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ISLAMIC REPUBLIC OF MAURITANIA

December 2023

FIRST REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF MAURITANIA

In the context of the First Reviews Under the Arrangements under the Extended Credit Facility and the Extended Fund Facility, Requests for Modification of Performance Criteria and a Waiver of Nonobservance of Performance Criterion, and Request for an Arrangement Under the Resilience and Sustainability Facility, 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 December 19, 2023, following discussions that ended on October 27, 2023, 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 5, 2023.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the Internal Development Association.
- A **World Bank Assessment Letter for the Resilience and Sustainability Facility.**
- 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

PR23/465

IMF Executive Board Concludes the First Reviews under the Extended Fund Facility and Extended Credit Facility Arrangements and Approves an Arrangement under the Resilience and Sustainability Facility for the Islamic Republic of Mauritania

FOR IMMEDIATE RELEASE

- *The IMF Executive Board concluded today the first reviews under the Extended Fund Facility (EFF) and the Extended Credit Facility (ECF) Arrangements, enabling the authorities to draw SDR 16.10 million (approximately US$21.52 million).*
- *The IMF Executive Board also approved a Resilience and Sustainability Facility (RSF) arrangement for Mauritania in the amount of SDR 193.2 million (approximately US$258.21 million).*
- *The RSF arrangement will support Mauritania's efforts to strengthen its resilience to climate shocks, enhance its capacity to protect the vulnerable against climate shocks, and expedite the transition toward cleaner energy sources.*

Washington, DC – **December 19, 2023:** The Executive Board of the International Monetary Fund (IMF) concluded the first reviews under the Extended Credit Facility and Extended Fund Facility arrangements (ECF/EFF) for the Islamic Republic of Mauritania and approved the request to modify the end-December 2023 Net International Reserves and Net Domestic Assets performance criteria. The Board granted a waiver of nonobservance of the performance criterion on the non-introduction and non-modification of multiple currency practices. The Board approval will allow for SDR 16.10 million (US$21.52 million) to be made available immediately to Mauritania. IMF Executive Board also approved a 31-month arrangement under the IMF Resilience and Sustainability Facility (RSF) for a total amount of SDR 193.2 million (approximately US$258.21 million).

Economic growth is expected to slow to 4.8 percent in 2023 compared to 6.4 percent in 2022, while inflation should continue its downward trend, reaching 4.5 percent at end-2023 compared to 11 percent in 2022. However, the economic outlook remains uncertain.

Mauritania's economic reform program supported by the IMF ECF/EFF 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 developing 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.

The RSF arrangement will help build resilience to climate change and strengthen the policy framework to maximize synergies with other official financing and catalyze private financing. The reform measures focus on: (i) incorporating climate issues into public financial management (PFM) and public investment management (PIM); (ii) social protection against climate shocks; (iii) decarbonization; and (iv) the strengthening of the institutional framework for water management, providing disbursements in line with the pace at which reforms are implemented.

Executive Board Assessment[1]

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

"With sound policies, donor support, and normalized food and energy prices, Mauritania's economic growth remained strong in 2023. Inflation declined, the current account deficit narrowed, international reserves remained comfortable, and fiscal performance remained in line with the authorities' medium-term goal of declining external debt."

"The authorities' implementation of a fiscal anchor helps shield public expenditure from volatile commodity prices and stabilize debt. A disciplined fiscal policy that preserves infrastructure investment and social spending would help achieve higher and greener growth while containing debt. In this context, it will be important to increase domestic revenues to create more fiscal space, rebalance public expenditure away from untargeted current spending, and enhance the efficiency of public investment."

"To anchor low inflation and to ensure a smooth and gradual transition to a more flexible exchange rate in the context of the recently introduced interbank foreign exchange market platform, the central bank has appropriately tightened its monetary stance. Continued tight monetary policy and keeping excess liquidity minimal would help keep inflation anchored and develop interbank markets. Careful monitoring of financial sector developments and continued enforcement of prudential regulation would strengthen the banking sector's resilience to shocks. Continued improvements in the AML/CFT framework are also important."

"Decisive implementation of structural reforms is key to support higher, more inclusive and diversified, private sector-led growth. Priorities include strengthening governance and transparency, promoting financial inclusion, and implementing the governance action plan to improve the business environment."

"Continued implementation of the arrangements under the Extended Credit Facility and Extended Fund Facility, and of the ambitious reform measures to address climate-related vulnerabilities, supported by the new Resilience and Sustainability Facility, will help address Mauritania's medium- and long-term term challenges and catalyze additional financing. In particular, the programs aim to help maintain reserves above the adequacy threshold during the gradual flexibilization of the exchange rate, strengthen policy frameworks, and promote sustainable and inclusive growth. The arrangements will also contribute to the development of human capital, private sector growth, and poverty reduction, and to climate change adaptation and mitigation."

