of tertiary education, health, and social protection) in 2020 and will continue to do so in 2021. After executing MRU 10 billion in social spending until September 2020, we reached an amount of MRU 14.5 billion for the whole year (relative to MRU 9.7 billion in 2019), following a strong acceleration of spending in the fourth quarter. We will strive to reach our objective in 2021 through the action of Taazour, recruitments in the priority social sectors and the deployment of budget resources allocated for the COVID-19 response plan.

Governance, Business Environment, and the Fight Against Corruption

58. The government implements with determination reforms to further improve the business climate, with the objective of rising among the first 100 countries. To that end, the High Council on improving the business climate created in 2019 coordinates the implementation of business climate reforms and proposes an annual action plan of reforms. Moreover, a High Council on Investment in Mauritania was created in February 2020 tasked to (i) foster the development of a competitive and diversified economy open to the private sector and generating jobs and value-added; (ii) speed up the improvement in the business environment and competitiveness of the economy; and (iii) serve as a concertation mechanism between the private and public sectors. The action plan for 2020-21 includes measures which, among others, aim to improve (i) access to electricity; (ii) access to credit thanks to the roll-out of the credit bureau; (iii) the transfer of real estate property; (iv) port trade; and (v) the protection of minority shareholders through a modification of the business code.

59. The Mauritanian authorities are convinced of the need to give new impetus to the 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. Although the envisaged actions have been delayed by the pandemic, the tripartite committee (government, private sector, and civil society) charged with following up on the implementation of the strategy, created in 2014, will be operationalized; its members will be appointed by decree by mid-2021 and it will be provided with the necessary resources to produce its first report on implementation of the strategy as well as a specific action plan for the period 2021-23 by end-2021.

60. We have also asked the staff of the IMF to help the authorities conduct a Governance Diagnostic assessment in 2021. This will allow us to review our system with a view to adapting it to the numerous challenges our country faces regarding economic governance, including in areas such as budget management, the management of mining and gas resources, the fight against corruption, and risks pertaining to money laundering and the financing of terrorism. The report will include an action plan aimed at strengthening and accelerating the implementation of economic good governance and the fight against corruption.

61. We have progressed in implementing the three corrective measures recommended by the board of the Extractive Industries Transparency Initiative (EITI) during the second validation meeting in February 2019. These measures pertain to the 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. The National Committee of EITI has published its annual report for 2019. We also received assurances from the operators of the GTA gas project that they will comply with all norms of the EITI.

62. Mauritania is a founding country of the Fisheries Transparency Initiative (FiTI) and our objective was to comply with this new international standard by end-2020. We fulfilled all membership criteria and became the first candidate country in December 2018. We formed a national stakeholder group to achieve compliance.

63. To improve transparency and efficiency of public investment, public procurement procedures were reformed again in September 2020, following their redesign in 2017 with assistance from the World Bank. A decree amending the Public Procurement Code simplified the organization of public procurement and specified technical competence criteria for certain positions. The modifications aimed at (i) reducing public procurement deadlines, (ii) simplifying procedures, (iii) increasing the transparency of the process, (iv) reducing costs, and (v) further involving the national private sector in the bidding process for public procurement. 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. Its implementation started in 2019 through adoption of implementation decrees on the budgetary process and accounting standards. We will also implement the recommendations stemming from the PIMA prepared in early-2020 to strengthen the sound management of public investments and from the PEFA to strengthen the management of public spending.

64. The government strengthened the authority and operations of the Court of Accounts through a new organic law. The necessary decrees to operationalize this law will be adopted shortly and will strengthen the human resources and technical means of the Court of audit to allow it to fulfill its mandate. The court has, among others, completed the assessment of the laws on the final budget accounts up to 2019 and shared those with Parliament to support its budget analyses. Moreover, all of its annual reports covering 2006-18 were fully published at end-2019. Its report for 2019 has been transmitted to parliament. The government 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.

