INTERNATIONAL MONETARY FUND

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ISLAMIC REPUBLIC OF MAURITANIA

February 2023

2022 ARTICLE IV CONSULTATION AND REQUESTS FOR 42-MONTH ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY —PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF MAURITANIA

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2022 Article IV consultation with Islamic Republic of Mauritania, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on January 25, 2023, following discussions that ended on November 11, 2022, with the officials of Islamic Republic of Mauritania on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on December 20, 2022.
- A **Debt Sustainability Analysis** prepared by the staff of the IMF.
- An **Informational Annex** prepared by the IMF staff.
- 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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PRESS RELEASE

PR23/15

IMF Executive Board Concludes 2022 Article IV Consultation and approves $ 86.9 Million Extended Credit Facility and Extended Fund Facility for the Islamic Republic of Mauritania

FOR IMMEDIATE RELEASE

- The IMF Executive Board approved 42-month arrangements under the Extended Credit Facility and Extended Fund Facility in the amount of US$ 86.9 Million for The Islamic Republic of Mauritania. The Executive Board decision enables an immediate disbursement of US$ 21.7 million.

- The Mauritanian authorities' IMF-supported reform program presents a comprehensive policy package to preserve macroeconomic stability, strengthen the fiscal and monetary policy frameworks, and improve governance, to consolidate the foundations for sustainable, inclusive growth, and reduce poverty.

- Mauritania's economic growth has accelerated in 2022, driven primarily by the extractive sectors, while Inflation should stabilize at approximately 11 percent reflecting the central bank tight monetary policy.

Washington, DC – January 25, 2023: The Executive Board of the International Monetary Fund (IMF) concluded the Article IV consultation[1] and approved 42-Month arrangements of SDR 64.40 million (about US$ 86.9 million) under the Extended Credit Facility and Extended Fund Facility with the Islamic Republic of Mauritania. The Board approval will allow for SDR 16.10 million (US$ 21.7 million) to be made available immediately to Mauritania. The remaining amount will be phased in over the duration of the program, subject to semi-annual reviews.

Mauritania's economic reform program supported by the IMF arrangements aims to preserve macroeconomic stability, strengthen the fiscal and monetary policy frameworks, consolidate the foundations for sustainable, inclusive growth, and reduce poverty. The program includes three pillars: (i) improving medium-term budgeting to maintain fiscal sustainability, to gradually reduce debt and to smoothen the volatility of extractive revenues and protect social spending; (ii) strengthening the monetary and foreign exchange policy frameworks and development of the money and foreign exchange markets to gain better control of inflation and to ensure that Mauritania's economy is more resilient against exogenous shocks; and (iii) structural reforms designed to strengthen governance, transparency, and the private sector through an improved business climate and financial inclusion.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

Economic growth has accelerated and is expected to reach 5.3 percent in 2022, driven primarily by the mining sector, agriculture, and fisheries. Inflation is expected to stabilize at approximately 11 percent as a result of the tight monetary policy conducted recently by the Banque Centrale de Mauritanie (BCM).

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

"A determined response to the COVID-19 pandemic and sizable international financial support have placed Mauritania on a recovery path. With sound policies, donor support, and favorable iron ore prices, international reserves accumulated, and the fiscal balance ended in a surplus in 2021."

"However, a confluence of shocks including Russia's war in Ukraine and regional tensions have reverted the trend accumulation of foreign exchange reserves in 2022 and narrowed the space for policy intervention, while Mauritania still faces significant human and infrastructure development needs. Surging international commodity prices have led to inflationary pressures and food insecurity."

"The Central Bank of Mauritania has appropriately tightened its monetary stance in 2022 to contain rising inflation. A continued tight monetary policy stance closely coordinated with budget execution is needed to actively manage the banking system's liquidity and reduce inflation. Careful monitoring of financial sector developments is also needed to strengthen the banking sector resilience to shocks."

"The authorities' strategy to preserve infrastructure investment and social spending would help achieve higher and greener growth and need to remain within a disciplined fiscal policy to contain debt. In this context, rebalancing public expenditure away from untargeted current spending and enhancing the efficiency of public investment through better prioritization, implementation and maintenance are needed."

"Decisive implementation of structural reforms would limit scarring from the COVID-19 pandemic and pave the way for a higher, more inclusive and private sector-led growth. Priorities include improving governance, transparency, the business environment and financial inclusion, and mitigating the challenges posed by climate change."

"The new 42-month arrangements under the Extended Credit Facility and Extended Fund Facility have a credible policy package to address Mauritania's challenges. In particular, the program aims to help maintain reserves above the adequacy threshold in preparation for greater exchange rate flexibility, strengthen policy frameworks, and promote sustainable and inclusive growth. The arrangements will also contribute to the development of human capital, poverty reduction, and private sector growth."

Mauritania: Selected Economic indicators, 2021–23

Poverty rate: 28 percent (2019) | Quota: SDR 128.8 million
Population: 4.4 million (2018) | Main exports: iron ore, fish, gold

	2021	2022	2023
	Est.	Proj.	
	(Annual change in percent; unless otherwise indicated)		
National accounts and prices			
Real GDP	2.4	5.3	4.3
Real extractive GDP	-12.6	17.0	8.3
Real non-extractive GDP	6.3	2.1	3.3
GDP deflator	12.6	0.2	2.5
Consumer prices (end of period)	5.7	11.0	9.0
	(In percent of nonextractive GDP; unless otherwise indicated)		
Central government operations			
Revenues and grants	27.3	29.7	27.1
Nonextractive	19.9	20.7	21.9
Taxes	13.8	15.5	16.6
Extractive	4.6	7.1	3.5
Grants	2.7	1.8	1.7
Expenditure and net lending	24.5	31.4	30.3
Current	15.4	21.0	18.7
Capital	9.2	10.5	11.5
Primary balance (excl. grants)	1.1	-2.5	-3.9
Overall balance (in percent of GDP)	2.2	-1.4	-2.6
Public sector debt (in percent of GDP) 1/ 2/	49.1	48.4	50.3
	(Annual change in percent; unless otherwise indicated)		
Money and Credit			
Broad money	20.4	5.0	8.1
Credit to the private sector	8.4	16.4	12.1
Balance of Payments			
Current account balance (in percent of GDP)	-7.9	-17.3	-11.4
Excl. externally financed extractive capital imports	0.9	-7.5	-5.5
Gross official reserves (in millions of US$, eop) 3/	2,347.5	1,501.3	1,568.3
In months of prospective non-extractive imports	7.3	5.1	5.2
External public debt (in millions of US$) 2/	4,285.0	4,312.8	4,560.2
In percent of GDP	43.3	41.8	43.4
Real effective exchange rate	…	…	…
Memorandum items:			
Nominal GDP (in millions of US$)	9,891.6	10,314.1	10,507.2
Price of iron ore (US$/Ton)	158.2	121.0	101.5

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including government debt to the central bank recognized in 2018.
2/ From 2021, including renegociated, previously passive debt to Kuwait.
3/ Excluding hydrocarbon revenue fund.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

December 20, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION AND REQUESTS FOR 42-MONTH ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY

EXECUTIVE SUMMARY

Context. Volatile commodity prices and a tightly managed exchange rate (ER) have led to boom and bust cycles with significant impacts on the public and financial sectors. While the previous Extended Credit Facility (ECF) arrangement (December 2017—March 2021) has helped maintain macroeconomic stability, the pandemic has delayed structural reform implementation and widened the gap to reach the Sustainable Development Goals (SDGs). In addition, surging international commodity prices since the start of Russia's war in Ukraine have deteriorated the external and fiscal balances and led to inflationary pressures and food insecurity. In March 2021, the authorities requested a successor arrangement to support accelerated implementation of their national development strategy, help increase social and infrastructure spending, and improve governance and the business environment.

AIV policy recommendations. Discussions focused on the optimal policy mix to rein in inflation and shield the poorest from surging energy and food prices in the short term. Medium-term policy priorities should aim at increasing resilience to shocks and include: (i) a disciplined fiscal policy that lowers public debt, while maintaining sufficient public investment and social spending to achieve higher and greener growth; (ii) a modernized monetary policy framework and more developed financial markets to strengthen the central bank control over inflation; (iii) greater ER flexibility to absorb external shocks and support economic diversification, and (iv) accelerated structural reforms to improve governance, transparency, improve the business environment and financial inclusion, and mitigate the challenges posed by climate change.

Program issues. Mauritania has present and prospective balance of payments (BoP) needs while a confluence of shocks including the war in Ukraine and regional tensions have narrowed the space for policy intervention. The BoP needs could widen considering significant risks to the baseline including a protracted war in Ukraine, tensions in the Sahel region, climate shocks, increasing volatility in international commodity markets, and delays in the start of the Grand Tortue/Ahmeyim (GTA) offshore gas project.

To support their development program and institutional reform agenda, the authorities have requested 42-month arrangements under the ECF and Extended Fund Facility (EFF) with a cumulative access of SDR 64.40 million (50 percent of quota, of which SDR 21.47 million or 16.67 percent of quota under the ECF and SDR 42.93 million or 33.33 percent of quota under the EFF). The arrangements will help maintain reserves above the adequacy threshold in preparation for greater ER flexibility, strengthen policy frameworks, and promote sustainable and inclusive growth. The program will focus on i) anchoring fiscal policy in the face of high international food and energy prices and volatile commodity prices, ii) strengthening fiscal, monetary, and foreign exchange policy frameworks, and iii) bolstering governance, transparency, and the environment for private investment. The arrangements will also contribute to the development of human capital, poverty reduction, and private sector growth. It will help catalyze support from Mauritania's development partners. Staff supports the authorities' request for the new arrangements. The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives.

Approved By
Taline Koranchelian and Boileau Loko

Discussions took place during October 30–November 11, 2022 in Nouakchott. The team comprised Felix Fischer (head), Mariam El Hamiani Khatat, Onur Ozlu (all MCD), Thomas Benninger (FAD), Benjamin Kett (SPR), and Anta Ndoye (Resident Representative), assisted by Ibrahim Ball (local economist). Mr. Mohamed Sidi Bouna (OED) joined part of the discussions. Jarin Tasnim Nashin provided research assistance, and Tatiana Pecherkina, Abigail Korman, and Ibrahima Kane provided support. The team met with President Mohamed Ould Ghazouani, Prime Minister Mohamed Ould Bilal, Central Bank Governor Mohamed Lemine Dhehby, Minister of Finance Isselmou Ould Mohamed M'Bady, Minister of Economy Ousmane Mamoudou Kane, Minister of Petroleum and Energy Abdesselam Ould Mohamed Saleh, Minister of Education Brahim Vall Ould Mohamed Lemine, Minister of Environment and Sustainable Development Lalya Kamara, along with other government and public enterprise senior officials, banks, the private sector, labor unions, development partners and diplomatic community.

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CONTEXT

1. **The Mauritanian authorities have successfully completed their 2017–21 program supported by an Extended Credit Facility (ECF) arrangement**. The arrangement supported the recovery following the 2014–15 terms-of-trade shock, and helped meet social and infrastructure needs while maintaining macroeconomic stability. The fiscal balance improved, and international reserves rose; Fund financing also helped catalyze other donor flows. The program helped to broadly stabilize the external debt-to-GDP ratio. During the last ECF arrangement, the Fund has also provided sizable financing to increase spending on health services and social protection programs in response to the pandemic and catalyze additional donor financing.[1]

2. **However, considerable challenges remain to achieve sustainable and more inclusive growth, while a confluence of shocks has narrowed the policy space.** Poverty remains high and infrastructure limited. The COVID-19 pandemic widened the gap to reach the SDGs—especially related to hunger, good health and wellbeing, education, gender equality, decent work, and access to affordable and clean energy (Text Table 1)—and delayed reform implementation. Surging international commodity prices following the war in Ukraine have significantly impacted trade, economic activity, and domestic prices (Box 1). The war in Ukraine and regional tensions have also reverted the trend accumulation of FX reserves and policy buffers have been coming under pressure again in 2022. In addition, a sizable unfinished reform agenda remains, notably on Public Financial Management (PFM) and public investment management, monetary and foreign exchange policy, social safety nets, and governance.

3. **In March 2021, the authorities requested a successor program to support their economic development and structural reform agenda**. The Strategy for Accelerated Growth and Shared Prosperity covering 2016–30 (SCAPP)[2] and the president's Priority Program (PROPEP), covering 2020–23 and consistent with the SCAPP, aim to support the recovery and boost long-term growth. The SCAPP is based on three pillars: i) promote sustainable, and inclusive growth, by revitalizing sectors with high employment and growth potential through the modernization of public infrastructures, and strengthened the role of the private sector; ii) develop human capital and improve access to basic social services; and iii) strengthen governance, including economic governance, and the fight against corruption. The second five-year action plan of the SCAPP (PA2 SCAPP) focuses mainly on environmental protection and natural disaster risk management, infrastructure development, education, health services, employment promotion, resilience of the most vulnerable groups, security, peace and social cohesion, and protection against radicalization and violent extremism.

[1] The Fund provided a total of $329 million in 2020–21 under the Rapid Credit Facility (SDR 95.68 million or about $130 million) and the ECF (SDR 149.04 million or 115.7 percent of quota, about $206 million) and the general SDR allocation (SDR 123.4 million, about $176 million) also provided additional reserve assets in 2021.

[2] The acronym SCAPP stands for "Stratégie de Croissance Accélérée et de Prospérité Partagée and the acronym PROPEP stands for "Programme Prioritaire Elargi du Président".

4. Albeit government reshufflings the political situation remains stable, but security risks persist in the Sahel. On March 31, President Ghazouani appointed a new government and central bank governor. Two partial cabinet reshuffles followed in September. Legislative, regional, and municipal elections are scheduled in 2023 and the presidential election in 2024. The authorities contained protests following the increase in fuel prices in July 2022 (Table 13). Security risks have increased following multiple military coups in the region, an increasing number of refugees, and rising violence at the border with Mali.

Text Table 1. Percentage Change in Scores by Sustainable Development Goal

SDGs	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Goal 1. No Poverty	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Goal 2. Zero Hunger	▲	▲	▲	▼	▼	▲	▲	▼	►	►
Goal 3. Good Health and Well-Being	▲	▲	▼	▼	▲	▲	▼	▲	▼	►
Goal 4. Quality Education	▲	▲	▲	▲	▼	▲	▲	▼	►	►
Goal 5. Gender Equality	▲	▼	▲	▲	▲	▲	▼	▲	▼	►
Goal 6. Clean Water and Sanitation	▲	▲	▲	▲	▲	▲	▲	▲	▲	►
Goal 7. Affordable and Clean Energy	▲	▲	▼	▲	▲	▼	▲	▲	►	►
Goal 8. Decent Work and Economic Growth	▼	▼	▲	▼	▼	▼	▼	▲	▼	▼
Goal 9. Industry, Innovation and Infrastructure	▼	▲	▲	▲	▼	▼	▲	▲	▲	►
Goal 10. Reduced Inequalities	►	►	▲	►	►	►	►	►	►	►
Goal 11. Sustainable Cities and Communities	▼	▲	▲	▼	▼	▲	▼	▲	►	►
Goal 12. Responsible Consumption and Production	▼	▼	▼	▼	▼	▼	▼	▼	►	►
Goal 13. Climate Action	▼	▲	▲	▲	▲	▼	▲	▲	▲	►
Goal 14. Life Below Water	▼	▼	▼	▼	▼	▼	▲	▲	▲	►
Goal 15. Life on Land	▼	►	►	►	▼	►	►	►	►	▼
Goal 16. Peace, Justice and Strong Institutions	▲	▼	▼	▼	▼	▲	▼	▲	▲	▼
Goal 17. Partnerships for the Goals	▼	▲	▲	▲	▼	▲	▲	▲	▼	►

▲	Positive growth
▼	Negative growth
►	Stagnation

Source: Sustainable Development Report 2022; and IMF staff calculations.

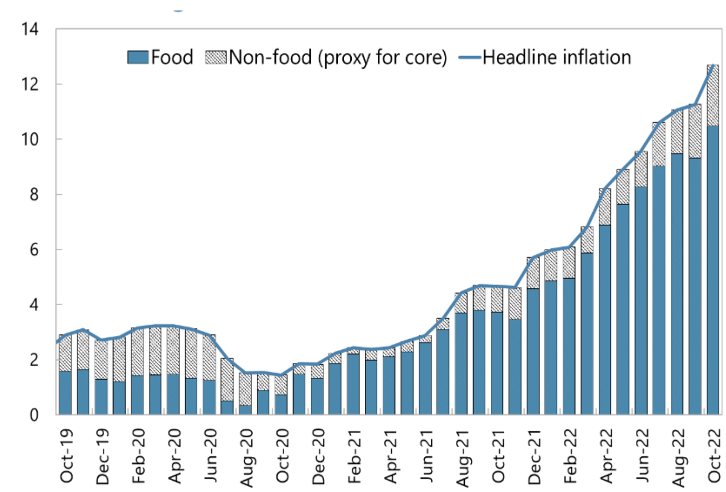
RECENT DEVELOPMENTS

Economic activity is recovering despite a challenging global environment, supported by a rebound in the extractive sector—following a fire that occurred in TASIAST in 2021, a sizeable monetary expansion in 2021, and increasing public investment in 2022.

5. **Economic activity is recovering despite rising inflation.** Growth reached 2.4 percent in 2021 (from a 0.9 percent contraction in 2020), mainly driven by the non-extractive sector (6.3 percent) with activity in services rebounding following the 2020 recession.[3] The drought had a severe impact on agriculture in 2021 and early 2022. This, combined with rising international commodity prices, led to higher food insecurity, with 20 percent of the population impacted (Box 1). Inflation accelerated to 12.7 percent y-o-y in October, reflecting surging food and oil prices and monetary expansion in 2021 (Text Figure 1).

Text Figure 1. Contributions to Inflation

(In percent)



Sources: Mauritanian authorities; and IMF staff calculations.

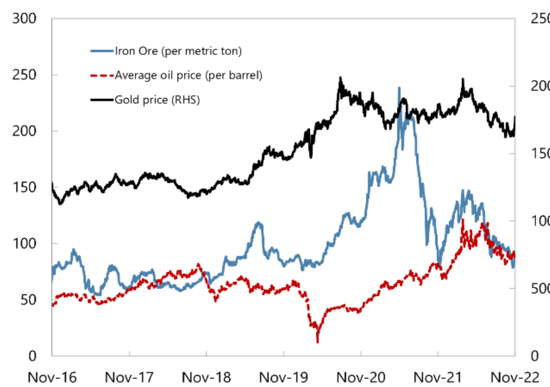
6. **International commodity price movements have worsened the external position.** The CA deficit widened to 5.3 percent of GDP in first half of 2022 relative to 3.2 percent of GDP in same period of 2021. Pressures on international food and energy prices and the decline of iron ore prices have further widened the trade balance in the third quarter of 2022 (Text Figure 2). By end-October 2022, international reserves declined to $1.6 billion (5.5 months of prospective non-extractive imports), compared to $2.3 billion (7.3 months of prospective non-extractive imports) at end-2021. The bilateral exchange rate (ER) of the Ouguiya against the US dollar almost stabilized in the first half of 2022 but depreciated in July 2022 by 3.4 percent before stabilizing again during August-October (Text Figure 3). Mauritania's external position in 2021 was broadly in line with fundamentals and desirable policies (Annex II). At end-October 2022, the Nominal Effective Exchange Rate (NEER) and REER had appreciated by 8.0 percent and 11.9 percent respectively (Text Figure 4) mainly reflecing the appreciation of the nominal ER relative to the euro—in line with the appreciation of the US dollar against the Euro—and widening inflation differential with trading partners.

7. **Fiscal policy became expansionary in response to rising energy and food import prices.** A revised budget law was adopted in July 2022 with a projected overall fiscal deficit of 4.4 percent of

[3] In May, the authorities revised growth for 2018-20. Real GDP in 2020 contracted by 0.9 percent in 2020 (against a contraction of 1.8 percent before the revision).

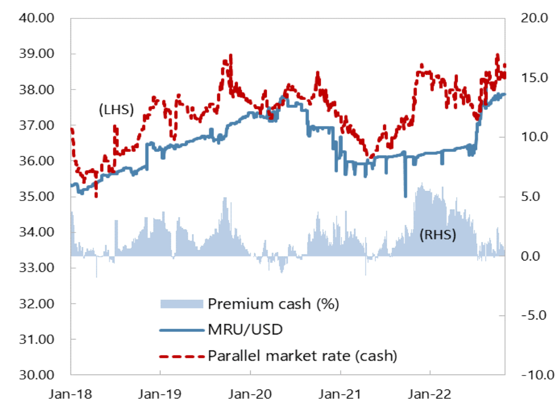
GDP and a non-extractive primary deficit of 8.7 percent of GDP in 2022. The revised budget law reflects expenditure increases for: i) the subsidy for refined petroleum products resulting from higher international oil and gas prices (MRU 13.1 billion or 3.5 percent of GDP), despite the increase in administered prices for gas and diesel by 30 percent in July, ii) social spending in response to surging food prices, and iii) public investment and security. On the revenue side, a record dividend of MRU 12.3 billion (14.0 percent of tax and non-tax revenue) by the state-owned mining company SNIM was announced reflecting the high realized iron prices in 2021 and the first half of 2022. As in 2021, the budget execution is backloaded in 2022 with total expenditure at the end of September 2022 reaching MRU 58.5 billion out of a total budget envelop of MRU 107.1 billion and resulting in a primary fiscal deficit (excluding grants) of 2.2 percent of GDP. The budget deficit and negative external financing was mainly financed by drawdowns of the treasury account totaling MRU 15.1 billion (3.8 percent of GDP).

Text Figure 2. International Commodity Prices, 2016–22 (In U.S. dollars)



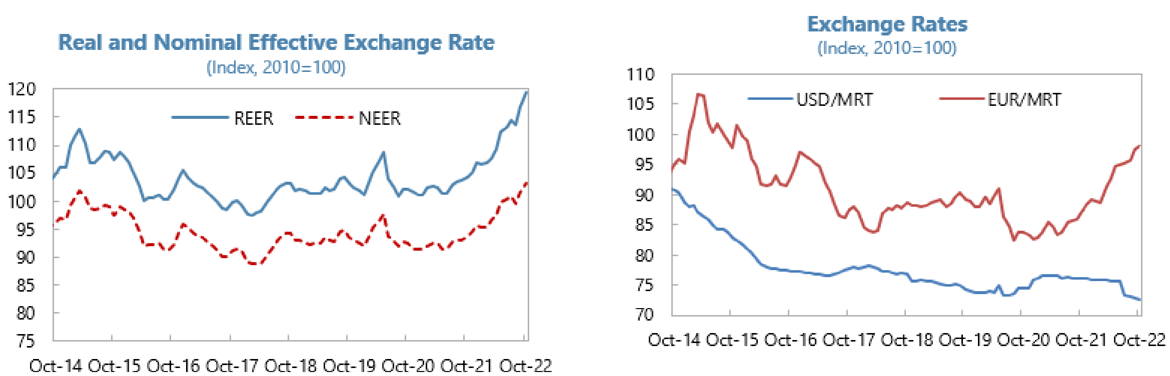
Sources: Bloomberg database; and IMF staff calculations.

Text Figure 3. Ouguiya per US Dollar—Official and Parallel Market



Source: Mauritanian authorities; and IMF staff calculations.

Text Figure 4. Nominal and Effective Exchange Rates



Sources: Mauritanian authorities; and IMF staff calculations.

8. **Credit growth accelerated in 2022 following monetary expansion in 2021.** Credit growth reached 19.7 percent in September 2022 from 8.4 percent at end-2021. Broad money growth slowed to 4.7 percent in September 2022 (20.4 percent in December 2021) due to the reduction of international reserves and the start of mobile banking activity, which led to a decrease of the currency in circulation. Bank reserves contracted significantly in the first half of 2022, reflecting increasing FX interventions to cover CA transactions, but the trend reversed starting in July (Figures 4). Non-performing loans (NPLs) decreased from 22.7 percent at end-2021 to 20.5 percent in September 2022 as result of write-offs of fully provisioned NPLs. Although the banking system remains well-capitalized, the overall capital adequacy ratio (CAR) declined from 18.1 percent at end-2021 to 17.7 percent in September 2022, due to increasing FX risks (Figure 5).[4] Banks' short FX net open positions (NOPs)—resulting mainly from imports financed through letters of credit—decreased to 38.3 percent in September 2022 after reaching a peak of 53.2 percent in March 2022 but remain substantially above the regulatory limit of 20 percent.

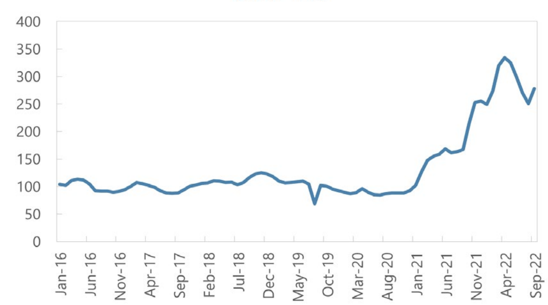
Box 1. Impact of the War in Ukraine on Inflation and Food Security in Mauritania

The impact of the war in Ukraine and related sanctions on Russia have contributed to higher inflation and wider CA deficit. Mauritania is a large importer of food products, particularly wheat, from both Russia and Ukraine. The drop in supply following the war increased global prices of wheat and other related products including bread, cereal, and pasta. The country experienced 23.3 percent increase in bread cereal inflation (year-on-year growth) in October 2022, compared to 4.2 percent increase in October 2021. Overall inflation accelerated to 12.7 percent y-o-y in October 2022, endangering the post-pandemic economic recovery.

Food inflation has pushed the population, especially the vulnerable, to acute food insecurity. The ripple effects of the war in Ukraine led to higher food insecurity, with 20 percent of the population impacted, one of the highest rates in the Sahel, and a record level in Mauritania.[1] The number of people in severe food insecurity has more than doubled in 2022 to reach 878,921, compared to 410,000 people in 2021, partly due to the impacts of war. The 2022 numbers include 136,254 children in malnutrition, of which 76 percent are in moderate and 24 percent are in severe malnutrition.

The most prominent transmission channel through which the war has impacted Mauritania's economy is via food and fertilizer imports from Russia and Ukraine. Sanctions on fertilizer exports from Russia led to an increase in the cost of most agricultural inputs, particularly fertilizers (Box 1. Figure 1) and pesticides. The increase in these agricultural input prices has negatively impacted agricultural production capacity in Mauritania. Higher oil prices affected the global cost of shipping and put further upward price pressure on imported food.

Box 1. Figure 1. Fertilizer Index includes DAP, Potash, Urea
(2016=100)



Source: Bloomberg

Dependence on food imports is particularly high in Mauritania. 97 percent of wheat consumed in Mauritania is imported, with Ukraine and Russia being major sources of wheat imports historically. In 2021,

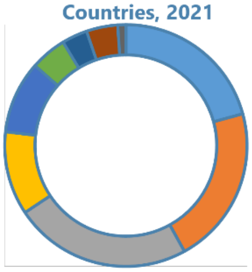
[4] The minimum CAR ratio is 10 percent.

Box 1. Impact of the War in Ukraine on Inflation and Food Security in Mauritania (concluded)

35 percent of wheat imports came from Ukraine (24 percent) and Russia (11 percent) combined, compared to 4 percent in 2022, all of which was from Ukraine, with no wheat imported from Russia.

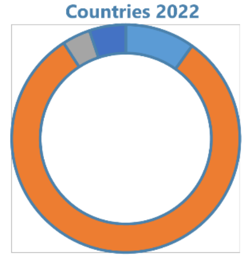
Due to the war in Ukraine, sourcing wheat has become a major obstacle. Prior to the war, wheat imports to Mauritania were sourced from a diverse group of 13 countries (Box 1. Figure 2). With the knock-on impact of the war, the number of countries from which Mauritanian importers could source wheat shrank to only four in 2022 (Box 1. Figure 3). Furthermore, importers in Mauritania report mounting difficulty in sourcing wheat at predicable prices, particularly following India's ban on wheat exports on May 2022. While Mauritania does not import wheat from India, India is an important wheat exporter and its decision to ban wheat exports has caused knock-on effects on international wheat prices including in Mauritania.

Box 1. Figure 2. Wheat Import Origin Countries, 2021



Source: Mauritanian authorities

Box 1. Figure 3. Wheat Import Origin Countries 2022

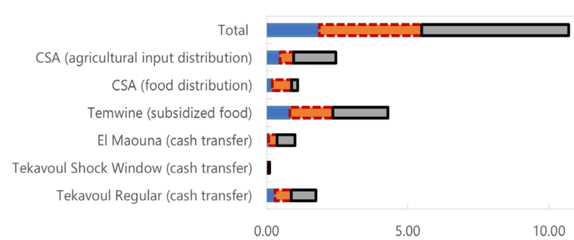


Source: Mauritanian authorities

The authorities have boosted the existing programs to support vulnerable groups. Spending on social protection programs focused on food security have increased: Coverage of the regular cash transfer program (Tekavoul), targeting poor households through the social registry increased by 92 percent since 2020 with a corresponding government spending increase of 96 percent in 2021, and a further 52 percent in 2022.

Coverage under the new shock window targeting poor households using the social registry, created in 2021 to respond originally to the economic effects of COVID-19 pandemic on poor households, and later adapted to respond to the food price increases, also increased by 80 percent in 2022 compared to 2021 (Box 1. Figure 4). These increases in social protection programs are vital for the poor and at-risk populations and have increased fiscal expenditures from 1.9 percent of GDP in 2020 to 3.6 percent of GDP in 2021 and are expected to reach 5.2 percent of GDP in 2022.

Box 1. Figure 4. Evolution of Subsidies (excluding gas and petroleum subsidies)
(in billions of MRU)



Source: Mauritanian authorities

1/ Survey conducted by the authorities ranks people in five different levels of food insecurity. Those considered to be food insecure are in level 3 and above, with 3=crisis, 4=emergency, and=5 famine.

Sources: Mauritanian authorities (data) and IMF staff.

OUTLOOK AND RISKS

9. Growth prospects remain broadly positive despite a challenging global environment, high inflation and decreasing international reserves (Figure 1).

- **In 2022, growth is expected to have accelerated to 5.3 percent**, mainly driven by the recovery of the extractive sector (17.0 percent). Despite the stronger than expected performance of the agriculture and fishing sectors, non-extractive growth should have slowed to 2.1 percent as high inflation affects consumption and the construction sector, which relies heavily on imported inputs. Inflation will likely stabilize at around 11 percent following the recent monetary contraction and additional tightening envisaged by the BCM, conditional to the absence of supply disruptions in wheat imports. In 2022, the CA deficit is expected to have widened to 17.3 percent of GDP (from 7.9 percent in 2021) due to increasing imported food and energy prices and decreasing iron ore prices, and international reserves to have fallen to $1.5 billion (5.1 months of prospective non-extractive imports). A drawdown from the treasury account (around 3 percent of non-extractive GDP, NEGDP) would finance a primary fiscal deficit (excluding grants) of 2.1 percent of NEGDP.[5]

- **In 2023–27 non-extractive growth is projected to reach 5.0 percent**. A higher projected gold price from 2024 onward, the start of gas exports in 2024, and the projected normalization of oil and food prices from 2023 will likely help improve the CA, with international reserves projected to increase back to 5.5 months of non-extractive imports in 2027. Increasing iron ore production and revenue from the Grand Tortue/Ahmeyim (GTA) offshore gas project starting 2024 would provide additional fiscal space of 0.5 percent of GDP from 2024 onwards. Structural reforms are also expected to accelerate with support from Fund capacity development.

10. The outlook is subject to significant uncertainties and downside risks. Tensions in the Sahel region, intensifying spillovers from the war in Ukraine and resulting sanctions on Russia, and a global recession could weaken exports and extractive revenues and further increase import prices, thus widening Balance of Payments (BoP) needs, weighing on international reserves and worsening the fiscal outlook. Surging international prices of essential commodities, and more frequent climate disasters, could further fuel domestic inflation, increase food insecurity and jeopardize the economic recovery. Climate risks are substantial with implications on growth (Selected Issues Paper II). New waves of the pandemic also remain a risk.

Authorities' Views

11. The authorities broadly agreed with staff's assessment of the outlook and risks but projected higher agriculture production in 2023. According to the authorities, increasing government support to the agriculture sector is expected to result in a steady increase of agriculture

[5] A record dividend of MRU 12.3 billion (3.4 percent of GDP) from the state-owned mining company SNIM partly offsets the increase in expenditure.

production despite global warming and frequency of droughts (Text figure 9). The authorities anticipated pressure on financing to increase in 2023.

Text Table 2. Selected Economic Indicators, 2019-23

	2019	2020	2021	2022	2023
		Est.	Est.	Proj.	
National accounts and prices	(Annual change in percent)				
Real GDP	5.4	-0.9	2.4	5.3	4.3
Real extractive GDP	16.8	2.4	-12.6	17.0	8.3
Real non-extractive GDP	4.0	-1.5	6.3	2.1	3.3
Consumer prices (end of period)	2.7	1.8	5.7	11.0	9.0
Central government operations	(in percent of nonextractive GDP, unless otherwise indicated)				
Revenues and grants	19.4	20.4	21.3	24.0	22.0
Nonextractive	16.4	16.3	15.6	16.8	17.8
Taxes	11.9	10.7	10.8	12.5	13.5
Extractive	1.6	2.1	3.6	5.8	2.9
Expenditure and net lending	17.4	18.2	19.2	25.4	24.6
Of which: Current	10.9	11.8	12.0	17.0	15.2
Capital	6.6	6.5	7.2	8.6	9.4
Primary balance (excl. grants)	1.4	1.1	0.8	-2.0	-3.2
Overall balance (in percent of GDP)	2.0	2.2	2.2	-1.4	-2.6
Public sector debt (in percent of GDP)	55.7	55.8	49.1	48.4	50.3
External sector					
Current account balance (in percent of GDP)	-10.3	-6.7	-7.9	-17.3	-11.4
Excl. externally financed extractive capital goods imports	-3.8	2.2	0.9	-5.8	-5.5
Gross official reserves (in millions of US$, eop)	1,135	1,542	2,347	1,501	1,568
In months of prospective non-extractive imports	5.8	6.7	7.3	5.1	5.2
External public debt (in millions of US$)	3,782	4,139	4,285	4,313	4,560
In percent of GDP	46.9	48.1	43.3	41.8	43.4

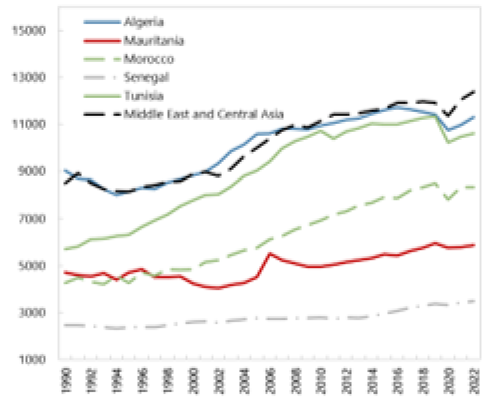
Sources: Mauritanian authorities; and IMF staff estimates and projections.

ARTICLE IV POLICY DISCUSSIONS

12. Mauritania faces significant structural challenges, and has significant development needs. External vulnerabilities are elevated due to limited economic diversification, dependence on a few exporting sectors (mining and fishing), and vulnerability to external shocks. Private investment is constrained by a limited access to finance and a challenging business environment, limited competition, and the prevalence of State-Owned Enterprises (SOEs) in key sectors of the economy.

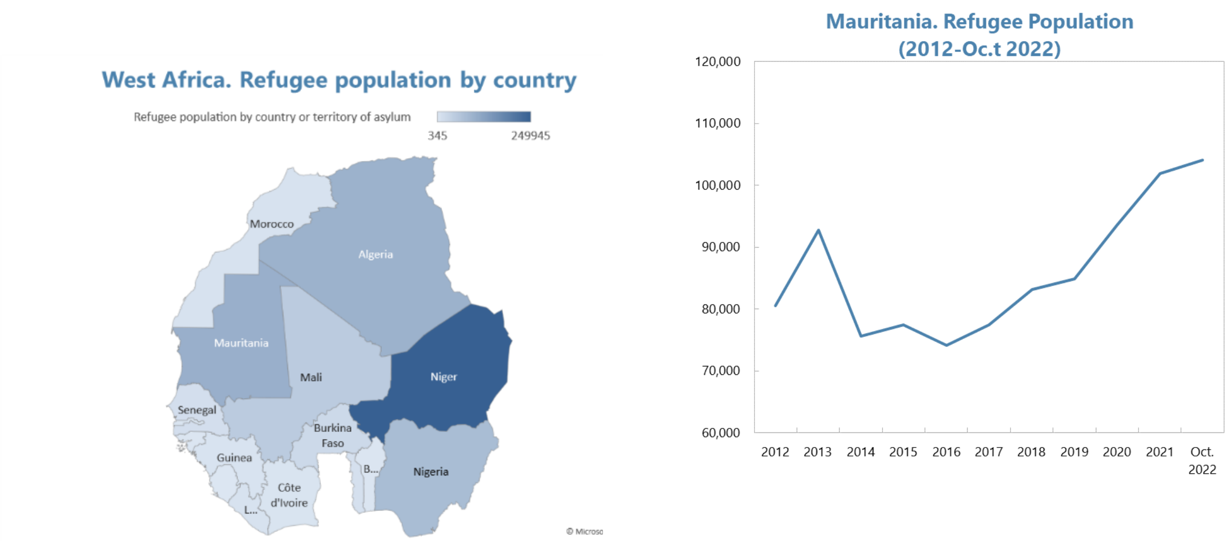
Low human capital, unemployment, informality—mainly among youth and workers in small firms[6]—and urban-rural disparities remain high. Significant infrastructure gaps persist, while macro-critical institutional reforms have been delayed by the pandemic. In addition, migration flows and the number of refugees have increased with rising insecurity in the Sahel (Text Figure 6). Consequently, Mauritania has a way to go to achieve income convergence relative to its North African peers (Text Figure 5).

Text Figure 5. GDP per Capita
(2017 PPP International Dollars)



Source: World Economic Outlook Database.

Text Figure 6. Refugee Population—Mauritania and Neighboring Countries



Sources: World Bank Databank; United Nations High Commissioner for Refugees (UNHCR) and UNRWA through UNHCR's Refugee Data Finder.

13. Implementation of some recommendations of the 2019 Article IV was delayed by the pandemic and the war in Ukraine. While the authorities responded effectively to the COVID-19 shock by prioritizing health and social spending and advancing structural reforms on governance, the pandemic followed by the war in Ukraine led to a policy loosening, deterioration of the external balance, and increasing financial vulnerabilities. The BCM has made important progress in

[6] "Informality, Development, and the Business Cycle in North Africa", MCD Departmental Paper No. DP/2022/011, June 2022.

developing the banking and liquidity management regulations since the last Article IV consultation, but the reform of the FX market needed to support a smooth transition of greater exchange rate flexibility was delayed. Progress in the implementation of some key FSAP recommendations has stalled, including the gradual securitization of BCM's claims on government, using marketable securities and the publication of financial statements of banks audited by the BCM.

14. Policies should be carefully calibrated to avoid an overheating of the economy with adverse consequences on the external balance. Near-term policy priorities should focus on containing inflation pressures and cushioning the impact of the war in Ukraine on the poor. Monetary policy will need to remain tight and fiscal policy consistent with the disinflation efforts of the central bank. Government spending accelerated since 2020 on the back of increasing extractive revenues; the dependance on volatile extractive revenues increases budgetary risks and should be reduced. The volatility of international commodity prices and its impact on extractive revenues and the wider economy call for a better anchoring of fiscal policy aimed at stabilizing expenditures and hence reducing the transmission of the volatility to the non-extractive parts of the economy.

15. The adequate policy mix calls for tighter liquidity conditions as budget execution accelerates. As excess reserves and credit growth reversed their downward trend in July and September 2022 respectively, additional liquidity tightening is warranted. This should however be carefully calibrated given the lack of collateral for central bank refinancing operations and muted interest rate transmission (Selected Issues Paper I). Staff recommended accelerating the reforms needed to implement a price-based monetary policy through more active liquidity management and deepening government securities and interbank markets.

16. As the recovery takes hold and inflation is contained, policies will need to focus on rebuilding economic resilience. This will require entrenching fiscal sustainability, strengthening monetary policy, developing financial markets, and preparing for a gradual move toward ER flexibility to absorb external shocks, and support economic diversification (Selected Issues Paper I).

- **The macro-fiscal agenda will need to target a gradual tightening in line with the fiscal anchor** (Annex III). Fiscal policy will need to be anchored on the fiscal balance excluding extractive revenues and be calibrated with the objective of stabilizing public debt. At the same time, public expenditures should be reoriented from generalized subsidies to targeted social spending in support of the vulnerable, and quality public investment to address infrastructure gap and developmental needs (roads, ports, renewable energy infrastructure, irrigation, sanitation, electrification, digitalization, etc.).

- **Given the magnitude of external shocks, the reforms needed to support the transition to greater ER flexibility have become critical**. These include: (i) implementing the technical platform for interbank FX market transactions, (ii) adopting regulations needed to create an interbank FX market, (iii) better enforcing limits on banks' FX NOPs, (iv) strengthening the monetary policy framework and banking sector reliance to shocks, and (v) anchoring fiscal policy on a debt stabilizing non-extractive primary balance (NEPB). The BCM has already taken major steps to improve the functioning of the FX market and remove constraints on its development

(Box 2).[7] Generating an active interbank FX market while maintaining monetary and fiscal discipline are paramount for a smooth transition to a market-determined ER.

- **Structural reforms** to improve governance and strengthen institutions should yield longer-term growth dividends conducive to stronger competition, and private investment.

Authorities' Views

17. The authorities agreed with the need to anchor fiscal policy and strengthen monetary policy, but raised concerns about the timing and ability to implement tighter and more targeted policies considering the magnitude of development needs. They also stressed the need to continue improving their social registry to better target subsidies. They agreed with the need to closely coordinate fiscal and monetary policy and to adjust both should inflation continue to increase.

18. The BCM agreed that further tightening is needed. However, the central bank raised concerns about muted interest rate transmission and the cost of sterilization, and emphasized the need for addressing its stock of claims on government through a gradual conversion into marketable government securities in order to strengthen its financial position and ease adoption of IFRS.

19. The authorities reiterated their commitment to maintaining a prudent fiscal policy, including keeping debt levels stable. They acknowledged that budget risks have risen with the increasing reliance on extractive revenues to finance the expansionary budgets. However, this was due to external shocks (COVID-19, war in Ukraine, drought, and regional tensions), which required an adequate fiscal response. They saw great merits in stabilizing expenditure and reducing budget risks by targeting a debt-sustaining or reducing NEPB over the medium term. They reiterated their goal to reduce debt over time and emphasized the need to recalibrate the sustainable extractive revenue level consistent with this objective after 3-5 years to take into account new mining greenfields. They also emphasized ongoing work for a new pricing formula for refined petroleum products, which is expected to further reduce untargeted subsidies, and highlighted that a reform of the subsidy for domestically used gas was not envisaged currently.

NEW 42-MONTH ECF/EFF ARRANGEMENTS: RATIONALE, OBJECTIVES, AND POLICIES

20. Mauritania has large development needs, and its structural reform agenda remains unfinished. During the last ECF arrangement real GDP growth stood at an average of 5.5 percent, and the poverty headcount dropped by 3 percentage points to 28 percent in 2019, the external debt-to-GDP ratio stabilized, and the external reserve position surged from $0.9 billion in December 2017 to $2.3 billion in 2021. However, key structural reforms from the previous ECF which

[7] The key changes to Mauritania' exchange system since the last Article IV consultation are detailed in Box 2. Staff is not aware of the introduction by the authorities of any exchange restriction.

remain unfinished, are related to: (i) PFM and revenue administration; (ii) the adoption of International Financial Reporting Standards (IFRS), and (iii) implementation of the technical platform for interbank FX market transactions.

21. In addition, recent shocks have put policy buffers under pressure, raising the urgency to rebuild resilience. The volatility of international prices of exported minerals, and the increase of energy import prices and its impact on subsidies, accentuate the need to anchor fiscal policy in a Medium-Term Fiscal Framework (MTFF) supported by better targeted spending and domestic revenue mobilization. At the same time, a modern monetary policy framework, and a deeper and more resilient financial sector would better support the fulfillment of BCM's price stability objective and the gradual move to greater exchange ER flexibility, needed to help absorb real shocks and dampen growth and financial volatility.

22. A new ECF/EFF arrangements will support the economic recovery and implementation of structural reforms, while providing the reserves buffer to ensure a smooth transition to ER flexibility. Priorities include: i) anchoring fiscal policy in the face of high international food and energy prices and volatile commodity prices, ii) strengthening fiscal, monetary, and foreign exchange policy frameworks, and iii) bolstering governance, transparency, and the environment for private investment. The proposed structural benchmarks (SBs) under the program focus on i) expenditure policy and public finance management; ii) tax policy and revenue administration; iii) monetary, foreign exchange, and financial sector policies; iv) measures to improve governance; and v) social protection. The new ECF/EFF arrangements will also prioritize policies that mitigate the impact of surging commodity prices on the poor and critical structural reforms while building capacity.

A. Support the Recovery While Maintaining Economic Stability

Fiscal Policy

23. To address large infrastructure and development needs, the authorities plan to increase public investment. The draft 2023 budget (Text Table 3) targets an increase of public investment of 1.4 percent of GDP over the 2022 revised budget, primarily through faster execution of externally financed projects (grants and loans). The authorities also plan to increase public wages by 0.6 percent of GDP in 2023. This increase will be fully offset by cuts in other current spending items compared to the draft 2023 budget. With non-extractive revenue staying flat, the budget relies heavily on uncertain extractive revenue as reflected in the NEPB of MRU -27.1 billion (-6.7 percent of GDP).[8]

[8] The draft 2023 budget was approved by Cabinet and submitted to Parliament in November 2022.

Text Table 3. Key Budget Figures, 2020-24

	2020	2021	2022		2023		2024
	Act	Act	Rev. budget	Proj.	Draft budget	Proj.	Proj.
				MRU billions			
Total revenue incl. grants	**63.8**	**76.9**	**90.4**	**91.5**	**102.4**	**89.5**	**96.5**
Tax revenue	36.8	44.0	54.5	51.3	59.0	59.6	64.8
Non-tax revenue	20.1	24.0	33.1	32.0	33.6	23.4	23.8
Petroleum revenue	0.8	1.4	1.0	2.6	1.0	1.0	3.4
Grants	6.2	7.6	1.9	5.6	8.9	5.5	4.5
Expenditure and net lending	**56.9**	**69.1**	**107.1**	**96.5**	**111.4**	**99.4**	**98.0**
Current expenditure	36.8	43.3	68.8	64.5	64.8	61.3	62.1
Of which: Energy subsidy			13.2	13.0	5.0	5.0	0.5
Of which: Interest	2.9	2.8	3.3	3.0	3.1	2.6	2.9
Capital expenditure	20.3	26.0	38.3	32.3	46.6	38.1	35.9
Net lending	-0.2	-0.2	0.0	-0.3	0.0	0.0	0.0
Primary balance (excl. grants)	**3.6**	**3.0**	**-15.2**	**-7.6**	**-14.7**	**-12.8**	**-3.1**
Non-extractive primary balance	**3.2**	**-2.5**	**-33.4**	**-24.0**	**-27.1**	**-19.0**	**5.5**

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

24. Nonetheless, the authorities were committed to fiscal discipline, including to avoid further fueling inflationary pressures. They agreed to maintaining the primary deficit (including grants) at one to two percent of GDP in 2023, by further rationalizing current spending (untargeted subsidies) to offset lower extractive revenues and strengthen efforts to raise non-extractive tax revenues (Text Table 4). Additional fiscal space created through increased non-extractive revenues or reduced current expenditures will be used to ramp up public investment and increase targeted social spending. In case of higher-than-expected extractive revenues, the windfall will be used to build buffers or reduce debt.