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[1] At the conclusion of the discussion, the Managing Director, as Chairman of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

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	0.7	6.4	4.8
Real extractive GDP	-19.2	18.3	11.6
Real non-extractive GDP	6.0	3.3	3.2
GDP deflator	7.5	2.2	3.3
Consumer prices (end of period)	5.7	11.0	4.5
	(In percent of nonextractive GDP; unless otherwise indicated)		
Central government operations			
Revenues and grants	28.6	30.2	29.0
Nonextractive	20.4	21.9	23.5
Taxes	14.7	16.1	17.8
Extractive	5.3	6.1	3.4
Grants	2.9	2.2	2.1
Expenditure and net lending	26.2	34.6	31.4
Current	16.4	20.8	19.9
Capital	9.8	13.8	11.5
Primary balance (excl. grants)	0.6	-5.4	-3.5
Overall balance (in percent of GDP)	1.9	-3.6	-1.9
Public sector debt (in percent of GDP) 1/ 2/	52.4	47.3	46.9
	(Annual change in percent; unless otherwise indicated)		
Money and Credit			
Broad money	20.4	3.1	8.0
Credit to the private sector	8.4	13.0	5.0
Balance of Payments			
Current account balance (in percent of GDP)	-8.6	-16.6	-12.2
Excl. externally financed extractive capital imports	1.0	-4.7	-4.5
Gross official reserves (in millions of US$, eop) 3/	2,347.5	1,876.6	1,892.8
In months of prospective non-extractive imports	8.2	6.6	6.4
External public debt (in millions of US$) 2/	4,203.6	3,970.2	4,098.5
In percent of GDP	46.1	40.5	40.0
Real effective exchange rate	...	...	...
Memorandum items:			
Nominal GDP (in millions of US$)	9,126.0	9,799.4	10,243.1
Price of iron ore (US$/Ton)	158.2	120.7	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 5, 2023

FIRST REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

EXECUTIVE SUMMARY

Context. Economic performance in 2022 has been positive, with robust real GDP growth, decreasing inflation, and a narrowing current account deficit. Still, challenges related to infrastructure, governance, vulnerability to economic shocks, and limited economic diversification constrain Mauritania's economic development. While the political situation appears stable, security risks persist, especially in the Sahel region. Additionally, more frequent, and severe climate-related disasters create large adaptation needs, though opportunities for clean energy exist. The authorities are seeking support under the Resilience and Sustainability Facility (RSF) to enhance resilience to climate shocks, bolster disaster risk management, and accelerate the transition to cleaner energy sources, while continuing the ECF/EFF arrangements.

Program implementation under the current ECF/EFF. Program performance under the current ECF/EFF arrangement is on track. All end-June quantitative performance criteria (QPCs) were met. However, breaches to the Continuous Performance Criterion (CPC) on the non-introduction and non-modification of multiple currency practices (MCPs), are expected to arise temporarily on December 14, 2023, in the context of the implementation of critical reforms—supported with Fund TA—related to the interbank FX market to support the move to greater exchange rate flexibility. The authorities have requested approval of these MCPs under Article VIII Section 3, as well as a waiver of nonobservance of the CPC. All end-September indicative targets were met, except for the Net International Reserves (NIR) target as the central bank had not yet implemented a foreign exchange (FX) intervention budget in line with FX targets. March, June, and September structural benchmarks (SBs) were either met or implemented with delay, except for the SB on the introduction of the new FX platform, which will be implemented by mid-December. To smooth the introduction of FX platform, including availing sufficient FX liquidity in the market's early stages, staff

supports the authorities' request for a modification of the net international reserves (NIR) and net domestic assets (NDA) performance criteria for end-December 2023. Other end-December 2023 QPCs and SBs are on track to be met. Staff also supports the authorities' requests for approval of the above-mentioned MCPs and waiver of nonobservance of the CPC.

RSF request. The RSF will help build resilience to climate change and strengthen the policy framework to maximize synergies with other official financing and catalyze private financing. The reform measures focus on: (i) incorporating climate issues into public financial management (PFM) and public investment management (PIM); (ii) social protection against climate shocks; (iii) decarbonization; and (iv) the strengthening of the institutional framework for water management, providing disbursements in line with the pace at which reforms are implemented. Staff supports the request for an access of 150 percent of quota (SDR 193.2 million) under the RSF.