65. The government also plans to review during 2021 the 2007 law on financial transparency in public affairs—which establishes the mandatory declaration of assets for high state officials—based on best international practices. The law will be strengthened, including by defining the applicable sanctions in case of non-declaration or false declaration; broadening the scope of individuals subject to declaration; clarifying the verification processes; ensuring the financial and administrative independence of the commission on financial transparency in public affairs; and mandating publication of periodic activity reports. Moreover, this commission will be provided with the means to fulfill its mission, including the verification of the asset declarations and regular publication of its reports.

Economic Statistics

66. 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. Together with our international partners, we have revised, revalued, and updated the national accounts in conformity with the 2008 System of National Accounts (SNA 2008). We published in April 2020 a gross domestic product revised by 22 percent for 2014, largely by expanding the coverage of informal economic activities, as well as revised series for the years 1998-2018 with a GDP figure higher by 35 percent for 2018. These methodological changes also led us to revise the estimates of economic growth for the whole of the two decades 1998-2018. We will also improve external debt statistics and will publish balance of payments statistics according to the Sixth Edition of the Balance of Payments Manual (BPM6) in 2021. With the IMF's technical assistance, we were able to adopt the IMF's standard classification regarding monetary and financial 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 two new surveys on the income and consumption of households and on demography and health in 2019, to be completed in 2021.

D. Program Monitoring

67. The Program Monitoring Committee (PMC) established in May 2018 will continue to ensure the effective implementation of our program. Composed of representatives of the ministries of finance and of economy and industry and the BCM, the PMC will be able to call upon representatives of other government ministries and agencies, as needed. The PMC, which has a permanent secretariat, will continue to meet regularly to assess progress and forward the data required to monitor program performance.

68. Program implementation has been evaluated semiannually by the IMF's Executive Board based on performance criteria and quantitative indicators and structural benchmarks (Tables 1 and 2), which are defined in the Technical Memorandum of Understanding (TMU), as well as adjusters in case of contingencies.

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

(Cumulative changes) 1/

.	End-Dec 2019				End-Jun 2020				End-Sep 2020				End-Dec 2020
	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Indicative Targets	Adjusted Indicative Targets	Actual	Status	Indicative Targets
Quantitative Performance Criteria													
Change in net international reserves of the BCM (floor); in million of U.S. dollars	63.0	160.5	180.2	Met	20.3	8.0	36.0	Met	-101.5	-119.7	141.6	Observed	-182.6
Change in net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRU)	0.84	-2.66	-4.69	Met	1.35	1.79	3.50	Not Met	1.51	2.16	1.89	Observed	7.23
Primary balance excluding grants; in billions of ouguiyas (MRU) 2/	1.70	1.92	4.10	Met	1.88	1.85	7.46	Met	-4.50	-4.30	9.43	Observed	-8.50
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	103.0 307.0	104.55 304.5	Not Met 6/	0.0	103.0 307.0	104.55 304.5	Met 6/	0.0	103.0 307.0	104.55 304.5	Observed 6/	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	Met	0.0		0.0	Met	0.0		0.0	Observed	0.0
New external payment arrears (continuous ceiling) 5/	0.0		0.0	Met	0.0		0.0	Met	0.0		0.0	Observed	0.0
Indicative Targets													
Social spending; in billions of ouguiyas (MRU)	9.60		9.65	Observed	5.4		4.9	Not Observed	10.0		7.9	Not Observed	14.50
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/	400.0		259.3	Observed	450.0		312	Observed	450.0		414.0	Observed	450.0
Adjustement Factors (in millions of U.S. dollars)													
Net international assistance	-192.2		-157.7		-104.9		-119.1		-40.9		-61.1		-33.1
Cumulative disbursements of official loans and grants in foreign currency	43.8		92.9		18.5		0.0		99.6		81.4		132.7
Cumulative amounts of external cash debt service payments 7/	-236.0		-250.6		-123.4		-119.1		-140.5		-142.4		-165.8
FNRH contribution to the budget	82.4		146.0		21.8		23.7		21.8		23.7		26.6
European Union fishing compensation fee	77.1		76.6		0.0		0.0		0.0		0.0		65.4
Extractive revenues, in billions of ouguiya (MRU)	4.13		4.60		3.20		3.15		2.96		3.36		3.70
Memorandum items:													
Program exchange rate (MRU/USD)	35.85		35.85		35.85		35.85		35.85		35.85		35.85

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.
6/ Breached as of August 22, 2019, with actual contracting of $104.55 million under the first sub-ceiling; waiver granted by the IMF's Executive Board on December 11, 2019.
7/ Indicative targets and actual amount for September and December 2020 reflect DSSI debt relief.