25. Fiscal policy will be anchored on a NEPB aimed at fiscal sustainability, shielded from the volatile natural resource sector. To prevent a return to high risk of debt distress, the fiscal anchor has been calibrated based on a maximum debt limit (Annex III).[9] Operationalizing this anchor, implies a NEPB (including grants) of -3.5 to -4.5 percent. This will be achieved by reducing current spending to 13.7 percent of GDP by 2027 from 16.9 percent estimated in 2022, preserving capital spending at around 8.6 percent of GDP and raising non-extractive tax revenue annually by 0.5 percent of GDP by strengthening revenue administration (Section B) and gradually phasing out tax exemptions.[10] In 2023, tax policy measures are expected to contribute 0.2 percent of GDP, and revenue administration efficiency gains are expected to contribute an additional 0.3 percent of GDP. The remaining 0.5 percent of GDP increase in 2023 is a result of the impact of growth and profits rebound after covid. Social protection is supported through a floor on social spending that

[9] The targeted fiscal path would reduce net financial liabilities to 38.4 percent by 2027 from 41 percent in 2022.

[10] Tax exemptions are estimated at 3.2 percent of GDP in 2019 and 3.6 percent of GDP in 2020.

allows to increase quarterly cash transfers to poor households, from 2,200 MRU in 2022 to 2,900 MRU in 2023 (proposed SB) and 3,600 MRU in 2024.

Text Table 4. Selected Subsidy Programs

		2020	2021	2022	2023
Program		**Realized**	**Realized**	**Proj.**	**Proj.**
				MRU billions	
Tekavoul régulier (cash transfer)	Targeted (social registry)	0.29	0.58	0.88	1.30
Tekavoul choc (cash transfer)	Targeted (social registry)	0.00	0.07	0.03	0.00
El Maouna (cash transfer)	Targeted (social registry)	0.07	0.30	0.62	0.00
Temwine (subsidized food)	Untargeted	0.82	1.53	1.95	1.95
CSA food handout	Targeted	0.20	0.69	0.22	0.22
CSA handout of agricultural inputs	Targeted	0.48	0.48	1.50	1.50
Subsidy gas/LPG	Untargeted	0.07	0.60	2.20	2.00
Subsidy refined petroleum products	Untargeted	0.00	0.00	11.00	3.00
Tertiary scholarships	Untargeted	0.20	0.27	0.41	0.53
Total		**2.14**	**4.50**	**18.81**	**10.50**
Nominal growth		5.62	15.32	5.60	6.87

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

26. To remain compliant with the fiscal anchor in 2023 and reduce budgetary risk related to reliance on extractive revenues, the authorities agreed to take revenue measures and reduce the pace of planned increases in public investment. With the draft 2023 budget proposing a further increase in public investment by 3 percentage points of GDP and spending on energy subsidy being only partly eliminated, the NEPB is set to deteriorate further. The authorities agreed to introduced new revenue measures and reduce public investment (Text Table 5) to keep the NEPB at the estimated debt-sustaining level of -4.5 percent of GDP. The authorities' budget is aligned with staff projections after correcting grant-financed investments based on historically observed execution. In case of lower-than-expected execution of projects financed through grants, the overall budget for externally financed investment will be reduced by the corresponding amount. A revised budget will be prepared by mid-2023 to make the agreed fiscal path consistent with a revised budget law. A revised 2023 budget in line with program understanding will be submitted to Parliament by June 2023 (proposed SB).

Text Table 5. Budget Measures for 2023

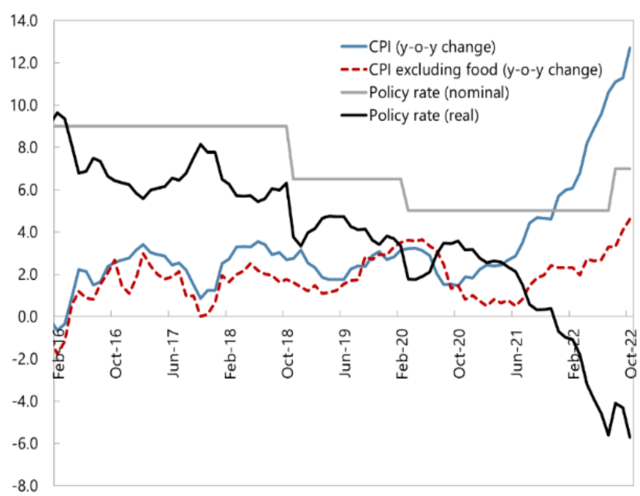
Agreed Budget Measures	Expected Yield
Increase of VAT rate for telecommunications sector from 16 percent to 18 percent	MRU 0.1 billion
Introduction of a special levy on the telecommunications sector of 5 percent of turnover	MRU 0.3 billion
Removal of the custom duty exemptions for imports of consumer goods into the Nouadhibou Free Zone	MRU 0.4 billion
Reduction of budget for internally-financed investments	MRU 2.5 billion
Reduction of budget for externally-financed investments	MRU 2.5 billion
Total	**MRU 5.8 billion**

Source: Authorities and Staff estimates and projections

Monetary Policy

27. Monetary conditions were largely expansionary during the pandemic including due to the gold purchase operations. In March 2020, the BCM reduced its policy rate by 150 basis points (Text Figure 7) and the reserve requirement ratio from 7 to 5 percent in response to the pandemic, increasing it back to 6 percent in December 2020. In addition, gold purchases by the BCM have led to a significant balance-sheet expansion and record level of excess reserves in the banking system (MRU 11.3 billion at end-December 2021 compared to MRU 5.6 billion at end-2020 and MRU 1.7 billion in end-2019). At the same time, the BCM has been gradually reforming its liquidity management regulations during the previous ECF-supported program with Fund TA. It has introduced the necessary instruments needed to operate an interest rate corridor system.[11] However, these tools are not actively used due to sterilization costs and lack of monetary policy collateral (Box 2).

Text Figure 7. Inflation and BCM's Policy Rate
(In percent)



Sources: Mauritanian authorities; and IMF staff calculations.

28. The BCM started tightening its monetary policy in 2022. In August, the central bank increased its policy rate by 200 basis points to 7 percent. Excess reserves also decreased in the first half of 2022. Staff welcomed the BCM's recent decisions to increase the policy rate and tighten liquidity as the substantial excess reserves built in 2021 fueled inflation and the demand for FX in the official market. Increased FX interventions to cover CA transactions are also consistent with the

[11] BCM Instruction No. GR 2017 on monetary policy instruments (Instruction N° 08 GR 2017 du 27/12/2017 sur les instruments de la politique monétaire).

removal of the FX restriction of insufficient FX availability at the sessions organized by the BCM.[12] Despite the monetary contraction, the policy rate remains negative in real terms (Text Figure 7).

29. Staff and the BCM agreed that further tightening is needed to rein in inflation and mitigate the risk of adverse external developments. The BCM would cease its gold purchase operations at end-2022, and resume its 7-day main liquidity management operations to absorb excess reserves. It will also implement a more forward-looking monetary policy that reacts preemptively to future monetary developments and deviations of forecasted inflation from BCM's comfort zone. At the same time, the government will increase the issuance of T-bills for banks to support the implementation and transmission of monetary policy (Box 2). More broadly, the monetary policy framework needs to be strengthened to increase its effectiveness and support the move to greater ER flexibility (see Section B). In the meantime, in the extreme event of sharply declining foreign reserves the central bank would need to adjust the exchange rate to maintain its international reserves at an adequate level.

B. Strengthen Policy Frameworks

30. Significant reform challenges still lie ahead to cement the recovery plan and strengthen the policy framework. The policy framework will aim at building and modernizing fiscal, monetary, and financial institutions.

Fiscal Policy

31. The program is underpinned by an ambitious reform agenda centered on enhancing fiscal performance, modernizing revenue administration, and strengthening PFM.[13] To enhance tax policy and revenue administration, the taxation framework needs to be simplified, the tax base broadened, standard tax rates applied equally to all sectors of the economy, and the tax directorate and customs directorate modernized with a clear reform strategy. PFM would be strengthened by fully internalizing a fiscal anchor with clear policy targets supported by medium-term budgeting and an improved budget credibility, strengthening in-year execution, and improving infrastructure governance (strengthening project appraisal and selection, enhancing budgeting for infrastructure maintenance). For the next twelve months, the following structural reforms were agreed:

[12] The IMF staff report for the 2017 Article IV Consultation with Mauritania states that, as of July 13, 2017, Mauritania maintained one exchange restriction subject to IMF approval under Article VIII of the IMF's Articles of Agreement. The exchange restriction arises from the insufficient FX availability at the fixing sessions organized by the BCM for those transactions which are required to be submitted to the sessions.

[13] Leveraging TA inputs: Tax expenditure assessment and review of investment incentives (2022) PIMA 2020; PEFA 2020; AFRITAC PFM support, FSAP 2014; RMTF project to support tax administration including TADAT assessment 2022; AFRITAC customs program; Monetary and exchange policy framework (2019, team's analytical work); AFRITAC bank supervision program; Governance diagnostic 2022; Natural resource management (2021); Financial inclusion tool.

- **Tax policy:** reform the Nouadhibou Free Zone (proposed SB), make declaration for CIT compulsory, including for companies that are temporarily exempt (proposed SB), create a tax policy structure in the Cabinet of the Minister of Finance (proposed SB), and reform the Investment Code by abolishing the Free Point regime and reducing the number of special fiscal regimes.

- **Revenue administration:** put in place a platform connected with the Jibaya software enabling electronic filing and payments (proposed SB), make e-filing and e-payments for tax and customs for large taxpayers compulsory; integrate all large taxpayers in the large taxpayers' office once e-filing has become available and linked with Jibaya, and expand access for customs brokers to e-filing.

- **PFM and expenditure policy:** adopt the medium-term fiscal and expenditure frameworks (MTFF and MTEF) consistent with the fiscal anchor of the program at the Council of ministers and transmit it to Parliament (proposed SB), develop and pilot a methodology to systematically budget for the maintenance of public investment, adopt GFSM 2014 and transition to accrual accounting.

- **Natural resource revenue management:** reform the policy framework to manage revenues from mining, oil and gas, by: i) integrating gas revenues into the medium-term budget framework, ii) establishing rules to smoothen the volatility of revenues financing the budget and apply best practices in the reporting revenues and savings fund assets/gains, iii) reviewing the FNRH[14] and examining its suitability for managing larger financial flows and assets.

Monetary and Foreign Exchange Policy

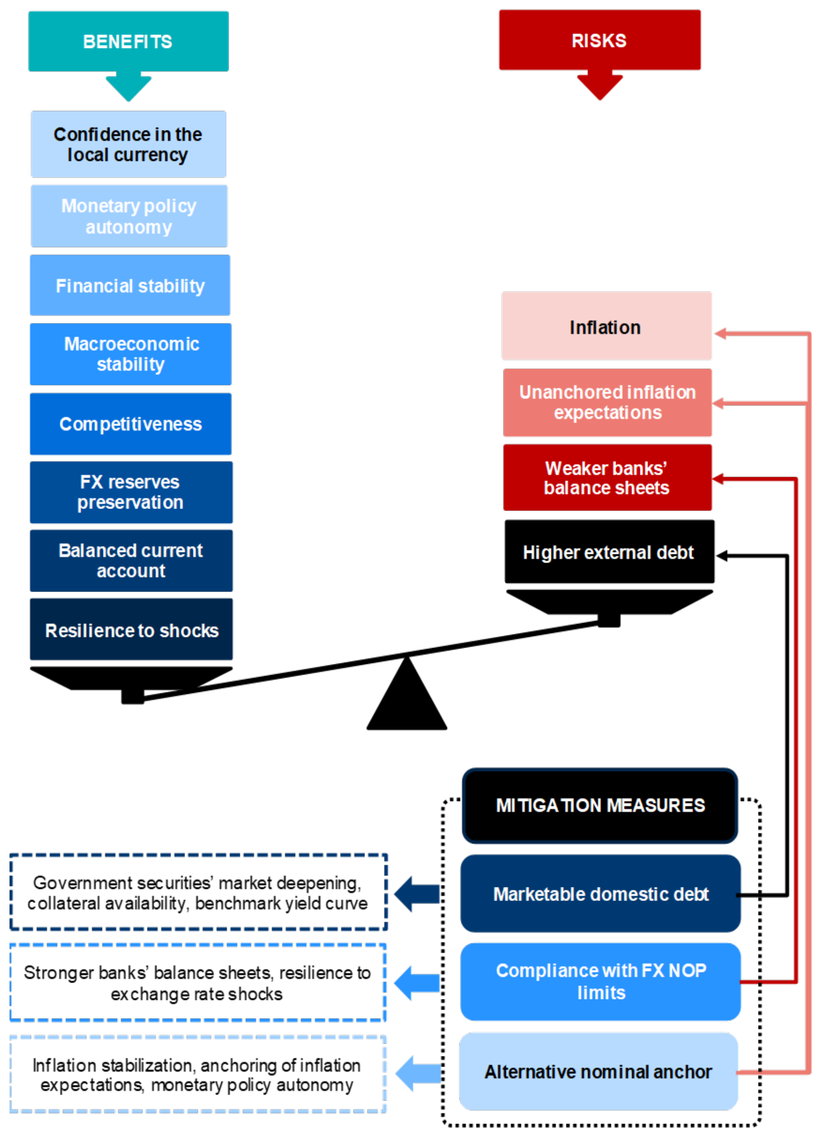
32. Modernizing the monetary policy framework will help to better contain inflation and prepare for greater ER flexibility. Efforts to strengthen BCM's financial autonomy, and deepen the money, government securities, and FX markets are critical to improving monetary policy implementation and transmission. Regular auctions of 4, 13, 26, and 52-week T-bills for conventional banks will be conducted to reach a volume of MRU 1 billion by June 2023 and MRU 2 billion by September 2023 (proposed SB). To strengthen BCM's control over interest rates and inflation, the central bank would gradually narrow its interest rate corridor and implement more active liquidity management through the resumption and regular implementation of 7-day main liquidity absorption operations.

33. The monetary and fiscal authorities agreed on the necessity to swiftly revive the government securities, interbank money, and FX markets. An effective coordination framework between the BCM and the ministry of finance would be established to ensure regular issuances of T-bills and extend the yield curve. A schedule of issuance of government securities over the program

[14] The acronym stands for "Fonds National des Revenus des Hydrocarbures", a fund managed by the Central Bank of Mauritania and held at the Banque de France

period would also be established in consultation with IMF staff and in accordance with program objectives. The reform of the interbank FX market—which was paused during the lockdown in 2020—is critical to supporting greater access to FX and preparing the transition to greater ER flexibility (Box 2, text figure 8, and Selected Issues Paper I). The BCM agreed that the technical platform for interbank FX market transactions would be launched before June 2023 (proposed SB), and expressed interest in receiving TA to develop the interbank FX market once the platform is acquired. In addition, to reduce the imbalance in the official FX market and foster its development, the central bank would reduce its role of main supplier of FX in the official market by gradually channeling export revenues to the official market.

Text Figure 8. Gradual Transition to Greater Exchange Rate Flexibility—Benefits and Risk Mitigating Policies



Source: Selected Issues Paper I.

34. Implementation of key outstanding recommendations of BCM's last safeguards assessment should be accelerated under the program.[15] These include adopting IFRS, discontinuing BCM's participation in the gold program, enhancing the Audit Committee's oversight, agreeing with the government on a conversion of the outstanding claims on government to securities priced at market rates, and strengthening internal audit capacity. Following the enactment of the new Gold Law (in November 2022), and in line with the authorities' commitments, the BCM is expected to cease artisanal gold

[15] The safeguards assessment was concluded in July 2021.

purchases. The adoption of IFRS remains critical to enhancing transparency in financial reporting; given capacity constraints, the BCM intends to hire an external consultant to help complete the remaining work related to the full implementation of IFRS (MEFP ¶39). The BCM will need to undergo an updated safeguards assessment in the context of the new ECF/EFF arrangements, which should be completed before the first review of the program at the latest.

Financial Sector Policies

35. The BCM has made commendable progress in recent years to align banking regulation with Basel requirements and modernize financial infrastructure. The Liquidity Coverage Ratio (LCR) was introduced in 2020 and solvency requirements were aligned with the Basel framework. Work is also underway to introduce the Net Stable Funding Ration (NSFR), in order to monitor and contain the transformation risk. The instruction on bank governance was adopted in March 2022 and the BCM has been working on the strict compliance by banks with the new regulation. In parallel with these developments, progress is being made to introduce the key principles of risk-based supervision, such as the identification of systematic banks, establishment of early warning indicators and the bank's rating system. A new law on digital payments was adopted by Parliament in 2021; the BCM is currently developing its regulatory framework governing the activity of electronic payments.[16] A modern payment system—including a large-value payment system, a central securities' depository, and a clearing house—would also be operational in 2023.

36. Progress in addressing problem banks is underway. One of the three problem banks was liquidated while another one was put under temporary administration. The third has already increased its capital and would fully comply with the minimum capital requirement of one billion MRU soon. Building on the progress achieved during the previous ECF-supported program, measures aiming at strengthening the capital positions of the few banks remaining undercapitalized, reinforcing banking supervision, and developing banking regulation will be pursued. The BCM needs to strengthen human resources in charge of off-site supervision and develop its regulatory framework governing the supervision of payment institutions and electronic payment activities.

37. Better enforcement of the prudential regulation is critical to ensuring banking system's resilience to shocks and preparing for greater ER flexibility. The banking system remains particularly exposed to FX risks. To this end, the BCM will reduce banks' short FX NOPs to below 20 percent by December 2023 (proposed SB). The BCM intends to revise its regulation on sanctions, and in particular the penalties on the non-compliance with limits on FX NOPs in order to make them easily applicable. It also needs to enforce prudential limits on connected lending.

38. Efforts to strengthen the anti-money laundering and combatting the financing of terrorism (AML/CFT) regime should be sustained. Since the issuance of Mauritania's Mutual Evaluation Report in 2018, the authorities have taken steps to rectify its strategic deficiencies

[16] The BCM issued new instructions on: i) services and means of payment, ii) payment institutions, ii) electronic money institutions, and iv) agents authorized by banks and payment institutions to execute payment transactions.

relating to its technical compliance with FATF standards. BCM should continue strengthening its AML/CFT regime to ensure the effectiveness of implementation of the AML/CFT measures. To support anti-corruption efforts, BCM should conduct AML/CFT risk-based supervision to ensure compliance by banks with the enhanced due diligence requirements for politically exposed persons and increase the use of financial intelligence to detect and prevent corruption. Following steps taken to improve the legal framework on transparency of beneficial ownership of legal persons, the authorities should establish adequate mechanism to ensure timely access by competent authorities to accurate and up-to-date beneficial ownership information.

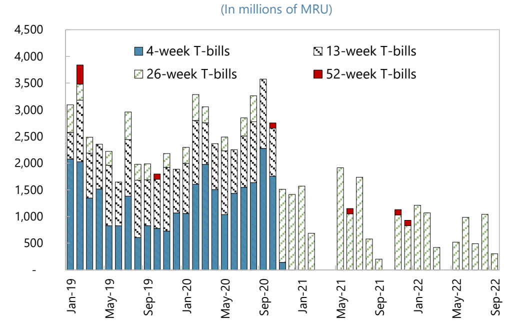
Box 2. Progress made in Strengthening Monetary and Exchange Rate Policies and Key Remaining Reforms

The Mauritanian authorities have made good progress in modernizing the monetary and foreign exchange policy framework and implementation, yet critical reforms remain for a successful transition to greater ER flexibility.

Central bank independence and law. A new central bank law strengthening the BCM's autonomy was adopted in July 2018. The law modernizes the central bank institutional structures and incorporates many of IMF staff recommendations on governance, internal and external audit, and publication of financial statements. The new BCM bodies were established: The Audit Committee in 2018 and the Prudential, Resolution, and Financial Stability Board in July 2019. The Shariah-Compliance Committee was set up in December 2019. A memorandum of understanding between the BCM and the government on the consolidation of legacy government debt to the central bank was ratified by parliament in January 2019.

Monetary operations. In 2017, the BCM introduced a new regulation including the instruments needed to operate an interest rate corridor system—i.e., 7-day main refinancing operations, BCM bills and deposit auctions, overnight standing lending and deposit facilities, fine-tuning and long-term operations, and reserve requirements. However, these tools are not actively used due to the sterilization cost and lack of monetary operations eligible collateral; issuance of T-bills dropped substantially with the buildup of balances on the government account at the central bank (Box 2. Figures 1, & 2), with T-bill rates significantly deviating from the central bank policy rate (Box 2. Figure 3). In 2018, the BCM defined the framework for collateral eligible for its monetary policy operations to extend it to bank credits; it is working to operationalize this mechanism, by carrying out an inventory of bank claims, defining their haircuts, and preparing the legal framework for their mobilization.

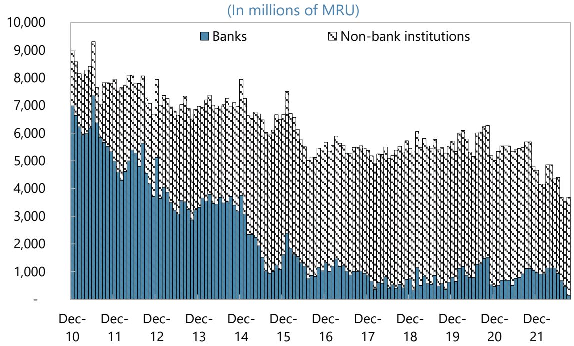
Box 2. Figure 1. Treasury Bills—Volume Issued by Maturity, 2019-22
(In millions of MRU)



Sources: Mauritanian authorities.

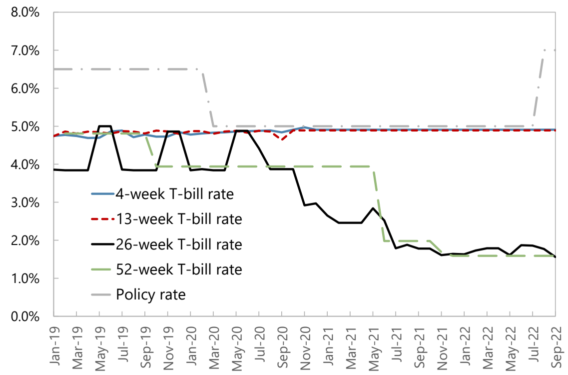
Box 2. Progress made in Strengthening Monetary and Exchange Rate Policies and Key Remaining Reforms (concluded)

Box 2. Figure 2. Treasury Bills—Outstanding Volume by Ownership, 2010-21
(In millions of MRU)



Source: Mauritanian authorities

Box 2. Figure 3. Treasury Bill Rates and BCM Policy Rate, 2019-22



Source: Mauritanian authorities.

In 2018, the central bank also introduced a new emergency liquidity assistance (ELA) regulation.

Foreign exchange market and operations. In November 2017, the BCM modified its fixing mechanism to allocate FX at the ER offered, with the maximum selling rate limited to the marginal rate plus 2 percent (Instruction No. 5/GR/17). In December 2019, the BCM eliminated the obligation to channel bank customers' transactions through the official FX market by authorizing the netting of customer's orders (Instruction No. 9/GR/2019). In May 2022, it ceased rationing its FX interventions for CA transactions, while strengthening its monitoring of FX operations. In November 2022, the BCM phased out the surrender requirement of receipts from fishing exports of SCMP to accounts at the central bank (Instruction No. 9/GR/2022). The BCM has also been working on establishing the technical platform for interbank FX market transactions; the platform, initially scheduled for September 2020, was delayed due to the containment measures linked to the COVID-19 pandemic. The central bank produced the terms of reference for the procurement of the technical platform in January 2021 and prepared a draft regulatory framework for the interbank FX market. A new tender for the selection of the firm that will implement the technical platform was launched in October 2022.

Key remaining reforms. Critical steps remain to strengthen monetary policy implementation and transmission and to allow the switch to an alternative monetary policy anchor. These include the effective implementation of a narrower interest rate corridor system and deepening of key markets—i.e., the interbank money, FX and government securities' markets. The short-term focus should be on (1) gradually narrowing the interest rate corridor, (2) managing liquidity more actively with more frequent use of the BCM main liquidity management operations, (3) addressing the constraints on the deepening of the interbank money market, (4) developing the government securities' market, (5) reforming the collateral framework, (6) developing a Forecasting and Policy Analysis System (FPAS) and the central bank's communication, and (7) accelerating the reforms needed to create and gradually deepen the interbank FX market and support the move to greater flexibility (for further details, see Selected Issues Paper I).

Sources: IMF (2018b), IMF (2021), and Selected Issues Paper I.

C. Bolster Governance, Transparency, Private Investment, and Resilience to Climate Shocks

39. The authorities are taking actions in key governance areas. The Court of Accounts published the 2020 and 2021 audit of pandemic-related spending in March and May 2022. The authorities also published the names of the legal owners of companies awarded public procurement contracts by the social fund managing COVID-19 emergency spending. The implementing decree of the Public Procurement Code clearly defining the beneficial ownership and information requirements was approved by the government in mid-2022. A time-bound action plan based on the Governance Diagnostic report is expected to be finalized and published by end-September 2023 (proposed SB) and implementation initiated thereafter. The authorities are revising the standard bidding documents to enable collection of beneficial ownership information and aim to publish such information for tenders awarded by end-2023.

40. Reforms to improve the business environment and financial inclusion are a priority. Obstacles to private sector development include the limited access to finance, particularly for SMEs. An SME guarantee fund was set up by the authorities in 2020 to improve access to finance but has yet to be operationalized. The authorities will operationalize the SME guarantee fund by end-2023 (proposed SB). The new law on electronic payment services provides opportunities for financial service providers to advance financial inclusion by enhancing access to low-value, transactional payment services in the country. To further simplify administrative procedures, the authorities will fully dematerialize the one-stop shop by end-2023. The authorities are committed to the implementation of reforms for a more resilient and durable private sector-led growth, as outlined in the SCAPP. They have set up an investment promotion agency (APIM) and elaborated a roadmap to improve the business environment.

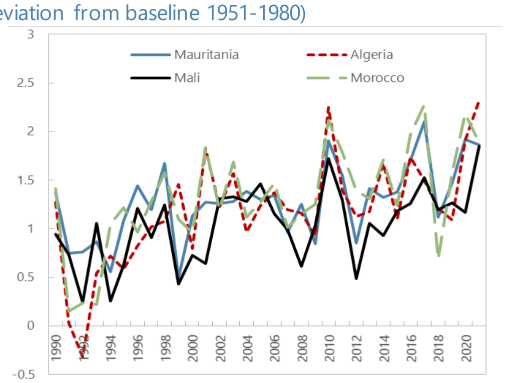
41. Strengthening human capital is paramount to achieving higher and more inclusive growth. Mauritania ranked 150 out of 157 countries on the WBG Human Capital Index (HCI) in 2018. In 2020, Mauritania's score was 38 percent, slightly higher than in 2018 (35 percent). Mauritania's score and rank are low primarily because of education-related challenges, including teacher competencies and inefficient operational and financial management of schools. The increase in the refugee population is an additional strain on the education system, in addition to challenges to social cohesion and the local labor market where refugees represent a large share of the local population. The authorities are working to improve the performance of the education system, through reduced teacher absenteeism and improved teaching skills. Staff encouraged the authorities to strengthen the linkages between private sector demand and the education system to improve the quality of education and to provide job-relevant skills demanded by the labor market.

42. Climate adaptation policies will need to be embedded within a national strategy to address climate change. Mauritania is facing higher frequency and severity of climate-related natural disasters, which affect economic stability and growth and create large adaption needs. Climate adaptation costs are estimated by the authorities in their revised Nationally Determined Contribution (NDC) report at $10.6 billion over 2021–30. The authorities agreed on the need for a national climate change strategy and coordination across government agencies and development partners, which would help increase external finance for climate adaptation (Selected Issues Paper II); they are working with the Green Climate Fund to develop bankable projects eligible for climate financing. The funding needs would be further refined and linked with the country’s macro-fiscal framework. Adaptation policy priorities would include measures to enhance drought resilience.

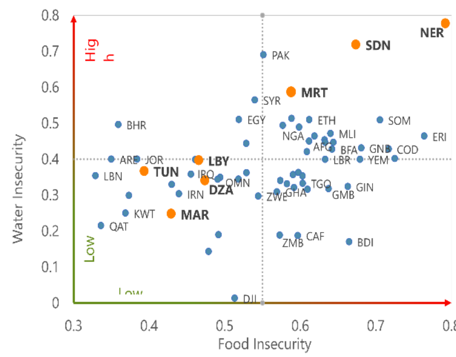
The authorities are setting up—with World Bank support—a common financial mechanism to respond to climate shocks (drought episodes) leading to food insecurity, which needs to be operationalized this year.

Text Figure 9. Climate Developments and Agriculture Production

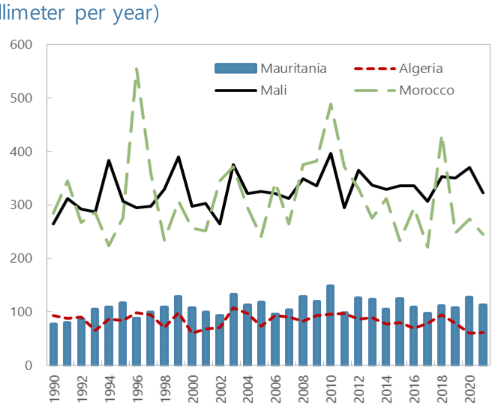
9.1 Temperature Change, 1990-2021
(Deviation from baseline 1951-1980)



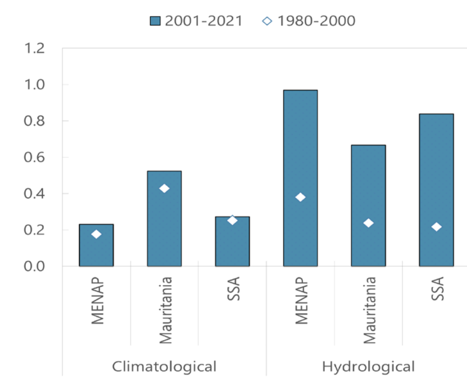
9.2 Food and Water Insecurity, 2019



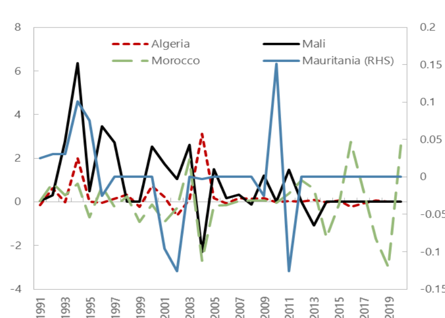
9.3 Precipitation, 1990-2021
(Millimeter per year)



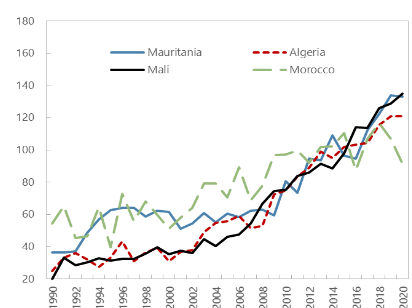
9.4 Frequency of Climate Hazards by Type
(Average, 1980-2000 and, 2000-2021)



9.5 Agricultural land (% of land area)
(Percentage change, y-o-y)



9.6 Crop Production Index
(2014-2016=100)



Sources: FAO; EM-DAT; World Bank; and IMF staff calculation

PROGRAM MODALITIES

43. Access under the 42-month ECF and EFF arrangements is proposed at SDR 64.40 million (50 percent of quota), or SDR 21.47 million (16.67 percent of quota) and SDR 42.93 million (33.33 percent of quota) respectively.[17] Given the protracted BoP problem and the size of the existing financing gap, low access arrangements with 50 percent total access would be warranted. While reserves are projected to increase beyond the adequacy threshold of 5.2 months by 2027, a comfortable buffer is warranted due to Mauritania's exposure to volatile commodity prices, and the need to support the transition to a more flexible exchange rate. The proposed access therefore reflects both the size of Mauritania's BoP needs and the strength of its policy ambitions under the program. The financing will be used to build foreign reserves rather than financing the fiscal deficit given adequate existing fiscal buffers. 25 percent of quota will be disbursed in 2023 when reserves are expected to fall below the adequacy threshold, and 25 percent uniformly across the remaining program period (Table 9). The front-loaded disbursements are supported by front-loaded policy implementation and the strengths of the program. At end-2021, Mauritania's outstanding credit to the Fund was SDR 239.6 million (186 percent of quota).

44. Program performance will be monitored through semi-annual proposed quantitative performance criteria (QPCs) and quarterly indicative targets (ITs), as well as SBs (Attachment I). Adjusters would allow for flexibility.[18] 12 proposed SBs will build on achievements under the previous three-year ECF arrangement and support the near-and-medium-term policy challenges. Given the large unfinished structural reform agenda and still-limited capacity, the proposed SBs will be sequenced, prioritized on a 12-month rolling basis.

45. The program is fully financed, with firm commitments for first 12 months of the program and good prospects for the remainder of the program (Table 7). The authorities' financing needs beyond the ECF/EFF disbursements and external financing will be met by grants. The 2021 revised budget indicated that part of the SDR allocation was used to finance the 2021 fiscal deficit and will contribute to the constitution of the strategic food stocks, and the support of prices and purchasing power.[19]

46. Mauritania's capacity to repay the Fund remains adequate, but subject to significant risks (Table 8). Total Fund outstanding credit (based on existing and prospective drawings) peaks at over 3.2 percent of GDP in 2023, while annual obligations to the Fund would peak at about 2.6 percent of revenues excluding grants in 2026, well above the 75th percentile. Risks to the program are elevated given security risks, international commodity market volatility, climate change,

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[17] Mauritania is a presumed blender because the relevant income threshold is met, and the new DSA assesses the risk of debt distress to be moderate.

[18] They include: (1) shortfall in the amount of EU fishing compensation and extractive industry revenue; and (2) change in net external financing assistance.

[19] In August 2021, BCM on-lent the SDR allocation to the government via a memorandum of understanding between the Ministry of Finance and BCM.

and uncertainty related to the start of the GTA project. The authorities' continued commitment to reforms and donors' support will be critical to mitigating these risks.

47. External debt is sustainable and was revised from high to moderate risk of debt distress (Debt Sustainability Analysis), following the upward revision of GDP and conversion of the Saudi deposit of $300 million at the BCM into a concessional loan and the reclassification of a ring-fenced loan by a public company (GTA loan) from direct to contingent liability. The debt service obligations deferred in 2020-21 under the DSSI restarted in 2022. Consequently, external debt service obligations, from end-2021 outstanding debt, are expected to increase from 2.2 percent of GDP in 2021 to 3.2 percent in 2022, and to 4.1 percent of GDP in 2024. In the context of the Debt Limits Policy, staff discussed the authorities' borrowing plan (see MEFP) to contribute towards an adequate buffer, and highlighted the importance of the authorities evaluating each new loan for its impact on the DSA.[20]

48. Considering uncertainties surrounding the outlook, staff suggested contingency measures to support successful program implementation. If an adverse scenario were to materialize (e.g., lower growth and domestic revenue collection due to unexpected shocks), the macroeconomic framework and fiscal program would be revised by reducing lower-priority spending and delaying non-priority investment. An ECF/EFF augmentation and usage of fiscal buffers could be considered if the adjustment measures were insufficient.

49. A well-integrated Capacity Development (CD) program to support the new ECF and EFF arrangements is critical (Annex I). Staff discussed the authorities' TA needs, their capacity to implement the program, and coordination with different CD providers. A revised CD strategy will then be prepared and discussed with IMF CD departments. Based on the program design, priorities are to establish an MTFF, modernize the monetary policy framework, deepen the government securities, and interbank money and FX markets, strengthen banking supervision, and improve financial inclusion and governance.

STAFF APPRAISAL

50. A determined response to the COVID-19 pandemic and sizable international financial support have placed Mauritania on a recovery path, but buffers have been coming under pressure again in 2022. Staff welcomes the authorities' response to contain the effects of the pandemic, including by rolling out well-targeted cash transfers to the poorest, while implementing their national strategy to support the recovery and longer-term inclusive growth. With donors' support, sound policies and favorable iron ore price during the pandemic, international reserves accumulated and the fiscal balances in 2020 and 2021 ended in a surplus. Mauritania's external

[20] Mauritania has debt arrears to Brazil, which are deemed away under the policy on arrears to official bilateral creditors, as the underlying Paris Club agreement is adequately representative, and the authorities are making best efforts to resolve the arrears. Mauritania also has outstanding pre-HIPC arrears to the Arab Fund for Economic and Social Development, on which the authorities continue to offer a restructuring in line with relief committed at the time of the HIPC initiative, such that staff assesses that a credible plan to resolve the arrears is in place.

position in 2021 was broadly in line with the level implied by fundamentals and desirable policy settings, based on the results of the IMF's EBA-lite current account model.[21] The reserve position was more than adequate. However, a confluence of shocks including the war in Ukraine and regional tensions have reverted the trend accumulation of FX reserves in 2022 and narrowed the space for policy intervention, while Mauritania still faces significant human and infrastructure development gaps.

51. Staff welcomes the proposed program which addresses the main challenges facing Mauritania. The policy and reform package aims to support the recovery, preserve fiscal discipline, strengthen the central bank's control over inflation, increase the resilience of the economy to terms of trade shocks, and meet infrastructure needs while maintaining macroeconomic stability. The program also seeks to support authorities' efforts in reducing poverty and inequality and fostering private sector growth. The proposed policy mix is expected to preserve the purchasing power of the Mauritanians, support the gradual move to increasing ER flexibility, diversification and growth, and strengthen the economy's resilience to terms of trade shocks.

52. Additional monetary and fiscal responses may become necessary to rein in inflation. The drop in iron ore prices and increase in food and oil prices weakened export revenues, widened imbalances, and exposed financial vulnerabilities. The acceleration of government spending in 2022 added liquidity in the banking system, in an environment of rising inflation; widening inflation differentials with main trading partners results in a real appreciation and overvaluation of the currency and loss of competitiveness. Inflation also negatively impacts consumption and long-term growth. While the set of policy and reform commitments made by the authorities under the program should rein in inflation and ensure macroeconomic stability, staff urges the authorities to continuously coordinate fiscal and monetary policies and to stand ready to further tighten the monetary policy stance and implement contractionary fiscal measures if inflation reveals more persistent than expected.

53. The authorities' broad strategy to preserve infrastructure investment and social spending is adequate, as long as it remains withing a disciplined fiscal policy that lowers public debt. Staff stresses the need to further rebalance public expenditure away from untargeted current spending by containing non-priority transfers and subsidies and to enhance the efficiency of public investment through better prioritization, implementation and maintenance while maintaining control of the wage bill. This should be accompanied by measures to improve non-extractive tax revenues with ambitious tax policy and administration reforms and rationalizing costly and untargeted tax exemptions. Staff advises to use additional fiscal space created through the mobilization of non-extractive revenues to ramp up public investment and increase targeted social spending.

54. Tight monetary conditions, fiscal discipline, strong FX reserve buffers, a sound financial sector, and sufficiently developed interbank FX market are key ingredients for a

[21] The external sector assessment is based on staff's estimates.

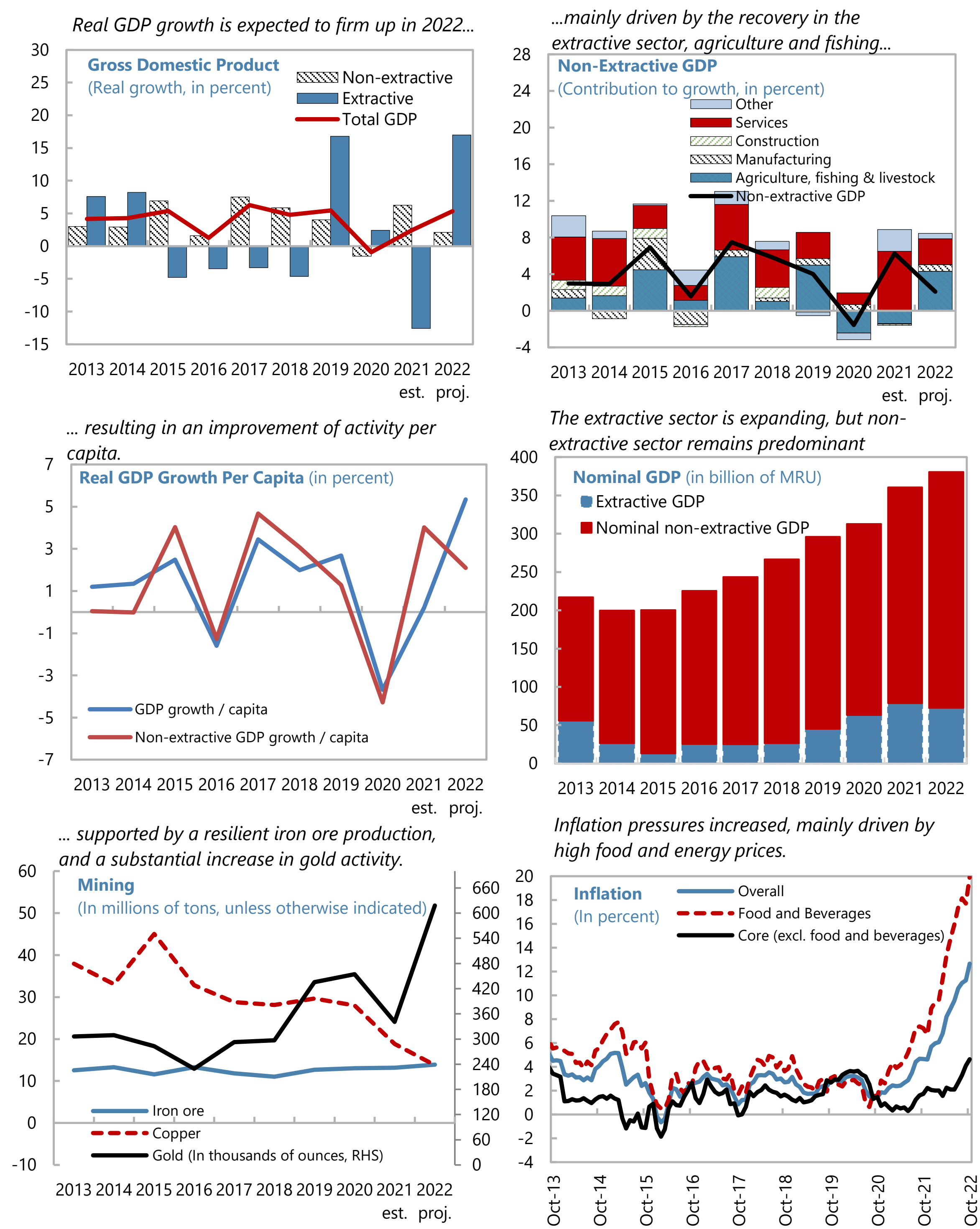
successful transition to greater ER flexibility. Sizeable excess reserves in 2021 combined with a more stabilized ER increased the demand for FX in the official market, the risk of overheating and disorderly ER adjustments. Staff urges the Central Bank to continue the sterilization of excess reserves and to gradually reduce its dominant role of supplier of FX in the official market by gradually channeling export revenues to the official FX market. This will help reduce the imbalance in the official FX market and support the move to a market-determined ER.

55. Coordinated efforts are needed to modernize the monetary policy framework and strengthen liquidity management. The conversion of the BCM claims on government, a narrower interest rate corridor, and more active liquidity management are expected to foster the development of interbank and government securities' markets, strengthen monetary policy transmission and the central bank's control over inflation. The commitment of the Ministry of Finance to conduct more regular auctions of government securities and deepen the market is critical to supporting the BCM's capacity to implement an effective and independent monetary policy.

56. Staff supports the authorities' request for 42-month ECF and EFF arrangements. The Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to pursue the program's objectives. While implementation risks are significant, they are mitigated by the authorities' commitment to the program.

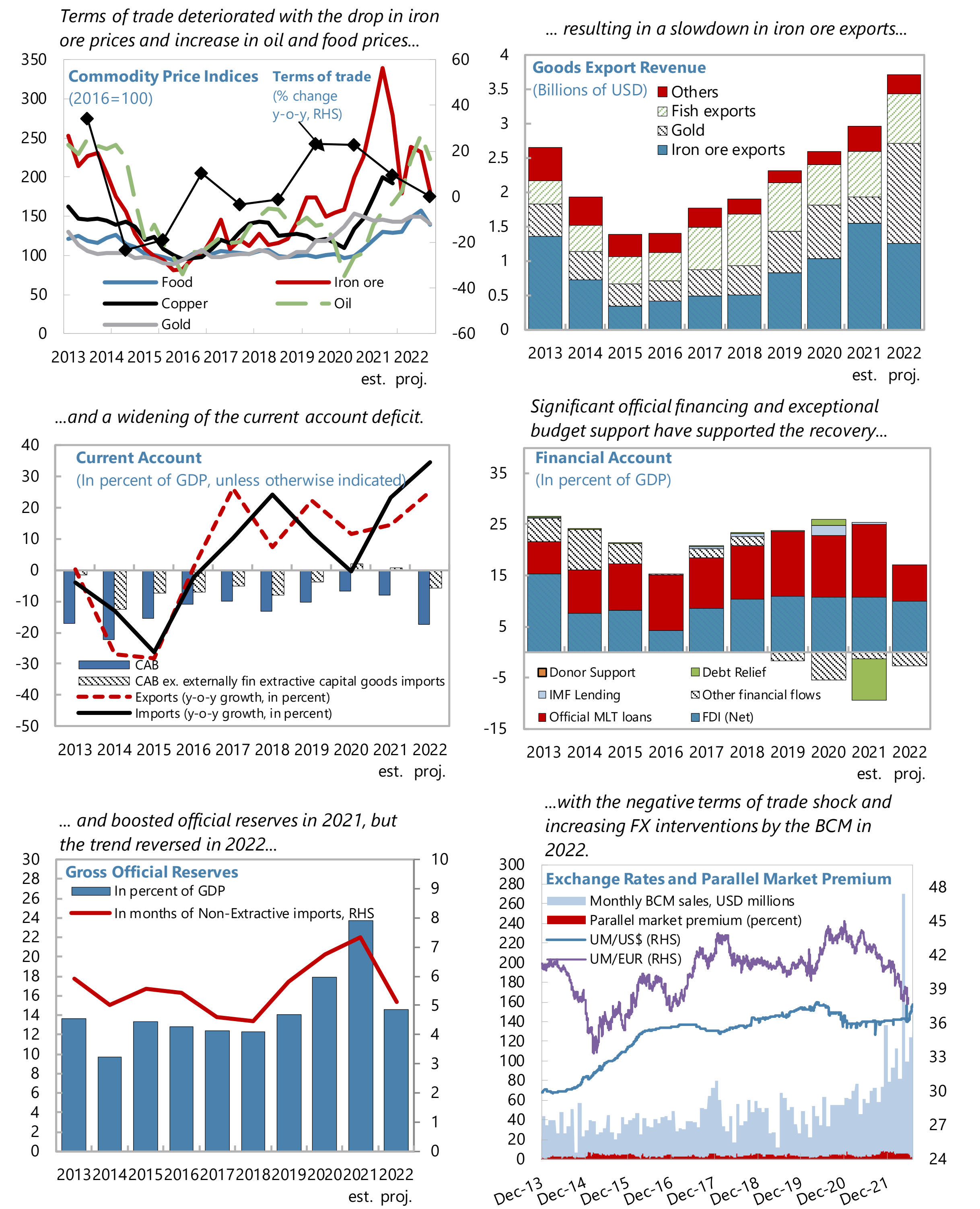
57. It is proposed that the next Article IV consultation be held on a 24-month cycle, in accordance with Board decisions on consultation cycles.