Approved By
Taline Koranchelian and Boileau Loko

Discussions took place during October 15 – 27, 2023 in Nouakchott. The team comprised Felix Fischer (head), Onur Ozlu (all MCD), Benjamin Kett (SPR), Faycal Sawadogo, Sylke von Thadden-Kostopoulos (all FAD) and Anta Ndoye (Resident Representative), assisted by Ibrahim Ball (local economist). Ms. Fatimetou Yahya (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, Central Bank Governor Mohamed Lemine Dhehby, Minister of Finance Isselmou Ould Mohamed M'Bady, Minister of Economy and Sustainable Development Abdesselam Ould Mohamed Saleh, Minister of Petroleum and Energy Nany Chrougha, Minister of Environment 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. **Mauritania's economic performance at the First Reviews under the new Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements is broadly on track.** Real GDP growth boomed in 2022, inflation has been decelerating over the last 11 months, and the current account (CA) deficit narrowing. International reserves remain adequate at US$1.8 billion in Q3 2023. Yet, infrastructure and governance gaps, vulnerability to shocks, and limited diversification still impede income convergence with North African peers.[1] Discussions were held against the backdrop of more favorable import prices and decreasing price pressures.

2. **Mauritania is facing more frequent and severe climate-related natural disasters, which affect economic stability and growth and create large adaption needs.[2]** The expected rise in the sea level threatens the highly populated capital Nouakchott. Fast urbanization and population growth put further pressure on water infrastructure. Yet, there are significant opportunities for clean energy production.

3. **The political situation remains stable, but security risks persist.** The ruling party won the legislative, regional, and municipal elections in May, and President Ghazouani formed a new government on July 4, 2023.[3] The situation in Niger and the withdrawal of the United Nations peacekeeping mission in Mali (MINUSMA) might lead to further deterioration in the security situation across the Sahel. Presidential elections are expected to take place in June 2024.

4. **The Mauritanian authorities have requested a modification of the net international reserves (NIR) and net domestic assets (NDA) performance criteria for end-December 2023 and an arrangement under the Resilience and Sustainability Facility (RSF).** The authorities are making progress in the implementation of policies and reforms agreed under the new 42-monthmonth ECF/EFF arrangements and focusing on anchoring fiscal policy, strengthening policy frameworks, and bolstering governance, transparency, and the environment for private investment. To smooth the transition to a new foreign exchange platform, the authorities requested an easing of the end-December NIR and NDA targets. To help address climate vulnerabilities, they have also requested an RSF to build resilience against climate shocks, strengthen disaster risk

[1] Health and education quality lags that of peers. Weaknesses in public investment management weigh on the quality of investment. 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. In addition, migration flows, and the number of refugees has increased with rising insecurity in the Sahel.

[2] Climate adaptation costs are estimated by the authorities in their revised Nationally Determined Contribution (NDC) report at $10.6 billion over 2021–30 (107 percent of 2021 GDP). Mitigation needs amount to US$34.2 billion over 2021–30 (354 percent of 2021 GDP). See also Selected Issues Paper, February 2023 (IMF Country Report No. 23/74).

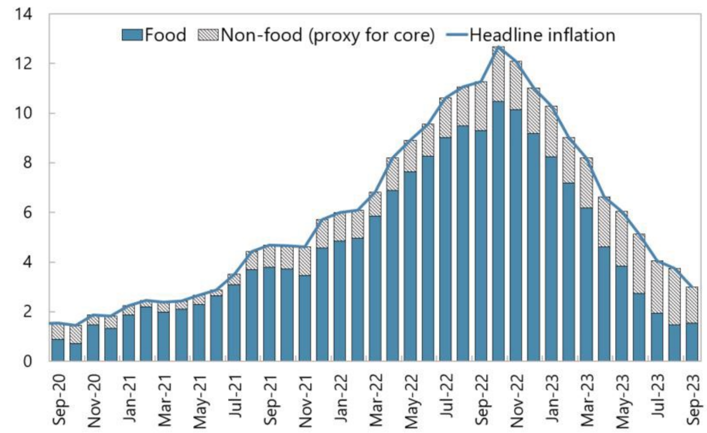
[3] The new cabinet saw the entry of nine new ministers, including eight holding the position for the first time.

management capacity, and accelerate the transition to cleaner energy sources. The RSF arrangement coincides with the remaining 31 months under the ECF/EFF arrangement approved in January 2023.

RECENT ECONOMIC DEVELOPMENTS

5. **Economic activity peaked up in 2022 while inflation started to decelerate**. Growth reached an estimated 6.4 percent in 2022 (0.7 percent in 2021), mainly driven by the extractive sector (18.3 percent). Performance of the non-extractive sector slowed to 3.3 percent (6.0 percent in 2021), partially due to higher fuel prices and remains insufficient to sustainably increase standards of living. After reaching a peak of 12.7 percent year-on-year (y-o-y) in October 2022, inflation decelerated to 3.0 percent in September 2023, reflecting monetary policy tightening and lower international commodity prices (Text Figure 2).