Table 2. Mauritania: Structural Benchmarks 2019–20
(Fifth and Sixth Reviews)

Measure	Date	Objectives	Status
Monetary and foreign exchange policy			
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 foreign exchange market and allow greater exchange rate flexibility	Observed
Calculate the daily reference exchange rate as the weighted average of actually settled rates on the official market	March 2020	Improve transparency of the official foreign exchange market and allow greater exchange rate flexibility	Observed
Prepare and publish *pro forma* BCM financial statements for 2019 in accordance with IFRS international accounting standards	June 2020	Increase the transparency of the central bank's accounts	Observed
Finalize the terms of reference for procurement of the FX interbank market platform	September 2020 (postponed from December 2019 and adjusted)	Deepen the foreign exchange market	Implemented with delay in January 2021
Financial sector policy			
Submit a revised law on loan recovery to parliament	December 2019	Strengthen the banking system and improve the business environment	Implemented with delay in July 2020
Adopt an instruction strengthening the supervision of auditors tasked with certifying banks' financial statements	December 2019	Strengthen bank supervision as well as the stability and governance of the banking system	Observed
Adopt an instruction aimed at taking provisioned nonperforming loans out of banks' balance sheets after five years	March 2020	Strengthen the stability of the banking system and improve governance	Observed
Adopt an instruction on administrative sanctions applicable to banks	June 2020	Strengthen bank supervision as well as the stability and governance of the banking system	Observed

Table 2. Mauritania: Structural Benchmarks 2019–20 (concluded)
(Fifth and Sixth Reviews)

Measure	Date	Objectives	
Fiscal policy			
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	Observed
Establish indicative internal performance targets for the DGI regarding the timely filing and payment rates for large and medium-size businesses in 2020	March 2020	Improve tax revenue mobilization and tax equity, and reduce tax arrears	Observed
Digitalize customs exemptions and update the ASYCUDA system to better monitor and control exemptions and accelerate treatment of customs data	March 2020	Strengthen customs administration to mobilize revenues and facilitate trade	Implemented with delay in July 2020
Establish dedicated budget lines for emergency response spending and ensure that all those budgetary resources, including external grants, flow through these lines	September 2020	Facilitate tracking of funds through the existing IT system RACHAD; and account transparently for COVID-19 response spending	Observed
Provide cash transfers to 55,000 vulnerable households (up from 34,000 at end-March 2020)	October 2020	Strengthen social safety nets and reduce inequalities and poverty	Implemented with delay in January 2021

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 new ouguiya ($1 = MRU 35.85), 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 protection."

8. **Social spending** is estimated using the definition in paragraph 7 but limited to domestically funded expenditure under the following headings: "Health," "Education," and "Social action and protection."

9. **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);

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

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 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.

10. 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

11. 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.

12. 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.

13. 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 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 of the U.S. 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). From 2020, its U.S. dollar value is calculated using the average exchange rates for July 2019 as described in the *IFS* (International Financial Statistics) database of the IMF, namely the rates of exchange of the U.S. dollar against the SDR ($1.38128 = SDR 1) and other national currencies, namely, the euro (0.89139 euro = $1), the Kuwaiti dinar (KWD 0.30368 = $1), the Saudi rial (SR 3.75 = $1), and the pound sterling (£0.801916 = $1).

14. 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.

15. 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. Starting January 1, 2020, the benchmark rate is 2.39 percent. Starting in 2020, the margin between the euro six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the yen six-month LIBOR and the US dollar six-month LIBOR is -250 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 -150 basis points.[3]

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[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. From 2020, the average for the period 2020–29 on the basis of the fall 2019 edition of the WEO.