Figure 1. Mauritania: Real Sector Developments, 2013-22



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

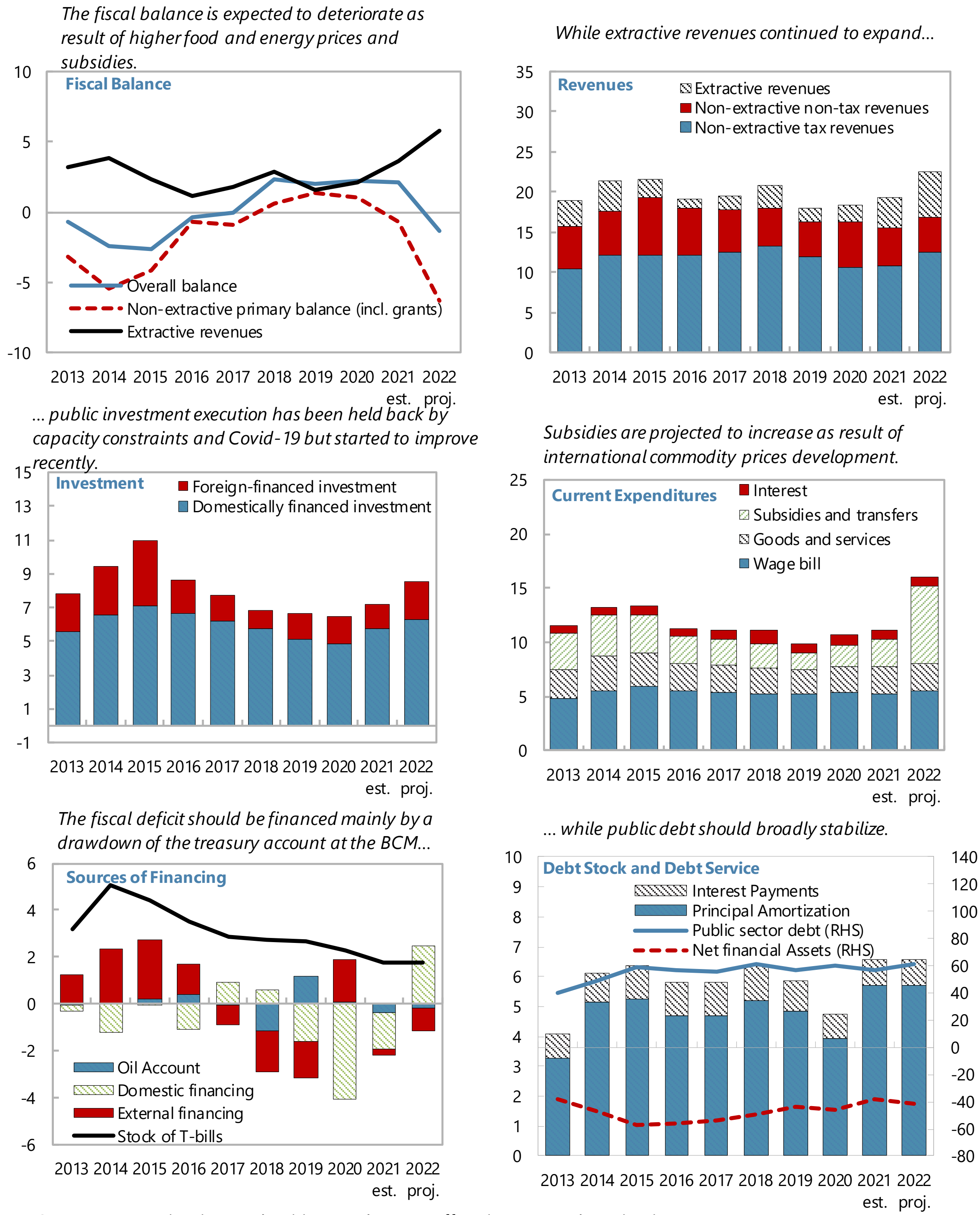
Figure 2. Mauritania: External Sector Developments, 2013-22



Sources: Mauritanian authorities; and IMF staff estimates and projections

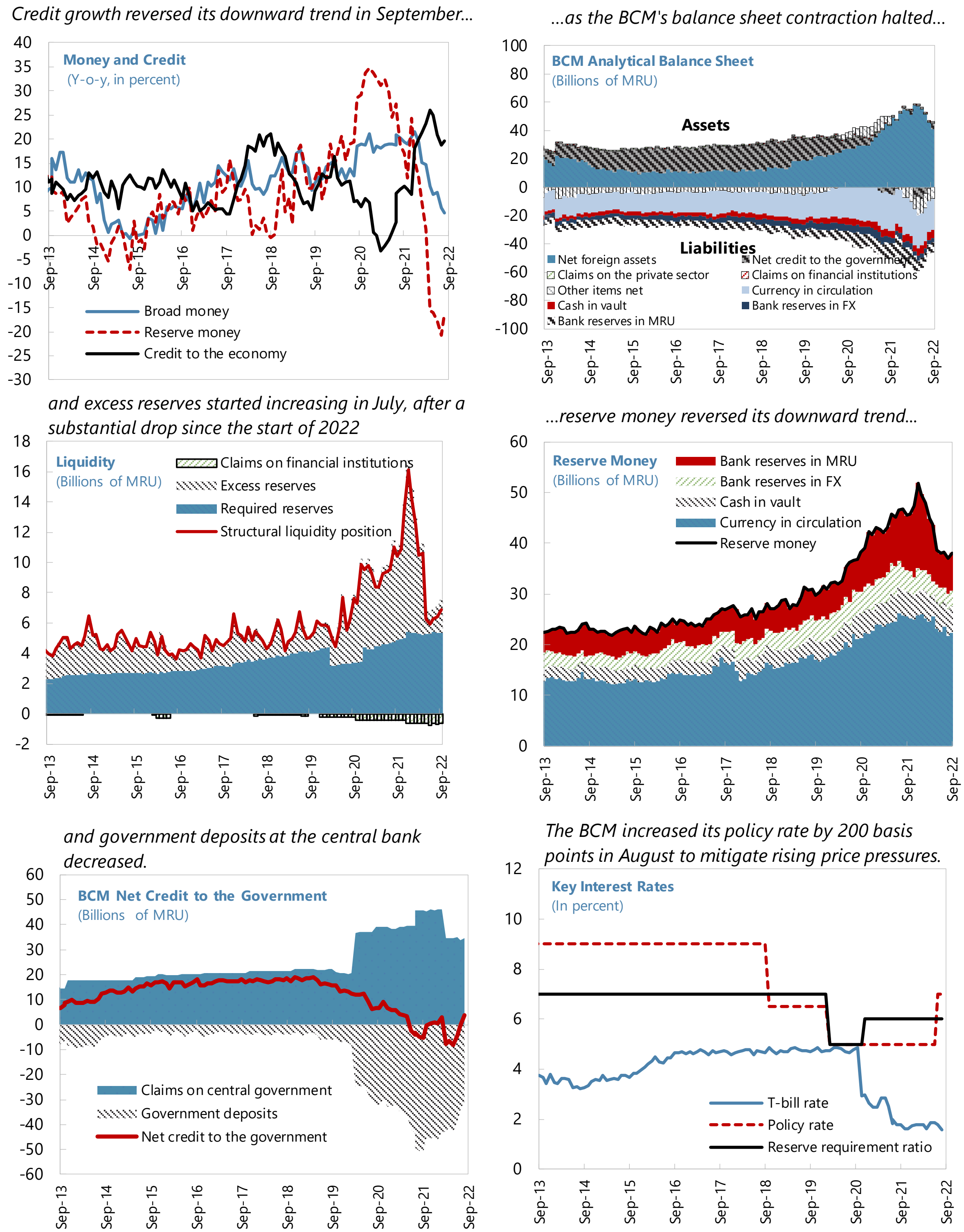
Figure 3. Mauritania: Fiscal Sector Developments, 2013-22

(Percent of GDP, unless otherwise indicated)



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

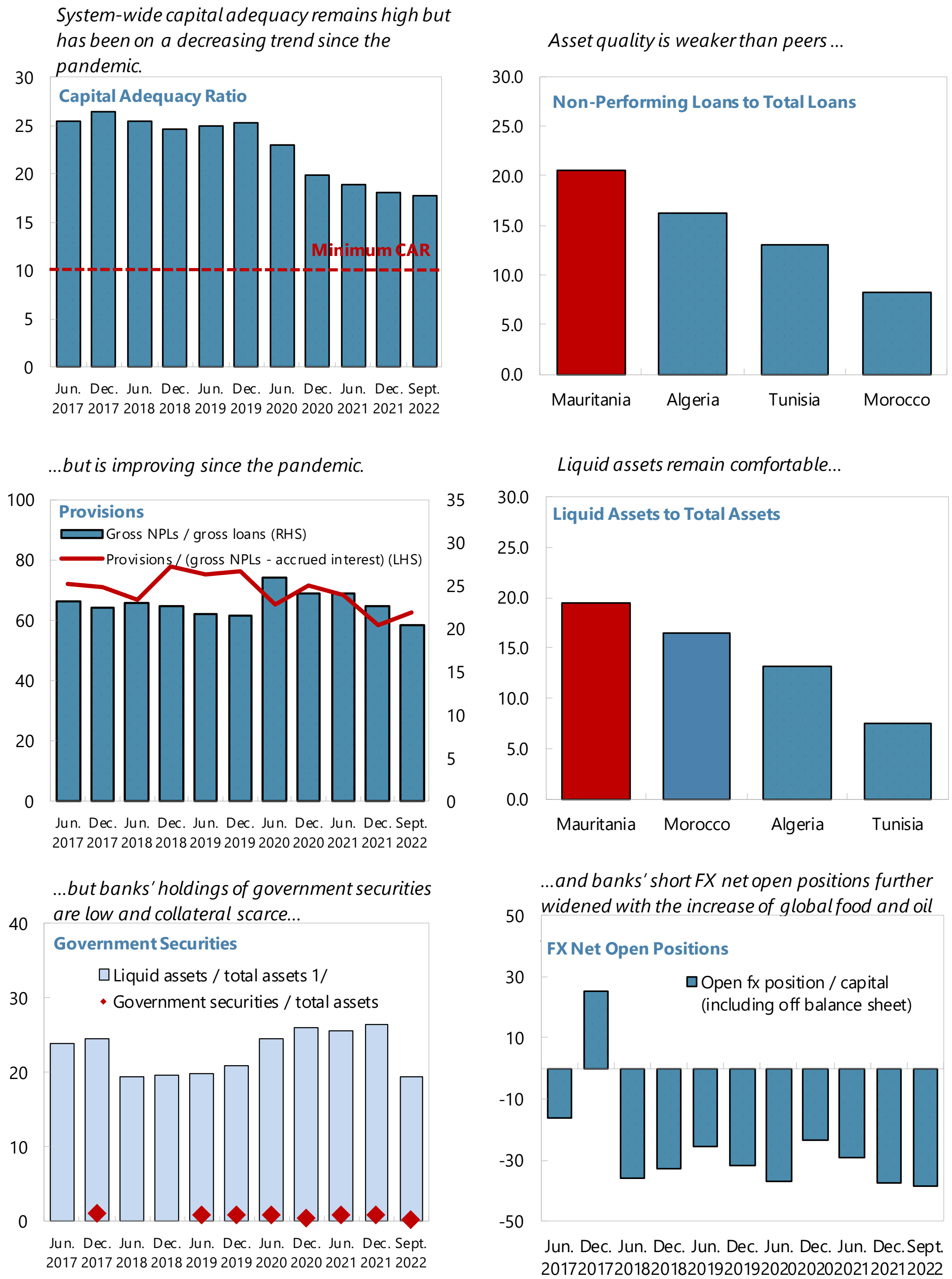
Figure 4. Mauritania: Monetary Sector Developments, 2013-22



Sources: Mauritanian authorities, and IMF staff calculations.

Figure 5. Mauritania: Financial Sector Indicators, 2017-22

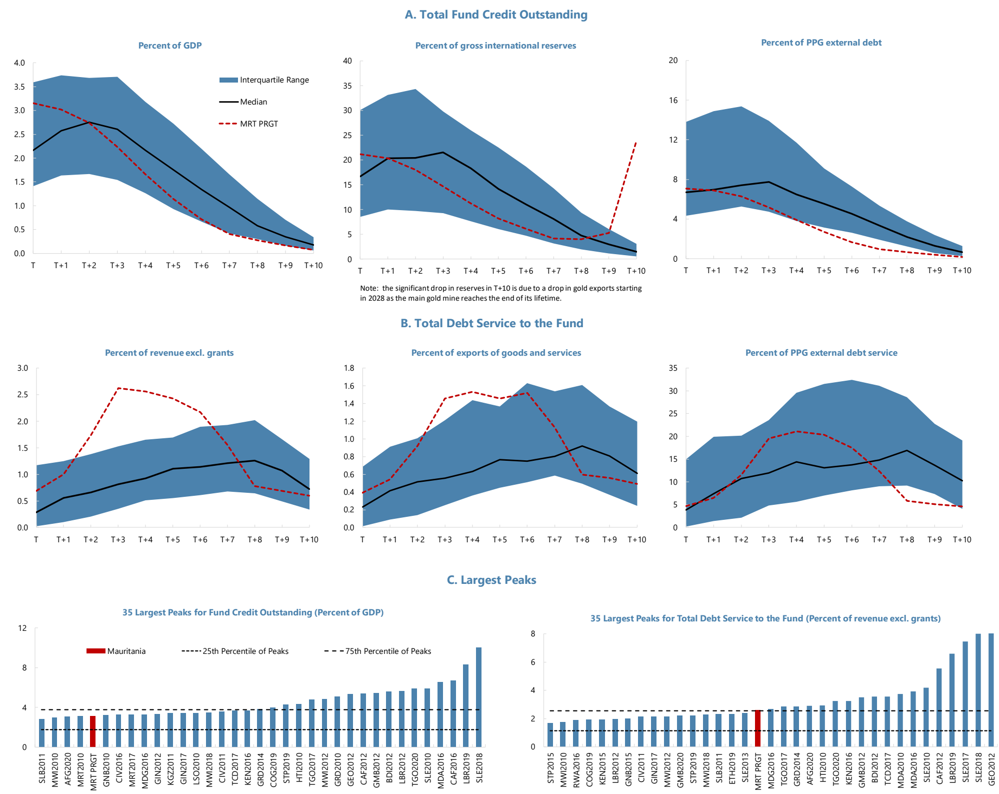
(In percent)



Sources: National authorities, and IMF staff calculations.
Notes: ratios follow national standards, and observations are in: June 2022 for Mauritania, 2020 for Algeria, June 2021 for Morocco, and September 2020 for Tunisia.
1 / Liquid assets in Mauritania: cash, reserves, and treasury bills.

Figure 6. Mauritania: Capacity to Repay Indicators Compared to UCT Arrangements for PRGT Countries

(In percent of the indicated variable)



Notes:

1) T = date of arrangement approval. PPG = public and publicly guaranteed.
2) Red lines/bars indicate the CtR indicator for the arrangement of interest.
3) The median, interquartile range, and comparator bars reflect all UCT arrangements (including blends) approved for PRGT countries between 2010 and 2020.
4) PRGT countries in the control group with multiple arrangements are entered as separate events in the database.
5) Comparator series is for PRGT arrangements only and runs up to T+10.
6) Debt service obligations to the Fund reflect prospective payments, including for the current year.
7) In the case of blenders, the red lines/ bars refer to PRGT+GRA. In the case of RST, the red lines/ bars refer to PRGT+GRA+RST.
8) In section C charts, the red bar for the country being reviewed appears only if it falls among the 35 largest peaks.

Sources: National authorities, and IMF staff calculations.

Table 1. Mauritania: Macroeconomic Framework, 2018-27

Poverty rate: 28 percent (2019) | Quota: SDR 128.8 million
Population: 4.4 million (2018) | Main exports: iron ore, fish, gold

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
		Est.	Est.	Est.	Proj.	Projections				
	(Annual change in percent; unless otherwise indicated)									
National accounts and prices										
Real GDP	4.8	5.4	-0.9	2.4	5.3	4.3	5.7	6.6	3.9	5.1
Real extractive GDP	-4.6	16.8	2.4	-12.6	17.0	8.3	11.1	14.0	0.4	5.5
Real non-extractive GDP	5.8	4.0	-1.5	6.3	2.1	3.3	4.4	4.7	4.8	5.0
Real GDP per capita	2.5	3.2	-3.1	0.2	3.1	2.1	3.4	4.4	1.7	2.9
Iron ore production (million tons)	11.1	12.7	13.1	13.1	13.9	14.6	16.4	17.2	17.7	18.0
GDP deflator	4.6	5.3	6.6	12.6	0.2	2.5	4.9	2.7	2.9	1.5
Nominal GDP	9.5	11.0	5.6	15.3	5.6	6.9	10.8	9.4	6.8	6.7
Consumer prices (period average)	3.1	2.3	2.3	3.8	8.3	10.0	7.5	5.5	4.5	4.0
Consumer prices (end of period)	3.2	2.7	1.8	5.7	11.0	9.0	6.0	5.0	4.0	4.0
	(In percent of GDP)									
Savings and Investment										
Gross investment	46.2	48.1	44.2	47.8	48.7	45.8	40.5	44.0	44.8	43.5
Gross national savings	33.2	37.8	37.5	39.9	31.4	34.4	34.6	37.9	38.7	37.7
Saving - Investment balance	-13.1	-10.3	-6.7	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7
	(In percent of GDP)									
Central government operations										
Revenues and grants	21.3	19.4	20.4	21.3	24.0	22.0	21.8	21.9	22.0	22.5
Nonextractive	18.0	16.4	16.3	15.6	16.8	17.8	18.0	18.1	18.4	18.8
Taxes	13.3	11.9	10.7	10.8	12.5	13.5	14.0	14.5	15.0	15.5
Extractive	2.9	1.6	2.1	3.6	5.8	2.9	2.6	2.6	2.6	2.9
Grants	0.5	1.5	2.0	2.1	1.5	1.4	1.2	1.1	1.0	0.8
Expenditure and net lending	19.0	17.4	18.2	19.2	25.4	24.6	23.6	22.9	22.5	22.2
Of which: Current	12.1	10.9	11.8	12.0	17.0	15.2	14.8	14.4	14.0	13.6
Capital	6.8	6.6	6.5	7.2	8.6	9.4	8.8	8.6	8.6	8.6
Primary balance (excl. grants)	3.0	1.4	1.1	0.8	-2.0	-3.2	-2.2	-1.4	-0.7	0.4
Non-extractive primary balance (incl. grants)	0.6	1.3	1.0	-0.7	-6.4	-4.7	-3.6	-2.9	-2.3	-1.7
Overall balance	2.3	2.0	2.2	2.2	-1.4	-2.6	-1.8	-1.1	-0.5	0.3
Public sector debt 1/ 2/	57.9	55.7	55.8	49.1	48.4	50.3	49.7	49.2	49.6	49.0
Net financial assets 3/	-49.0	-43.7	-46.3	-38.4	-40.6	-46.2	-48.1	-48.8	-49.0	-48.1
	(Annual change in percent; unless otherwise indicated)									
Money										
Broad money	13.8	11.8	21.0	20.4	5.0	8.1	14.8	12.0	9.3	7.9
Credit to the private sector	19.4	12.9	6.8	8.4	16.4	12.1	14.0	14.7	9.2	10.7
External sector										
Exports of goods, f.o.b.	7.3	22.4	11.7	14.4	25.1	-5.4	11.1	8.4	-0.3	-0.3
Imports of goods, f.o.b.	24.2	11.1	-0.4	23.1	34.6	-19.2	-2.5	5.6	2.0	0.7
Terms of trade	-1.2	23.0	22.7	9.6	-18.4	1.3	1.8	0.9	3.2	0.6
Real effective exchange rate	-0.3	1.8	0.9	4.5	...	...	...	...	...	...
Current account balance (in percent of GDP)	-13.1	-10.3	-6.7	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	0.9	-5.8	-5.5	-2.5	-1.9	-2.4	-2.7
Gross official reserves (US$ million, eop) 4/	918	1,135	1,542	2,347	1,501	1,568	1,635	1,755	1,822	1,832
In months of prospective non-extractive imports	4.5	5.8	6.7	7.3	5.1	5.2	5.2	5.5	5.5	5.5
External public debt (US$ million) 2/	3,614	3,782	4,139	4,285	4,313	4,560	4,731	4,933	5,090	5,245
In percent of GDP	48.4	46.9	48.1	43.3	41.8	43.4	42.9	42.7	42.6	42.1
Memorandum items:										
Nominal GDP (MRU billion)	266.6	296.0	312.6	360.5	380.7	406.8	450.9	493.4	527.2	562.8
Nominal non-extractive GDP (MRU billion)	240.2	250.7	249.3	282.0	308.1	330.4	361.1	387.4	417.7	450.7
Nominal GDP (US$ million)	7,472	8,065	8,612	9,892	10,314	10,507	11,021	11,541	11,953	12,456
Nominal GDP (US$, annual change in percent)	9.5	7.9	6.8	14.9	4.3	1.9	4.9	4.7	3.6	4.2
Exchange rate (MRU/US$)	35.7	36.7	36.3	36.4	...	...	...	...	...	...
Price of oil (US$/barrel)	66.2	61.2	41.8	69.4	98.2	85.5	80.2	76.2	73.3	71.0
Price of iron ore (US$/Ton)	70.1	93.6	108.1	158.2	121.0	101.5	95.7	90.0	90.0	85.0
Price of gold (US$/Ounce)	1,269	1,392	1,770	1,800	1,820	1,816	1,875	1,930	1,960	1,989

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including government debt to the central bank recognized in 2018.
2/ From 2021, including renegotiated, previously passive debt to Kuwait.
3/ Defined as end of year stock in hydrocarbon fund and treasury account minus gross debt.
4/ Excluding the hydrocarbon revenue fund; including 2021 SDR allocation.

Table 2a. Mauritania: Balance of Payments, 2018-27

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

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
		Est.	Est.	Est.	Proj.	Projections				
Current account balance	-976	-831	-576	-782	-1,783	-1,193	-652	-700	-731	-712
Excl. externally financed extractive capital imports	-606	-303	187	87	-602	-574	-274	-223	-287	-335
Trade balance	-706	-570	-288	-580	-1,060	-347	139	257	167	125
Exports, fob	1,895	2,319	2,591	2,964	3,708	3,508	3,898	4,226	4,215	4,203
Of which: Iron ore	508	831	1,029	1,544	1,251	1,099	1,166	1,152	1,185	1,136
Hydrocarbons	11	0	0	0	0	0	208	500	478	461
Copper	148	145	153	192	103	133	138	122	0	0
Gold	420	596	787	388	1,454	1,335	1,422	1,490	1,548	1,571
Fish	750	712	584	659	723	749	752	728	748	757
Imports, fob	-2,601	-2,889	-2,879	-3,544	-4,769	-3,854	-3,759	-3,969	-4,048	-4,078
Of which: Food	-495	-484	-687	-792	-1,032	-840	-831	-860	-903	-924
Petroleum	-624	-560	-417	-708	-1,250	-932	-897	-863	-849	-850
Capital goods	-558	-825	-1,011	-1,052	-1,338	-880	-642	-821	-798	-744
Services and income (net)	-471	-577	-630	-618	-1,062	-1,088	-1,039	-1,210	-1,157	-1,107
Services (net)	-432	-481	-524	-472	-1,094	-1,010	-958	-1,046	-1,056	-1,009
Credit	250	313	272	321	263	275	286	298	309	309
Debit	-682	-793	-796	-793	-1,357	-1,284	-1,244	-1,343	-1,365	-1,319
Income (net)	-38	-96	-106	-146	32	-78	-81	-164	-101	-98
Credit	80	86	84	60	233	242	243	243	237	238
Debit	-119	-183	-190	-206	-200	-320	-323	-407	-338	-335
Current transfers (net)	202	316	342	416	339	242	247	253	259	270
Private unrequited transfers (net)	97	102	153	143	155	163	169	175	181	195
Official grants 1/	104	214	189	272	184	79	79	78	77	75
Capital and financial account	1,008	900	620	1,978	1,262	1,229	730	845	844	814
Capital account	19	22	73	987	75	0	39	39	39	39
Financial account	989	878	548	991	1,187	1,229	692	806	805	775
Foreign direct investment (net)	772	884	928	1,062	1,025	840	311	520	524	397
Official medium- and long-term loans	83	127	94	52	434	112	127	167	148	167
Disbursements	253	316	287	314	361	353	378	414	363	370
Of whch: GTA gas project	0	0	83	83	125	0	0	0	0	0
Amortization (before DSSI)	169	189	193	262	-73	241	251	248	214	203
SNIM medium- and long-term loans	-63	-64	-60	-204	22	-5	-7	-4	-2	20
Other financial flows	196	-69	-415	81	-293	282	260	124	136	192
Errors and omissions	159	19	91	350	0	0	0	0	0	0
Overall balance	191	88	135	1,545	-520	36	78	144	113	102
Financing	-191	-88	-135	-1,545	520	-36	-78	-144	-113	-102
Net foreign assets	-195	-92	-229	-731	520	-36	-78	-144	-113	-102
Central bank (net)	-57	-202	-191	-635	535	-31	-73	-132	-97	-53
Assets (negative=accumulation of reserves)	-70	-219	-422	-805	846	-67	-67	-120	-66	-10
Liabilities	13	17	231	170	-311	36	-6	-12	-30	-43
Use of Fund resources	47	46	182	24	0	43	17	17	9	0
ECF/EFF (actual and prospective)	47	46	52	24	0	43	17	17	9	0
RCF	...	...	130	...	...	...	...	...	...	0
Other, incl. deposit from Saudi Arabia	-34	-29	-24	-24	-311	-6	-23	-29	-39	-36
Commercial banks (net)	-44	25	-35	-47	0	0	0	0	0	0
Hydrocarbon revenue fund (net)	-93	85	-3	-49	-15	-5	-5	-12	-16	-49
Exceptional financing (incl. DSSI and debt cancellation)	4	5	94	-814	0	0	0	0	0	0
Exceptional official grants 1/	...	...	...	...	...	...	...	...	...	
Gross official reserves, incl. IMF financing (US$ million)	918	1,135	1,542	2,347	1,501	1,568	1,635	1,755	1,822	1,832
(in months of imports excluding extractive industries)	4.5	5.8	6.7	7.3	5.1	5.2	5.2	5.5	5.5	5.5
Memorandum items:										
Current account balance (in percent of GDP)	-13.1	-10.3	-6.7	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	0.9	-5.8	-5.5	-2.5	-1.9	-2.4	-2.7
Trade balance (in percent of GDP)	-9.5	-7.1	-3.3	-5.9	-10.3	-3.3	1.3	2.2	1.4	1.0
Total external financing requirements (in percent of GDP)	16.2	13.5	9.6	12.6	16.6	13.7	8.3	8.3	7.9	7.3
External public debt (in millions of US$)	3,614	3,782	4,139	4,285	4,313	4,560	4,731	4,933	5,090	5,245
(in percent GDP)	48.4	46.9	48.1	43.3	41.8	43.4	42.9	42.7	42.6	42.1
External public debt service (after DSSI - US$ million)	209	211	151	168	313	316	349	361	337	328
(in percent of revenue)	13.4	14.6	9.5	8.8	13.4	14.6	15.4	15.1	13.4	11.4
SNIM contribution to BOP (US$ millions)	173	462	275	619	665	678	771	768	810	818
Hydrocarbon revenue fund balance (US$ millions)	168	83	86	135	150	155	160	173	189	238

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

1/ Disbursed official grants moved above the line for 2020 estimated outturn.

Table 2b. Mauritania: Balance of Payments, 2018-27
(In percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
		Est.	Est.	Est.	Proj.	Projections				
Current account balance	-13.1	-10.3	-6.7	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	0.9	-5.8	-5.5	-2.5	-1.9	-2.4	-2.7
Trade balance	-9.5	-7.1	-3.3	-5.9	-10.3	-3.3	1.3	2.2	1.4	1.0
Exports, fob	25.4	28.8	30.1	30.0	36.0	33.4	35.4	36.6	35.3	33.7
Of which : Iron ore	6.8	10.3	11.9	15.6	12.1	10.5	10.6	10.0	9.9	9.1
Hydrocarbons	0.2	0.0	0.0	0.0	0.0	0.0	1.9	4.3	4.0	3.7
Copper	2.0	1.8	1.8	1.9	1.0	1.3	1.2	1.1	0.0	0.0
Gold	5.6	7.4	9.1	3.9	14.1	12.7	12.9	12.9	13.0	12.6
Fish	10.0	8.8	6.8	6.7	7.0	7.1	6.8	6.3	6.3	6.1
Imports, fob	-34.8	-35.8	-33.4	-35.8	-46.2	-36.7	-34.1	-34.4	-33.9	-32.7
Of which : Food	-6.6	-6.0	-8.0	-8.0	-10.0	-8.0	-7.5	-7.5	-7.6	-7.4
Petroleum	-8.3	-6.9	-4.8	-7.2	-12.1	-8.9	-8.1	-7.5	-7.1	-6.8
Capital goods	-7.5	-10.2	-11.7	-10.6	-13.0	-8.4	-5.8	-7.1	-6.7	-6.0
Services and income (net)	-6.3	-7.2	-7.3	-6.3	-10.3	-10.4	-9.4	-10.5	-9.7	-8.9
Services (net)	-5.8	-6.0	-6.1	-4.8	-10.6	-9.6	-8.7	-9.1	-8.8	-8.1
Credit	3.3	3.9	3.2	3.2	2.5	2.6	2.6	2.6	2.6	2.5
Debit	-9.1	-9.8	-9.2	-8.0	-13.2	-12.2	-11.3	-11.6	-11.4	-10.6
Income (net)	-0.5	-1.2	-1.2	-1.5	0.3	-0.7	-0.7	-1.4	-0.8	-0.8
Credit	1.1	1.1	1.0	0.6	2.3	2.3	2.2	2.1	2.0	1.9
Debit	-1.6	-2.3	-2.2	-2.1	-1.9	-3.0	-2.9	-3.5	-2.8	-2.7
Current transfers (net)	2.7	3.9	4.0	4.2	3.3	2.3	2.2	2.2	2.2	2.2
Private unrequited transfers (net)	1.3	1.3	1.8	1.5	1.5	1.5	1.5	1.5	1.5	1.6
Official grants 1/	1.4	2.7	2.2	2.8	1.8	0.8	0.7	0.7	0.6	0.6
Capital and financial account	13.5	11.2	7.2	20.0	12.2	11.7	6.6	7.3	7.1	6.5
Capital account	0.3	0.3	0.8	10.0	0.7	0.0	0.4	0.3	0.3	0.3
Financial account	13.2	10.9	6.4	10.0	11.5	11.7	6.3	7.0	6.7	6.2
Foreign direct investment (net)	10.3	11.0	10.8	10.7	9.9	8.0	2.8	4.5	4.4	3.2
Official medium- and long-term loans	1.1	1.6	1.1	0.5	4.2	1.1	1.2	1.4	1.2	1.3
Disbursements	3.4	3.9	3.3	3.2	3.5	3.4	3.4	3.6	3.0	3.0
Of whch: GTA gas project	0.0	0.0	1.0	0.8	1.2	0.0	0.0	0.0	0.0	0.0
Amortization (before DSSI)	2.3	2.3	2.2	2.6	-0.7	2.3	2.3	2.1	1.8	1.6
SNIM medium- and long-term loans	-0.8	3.8	-0.7	-2.1	0.2	0.0	-0.1	0.0	0.0	0.2
Other financial flows	2.6	-5.4	-4.8	0.8	-2.8	2.7	2.4	1.1	1.1	1.5
Errors and omissions	2.1	0.2	1.1	3.5	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.6	1.1	1.6	15.6	-5.0	0.3	0.7	1.3	0.9	0.8
Financing	-2.6	-1.1	-1.6	-15.6	5.0	-0.3	-0.7	-1.3	-0.9	-0.8
Net foreign assets	-2.6	-1.1	-2.7	-7.4	5.0	-0.3	-0.7	-1.3	-0.9	-0.8
Central bank (net)	-0.8	-2.5	-2.2	-6.4	5.2	-0.3	-0.7	-1.1	-0.8	-0.4
Assets (negative=accumulation of reserves)	-0.9	-2.7	-4.9	-8.1	8.2	-0.6	-0.6	-1.0	-0.6	-0.1
Liabilities	0.2	0.2	2.7	1.7	-3.0	0.3	-0.1	-0.1	-0.3	-0.3
Use of Fund resources	0.6	0.6	2.1	0.2	0.0	0.4	0.2	0.2	0.1	0.0
ECF/EFF (actual and prospective)	0.0	0.6	0.6	0.2	0.0	0.4	0.2	0.2	0.1	0.0
RCF	…	…	1.5	…	…	…	…	…	…	0.0
Other, incl. deposit from Saudi Arabia	-0.5	-0.4	-0.3	-0.2	-3.0	-0.1	-0.2	-0.3	-0.3	-0.3
Commercial banks (net)	-0.6	0.3	-0.4	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
Hydrocarbon revenue fund (net)	-1.2	1.1	0.0	-0.5	-0.1	-0.1	0.0	-0.1	-0.1	-0.4
Exceptional financing (incl. DSSI and debt cancellation)	0.0	0.1	1.1	-8.2	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional official grants 1/	…	…	…	…	…	…	…	…	…	
Gross official reserves	12.3	14.1	17.9	23.7	14.6	14.9	14.8	15.2	15.2	14.7
(in months of imports excluding extractive industries)	4.5	5.8	6.7	7.3	5.1	5.2	5.2	5.5	5.5	5.5
Memorandum items:										
Current account balance (in percent of GDP)	-13.1	-10.3	-6.7	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	0.9	-5.8	-5.5	-2.5	-1.9	-2.4	-2.7
Trade balance (in percent of GDP)	-9.5	-7.1	-3.3	-5.9	-10.3	-3.3	1.3	2.2	1.4	1.0
Total external financing requirements (in percent of GDP)	1.1	1.0	0.8	2.2	0.2	0.2	0.1	0.1	0.1	0.1
External public debt (in millions of US$)	3,614	3,782	4,139	4,285	4,313	4,560	4,731	4,933	5,090	5,245
(in percent GDP)	48.4	46.9	48.1	43.3	41.8	43.4	42.9	42.7	42.6	42.1
External public debt service (after DSSI - US$ million)	209	211	151	168	313	316	349	361	337	328
(in percent of revenue)	13.4	14.6	9.5	8.8	13.4	14.6	15.4	15.1	13.4	11.4
SNIM contribution to BOP (US$ millions)	173	462	275	619	665	678	771	768	810	818
Hydrocarbon revenue fund balance (US$ millions)	168	83	86	135	150	155	160	173	189	238

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Disbursed official grants moved above the line for 2020 estimated outturn.

Table 3a. Mauritania: Central Government Operations, 2018-27
(In billions of MRU, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
				Est.	Projections					
Revenues and grants	56.8	57.5	63.8	76.9	91.5	89.5	98.4	107.9	116.1	126.5
Revenues	55.6	53.1	57.6	69.3	85.9	84.0	92.9	102.4	110.9	122.0
Nonextractive	47.9	48.5	51.1	56.2	63.9	72.4	81.4	89.5	97.0	105.7
Tax	35.4	35.4	33.5	38.8	47.7	55.0	63.3	71.7	78.8	87.3
Nontax	12.5	13.1	17.6	17.5	16.3	17.4	18.1	17.8	18.1	18.5
Extractive	7.7	4.6	6.5	13.1	22.0	11.6	11.5	12.9	13.9	16.3
Oil and gas	6.0	1.8	0.5	1.2	1.2	0.5	0.5	1.9	3.2	3.1
Mining	1.6	2.8	6.0	11.9	20.8	11.2	11.1	11.0	10.7	13.2
Grants	1.2	4.4	6.2	7.6	5.6	5.5	5.5	5.5	5.3	4.5
Of which: Projects	1.0	1.8	2.6	2.6	5.0	5.0	5.0	5.0	4.7	4.1
Expenditure and net lending	50.6	51.6	56.9	69.1	97.1	100.0	106.5	113.1	118.9	124.8
Current	32.4	32.4	36.8	43.3	64.8	61.9	66.9	70.8	73.6	76.6
Compensation of employees	14.0	15.4	16.8	18.9	21.0	24.1	26.4	27.8	29.9	32.3
Goods and services	6.4	6.6	7.4	9.3	9.8	12.9	14.3	15.7	16.7	17.9
Subsidies and transfers 1/	6.0	4.8	6.4	9.0	27.2	17.4	18.1	17.2	16.0	14.5
Interest	3.1	2.6	2.9	2.8	3.3	3.2	3.5	4.0	4.4	4.9
External	2.6	2.2	2.2	2.1	2.8	2.6	2.9	3.2	3.4	3.6
Domestic	0.4	0.5	0.7	0.7	0.6	0.6	0.6	0.8	0.9	1.3
Special accounts	1.1	1.4	0.9	1.4	1.4	4.3	4.6	6.1	6.5	7.0
Common reserves	1.2	1.4	2.5	1.6	1.7	0.0	0.0	0.0	0.0	0.0
Others	0.6	0.2	-0.1	0.3	0.3	0.0	0.0	0.0	0.0	0.0
Capital	18.1	19.7	20.3	26.0	32.6	38.1	39.6	42.3	45.2	48.2
Foreign-financed	2.8	4.5	5.2	5.2	8.4	9.8	10.4	12.0	11.1	10.7
Domestically financed, incl. COVID-19	15.3	15.2	15.0	20.8	24.0	28.3	29.2	30.3	34.1	37.4
Net lending	0.2	-0.4	-0.2	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	8.0	4.1	3.6	3.0	-7.6	-12.8	-10.1	-6.7	-3.6	2.2
Primary balance	9.3	8.5	9.7	10.6	-2.1	-7.3	-4.6	-1.2	1.6	6.7
Non-extractive primary balance	1.6	3.9	3.2	-2.5	-24.0	-18.9	-16.1	-14.1	-12.3	-9.6
Overal balance (excl. grants)	5.0	1.4	0.7	0.2	-11.0	-16.0	-13.6	-10.7	-8.0	-2.7
Overall balance	6.2	5.9	6.8	7.8	-5.4	-10.5	-8.1	-5.2	-2.7	1.8
Financing	-6.2	-5.9	-6.8	-7.8	5.4	10.5	8.1	5.2	2.7	-1.8
Domestic	1.5	-4.8	-12.6	-5.6	9.9	14.1	11.8	8.1	5.7	2.4
Banking system	0.1	-4.2	-9.4	5.5	9.9	13.7	10.4	7.0	2.9	1.2
Treasury account	0.8	-5.3	-19.9	-15.6	9.9	13.3	9.1	6.0	0.0	0.0
Central bank	-0.6	0.0	11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-0.1	1.1	-0.9	-0.4	0.0	0.4	1.3	1.1	2.9	1.2
Nonbanks	0.4	0.1	-0.4	-1.3	0.0	0.4	1.3	1.1	2.9	1.2
Domestic arrears	0.0	1.4	-1.5	1.5	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	1.0	-2.0	-1.3	3.8	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	...	...	6.4	...	...	...	...	...	
External	-7.7	-1.1	5.9	-2.2	-4.5	-3.6	-3.7	-2.8	-3.0	-4.1
Hydrocarbon revenue fund (net)	-3.1	3.5	0.2	-1.4	-0.6	-0.2	-0.2	-0.5	-0.7	-2.2
Oil and gas revenue	-6.3	-1.8	-0.8	-1.4	-2.6	-1.0	-1.1	0.0	0.0	0.0
Transfer to the budget	3.1	5.3	1.0	0.0	2.0	0.8	0.8	0.0	0.0	0.0
Other external financing	-4.6	-4.6	5.6	-0.8	-3.9	-3.3	-3.5	-2.3	-2.3	-1.9
Borrowing (net)	-4.3	-4.1	-3.9	-5.8	-3.9	-3.3	-3.5	-2.3	-2.3	-1.9
Disbursements	2.0	2.8	2.8	2.6	4.5	6.0	6.7	8.4	7.7	8.0
Amortization	-6.3	-6.9	-6.8	-8.4	-8.4	-9.3	-10.1	-10.7	-10.0	-9.9
of which debt relief (DSSI)	0.0	0.0	3.5	4.1	-1.5	-2.2	-2.3	-1.1	-1.1	-0.8
IMF (RCF)	...	...	4.7	...	...	...	...	...	...	...
IMF (ECF/EFF, actual and prospective)	0.0	0.0	1.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0
Residual financing gap	...	...	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	0.0	0.0	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:										
Real growth rate of public expenditure (percent)	-0.3	-0.3	7.8	17.0	29.7	-6.4	-0.9	0.7	0.6	0.9
Current (percent)	8.0	-2.1	11.2	13.3	38.1	-13.2	0.6	0.3	-0.5	0.0
Capital (percent)	-12.0	6.3	0.9	23.5	15.8	6.2	-3.4	1.3	2.3	2.4
Non-extractive primary balance (excl. grants)	0.4	-0.5	-3.0	-10.1	-29.9	-24.5	-21.6	-19.6	-17.5	-14.1
Non-extractive primary balance (incl. grants)	1.6	3.9	3.2	-2.5	-24.3	-18.9	-16.1	-14.1	-12.3	-9.6
Basic budget balance (excl. grants) 2/	7.8	5.9	5.9	5.4	-2.6	-6.2	-3.2	1.3	3.2	8.0
Net financial assets 3/	-130.6	-129.3	-144.6	-138.4	-154.7	-188.1	-216.7	-240.6	-258.6	-270.7
Social spending	8.8	9.6	14.6	15.6	19.3	20.7	22.6	24.2	26.1	28.2

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including transfers to public entities outside the central government.
2/ Overall balance excluding foreign-financed investment expenditure.
3/ Defined as end of year stock in FNRH and treasury account minus gross debt.

Table 3b. Mauritania: Central Government Operations, 2018-27
(In percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
				Est.	Projections					
Revenues and grants	21.3	19.4	20.4	21.3	24.0	22.0	21.8	21.9	22.0	22.5
Revenues	20.9	17.9	18.4	19.2	22.6	20.6	20.6	20.7	21.0	21.7
Nonextractive	18.0	16.4	16.3	15.6	16.8	17.8	18.0	18.1	18.4	18.8
Tax	13.3	11.9	10.7	10.8	12.5	13.5	14.0	14.5	15.0	15.5
Nontax	4.7	4.4	5.6	4.8	4.3	4.3	4.0	3.6	3.4	3.3
Extractive	2.9	1.6	2.1	3.6	5.8	2.9	2.6	2.6	2.6	2.9
Oil and gas	2.3	0.6	0.2	0.3	0.3	0.1	0.1	0.4	0.6	0.5
Mining	0.6	0.9	1.9	3.3	5.5	2.7	2.5	2.2	2.0	2.3
Grants	0.5	1.5	2.0	2.1	1.5	1.4	1.2	1.1	1.0	0.8
Of which: Projects	0.4	0.6	0.8	0.7	1.3	1.2	1.1	1.0	0.9	0.7
Expenditure and net lending	19.0	17.4	18.2	19.2	25.5	24.6	23.6	22.9	22.5	22.2
Current	12.1	10.9	11.8	12.0	17.0	15.2	14.8	14.4	14.0	13.6
Compensation of employees	5.3	5.2	5.4	5.2	5.5	5.9	5.8	5.6	5.7	5.7
Goods and services	2.4	2.2	2.4	2.6	2.6	3.2	3.2	3.2	3.2	3.2
Subsidies and transfers 1/	2.3	1.6	2.0	2.5	7.2	4.3	4.0	3.5	3.0	2.6
Interest	1.1	0.9	0.9	0.8	0.9	0.8	0.8	0.8	0.8	0.9
External	1.0	0.7	0.7	0.6	0.7	0.6	0.6	0.7	0.7	0.6
Domestic	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.2	0.2
Special accounts	0.4	0.5	0.3	0.4	0.4	1.1	1.0	1.2	1.2	1.3
Common reserves	0.4	0.5	0.8	0.5	0.5	0.0	0.0	0.0	0.0	0.0
Others	0.2	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0
Capital	6.8	6.6	6.5	7.2	8.6	9.4	8.8	8.6	8.6	8.6
Foreign-financed	1.1	1.5	1.7	1.4	2.2	2.4	2.3	2.4	2.1	1.9
Domestically financed, incl. COVID-19	5.7	5.1	4.8	5.8	6.3	7.0	6.5	6.1	6.5	6.7
Net lending	0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	3.0	1.4	1.1	0.8	-2.0	-3.2	-2.2	-1.4	-0.7	0.4
Primary balance	3.5	2.9	3.1	2.9	-0.5	-1.8	-1.0	-0.2	0.3	1.2
Non-extractive primary balance	0.6	1.3	1.0	-0.7	-6.3	-4.7	-3.6	-2.9	-2.3	-1.7
Overal balance (excl. grants)	1.9	0.5	0.2	0.1	-2.9	-3.9	-3.0	-2.2	-1.5	-0.5
Overall balance	2.3	2.0	2.2	2.2	-1.4	-2.6	-1.8	-1.1	-0.5	0.3
Financing	-2.3	-2.0	-2.2	-2.2	1.4	2.6	1.8	1.1	0.5	-0.3
Domestic	0.6	-1.6	-4.0	-1.6	2.6	3.5	2.6	1.6	1.1	0.4
Banking system	0.0	-1.4	-3.0	1.5	2.6	3.4	2.3	1.4	0.5	0.2
Treasury account	0.3	-1.8	-6.4	-4.3	2.6	3.3	2.0	1.2	0.0	0.0
Central bank	-0.2	0.0	3.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.0	0.4	-0.3	-0.1	0.0	0.1	0.3	0.2	0.5	0.2
Nonbanks	0.2	0.0	-0.1	-0.3	0.0	0.1	0.3	0.2	0.5	0.2
Domestic arrears	0.0	0.5	-0.5	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	0.4	-0.7	-0.4	1.1	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	...	...	1.8	...	...	...	...	...	
External	-2.9	-0.4	1.9	-0.6	-1.2	-0.9	-0.8	-0.6	-0.6	-0.7
Hydrocarbon revenue fund (net)	-1.2	1.2	0.1	-0.4	-0.1	-0.1	0.0	-0.1	-0.1	-0.4
Oil and gas revenue	-2.3	-0.6	-0.2	-0.4	-0.7	-0.2	-0.2	0.0	0.0	0.0
Transfer to the budget	1.2	1.8	0.3	0.0	0.5	0.2	0.2	0.0	0.0	0.0
Other	-1.7	-1.6	1.8	-0.2	-1.0	-0.8	-0.8	-0.5	-0.4	-0.3
Borrowing (net)	-1.6	-1.4	-1.3	-1.6	-1.0	-0.8	-0.8	-0.5	-0.4	-0.3
Disbursements	0.7	0.9	0.9	0.7	1.2	1.5	1.5	1.7	1.5	1.4
Amortization	-2.3	-2.3	-2.2	-2.3	-2.2	-2.3	-2.2	-2.2	-1.9	-1.8
of which debt relief (DSSI)	0.0	0.0	1.1	1.1	-0.4	-0.5	-0.5	-0.2	-0.2	-0.1
IMF (RCF)	...	...	1.5	...	...	...	...	...	...	...
IMF (ECF/EFF, actual and prospective)	0.0	0.0	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	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)	0.1	-0.2	-0.9	-2.8	-7.8	-6.0	-4.8	-4.0	-3.3	-2.5
Non-extractive primary balance (incl. grants)	0.6	1.3	1.0	-0.7	-6.4	-4.7	-3.6	-2.9	-2.3	-1.7
Overall balance (in percent of GDP)	2.3	2.0	2.2	2.2	-1.4	-2.6	-1.8	-1.1	-0.5	0.3
Basic budget balance (excl. grants) 2/	2.9	2.0	1.9	1.5	-0.7	-1.5	-0.7	0.3	0.6	1.4
Net financial assets 3/	-49.0	-43.7	-46.3	-38.4	-40.6	-46.2	-48.1	-48.8	-49.0	-48.1
Social spending	3.3	3.3	4.7	4.3	5.1	5.1	5.0	4.9	5.0	5.0

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including transfers to public entities outside the central government.
2/ Overall balance excluding foreign-financed investment expenditure.
3/ Defined as end of year stock in FNRH and treasury account minus gross debt.