Text Figure 1. Contributions to Inflation
(In percent)

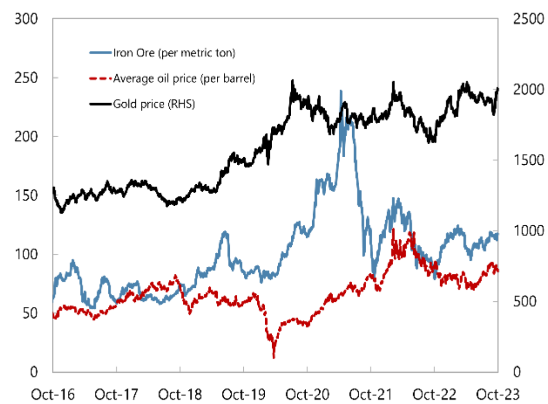


Sources: Mauritanian authorities; and IMF staff calculations.

6. **The external position improved as imported food and energy prices normalized.** The CA deficit narrowed to 6.9 percent of GDP in first half (H1) of 2023 (9.5 percent in H2 2022). By end-September 2023, international reserves decreased to US$1.8 billion (6.1 months of prospective non-extractive imports), compared to US$1.9 billion (6.6 months of prospective non-extractive imports) at end-2022, due to elevated Q1 imports in line with the earlier currency appreciation. The Ouguiya appreciated by 6.6 percent against the US dollar during Q1 2023 but subsequently depreciated by 11.0 percent by end-September. At end-September 2023, the Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) had depreciated by 0.3 percent and 3.0 percent respectively, relative to end-2022 (Text Figure 4).[4]

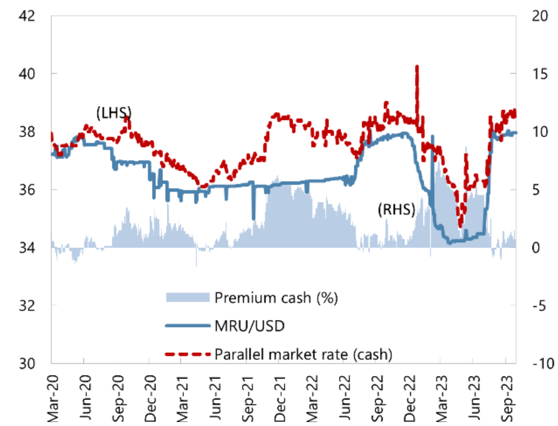
[4] Since December 2022, the ER gained flexibility while still being managed. Therefore, the *de facto* ER arrangement was reclassified to "other managed" from "crawl-like", effective December 7, 2022.

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



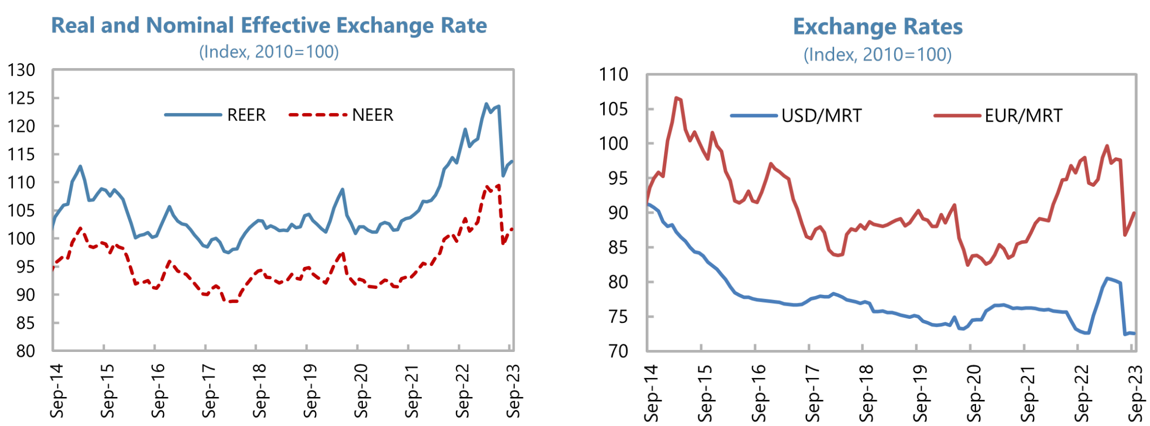
Sources: Bloomberg database; and IMF staff calculations.