16. 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

17. 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 paid on the BCM's foreign liabilities).

18. 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.

19. 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.

20. 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.).

21. **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

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

Central Bank of Mauritania (BCM)

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

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

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

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

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

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

- Monthly external debt data within a period of 30 days after the end of the month under consideration, following the monthly meeting of the technical committee on debt, the minutes of which will be attached. The information required consists of: the external debt 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;
- Daily statistics on the autonomous factors and on foreign exchange market operations, within a period of 10 days after the end of the month;
- Daily 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 adequacy ratios and on claims, classified by bank and consolidated, within a period of 45 days after the end of the reference period.

Ministries 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.

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

D. Central Government Operations Table

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

- **Grants** are defined as the sum of the following components: foreign project grants (used for the implementation of foreign-financed investment projects contained in the parts of the consolidated investment budget covering the central government and other administrative units (EPA) —parts BE and BA); and foreign program grants for budget support, including multilateral HIPC debt relief as regards the public external debt and the external debt of the BCM and the SNIM (including the portion of the relief pertaining to the debt to the African Development Fund/African Development Bank on Cologne terms);

- **Domestic bank financing** of the government deficit is defined as a change in net banking system credit to the government, that is, claims on the government minus government deposits with the banking system (excluding deposits of public institutions and EPA at the BCM, but including the HIPC account);

- **Domestic nonbank financing** of the government deficit is defined as a change in the stock of Treasury bills held by nonbanks;

- **Domestic arrears** are defined as a net change (beyond a period of three months) in the Treasury float and in the stock of domestic claims on the government recorded by the Ministry of Finance (including but not limited to cumulative payment arrears to public enterprises (water, electricity, etc.) and international organizations, and those covered by government contracts and court decisions);

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

Statement by Mr. Andrianarivelo, Executive Director for the Islamic Republic of Mauritania, and Mr. Sidi Bouna, Senior Advisor to the Executive Director
March 3, 2021

I. Introduction

1. **The authorities thank staff for the very candid and fruitful discussions held in the context of the sixth review under the Extended Credit Facility (ECF).** The policy discussions took place remotely during the months of December 2020 and January 2021, at a time when a second wave of the pandemic hit the country which required the reinstatement of containment measures. While cautious steps have since been taken to reopen the economy, the second wave has further exacerbated the socio-economic hardships caused by the first wave earlier last year. The authorities would like to express their deep gratitude to the Executive Board and Management for their support during these difficult times, and in particular for the disbursement under the Rapid Credit Facility in April 2020 and the augmented access under the fifth review in September 2020 which provided much-needed financial resources to help mitigate the effects of the pandemic on the population and the economy.

2. **With the Executive Board's consideration of the sixth and final review under the ECF, the authorities request a successor arrangement to help address the significant challenges they continue to face and pursue major reforms initiated over the past three years with the support of the Fund.** They welcome the staff's assessment that Mauritania's performance under the program has remained strong. The authorities have also demonstrated a strong ownership of the program and have overall delivered on their commitments under the ECF. However, Mauritania continues to face significant macro-structural challenges, including the need to raise living standards more rapidly and accelerate poverty reduction while also continuing to take actions to mitigate the country's vulnerability to shocks, notably from periodic droughts and the effects of climate change. To meet these challenges and pursue the implementation of major structural reforms launched under the ECF that have not yet been finalized, the authorities request a new ECF arrangement. They are also hopeful that a continued sound performance under a new Fund arrangement will help catalyze additional donor financing to support their long-term development agenda, as Mauritania's needs to achieve the Sustainable Development Goals (SDGs) remain substantial and progress towards these goals has been jeopardized by the pandemic. They are very grateful to their development partners for the financial support provided during the pandemic.