Table 4. Mauritania: Monetary Survey, 2019-27
(In billions of MRU at end-of-period exchange rates, unless otherwise indicated)

	2019	2020	2021	2022	2023	2024	2025	2026	2027
			Est.			Proj.			
Monetary survey									
Net foreign assets	18.5	27.0	52.7	34.5	37.8	42.9	50.2	55.9	59.6
Net domestic assets	60.9	69.0	63.0	86.8	93.4	107.6	118.3	128.2	139.1
Net domestic credit	89.7	86.4	89.3	102.4	128.5	154.9	181.1	197.7	216.3
Net credit to the government	13.9	5.5	1.6	0.4	14.1	24.5	31.5	34.4	35.6
Credit to the economy	75.8	80.9	87.7	102.1	114.4	130.4	149.6	163.3	180.7
Other items net	-28.8	-17.4	-26.3	-15.6	-35.1	-47.3	-62.8	-69.5	-77.1
Broad money (M2)	79.4	96.0	115.6	121.4	131.2	150.6	168.5	184.2	198.7
Monetary authorities									
Net foreign assets	21.6	29.5	52.2	34.0	37.3	42.4	49.6	55.3	58.9
Net domestic assets	9.4	12.2	-0.3	6.0	8.3	16.0	24.3	25.5	28.2
Net domestic credit	13.7	7.2	1.6	0.3	13.7	22.8	28.7	28.7	28.7
Net credit to the government	13.1	6.5	0.5	-0.7	12.6	21.7	27.7	27.7	27.7
Other items net	-4.3	5.0	-1.9	5.7	-5.4	-6.8	-4.5	-3.3	-0.5
Reserve money	31.0	41.7	51.8	40.1	45.6	58.4	73.9	80.8	87.1
Currency in circulation	17.4	22.7	25.7	23.5	25.4	29.1	32.6	35.6	38.4
Reserves of banks	13.5	19.0	26.1	16.6	20.2	29.2	41.3	45.1	48.7
Of which : Banks deposits in FX	4.0	4.9	4.7	2.9	3.5	5.1	7.2	7.9	8.5
Commercial banks									
Net foreign assets	-3.1	-2.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6
Net domestic credit	76.2	79.6	88.4	102.7	115.4	132.7	152.9	169.6	188.1
Net credit to the government	0.8	-1.0	1.0	1.0	1.4	2.7	3.8	6.7	7.9
Credit to the private sector	75.4	80.5	87.3	101.7	114.0	130.0	149.1	162.9	180.3
Other items net	-24.7	-22.3	-24.5	-21.9	-30.3	-41.1	-58.9	-66.8	-77.2
				(Annual change in percent)					
Monetary survey									
Net foreign assets	85.6	46.3	94.7	-34.4	9.5	13.5	17.0	11.3	6.5
Net domestic assets	-0.3	13.3	-8.7	37.9	7.6	15.3	9.9	8.4	8.5
Net domestic credit	3.4	-3.7	3.4	14.7	25.4	20.6	16.9	9.2	9.4
Net credit to the government	-28.9	-60.6	-71.5	-77.1	3828.7	74.2	28.7	9.1	3.4
Credit to the economy	12.9	6.7	8.5	16.3	12.1	14.0	14.7	9.2	10.6
Other items net	-12.3	39.7	-51.7	40.7	-124.7	-34.7	-32.8	-10.7	-11.0
Broad money (M2)	11.8	21.0	20.4	5.0	8.1	14.8	12.0	9.3	7.9
Monetary authorities									
Net foreign assets	57.0	36.7	76.7	-34.8	9.5	13.6	17.2	11.4	6.6
Net domestic assets	-37.9	30.0	-102.5	-2044.3	37.4	93.2	51.8	4.9	10.8
Net domestic credit	-29.8	-47.5	-78.5	-78.3	3962.5	66.6	26.2	0.0	0.0
Net credit to the government	-31.1	-50.8	-91.8	-229.7	-1950.8	72.0	27.5	0.0	0.0
Reserve money	7.4	34.7	24.4	-22.8	13.7	28.1	26.7	9.3	7.9
Commercial banks									
Net foreign assets	18.1	20.3	120.1	3.8	6.0	5.4	3.7	2.7	2.2
Net domestic credit	13.2	4.5	11.1	16.2	12.4	15.0	15.2	10.9	10.9
Net credit to the government	48.4	-225.7	-206.4	0.6	35.9	94.1	38.5	75.5	17.6
Credit to the private sector	12.9	6.8	8.4	16.4	12.1	14.0	14.7	9.2	10.7
Memorandum items:									
Velocity of broad money (to non-extractive GDP)	3.2	2.6	2.4	2.5	2.5	2.4	2.3	2.3	2.3
Credit to the private sector (percent of non-extractive GDP)	30.1	32.3	31.0	33.0	34.5	36.0	38.5	39.0	40.0
Net foreign assets of banks (in millions of U.S. dollars)	-83.3	-67.6	13.8	13.8	13.8	13.8	13.8	13.8	13.8

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

Table 5. Mauritania: Banking Soundness Indicators, 2010-22

(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 Sept.
Balance sheet													
Assets / GDP	31.1	30.9	32.5	35.2	42.5	43.2	45.6	36.0	41.3	34.7	36.7	43.3	41.6
Net private-sector credit / total assets	53.2	48.2	50.8	52.1	55.5	57.0	54.9	43.8	41.2	41.0	42.8	39.8	44.5
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	3.7	3.3	3.2
Government securities / total assets	18.8	11.1	11.2	5.8	5.8	2.0	2.0	1.0	0.6	0.9	0.4	0.9	0.1
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	6.8	8.4	19.7
Gross NPLs / gross loans	45.3	39.2	25.7	20.4	23.0	30.0	25.5	22.4	22.6	21.5	24.1	22.7	20.5
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	71.7	58.4	62.3
Provisions / loans 360+ days in arrears	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3	107.0	104.8	91.6	81.5	80.3
Deposits / total assets	59.3	60.9	59.1	57.8	61.0	60.8	59.0	60.2	55.6	63.2	63.5	69.1	66.9
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	88.3	80.6	93.4
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	16.0	13.9	14.8
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	19.9	18.1	17.7
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	12.4	9.0	9.2
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	117.8	89.8	98.8
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	-23.5	-37.4	-38.3
Profitability and liquidity													
Return on assets	0.4	1.2	1.4	1.2	1.2	0.7	...	0.6	0.4	0.5	0.3	0.0	...
Return on equity	2.7	6.0	8.4	6.4	6.6	5.1	...	3.4	3.5	3.1	1.8	-0.1	...
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	26.1	26.4	19.3
Liquidity coverage ratio (statutory min. = 100 percent) 3/	...	...	...	...	...	...	...	...	...	...	148.9	152.5	119
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	42.3	35.9	36.8	35.5	36.2
Number of banks	10	12	12	15	15	16	16	17	17	18	18	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: Central Government Financing Needs and Sources, 2020-27 1/
(In billions MRU)

	2020 Est.	2021 Est.	2022 Proj.	2023	2024	2025	2026	2027
Gross financing needs (A)	**6.1**	**8.2**	**20.8**	**27.5**	**26.0**	**22.5**	**19.1**	**13.4**
Primary balance, excl. grants and before DSSI	3.6	3.0	-7.6	-12.9	-10.1	-6.7	-3.6	2.2
External public debt amortization	-6.8	-8.4	-8.4	-9.3	-10.1	-10.7	-10.0	-9.9
Interest payments	-2.9	-2.8	-3.3	-3.2	-3.5	-4.0	-4.4	-4.9
External	-2.2	-2.1	-2.8	-2.6	-2.9	-3.2	-3.4	-3.6
Domestic	-0.7	-0.7	-0.6	-0.6	-0.6	-0.8	-0.9	-1.3
Rescheduled debt service under Debt Service Suspension Initiative (DSSI)	...	...	-1.5	-2.2	-2.3	-1.1	-1.1	-0.8
Financing sources	**6.4**	**8.2**	**17.9**	**23.2**	**21.4**	**20.3**	**16.9**	**11.9**
Domestic	**-12.7**	**-5.6**	**9.9**	**14.1**	**11.8**	**8.1**	**5.7**	**2.4**
Drawdown of treasury account	-19.9	-15.6	9.9	13.3	9.1	6.0	0.0	0.0
Borrowing (net) 2/	10.1	-1.7	0.0	0.7	2.7	2.1	5.7	2.4
Other (incl. arrears variation)	-2.9	5.3	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	6.4	...	...	...	...	...	...
External	**19.1**	**13.8**	**8.0**	**9.1**	**9.7**	**12.2**	**11.1**	**10.6**
Official grants	6.2	7.6	5.6	5.5	5.5	5.5	5.3	4.5
Project grants	2.6	2.6	5.0	5.0	5.0	5.0	4.7	4.1
Budget support grants	3.6	5.0	0.6	0.6	0.6	0.6	0.5	0.5
External borrowing (gross)	2.8	2.6	4.5	6.0	6.7	8.4	7.7	8.0
Project loans	2.7	2.6	3.4	4.8	5.4	7.1	6.4	6.7
Budget support loans	0.2	0.0	1.1	1.2	1.2	1.3	1.3	1.4
DSSI	3.5	4.1	-1.5	-2.2	-2.3	-1.1	-1.1	-0.8
Drawdown of oil account	0.2	-1.4	-0.6	-0.2	-0.2	-0.5	-0.7	-2.2
IMF financing	6.6	0.9	0.0	0.0	0.0	0.0	0.0	0.0
ECF 2017-21 and 2020 RCF	6.6	0.9	...	...	...	...	...	...
New arrangement (prospective)	...	...	...	0.0	0.0	0.0	0.0	0.0
Errors and omissions	**-0.2**	...	...	...	...	...	...	...
Residual financing gap	...	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Treasury account balance	27.5	40.3	30.4	17.1	8.0	2.0	2.0	2.0
Gross international reserves (US$ million)	1,542	2,347	1,501	1,568	1,635	1,755	1,822	1,832

Sources: Mauritanian authorities; and IMF staff.
1/ Sign convention: positive is financing source, negative is financing need.
2/ In 2020, including on-lending to the budget of the Saudi deposit.

Table 7. Mauritania: External Financing Requirements and Sources, 2020-27 1/

(In millions of U.S. dollars)

	2020	2021	2022	2023	2024	2025	2026	2027
	Est.	Est.	Proj.					
Total requirements	**-1,044**	**-1,481**	**-2,210**	**-1,525**	**-1,011**	**-1,060**	**-1,064**	**-1,033**
Current account balance, excl. grants	-765	-1,055	-1,967	-1,272	-731	-779	-808	-787
External public debt amortization DSSI 2/	-278	-426	-243	-252	-281	-281	-256	-246
o/w Rescheduled debt service under the Debt Service Suspension Initiative (DSSI)	…	…	*-43*	*-61*	*-61*	*-27*	*-27*	*-18*
Total sources	**768**	**2,271**	**2,026**	**1,402**	**916**	**964**	**978**	**958**
Foreign direct investment and capital inflows (net)	1,001	2,049	1,100	840	350	559	562	435
Official grants (historical)	71	272	…	…	…	…	…	…
Official loan disbursements (excluding IMF)	247	230	361	353	378	414	363	370
Other flows 3/	-126	574	-267	282	260	124	136	212
Drawdown of official reserves (negative = accumulation)	-422	-805	846	-67	-67	-120	-66	-10
Drawdown of hydrocarbon revenue fund (negative = accumulation)	-3	-49	-15	-5	-5	-12	-16	-49
Financing gap	**276**	**-791**	**184**	**122**	**96**	**96**	**86**	**75**
Expected sources of financing	**276**	**-791**	**184**	**122**	**96**	**96**	**86**	**75**
DSSI	94	814	…	…	…	…	…	…
IMF financing (actual and prospective)	182	24	0	43	17	17	9	0
Of which: new ECF/EFF	0	0	0	43	17	17	9	0
Official grants (prospective) 4/	…	…	184	79	79	78	77	75
Of which: World Bank 5/	…	…	98	39	44	54	54	54
European Union 5/	…	…	28	15	8	8	8	8
Residual financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Memorandum items:								
Gross official reserves (US$ million)	1,542	2,347	1,501	1,568	1,635	1,755	1,822	1,832
Hydrocarbon revenue fund balance (US$ millions)	86	135	150	155	160	173	189	238

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

1/ Sign convention: positive is financing source, negative is financing need.

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

3/ Including SNIM, SMHPM, commercial banks, errors and omissions, and HIPC Debt Relief.

4/ Disbursed official grants moved above the line for 2020 estimated outturn.

5/ Estimated, includes discount factor to account for domestic execution capacity.

Table 8. Mauritania: Capacity to Repay the Fund, 2023-36

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Payments to the Fund based on existing credit														
Principal (in million of SDRs)	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	0.00
Charges and interest (in million of SDRs)	5.13	5.17	5.16	5.16	5.16	5.17	5.16	5.16	5.16	5.17	5.16	5.16	5.16	5.17
Payments to the Fund based on existing and prospective credit 1/														
Principal (in million of SDRs)	6.07	11.59	26.13	44.71	47.26	45.87	42.50	30.26	12.89	11.45	10.02	5.15	2.86	0.57
Charges and interest (in million of SDRs)	5.57	6.12	6.44	6.74	6.79	6.71	6.54	6.32	6.06	5.79	5.52	5.33	5.22	5.17
Total payments to the Fund based on existing and prospective credit 1/														
In millions of SDRs	11.64	17.71	32.57	51.45	54.05	52.58	49.04	36.58	18.95	17.24	15.54	10.48	8.08	5.74
In millions of US$	14.90	22.67	41.69	65.85	69.18	67.30	62.77	46.82	24.25	22.07	19.89	13.41	10.34	7.35
In percent of exports of goods and services	0.39	0.54	0.92	1.46	1.53	1.46	1.52	1.13	0.59	0.56	0.49	0.32	0.23	0.16
In percent of debt service	4.73	6.57	11.71	19.99	21.64	20.87	17.96	12.62	5.99	5.19	4.75	3.03	2.45	1.75
In percent of GDP	0.14	0.21	0.36	0.55	0.56	0.52	0.48	0.34	0.17	0.15	0.13	0.08	0.06	0.04
In percent of Gross International Reserves	0.95	1.39	2.37	3.61	3.78	3.73	4.08	3.57	2.55	4.91	43.43	-4.66	-2.30	-1.54
In percent of quota	9.04	13.75	25.29	39.95	41.96	40.82	38.07	28.40	14.71	13.39	12.07	8.14	6.27	4.46
Outstanding Fund credit														
In millions of SDRs	259.1	260.4	247.1	208.8	161.6	115.7	73.2	42.9	30.1	18.6	8.6	3.4	0.6	0.0
In millions of US$	331.6	333.2	316.3	267.3	206.8	148.1	93.7	55.0	38.5	23.8	11.0	4.4	0.7	0.0
In percent of exports of goods and services	8.8	8.0	7.0	5.9	4.6	3.2	2.3	1.3	0.9	0.6	0.3	0.1	0.0	0.0
In percent of debt service	105.3	96.5	88.9	81.1	64.7	45.9	26.8	14.8	9.5	5.6	2.6	1.0	0.2	0.0
In percent of GDP	3.2	3.0	2.7	2.2	1.7	1.1	0.7	0.4	0.3	0.2	0.1	0.0	0.0	0.0
In percent of gross international reserves	21.1	20.4	18.0	14.7	11.3	8.2	6.1	4.2	4.1	5.3	24.0	-1.5	-0.2	0.0
In percent of quota	201.1	202.1	191.9	162.1	125.5	89.8	56.8	33.3	23.3	14.4	6.7	2.7	0.4	0.0
Net use of Fund credit (in millions of SDRs)	36.75	5.64	-8.81	-36.00	-47.26	-45.87	-42.50	-30.26	-12.89	-11.45	-10.02	-5.15	-2.86	0.43
Disbursements	42.82	17.23	17.32	8.71	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.00
Repayments	6.07	11.59	26.13	44.71	47.26	45.87	42.50	30.26	12.89	11.45	10.02	5.15	2.86	0.57
Memorandum items:														
Exports of goods and services (in millions of US$)	3,782	4,184	4,524	4,525	4,512	4,615	4,135	4,132	4,079	3,933	4,034	4,176	4,440	4,605
Debt service (in millions of US$)	315	345	356	329	320	322	349	371	405	426	419	443	421	421
Nominal GDP (in millions of US$)	10,507	11,021	11,541	11,953	12,456	12,984	13,134	13,647	14,118	14,679	15,383	16,211	17,035	17,934
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

Sources: IMF staff estimates and projections.

1/ For 2020, between November 30 and December 31, 2020

Table 9. Mauritania: Proposed Schedule of Reviews and Disbursements Under the ECF-EFF Arrangements, 2023-26

Availability date	Amount of Disbursements						Conditions
	ECF		EFF		Total		
	Millions of SDR	Percent of Quota 1/	Millions of SDR	Percent of Quota 1/	Millions of SDR	Percent of Quota 1/	
Jan 25, 2023	5.37	4.17	10.73	8.33	16.10	12.50	Approval by the Executive Board
October 17, 2023	5.37	4.17	10.73	8.33	16.10	12.50	First review and end-June 2023 performance criteria
April 17, 2024	2.15	1.67	4.29	3.33	6.44	5.00	Second review and end-December 2023 performance criteria
October 17, 2024	2.15	1.67	4.29	3.33	6.44	5.00	Third review and end-June 2024 performance criteria
April 17, 2025	2.15	1.67	4.29	3.33	6.44	5.00	Fourth review and end-December 2024 performance criteria
October 17, 2025	2.15	1.67	4.29	3.33	6.44	5.00	Fifth review and end-June 2025 performance criteria
April 17, 2026	2.13	1.65	4.31	3.35	6.44	5.00	Sixth review and end-December 2025 performance criteria
Total	21.47	16.67	42.93	33.33	64.40	50.00	

Source: IMF staff calculations.

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

Table 10. Mauritania: Decomposition of Public Debt and Debt Service by Creditor, 2021-23[1]

(Based on end-2021 debt outstanding)

	Debt Stock end-2021			Debt service					
	In millions of US$	Percent of total debt	Percent of GDP	2021	2022	2023	2021	2022	2023
				Millions US$			Percent of GDP		
Total PPG debt (external + domestic)	**4,623.3**	**100.0**	**46.5**	**386.1**	**505.7**	**325.9**	**3.9**	**5.0**	**3.2**
External	**4,017.9**	**86.9**	**40.4**	**168.3**	**312.5**	**311.3**	**1.7**	**3.1**	**3.0**
Multilateral creditors	2,510.6	54.3	25.2	136.2	176.5	170.2	1.4	1.7	1.7
FADES	1,202.6	26.0	12.1	43.2	100.6	100.7	0.4	1.0	1.0
IsDB	339.5	7.3	3.4	30.0	33.3	35.9	0.3	0.3	0.4
World Bank	414.6	9.0	4.2	12.0	13.5	14.0	0.1	0.1	0.1
IMF	335.3	7.3	3.4	13.7	9.3	4.6	0.1	0.1	0.0
Other multilaterals	218.6	4.7	2.2	37.3	19.8	15.0	0.4	0.2	0.1
Bilateral creditors	1,329.8	28.8	13.4	32.1	136.0	141.1	0.3	1.3	1.4
Paris Club	112.6	2.4	1.1	0.0	16.3	16.6	0.0	0.2	0.2
France (incl. AFD)	88.7	1.9	0.9	0.0	10.6	10.9	0.0	0.1	0.1
Spain	21.4	0.5	0.2	0.0	5.4	5.4	0.0	0.1	0.1
Other Paris Club	2.6	0.1	0.0	0.0	0.2	0.2	0.0	0.0	0.0
Non-Paris Club	1,217.2	26.3	12.2	32.1	119.7	124.5	0.3	1.2	1.2
Saudi Arabia	655.9	14.2	6.6	0.0	26.5	27.9	0.0	0.3	0.3
China	343.0	7.4	3.4	0.4	42.8	46.4	0.0	0.4	0.5
Kuwait	-	-	-	14.2	18.5	22.4	0.1	0.2	0.2
Other Non-Paris Club	218.3	4.7	2.2	17.5	31.9	27.8	0.2	0.3	0.3
Bonds	-	-	-	-	-	-	-	-	-
Commercial creditors	177.6	3.8	1.8	-	-	-	-	-	-
GTA	177.6	3.8	1.8	-	-	-	-	-	-
Domestic	**605.3**	**13.1**	**6.1**	**217.7**	**193.1**	**14.6**	**2.2**	**1.9**	**0.1**
Held by residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Held by non-residents, total	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
T-bills	177.6	3.8	1.8	198.6	177.6	-	2.0	1.8	-
Loans	427.7	9.3	4.3	19.1	15.5	14.6	0.2	0.2	0.1
Memo items:									
Collateralized debt[2]	-	-	-						
Contingent liabilities	221.9	4.8	2.2						
o/w Public guarantees	6.5	0.1	0.1						
o/w Other explicit contingent liabilities[3]	177.6	3.8	1.8						
Nominal GDP (end of period)				9,953	10,125	10,212			

1/ As reported by Country Authorities according to their classification of creditors, including by official and commercial. Debt coverage is the same as the DSA.

2/ Debt is collateralized when the creditor has rights over an asset of revenue steam that would allow it, if the borrower defaults on its payment obligations, to rely on the asset or revenue stream to secure repayment of the loan. Collateral is "unrelated" when it has no relationship to a project financed by the loan. An example would be borriwing to finance the budget deficit, collateralized by oil revenue receipts. See the joint IMF-World Bank note for the G20 "Collateralized Transactions: Key Considerations for Public Lenders and Borrowers" for a discussion of issues raised by collateral.

3/ Includes other one-off guarantees not included in publicly guaranteed debt (e.g. credit lines) and other explicit contingent liabilities not elsewhere classified (e.g. potential legal claims, payments resulting from PPP arrangements). See 2014 Government Finance Statistics Manual (7.252) for more infomation.

Sources: Mauritanian authorities and IMF staff estimates.

Table 11. Mauritania: Risk Assessment Matrix 1/

Sources of Risks	Relative Likelihood	Expected Impact	Policy Response
Global Risks: Conjunctural shocks and scenarios			
Intensifying spillovers from Russia's war in Ukraine.	**High**	**High.** Further sanctions resulting from the war and related uncertainties exacerbate trade and commodity price volatility.	- Package of policy measures aiming at making monetary policy more effective, subsidies better targeted, and social transfers to the most vulnerable. - Monetary policy tightening to respond to possible second-round effects from imported food and energy prices.
Commodity price shocks.	**High**	**High.** Rising food and energy prices lead to food insecurity, increasing social unrest, a deteriorated CA, and higher subsidies.	- Monetary policy tightening and strengthening of the monetary policy framework - Better targeted subsidies - Use external and fiscal buffers, and donor support if needed. - Greater ER flexibility for medium-term adjustment. Structural reforms to diversify the economy.
Systemic social unrest	**High**	**High.** Rising inflation and food insecurity, declining incomes, and worsening inequality amplify social unrest and political instability, slowing economic growth, and fueling social and political instability.	- Use fiscal space to increase health, education, social and infrastructure spending toward SDGs. - Monetary policy tightening and strengthening of the monetary policy framework. - Improve communication on social measures and targeted subsidies
De-anchoring of inflation expectations	**Medium**	**High.** Lack of clear nominal anchor and monetary policy framework cause a rapid de-anchoring of inflation expectations. Fiscal expansion further fuels inflation. Rising inflation and limited ER flexibility widen inflation differentials with main trading partners, resulting in a real appreciation, overvaluation, loss of competitiveness, and widening the CA deficit.	Package of policy and operational measures aiming at eliminating the remaining excess liquidity and making monetary policy more effective, including increasing the policy rate, scaling down BCM's gold purchases, resuming monetary operations, and deepening the government securities' market.
Abrupt global slowdown or recession	**Medium**	**Medium.** Widening of external imbalances and pressures on international reserves.	- Structural reforms to diversify the economy and export markets, away from the traditional mining sectors, such as iron ore. - Greater ER flexibility to absorb external shocks and preserve international reserves.
Local Covid-19 outbreaks	**Medium**	**Low.** Emergence of more contagious vaccine-resistant variants force new lockdowns or inhibit commerce. This results in extended supply chain disruptions, declining external demand, and reassessment of growth prospects.	- Use external and fiscal buffers, and donor support if needed. - Greater ER flexibility for medium-term adjustment. Structural reforms to diversify the economy. - Use fiscal space to increase health, education, social and infrastructure spending toward SDGs. - Structural reforms to diversify the economy and increase resilience.

Table 11. Mauritania: Risk Assessment Matrix (concluded)

Global Risks: Structural risks			
Deepening geo-economic fragmentation and geopolitical tensions	**High**	**High.** Intensified geopolitical tensions, security risks, and conflicts cause economic and political disruptions, disorderly migration, production reshoring, a decline in trade, and lower investor confidence. Reduced international cooperation accelerate deglobalization, resulting in supply disruptions, technological and payments systems fragmentation, rising input costs, financial instability, and lower potential growth.	Create policy space for contingencies by consolidating the budget and broadening the tax base through reforms and economic diversification. Deepen regional security cooperation.
Cyberthreats	**Medium**	**Low.** Cyberattacks on critical physical or digital infrastructure trigger financial instability and disrupt economic activities.	- Accelerate digitalization and business climate reforms and increase ER flexibility to mitigate shocks. - Develop prudent borrowing plans.
Natural disasters related to climate change	**Medium**	**High.** More frequent natural disasters lead to severe damage to infrastructure and amplify supply chain disruptions and inflationary pressures, causing water and food shortages, reducing medium-term growth, and accelerating migration. Higher emergency spending. Social and economic disruption.	Improve infrastructure mitigation; increase 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. Improve communication. 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.

Table 12. Mauritania: 2014 FSAP Main Recommendations and Progress

Recommendation	Timeframe 1/	Status
Central Bank		
Adopt the Banking Act giving more legal protection to decisions made as part of the exercise of the BCM's powers.	Near term	Done
Adopt the Act concerning the BCM's charter, bolstering its independence, responsibilities and transparency.	Near/Medium term	Done
Parliamentary approval of the 2013 agreement on BCM's claims on the government.	Near term	Done. New agreement in 2018, ratified by the parliament in 2019.
Financial stability		
Issue a timeline in which scheduled auction dates for Treasury bills are separate from those for Treasury bonds.	Immediate	No progress
Quarterly updates of monetary programming tables, setting out medium-term monetary objectives.	Medium term	Partial progress, the BCM is developing a monetary program and a forecasting model
Gradually securitize the stock of BCM's claims on government, using marketable securities that would extend the yield curve.	Medium term	No progress
Increase the quality and reliability of data gathered by the banks' supervisor.	Near/Medium term	In progress
Ensure strict compliance with the new instruction issued in June 2014 concerning loan classification and provisioning.	Immediate	Done
Foreign exchange markets		
Adopt an instruction concerning systematic field audits for banks by applying the foreign currency regulation (authentication of the request, application of the upper limit of USD 100,000).	Immediate	Partially done, the BCM reinforced compliance with FX operations requirements
Adopt an instruction on non-compliance with FX regulations, and applying penalties with repeated violations, including suspension of participation in FX auctions on the fixing market (after two warnings).	Immediate	In progress.
Eliminate all penalties and commissions applied to foreign exchange auctions.	Near term	Partially done (commissions are still applied)
Adopt a multiple-rate auction system with a benchmark rate.	Near term	In progress
Eliminate direct sales of FX outside the official market	Near term	Done
Non-banking financial institutions (MFIs, pensions, insurance)		
Encourage the establishment of insurance companies.	Medium term	No progress
Transfer auditing and surveillance of the CDD (public development bank) and insurance companies to the BCM.	Medium term	Done
Supervision and oversight		
Publish the financial statements of banks audited by the BCM in June after the year-end.	Medium term	No progress
Establish a qualification approval system by the BCM for auditors, based on objective and known criteria.	Medium term	Done
Implement, without exceptions, the regulation on loans to related parties and application of sanctions in cases of infractions.	Immediate	In progress, instruction adopted
Crisis Management and Bank Resolution		
Approve the legal and regulatory framework on bank resolution.	Immediate	Done
Increase banks' contributions to the Deposits Guarantee Fund, to reach at least MRU 0.6 billion in 3 years.	Near term	Done. Fund to increase further to MRU 1 billion

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

Table 13. Mauritania: Key Measures Implemented Since March 2021

Monetary policy	*Tightening monetary policy to reduce inflation*	In August 2022, the BCM increased its policy rate by 200 basis points to 7 percent. Since May 2022, increased FX interventions to finance imports resulted in a substantial reduction of excess liquidity from MRU 11.3 billion at end-2021 to MRU 1.5 billion by end-July.
	Strengthening BCM governance and mandate	A new law on the organization of the artisanal gold sector was approved by the council of Ministers in June 2022 and Parliament in November 2022.
Foreign Exchange Policy	*Improving the functioning of the FX market*	In May 2022, the BCM ceased rationing its FX interventions for CA transactions, while strengthening its monitoring of FX operations. In October 2022, a new tender was launched for the selection of the firm that will implement the technical platform for interbank FX transactions. In November 2022, the BCM phased out the surrender requirement of receipts from fishing exports of Mauritanian Corporation for Fisch Marketing (SCMP: "Société Mauritanienne pour la Commercialisation de Poisson").
Financial Sector Policies	*Strengthening banking regulation*	The instruction on bank governance was issued in March 2022. It strengthens the need of appointing independent managers for banks.
	Improving financial infrastructure and access to finance	A new law on digital payments was adopted by Parliament in April 2021. The BCM issued new implementing regulations of the law on services and means of payment, payment institutions, electronic money institutions, and agents authorized by banks and payment institutions to execute payment transactions.
Fiscal Policy	*Reducing expensive and untargeted subsidies*	In July 2022, the authorities raised fuel prices by 30 percent, which substantially reduced fuel subsidies (of around 4 percent of GDP in 2022).
	Approval of revised budget 2022	In July, Parliament approved a revised budget for 2022. The total envelope increased from MRU 88.5 billion to MRU 107.1 billion to account for the energy subsidies, increase the protection against food price inflation and meet additional security costs. On the revenue side, non-extractive revenue increased by MRU 5 billion thanks to strong growth and higher import prices and extractive revenue by MRU 10 billion as a result of the record dividend from the state-owned enterprise SNIM. The revised budget increased the projected deficit by 1 percent of GDP compared to the initial budget 2022.
	First draft of a medium-term fiscal framework	Benefitting from extensive technical assistance (TA) from the IMF Fiscal Affairs Department (FAD), the government prepared a medium-term fiscal framework (MTFF), thus shifting fiscal discussions from immediate needs to medium-term fiscal management.
Debt Restructuring	*Restructuring the Kuwaiti debt*	In August 2021, the Kuwaiti passive debt was restructured into a concessional loan with 20-year maturity and a grace period of two years.
	Renegotiating the Saudi deposit	In April 2022, the Saudi deposit was restructured into a concessional loan with 20-year maturity and a grace period of eight years.
Policy Coordination	*Reviving the debt committee*	The National Committee on Public Debt (CNDP; Comité National de la Dette Publique) was revitalized in 2022. It includes representatives from the Ministry of Economy, the Ministry of Finance, and the BCM. Its operational capacities will be strengthened to improve coordination between the various entities responsible for debt matters. The Committee will continue to meet regularly to assess the impact on debt of any new project to be financed with non-concessional external borrowing, that must be validated by the CNDP before the relevant agreements are signed.
	Establishing a macroeconomic framework committee	The committee (CTCMB; Comité Technique de Cadrage Macro-économique et Budgétaire) was established in November 2022 with the objective of coordinating macroeconomic forecasts produced by different bodies of the government and the central bank. It includes representatives from the Ministry of Economy, the Ministry of Finance, and the BCM. Key functions of the CTCMB include (among others): i) the preparation of the medium-term fiscal framework and its consistency with the SCAPP, ii) the consistency between forecasts of the four sectors of the economy (real, fiscal, external and monetary), iii) the consensus on the macroeconomic framework and recommendations for improving the quality, consistency and regularity of macroeconomic forecasts, iv) the recommendation of appropriate policy measures to preserve a stable and robust macroeconomic framework, and v) support to structures responsible for negotiating and monitoring economic and financial programs.
Governance	*Enhancing transparency and audit of emergency pandemic related spending*	The Court of Accounts published the 2020 and 2021 audit of pandemic-related spending in March and May 2022. The authorities also published the names of the legal owners of companies awarded public procurement contracts by the social fund managing COVID-19 emergency spending.
	Implementing decree of the new Public Procurement Code	The implementing decree of the new Public Procurement Code became effective in June 2022, providing the necessary legal framework for submission and publication of beneficial ownership information for awarded tenders.
	Governance diagnostic	The government undertook a governance diagnostic assessment with the support of the IMF.

Annex I. Integration of Capacity Development in the New Program, 2023–24

CD will be closely integrated in the new ECF and EFF supported economic program, mainly through TA either from headquarters or from AFRITAC West. The planned CD Activities to support the next 12-month proposed SB under the new ECF and EFF arrangements are provided below.

	Program Proposed Structural Benchmarks	Supporting CD and Diagnostic Tools
Social protection		
1	Increase the quarterly amount paid to households from 2,200 MRU to 2,900 MRU	TA is being provided by the WB under their Social Safety Net Project
Fiscal Policy		
2	Submit a revised budget in line with program understanding to Parliament	
Tax policy and revenue administration		
3	Put in place a platform connected with the Jibaya software enabling electronic filing and payments	TA has been provided by FAD under the RMTF project
4	Make declaration for CIT compulsory, including for companies that are subject to tax holiday	TA has been provided by FAD under the RMTF project.
5	Create a tax policy structure in the Cabinet of the Minister of Finance	TA has been provided by FAD under the RMTF project.
6	Submit a law reforming the Nouadhibou Free Zone to Parliament	TA has been provided by FAD under the RMTF project.
Expenditure policy and public finance management		
7	Adopt a medium-term expenditure framework consistent with the program's fiscal anchor in the Council of Ministers and transmit it to Parliament	TA has been provided by the IMF through AFRITAC West
Monetary, foreign exchange, and financial sector policies		
8	Implementation the technical platform for interbank FX market transactions by June 2023	Assistance is being provided by the AfDB under the financial infrastructure modernization project (PAMIF)
9	Conduct regular auctions of 4, 13, 26, and 52-week T-bills for banks to reach a volume of MRU 1 billion by June 2023 and MRU 2 billion by September 2023	MCM TA on the government securities' market
10	Gradually reduce banks' short FX net open positions to below 20 percent by December 2023 through a better enforcement of the prudential limit (20 percent)	
Governance and Private Investment		
11	Publish a time-bound action plan based on Governance Diagnostic report	TA has been provided by the IMF staff (LEG, FIN, FAD, and MCM) to prepare the Governance Diagnostic assessment
12	Operationalize the SME guarantee fund	TA was previously provided by the WB

Annex II. External Sector Assessment[1]

Overall Assessment: *The external position of Mauritania in 2021 was broadly in line with the level implied by fundamentals and desirable policies. The CA deficit slightly increased during 2020-21, following global price rises of key import goods (food and petrol). However, it widened significantly in 2022 following increases in import prices due to Russia's war in Ukraine, and reductions in commodity prices of Mauritania's main exports. While this deficit is expected to narrow once gas exports begin in 2024, the country remains significantly exposed to external shocks due to its heavy dependence on commodity exports.*

Potential Policy Responses: *Priorities to address these imbalances include greater ER flexibility, structural reforms to boost productivity, and targeting of a well-designed fiscal anchor.*

Foreign Assets and Liabilities: Position and Trajectory

Background. While the Net International Investment Position (NIIP) is not available for Mauritania, it is nonetheless possible examine certain components for which data is available, including: the foreign asset position of the central bank and commercials banks, the external debt position of the government, and cumulative foreign direct investment.[1] Commercial banks oscillate between negative and positive net foreign positions, but the values remain very close to zero as a fraction of GDP. Central Bank assets, primarily made up of foreign reserves, are positive and peak in 2021 at 14.6 percent of GDP. Government external debt stock contributes a large and consistently negative net position, at 43.9 percent of GDP in 2021 and following a slight downward trend until 2027. As discussed in the DSA, Mauritania is assessed to be at moderate risk of debt distress but with an overall sustainable debt position. The negative net FDI position is likely the largest component of Mauritania's negative NIIP, reflecting major investments in Mauritania's extractives sector (including gold, iron ore, and gas). Net FDI flows are consistently positive, with sharp increases during the 2010s, and are projected to taper off but not reverse up to 2027.

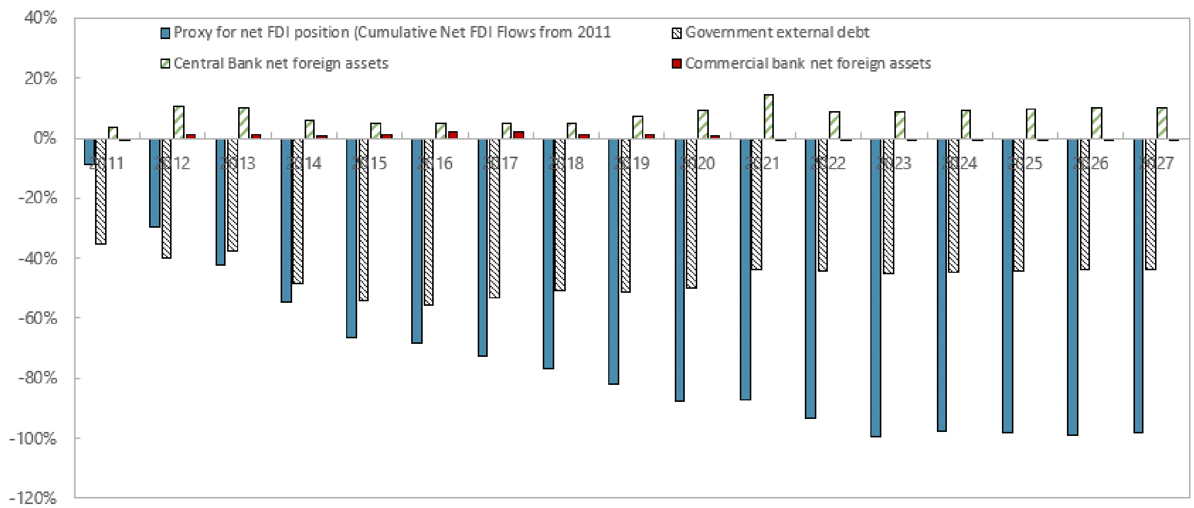
Assessment. There is significant uncertainty about the net international investment position in Mauritania and hence a clear assessment is not possible. However, government debt, undoubtedly a large contributing factor, is judged as sustainable with moderate risk of debt distress in the DSA. The central bank overall has

[1] The foreign direct investment stock is here proxied by the cumulative net FDI starting in 2011. This approach has limitations as previous years are ignored, however many of the large extractives investments took place post-2011 and hence are incorporated.

[1] Prepared by Benjamin Kett (SPR).

significant positive assets, while foreign direct investment is likely to only adjust slowly and predictably as new extractives projects start up and others reach the end of their lifecycle.

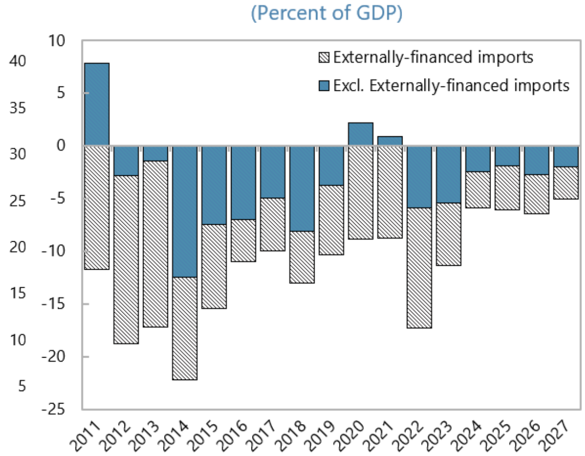
Net Foreign Assets
(% GDP)



Current Account

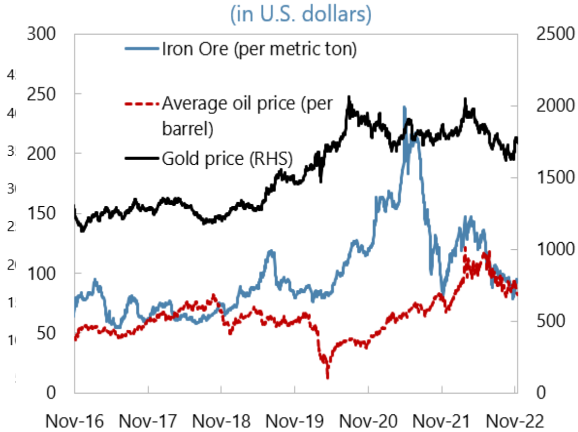
Background. The CA balance stood at -7.9 percent of GDP in 2021, slightly more negative than in 2020 (-6.7 percent) but less negative than the five-year average of -10.2 percent (2016-20). Exports slightly increased, with stronger iron ore prices counteracting the negative shock on gold exports due to a fire at the main refining factory. However, this was more than compensated for by increases in imports due to jumps in world petrol and food prices. The CA balance is projected to reach -17.3 percent of GDP in 2022 in the wake of import price increases due to the war in Ukraine, a reduction of the iron ore price relative to its 2021 peak, and an increase in services imports related to the GTA project, investments in gold production, and freight services. The CA deficit is then projected to decrease to 11.4 percent in 2023 after a renormalization of world prices and to moderate further once gas exports come online in 2024.

Current Account Balance
(Percent of GDP)



Sources: Mauritanian authorities and IMF staff calculations.
Sources: Data from authorities and IMF staff calculations.

International Commodity Prices
(in U.S. dollars)



Sources: Bloomberg database; and IMF staff calculations.
Sources: Data from authorities and IMF staff calculations.

Assessment. The CA gap (difference between the cyclically adjusted CA and CA norm) is estimated at 0.5 percent of GDP in 2021. Staff therefore assesses that the external position of Mauritania in 2021 was broadly in line with the level implied by fundamentals and desirable policies. This represents a change relative to the 'moderately stronger' assessment of the 2020 ESA, and primarily reflects (i) increased imports due to global price rises and (ii) a more negative CA norm due to a more expansionary optimal fiscal balance resulting from the 2021 SDR allocation and the renegotiation of a $300 million loan from the Saudi Arabian government from non-concessional to concessional terms. Cyclical contributions are minimal, resulting from a small output gap and contribution of the detrended terms of trade. The policy gap is primarily driven by three components: (i) the cyclically adjusted fiscal balance was positive in 2021 (1.1 percent of GDP) due to strong revenue performance from extractives and under-execution of the budget, while the optimal medium-term policy is to run a contained deficit of 1.5 percent of GDP (ii) health spending in 2021 was estimated at 1.4 percent of GDP while the optimal policy from cross country regression analysis was 6 percent (iii) reserves accumulation was unusually high in 2021 at 8.5 percent of GDP, in part due to the SDR allocation, while the optimal policy is considered to be maintaining a constant level.

Mauritania: Model Estimates for 2021 (in percent of GDP)

	CA model 1/	REER model 1/
	(in percent of GDP)	
CA-Actual	**-7.9**	
Cyclical contributions (from model) (-)	0.3	
COVID-19 adjustor (-) 2/	0.0	
Natural disasters and conflicts (-)	-0.2	
Adjusted CA	**-8.0**	
CA Norm (from model) 3/	**-7.5**	
Adjusted CA Norm	**-7.5**	
CA Gap	**-0.5**	**0.9**
o/w Relative policy gap	9.2	
Elasticity	-0.27	
REER Gap (in percent)	**1.9**	**-3.5**

1/ Based on the EBA-lite 3.0 methodology

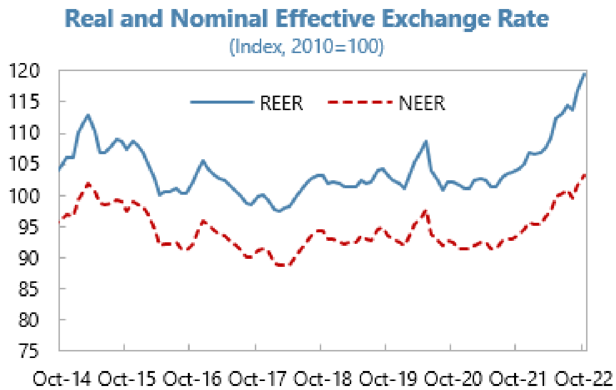
2/ Additional cyclical adjustment to account for the temporary impact of the tourism (0.1 percent of GDP)).

3/ Cyclically adjusted, including multilateral consistency adjustments.

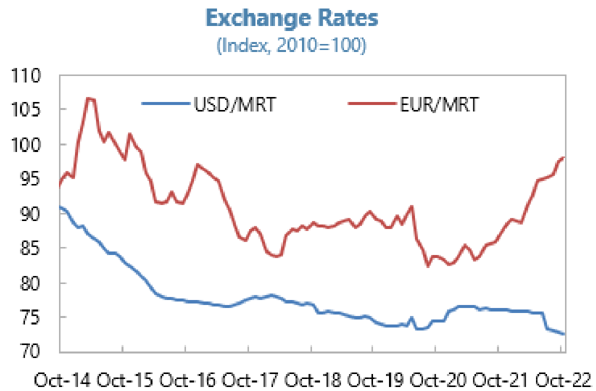
Real Exchange Rate

Background. The REER depreciated by 0.7 percent between 2020 and 2021, compared to an average depreciation of 1.4 percent over the previous 5 years. In contrast, at end-October 2022, the REER had appreciated by 11.9 percent in line with the appreciation of the nominal rate with respect to the Euro (reflecting the importance of France, Spain, Italy and Belgium as trading partners and the appreciation of the USD against the Euro). The authorities have been maintaining a narrow crawling band with the US Dollar, while allowing a stronger depreciation in July.

Assessment. Staff assesses that the REER was slightly overvalued in 2021, based on the CA model's 1.9 percent gap, and in part reflecting government policies to stabilize the ER and restrict access to FX.[2] Starting in 2022, BCM changed its policy by meeting the demand for FX in the official market and allowing a stronger adjustment of the ER in July. While the REER model suggests a 3.5 percent undervaluation, this model is less reliable for countries such as Mauritania with data issues or that have experienced large structural changes.



Sources: Mauritanian authorities; and IMF staff calculations.