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



Source: Mauritanian authorities; and IMF staff calculations.

Text Figure 4. Exchange Rates



Sources: Mauritanian authorities; and IMF staff calculations.

7. **Budget execution is in line with the projections.** End-September 2023 revenues, including grants, stood at MRU 56.7 billion (60 percent of 2023 budget). Non-tax revenues were 67.7 percent higher in July 2023 than in the same period in 2022. Expenditures at MRU 65.3 billion (or 61.8 percent of the 2023 budget) increased compared to July 2022 (54.9 percent).[5]

[5] This increase is explained by the normal budget execution process that started in January in 2023 as opposed to April in previous years.

8. Although excess liquidity declined sharply in the first half of 2022, it has increased again considerably in the second half of 2023 as the Banque Centrale de Mauritanie's (BCM) liquidity absorption has been insufficient to keep markets dry. Excess reserves contracted by 88 percent in the first half of 2022 (to MRU 1.4 billion in June 2022), reflecting the BCM's increasing foreign exchange (FX) sales, followed by BCM's cumulative 300 basis points policy rate in the second half of 2022. As a result, credit growth slowed to 2.4 percent in June 2023 from 13.0 percent at end-2022 and a record high of 25.9 percent in May 2022. However, broad money growth reversed its decreasing trend in March-2023 reaching 11.7 percent in June 2023 from 2.2 percent in February 2023, reflecting BCM's FX purchases and the Government's budget execution. By end-August broad money y-o-y growth almost stabilized at 12.2 percent, while y-o-y credit growth to the economy remained low at 4.3 percent. Notwithstanding a legal reserve requirement increase from 6 to 8 percent, excess reserves in the banking system reached 6.4 billion, as the BCM sterilization remained below international reserve accumulation and government spending. (Figure 4).[6]

OUTLOOK AND RISKS

9. The outlook remains broadly positive though non-mining economic growth remains insufficient to sustainably increase standards of living (Figure 1).

- **2023 economic growth is expected to slow to 4.8 percent with a normalization of extractive sector activity and the lagged effect of overall tighter monetary policy.** Non-extractive economic growth remains insufficient at 3.2 percent to sustainably lift the population out of poverty. Accounting for exchange rate movements towards end-2023, end-year inflation is expected to increase to 4.5 percent. The CA deficit is projected to narrow to 12.1 percent of GDP (16.6 at end-2022) following lower average food and energy prices relative to 2022, fiscal consolidation and tighter monetary policy but remains elevated due to the Q1 exchange rate appreciation. Gross reserves are expected to stabilize at around 6.4 months of non-extractive imports, in part thanks to the repatriation of *Société Nationale Industrielle et Minière de Mauritanie* (SNIM) profits.

- **The 2023 fiscal performance has helped further reducing public debt.** The non-extractive primary balance (NEPB) including grants should narrow to -3.8 percent of GDP—close to the debt stabilizing level—and be financed by a combination of a drawdown of the treasury account (around 3.1 percent of GDP) and issuance of treasury bills. As a result, public debt is to further decline from 47.4 percent in 2022 to 46.9 percent in 2023.

- **Over 2024–28 non-extractive growth is expected to evolve around 5 percent**. The normalization of global food and energy prices is projected to improve the CA deficit in 2024, although the end of the initial investment phase of the GTA project in 2023 will reduce financial inflows in 2024, offsetting the CA improvement and reducing 2024 reserves. Gas exports from

[6] To further reduce excess liquidity, in November 2023 the BCM removed the requirement for banks to hold local currency equivalent to the amount of FX that banks' bids for in the FX auctions.

the new GTA offshore project will also support the narrowing of the CA over the medium term, thus keeping international reserves adequate through 2028 (above 5.2 months of non-extractive imports).[7] As the BCM launches the FX interbank platform, the baseline assumes that FX transactions will increasingly occur between banks through the platform, with the BCM limiting interventions to ensure reserve adequacy. GTA production increase will drive extractive growth until 2025 (and 0.5 percent of GDP fiscal revenues from 2024 onwards), while iron ore production should expand until 2027. Structural reforms are expected to accelerate with support from Fund ECF/EFF and RSF arrangements.

10. The balance of risks is tilted to the downside. An escalation of geopolitical tensions around the world and in the region could affect Mauritania through new terms-of-trade shocks. Social tensions could increase in the wake of the 2024 presidential elections while the security situation in Sahel could further deteriorate. More frequent climate disasters, especially flooding, could deteriorate infrastructure, arable lands and agriculture production, maintaining food insecurity relatively high. Resulting imports of food and materials for reconstruction could widen Balance of Payments (BoP) needs, weighing on international reserves. Delays in the start of the GTA gas exploitation and adverse price fluctuations in commodity markets could lower fiscal revenue, increase external financing needs, and worsen the medium-term debt profile. On the upside, the implementation of future GTA gas project phases would improve the economic growth and the BoP.