II. Recent Economic Developments, Outlook, and Risks

3. **The pandemic has weakened the economic performance in 2020.** Real GDP growth is estimated to have contracted by 2.2 percent in 2020, as result of the strict containment

measures to alleviate the socio-economic impact of both waves of the pandemic. Inflation, however, has remained low at 2.3 percent on average. The primary budget balance (excluding grants) has ended the year with a surplus of 1.3 percent of non-extractive GDP, thanks largely to the sizeable increase in fiscal revenues emanating from the thriving extractive industries despite higher expenditures to address the Covid-19 pandemic. The external current account deficit (excluding externally financed extractive capital imports) narrowed to 3.3 percent of GDP, driven mainly by the strong performance of commodities' exports and rising international prices of iron ore and gold. These favorable external developments along with the increase in donor support have helped increase foreign exchange reserves to 5.9 months of non-extractive imports.

4. **Mauritania is projected to recover in 2021 from last year's recession caused by the pandemic.** Growth is forecast to reach 3.1 percent in 2021 and should accelerate over the medium-term as domestic and global conditions improve further. Inflation will remain moderate at 2.4 percent on average in 2021. While public finances will be positively affected by the economic recovery underway through, notably, an increase fiscal revenues, the authorities have maintained elevated emergency and social expenditures in their 2021 budget to continue to mitigate the effects of the pandemic and respond to the second wave. Thus, the primary fiscal deficit is forecast to reach 3 percent of non-oil GDP in 2021. The external current account deficit (excluding externally financed extractive capital imports) will widen to 7 percent of GDP in 2021 and decline to 4 percent of GDP in 2023, as global economic conditions continue to improve, and domestic demand adjusts to the new environment.

5. **The country's outlook remains subject to high uncertainty.** A weakening of global economic conditions could impact the favorable international price of the commodities exported by Mauritania, especially iron ore and gold, while volatile oil prices could affect the expected launch date of offshore gas production, currently scheduled in 2023. Regional and global challenges, notably the deterioration of the security situation in the Sahel region and more frequent and intense droughts, could also adversely affect Mauritania.

III. Performance Under the ECF

6. **Program performance has remained strong despite a challenging environment.** The authorities have met all performance criteria at end-June 2020, except the ceiling on net domestic assets of the central bank which the authorities exceeded slightly due to the accommodative monetary policy stance needed to respond to the pandemic. They request a waiver for the non-observance of the performance criterion. The pandemic has also affected the implementation of two structural benchmarks —one pertaining to the reform of the foreign exchange market and the other to cash transfers to vulnerable households—which were also observed but with delays. In addition, while the indicative

targets on social spending for June 2020 and September 2020 were missed, total social spending increased significantly by the end of the year enabling the authorities to meet the much higher December indicative target.

IV. Fiscal Policy

7. **Ensuring that adequate resources are allocated to the fight against the pandemic remains the authorities' key near-term priority.** To that end, they have adopted a 2021 budget that provides for an increase in health expenditures, including new hiring and salary increases, extends social protection for the poorest, introduces measures to assist households and small enterprises, allocates resources to encourage agricultural production. The budget also raises capital expenditures for essential infrastructure projects. The authorities very much welcome the acknowledgement by staff in the report that they *"are implementing their commitments made at the time of the RCF, regarding the transparent use of Covid-19-related resources in 2020-2021."* They are determined to continue to ensure that the monitoring and reporting of emergency spending continue to be made in a transparent manner , and this, with the help of a national commission put in charge to monitor all the resources utilized in the fight against the pandemic which is composed of a wide range of stakeholders, including trade unions representatives and external partners. They will also continue to publish all public procurement contracts on the website of the Ministry of Finance, including the names of the beneficiary companies and their legal owners, as well as the nature of the goods and services and the certification of delivery. They will also address the requirement to disclose the beneficial owners with the technical assistance of the Fund. The authorities will ensure that all Covid-related expenditures are audited by the Court of Auditors (Cour des Comptes) and that the findings of the audit are made public by September 2021.