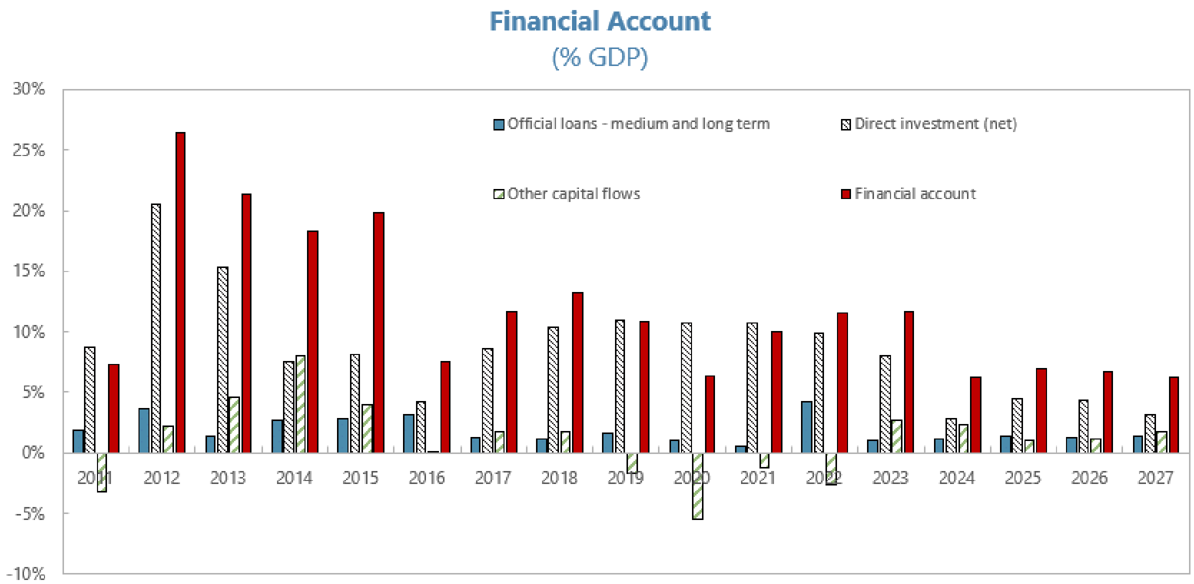
Sources: Mauritanian authorities, Haver, and IMF databases.

Capital and Financial Accounts: Flows and Policy Measures

Background. Non-CA flows in Mauritania are dominated by financial account flows. In 2021 the net financial flows amounted to 10.2 percent of GDP, up from 6.4 percent in 2020, and compared to an average of 9.9 percent over the past 5 years (2016-2020). These flows can be decomposed into direct investment at 10.7 percent of GDP, official loans at 0.5 percent, and other capital transactions at -1.2 percent. The financial account has seen a downward trend over time after a peak in 2012 of 26.5 percent of GDP resulting from direct investment in the extractives sector. As Phase One of the GTA gas project comes online, Staff projects comparatively low direct investment, and hence financial inflows, over the coming years. While the authorities have been more flexible in 2022 in providing FX than in previous years, this has generally been targeted towards financing imports as opposed to significantly opening up the capital or financial accounts.

[2] The IMF staff report for the 2017 Article IV Consultation with Mauritania states that, as of July 13, 2017, Mauritania maintains one exchange restriction subject to IMF approval under Article VIII of the IMF's Articles of Agreement. The exchange restriction arises from the insufficient FX availability at the fixing sessions organized by the BCM for those transactions which are required to be submitted to the sessions.

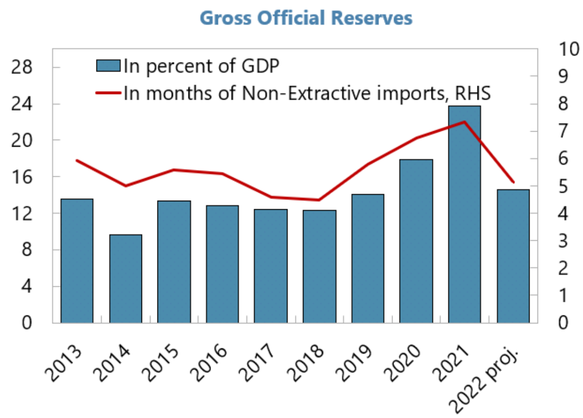
Assessment. While public sector borrowing has been significant in recent years, financial flows in Mauritania have largely been driven by direct investment linked to the extractives sector. As current investment projects come to a close, inflows are likely to remain lower than previous years. Public sector external debt is considered sustainable, with a moderate risk of debt distress, as discussed in the Debt Sustainability Analysis.

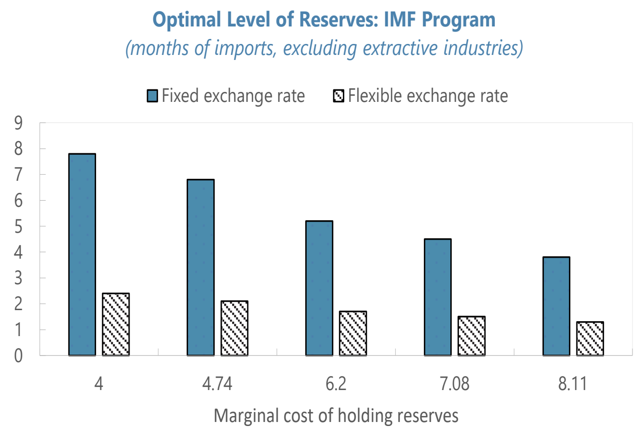


FX Intervention and Reserves Level

Background. Foreign reserves at end-2021 stood at 23.7 percent of GDP, or 7.2 months of non-extractive imports, an increase from 6.7 months in 2020 and significantly higher than the previous 5-year average (5.4 months). This increase was due to a combination of factors, including the SDR allocation, investment in extractive industries, and strong iron ore prices. However, with high world prices for fuel and food (resulting from the war in Ukraine) in 2022 and the increase of BCM FX sales, reserves declined to 5.5 months at end-October, with a projected 5.1 months by end-2022. As world prices normalize in 2023, and gas exports begin in 2024, staff projects a reversion to 5.5 months of imports by 2027. The ER is typically managed in a crawl-like arrangement.

Assessment. The IMF's reserve adequacy for credit-constrained economies metric provides an adequacy level of 5.2 months of non-extractive imports, up from 5.1 months in the last ESA, assuming a fixed ER, an IMF program, and a marginal cost of holding reserves of 6.2 percent. While the assessment is sensitive to the assumed marginal cost of holding reserves—which is uncertain—Mauritania's official reserves would be assessed as more than adequate in 2021 using a reasonable range of values for that cost. However, large past variations in key mineral export prices such as gold and iron ore could indicate that a higher level of reserves than indicated by the metric could be considered appropriate to avoid an overly abrupt adjustment in case of exogenous shocks. Furthermore, 2022 reserves are projected to drop to 5.1 months of imports, slightly below the updated reserve adequacy metric.





Sources: Data from authorities and IMF staff calculations.

Annex III. Fiscal Anchor[1]

Mauritania currently does not have a fiscal anchor. The fiscal anchor proposed by staff is designed to set Mauritania on a declining debt path with a gradual convergence towards the debt anchor while reducing the impact of the volatile natural resource sector on the economy and the budget. The proposed policy framework is used as a basis for discussing with the authorities how Mauritania should anchor its medium-term fiscal policy and guides the calibration of the proposed quantitative performance criteria under the program.

1. **Mauritania's fiscal policy lacks a medium-term perspective.** Fiscal policy is set by annual budgets and often considerably revised mid-year. No medium-term fiscal framework (MTFF) nor medium-term expenditure framework (MTEF) are prepared to guide and constrain fiscal policy. Sectoral ministries have no planning certainty for the medium-term which in turn results in weak planning, in particular for public investment.

2. **The Mauritanian economy is highly dependent on volatile revenues from the natural resource sector.** The extractive sector is the backbone of the economy. Comprising iron ore, copper and gold, it brings the majority of export earnings and contributes a substantive share to government revenue. Over the period 2010-20, the extractive sector accounted in average for 67 percent of total exports (figure 1, panel 1)—generating the bulk of foreign exchange—and 17 percent to GDP (Figure 1, panel 2). Over the same period, the extractive sector contributed on average 18 percent of total revenue (figure 1, panel 3).

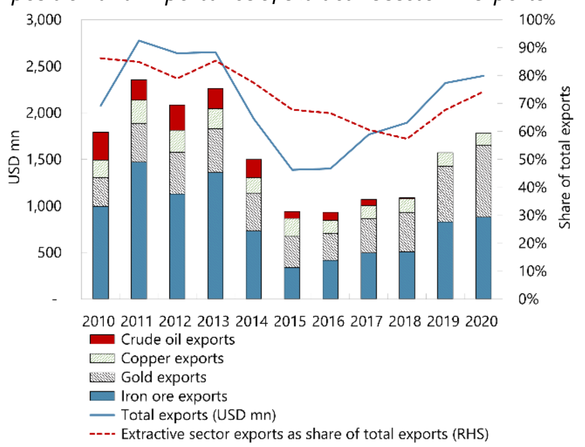
3. **Mauritania's fiscal performance is heavily influenced by international commodity price cycles and production levels.** Without a clear medium-term perspective, the authorities have not been able to cushion the shocks to revenue from one year to another, and hence delink central government expenditures from volatile revenues. The stop-and-go nature of public investment has been particularly visible over the last two phases of the commodity cycle. Figure 1, panel 4 illustrates this link between public investment and the commodity export price index.

4. **The proposed policy framework is designed to set a stronger top-down constraint to fiscal policy and encourage it to play a stabilizing role in Mauritania.** Encouragingly, there are plans to address this: since the new organic law of 2018, the government is mandated to prepare an MTFF which has to be adopted by Cabinet by June 30 and presented to Parliament by July 15. The government has not yet complied with this requirement but has produced a draft MTFF in 2022. Staff proposes to adopt a policy framework that anchors the MTFF through:

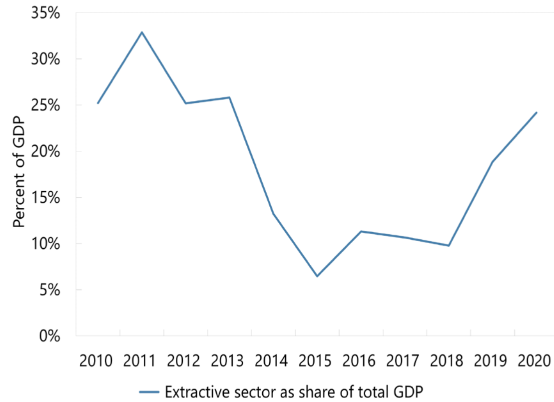
[1] Prepared by Thomas Benninger and Fazeer Sheik Rahim (both FAD) with support by Peter Wankuru (AFR). The proposed policy framework is aligned with the technical advice provided to the Mauritanian authorities by FAD under the Managing Natural Resource Wealth project.

Annex III. Figure 1. Importance and Impact of Mauritania's Volatile Extractive Sector

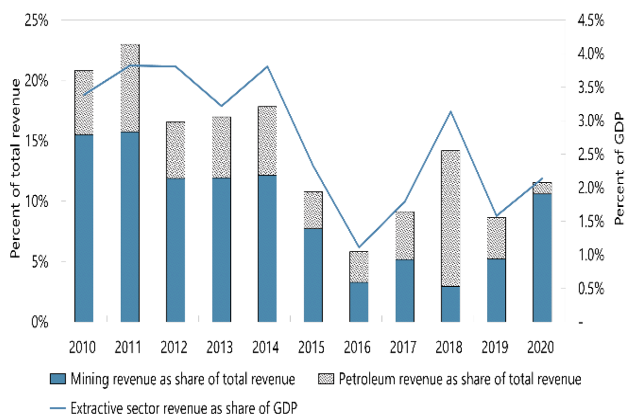
Composition and importance of extractive sector in exports



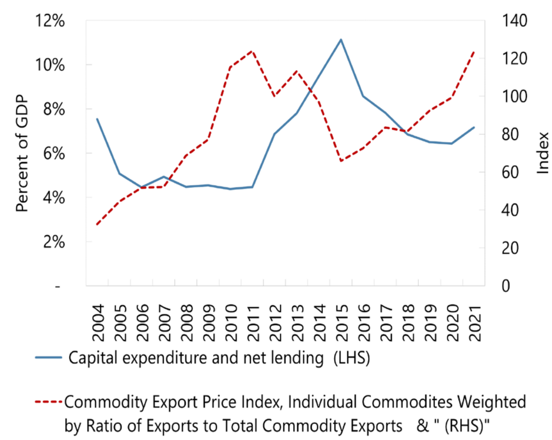
Importance of extractive sector in Mauritania's economy



Importance of extractive sector in public revenues



Impact of commodity prices on public investment



Source: Staff estimates

- **A debt anchor aimed at bringing debt to a level that includes an adequate safety margin (below the maximum debt limit).** The limit is set at a level above which public debt is deemed detrimental to economic growth, and other macroeconomic fundamentals, and/or essential public expenditure (e.g., debt servicing crowding out spending on infrastructure, health or education). The debt anchor is calibrated to ensure fiscal sustainability in the face of shocks, provide fiscal space to respond to these shocks, while being mindful of the development needs of Mauritania and its current fiscal position.

- **An operationalization of the fiscal anchor through a limit on the non-extractive primary balance (NEPB),** aimed at (i) ensuring convergence to the debt anchor in the medium-term; (ii) shielding the budget from volatile resource revenue. The NEPB excludes extractive revenue from the primary balance.[2] Using the NEPB over a simpler expenditure ceiling has the benefit that additional fiscal space created through the mobilization of non-extractive revenues can be used to address development needs. The authorities could consider using the non-extractive GDP as a denominator for the operationalization of the NEPB target. This would have the benefit to further reduce the impact of the volatility of the extractive sector.[3]

5. **The underpinning of the fiscal anchor is a maximum debt limit of 55 percent of GDP in nominal terms.** The authorities have expressed their intent to stay out of high risk of debt distress. A maximum debt limit of 55 percent of GDP is consistent with the DSA threshold on external debt of 40 percent in discounted terms. The maximum debt limit is also in-line with what many other countries do (see box 2 below and IMF fiscal rule database).[4] The debt anchor is intentionally covering external and domestic public and publicly-guaranteed debt to avoid incentivizing one form of debt over the other and to ensure debt contracted through state-owned enterprises and guaranteed by the government is taken into account. The definition of debt is also aligned with the definition used in the Debt Sustainability Analysis (DSA).

6. **The maximum debt limit implies a fiscal anchor of gross public debt of 35 percent of GDP.** Staff estimates that to reduce the probability of breaking the maximum debt limit to 10 percent, a buffer of around 15-20 percent of GDP is required.[5] The DSA also indicates that a range of PV of total public debt between 24 and 32 percent would be adequate to stay in moderate risk of debt distress. Converting this range into undiscounted terms results in a similar range as suggested by the staff calibration.

7. **Staff recommends using net financial assets as key indicator to observe performance against the fiscal anchor.** Mauritania currently has around 10 percent of GDP saved in liquid financial assets. The FNRH holds its assets in liquid treasury bonds in US dollars and Euros while the treasury holds savings in the treasury single account at the Central Bank.[6] In case of a shock, these assets could be used before any additional debt would have to be contracted to finance the budget.

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[2] Extractive revenues include: Licensing and surface rental fees, production-based royalties, government's profit petroleum share under production sharing, CIT paid by extractive companies and the single tax and dividend paid by the state-owned mining company SNIM (Société Nationale Industrielle et Minière).

[3] So far, the authorities report all ratios in relation to GDP. In the absence of a developed methodology to measure non-extractive GDP and the required automatic debt dynamics in a timely manner, staff estimated the NEPB target as a share of the overall GDP.

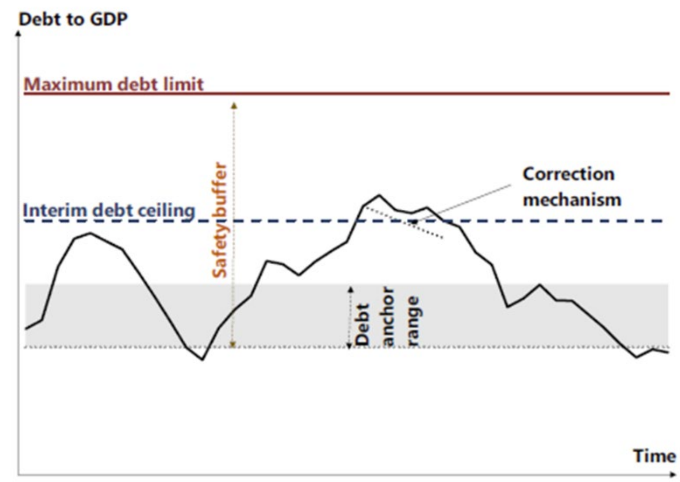
[4] https://www.imf.org/external/datamapper/fiscalrules/map/map.htm

[5] Staff calculations based on IMF (2018, How to Calibrate Fiscal Rules: A Primer, How To Notes, Fiscal Affairs Departments). To simulate potential debt trajectories over a medium-term projection horizon, a terms of trade shock of 30 percent and a materializing contingent liability of 5 percent of GDP was assumed.

[6] As of August 2022, the FNRH held US$ 163 million (1.6 percent of GDP) and the treasury single account MRU 29 billion (7.8 percent of GDP).

Annex III. Box 1. Maximum Debt Limit vs Debt Anchor

Maximum debt limit. The limit can be envisaged in terms of the economy's maximum fiscal capacity. It is a level of debt that should not be exceeded in almost all circumstances. In general, it should reflect considerations about the economic costs of bearing excessive debt. For example, the debt dynamic could spiral out of control when debt surpasses a certain level (IMF 2016). Other considerations such as the negative impact of debt on growth and financing conditions also motivate the choice of a maximum debt limit. Specific maximum debt limits vary significantly across countries, often at a range between 40 and 70 percent of GDP.



Debt anchor. This is the level—or a range—at which debt should be kept at, on average, to ensure that debt remains well below the maximum debt limit even under large shocks, allowing policy makers to have sufficient time and space to take corrective actions. These shocks could go beyond the standard macro-fiscal impacts that drive the debt accumulation to include the impact of the contingent liability realizations. This requires the setting of a sufficiently large safety buffer to arrive at a prudent debt anchor below the maximum debt limit.

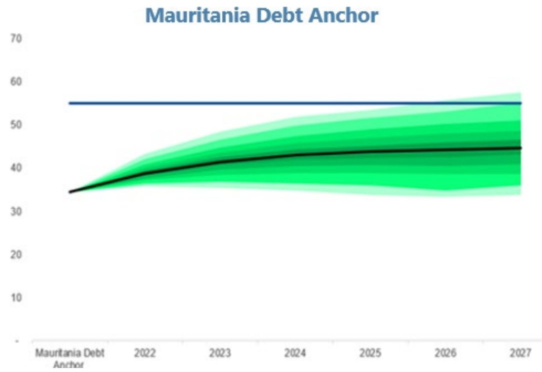
Interim debt ceiling. This is the level of debt over which corrective action should be undertaken to prevent debt from reaching its maximum limit, while guiding debt closer to its anchor over the medium-term. Below the maximum debt limit but above the debt anchor, the interim debt ceiling, serving as a threshold, guides fiscal policy to bring debt close to its anchor level /range over the medium-term, should it be trending upwards. Countries that adopt an interim ceiling generally have provisions under a correction mechanism, which is preferably automatic (in which case the ceiling becomes a debt brake). Progressive debt thresholds can also be set, requiring more intensive corrective actions if debt continues to rise.

While using net financial assets adds an additional concept, it has the benefit of allowing the authorities to optimize asset and liability management. If the fiscal anchor would only focus on gross debt, it might require the authorities to pay back concessional debt instead of building of financial assets. Net financial assets are easy to track as the difference between gross public debt minus the stock in the FNRH and the treasury single account. With the current level of assets, this would mean that the targeted gross debt level would be at around 45 percent of GDP (35 percent debt anchor plus 10 percent in assets).

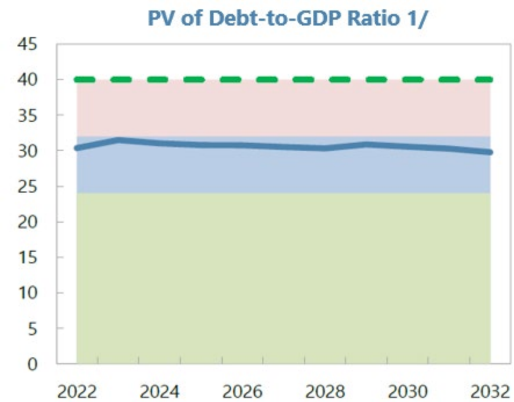
8. **Staff recommends operationalizing the fiscal anchor through a primary deficit of 1 to 2 percent of GDP over the medium-term.** For the period 2022-2027, the automatic debt dynamics and hence debt stabilizing primary deficit including grants are estimated at -2.0 to -2.5 percent of GDP. Even though the positive automatic debt dynamics would allow for a higher debt sustaining primary deficit, staff recommends choosing a lower deficit target to reduce debt or build buffers over the medium-term. This would result in a stabilization of public debt at 49 percent of GDP.

Annex III. Figure 2. Debt Anchor Calibration

Staff calibrated debt anchor of 34 percent of GDP



DSA suggested debt anchor range of 24 to 32 percent of GDP in PV terms



Source: Staff calculations based on IMF (2018, How to Calibrate Fiscal Rules: A Primer, How To Notes, Fiscal Affairs Departments).
1/ For the PV debt/GDP, x is 20 percent and y is 40 percent.

Annex III. Table 1. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario

	Actual			Projections							
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042
Public sector debt 1/	**55.7**	**55.8**	**49.1**	**48.4**	**50.3**	**49.7**	**49.2**	**49.6**	**49.0**	**47.1**	**49.2**
of which: external debt	**47.7**	**48.6**	**43.1**	**42.6**	**44.7**	**44.0**	**43.5**	**43.1**	**42.6**	**41.1**	**38.0**
Change in public sector debt	-2.2	0.2	-6.7	-0.8	1.9	-0.5	-0.5	0.4	-0.6	-0.2	0.9
Identified debt-creating flows	**-7.0**	**-7.2**	**-20.3**	**-3.9**	**-0.9**	**-2.0**	**-2.8**	**-2.2**	**-4.9**	**-2.8**	**-1.6**
Primary deficit	**-2.9**	**-3.1**	**-2.9**	**0.5**	**1.8**	**1.0**	**0.2**	**-0.3**	**-2.5**	**-1.4**	**-0.7**
Revenue and grants	19.4	20.4	21.3	24.0	22.0	21.8	21.9	22.0	23.8	22.7	22.1
of which: grants	1.5	2.0	2.1	1.5	1.4	1.2	1.1	1.0	0.8	0.2	0.1
Primary (noninterest) expenditure	16.6	17.3	18.4	24.6	23.8	22.8	22.1	21.7	21.3	21.3	21.5
Automatic debt dynamics	**-3.9**	**-3.2**	**-7.4**	**-4.4**	**-2.7**	**-3.0**	**-3.1**	**-1.9**	**-2.4**	**-1.4**	**-1.0**
Contribution from interest rate/growth differential	-3.6	0.1	-3.4	-4.4	-2.7	-3.0	-3.1	-1.9	-2.4	-1.4	-1.0
of which: contribution from average real interest rate	-0.6	-0.5	-2.1	-1.9	-0.8	-0.3	0.0	-0.1	0.0	-0.1	0.3
of which: contribution from real GDP growth	-3.0	0.5	-1.3	-2.5	-2.0	-2.7	-3.1	-1.8	-2.4	-1.3	-1.3
Contribution from real exchange rate depreciation	-0.3	-3.3	-4.0	...	...	...	...	...	...	...	...
Other identified debt-creating flows	**-0.3**	**-0.8**	**-10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt relief (HIPC and other)	-0.3	-0.8	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Residual 2/	**4.8**	**7.3**	**13.6**	**3.1**	**2.8**	**1.4**	**2.3**	**2.6**	**4.3**	**2.6**	**2.5**

1/ Coverage of debt: The central government, central bank, government-guaranteed debt. Definition of external debt is Residency-based.
2/ Includes exceptional financing (i.e., changes in arrears and debt relief) such as the projected resolution in 2020 of the debt owed to the Kuwait Investment Authority; changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate

9. **The extractive sector is estimated to contribute on average 2.5 percent of GDP in revenues over the medium-term.** Mauritania has three main sources of extractive revenue: The

iron ore production of the state-owned SNIM, the TASIAST gold mine and the Grand Tortue Ahmeyim (GTA) project which starts production in 2024. Using some simplifying assumptions as detailed in table 1, staff estimates that the three projects contribute sustainable revenues of 0.8 percent, 1.4 percent and 0.4 percent of GDP respectively. This seems to align with performance of extractive revenues observed in the past (Figure 2, panel 1).

10. To shield the budget from the volatile revenues, it is proposed to target a NEPB of –3.5 to -4.5 percent of GDP. Using the NEPB has the following attractive properties: (i) it is the fiscal aggregate which the authorities have the most control upon, having extractive revenue and interest payment stripped out of the fiscal balance; (ii) it allows the authorities to undertake counter-cyclical fiscal policy in response to commodity shocks: a windfall in extractive revenues—that is extractive revenues exceeding 2.5 percent of GDP—is de facto saved (either by paying back debt, increasing the balance in the treasury account at the central bank or into a resource fund—see below) while shortfall in extractive revenues (the equivalent of 2.5 percent of GDP minus actual mining revenues) is met through higher debt and/or drawing from the treasury account or resource fund. Figure 2 shows historical fiscal performance against the proposed target.

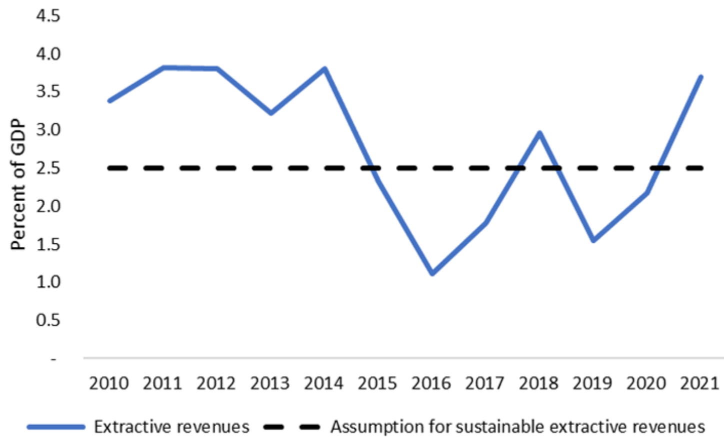
11. Operationalizing the fiscal anchor would be best done by adjusting the existing natural resource wealth fund. Mauritania already has a savings fund, the FNRH, in place, which could be used for the operationalization of the fiscal anchor. The Fund was set up with oil production in mind. However, there are two adjustments recommended: 1) Contributions and withdrawals from the FNRH should be guided by the NEPB path set by the operational fiscal rule mentioned earlier, instead of annual decisions subject to short-term considerations, 2) The coverage should be expanded to include mining revenues.

12. The calibration of the contributions from the extractive sector and what constitutes an optimal debt anchor should be recalculated not earlier than every 3-5 years to ensure its validity. This is particularly relevant with respect to automatic debt dynamics and the changing extractive sector. A longer period has the advantage to limit interference, thus increasing the credibility of the fiscal framework. A shorter period, in turn can help quicker adjustments to the fiscal anchor if fundamentals change or if granular data for an optimal calibration is not available.

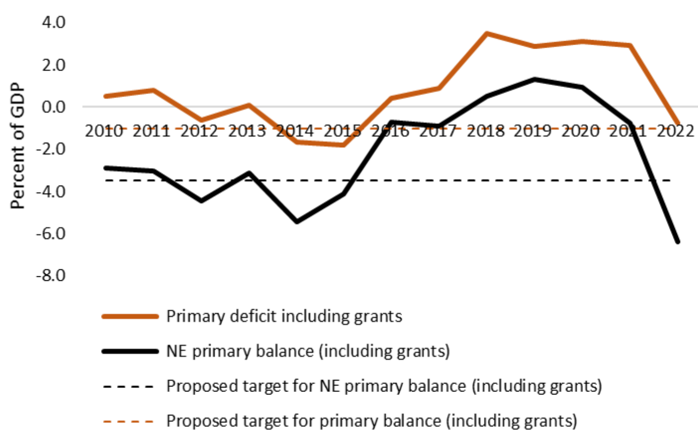
13. The proposed policy framework is also used to anchor the fiscal path under the IMF-supported program. The adoption of a fiscal anchor by the authorities is related but distinct from the proposed quantitative targets under the program. While the former is a recommended structural reform to be implemented through domestic policy and legislation, the latter is a numerical target that will be monitored by IMF staff during the program's reviews. For the proposed quantitative program target, the fiscal anchor has been translated into a numerical floor on the NEPB including grants. While for 2023 the proposed quantitative target is slightly above the recommended target of 4.5 percent of GDP, it is consistent with the fiscal anchor over the remaining program period, Box 2 shows that the proposed anchor for the program is aligned with the approach taken by other recently approved IMF-supported programs in natural resource-rich countries.

Annex III. Figure 3. Sustainable Extractive Revenues and Primary Balance Target

Sustainable extractive revenue estimated at 2.5 percent of GDP



Primary balance target at -3.5 percent of GDP



Source: Staff calculations.

Annex III. Table 2. Mauritania: Simplified Calculations of Sustainable Extractive Revenue

Staff estimate that the sustainable revenue for the three main extractive projects is 2.5 percent of GDP per year.

Project	Assumed annual production	Assumptions and Calculation of Sustainable Annual Revenue
SNIM	13'000'000 tons of iron ore	US$ 70/t * 13'000'000t * 36 MRU/US$ * SNIM Single Tax of 9 percent = MRU 2.9 bn = 0.8 percent of GDP
TASIAST	500'000 ounces of gold	Royalty: 500'000 ounces of gold * US$1'500/ounce * Royalty rate of 6.5 percent = MRU 1.7 billion = 0.4 percent of GDP CIT: ((500'000 ounces of gold * (US$1'500/ounce - All-in sustaining cost of US$560/ounce) – Depreciation of capital costs of US$ 150 million over five years) – Royalty) * CIT rate of 25 percent = US$100 million = MRU 3.5 billion = 1.0 percent of GDP
GTA	2.5 million ton of LNG, equivalent to 59 million MMBTU	Effective royalty from start of production = (1-62 percent) * (1-69 percent) = 11.78 percent 59 million MMBTU * US$ 60 / barrel * slope of 10% of Brent price per MMBTU * effective royalty of 11.78 percent = MRU 1.5 bn = 0.4 percent of GDP

Annex III. Box 2. Fiscal Anchor in Other IMF-Supported Programs

- **Rwanda**: EAC debt ceiling in-line (60 percent of GDP), national debt ceiling (50% of GDP), operationalization through overall balance floor
- **Uganda**: EAC debt ceiling in-line (60 percent of GDP), national debt ceiling (50 percent of GDP), operationalization through primary deficit floor. Move towards non-oil primary balance when oil production starts
- **Senegal**: After suspension of WAEMU convergence criteria during covid, no defined fiscal rule. Program imposes floor on lending /borrowing, ceiling on central governments overall net financing requirement and ceiling on total nominal public debt. Authorities working on a long-term budgetary anchor to guarantee the sharing of hydrocarbon revenues with future generations and a short-term operational rule likely centered on non-hydrocarbon revenue primary balance
- **Angola**: Authorities and staff agreed to reducing government debt to 60 percent of GDP in the medium-term, operationalization through floor on non-oil primary deficit
- **Mozambique**: No defined fiscal rule—Program puts floor on primary budget balance

Annex IV. Implementation of Governance Measures in Crisis-Related Spending[1]

Type of Instrument	Commitments	Status
RCF/ECF	*RCF*: "We will maintain all spending on-budget and make sure to track, account for, and report in a transparent manner the resources deployed for emergency response. To avoid any misappropriation of funds, we will carefully control emergency spending and will publish information on the ministry of finance's website regarding public procurement contracts related to crisis mitigation, the names of the awarded companies and their beneficial owners, and ex-post validation of delivery. We will ask the Court of Accounts to audit emergency spending once the crisis abates and to publish its results." *ECF, 5th review*: "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 and we will publish on the website of the Ministry of Finance the full text of the public procurement contracts related to crisis mitigation, the names of the contracting companies and their beneficial owners, the nature of the goods and services and their price per unit, and the ex post certificates of delivery. We will consider expanding those transparency measures to all procurement next year. To ensure a comprehensive monitoring and a clear reading of the exceptional expenditures related to the crisis, we have created	**Procurement contract information.** Since June 2020, the Ministry of Finance has prepared and published on its website bimonthly reports on the execution of spending of the special social solidarity and pandemic response fund: The first two reports included the nature of the goods, the amount of the contract, the source of financing, the payment modalities, and the status of the delivery. The third report added the list of the awarded companies, while the fourth report added the legal owners. Since the fifth report covering up to February 2021, details on shareholders of the companies have been added, including tax identification numbers and national identification numbers, as well as itemized goods and quantities ordered. The report also provided information on over-invoicing—and rebates obtained—following audits by the government's inspectorate general, as well as penalties assessed for delays in delivery. Existing legislation on public contracts prohibits the publication of confidential information that may be included in offers, including those of a technical and/or commercial nature. The bi-monthly reports provide information on the status of delivery for each contract, although certificates of delivery have not been published. **Beneficial ownership of contracting companies.** The authorities have published the names of the legal owners of those awarded COVID-related contracts on the website of the Treasury (https://tresor.mr/fr/plus.php?tb=IKesq5qj). Reports are published every two months (see,

[1] Information as of September 2022, unless stated otherwise. This list includes governance safeguards related to crisis-related spending in Letters of Intent (LOIs) accompanying IMF financing during the COVID-19 crisis. It excludes the commitment to undertake a central bank safeguards assessment, which is required in all cases. For the reasons outlined in paragraph 19 of the staff paper on *Progress in Implementing the Framework for Enhanced Fund Engagement on Governance*, LOIs for a few financing instruments (mainly cases very early in the COVID-19 crisis and/or cases with somewhat lower corruption risks) did not include commitments specifically related to the governance of crisis-related spending and hence are not covered in this list.

Type of Instrument	Commitments	Status
	dedicated budget lines for emergency response spending, and we have integrated their execution with public accounting systems; we will ensure all these budget resources (including external grants) are channeled through these lines (SB)." *ECF, 6th review*: "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	for example, p. 14 of the December 2021 report). With TA from the IMF, the authorities have strengthened the disclosure, including ensuring that the beneficial owners' information (as opposed to legal owners) of the companies awarded contract is made public. They have incorporated beneficial ownership transparency requirements in the implementing regulation of their revised public procurement code, which was approved in mid-2022. Beneficial ownership information for tender awards should be published by end 2023. **Audits.** The government's inspectorate general audited all contracts awarded by the special fund. The Court of Accounts published the 2020 audit of pandemic-related spending in March 2022 and the 2021 audit in May 2022 (see here published audits by Court of Accounts) **Reporting.** An inter-ministerial committee, chaired by the prime minister, is in charge of the management and monitoring of the fight against the COVID-19 pandemic. Pandemic-related emergency spending is executed through a dedicated social solidarity and pandemic response fund. A national oversight commission is charged with monitoring the execution of the fund and of all expenditure of the fight against COVID-19. This commission, chaired by the finance minister, includes 20 members representing parliament; the democratic opposition; the economic, social, and environmental council; regional councils; mayors; religious authorities; employers, trade unions, civil society, technical and financial partners, the press, and the diaspora. It has met six times so far and has regularly briefed the public on the execution of the fund, including through publication of detailed reports. AMI - Creation of a national commission to monitor the execution of the special fund for social solidarity and the fight against the coronavirus (see here).

Type of Instrument	Commitments	Status
	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 TA, 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 (SB)."	

Appendix I. Letter of Intent

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

Nouakchott, December 19, 2022

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C.

Madame Managing Director,

On behalf of the Mauritanian authorities, we request IMF Executive Board approval of new 42-month arrangements under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF). We are pleased to submit herewith a Memorandum of Economic and Financial Policies (MEFP).

The new program will support the economic recovery and the Mauritanian authorities' social and economic program amid an uncertain outlook with significant downside risks, to consolidate macroeconomic stability, and promote strong, durable, and inclusive growth. The program will also help the development of human capital and access to basic social services, reduce poverty, and improve governance. We will pursue these economic and social policies in the context of the second five-year annual development plan of the Strategy for Accelerated Growth and Shared Prosperity (SCAPP), covering 2021–2025, which constitutes a flexible intervention framework allowing us to integrate the main challenges posed by the multifaceted crisis caused by the COVID-19 pandemic and the conflict in Ukraine.

We thank the IMF for the swift support since the wake of the COVID-19 pandemic. In response to the economic and social challenges posed by the pandemic, the IMF emergency support under the Rapid Credit Facility (RCF) approved in September 2020, followed successively by the G-20 Debt Service Suspension Initiative (DSSI) and the general SDR allocation, have provided us with some policy space, helped Mauritania withstand the health crisis and maintain macroeconomic stability. We have maintained our increased support for health and social protection for the most deprived, including expanding our cash transfer program. Also, with the help of WHO and other development partners, we have taken important steps to contain the spread of the pandemic and accelerate the COVID-19 vaccine rollout. As of November 2022, 33 percent of the population has been fully vaccinated and 46 percent of the population received one dose.

The successful implementation of the December 2017—March 2021 ECF arrangement has helped maintain macroeconomic stability, despite the challenges posed by the COVID-19 pandemic, the conflict in Ukraine, climate change, and regional security concerns. During 2017–19, the per capita real GDP growth stood at 3.3 percent and poverty headcount declined to 28 percent in 2019 from 31 percent in 2014 (before the ECF arrangement).

Notwithstanding this strong past performance, headwinds are strong—particularly following the conflict in Ukraine—and our reform agenda remains largely unfinished. The pandemic has delayed some reform implementation from the previous ECF arrangement while considerable development challenges remain to reach the Sustainable Development Goals (SDG). While growth is picking up, considerable risks remain to the outlook including the conflict in Ukraine and the rising food prices, the COVID-19 pandemic, climate shocks, and regional insecurity. Uncertainties weighing on the global economy and the sustainable development challenges we face remain significant. In particular, the conflict in Ukraine and sanctions against Russia are exacerbating inflationary pressures. This is hitting households and firms.

The 42-month ECF and EFF arrangements would support our development program, institutional reform agenda, and address capacity constraints. The key economic policies of our program aim to:

- Support the recovery toward greater macroeconomic stability through enhanced social protection and infrastructure spending in line with the SCAPP. This will include improving fiscal performance by anchoring fiscal policy over the medium-term supported by higher domestic revenue mobilization and greater expenditure efficiency; and a prudent monetary policy with the main objective of containing inflation while supporting the recovery.

- Anchor the near-term recovery efforts to a strong policy framework supported by a sequenced and prioritized structural reform agenda. Reforms will focus on modernizing revenue administration and strengthening PFM and the monetary policy framework while preparing for greater exchange rate flexibility.

- Bolster governance and transparency and support private investment by improving the business environment and financial inclusion and stepping up efforts to accelerate key governance reforms.

Continued efforts to improve governance and fight against corruption will be central under the new ECF and EFF arrangements. Two audit reports by the Court of Accounts of COVID-19 emergency spending have been completed and published. We have strengthened disclosure requirements on beneficial ownership for those contracts, with support from Fund technical assistance, and have adopted a regulation reflecting the key elements of the beneficial ownership transparency measures for all public procurement contracts. Eager to further improve our governance framework we conducted an IMF governance diagnostic with IMF support. We are looking forward to discussing its findings and commit to publishing a time-bound action plan based on the Governance Diagnostic report by September 2023.

We have communicated all loans to public enterprises that benefit from a government guarantee and will consult with the IMF on any future guarantees before granting them.

We request the Fund's financial support for our program through new 42-month arrangements under the ECF and EFF of a combined SDR 64.40 million (50 percent of quota) or SDR 21.47 million (16.67 percent of quota) and SDR 42.93 million (33.33 percent of quota) respectively. Our program will be monitored through semiannual reviews (the first on or after October 17, 2023, and the second on or after April 17, 2024) with quantitative criteria and structural benchmarks as described in the attached MEFP and defined in the Technical Memorandum of Understanding (TMU) attached.

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 adopting the safeguards assessments key recommendations of the IMF, finalized in July 2021. These include adopting the IFRS, discontinuing BCM's participation in the gold program, and strengthening internal audit capacity. We are also committed to undergo before the first review an update safeguards assessment in the context of the new ECF/EFF arrangements.

We will provide the IMF with all the data and information required to monitor implementation of the measures and achievement of the objectives as detailed in the TMU. We believe the policies described in the MEFP, which are built on the SCAPP and SDGs, are appropriate to achieve the program objectives. We will take any additional measures that become necessary for this purpose. We will consult the IMF on the adoption of such measures, and prior to any revision of the policies set forth in the MEFP, in accordance with the Fund's policies on such consultations. We consent to the publication of this letter and its attachments, and the related staff report.

Very truly yours,

/s/
Mr. Mohamed-Lemine Dhehby
Governor of the Central Bank of Mauritania

/s/
Mr. Isselmou Ould Mohamed M'Bady
Minister of Finance

/s/
Mr. Ousmane Mamoudou Kane
Minister of Economic Affairs 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

A. Context: Government Development Program(s)

1. This memorandum describes Mauritania's economic and financial program supported by the IMF under the Extended Credit Facility (ECF) and the Extended Fund Facility (EFF) for the period 2023–26. The program is designed to preserve macroeconomic stability, to consolidate the foundations for sustainable, inclusive growth, and to reduce poverty in accordance with the Strategy for Accelerated Growth and Shared Prosperity (SCAPP).

2. The SCAPP illustrates Mauritania's strategic development vision for the period 2016–30. It also takes into account the 2030 Agenda and a number of targets considered to be priorities for the country among the Sustainable Development Goals (SDGs), as well as the Agenda 2063 of the African Union. It is based on the following three pillars:

- Promoting robust, sustainable, and inclusive growth by revitalizing sectors with substantial employment and growth potential, through the modernization of public infrastructures and strengthened role of the private sector;
- Developing human capital and improving access to basic social services, and more specifically, education, vocational training, and healthcare;
- Strengthening governance in all its dimensions, including economic governance and the fight against corruption.

B. Economic Developments

3. Growth amounted to 2.4 percent in 2021 (against a contraction of 0.9 percent in 2020), mainly driven by the non-extractive sector (6.3 percent), with activity in services rebounding. The extractive sector contracted by 12.6 percent in 2021 as a result of the temporary suspension of operations of the mining company TASIAST following the fire that occurred in June 2021. The agricultural sector was affected by a drought in 2021 and the start of 2022. This situation, along with the rise in international commodity prices in the context of the escalating conflict in Ukraine, have led to increased food insecurity.

4. The 2022 Supplementary Budget Law (LFR 2022) adopted in July 2022 aims to support the government's efforts to address the increase in hydrocarbon prices, to undertake social spending in connection with the increase in food prices, and to meet the urgent requirements for increased security. It provides an increase in social spending, energy subsidies, public investment, security spending, tax and nontax revenues deriving primarily from the extractive industries, and more specifically from the National Industrial and Mining Company (SNIM). In total, the Supplementary Budget Law provides an increase in revenues of 2.8 percent of GDP, an increase of 9.3 percent of

GDP in spending, and a primary fiscal balance (excluding grants) of 5 percent of GDP in 2022. At end-September 2022, the primary balance (excluding grants) registered a deficit of 2.2 percent of GDP, against a positive primary fiscal balance in 2021, while the non-extractive primary balance deteriorated from 0.8 percent to -2.2 percent of GDP.

5. The terms of trade deteriorated sharply in 2022 as a result of international commodity price movements. The current account balance declined to 2.6 percent of GDP during the first quarter of 2022, against 4.2 percent of GDP for the fourth quarter of 2021. However, higher international food and energy prices and lower iron ore prices undermined the balance of trade for the second and third quarters of 2022. International reserves amounted to approximately US$1.6 billion (equivalent to 5.5 months of prospective non-extractive imports) at end-October 2022, as compared with US$2.3 billion (equivalent to 7.3 months of prospective non-extractive imports) at end-2021. The decline in international reserves is attributed to increased energy and food prices and decline in iron prices, with increasing FX interventions.

6. Credit growth recovered in 2022 as a result of the monetary expansion that occurred in 2021. Broad money growth slowed to 4.7 percent at the end of September 2022, against 20.4 percent at end- 2021 due to the reduction of international reserves as well as the start of mobile banking activity which led to a decrease of the currency in circulation. Credit growth accelerated to 19.7 percent at end-September 2022, as compared with 8.4 percent at end-2021. Nonperforming loans decreased to 20.5 percent in September 2022, from 22.7 percent at end-2021. Although the banking system is still well capitalized, the capital adequacy ratio declined slightly from 18.1 percent at end-2021 to 17.7 percent at end-September 2022. The banking sector's open net foreign exchange position remains well above the levels set by the prudential standards (37.4 percent at end-2021 and 38.3 percent in September 2022), compared with the prudential limit of 20 percent. Inflation accelerated in 2022 as a result of higher food and oil prices and monetary expansion driven by the accumulation of foreign exchange reserves and gold purchases by the central bank in 2021. In August 2022, the BCM raised the policy rate by 200 basis points. The BCM also absorbed most of the excess liquidity in the banking system through increasing interventions in the foreign exchange market.

C. Short- and Medium-Term Outlook

Short-term Projections for 2022

7. In 2022, economic activity is expected to continue to recover (5.3 percent), mainly driven by the extractive sector (+17 percent). Non-extractive sector growth is expected to slow to 2.1 percent in 2022, against 6.3 percent in 2021, reflecting the impact of rising inflation on consumption and the construction sector, which is heavily dependent on imported inputs. Inflation is expected to stabilize at approximately 11 percent year-on-year (an average of 8.3 percent per annum) after the recent monetary contraction, conditional to the absence of supply disruptions in wheat imports. However, there is a risk that the current account balance will deteriorate to 17.3 percent of GDP in 2022, against 7.9 percent in 2021 due to increasing imported oil and food prices and decreasing iron ore prices. The primary balance (excluding grants) is expected to turn into deficit of 2 percent of GDP, against a primary surplus of 0.8 percent recorded in 2021. Our efforts to mobilize concessional financing will enable external public debt to stabilize at approximately 41.8 percent of GDP in end-2022. Gross official reserves are expected to amount to approximately US$1.5 billion (equivalent to 5.1 months of prospective non-extractive imports).

Medium-Term Projections for 2023–27

8. During 2023–27, growth in the non-extractive sector is expected to strengthen to 5 percent in 2027. A higher projected gold price from 2024 onward, the start of gas exports in 2024, and the projected normalization of oil and food prices from 2023 will likely help improve the CA, with international reserves projected to reach 5.5 months of non-extractive imports in 2027. Revenue from the Grand Tortue/Ahmeyim (GTA) offshore gas project starting 2024 would provide additional fiscal space of 0.5 percent of GDP from 2024 onwards and should provide scope to continue to increase social and infrastructure expenditure while maintaining sustainable primary balances. Structural reforms are also expected to accelerate with support from the IMF-supported program.

9. The outlook is subject to significant uncertainties and downside risks. Tensions in the Sahel region, the conflict in Ukraine, the sanctions against Russia, and a worldwide recession could weaken extractive exports and revenue and lead to further increases in import prices, widening the balance of payments needs, exerting pressure on international reserves, and worsening the fiscal outlook. The sharp increase in international commodity prices and more frequent natural disasters could further fuel for inflation, increase food insecurity, and jeopardize the economic recovery. There is also still a risk of new waves of the pandemic.

D. Economic Program for 2023–26

Objectives of the 42-Month Program

10. Implementation of reforms under the last ECF arrangement (2017–21) was generally satisfactory, although some challenges remain. In 2017–19, real GDP growth averaged 5.5 percent and the poverty rate fell by 3 percentage points to 28 percent in 2019 (against 31 percent in 2014). We have also implemented substantial institutional reforms in the fiscal, monetary, and financial sectors as well as in the management of natural resources, albeit with some delay, primarily as a result of the pandemic and capacity shortages. However, Mauritania still has significant development needs, and its structural reform agenda remains unfinished despite the progress that has been made. There is also scope for progress in a number of human development indicators, and the impact of COVID-19 has delayed the achievement of some of the Sustainable Development Goals (SDGs).