Text Table 1. Mauritania: Selected Economic Indicators, 2019-24

	2019	2020	2021	2022	2023	2024
		Est.	Est.		Proj.	
National accounts and prices			(Annual change in percent)			
Real GDP	3.1	-0.4	0.7	6.4	4.8	5.1
Real extractive GDP	7.5	7.1	-19.2	18.3	11.6	5.5
Real non-extractive GDP	2.5	-1.7	6.0	3.3	3.2	5.0
Consumer prices (end of period)	2.7	1.8	5.7	11.0	4.5	4.2
Central government operations			(in percent of nonextractive GDP, unless otherwise indicated)			
Revenues and grants	19.9	20.8	22.7	24.4	23.2	24.1
Nonextractive	16.7	16.6	16.2	17.8	18.9	19.0
Taxes	12.2	10.9	11.7	13.1	14.3	14.6
Extractive	1.6	2.1	4.2	4.9	2.7	3.2
Expenditure and net lending	17.8	18.5	20.8	28.0	25.2	25.6
Of which: Current	11.2	12.0	13.0	16.8	15.9	15.4
Capital	6.8	6.6	7.8	11.3	9.2	10.2
Primary balance (excl. grants)	1.4	1.2	0.5	-4.4	-2.8	-2.5
Overall balance (in percent of GDP)	2.0	2.2	1.9	-3.6	-1.9	-1.5
Public sector debt (in percent of GDP)	57.8	56.6	52.4	47.4	46.9	46.7
External sector						
Current account balance (in percent of GDP)	-10.5	-6.8	-8.6	-16.6	-12.1	-7.6
Excl. externally financed extractive capital goods imports	-3.8	2.2	1.0	-2.9	-3.2	-1.7
Gross official reserves (in millions of US$, eop)	1,135	1,542	2,347	1,877	1,898	1,692
In months of prospective non-extractive imports	5.8	6.7	8.2	6.6	6.4	5.6
External public debt (in millions of US$)	3,850	4,119	4,203	3,974	4,102	4,325
In percent of GDP	48.8	48.7	46.1	40.5	40.0	40.6

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

[7] Reserves remain adequate excluding the RSF, reaching the equivalent of 5.1 months of imports by end 2025 and 4.8 months by end-2026. Staff estimates the reserve adequacy in the context of a fixed ER to be equivalent to 5.2 months of imports and of a floating ER to be 1.7 months of imports. As Mauritania moves towards a more flexible exchange rate, the projected reserves remain comfortable.

PROGRAM DISCUSSIONS

11. Program performance under the current ECF/EFF arrangements is broadly on track. All end-June quantitative performance criteria (QPCs) were met. However, breaches to the standard CPC on the non-introduction and non-modification of MCPs, are expected to arise temporarily on December 14, 2023, in the context of the implementation of critical reforms—supported with Fund TA—related to the interbank FX market to support the move to greater exchange rate flexibility. The authorities have requested approval of these MCPs under Article VIII Section 3, as well as a waiver of nonobservance of the CPC. All end-March and end-September indicative targets were met, except for the change in the Net International Reserves (NIR) target due to challenges in BCM's implementation of the FX intervention budget due to capacity constraints. March, June and September structural benchmarks (SBs) were either met or implemented with delay, except for one SB. SBs implemented with delay include the submission to Parliament of a law reforming the Nouadhibou Free Trade Zone (SB for end-March 2023) and the adoption of a medium-term fiscal framework (MTFF) consistent with the program's budgetary anchor in the Council of Ministers and its submission to Parliament (SB for end-June 2023). The SB that has not been implemented yet relates to the launch of the technical platform for the interbank FX market transaction (SB for end-June 2023). This SB is expected to be implemented by mid-December. The reasons for the delays are:

- **Law reforming the Nouadhibou Free Trade Zone:** A first version has been adopted by the council of ministers, but staff was of the view that the draft did not meet the objective of the reform. Staff subsequently assisted the Government with a revision of the draft law to enhance the neutrality, fairness, and efficiency of the tax system and to generate additional revenues. The revised draft has been submitted to Parliament in October.

- **MTFF:** The timely preparation and submission to Parliament of the MTFF was hampered as Parliament got dissolved in March. With the new Parliament elected, the MTFF was subsequently submitted to Parliament in September 2023.