8. **The authorities will take actions to ensure that fiscal and debt sustainability are preserved over the medium-term.** They will prepare, in coordination with Fund staff, a plan to embed the 2020 fiscal expansion in a medium-term budgetary framework. To that end, they will gradually withdraw temporary emergency expenditures and revert to a primary fiscal surplus over the medium-term. The design of the plan will be addressed in more detail in the context of a successor arrangement. The authorities will also resume public financial management reforms, guided by the recommendations of the Public Investment Management Assessment (PIMA) finalized last year.

V. Monetary and Exchange Rate Policies

9. **The monetary authorities are determined to take all necessary actions to support the recovery while closely monitoring potential inflationary pressures.** The Central

Bank of Mauritania (Banque Centrale de Mauritanie, BCM) had acted swiftly to support the economy when the Covid-19 crisis hit last year and provide liquidity to the financial system, by lowering its key interest rate and reducing banks' reserve requirements. To address the potential risks that could arise from the surge in liquidity, it raised banks' reserve requirements at the end of last year. While these measures are helping mitigate the impact of the pandemic on the financial system, credit to the private sector has remained weak and non-performing loans have risen. BCM continues to monitor the financial sector's asset quality while encouraging banks to reinforce their capital to support a resumption of higher credit to the private sector.

10. **The authorities look forward to pursuing the modernization of the foreign exchange market with Fund support under a new arrangement.** In particular, the pandemic has necessitated a revision of the initial timeline that had been anticipated for putting in place an integrated technical platform for monetary policy operations and establishing a modern interbank foreign exchange market, initially expected by end-September 2020. The authorities intend to finalize this project in 2021, subject to the availability of financing and technical experts.

VI. Financial Sector Policies

11. **Strengthening financial sector soundness and improving the regulatory framework will continue.** While the central bank has adopted a flexible approach to the financial system's requirement to raise minimum capital and liquidity ratios due to Covid-19, they will build on the progress achieved in recent years to accelerate efforts to bolster banks' solvency, improve governance in the financial system, and strengthen the country's AML/CFT framework.

12. **Transitioning to the International Financial Reporting Standards (IFRS) is a key reform that the authorities intend to pursue under a successor ECF.** The central bank is committed to aligning its accounting with international standards. To that effect, BCM is working with international partners to ensure that the required infrastructure is in place to enable the adoption of IFRS accounting norms in 2021, including a new information system.

VII. Structural Reforms and Poverty Reduction

13. **Fostering higher and more inclusive growth will continue to be a key priority moving forward.** The authorities are aware that more rapid progress is needed in the efforts to strengthen governance and improve the business climate. Accordingly, and at the request of the authorities, the Fund will undertake in 2021, an assessment of the country's economic governance that will cover fiscal management, revenues from

extractive industries, and the AML/CFT framework. Further improving the business environment is also high on the authorities' agenda as they continue to give priority to addressing the weaknesses identified in the World Bank's Doing Business reports.

14. **A crucial lesson from the pandemic is that a well-designed social safety net is essential to providing rapid and adequate assistance to help alleviate the impact of a shock on the most vulnerable groups.** The progress achieved in recent years in reinforcing Mauritania's social protection programs has enabled the authorities to rapidly step up their assistance to the neediest segments of the population. The assistance of the World Bank has been instrumental in the establishment of a social register of the poorest households. In response to the pandemic, the authorities have substantially increased the number of vulnerable households that regularly benefit from cash transfers, and they intend to raise it further from 60,000 households at end-2020 to 100,000 by end-2021. It is the authorities' firm intention to continue to increase poverty-reducing expenditures moving forward, particularly on public education and healthcare, as well as on targeted cash transfer programs.

VIII. Conclusion

15. **The authorities seek the Executive Directors' support for the completion of the sixth and final review under the ECF.** Mauritania's performance under the program has been consistently satisfactory despite the severe economic disruptions caused by the pandemic. Moving forward, the authorities reiterate their commitment to the prudent policies and sound reforms set forth under the program with a view to reinforcing macroeconomic stability, enhancing economic resilience and fostering inclusive growth. The have requested a successor arrangement to pursue the reforms initiated during the past three years under the ECF and that not yet been finalized.