11. The second five-year action plan of the Strategy for Accelerated Growth and Shared Prosperity (PA2 SCAPP) will address these challenges based on the three strategic levers provided by the framework law for this strategy. Each of the levers is divided into projects covering several interventions (projects, programs or reforms):

- Promoting robust, sustainable, and inclusive growth (Lever 1) will be achieved by promoting diversified growth in the productive and service sectors, protection of the environment, control of natural disaster risks, and strengthening infrastructures to support economic growth (energy, transportation and water infrastructures, and digital transition).

- Developing human capital and access to basic social services (Lever 2) will be achieved through greater access to higher quality education and vocational training, improved conditions for access to health services, promotion of employment, youth, and culture, and through strengthened resilience in the most vulnerable sectors.

- Strengthening governance in all of its dimensions (Lever 3) will involve improvements in terms of policy, security, sustainable building of peace and social cohesion, protection of young persons against violent extremism and radicalization, migration and refugee management, land management, and management of decentralization and civil status.

12. The implementation of our development program is dependent on our ability to preserve macroeconomic stability and to cope with exogenous shocks. In this regard, the program supported by the ECF/EFF will enable us to: (1) stimulate recovery while preserving economic stability; (2) consolidate the economic policy frameworks; and (3) strengthen governance, transparency, and the business environment for private investment.

Pillar 1: Stimulating Recovery While Preserving Economic Stability

Fiscal Policy

13. To offset rising inflationary pressures, we will rationalize current expenditures (untargeted subsidies) to compensate for the decline in extractive revenues, and we will intensify our efforts to increase non-extractive tax revenues. Should extractive revenues be higher than expected, the gain will be used to build reserves or to reduce debt. In the opposite case, available reserves will be used, or the debt will be increased. This automatic approach to extractive revenues will enable us to reduce the volatility of commodity prices and therefore to improve fiscal programming and execution. The calibration of sustainable extractive revenues will be updated during a specified period of three to five years. The additional fiscal space created by the increase in non-extractive revenues or the reduction in current expenditure will be used to increase public investment and targeted social spending so that the non-extractive primary balance will remain unchanged and in line with our medium-term fiscal objective.

14. Our fiscal policy will be anchored with a medium-term fiscal framework (MTFF) aiming for fiscal sustainability and reducing the volatility of extractive sector resources. The fiscal anchor will be a debt ceiling that will keep Mauritania below high risk of debt distress. Implementation of this fiscal anchor involves a non-extractive primary deficit (including grants) in the range of 3.5-4.5 percent of GDP. This objective will be achieved by reducing current expenditure to 13.7 percent of GDP by 2027, against 16.9 percent estimated in 2022, while maintaining capital expenditure at approximately 8.6 percent of GDP and increasing non-extractive tax revenues annually by 0.5 percent of GDP. By June 2023, we will submit a revised 2023 budget in line with program understanding to Parliament (structural benchmark).

15. We are developing our social protection system. Cash transfers benefited 98,245 vulnerable households under the Tekavoul Program in 2022. We plan to increase the quarterly payment to households from 2,200 MRU in 2022 to 2,900 MRU in 2023 (structural benchmark), and to 3,600 MRU by 2024. We will update and enhance the social registry and will encourage its use for social programs, while taking into account the need for geographic equity by 2025. At the same time, food distribution centers (Temwine Program) will be reorganized so that they can be more effectively targeted. Recruitment of the firm to conduct the study on the restructuring plan is in progress and will aim to improve efficiency and targeting. The study will be finalized by mid-2023.

16. We will prioritize spending on primary and secondary education, primary health care, access to water and sanitation, and more effectively targeted social assistance programs. We will also continue with budget tagging that will ultimately enable us to incorporate climate and gender expenditure into a medium-term fiscal framework to more effectively fight against climate challenges and gender inequalities that Mauritania is facing.

17. Knowing that the remuneration ceiling subject to contributions to the private social security system was raised in 2021, we will undertake the required studies and reforms to review the public pension system to ensure that we have a more sustainable, financed system. This approach will enable us to maintain current expenditure below 62 billion MRU in 2023 and 67 billion MRU in 2024.

18. We increased fuel prices by 30 percent to mitigate the fiscal impact of higher international market prices. We are in the process of reviewing the price structure of refined petroleum products to eliminate the subsidies. This reform will ensure that prices at the pump can be relatively flexible while maintaining a neutral fiscal impact or generating additional revenues. We are reforming electricity production and distribution to improve the financial situation of the sector and to reduce the fiscal risks to the government. We are aiming for annual increases of 5 percent in the rate of return (+3.5 percent in 2021) in the medium term. The electricity sector will be open to independent producers, and we plan to reorganize the Mauritanian electricity company, SOMELEC, into four entities: a holding company and three subsidiaries, respectively responsible for production and transportation, distribution and marketing, and rural electrification.

19. To increase domestic revenue, we plan to accelerate the ongoing fiscal administration and policy reforms. Most of the increase in revenue under the ECF/EFF-supported program will derive from a strengthened administration. We will also make every effort to reduce tax expenditure (estimated at 3 percent of GDP) to provide a margin for increased expenditure. We will publish a comprehensive analysis of tax expenditure in an annex to the budget for 2023 and subsequent years, that can be used as a basis for eliminating unproductive exemptions and special arrangements. We will ensure that mandatory corporate tax filing is fully implemented, including for enterprises subject to tax exemptions (Investment Code, free trade area, and agreements) to improve our taxpayer register and our estimates of tax expenditure (structural benchmark).

20. The following measures will be applied in 2023 to increase the level of revenue: (1) gradual elimination of nontargeted tax exemptions and incentives; (2) reinstatement of the 18 percent VAT rate on telecommunication services; (3) introduction of a 5 percent special tax on telecommunication services; and (4) a limit on consumer goods exemptions in the free trade area.

21. The government commits to maintaining a prudent debt policy. Our debt strategy will be based on the principle of avoiding excessive, costly borrowing arrangements. We will finance our investments with grants and loans contracted at a moderate pace, consistent with a moderate debt risk of debt distress and our absorption capacity. For that purpose, the present value of external loans (public and government guaranteed) will be capped at the limits provided in Table 1. An annual borrowing plan is being developed in consultation with the IMF to strengthen our medium-term debt reduction strategy. We also acknowledge that this ceiling alone will not guarantee a moderate risk of debt distress. We are therefore committed to assessing the impact of the loan agreements on debt sustainability, and to informing the IMF of the financing agreements in this connection.

Monetary Policy

22. The BCM will conduct a prudent monetary policy designed to contain inflationary pressures. The central bank will cease artisanal gold purchases at end-2022. In case of increasing inflation, the central bank will deploy all efforts to use the instruments required to effectively fulfill its mission of price stability. We will concurrently strengthen the monetary policy framework to increase its effectiveness.

Pillar 2: Strengthening the Economic Policy Frameworks

Fiscal Policy Framework

23. The reforms will focus on improving fiscal performance, modernizing the tax administration, and strengthening public financial management. For that purpose, we will continue to implement the structural reforms that are in progress. To strengthen the medium-term fiscal policy outlook and stabilize debt, we will finalize the medium-term budget framework (MTBF) and clearly define the fiscal anchor as our fiscal policy target. The Council of Ministers will adopt the MTBF and submit it to the National Assembly in June 2023 (structural benchmark).

24. **Public financial management**: Following completion of the Public Expenditure and Financial Accountability Assessment and the Public Investment Management Assessment (PIMA) in

2020, in consultation with the IMF, we will gradually incorporate the key recommendations from the PIMA into the 2024 budget process. These recommendations include safeguard measures for the systematic budgeting of maintenance expenditure required to extend the useful life of public investments and for the Public Investment Analysis and Programming Committee (CAPIP) to play a more active role in selecting investment projects based on an improved project selection method. We will also develop a methodology for the budgeting of maintenance expenditure for public investments, under which annual maintenance costs will be phased in for investments made during recent years, beginning with the 2024 Budget Law.

25. To improve fiscal transparency, we will modernize the presentation of fiscal statistics and the Table of Government Financial Operations (TOFE) in line with the international standards of the 2014 Government Finance Statistics Manual (2014 GFS Manual) with technical assistance from the IMF. For that purpose, we have established a technical team to steer the production work for the 2014 GFSM TOFE. This team used manual techniques with the trial balance to prepare a first draft of the TOFE in accordance with GFSM 2014. The managers of the new Integrated Government Accounting Application (ARKAM) will soon provide the General Treasury and Public Accounting Directorate (DGTCP) with an extraction model that will make it possible to produce the new TOFE on a regular basis. In addition, the TOFE for the local authorities will be produced in 2023 and the model will be refined before the authorities consider incorporating it into the central government TOFE. The absence of an integrated accounting system for public administrative institutions (EPAs) is a constraint against their inclusion in the central government TOFE. We are concurrently developing a strategy to make further improvements in the quality of the accounting and budget information and to make it more consistent and relevant. Last, as part of the accounting reform and the transition to accrual-basis accounting, an initial opening balance sheet (BO) is planned for January 1, 2024.

26. **Tax policy:** We will create a unit responsible for tax policy that reports to the Office of the Minister of Finance, to strengthen our tax policy framework (structural benchmark). To enhance the neutrality, fairness, and efficiency of the tax system and to generate additional revenues, we will (i) eliminate the system of special free zones (*points francs*) and reduce the number of special arrangements in a revised Investment Code; (ii) we will reform the free trade area to bring it into line with the International Convention on the Simplification and Harmonization of Customs Procedures. More specifically, the relevant tax system will only apply to industrial units located within defined limits confirmed and controlled by customs, and will exclude consumer goods from the tax benefits (structural benchmark); and (iii) we will ask for assistance from the IMF to provide a tax policy diagnostic to identify recommendations to eliminate economic distortions, to simplify it, and to increase revenue, while ensuring that Mauritania is still attractive to new investments. The diagnostic assessment will review the operation of the tax system, and will specifically analyze property tax and consumption tax.

27. **Tax administration:** To increase domestic revenues, we plan to accelerate the reforms of the tax administration that are now in progress. To guide our tax administration reform strategy, we conducted an assessment using the Tax Administration Diagnostic Assessment Tool (TADAT) with support from the IMF. We will concurrently continue the reforms that are in progress, that are designed to increase tax revenue. Accordingly, we will establish the e-filing and e-payment platform linked to the Jibaya platform by June 2023 (structural benchmark) and will make e-filing and e-payment mandatory for large taxpayers beginning in 2024. Large taxpayers will also be included in the large enterprise register beginning in 2024. In collaboration with the staff responsible for the automated customs data system, ASYCUDA, the General Customs Directorate intends in 2023 to expand access to customs agents (declaring parties) so that they can declare their customers' merchandise online.

28. Extractive sector revenue management: We will reorganize our gas and mining resource management system before gas production begins under the Greater Tortue Ahmeyim (GTA) natural gas project in 2024. We will incorporate gas revenue into the medium-term budget framework. We will establish rules to reduce volatility in the gas and mining revenue that finance the budget, and we will use best practices in reporting gas and mining revenue and holdings or gains in the savings fund. At the same time, we will examine the performance of our sovereign fund, the National Hydrocarbon Revenue Fund (FNRH), and will conduct an assessment to determine its suitability to manage increased volumes of financial and asset flows.

Monetary Policy Framework

29. We will establish the key requirements needed to implement and strengthen the transmission of a price-based monetary policy, and more specifically: (1) the regular issuance of marketable government securities in coordination with the Ministry of Finance with conditions that enable the market to operate without any restrictions, in accordance with the regulatory provisions, and in particular, with regard to the marginal rate accepted at Treasury bill auctions; (2) the gradual narrowing of the BCM's interest rate corridor; (3) more active management of banking system liquidity; and (4) a more developed interbank money and government securities markets. We will use the policy rate more actively, and the main liquidity absorption operations more regularly. We will foster the development of the interbank money and government securities markets, and support the emergence of a daily benchmark interbank rate and government securities yield curve. With support from IMF staff, our objective is to strengthen the role of the interest rate in the conduct and transmission of monetary policy and to provide a better anchor for inflation expectations.

30. We will modernize the monetary policy framework and will conduct a forward-looking monetary policy while laying the groundwork for a more flexible exchange rate regime. Our monetary policy will focus on its primary objective of price stability. During the transition phase, we will continue to monitor the growth rate of money supply (the aggregate M2) as well as the growth rate of base money. We will use the reserve requirement ratio as a structural liquidity management instrument: we will reduce the ratio in case of the structural tightening of liquidity to inject liquidity permanently; and we will increase the ratio to address any structural increases in banking system liquidity to mop up liquidity permanently.

31. We will strengthen coordination between the monetary and fiscal authorities to restore the government securities market. We will create a committee with representatives from the Ministry of

Finance, the BCM, and banks to develop the government securities market. Although funding needs are limited, we will revitalize the market to provide eligible collateral for monetary policy operations and to strengthen monetary policy transmission. An effective coordination mechanism will be established between the central bank and the Ministry of Finance to ensure regular issuances of government securities and to extend the yield curve. We will hold regular auctions of conventional 4, 13, 26, and 52-week Treasury bills for the benefit of conventional banks, to achieve a minimum volume of 1 billion MRU by June 2023 and 2 billion MRU by September 2023 (structural benchmark). In addition, if y-o-y inflation remains higher than 12 percent in March 2023, we will accelerate the issuance of T-bills to achieve a minimum volume of 2 billion MRU by June 2023. We will also issue Islamic government securities for Islamic banks. Further, we will take the necessary steps to issue two-year government securities for banks. We will establish a schedule of government securities' issuances for the period 2023-26 in consultation with IMF staff and in accordance with the objectives of the program.

32. The BCM has already established all the instruments required to operate an interest rate corridor system: seven-day main refinancing operations and liquidity absorption operations, BCM bonds, overnight standing lending and deposit facilities, fine-tuning and long-term operations, and reserve requirements. The BCM will start implementing weekly liquidity management operations more regularly. It will also start gradually narrowing its interest rate corridor, by gradually reducing the spread between the overnight lending facility rate and the overnight deposit facility rate. The objective will be to move gradually towards an interest rate system with a width of 200 basis points centered around the BCM's policy rate.

33. To calibrate the volume of its main operations, the BCM will prepare daily forecasts of autonomous liquidity factors during the reserve requirement maintenance period. Against this backdrop, we will strengthen coordination between the entities responsible for liquidity management and government cash management. With the support of the IMF, the BCM will develop its short- and medium-term liquidity forecasting and monitoring capabilities by improving its short-term liquidity forecasting system.

Foreign Exchange Policy

34. Foreign exchange policy will focus on creating the conditions required for fully competitive foreign exchange auctions and for a successful transition to a market-determined exchange rate. The BCM will modernize the functioning of the official foreign exchange market, and will continue to improve access to foreign exchange, to develop the interbank foreign exchange market activity, and, when the monetary policy framework has been strengthened, it will gradually allow increasing exchange rate flexibility to strengthen its role of exogenous shock absorber and preserve external sustainability. The objective of the reform is ultimately to reduce the BCM's role as the main supplier of foreign exchange in the official market, to preserve international reserves, and to unify the foreign exchange market.

35. We will continue to reform the official foreign exchange market to develop interbank transactions. In October 2022, we launched a new tender to select the selection of the service provider of the technical platform for interbank foreign exchange market transactions, that we intend to launch in June 2023 (structural benchmark). We will also: (1) establish a market maker mechanism; (2) publish the draft regulation on the interbank foreign exchange market; and (3) publish the ethic code for the foreign exchange market, that is essential to promote good governance and the observance of market practices.

36. When the regulatory framework and technical infrastructure for the interbank foreign exchange market have been established, we will take the necessary steps to support the development of its activity. We will then implement a system of regular multiple price foreign exchange auctions, and we will ultimately evolve from an intervention strategy designed to stabilize the exchange rate to a strategy designed primarily to limit the excessive volatility of a market-determined exchange rate.

37. We remain committed not to impose or intensify restrictions on payments for international current account transactions, or to introduce or modify multiple currency practices. To continue improving access to the official foreign exchange market, we will meet the demand for foreign exchange on the official market to cover current account transactions, in line with the foreign exchange reserve objectives established by the program. We will use information on banks' letters of credits and documentary remittances to help calibrate the BCM's intervention in the official foreign exchange market. In addition, to improve access to the official market, we will gradually phase out the requirement to establish provisions in ouguiyas equal to the value of bids on the foreign exchange market when excess liquidity has been absorbed. To support foreign exchange policy reform, the BCM will ensure strict compliance with the limits applied to foreign exchange positions. We will gradually reduce banks' net open foreign exchange positions to below 20 percent by December 2023 through the strict application of the regulatory ceiling of 20 percent (structural benchmark).

38. In light of the transmission of exchange rate fluctuations to domestic prices, we will gradually allow increasing exchange rate volatility to promote interbank trading when the regulatory and technical infrastructure is in place. We will subsequently define an intervention budget in line with the reserve objectives established by the program. The foreign exchange policy reforms that we are planning will require ongoing IMF technical assistance and support from a central bank of the region that has already established an interbank foreign exchange market.

BCM: Transparency and Governance

39. The BCM will continue its work towards the adoption of the International Financial Reporting Standards (IFRS). The BCM has achieved significant milestones with the preparation of *pro forma* IFRS financial statements for the 2018 and 2019 fiscal years. The central bank remains committed to the transition and plans to implement the IFRS by the end of 2023. In light of the capacity limits, the BCM will hire an external consultant by March 2023 to help complete the remaining tasks related to

IFRS implementation, as recommended by the 2021 Safeguards Assessment, along with an actuarial specialist for the BCM.

40. The BCM will continue to strengthen the anti-money laundering and combating the financing of terrorism (AML/CFT) system and its implementation, in consultation with all parties involved, including the Mauritanian Financial Investigations Unit and banks. We will strengthen AML/CFT supervision by the BCM to ensure compliance by banks with enhanced due diligence requirements for politically exposed persons, increased use of financial intelligence by the Mauritanian Financial Investigations Unit to detect corruption cases, and dissemination of this information to the law enforcement agencies.

Financial Sector

41. Our financial sector roadmap is based on the recommendations of the Financial Sector Assessment Program (FSAP) on preserving financial stability and deepening the financial markets. We will continue to make every effort to establish risk-based supervision. For that purpose, our activities will focus on further strengthening of the banking regulations, compliance with prudential standards and their rigorous application, and improving the quality of the statistics. To support the foreign exchange policy reform, the BCM will ensure strict compliance with the limits applied to foreign exchange positions.

42. We have launched a project to modernize the financial infrastructure and payment system based on a new law adopted in July 2018. A new modern payment system—including a large-value payment system, a central securities depository, and a clearing system—will soon be introduced and will serve as a driving force for the development of the financial system. It will also promote faster and more secure trading, and will accordingly enhance the stability of the financial system.

Financial Surveillance and Regulation

43. During the past two years, with the help of technical assistance from the IMF, we have adopted a number of new guidelines on the composition of capital, calculation of net weighted assets, and solvency and liquidity requirements. Work is also in progress to incorporate the net stable funding ratio (NSFR) into the regulatory framework to monitor transformation risk at the prudential level. At the same time, the adoption and implementation of some principles of risk-based supervision—such as the identification of systematic banks, the rating system for institutions, and the on-site supervision manual—is in progress.

44. We have also increased the minimum capital for banks by two thirds to 1 billion MRU, which has strengthened their creditworthiness. To date, 15 out of 17 banks have increased their capital threshold in accordance with the regulations. With technical assistance from the IMF, the BCM strengthened and modernized the penalties to make them more effective and deterrent, through a new Instruction on Administrative Penalties adopted in June 2020. We will review the regulations on penalties, and, more specifically, the penalties relating to noncompliance with the limits on foreign exchange positions, so that they can be applied quickly in the event of breach. To strengthen the resilience of the banking sector, we will ensure the strict application of the prudential regulations and the application of penalties if case of breaches. An internal procedure on penalties will be in place by December 2022.

45. In addition, we will strengthen the human resources responsible for off-site supervision and will connect our data transmission system with banks' information systems to improve data collection, processing, and analysis, to strengthen the supervision process, and to enhance the quality of our analysis. Following the promulgation of the electronic payments law, implementing regulations on the conditions for engaging in payment, management, and distribution services of electronic money were adopted in 2022, i.e., Instructions 02/GR/2022, 03/GR/2022, 04/GR2022, and 05/GR/2022, respectively on (1) payment services and mechanisms; (2) payment institutions; (3) electronic money institutions; and (4) agents authorized by banks and payment institutions to carry out payment transactions. We will continue to develop the implementing regulations of the electronic payments law and to strengthen the control and supervision of payment institutions and electronic payment activities. In this connection, the following draft regulations are currently being prepared: (1) the draft instruction regulating remote banking operations; and (2) the draft instruction regulating banks engaging in a payment activity with the support of a payment account or operating as an issuer and distributor of electronic money. The BCM intends to strengthen good governance of banks, as provided in the new banking law. For that purpose, the central bank adopted a directive in September 2020 requiring banks to establish the appropriate audit, credit, and risk committees, and to verify that the members of the board of directors and banking committee meet the integrity requirements. The Instruction on Bank Governance was finalized and adopted in March 2022. Since then, the central bank has been working towards strict compliance by banks, and considerable progress is being made in areas such as the establishment and quality of the management and administration bodies (board of directors, management committee, and internal control entities). We are particularly attentive to this aspect to ensure overall compliance with the regulation in the coming months.

Debt Management

46. Improving debt management is still a key priority. Further efforts will be made to ensure consistency between borrowing and spending priorities, particularly for large infrastructure projects, and to ensure coordination between institutions. We will continue to improve procedures for borrowing and granting public guarantees by clarifying the responsibilities and conditions for approval between the ministries. The National Public Debt Committee (CNDP) has been revitalized. Its operational capacities will be strengthened to improve coordination between the various entities responsible for debt matters. The Committee will continue to meet regularly to assess the impact on debt of any new project to be financed with non-concessional external borrowing, that must be validated by the CNDP before the relevant agreements are signed. Similarly, we will continue to strengthen the capacities of the directorate responsible for debt, the directorate responsible for finance of the Ministry of Economic Affairs and Promotion of Productive Sectors (MAEPSP), and the BCM directorate responsible for debt, in terms of debt sustainability analyses, concessionality calculations for projects under a financing arrangement, and development of a medium-term debt management strategy.

47. To improve coordination between the various entities responsible for debt management, we will use the Debt Management and Analysis System (SYGADE), the Integrated Government Accounting Application (ARKAM), the El Istithmar Investment Project Management Information System, and the Automated Expenditure Cycle System (RACHAD), i.e., software used by the institutions involved in debt service (Debt Directorate, General Budget Directorate, General Treasury and Public Accounting Directorate—DGTCP, General Finance and Economic Cooperation Directorate—DGFCE, and the BCM) to monitor external debt disbursements and debt service payments. We will strengthen real-time monitoring by the DGTCP and the Debt Directorate of debt service programming and execution by the BCM, as delegated by the Ministry of Finance. This monitoring will be carried out using web services between the SYGADE system of the Debt Directorate, the system used by the DGTCP, and the BCM. The establishment of these linkages will strengthen debt management capacity through the systematic monitoring of external debt disbursements (SYGADE-El Istithmar) and will make it possible to integrate debt service payment operations into the automated expenditure system chain (SYGADE-RACHAD).

48. We will publish annual debt bulletins containing information on external and domestic borrowing by public entities, including detailed information on each loan, debt service profiles and, where possible, arrears of public enterprises. The External Debt Directorate will accelerate actions aimed at strengthening the technical and functional capacities of the DDE for more effective recording and monitoring of public debt and better dissemination and analysis of the debt data through targeted technical assistance, covering international best practices in recording, monitoring, and analysis of debt, and increasing the reliability of the system and its use.

Pillar 3: Improving Governance, Transparency, and the Business Environment for Private Investment

Governance, Transparency, and Business Environment

49. Technical assistance from the IMF has enabled us to amend the implementing decree of the Government Procurement Code so that beneficial ownership and information requirements are clearly defined. Our aim is to prevent corruption, to ensure financial integrity, and to improve accountability and oversight. By the end of 2023, the information on beneficial ownership of enterprises to which contracts have been awarded will be made public along with other important tender data. The Commercial Court is also taking steps to strengthen legal and institutional mechanisms to establish a beneficial ownership registry of companies and ensuring timely access to the information by competent authorities.

50. We conducted a diagnostic governance assessment with support from the IMF in 2022. In line with the IMF's Enhanced Governance Framework, the diagnostic assessment focused on weaknesses in governance and vulnerabilities to corruption in the following macro-critical priority areas: (i) central bank governance and operations; (ii) financial sector oversight; (iii) AML/CFT activities; (iv) fiscal governance, revenue administration (including customs), natural resource management, and public procurement and auditing; (v) enforcement of property and contractual rights; and (vi) legal and institutional frameworks and strategies to fight corruption. Based on its findings, we will prepare and publish by end-September 2023 a time-bound action plan, including responsible institutions (structural benchmark) and initiate implementation thereafter.

51. Corruption is one of the fundamental problems that our courts are required to address. From the early stages, we recognized the extent to which such activities had been impeding growth and development, and we had established a commission responsible for leading and monitoring implementation of our 2014 anticorruption strategy. This strategy was updated in 2022 and it is now being validated by the government. The National Anticorruption Strategy (SNLC) planned for the horizon 2030 focuses on integrity, accountability, transparency, and ethics in Mauritania. It has the vision of a "Mauritania that is strengthening integrity and substantially reducing corruption" in general, with four specific strategic objectives: (i) restoring transparency and building integrity; (ii) creating an environment hostile to corruption; (iii) engaging and strengthening the players; and (iv) protecting the most vulnerable sectors. For that purpose, the 2030 SNLC is based on five pillars that support the elimination of corruption in the country, that include: good governance, prevention and detection, enforcement, communication and awareness, and an anti-corruption culture.

52. Reforms designed to improve the business climate are essential to attract investors and to support private sector development. Mauritania has facilitated the creation of businesses by establishing a one-stop shop, significantly reducing the costs of establishing a new company, and generally simplifying business registration procedures. However, further efforts are required for the greater simplification of the formalities required to establish a business. We will simplify the administrative procedures applicable to the private sector, including the full digitization of procedures with a one-stop shop by the end of 2023.

53. We envisage the following medium-term measures as part of the reforms designed to simplify and improve business startup procedures, encouraging the formalization of the informal economy, and further promoting entrepreneurship among young persons and women: (i) adoption of a common nomenclature of economic activities for Mauritania; (ii) creation of the status of micro entrepreneur (*auto-entrepreneur*) in Mauritania, that provides a simple option for an individual business, to encourage the formalization of the informal sector, and to further promote entrepreneurship among young people. This status will simplify business establishment and cancellation procedures and will allow micro entrepreneurs to benefit from a simplified legal, accounting, and tax system; (iii) contribution to the implementation of the Startup Act, an innovative legal framework designed to facilitate the establishment, growth, and development of startups; (iv) launch of a program to promote female entrepreneurship; (v) implementation of a youth entrepreneurship and innovation program; (vi) leading of a national campaign for enterprises to re-register and update their data, to provide a tool that can generate reliable, real-time information on the domestic private sector; (vii) assessment of the transformation of the one-stop shop into a real center for business formalities that will enable enterprises to complete in one place all of the formalities required to start, change, or terminate their activities. The objective is to provide a center for historical business records and to have an accurate, current view of the local economic fabric.

Financial Inclusion

54. Supporting small and medium-sized enterprises (SMEs) is one of the priorities of our national development program: we intend to correct the shortage of long-term banking resources to finance productive investment and to create jobs, particularly for SMEs. Against this backdrop, in collaboration with national economic partners, at the end of 2020, we established a company under Mauritanian law with the African Guarantee Fund as a strategic partner. This fund will provide partial guarantees for bank loans to SMEs to provide better access to financing and contribute to job creation. This newly created Small and Medium-Sized Enterprise Guarantee Fund (FGPME) is based on the principles established by the World Bank Group in an investigation published in 2015 and by the Organisation for Economic Co-operation and Development (OECD) in the area of corporate governance in public financial institutions. The first general meeting of the fund was held in 2022, and a distribution of capital was agreed between the various partners. The Ministry of Finance has committed to provide the capital required to operationalize the guarantee fund by the end of 2023 (structural benchmark).

55. With the support of the African Development Bank (AfDB), the BCM is developing a National Financial Inclusion Strategy (SNIF). It launched a national survey to collect data on financial inclusion. The work related to the SNIF will be carried out with assistance from the two consultants recruited by the Alliance for Financial Inclusion (AFI) as part of its technical assistance, that more specifically involves a diagnostic of the various studies and implementation of a governance unit.

56. We intend to strengthen the regulatory framework for mobile banking services to reduce the amount of cash in the economy and to promote financial inclusion for the poorest population sectors. Parliament adopted legislation on mobile banking services and means of payment in 2021.

Climate Change

57. Our country faces tremendous challenges in connection with climate change, that is leading to increasingly extreme temperatures, droughts, floods, and coastal erosion. The populations most vulnerable to climate change are those in rural areas, who derive their livelihoods from crop farming, livestock farming, and inland fishing, as well as poor urban populations affected by floods and rising sea levels. Mauritania ratified the United Nations Framework Convention on Climate Change in January 1994 and the Paris Agreement on Climate Change in February 2017. Under this Agreement, we updated Mauritania's Nationally Determined Contribution (2021 NDC) and presented it in Glasgow in 2021. By harmonizing its development process with the Strategy for Accelerated Growth and Shared Prosperity process, and based on the country's sector strategies and programs, the NDC defines Mauritania's climate policy framework with the horizon 2030.

58. In terms of mitigation issues, Mauritania's updated NDC provides an economy-wide net reduction in greenhouse gas emissions of 11 percent in 2030, as compared to the business-as-usual scenario. This ambition is based on the development of national clean energy potential with green hydrogen, solar energy, and wind energy projects. The cost of this ambition is estimated at US$34.25 billion, of which US$0.63 billion is unconditional (financed from the country's resources).

59. Where adaptation issues are concerned, the NDC provides actions to increase access to drinking water, to develop seawater desalination and improve sanitation systems in the five major cities at high risk of flooding, to implement an appropriate insurance program for crop farmers, livestock farmers, and those engaged in fishing, to develop and adopt sustainable construction standards for buildings and other infrastructures, to develop a national land use plan resilient against climate change, and to promote assisted forest regeneration. The cost of the adaptation elements is estimated at US$10.6 billion, of which US$0.4 billion is unconditional. The ongoing NDC planning and implementation process includes specific sessions on clarifying funding requirements for NDC implementation and defining the areas of a national climate action finance strategy. We plan to adopt a national adaptation plan focusing on adaptation measures and projects to be implemented in the medium term.

60. In terms of the mobilization of climate finance, we have developed a Country Program for the Green Climate Fund. This program identifies a portfolio of ideas for multisector projects that align with national climate change adaptation and mitigation priorities. It also encourages the domestic private sector to take advantage of the opportunities offered by this Fund (training/awareness activities were made available to members of the employers' organization). We will use the national adaptation plan as a basis to raise additional external financing. The Ministry of Economic Affairs and Promotion of Productive Sectors, that is responsible for mobilizing external financing, will coordinate the mobilization of climate finance resources in conjunction with the ministry responsible for environment.

61. We are establishing a common financial mechanism to address climate change shocks that lead to food and nutritional insecurity, with the support of our technical and financial partners. The establishment of a cyclical food insecurity risk financing strategy will enable us to more effectively plan and manage the financial aspects of shocks deriving from episodes of drought leading to a substantial increase in food insecurity in rural areas. The financial strategy will provide upstream mechanisms and resources to maximize the assistance the government provides to communities affected by drought. Advance planning and an adapted, scalable financial strategy to reflect potential future effects will reduce spending in the medium and long term by protecting subsistence resources and building resilience, leading to greater fiscal stability and enhanced public financial management, creating an institutional framework leading to better coordination between the players involved in the response, more effective monitoring of expenditure, and facilitating the mobilization of resources from donors. We are prepared to provide the resources required to support households affected by shocks.

Statistics

62. Development of economic statistics remains one of our priorities: we indeed intend to conduct better assessments of the effects of our economic policy and to monitor implementation of our development strategy more effectively. With technical assistance from the IMF, we were able to adopt the IMF standard classification for monetary and financial statistics. We also intend to improve balance of payments, fiscal, and real sector statistics with technical assistance from the IMF.

E. Program Monitoring

63. We will activate the monitoring committee for structural reforms and developments in Mauritania's macroeconomic, monetary, and financial outlook (CSR) to ensure that this program is implemented effectively. This Committee includes representatives from the Ministry of Finance, the Ministry of Economic Affairs, the BCM, as well as other ministries and public bodies able to provide assistance. The CSR will have a permanent secretariat, it will meet regularly to assess progress, and it will ensure that the data required to monitor program implementation are transmitted. The IMF Executive Board will evaluate program implementation on a semiannual basis, using the performance criteria and structural benchmarks (Tables 1 and 2). The first and second reviews are scheduled to take place on or after October 17, 2023 and April 17, 2024, respectively, and will be based on performance criteria and indicative targets (Table 1), as well as structural benchmarks (Table 2). These criteria, indicative targets as well as the adjustors should any contingencies arise, are defined in the Technical Memorandum of Understanding (TMU). The CSR will work in close coordination with the macroeconomic framework committee and the CNDP.

Table 1. Mauritania: Performance Criteria and Indicative Targets for 2023

(Cumulative changes) 1/

	End-March 2023	End-June 2023	End-Sept. 2023	End-Dec. 2023
	Indicative Target	Performance Criteria	Indicative Target	Performance Criteria
Quantitative Performance Criteria				
Net international reserves of the BCM (floor); in million of U.S. dollars	22.6	10.7	16.0	55.7
Net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRU)	0.1	1.2	11.7	3.0
Non-extractive primary balance excluding grants; in billions of ouguiyas (MRU) 2/	10.00	15.00	18.33	20.00
Present Value of new public and publicly-guaranteed (PPG) external debt contracted since January 1, 2023; in billions of ouguiyas (MRU) 3/	25.8	25.8	25.8	25.8
New external payment arrears (continuous ceiling) 4/	0.0	0.0	0.0	0.0
Indicative Targets				
Floor on social spending; in billions of ouguiyas (MRU) 5/	1.67	5.00	10.00	20.00
Adjustment Factors (in millions of U.S. dollars)				
Net international assistance	-75.5	-151.0	-226.5	-301.9
Cumulative disbursements of official loans and grants in foreign currency	3.6	7.3	10.9	14.6
Cumulative amounts of external cash debt service payments	-79.1	-158.2	-237.4	-316.5
European Union fishing compensation fee, in millions of Euros	0.0	0.0	0.0	57.0
Memorandum items:				
Program exchange rate (MRU/USD)	37.79	37.79	37.79	37.79

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 the difference between planned and realized EU fishing compensation.

3/ Cumulative limit of both non-concessional external debt and concessional external debt.

4/ Excluding arrears subject to rescheduling.

5/ Narrowed to social spending (education, health, and social protection) from December 2019 onward. includes COVID19-related spending on emergency social programs, transfer to houseolds and sanitary measures.

Note: In addition to QPCs enumerated in this table, the Standard Continuous Performance Criteria will also apply: (i) not to impose or intensify restrictions on the making of payments and transfers for current international transactions, (ii) not to introduce or modify multiple currency practices, (iii) not to conclude bilateral payments agreements that are inconsistent with Article VIII, (iv) not to impose or intensify import restrictions for balance of payments reasons.

Table 2. Mauritania: Structural Benchmarks 2023

Item	Measures	Date (end-of-period)	Outcome / Status	Objective	Rationale and measurement
Social protection					
1	Increase the quarterly amount paid to households from 2,200 MRU to 2,900 MRU	End-December 2023		Social safety net program	Protect vulnerable households and strengthening targetting of social assistance. Publish a report by Taazour/World Bank
Fiscal policy					
2	Submit a revised budget in line with program understanding to Parliament	End-June 2023		Sustainable fiscal policy	Keep risk of debt distress at moderate level. Reduce reliance on extractive revenue. Smoothen expenditure policy. Revised budget law shared with IMF.
Tax policy and revenue administration					
3	Put in place a platform connected with the Jibaya software enabling electronic filing and payments	End-June 2023		Domestic revenue mobilization	Reduce cost of paying taxes. Limit face-to-face interactions between taxpayers and officials to reduce opportunities for coruption. Strengthen taxpayer information system. DGI circular to all large taxpayers
4	Make declaration for CIT compulsory, including for companies that are subject to a tax holiday	End-June 2023		Domestic revenue mobilization - strengthening taxpayer registry and the foundation for a comprehensive tax expenditure assessment	Enhance transparency of tax system, reduce number of special regimes over time resulting in a more equitable and efficient tax system.
5	Create a tax policy structure in the Cabinet of the Minister of Finance	End-September 2023		Domestic revenue mobilization - building capacity for tax policy analysis and design	Enhance transparency of tax system, reduce number of special regimes over time resulting in a more equitable and efficient tax system.
6	Submit a law reforming the Nouadhibou Free Zone to Parliament	End-March 2023		Domestic revenue mobilization - reduction of tax exemptions	Comply with the International Convention on the Simplification and Harmonization of Customs Procedures, enhance transparency of tax system, reduce number of special regimes over time resulting in a more equitable and efficient tax system. Only provide benefits to industrial units located within defined limits, materialized and controlled by customs and exclude consumer goods from tax exemptions.
Expenditure policy and public finance management					
7	Adopt a medium-term expenditure framework consistent with the program's budgetary anchor in the Council of Ministers and transmit it to Parliament.	End-June 2023		Sustainable fiscal framework	Integrate fiscal policy and budgeting over the medium-term, reduce volatility of public expenditure, strengthen budget credibility and transparency Publish MTEF on homepage of Ministry of Finance
Central bank monetary, FX, and financial sector policy					
8	Implement the technical platform for interbank FX market transactions by June 2023	End-June 2023		Exchange rate flexibility	Support the move to exchange rate flexibility
9	Conduct regular auctions of 4, 13, 26, and 52-week T-bills for banks to reach a volume of MRU 1 billion by June 2023 and MRU 2 billion by September 2023	End-September 2023		Strengthen monetary policy	Strengthen monetary policy implementation and transmission
10	Gradually reduce banks' short FX net open positions to below 20 percent by December 2023 through a better enforcement of the prudential limit (20 percent)	End-December 2023		Exchange rate flexibility	Support the move to exchange rate flexibility and mitigate exchange rate risk
Gouvernance and Private Investment					
11	Publish a time-bound action plan based on the Governance Diagnostic report	End-September 2023		Strenghten governance and transparency and reduce corruption risks	Adress governance vulnerabilities to strengthen business environment and the quality of government policy making. Action planned adopted by Cabinet
12	Operationalize the SME guarantee fund	End-December 2023		Support financial inclusion	Improve access to finance and foster private sector development.

Attachment II. Technical Memorandum of Understanding

A. Introduction

1. This Technical Memorandum of Understanding (TMU) describes the performance criteria, indicative targets, and their adjusters established to monitor the program supported by the Fund's Extended Credit Facility and Extended Fund Facility and described in the Memorandum of Economic and Financial Policies (MEFP), Table 1. 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.

B. 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). SDR allocations are not included in the calculation of liabilities for NIR, considering the long-term nature of these instruments. Monetary gold holdings will be evaluated at the gold price in effect on September 30, 2022 (US$1,671.75 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 September 30, 2022 rates for exchange of the U.S. dollar against the new ouguiya ($1 = MRU 37.79), the SDR ($1.28 = SDR 1), the euro ($0.98 = 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 includes the BCM's equity investments in three foreign financial institutions but 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 non-extractive primary fiscal balance including grants** is defined, for program monitoring purposes, as the overall balance, including grants of the central government, but excluding interest due on public debt and extractive revenues. The overall balance is equal to government revenue minus government expenditure. Extractive 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 single tax" and corporate income tax and capital gains tax paid by mining and hydrocarbon operators (excluding subcontractors). Indirect taxes, other direct taxes and withholding taxes paid by these companies are excluded. Non-tax extractive revenues correspond to dividends paid by SNIM, to mining non-tax revenues (bonus, royalties, cadastral revenues, operating revenues, and other mining revenues); and hydrocarbons non-tax revenue (bonuses, royalties, capital income, profit oil and profit gas, etc.). The non-extractive primary fiscal balance will be measured on the basis of Treasury data. Revenue and expenditures are defined in accordance with the *Government Finance Statistics Manual (GFSM 2001)*. It will be monitored on a cash basis.

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. Social spending is estimated using the public expenditure for primary and secondary education, health, TAAZOUR, the Commissariat à la Sécurité Alimentaire and the Ministère des Affaires Sociales, de l'Enfance et de la Famille. Social spending is limited to domestically funded expenditure and reported under the following headings: “Health,” “Education,” and “Social action and protection.”

8. For program purposes, the definition of external debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to IMF Executive Board Decision No. 16919-(20/103) adopted on October 28, 2020.[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

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

collateral from the buyer in the future (repurchase agreements and official swap arrangements);

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

iii. Leases, that is, agreements governing the provision of property that the lessee has the right to use for one or more specified period(s), generally shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of the 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) Under the definition of debt set out above, arrears, penalties, and judicially awarded damages arising from the failure to make payment under a contractual obligation that constitutes debt are debt. Failure to make payment on an obligation that is not considered debt under this definition (e.g., payment on delivery) will not give rise to debt.

(c) The Present Value (PV) of a loan is calculated by discounting future principal and interest payments, on the basis of a discount rate of 5 percent.

(d) For debts carrying a variable interest rate in the form of a benchmark interest rate plus a fixed spread, the PV of the debt would be calculated using a program reference rate plus the fixed spread (in basis points) specified in the debt contract. The program reference rate for the six-month USD SOFR is 2.03 percent and will remain fixed for the duration of the program.[2] The spread of six-month Euro LIBOR over six-month USD SOFR is -200 basis points. The spread of six-month GBP SONIA over six-month USD SOFR is -100 basis points. For interest rates on currencies other than Euro and GBP, the spread over six months USD SOFR is -100 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month USD SOFR, a spread reflecting the difference between the benchmark rate and the six-month USD SOFR (rounded to the nearest 50 bps) will be added.

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

[2] The program reference rates and spreads are based on the "average projected rate" for the six-month USD SOFR over the following 10 years from the October 2022 World Economic Outlook (WEO).

public payments arrears will be continuously monitored throughout the program. The accumulation of any new external payments arrears will be reported immediately by the government to Fund staff.

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

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

12. External debt is deemed to have been contracted or guaranteed on the date of approval by the Council of Ministers. For program purposes, its U.S. dollar value is calculated using the average exchange rates for September 2022 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 ($ 1.2904 = SDR 1) and other national currencies, namely, the euro (1.01 euro = $1), the Kuwaiti dinar (KWD 0.3098 = $1), the Saudi rial (SR 3.75 = $1), and the pound sterling (£ 0.88 = $1).

C. Adjustment Factors

13. 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).

14. 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.

15. The floor pertaining to the non-extractive primary fiscal balance (including grants) at the end of the fiscal year will be adjusted by an amount equivalent to the EU fishing compensation relative to the amount projected in Table 1. The EU fishing compensation is defined as the annual payment of Euro 57.5 million agreed under the sustainable fisheries partnership agreement (SFPA) between the European Union and the Islamic Republic of Mauritania signed on 16 November 2021. For reviews during the course of the year, the adjuster does not apply.

D. IMF Reporting Requirements

16. 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 five (5) weeks after the end of each month;

- The Financial Soundness Indicators (FSIs), at the end of each quarter, as well as the outcome of prudential norms, that is the number of banks in non-compliance for each prudential ratio and share of banks in non-compliance (weighted by their share of assets in the banking system). These details will be supplied within a period of four 45 days after the end of each quarter;

- 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, including bids (volumes, interest rates, and bidders), successful bids, and volumes and interest rates auctioned;

- Data on the BCM daily FX interventions, at the end of each week, including: (1) data on bids (volumes, exchange rates, and bidders), successful bids, and volumes and exchange rates auctioned; and (2) BCM direct purchases from exporting compagnies: volumes and exchange rates with each counterpart;

- 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;

- 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 two (2) months 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;

Ministry of Economic Affairs

- 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;

Ministry of 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 bimonthly basis with the minutes of weekly meetings;

- Monthly data from the Treasury on budget operations: revenues disaggregated by non-extractive revenues and extractive revenues (including FNRH transfers) and disaggregated by revenue collected by the tax and customs directorates, expenditure (current, capital and special accounts operations), main fiscal balances including non-extractive primary balance and the overall balance and its financing (internal and external). This information will be provided within one (1) month after the end of each month;

- Quarterly 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, and the stocks and flows of the FNRH within a period of one (1) month after the end of each quarter;

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

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.

17. 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.

E. Central Government Operations Table

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

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

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

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

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

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

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

December 20, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION AND REQUEST FOR 42-MONTH ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY—INFORMATIONAL ANNEX

Prepared By

Middle East and Central Asia Department
(In consultation with other departments)

CONTENTS

RELATIONS WITH THE FUND

(As of November 30, 2022)

Membership Status: Joined September 10, 1963; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	128.80	100.00
Fund holdings of currency	112.61	87.43
Reserve Tranche Position	16.27	12.63

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	185.11	100.00
Holdings	2.49	1.35

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
	95.68	74.29
ECF Arrangements	139.47	108.29

Latest Financial Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
ECF	Dec 06, 2017	Mar 05, 2021	136.16	136.16
ECF	Mar 15, 2010	Jun 25, 2013	77.28	77.28
ECF [1]	Dec 18, 2006	Nov 1, 2009	16.10	10.31

Outright Loans:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RCF	Apr 23, 2020	Apr 27, 2020	29.58	29.58
RCF	Apr 23, 2020	Apr 27, 2020	66.10	66.10

Projected Payments to Fund [2]

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2022	2023	2024	2025	2026
Principal	2.21	6.07	11.59	26.13	44.71
Charges/Interest		5.03	5.05	5.05	5.05
Total	2.21	11.10	16.64	31.18	49.76

[1] Formerly PRGF.

[2] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Enhanced Framework
Decision point date[3]	February 2000
Assistance committed by all creditors (US$ million)[4]	622.00
Of which: IMF assistance (US$ million)	46.76
(SDR equivalent in millions)	34.80
Completion point date[5]	June 2002

II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	34.80
Interim assistance[6]	16.88
Completion point balance	17.92
Additional disbursement of interest income[7]	3.63
Total disbursements	38.43

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[8]	32.91
Financed by: MDRI Trust	30.23
Remaining HIPC resources	2.68

II. Debt Relief by Facility (SDR Million)

	Eligible Debt		
Delivery Date	**GRA**	**PRGT**	**Total**
June 2006	N/A	32.91	32.91

[3] Decision point: point at which the IMF and the World Bank determine whether a country qualifies for assistance under the HIPC Initiative and decide on the amount of assistance to be committed.

[4] Assistance committed under the original framework is expressed in net present value (NPV) terms at the completion point, and assistance committed under the enhanced framework is expressed in NPV terms at the decision point. Hence these two amounts cannot be added.

[5] Completion point: point at which a country receives the remaining balance of its assistance committed at the decision point, together with an additional disbursement of interest income as defined in footnote 7 below. The timing of the completion point is linked to the implementation of pre-agreed key structural reforms (i.e., floating completion point).

[6] Interim assistance: amount disbursed to a country during the period between decision and completion points, up to 20 percent annually and 60 percent in total of the assistance committed at the decision point (or 25 percent and 75 percent, respectively, in exceptional circumstances).

[7] Under the enhanced framework, an additional disbursement is made at the completion point corresponding to interest income earned on the amount committed at the decision point but not disbursed during the interim period.

[8] The MDRI provides 100 percent debt relief to eligible member countries that qualified for the assistance. Grant assistance from the MDRI Trust and HIPC resources provide debt relief to cover the full stock of debt owed to the Fund as of end-2004 that remains outstanding at the time the member qualifies for such debt relief.

Implementation of Catastrophe Containment and Relief (CCR): Not Applicable

As of February 4, 2015, the Post-Catastrophe Debt Relief Trust has been transformed into the Catastrophe Containment and Relief (CCR) Trust.