- **Implementation of the technical platform for FX transaction:** Preparations to allow for a smooth transition to the FX platform revealed to be more onerous than expected, including the training of FX dealers from commercial banks. Staff supported the BCM in its approach to put more emphasis on the careful preparation, with Fund technical assistance, at the cost of some delay.

12. Forward looking program discussions are in line with the ECF/EFF arrangements approved by the Executive Board in January 2023 of entrenching fiscal sustainability, increasing resilience to shocks, strengthening monetary policy, and fostering inclusive growth. The proposed QPCs (MEFP Table 1) ensure that fiscal policy is insulated from volatile commodity prices, external debt is stabilized or reduced, and international reserves remain adequate given the risk of widening BoP needs while supporting a smooth transition in the FX market to a new FX platform. For the latter, staff supports the authorities' request to lower the QPC for NIR and increase the QPC for NDA for end-December 2023 (see para. 4).[8] Proposed SBs support macro-critical structural reforms (MEFP Table 3). To support program implementation, a revised capacity development (CD) strategy has been prepared in consultation with the authorities and discussed with IMF CD departments (Annex I).

A. Fiscal Policy

13. The projected 2023 budget deficit is in line with the program, albeit at lower revenues and expenditures. A NEPB (including grants) of MRU -14.8 billion, i.e., -3.8 percent of GDP is projected for 2023, lower than the -4.7 percent expected at the time of the program approval due to underperformance in both revenues and expenditures.[9] Staff expressed concerns about the underperformance in non-extractive revenues, which need to improve and progress over time as it is the most reliable and stable revenue source to fund Government priority spending.

14. To keep the fiscal performance in line with the program, the Government committed to lower expenditures compared to the draft 2024 budget law approved by Cabinet. The draft budget (Text Table 2), approved by Cabinet in October 2023, targets a narrowing of primary fiscal deficit (excluding grants) to MRU 10.9 billion, i.e., 2.6 percent of GDP in 2024, supported by an increase in revenues (6.7 percent) and in spending (1.6 percent) relative to the revised budget for 2023. The deficit of the NEPB is projected at MRU 18.6 billion (4.5 percent of GDP). However, to keep it in line with the program objectives (i.e., limit the deficit of the 2024 NEPB to MRU 16.0 billion (3.8 percent of GDP), the authorities decided to (i) reduce budgeted expenditures accordingly by MRU 2.6 billion,[10] (ii) ensure revenue performance with strengthened

Text Table 2. Mauritania. Key Budget Figures, 2021-25

	2021	2022	2023		2024		2025
	Act	Act	Rev. budget	Proj.	Draft budget	Proj.	Proj.
			MRU billions				
Total revenue incl. grants	**75.5**	**88.4**	**95.5**	**91.0**	**101.9**	**100.4**	**103.7**
Tax revenue	45.5	51.1	60.3	58.5	66.1	65.3	71.9
Non-tax revenue	22.4	31.0	26.3	25.9	28.0	27.3	26.4
Petroleum revenue	1.2	2.1	1.5	0.8	2.1	0.8	2.6
Grants	7.6	6.4	9.0	6.7	7.8	7.8	5.5
Expenditure and net lending	**69.1**	**101.2**	**106.4**	**98.6**	**108.1**	**106.8**	**110.1**
Current expenditure	43.3	60.8	64.8	62.4	64.7	64.4	65.5
Of which: Energy subsidy 1/		10.8	5.0	7.4	-	2.1	2.1
Of which: Interest	2.8	3.5	3.2	3.2	3.1	3.9	4.1
Capital expenditure	26.0	40.7	41.5	36.2	43.4	42.4	44.6
Net lending	-0.2	-0.3	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	**2.8**	**-15.7**	**-16.6**	**-11.0**	**-10.9**	**-10.3**	**-7.8**
Non-extractive primary balance	**-4.9**	**-27.2**	**-19.6**	**-14.8**	**-18.6**	**-15.8**	**-13.2**

1/ The presentation of the draft budget for 2024 does not have a specific line for spendings related to energy subsidies.

[8] Without the introduction of the new FX platform no changes to the NIR and NDA QPCs would have been necessary.

[9] On the revenue side, relevant factors explaining the underperformance are transitory, and include the decline in prices and quantities of 10 products, including Klinker, which is the largest revenue item in customs after diesel, lower fishing quotas, and the end of the first phase of the GTA project which was accompanied by the cessation of subcontractors' activities, thus affecting both income taxes and VAT revenues. On spending, the low execution rate of projects explains the underperformance.

[10] This will be achieved through a reduction of capital expenditures by MRU 2 billion and spendings in goods and services by MRU 0.6 billion.

tax revenue measures related to transparency, compliance, taxpayer identification, and audits and (iii) reflect these changes in the revised budget law in June 2024. In addition, the provisional 2024 TOFE incorporating this measure will be used for monitoring the budget execution.