Safeguards Assessments

Key recommendations of Central Bank of Mauritania (BCM) safeguards assessment, conducted on July 2021 include: (i) adopting IFRS, (ii) discontinuing BCM’s participation in the gold program, (iii) enhancing the Audit Committee’s oversight, (iv) agreeing with the government on a conversion of the outstanding claims on government to securities priced at market rates, and (v) strengthening internal audit capacity. BCM is expected to gradually reduce and then fully cease artisanal gold purchases, while awaiting the law and its implementing regulation to be adopted by end-2022. The mission has stressed the need for reform commitment and prioritization and agreed with the authorities that IFRS remains critical to enhance transparency in financial reporting.

AML/CFT

Following the first round of mutual evaluation process for Mauritania in 2006, Mauritania’s second round of Mutual Evaluation Report (MER) was published by the Middle East and North Africa Financial Action Task Force (MENAFATF) in May 2018. The MER identified major deficiencies in Mauritania’s anti-money laundering and combatting the financing of terrorism (AML/CFT) regime. Mauritania was found to be non-compliant or partially compliant with 35 of the 40 FATF Recommendations. The assessment of the effectiveness of Mauritania’s AML/CFT system found that all the 11 outcomes to have low levels of effectiveness. Following the 2018 MER, Mauritania was placed under the enhanced monitoring process by MENAFATF. Since then, Mauritania had submitted three follow-up reports to MENAFATF, and had achieved either Compliant or Largely Compliant in 35 of the 40 FATF Recommendations. While Mauritania has addressed most of its technical compliance with the FATF standards, staff encouraged the authorities to take further steps to strengthen effectiveness of the implementation of its AML/CFT measures, including strengthening its AML/CFT risk-based supervision for banks. Staff also encouraged authorities to rectify its legal framework on beneficial ownership transparency for legal persons to be in line with the FATF standards.

Exchange Arrangements

The currency of Mauritania is the Mauritanian ouguiya (MRU). The de jure exchange rate arrangement is floating. The BCM intervenes to regulate the exchange market according to its exchange rate policy objectives (smoothing the exchange rate and the projected level of official reserves). Total bids and asks as well as the amounts settled with the fixing rate are published daily on the BCM website. A summary statement of market turnover data is updated daily on the BCM website. From May 2020, the MRU followed an appreciating trend within a 2 percent band against the US dollar. Accordingly, the de facto exchange rate arrangement is classified as a crawl-like arrangement.

Mauritania has accepted the obligations under Article VIII, Sections 2 (a), 3, and 4, and maintains an exchange system free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, except for an exchange restriction arising from the insufficient foreign exchange availability at the fixing sessions (auctions) organized by the BCM for those transactions which are required to be submitted to the auctions.

Article IV Consultation

The last Article IV consultation was concluded by the Executive Board on December 11, 2019 (IMF ESB/19/100).

November 2022 Technical Assistance (past two years)

Legal

Governance diagnostic assessment	June 2022
Governance diagnostic assessment	December 2021
Beneficial ownership transparency in public procurement	April 2021
Beneficial ownership transparency in public procurement	September 2022

Monetary and exchange rate policy

Specialized financial institutions and risk based supervision follow-up	October 2022
Early warning indicators and SREP process	June 2022
RBS: early warning indicators	March 2022
Off-site procedures and methodologies	January 2022
Transformation risk and other prudential regulations	July 2021
Regulatory framework and risk based supervision	April 2021
Virtual Seminar (COVID): Regional training on MTDS	February 2021
Public debt management-MTDS & ABP formulation and implementation	July 2021
Public debt management-Improve Institutional framework for debt mngmt	December 2021
Public debt management-Improving MTDS & ABP formulation-Follow-up	September 2022
Public debt management-Domestic Market Development	November 2022

Fiscal policy

Renforcer les pratiques de cadrage macroéconomique et budgétaire	November 2022
Accounting	November 2022
Reform action plan based on TADAT outcomes	Oct–Nov 2022
TA mission on tax expenditure and special regimes	Aug–Sep 2022
Tax Administration E filing and payment system	July–October 2022
Budget Planning and MTEF	July 2022
Petroleum revenue forecasting workshop FY23	May 2022
AFW support on the organization of the audit function of the tax admin'n	May 2022
Budget-LTX/3STX FY22 PIMA follow-up	April 2022

Post Audit Control	March 2022
TADAT Assessment	February–March 2022
Petroleum revenue forecasting workshop FY22	February 2022
Customs Risk Management System	November 2021
Customs risk management	November 2021
Accounting	October 2021
HQ mission – TADAT training	Oct–Dec 2021
Direct HQ CD delivery to the tax administration	Oct 2021–Apr 2022
Tax Administration Reforms	August 2021
Natural Resource Revenue Management Diagnostic	May–June 2021
Natural resource revenue management diagnostic	April–May 2021
Winding up RMTF project	March–April 2021
Customs ADM/Controle aprés dédouanement	February 2021
Compliance risk management	Jan–February 2021
Customs ADM/Lancement projet d'analyse du risqué	December 2020
Suivi de l'action en recouvrement	Nov–December 2020
PFM/Appui à la préparation de la mise en oeuvre	Oct–November 2020

Statistics

AFW/RSS: National Accounts	October 2020
Balance of Payments and IIP (FSSF)	February 2021
Rebasing Industrial Production Index	June 2021
GDP Implementing Quarterly National Accounts	July 2021
GFS&PSDS TA/Training	August 2021
Refine TOF of BCG expand GFS coverage	Feb–Mar 2022
Expand GFS coverage	May–Jun 2022
GDP Implementing Quarterly National Accounts	July 2022
Rebasing Industrial Production Index	October 2022
Sectoral Accounts up to Financial Accounts	November 2022

Resident Representative

Ms. Anta Ndoye is the IMF’s Resident Representative in Mauritania since May 2021.

BANK-FUND COLLABORATION

Joint Management Action Plan of the World Bank and IMF (As of November 15, 2022)		
Title	**Products**	**Expected delivery**
	A. Mutual Information on Relevant Work Programs	
Bank Work Program (Next 12 months)	- Systemic Country Diagnostic - Mauritania Economic Update - Mauritania Infrastructure Sector Assessment Program - Mauritania Risk and Resilience Assessment - Mauritania Human Capital Assessment - Youth Employment Project - Public Sector Governance Project (uncluding AF) - Technical Assistance on Country Policy and Institutional Assessment (CPIA) Social Safety Net Project II	April 2023 May 2023 December 2022 June 2023 June 2023 Ongoing Ongoing June 2023? Ongoing
Fund Work Program (Next 12 months)	**Macroeconomic policy analysis and advice** Article IV consultation and Board consideration of ECF/EFF Macroeconomic update First review of ECF/EFF **Technical Assistance** *Frequent missions by AFRITAC West or a new resident advisor to provide TA on:* (i) planning, budgeting, and execution of social spending and public investment projects, (ii) operationalizing the new organic budget law, including through the implementation of a fiscal anchor and a medium-term expenditure framework *Through FAD's three-year TA program:* (iii) Strengthening tax and customs administration processes (taxpayer registry, taxpayer filing, compliance risk management, tax arrears collection, post-release controls), (iv) reviewing the tax expenditure and investment incentive regime. *Possibly through a new resident advisor and/or regular MCM TA missions:* (v) Reform of the collateral framework; (vi) Deepening the government securities market; (vii) Strengthening the liquidity forecasting framework; (viii) Implementing the technical platform and regulations on the interbank FX market.	January 2023 March 2023 September 2023 2022-23

Joint Management Action Plan of the World Bank and IMF (As of November 15, 2022)		
	Through regular AFRITAC West missions: (ix) Strengthening bank asset quality, (x) Supervision and regulation to support implementation of new Basel-compatible regulations introduced in 2019; *Through frequent missions by AFRITAC West or a new resident advisor:* (xi) Following up on the 2022 Governance Diagnostic with LEG and FAD to strengthen anti-corruption and rule of law frameworks; (xii) Macroeconomic management: setting up new institutions and a framework to manage upcoming gas revenues, setting up a macroframework and improving the coordination among entities involved in the compilation of data for the macroframework. (xiii) debt management: Supporting the implementation of a medium-term debt management strategy, including the coordination among entities involved in debt management; (xiv) improvement of statistical data (real sector, public finance). Priority should be given to delivering TA through the support of a resident advisor in monetary and exchange rate issues, followed by macro-fiscal issues and lastly macro-coordination issues.	
B. Requests for Work Program Inputs		
Fund Requests to Bank **Bank Requests to Fund**	- Periodic update on activities - Reports, macroeconomic and financial data to be shared regularly - Fund staff to participate in review of key analytical work	Ongoing Ongoing
C. Agreement on Joint Products and Missions		
Joint Products (Next 12 months)	Debt sustainability analysis	Jan 2023

STATISTICAL ISSUES

(As of December 7, 2022)

I. Assessment of Data Adequacy for Surveillance

General. Data provision has some shortcomings but is broadly adequate for surveillance. Most shortcomings are in the areas of national accounts, balance of payments, external debt, and financial sector statistics. STA and AFRITAC West jointly assist the authorities to improve macroeconomic statistics.

National accounts. AFRITAC West has provided TA to assist with the development of quarterly national accounts, and the Agence Nationale de la Statistique et de l'Analyse Demographique et Economique (ANSADE) committed to publish these estimates for the first time in March 2023. The IMF will also continue to help with the update of the index of industrial production and assist with the development of institutional sector accounts

Price statistics. The ANSADE compiles and disseminates the consumer price index (CPI) on a monthly basis. CPI weights, which were updated with assistance from AFRISTAT, are based on expenditure data collected during the 2019 l'Enquete Permanente sur les Conditions de Vie (EPCV). ANSADE disseminates national level indexes as well as five regional indexes (East, South, North, Dakhlett Nouadhibou, and Nouakchott). Under the auspices of the Data for Decisions (D4D) Fund, STA is providing support to develop a producer price index (PPI). Data sources to be used to develop PPI weights and select a sample of establishments have been identified. A planned follow-up mission in February 2023 will continue assisting with the PPI and develop a timetable for dissemination.

External sector statistics. The BCM is responsible for the compilation of balance of payments statistics, following the *Balance of Payments Manual, fifth edition* methodology, on a quarterly basis. IIP data are not yet compiled. Improvements are needed to data collection systems to enhance the comprehensiveness and accuracy of the information. Major limitations include inadequate use of the banking declarations system, and incomplete collection of information related to foreign direct investment (FDI). Furthermore, the values of exports and imports are understated under the current customs procedures. The BCM has been working to improve its sources and methods following a recent STA technical assistance mission.

Government finance statistics (GFS). The Ministry of Finance (MOF) compiles and publishes on its website monthly fiscal statistics for the budgetary central government (BCG) that is broadly aligned to classifications of the *Government Finance Statistics Manual (GFSM) 1986*. With support from STA TA and training from AFRITAC West, the MOF started compiling preliminary GFS for BCG that is aligned to the *GFSM 2014* in parallel to existing *GFSM 1986* consistent data. The MOF has also initiated steps aiming at expanding the institutional coverage of data beyond BCG to include other levels of government.

Monetary and financial statistics. Monetary statistics are reported to the Fund by the BCM in the standardized report forms (SRFs), for central bank and other depository corporations on a monthly basis, but irregularly and with significant delays due to staffing issues. The BCM reports data and indicators of the Financial Access Survey (FAS), including mobile money data and the two indicators adopted by the UN to monitor Target 8.10 of the Sustainable Development Goals. The BCM reports on the financial soundness indicators (FSIs) to the Fund for Article IV and EFF+ECF arrangement purposes within a period of four 45 days after the end of each quarter. These indicators do not get disseminated on the IMF's FSI website.

II. Data Standards and Quality

Mauritania participates in the IMF Enhanced General Data Dissemination System (e-GDDS) and publishes data on its National Summary Data Page (https://mauritania.opendataforafrica.org/nsdp) since September 2019. No data ROSC has been conducted for Mauritania.

Mauritania: Table of Common Indicators Required for Surveillance

(As of November 2022)

	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting [6]	Frequency of publication[6]
Exchange Rates	September 2022	October 2022	D	D	D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	September 2022	September 2022	M	M	NA
Reserve/Base Money	September 2022	September 2022	M	M	NA
Broad Money	September 2022	September 2022	M	M	NA
Central Bank Balance Sheet	September 2022	September 2022	M	M	NA
Consolidated Balance Sheet of the Banking System	September 2022	September 2022	M	M	NA
Interest Rates[2]	September 2022	October 2022	I	I	I
Consumer Price Index	September 2022	October 2022	M	M	M
Revenue, Expenditure, Balance and Composition of Financing[3] – General Government[4]	NA	NA	NA	NA	NA
Revenue, Expenditure, Balance and Composition of Financing[3]– Central Government	September 2022	October 2022	M	M	I
Stocks of Central Government and Central Government-Guaranteed Debt[5]	September 2022	October 2022	M	M	I
External Current Balance	October 2022	October 2022	Q	Q	I
Exports and Imports of Goods and Services	Q4-2019	October 2022	Q	Q	I
GDP/GNP	September 2022	October 2022	A	A	I
Gross External Debt	September 2022	October 2022	M	M	I
International Investment Position	NA	NA	NA	NA	NA

[1]Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.
[2]Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
[3]Foreign, domestic bank, and domestic nonbank financing.
[4]The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
[5]Including currency and maturity composition.
[6]Daily (D), Weekly (W), Monthly (M)., Quarterly (Q), Annually (A), Irregular (I), Not Available (NA).

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

December 20, 2022

STAFF REPORT FOR THE 2022 ARTICLE IV CONSULTATION AND REQUESTS FOR 42-MONTH ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY—DEBT SUSTAINABILITY ANALYSIS

Approved By
Taline Koranchelian and Boileau Loko (IMF), and Marcello Estevão and Abebe Adugna (IDA)

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

Risk of external debt distress	*Moderate*
Overall risk of debt distress	*Moderate*
Granularity in the risk rating	*Some space to absorb shocks*
Application of judgment	*No*

Mauritania's risk of external debt distress has been reduced from high to moderate, reflecting the reduced present value of debt-to-GDP following the renegotiation of a large loan from Saudi Arabia and an upward revision in the GDP statistics. Mauritania is assessed as having 'some space' to absorb shocks. All external debt indicators now remain below their thresholds during the whole projection period, as does the present value of public debt-to-GDP. The overall risk of debt distress is assessed to be moderate. The PV of public debt-to-GDP ratio remains below the benchmark under the baseline but breaches under the commodity price shock scenario. External and public debt therefore continue to be assessed as sustainable, supported by the significant fiscal buffer maintained by the government at end-October 2022. Mauritania is assessed as having a medium debt-carrying capacity, in line with the previous DSA. This assessment is subject to downside risks. Further delays in the start of gas exploitation from GTA as well as adverse price fluctuations in commodity markets could lower fiscal revenue, increase external financing needs, and worsen the medium-term debt profile. Security concerns in the Sahel region and a more protracted war in Ukraine present additional risks through *their respective impacts on economic stability and food prices. Upside risks include the potential phases 2 and 3 of the GTA gas project, and better than expected terms of trade developments. The DSA highlights the need to adopt a prudent borrowing strategy that avoids non-concessional debt to keep debt service contained, relying instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity.*[1]

[1] Mauritania's Composite Indicator is estimated at 2.8 and is based on the October 2022 WEO update and 2021 WB CPIA; the debt carrying capacity remains medium.

PUBLIC DEBT COVERAGE

1. **The DSA covers central government and public agencies, government guaranteed debt of state-owned enterprises (SOE), and the central bank (BCM).** As in previous DSAs, public and publicly guaranteed (PPG) debt excludes non-guaranteed debt of the national mining company SNIM, classified as private external debt (SNIM has one publicly guaranteed loan with FADES which is included).[2] While PPG debt now excludes borrowing by the state-owned oil company SMH to finance Mauritania's participation in the Grand Tortue/Ahmeyim (GTA) offshore gas project, a change from the previous DSA,[3] the DSA includes this loan as a contingent liability.[4] Consistent with previous DSAs, external debt is defined on a residency basis.

Text Table 1. Mauritania: Coverage of Public Sector Debt

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

2. **Following the resolution of the longstanding passive debt in arrears owed to Kuwait since the 1970s, the newly renegotiated debt has been incorporated in this DSA from 2021 onward.** The authorities announced in August 2021 a final agreement with Kuwait regarding the restructuring of this debt.[5] About 95 percent of the accumulated interest due was canceled, with the remaining 5 percent partially offset by shares in Mauritel (6 percent ownership) provided to Kuwait and otherwise yet to be defined 'investment opportunities' in Mauritania. The original principal—US$82.7 million—will be repaid

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[2] Although SNIM is majority-owned by the government with over three-quarters of total equity, the company operates on a commercial basis, poses limited fiscal risk, and can borrow without a government guarantee. It has managerial independence, including over sales and employment policies, does not receive subsidies from the government, and pays dividends. In addition, the company's annual reports, audited accounts, and financial statements are published following international standards. Nevertheless, SNIM debt represents a contingent liability for the government as a majority shareholder and hence the associated risk is captured through stress tests.

[3] The previous DSA was published in September 2020 as an annex to the fifth review of the IMF Extended Credit Facility arrangement.

[4] This debt is not guaranteed by the government and features a limited recourse clause which restricts SMH liability to the revenues and shares of the project itself, even in the case that the investment is not completed, or the revenues are otherwise zero. The contingent liability treatment reflects the possibility that the government may wish to inject financing to support the project in the case of lower than expected revenues, but this would not be a legal responsibility.

[5] The passive pre-HIPC debt, estimated by the Mauritanian authorities at 12.4 percent of GDP at end-2020, was owed to the Kuwait Investment Authority (KIA) since the 1970s. The creditor party had not actively sought debt service payments. Negotiations were ongoing between the authorities and Kuwait to achieve debt relief on at least comparable terms to, or better than, the 2002 HIPC Initiative operation. Previous DSAs assumed full debt relief in the first projection year.

over 20 years including a 2-year grace period, with a 0.5 percent interest rate. This debt is now added to PPG debt from 2021 onward, while the past stock is set at zero given the absence of any impact from the passive debt on macroeconomic and debt developments at the time. Mauritania has two remaining cases relating to longstanding arrears (neither of them included in the DSA). The first was disbursed by OAPEC over 1974-1976 totaling a stock of US$7.2 million but is now managed by FADES. The Mauritanian authorities sent a request in 2017 to FADES for a cancellation consistent with HIPC but are yet to receive a response. The second, lent by Brazil in 1973 for the construction of a road, has been the subject of renegotiations since 1985. The Mauritanian authorities confirm that the full debt cancellation has been agreed by the Brazilian authorities under the Paris Club framework and are currently awaiting a formal letter of confirmation.

3. **Non-guaranteed SOE debt as well as risks from Public-Private Partnerships (PPPs) are captured as contingent liabilities.** Available data suggests that the general stock of non-guaranteed SOE debt is sizable but adequately captured by the default contingent liability stress test (2 percent of GDP, excluding SNIM). Added to this value is 2.9 percent of GDP (US$295.7 million) for the GTA project loan to SMH (projected disbursed value to end-2022), and SNIM's debt (0.4 percent of GDP), giving a SOE debt shock totaling 5.3 percent of GDP. As SNIM and SMH are the only SOEs that have been able to borrow without government guarantee, most non-guaranteed SOE debt consists of supplier credits and arrears, debt to other public entities, and tax arrears. More granular information would be needed to fully identify the terms of the SOE debt so that it can be included in public debt and covered in the DSA. The World Bank is assisting the government in identifying and quantifying fiscal risks from SOEs' non-guaranteed debt. In July 2022, the government published its first Fiscal Risk Assessment Report (FY23 PPA[6]) and is committed to publishing a debt bulletin with detailed information on the stock and terms of SOE debt (FY23 PPA). The contingent liability associated with PPPs corresponds to 3.7 percent of GDP, which represents 35 percent of the PPP stock.[7] Risks from financial markets are set at the minimum value of 5 percent of GDP, the average cost of a financial crisis in LICs.

Text Table 2. Mauritania: Magnitude of the Contingent Liability Stress Test

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt			
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	5.3	Default value (2 percent of GDP) plus SNIM debt (about 0.4 percent of GDP) and GTA debt (2.9 percent of GDP).
4	PPP	35 percent of PPP stock	3.7	Mauritania's PPPs are valued at about 10.7 percent of GDP.
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		14.0	

1/ The default shock of 2% of GDP will be triggered for countries whose government-guaranteed debt is not fully captured under the country's public debt definition (1.). If it is already included in the government debt (1.) and risks associated with SoE's debt not guaranteed by the government is assessed to be negligible, a country team may reduce this to 0%.

4. **The authorities reported no outstanding non-guaranteed external debt for other parts of the general government (state and local governments).** Although general government entities and public enterprises could issue local bonds and borrow from abroad, they do not have the capacity to

[6] Performance and Policy Action (PPA) under the IDA Sustainable Development Finance Policy (SDFP)

[7] From World Bank PPP database: https://ppi.worldbank.org/en/snapshots/country/mauritania.

borrow externally without a government guarantee (SNIM and SMH being the exceptions). No reporting system is in place for these debts, and hence the Ministry of Finance and BCM debt databases only cover central government, SNIM and BCM debt. As an illustration, the SMH loan is not recorded in the debt database of the Ministry of Finance nor in that of the BCM. Nevertheless, the authorities are confident that any incurrence of external debt outside the central government would come to the BCM's attention, as it would involve a capital account transaction which requires BCM approval and documentary justification.

5. **Staff continues to encourage the authorities to build technical capacity, improve data coverage and further develop future investment planning to minimize risks.** This includes expanding the coverage of public debt, by adopting formal processes for reporting domestic and external debts of state and local governments, other general government, and all SOEs. The authorities are also encouraged to improve the capacity to monitor fiscal risks, expand the recording and monitoring coverage progressively (beginning with the larger public enterprises other than SNIM) and include short-term debts of SOEs. In particular, the debt of SMH to finance its capital participation in the GTA gas project, as well as future borrowing, should be recorded and monitored in the authorities' debt database. Improving the realism and detail of the public investment plan, and lengthening its time horizon, would support the authorities in assessing the optimal financing mix to achieve their investment goals and reduce associated risks.

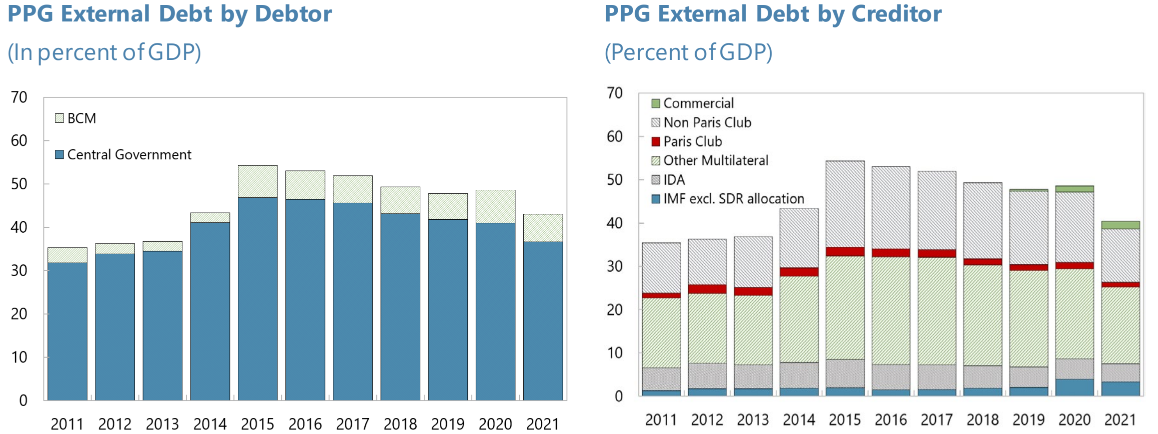
DEBT BACKGROUND

6. **PPG external debt in percent of GDP declined in 2021.** The PPG external debt-to-GDP recorded a steady decline from 2015 to 2019, after a sharp increase in 2015 as Saudi Arabia loaned US$300 million to the BCM to help Mauritania cope with the risks related to the 2014-15 terms-of-trade shock. In 2020, however, the ratio increased, reflecting financing to help Mauritania mitigate the impact of the Covid-19 pandemic. IMF financing rose from 2.0 to 3.9 percent of GDP between 2019 and 2020 on the back of the RCF emergency financing and two disbursements under the ECF arrangement. In 2021, PPG external debt declined from 48.6 to 40.4 percent of GDP, driven by high nominal GDP growth (15.3 percent) in 2021 and lower-than-expected external disbursements related to the public investment program (PIP).[8] Likewise, non-PPG external debt declined, from 6.4 to 2.2 percent of GDP between 2020 and 2021, as SNIM repaid in advance the debt that had been contracted to finance one of its major projects. Therefore, total external debt, which includes SNIM's non-guaranteed and commercial bank debts, declined from 55.0 percent of GDP in 2020 to 42.6 percent of GDP in 2021.

7. **Public domestic debt remains low.** Domestic debt, which had significantly increased in 2018 when the government formally recognized a debt of about 6.0 percent of GDP toward the BCM, decreased from 2020 to 2021 from 7.3 to 6.1 percent of GDP (again largely due to the increase in nominal GDP). The domestic financing market remains shallow, with no issuance of medium- to long-term domestic bonds.

[8] The PIP is mostly financed by grants, concessional and semi-concessional external loans. In 2021, external loans associated with the PIP amounted to US$137.9 million, which represented a project completion rate of 46.5 percent.

Text Figure 1. Mauritania: PPG External Debt, 2011-21



Sources: Mauritanian authorities and IMF staff estimates

8. Official non-Paris Club bilateral and multilateral creditors other than IMF and IDA represented about 74 percent of PPG external debt at end-2021. The primary sources of new government borrowing were non-Paris Club bilateral creditors and multilateral Arab funds which accounted, as in previous years, for the largest share of PPG external debt in 2021. As of end-2021, the top two creditors were the Arab Fund for Economic and Social Development (FADES) and Saudi Arabia, representing 29.9 and 16.3 percent of Mauritania's PPG external debt respectively.

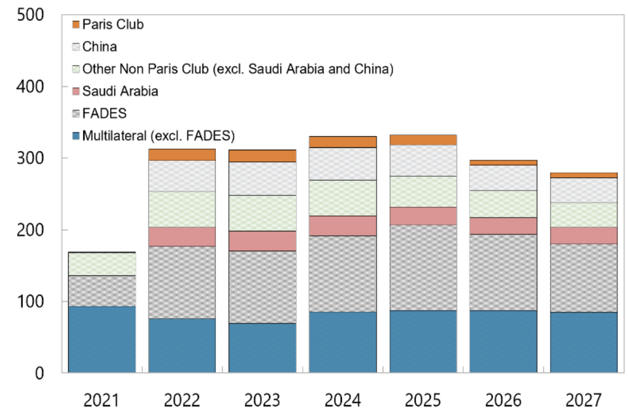
9. In 2022 a US$300 million loan from the Saudi Arabian government (Saudi Development Fund, SDF) was successfully renegotiated from non-concessional to concessional terms (see ¶16). This renegotiation significantly reduced the present value of the loan and associated debt service, as the repayment period was increased to 20 years and the interest rate reduced to 1%. This renegotiation also passed liability for the loan from the Central Bank to Central Government.

10. Mauritania benefited from debt service suspension from the G20's Debt Service Suspension Initiative (DSSI) and from the Arab Fund for Economic and Social Development (FADES). The debt service suspension allowed the country to benefit from about US$96 million in exceptional financing between May and December 2020 (US$54 million from the DSSI and US$41 million from FADES). Mauritania also benefited from a second DSSI extension until end-2021 after the successful initial extension expired in June 2021. Meanwhile, the 1-year agreement with FADES expired in June 2021. Staff's estimates indicate that Mauritania received exceptional financing of about US$120 million in 2021 from debt service suspension, of which US$78 million came from the DSSI and US$42 million from FADES.

11. Debt service is projected to rise significantly in 2022 and over the medium term. Based on the debt stock as of end-2021, debt service is expected to nearly double from 1.7 to 3.1 percent of GDP between 2021 and 2022, staying at approximately this level until 2024. This reflects the resumption from 2022 onwards of debt service suspended under the DSSI, and increases in debt service to IDA and FADES. However, despite this projected nominal increase, debt service ratios are not expected to soar vis-à-vis values observed before the COVID-19 pandemic. For example, debt service payments amounted to 3.5 percent of GDP in 2019.

Text Figure 2. Mauritania: External Debt Service, 2021-27

(In Millions USD, based on end-2021 debt outstanding)



Source: Mauritanian authorities and IMF staff estimates

Text Table 3. Mauritania: External Debt, 2017-21

1/

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	(In millions of USD)					(In percent of GDP)				
External debt	4,313	4,249	4,373	4,687	4,241	62.6	58.0	55.2	55.0	42.6
Public and publicly guaranteed (PPG) external debt	**3,573**	**3,616**	**3,782**	**4,139**	**4,018**	**51.9**	**49.4**	**47.7**	**48.6**	**40.4**
Bilateral creditors	1,363	1,395	1,458	1,515	1,330	19.8	19.0	18.4	17.8	13.4
Paris Club	120	105	113	122	113	1.7	1.4	1.4	1.4	1.1
Of which: France	85	76	89	96	89	1.2	1.0	1.1	1.1	0.9
Spain	31	26	22	23	21	0.4	0.4	0.3	0.3	0.2
Non Paris Club	1,243	1,290	1,345	1,393	1,217	18.1	17.6	17.0	16.3	12.2
Of which: China	347	325	322	337	343	5.0	4.4	4.1	4.0	3.4
Kuwait 1/	176	176	187	191	-	2.6	2.4	2.4	2.2	-
Saudi Arabia 2/	549	590	611	644	656	8.0	8.0	7.7	7.6	6.6
Multilateral creditors	2,210	2,222	2,297	2,509	2,511	32.1	30.3	29.0	29.4	25.2
Of which: Islamic Development Bank (IDB)	395	376	368	359	339	5.7	5.1	4.6	4.2	3.4
International Development Association (IDA)	389	383	377	402	415	5.6	5.2	4.8	4.7	4.2
International Monetary Fund (IMF, excl. SDRs)	111	137	160	336	335	1.6	1.9	2.0	3.9	3.4
Arab Monetary Fund (AMF)	149	101	62	35	10	2.2	1.4	0.8	0.4	0.1
Arab Fund for Economic and Social Development (FADES)	951	1,011	1,125	1,163	1,203	13.8	13.8	14.2	13.6	12.1
Commercial creditors	-	-	27	116	178	-	-	0.3	1.4	1.8
Non-PPG external debt (by debtor)	**740**	**633**	**591**	**548**	**223**	**10.8**	**8.6**	**7.5**	**6.4**	**2.2**
SNIM	415	347	300	238	38	6.0	4.7	3.8	2.8	0.4
Commercial banks	325	286	292	310	185	4.7	3.9	3.7	3.6	1.9
Memorandum items:										
Domestic debt	198	628	628	619	605	2.9	8.6	7.9	7.3	6.1
Nominal GDP (US dollars, end of period)	6,886	7,327	7,922	8,525	9,953	100	100	100	100	100

Source: Mauritanian authorities.

Excluding the passive debt owed to the Kuwait Investment Authority (KIA) until 2020.

2/ Including loan to the central bank.

DEBT PROJECTIONS

12. Financing assumptions build on latest available information. The DSA reflects the future financing of the public investment plan (PIP), based on the authorities' projections and taking into account potential challenges in execution. The prospective PIP-related external loans, estimated at around US$235.8

million in 2022, keep the same weight distribution between multilateral and bilateral creditors as of end-2021. Moreover, the baseline includes IMF's prospective disbursements under the program (about SDR 64.4 million, 50 percent of quota) as well as the World Bank's projected disbursements (US$101.9 million on average over 2022-29, and US$81.0 million thereafter), with financing terms reflective of Mauritania's transition to an IDA gap country in July 2021 and including all lending instruments.[9] Domestic financing is projected to shift from short-term to long-term borrowing, reflecting the Government's goal to develop a perennial local bond market and associated yield curve. The DSA assumes that domestic financing will arise mostly from one- to seven-year bonds with a smaller portion in longer maturities. The existing Central Bank loan to the government of MRU 18 billion is assumed to remain constant with no new debt undertaken and no principle payments made.

13. External debt disbursements are expected to average 3.7% percent of GDP over the medium-term. Disbursements are projected to reach 4.7% percent of GDP in 2023 before declining to a stable 3.2% from 2027 onwards, reflecting the end of IMF financing and the publicly guaranteed SNIM loan—no investment decision has yet been made regarding GTA Phases 2 and 3 (and hence these Phases are not included in projections). Over the long term, structural reforms would lower the need for external loans through a crowding in of private investment and FDI.

MACROECONOMIC ASSUMPTIONS

14. Economic activity is recovering amid rising inflation. Growth reached 2.4 percent in 2021 (from a 0.9 percent contraction in 2020), mainly driven by the non-extractive sector (6.3 percent) with activity in services rebounding following the 2020 recession.[10] The drought had a severe impact on agriculture in 2021 and the first half of 2022. This, combined with rising international commodity prices amid the escalation of the war in Ukraine, led to an increase in food insecurity. Inflation accelerated to 12.7 percent y-o-y in October, reflecting surging food and oil prices and a monetary expansion in 2021.

15. International commodity price movements have worsened the external position. The current account (CA) deficit widened to 5.3 percent of GDP in the first half of 2022 relative to 3.2 percent of GDP in the same period of 2021 (latest available data). According to staff estimates, increases in imported food and energy prices and decreasing iron ore prices led to a further widening of the trade deficit Q3 2022. By end-October, international reserves declined from 7.3 months at end-2021 to 5.5 months of prospective non-extractive imports (US$1.6 billion), still above the adequacy threshold of 5.2 months.

16. Fiscal policy became expansionary in response to rising international energy prices and food import prices. A revised budget law was adopted in July 2022 with a projected overall fiscal deficit of 4.4 percent of GDP and a non-extractive primary deficit of 8.7 percent of GDP in 2022, reflecting increased expenditure through transfers and subsidies as well as a scaling up of public investment and security. In

[9] As an IDA status country, Mauritania will receive 100 percent of its IDA financing in blend terms. However, in IDA20 (FY23-FY25), 24 percent of this amount will be provided through Shorter Maturity Loans.

[10] The authorities revised up growth for 2017-20, with real GDP contracting by 0.9 percent in 2020 after the revision (against 1.8 percent before the revision).

July, the authorities also substantially reduced fuel subsidies with a 30 percent fuel price increase. As of end September 2022, the primary fiscal deficit (excluding grants) reached 2.2 percent of GDP.

17. Credit growth accelerated in 2022 following the monetary expansion implemented in 2021. Credit growth reached 19.7 percent in October 2022 from 8.4 percent in end-2021. Broad money growth decreased to 4.7 percent in October 2022 (20.4 percent in December 2021) due to the decrease of currency in circulation after the start of mobile banking transactions as well as the reduction in international reserves. Bank reserves also contracted in the first half of 2022, as BCM increased its FX sales, but the trend started to reverse in July.

Text Table 4. Mauritania: Macroeconomic Assumptions 2021-41

	2021	2022	2023	2024	2025	2026	2027	2028-32	2033-41
Real GDP growth									
Current DSA	2.4	5.3	4.3	5.7	6.6	3.9	5.1	2.7	3.7
Previous DSA	2.0	4.2	6.1	5.2	4.3	5.0	5.2	4.7	4.8
Real GDP growth (Non-extractive)									
Current DSA	6.3	2.1	3.3	4.4	4.7	4.8	5.0	4.4	4.2
Previous DSA	-3.3	2.0	3.7	4.0	4.5	4.8	5.4	5.7	5.6
Nominal GDP (millions of US$)									
Current DSA	9,892	10,314	10,507	11,021	11,541	11,953	12,456	13,268	18,329
Previous DSA	7,554	7,915	8,477	9,021	9,436	9,883	10,425	11,526	17,208
Inflation (EoP)									
Current DSA	5.7	11.0	9.0	6.0	5.0	4.0	4.0	4.0	4.0
Previous DSA	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Exports, goods & services (percent of GDP)									
Current DSA	33.2	38.5	36.0	38.0	39.2	37.9	36.2	32.5	25.3
Previous DSA	32.3	32.8	35.1	34.9	34.6	34.2	33.4	31.5	25.4
Current account balance (percent of GDP)									
Current DSA	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7	-6.3	-4.9
Previous DSA	-18.5	-14.5	-6.6	-5.0	-4.3	-4.1	-3.3	-3.5	-3.5
Revenue and grants (percent of GDP)									
Current DSA	21.3	24.0	22.0	21.8	21.9	22.0	22.5	22.3	21.7
Previous DSA	18.4	18.8	18.9	19.0	18.9	19.1	19.2	19.5	20.8
Primary fiscal balance (percent of GDP)									
Current DSA	2.9	-0.5	-1.8	-1.0	-0.3	0.3	1.3	1.2	0.5
Previous DSA	0.4	1.0	1.0	1.0	1.1	0.9	0.9	0.9	1.5
Expenditure (percent of GDP)									
Current DSA	18.2	19.2	25.4	24.6	23.6	22.9	22.5	22.2	22.3
Previous DSA	19.3	16.1	16.2	16.7	16.4	16.0	16.2	16.9	19.1
Price of iron ore (US$/ton)									
Current DSA	158.2	121.0	101.5	95.7	90.0	90.0	85.0	85.0	85.0
Previous DSA	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Price of gold (US$/ounce)									
Current DSA	1,800	1,820	1,816	1,875	1,930	1,960	1,989	1,989	1,989
Previous DSA	1,966	1,990	2,011	2,029	2,050	2,043	2,043	2,043	2,043

Sources: Mauritanian authorities and staff calculations

18. The outlook remains broadly positive despite the challenging global environment (see Text-Table 1).

- **In the short-term (2022):**
  - Growth is expected to accelerate to 5.3 percent, up from 4.2 percent in the previous DSA, mainly driven by the recovery of the extractive sector (17.0 percent) and significant expansion in the agriculture and fishing sectors. Non-extractive growth should slow

down to 2.1 percent, down from 3.7% in the previous DSA, as high inflation is expected to affect consumption and the construction sector, which heavily relies on imported inputs.

- Inflation is projected to stabilize at around 11 percent (end-of-period 2022) following the recent monetary contraction, significantly higher than in the previous DSA (4 percent).

- The CA deficit is expected to widen to 17.3 percent of GDP in 2022 (from 7.9 percent in 2021, and 14.5 in the previous DSA) under the effect of increasing imported food and energy prices and the decreasing iron ore price.

- A drawdown from the treasury account (around 3 percent of NEGDP) should finance a 2.1 percent of NEGDP primary fiscal deficit (excluding grants), down from a surplus of 0.8 percent in the previous DSA.[11] Extractives taxes and dividends explain a boost in revenues in 2022, while expenditures increased relative to the previous DSA due to food and energy subsidies following international price increase, alongside an increase in public investment execution.

- **In the medium term (2023–27) and beyond:**

  - A projected drop in iron ore prices weakens overall growth in 2023, while non-extractive growth is expected to reach 5 percent in 2027, in line with the previous DSA, before dropping to an average 2.7 percent during 2028-2032 (reflecting a drop off in planned gold production) and bouncing back to an underlying steady state of 3.7 percent in the long-run supported by higher private investment. Regarding extractive growth, the start of the GTA project was pushed back to 2024 (from 2023 in the previous DSA), iron ore volumes are projected to expand more rapidly up to 2027, and update gold production projections have been integrated seeing a steep decline from 2028 onwards as the main mine comes to the end of its lifetime.

  - A normalization of global prices is projected to improve the current account deficit in 2023. Gas and gold exports will likely help improve the CA and international reserves could, with the support of IMF financing, reach 5.5 months of non-extractive imports over 2027, also in line with the previous DSA.

  - Revenues are projected to weaken in 2023 as global commodity prices normalize. In the medium term, revenue from the Grand Tortue/Ahmeyim (GTA) offshore gas project are expected to provide additional fiscal space of 0.5 percent of GDP from 2024 onwards and help raise social and infrastructure spending while maintaining sustainable primary balances. Structural reforms are also expected to accelerate with support from a Fund

[11] A record dividend of MRU 12.3 billion (3.4 percent of GDP) from the state-owned mining company SNIM offsets some of the increase in expenditure and reduces the financing needs.

arrangement. Expenditure is projected to remain higher than under the previous DSA due to a step increase in public investment execution, an increase in security costs related to the Malian border, and SOE weaknesses.

19. The LIC-DSF realism tools confirm the credibility of the baseline scenario but highlight risks (Figures 3 and 4). The projected debt-creating flows are slightly higher than the historical dynamics as the current account and FDI are now expected to contribute positively to debt accumulation, in line with the near-term deterioration of the terms of trade as well as the decline in FDI that will occur after the completion of GTA Phase 1. The unexplained change in debt is expected to be high relative to LIC counterparts, on the back of a combination of factors related to the 2018 GDP rebasing and the renegotiation of the passive debt owed to Kuwait (see paragraph 9).[12] These factors and the upward revision of the nominal GDP figures in 2017-20 explain the discrepancy in the 2016-21 debt-to-GDP ratios between the current and the previous DSA. The projected fiscal adjustment suggests a large fiscal easing relative to the primary surplus in 2021 which resulted from weak public spending capacity and significant COVID-related inflows. However, 2022 and 2023 are projected to see larger primary deficits as spending execution increased and high international prices drove significant subsidies. A reducing primary balance is projected from 2024 onwards in line with the fiscal measures that are expected to be implemented during the program period and fiscal adjustments realized among peer countries.[13] Baseline growth is in line with a fiscal impulse projection assuming a reasonable multiplier of 0.6 linked to favorable prospects regarding mining, which would boost investment and consumption. Finally, relative to the previous DSA, the baseline anticipates a similar contribution of public investment to growth over the next five years, but projects higher private investment partly due to the implementation of reforms and the rebasing of GDP.

COUNTRY CLASSIFICATION AND STRESS TESTS

20. Mauritania's debt carrying capacity continues to be assessed as medium. The new Composite Indicator (CI)—calculated using the October 2022 World Economic Outlook, the 2021 World Bank CPIA, and staff's baseline projections—is estimated at 2.8, which corresponds to a medium CI score and indicates a second consecutive signal of medium debt-carrying capacity. The country therefore continues to be assessed to have medium debt carrying capacity, which corresponds to the classification Mauritania had under in the last DSA.[14] This reflects better-than-expected BOP outcomes, the favorable outlook regarding

[12] In the previous DSAs, the cancelation of the passive debt was assumed to be effective only in the first projection year. The rebasing increased nominal GDP by 35% in 2018.

[13] Fiscal measures include rationalizing untargeted subsidies, strengthening efforts to raise non-extractive revenues (improving revenue administration and reducing tax exemptions), and anchoring fiscal policy on a medium-term fiscal framework (including a fiscal anchor based on a debt ceiling).

[14] A downgrade caused by the adverse impact of the COVID-19 shock occurred in October 2020. The suddenness of the pandemic affected the data used for estimating Composite Indicators and precluded the estimation of the CI scores in April 2020. A decision was made later that year to set the April-2020 CI scores to the October-2020 values and to consider any upgrade/downgrade signal as definitive at that time. Mauritania was downgraded to weak debt carrying capacity following the CI signal to weak recorded after the October-2020 WEO update.

commodity markets, and good growth prospects. Text table 6 presents the resulting applicable thresholds used for the debt sustainability analysis.

21. **Mauritania's CI calculation is weighed down by large externally financed extractive sector imports, which reduce the import coverage of reserves.** The large scale of the offshore gas project under development and the expansion of the privately owned gold mine complex have generated and continue to generate sizable imports. The CI would be higher if only non-extractive capital imports were considered (extractive capital imports are fully financed through foreign direct investment and included in the balance of payments statistics, with no potential bearing on international reserves).

Text Table 5. Mauritania: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.382	1.30	47%
Real growth rate (in percent)	2.719	4.665	0.13	5%
Import coverage of reserves (in percent)	4.052	33.370	1.35	49%
Import coverage of reserves^2 (in percent)	-3.990	11.136	-0.44	-16%
Remittances (in percent)	2.022	1.442	0.03	1%
World economic growth (in percent)	13.520	2.898	0.39	14%
CI Score			2.758	100%
CI rating			Medium	

Text Table 6. Mauritania: Applicable Debt Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

22. **Default values were used for the standardized stress tests and for the commodity price tailored test** (see text Table 3). The other tailored test—the combined contingent liability stress test—uses the same value as in the previous DSA for all but one category, SOE debt. The DSA reverts to the default value for the non-guaranteed SOE debt shock (2 percent of GDP, with SNIM excluded), to which SNIM debt (0.4 percent of GDP at end-2021) is added since the company represents a contingent liability for the government as a majority shareholder, along with the GTA-related debt held by SMH (2.9 percent of GDP). This brings the overall SOE's debt shock to 5.3 percent of GDP, down from the 17 percent used in the last DSA. The reevaluation is supported by the fact that, except for SNIM and SMH, SOEs do not have the

capacity to borrow externally without government guarantee (see paragraph 10) and capacity regarding local indebtedness is limited. Moreover, the Ministry of Finance's debt plan, which is implemented through the public investment plan, includes debt that is contracted on behalf of SOEs. As in the previous DSA, the PPP shock remains consistent with the advent of the Nouakchott harbor public-private partnership.

DEBT SUSTAINABILITY ASSESSMENT

A. External Debt Sustainability

23. **Mauritania is evaluated at moderate risk of external debt distress (an improvement from the high-risk evaluation in the previous DSA).** Under the baseline scenario, none of the four debt burden indicators breach their indicative thresholds (Table 2 and Figure 1) but all four breach the thresholds under the most extreme shock scenarios. . This change is largely due to the renegotiation of the Saudi Arabian US$300 million loan from non-concessional to concessional terms, which reduced both the PV of debt-to-GDP and debt service-to-revenue indicators. External debt is assessed to be sustainable based on this assessment, and supported by a significant buffer held at the treasury projected at 8 percent of GDP at end-2022.

24. **Under stress tests, all four debt indicators breach their thresholds.** A one-time depreciation shock is the most extreme shock for debt service-to-revenue, while a shock on exports is the most extreme shock for the remainging three external debt indicators.[15] Only the shock scenario for the debt service-to-revenue ratio sees a drop back below the threshold before the end of the projection period.

25. **With the moderate rating, Mauritania is assessed as having 'some space' to absorb shocks for all of the external indicators by the end of the projection period.**. Figure 5 presents the additional qualification of the moderate category for each of the external debt indicators. The PV of debt-to-GDP remains in the 'some space' category throughtout the projection period, while both the PV of debt-to-exports and the debt service-to-exports ratios change from 'substantial space' to 'some space' over time. The debt service-to-revenue indicator spends the majority of the projection period in the some space category, while marginally crossing the threshold into substantial space in 2027 and 2028.

B. Public Debt Sustainability

26. **Mauritania is evaluated at moderate risk of public debt distress (an improvement from high risk in the previous DSA).** Under the baseline scenario, the PV of debt-to-GDP ratio remains under its indicative threshold, however, the most extreme shock—commodity price—leads to breaches from 2027 onwards on the back of the risks associated with fluctuations in commodity markets. A shock on commodity prices is the most extreme scenario for both the overall solvency indicators (PV of debt-to-GDP

[15] The commodity price shock captures the impact of a sudden one standard deviation decline in the export prices of various fuel and non-fuel commodities, as relevant (informed by commodity price distributions).

ratio and PV of debt-to-revenue-ratio) and the overall liquidity indicator (debt service-to-revenue ratio). The dynamics of the debt-service-to-revenue ratio continue to be driven by the servicing of the interest and principal suspended under the DSSI. As in the previous DSAs, public debt and debt service dynamics are driven by external debt, as public domestic debt is low. Public debt is also assessed to be sustainable on the basis of this assessment and the significant buffer held at the treasury.

RISK RATING AND VULNERABILITIES

27. Mauritania's debt is assessed to be sustainable with a moderate risk of external and overall public debt distress. Furthermore, a granular assessment of the moderate risk rating shows that Mauritania has some space to absorb shocks (Figure 5).

28. The rating is vulnerable to various downside risks. Key downside risks include a persistence of the war in Ukraine, which could further impact food prices, further delays regarding the beginning of GTA gas exploitation, subdued iron ore and gold productions, fluctuations in iron ore, gold and oil prices, and security risks in the Sahel region. Risks related to exports are particularly important, as Mauritania's exports are driven by mining activities. Moreover, climate-related disasters (especially droughts) will continue to pose major risks for agriculture and livestock.

29. Despite sizable downside risks, several factors may further strengthen the assessment of moderate risk of debt distress:

- **The general SDR allocation has provided additional reserve assets.** Mauritania received a SDR123.4 million allocation in 2021, which has reduced the country's long-term need for reserve assets by providing additional reserve buffers to the central bank. The Mauritanian authorities on-lent the allocation to the treasury as domestic financing. The terms of this on-lending indicate that the government is responsible for the SDR-related interest payments, with MRU equivalents directly debited from the treasury account. As of October-2022, this financing contributes to the remaining unused buffer for the central government, providing additional space for the government response to the pandemic and increased prices due to the war in Ukraine.

- **The funds needed to cover for the repayment of the Saudi Arabian loan are still available.** While ownership of the US$300 million liability has been passed from the BCM to the central government in April 2022, these assets continue to be part of international reserves and are readily available to cover debt service threshold breaches.

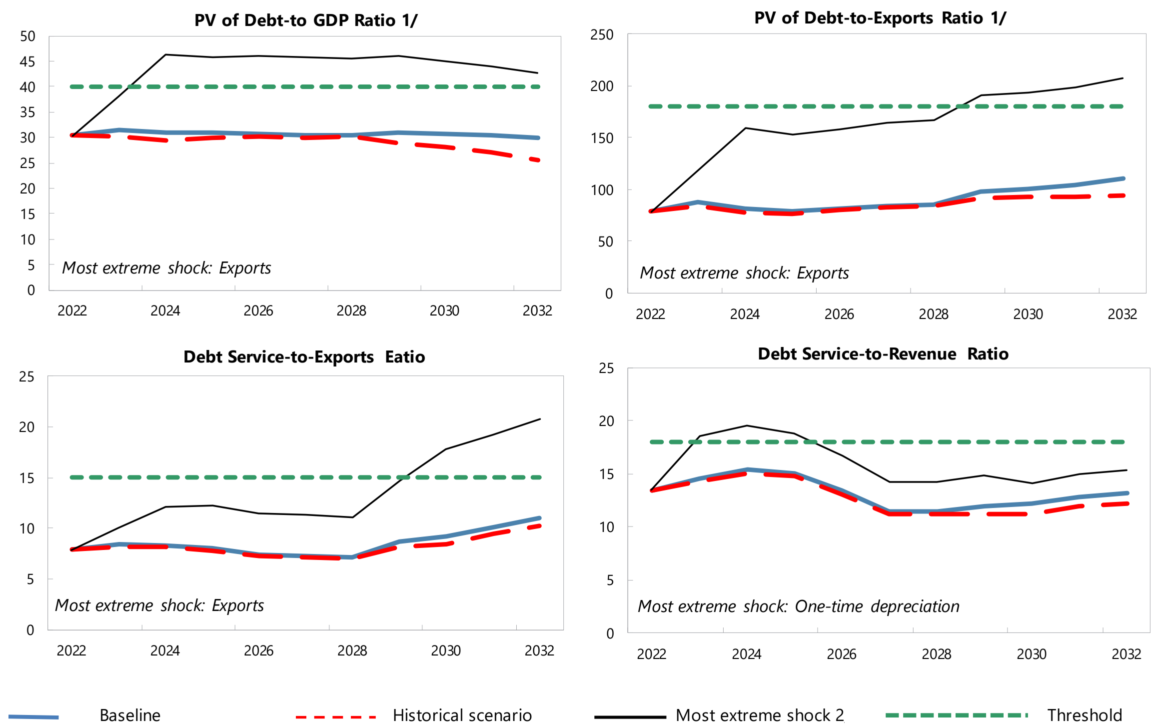
- **Future assets of the GTA-funded hydrocarbon fund could lower risks and improve debt sustainability.** The assets that may accumulate in the hydrocarbon fund from GTA-related revenues (which are assumed in this DSA to represent half of annual GTA government revenues) could be available to meet debt service payments or to retire external debt, which would help reduce long-term vulnerabilities (current baseline projections assume an accumulation of assets). These options would depend on appropriate management of these resources and future macro-fiscal rules adopted by the authorities on the use of GTA-related revenues and accumulated assets. Development of phases 2 and 3 of the project could also strengthen exports and government revenues.

30. **The DSA highlights the need to follow sound economic policies within a robust debt management framework.** This includes a prudent borrowing strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity. To avoid exacerbating short-term liquidity risks, new borrowing resulting in significant short-term debt service should be avoided. The authorities should also continue their best efforts to secure grants for their multi-year response to the COVID-19 crisis and high international prices. Reducing risks of debt distress also hinges on sustaining structural reforms to promote inclusive growth and economic diversification through private sector development, improving public financial management to raise the efficiency and growth dividends of public spending, and strengthening debt management capacity. The authorities have reflected these objectives in their growth and development strategy and continue to make progress in implementing the policies needed to achieve them.

AUTHORITIES' VIEWS

31. **The authorities welcomed the upgrade from high to moderate risk of debt distress and reaffirmed their commitment to prudent debt policies and stronger investment management.** While they appreciated the debt service suspension made available to help manage the COVID-19 crisis, they also recognized the resulting impact on increased debt service payments from 2023-2025 which bring the external debt service-to-revenue ratio temporarily closer to the threshold (although still with a meaningful buffer). The authorities remained committed to prioritizing borrowing on concessional terms, although recognized that the sizable financing needed to recover from the pandemic and achieve their Sustainable Development Goals may not always be available on fully concessional terms.

Figure 1. Mauritania: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2022-32



Customization of Default Settings	Size	Interactions
Tailored Stress		
Combined CL 3/	Yes	
Natural disaster	n.a.	n.a.
Commodity price	No	No
Market financing	n.a.	n.a.

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

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5

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

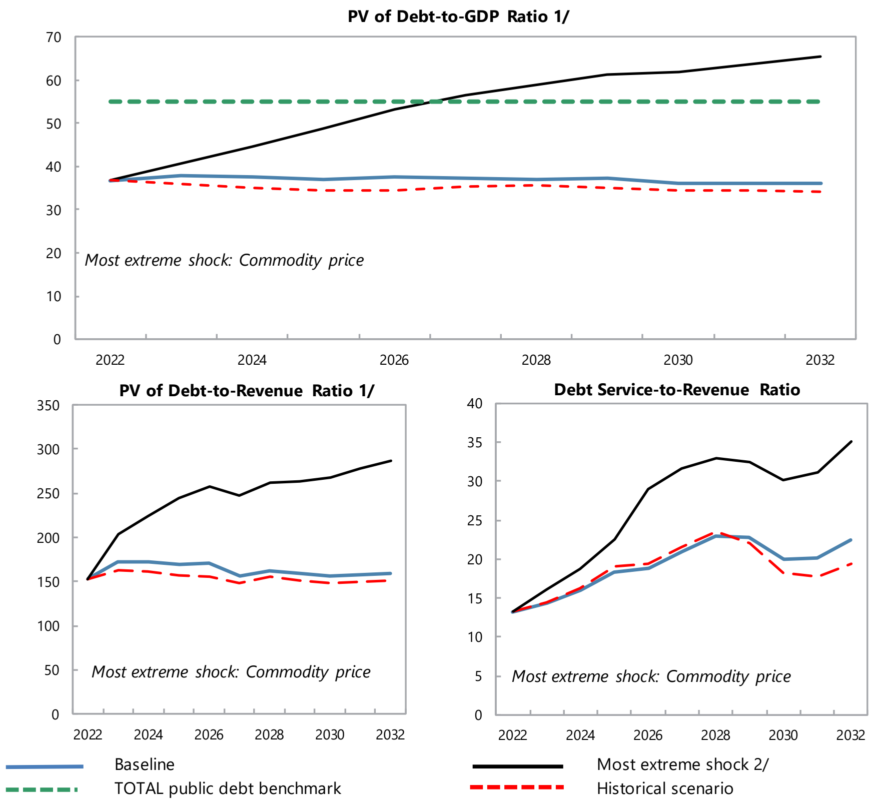
Sources: Country authorities; and staff estimates and projections.

1/ Does not include passive debt to the Kuwait Investment Authority.

2/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

3/ The magnitude of the shock used for the combined contingent liability shock has been increased to factor in the full value of the Nouakchott harbor PPP.

Figure 2. Mauritania: Indicators of Public Debt Under Alternative Scenarios, 2022–32



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	70%	70%
Domestic medium and long-term	4%	4%
Domestic short-term	26%	26%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	3.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	3.1%	3.1%

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

Sources: Country authorities; and staff estimates and projections.

1/ Does not include passive debt to the Kuwait Investment Authority.

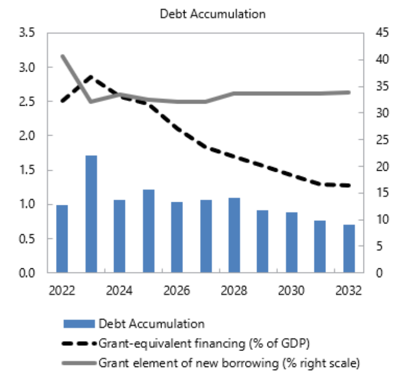
2/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

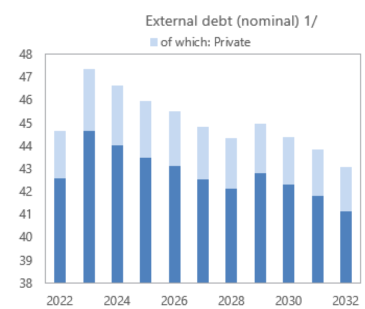
Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2019–42

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	55.2	55.0	45.4	44.7	47.4	46.6	46.0	45.5	44.8	43.1	39.3	55.9	45.1
of which: public and publicly guaranteed (PPG)	47.7	48.6	43.1	42.6	44.7	44.0	43.5	43.1	42.6	41.1	38.0	46.4	42.8
Change in external debt	-2.7	-0.2	-9.6	-0.7	2.7	-0.7	-0.7	-0.4	-0.7	-0.8	0.4		
Identified net debt-creating flows	-4.9	-7.6	-9.9	5.0	1.5	0.5	-1.4	0.0	0.3	2.6	-3.3	0.4	1.5
Non-interest current account deficit	9.8	6.1	7.2	16.3	10.5	5.0	5.1	5.2	4.9	8.6	0.9	12.2	7.1
Deficit in balance of goods and services	13.0	9.4	10.6	20.9	12.9	7.4	6.8	7.4	7.1	9.0	2.4	14.9	9.4
Exports	32.6	33.2	33.2	38.5	36.0	38.0	39.2	37.9	36.2	26.8	24.0		
Imports	45.7	42.7	43.8	59.4	48.9	45.4	46.0	45.3	43.3	35.8	26.4		
Net current transfers (negative = inflow)	-3.9	-4.0	-4.2	-3.3	-2.3	-2.2	-2.2	-2.2	-2.2	-2.1	-1.9	-3.4	-2.3
of which: official	-2.7	-2.2	-2.8	-1.8	-0.8	-0.7	-0.7	-0.6	-0.6	-0.5	-0.3		
Other current account flows (negative = net inflow)	0.7	0.7	0.8	-1.3	-0.2	-0.2	0.5	0.0	0.0	1.7	0.3	0.7	0.0
Net FDI (negative = inflow)	-11.0	-10.8	-10.7	-9.9	-8.0	-2.8	-4.5	-4.4	-3.2	-5.5	-3.8	-10.7	-4.8
Endogenous debt dynamics 2/	-3.7	-2.9	-6.4	-1.4	-1.0	-1.7	-2.0	-0.8	-1.4	-0.4	-0.4		
Contribution from nominal interest rate	0.5	0.6	0.7	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.7		
Contribution from real GDP growth	-2.9	0.5	-1.2	-2.3	-1.9	-2.6	-2.9	-1.7	-2.2	-1.2	-1.1		
Contribution from price and exchange rate changes	-1.3	-4.0	-5.9	...	...	...	...	...	...	...	...		
Residual 3/	2.2	7.4	0.3	-5.7	1.2	-1.3	0.7	-0.5	-1.0	-3.4	3.7	-0.1	-1.7
of which: exceptional financing	-0.1	-1.1	8.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	30.7	30.4	31.5	31.0	30.8	30.7	30.5	29.8	27.7		
PV of PPG external debt-to-exports ratio	...	...	92.4	78.9	87.5	81.8	78.6	81.2	84.3	111.3	115.6		
PPG debt service-to-exports ratio	8.0	5.3	5.1	7.9	8.4	8.3	8.0	7.4	7.3	11.0	9.8		
PPG debt service-to-revenue ratio	14.6	9.5	8.8	13.4	14.6	15.4	15.1	13.4	11.4	13.1	10.7		
Gross external financing need (Billion of U.S. dollars)	0.5	0.3	0.2	1.2	0.8	0.8	0.6	0.6	0.7	1.1	0.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.4	-0.9	2.4	5.3	4.3	5.7	6.6	3.9	5.1	2.9	2.8	3.8	3.8
GDP deflator in US dollar terms (change in percent)	2.4	7.8	12.1	-1.0	-2.3	-0.7	-1.7	-0.3	-0.9	1.0	-0.2	0.4	-0.2
Effective interest rate (percent) 4/	1.0	1.1	1.5	2.2	2.1	2.0	2.1	2.0	1.9	1.9	1.8	2.0	2.0
Growth of exports of G&S (US dollar terms, in percent)	22.7	8.8	14.8	20.9	-4.8	10.6	8.1	0.0	-0.3	-3.6	1.8	2.4	2.0
Growth of imports of G&S (US dollar terms, in percent)	12.2	-0.2	18.0	41.3	-16.1	-2.6	6.2	1.9	-0.3	1.1	0.3	4.2	2.5
Grant element of new public sector borrowing (in percent)	...	...	...	40.7	32.1	33.4	32.4	32.1	32.2	33.8	34.0	...	33.8
Government revenues (excluding grants, in percent of GDP)	17.9	18.4	19.2	22.6	20.6	20.6	20.7	21.0	23.0	22.5	22.0	20.0	22.0
Aid flows (in Billion of US dollars) 5/	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.1	0.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.5	2.9	2.6	2.5	2.1	1.8	1.3	1.2	...	2.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	62.2	47.2	48.9	46.7	47.4	45.7	37.8	36.2	...	45.5
Nominal GDP (Billion of US dollars)	8	9	10	10	11	11	12	12	12	15	22		
Nominal dollar GDP growth	7.9	6.8	14.9	4.3	1.9	4.9	4.7	3.6	4.2	4.0	2.6	4.1	3.7
Memorandum items:													
PV of external debt 7/	...	...	33.0	32.5	34.2	33.6	33.3	33.1	32.8	31.7	29.0		
In percent of exports	...	...	99.3	84.3	95.0	88.6	84.9	87.5	90.6	118.5	120.9		
Total external debt service-to-exports ratio	22.9	24.2	16.0	13.3	14.1	13.5	12.7	12.1	11.9	16.2	13.8		
PV of PPG external debt (in Billion of US dollars)			3.0	3.1	3.3	3.4	3.6	3.7	3.8	4.4	6.2		
(PVt-PVt-1)/GDPt-1 (in percent)				1.0	1.7	1.1	1.2	1.0	1.1	0.7	1.1		
Non-interest current account deficit that stabilizes debt ratio	12.4	6.3	16.8	17.0	7.8	5.7	5.8	5.7	5.6	9.4	0.5		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief) such as the projected resolution in 2020 of the debt owed to the Kuwait Investment Authority; changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

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

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

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

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

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

Table 2. Mauritania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32

(in percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to GDP Ratio											
Baseline	30	31	31	31	31	31	30	31	31	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	30	30	29	30	30	30	30	29	28	27	25
B. Bound Tests											
B1. Real GDP growth	30	33	35	34	34	34	34	34	34	34	33
B2. Primary balance	30	32	33	33	33	33	32	32	31	30	29
B3. Exports	30	38	**46**	**46**	**46**	**46**	**45**	**46**	**45**	**44**	**43**
B4. Other flows 3/	30	35	39	38	38	38	38	38	38	37	36
B5. Depreciation	30	**40**	36	36	36	35	35	36	36	35	35
B6. Combination of B1-B5	30	38	39	39	39	39	38	39	38	37	37
C. Tailored Tests											
C1. Combined contingent liabilities	30	38	40	40	**40**	39	39	39	38	38	37
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	30	37	**41**	**41**	**42**	**41**	**41**	**41**	40	39	37
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-Exports Ratio											
Baseline	79	87	82	79	81	84	85	98	101	105	111
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	79	84	78	77	80	82	85	92	93	93	95
B. Bound Tests											
B1. Real GDP growth	79	87	82	79	81	84	85	98	101	105	111
B2. Primary balance	79	90	88	85	88	90	90	102	103	105	109
B3. Exports	79	119	159	153	158	164	167	**191**	**194**	**198**	**207**
B4. Other flows 3/	79	98	102	98	101	105	107	122	124	128	134
B5. Depreciation	79	87	74	72	74	77	78	89	92	96	103
B6. Combination of B1-B5	79	109	94	107	110	115	116	133	136	140	147
C. Tailored Tests											
C1. Combined contingent liabilities	79	106	104	101	106	109	109	124	126	130	137
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	79	128	129	120	121	122	120	136	137	139	144
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-Exports Eatio											
Baseline	8	8	8	8	7	7	7	9	9	10	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	8	8	8	8	7	7	7	8	8	9	10
B. Bound Tests											
B1. Real GDP growth	8	8	8	8	7	7	7	9	9	10	11
B2. Primary balance	8	8	8	8	8	7	7	9	10	11	12
B3. Exports	8	10	12	12	12	11	11	15	**18**	**19**	**21**
B4. Other flows 3/	8	8	9	8	8	8	8	10	11	12	13
B5. Depreciation	8	8	8	8	7	7	7	8	8	9	10
B6. Combination of B1-B5	8	9	10	10	9	9	9	12	12	14	15
C. Tailored Tests											
C1. Combined contingent liabilities	8	8	9	8	8	8	8	9	10	11	12
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	8	11	10	10	9	9	8	11	13	14	15
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-Revenue Ratio											
Baseline	13	15	15	15	13	11	11	12	12	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	13	14	15	15	13	11	11	11	11	12	12
B. Bound Tests											
B1. Real GDP growth	13	15	17	17	15	13	13	13	14	14	15
B2. Primary balance	13	15	15	15	14	12	12	12	13	14	14
B3. Exports	13	16	17	18	16	14	14	16	**18**	**19**	**19**
B4. Other flows 3/	13	15	16	16	14	12	12	14	15	16	16
B5. Depreciation	13	**19**	**20**	**19**	17	14	14	15	14	15	15
B6. Combination of B1-B5	13	16	17	17	15	13	13	15	15	16	16
C. Tailored Tests											
C1. Combined contingent liabilities	13	15	16	16	14	12	12	13	13	14	14
C2. Natural disaster	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
C3. Commodity price	13	16	**18**	**19**	16	14	13	15	17	17	17
C4. Market Financing	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**	**n.a.**
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

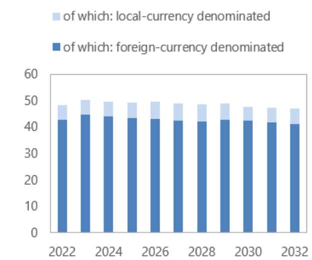
Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42

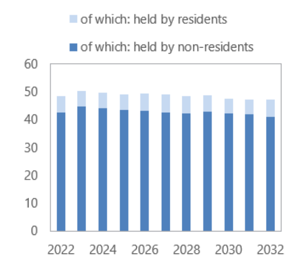
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	55.7	55.8	49.1	48.4	50.3	49.7	49.2	49.6	49.0	47.1	49.2	51.6	48.7
of which: external debt	47.7	48.6	43.1	42.6	44.7	44.0	43.5	43.1	42.6	41.1	38.0	46.4	42.8
Change in public sector debt	-2.2	0.2	-6.7	-0.8	1.9	-0.5	-0.5	0.4	-0.6	-0.2	0.9		
Identified debt-creating flows	-7.0	-7.2	-20.3	-3.9	-0.9	-2.0	-2.8	-2.2	-4.9	-2.8	-1.6	-4.0	-2.9
Primary deficit	-2.9	-3.1	-2.9	0.5	1.8	1.0	0.2	-0.3	-2.5	-1.4	-0.7	-1.3	-0.7
Revenue and grants	19.4	20.4	21.3	24.0	22.0	21.8	21.9	22.0	23.8	22.7	22.1	21.0	22.8
of which: grants	1.5	2.0	2.1	1.5	1.4	1.2	1.1	1.0	0.8	0.2	0.1		
Primary (noninterest) expenditure	16.6	17.3	18.4	24.6	23.8	22.8	22.1	21.7	21.3	21.3	21.5	19.8	22.0
Automatic debt dynamics	-3.9	-3.2	-7.4	-4.4	-2.7	-3.0	-3.1	-1.9	-2.4	-1.4	-1.0		
Contribution from interest rate/growth differential	-3.6	0.1	-3.4	-4.4	-2.7	-3.0	-3.1	-1.9	-2.4	-1.4	-1.0		
of which: contribution from average real interest rate	-0.6	-0.5	-2.1	-1.9	-0.8	-0.3	0.0	-0.1	0.0	-0.1	0.3		
of which: contribution from real GDP growth	-3.0	0.5	-1.3	-2.5	-2.0	-2.7	-3.1	-1.8	-2.4	-1.3	-1.3		
Contribution from real exchange rate depreciation	-0.3	-3.3	-4.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.3	-0.8	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	0.0
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.3	-0.8	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual 2/	4.8	7.3	13.6	3.1	2.8	1.4	2.3	2.6	4.3	2.6	2.5	5.0	2.7
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	36.6	36.7	38.0	37.5	37.0	37.6	37.3	36.1	39.2		
PV of public debt-to-revenue and grants ratio	...	...	171.4	152.7	172.8	171.9	169.3	170.5	156.7	158.8	176.9		
Debt service-to-revenue and grants ratio 4/	28.0	22.6	18.2	13.3	14.4	16.0	18.4	18.7	20.9	22.5	31.0		
Gross financing need 5/	2.3	0.7	-9.0	3.7	4.9	4.4	4.2	3.8	3.7	4.2	6.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.4	-0.9	2.4	5.3	4.3	5.7	6.6	3.9	5.1	2.9	2.8	3.8	3.8
Average nominal interest rate on external debt (in percent)	0.0	0.0	0.9	1.7	1.6	1.6	1.8	1.7	1.6	1.7	1.7	1.1	1.7
Average real interest rate on domestic debt (in percent)	-0.7	-2.2	-8.5	2.4	0.2	-2.0	0.4	0.4	2.3	1.2	4.3	2.2	0.8
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.7	-6.8	-8.6	...	...	...	...	...	...	...	...	1.9	...
Inflation rate (GDP deflator, in percent)	5.3	6.6	12.6	0.2	2.5	4.9	2.7	2.9	1.5	3.1	1.9	3.0	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.2	3.5	9.0	40.7	1.0	1.4	3.2	2.0	3.1	3.4	3.0	6.0	5.7
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-0.6	-3.3	3.7	1.3	-0.1	1.6	0.8	-0.7	-1.9	-1.2	-1.5	-0.1	-0.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-based.
2/ Includes exceptional financing (i.e., changes in arrears and debt relief) such as the projected resolution in 2020 of the debt owed to the Kuwait Investment Authority; changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 4. Mauritania: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to-GDP Ratio											
Baseline	37	38	38	37	38	37	37	37	36	36	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	37	36	35	34	34	35	36	35	34	34	34
B. Bound Tests											
B1. Real GDP growth	37	40	44	45	47	49	51	53	54	**56**	**57**
B2. Primary balance	37	40	40	40	40	40	40	40	39	39	39
B3. Exports	37	42	50	49	49	49	49	49	47	47	46
B4. Other flows 3/	37	42	45	45	45	45	45	45	43	43	42
B5. Depreciation	37	44	41	39	38	37	36	35	32	31	30
B6. Combination of B1-B5	37	38	39	37	38	37	38	40	40	40	41
C. Tailored Tests											
C1. Combined contingent liabilities	37	49	47	47	47	47	47	47	46	47	47
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	37	41	45	49	53	**56**	**59**	**61**	**62**	**64**	**65**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
TOTAL public debt benchmark	55	55	55	55	55	55	55	55	55	55	55
PV of Debt-to-Revenue Ratio											
Baseline	153	173	172	169	171	157	162	160	156	157	159
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	153	163	161	157	156	148	156	151	149	150	151
B. Bound Tests											
B1. Real GDP growth	153	183	201	206	214	206	222	228	233	243	252
B2. Primary balance	153	180	185	182	183	169	175	174	170	172	173
B3. Exports	153	192	227	224	224	207	213	211	204	203	202
B4. Other flows 3/	153	190	207	204	205	189	195	192	187	186	186
B5. Depreciation	153	200	191	180	175	156	156	149	140	135	131
B6. Combination of B1-B5	153	173	176	171	171	157	166	170	171	175	179
C. Tailored Tests											
C1. Combined contingent liabilities	153	222	217	213	213	197	205	204	201	203	205
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	153	203	224	244	258	247	262	263	267	278	287
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Debt Service-to-Revenue Ratio											
Baseline	13	14	16	18	19	21	23	23	20	20	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	13	14	16	19	19	22	24	22	18	18	19
B. Bound Tests											
B1. Real GDP growth	13	15	19	24	25	28	29	29	27	28	31
B2. Primary balance	13	14	18	22	20	22	22	22	20	20	22
B3. Exports	13	14	16	20	20	22	24	25	25	25	27
B4. Other flows 3/	13	14	16	19	20	22	24	25	23	23	25
B5. Depreciation	13	16	19	21	21	22	24	24	21	21	23
B6. Combination of B1-B5	13	14	16	20	19	21	23	25	24	24	26
C. Tailored Tests											
C1. Combined contingent liabilities	13	14	33	24	23	23	23	23	20	20	22
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	13	16	19	22	29	32	33	33	30	31	35
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

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

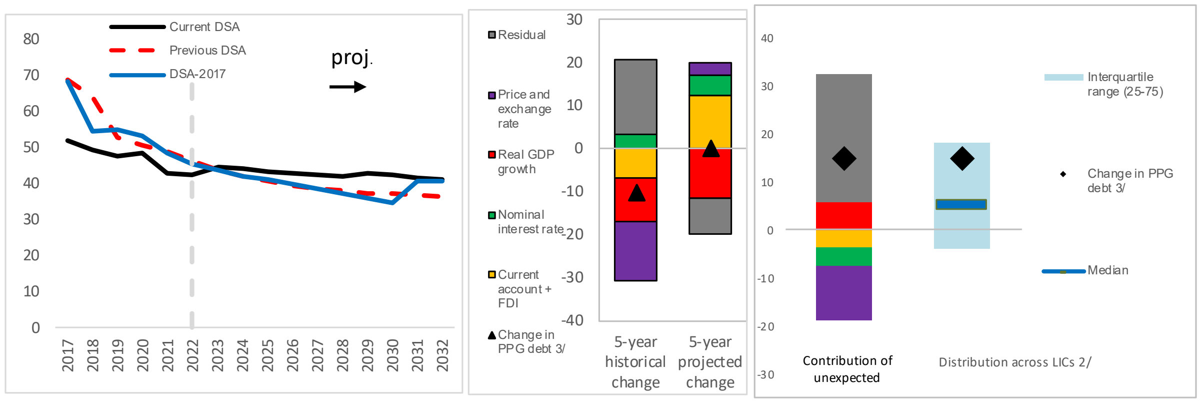
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

Figure 3. Mauritania: Drivers of Debt Dynamics – Baseline Scenario

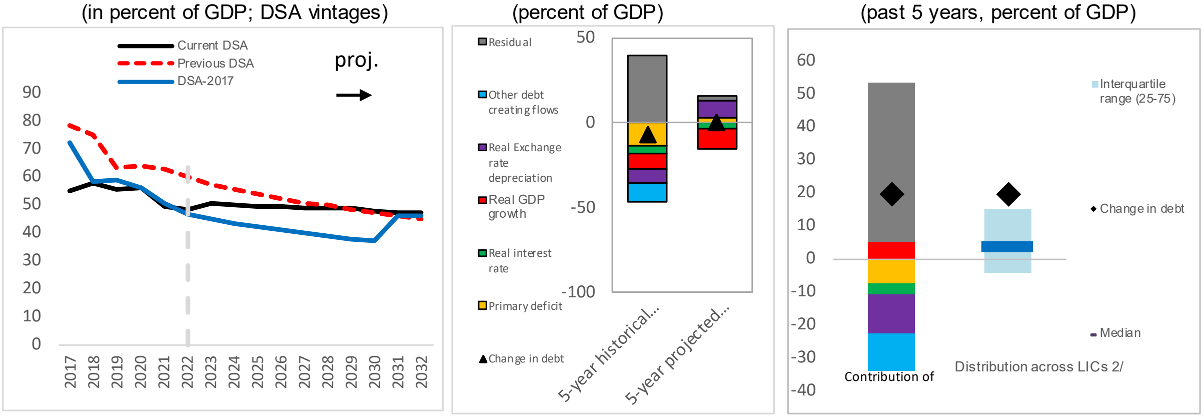
External Debt

Gross Nominal PPG External Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



Public Debt

Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



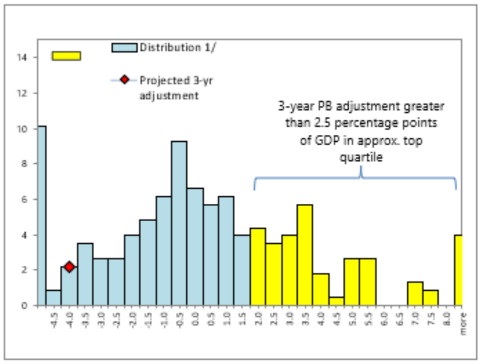
1/ Difference betw een anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for w hich LIC DSAs w ere produced.

3/ Given the relatively low private external debt for average low-income countries, a ppt change in PPG external debt should be largely explained by the drivers of the external debt dynamics equation.

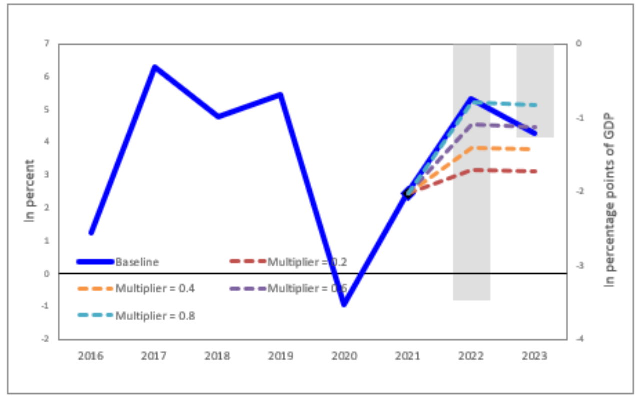
Figure 4. Mauritania: Realism Tools

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



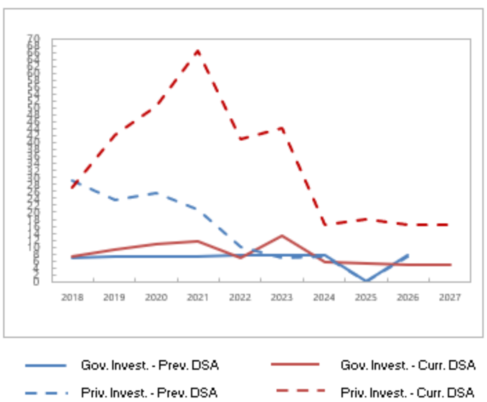
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates 1/
(percent of GDP)



1/ The gap for either variable between the previous and the current DSA is due to a reassessment of projections in light of new information.

Contribution to Real GDP growth
(percent, 5-year average)

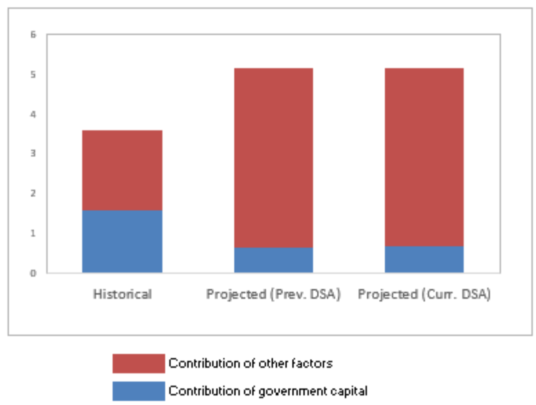
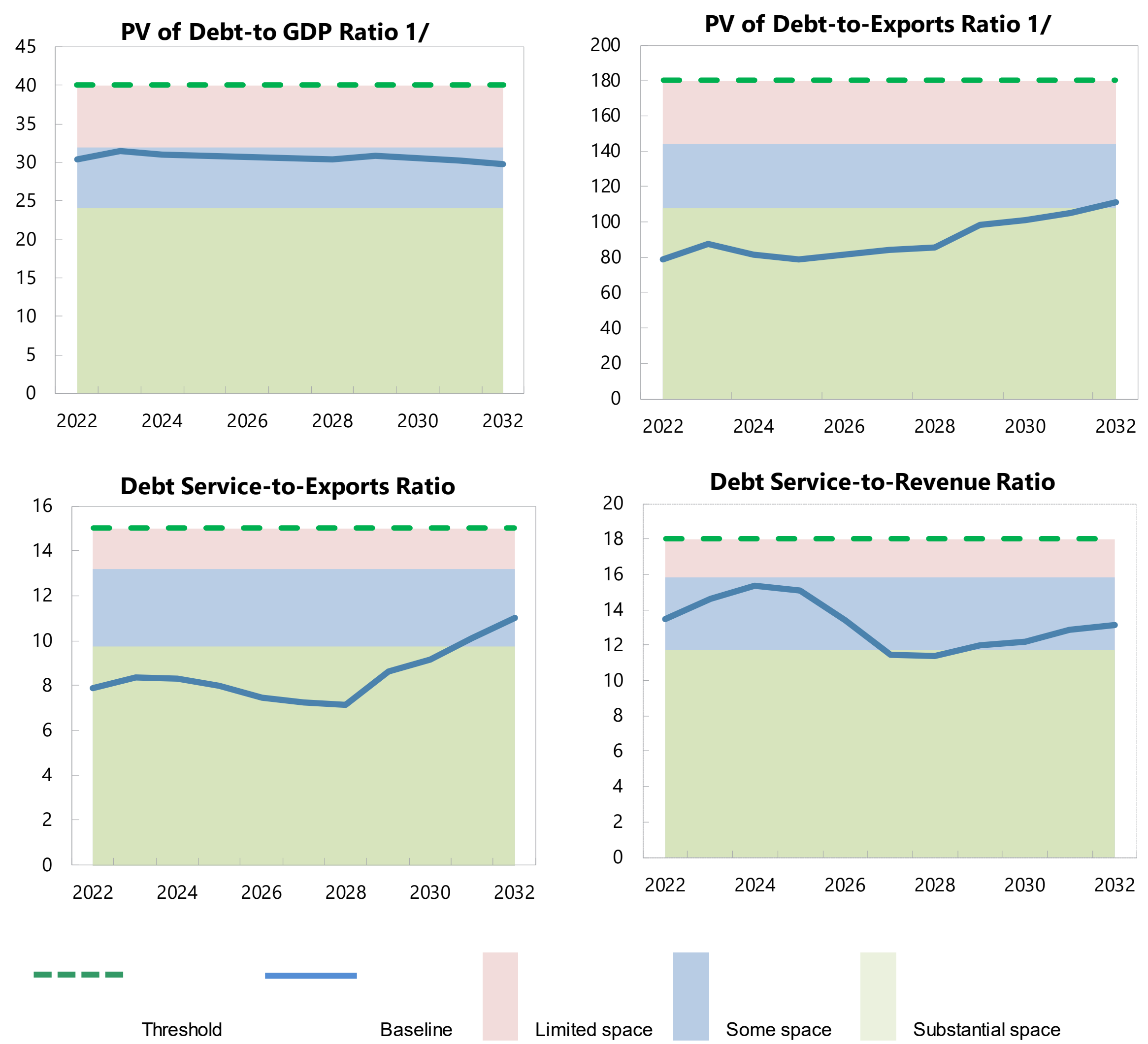


Figure 5. Mauritania: Qualification of the Moderate Category, 2022–32 1/



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Statement by Facinet Sylla, Executive Director for Islamic Republic of Mauritania
January 25, 2023

I. Introduction

The visit to the IMF Managing Director of H.E. Mohamed Ould Cheikh Ghazouani, President of the Islamic Republic of Mauritania, on December 12, 2022, in the margins of the Second USA-Africa Heads of State Summit, was an opportunity to reaffirm Mauritania's economic policy and reform commitments albeit trying times. These commitments include notably strengthening domestic macroeconomic stability, meeting development objectives, and mitigating the challenges posed by climate change. The country also continues to play its role in helping address regional security challenges. All these endeavors have significant implications on its financing needs.

Our Mauritanian authorities thank the IMF Management and staff for the candid and constructive discussions held in Nouakchott and Washington in October and December 2022. They broadly share the thrust of the staff's assessment, including on their request for a new program supported by the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements, and the 2022 Article IV consultations.

The implementation of key reforms in the context of the previous ECF supported-program (2017-21) was satisfactory. Although important challenges remain, Mauritania achieved notable macroeconomic outcomes, including an average real GDP growth rate of 5.5 percent over the period 2017-19, and reduced poverty from 31 percent in 2014 to 28 percent in 2019. Furthermore, far-reaching institutional reforms were initiated in the fiscal, monetary, and financial sectors, as well as in the management of natural resources.

However, the impact of the pandemic, deteriorating terms of trade partly due to the war in Ukraine, and capacity constraints slowed the momentum of reform implementation, and delayed the achievement of some sustainable development goals (SDG). The authorities are keen to vigorously resume their unfinished macroeconomic stabilization and structural reforms agenda. They aim to address the country's key socio-economic challenges with the implementation of the second five-year Action Plan of their *Strategy for Accelerated Growth and Shared Prosperity* (SCAPP 2021–2025).

The new Fund arrangements will support the authorities' development efforts. Amid an uncertain outlook marked by the lingering effects of the pandemic, and the war in Ukraine, the authorities are requesting a successor Fund-supported program to consolidate macroeconomic stability, develop capacities, and promote strong, durable, and inclusive growth. The authorities welcome the proposed access of 50 percent of quota. However, they have indicated that they would request an augmentation of access should the economic situation deteriorate.

II. Recent Economic Developments and Outlook

The economic recovery that started in 2021 is expected to have continued at a robust rate in 2022 amid elevated inflationary pressures. Real GDP growth is estimated to have accelerated from 2.2 percent in 2021 to 5.3 percent in 2022, underpinned by the strong contribution of the extractive sector (+17 percent). Conversely, the growth of the non-extractive sector decelerated from 6.3 percent to 2.1 percent on the back of mounting inflationary pressures on consumption and investment, notably in the highly import-dependent construction sector. The inflation outlook should be impacted by the recent monetary contraction by the Central Bank of Mauritania (BCM), with inflation stabilizing at approximately 11 percent year-on-year at end 2022 (with a period average of 8.3 percent).

The surge in global energy and food prices contributed to the deterioration of the fiscal position. The authorities adopted a Supplementary Budget in August 2022 to address the increase in hydrocarbon prices, undertake social spending in connection with the increase in food prices, and meet urgent security requirements. It provides an increase in spending of 9.3 percent of GDP, and increase in revenue of 2.8 percent of GDP comprising tax and nontax revenue. As a result, the primary fiscal balance (excluding grants) registered a deficit of 2.2 percent of GDP, against a positive primary fiscal balance in 2021, while the non-extractive primary balance deteriorated from 0.8 percent to -2.2 percent of GDP.

In the external sector, international commodity price movements sharply deteriorated the terms of trade. While the current account balance decreased to 2.6 percent of GDP during the first quarter of 2022, the decline in international iron ore prices--Mauritania's main export commodity--and higher international food and energy prices combined to worsen the trade balance during the second and third quarters of 2022. Furthermore, international reserves coverage dropped from 7.3 months of prospective non-extractive imports at end-2021 to 5.5 months at end-October 2022.

The authorities broadly agree with the staff's assessment of the medium-term outlook and risks. They consider that growth in the non-extractive sector should strengthen to 5 percent. A higher projected gold price from 2024 onward, the start of gas exports in 2024, and the projected normalization of oil and food prices from 2023 should improve the current account and stabilize international reserves at 5.5 months of non-extractive imports. The authorities consider the risks and uncertainties to be elevated. The conflict in Ukraine, a global recession, and regional security threats in the Sahel could weaken further extractive exports and revenue; increase pressures on the balance of payments and international reserves; and worsen the fiscal position. Furthermore, the occurrence of more frequent natural disasters and pandemic outbreaks could also increase food insecurity and drag the economic recovery. Security challenges in the Sahel and efforts to contain them are also a major source of uncertainties to the outlook.

III. Policies and Reforms under the New ECF/EFF Arrangements

Fiscal Policy and Reforms

The authorities are committed to maintaining a prudent fiscal stance to preserve fiscal and debt sustainability and create the necessary space to finance priority social and infrastructure spending. They will focus on rationalizing current expenditures, notably the untargeted subsidies, to compensate for the decrease in revenues from the extractive sector, while boosting non-extractive revenues. In line with their commitment to preserve the sustainability of public finances, the authorities increased, on their own initiative, fuel prices by 30 percent in July 2022. They will also anchor fiscal policy to a medium-term fiscal framework (MTFF) to reduce the impact of volatile resources from the extractive sector. Implementation of the fiscal anchor will require a non-extractive primary deficit (including grants) in the range of 3.5 to 4.5 percent of GDP which will be achieved by reducing current expenditure from about 17 percent of GDP to 13.7 percent by 2027, maintaining capital expenditure around 8.6 percent of GDP, and increasing non-extractive tax revenues annually by 0.5 percent of GDP. To enhance revenue mobilization, the authorities are taking steps to strengthen tax policy and administration, notably by revising the investment code to eliminate distortions and attract new investments, and make e-filing and e-payment mandatory for large taxpayers beginning in 2024. Furthermore, in the prospect of the debut of gas exports in 2024, the government is strengthening the related fiscal measures in order to maximize the impact of hydrocarbons on public finances.

In line with their dedication to develop the social protection system for vulnerable population, the authorities will enhance geographic equity and prioritize the increase in cash transfers. Under the Tekavoul Program, the authorities are updating and enhancing the social registry with the view to use it for the implementation of social programs. Food distribution centers under the Temwine Program will also be reorganized so that they can be more effectively targeted through the social registry. However, hosting refugees from insecurity and climate related shocks is also putting pressure on social safety programs, and the support of the international community is well appreciated.

The authorities take good note of the debt sustainability analysis and recommendations. The moderate risk of debt distress rating is a welcome revision from the high-risk rating and reflects the authorities' strong action to maintain a prudent debt policy based on the principle of avoiding excessive and costly loans. Going forward, they intend to finance investments through grants and a carefully-paced borrowing policy, consistent with preserving the moderate risk of debt distress and taking into consideration absorption capacity. Enhancing debt management will also remain a high priority.

Monetary, Exchange Rate, and Financial Policies and Reforms

The BCM will pursue a prudent monetary policy aimed at containing inflationary pressures, and continue to improve the monetary policy framework. To this effect, it has recently tightened its policy stance by increasing the policy rate by 200 basis points to 7 percent and ceased gold purchases. Should inflation continue to increase, the BCM stands ready to deploy all the instruments required to effectively fulfill its primary objective of price stability. The BCM will also continue to improve the effectiveness of the monetary policy framework to conduct a forward-looking monetary policy while laying the groundwork for a more flexible exchange rate regime.

The authorities are keen to gradually implement a flexible foreign exchange policy. In this regard, they will focus on creating the conditions required for fully competitive foreign exchange auctions, and for a successful transition to a market-determined exchange rate. The BCM will modernize the operations of the official foreign exchange market, continue to improve access to foreign exchange, and develop the interbank foreign exchange market activities. Once the monetary policy framework has been strengthened, the BCM will gradually increase exchange rate flexibility to strengthen its role as an exogenous shock absorber and help maintain external sustainability.

Based on the FSAP, the authorities have developed a roadmap for the preservation of financial sector stability and deepening. Notably, the authorities aim to move towards a risk-based supervision framework for the banking sector. In this regard, the banking regulations will be strengthened and the BCM will ensure compliance with prudential standards while improving the quality of statistics. The authorities are also accelerating their efforts to strengthen the AML/CFT framework, and transition to the International Financial Reporting Standards (IFRS), a key reform that they intend to pursue under the new Fund-supported program.

Improving Governance, Transparency, and the Business Environment for Private Sector Investment

The authorities are keen to addressing weaknesses and vulnerabilities in the governance and anti-corruption framework. They have recognized early on the macro criticality of these issues which hamper growth and development. In this connection, they have updated their national anticorruption strategy (SNLC) which emphasizes integrity, accountability, transparency, and ethics. On the basis of the governance diagnostic conducted with the assistance of the Fund, they will prepare an action plan in 2023 to tackle weaknesses and vulnerabilities in several macrocritical areas, including in central bank governance and operations, AML/CFT framework, public procurement and auditing, and fiscal governance and revenue administration.

The authorities are also stepping up their efforts to improve the business environment for private sector investments. While progress has been made in recent years, including in establishing a one-stop window to reduce the transaction costs associated with creating enterprises, further efforts are needed, notably on digitalizing the procedures for enterprise creation. For the medium term, the authorities will continue to simplify administrative procedures for starting a business, promote the formalization of economic activities, and support entrepreneurship, including for the youth and women.

The government is also developing a national financial inclusion strategy (SNIF). It intends to create guarantee mechanisms to support the development of small and medium-sized enterprises with the assistance of the African Development Bank and other partners. A key aspect of the strategy will be to facilitate the use of mobile banking services, reduce the reliance on cash, and promote access to financial services by the poorest populations.

The agenda on climate change remains a priority for our authorities. Mauritania is confronting significant weather-related challenges stemming from increasing temperatures, droughts, floods, and coastal erosion, with adverse impacts on the most vulnerable populations in rural and urban areas. The authorities are committed to contributing to global energy transition efforts and promoting low-carbon growth. Their efforts are conducted both in the areas of mitigation and adaptation. In line with the United Nations Framework Convention on Climate Change and the Paris Agreement on Climate Change, the authorities have updated Mauritania's Nationally Determined Contribution which defines the country's climate policy framework with the horizon of 2030. They are planning to leverage the Fund's new financing window, RST, to strengthen these initiatives to mitigate the impact of climate change.

IV. Conclusion

Despite the security and climate-related threats, Mauritania continues to resolutely tackle the consequences of the pandemic and the war in Ukraine. A new Fund-supported program will help to stimulate the recovery while preserving macroeconomic stability; reinforce the economic policy frameworks; and support efforts in strengthening governance, transparency, and the business environment to boost private investments. In this endeavor, the Mauritanian authorities seek the Executive Board's approval of their requests for 42-month arrangements under the ECF and the EFF. They also appreciate the conclusion of the 2022 Article IV consultations.