15. For 2024, the program envisages the following fiscal reforms:[11]

- **PFM and expenditure policy:** increase the quarterly amount of cash transfers paid to vulnerable households from MRU 2,900 to MRU 3,600 and publish a report by Taazour/World Bank; and publish financial reporting on SNIM mining and non-mining activities, including the SNIM foundation, on an annual basis (proposed SBs).

- **Revenue administration:** Reform of the codification of imported products in customs, including the additional codes used for the codification of tax regimes (proposed SB), that allow to identify the imports that benefit from special tax regimes.

- **Institutionalize fiscal anchor:** Initiate discussion on institutionalizing the fiscal anchor that shields public expenditures from volatile commodity prices and aims at medium-term debt stabilization. These objectives are currently part of the Fund-supported program and feature in the national budget and the Medium-Term Fiscal Framework, but a stronger institutional anchoring is desirable to sustain the reform beyond a Fund-supported program.

- **Natural resource revenue management:** implement international good practice on administering taxpayers and reporting revenues, the use of resources from the FNRH,[12] and its performance.

- **Tax policy:** Submit to Parliament a revised investment code that eliminates "points francs" and reduces special regimes, reform the consumption tax in the revised budget law for 2024,[13] and operationalize the TPU by hiring competent staff and having the TPU operations started (proposed SBs).

16. The drawdown of government deposits to finance the deficit resulted in a decline in net financial assets, which need to be stabilized. By using accumulated large government deposits from earlier fiscal surpluses in 2021 and 2022, the SDR allocation, and Saudi concessional resources to finance the deficit, net financial assets have been declining from -40.3 percent of GDP in 2022 to -43.1 percent in 2023 and projected to decline further to -44.5 percent by 2025 before

[11] The proposed reforms closely relate to recommendations from IMF CD: Support for the assessment of tax expenditures and the creation of a Tax Policy Unit (2023); Considering climate change into public investment management (2023); PIMA (2020); PEFA (2020); AFRITAC PFM program; 2015 PFM work program; Transforming the Tax Administration (2023); Governance diagnostic (2021); Natural resource management (2021); Financial inclusion tool.

[12] “Fonds National des Revenus des Hydrocarbures”, a fund managed by the Central Bank of Mauritania and held at the Banque de France.

[13] The objective of this reform is to remove existing inconsistencies in the general tax code and improve the identification and reduction of tax expenditures.

projected to increase steadily thereafter. The decline in net financial assets could be reverted earlier through further fiscal consolidation, in particular through more ambitious domestic revenue generation, which Fund CD will analyze early 2024.

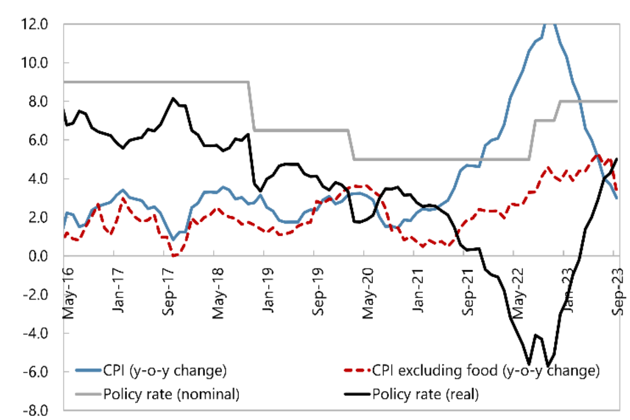
B. Monetary Policy, Foreign Exchange, and Financial Sector Policies

Monetary Policy

17. The recent buildup of liquidity overhang needs to further decline to keep inflation low. The monetary tightening implemented in 2022 was effective in bringing down inflation to 3.0 percent by September 2023. The policy rate is now largely positive in real terms. However, excess liquidity increased again recently, as result of BCM's FX's purchases and the Government's accelerated budget execution (Text Figure 5). The BCM should resume its liquidity absorption efforts to bring aggregated excess liquidity from MRU 6.3 billion in end-July 2023 to MRU 2.0 billion by before introducing the new FX platform, using BCM's liquidity absorption operations. Although the BCM was conducting more liquidity absorption operations (7-day deposit auctions) since end-2022, these operations were insufficient to counteract the BCM's international reserve accumulation and the Government's accelerated spending. As a result, excess reserves remain high compared to historical levels. Once inflation is entrenched at 3-4 percent and once excess reserves are reduced, the BCM could consider reducing gradually its policy rate—currently at 8 percent, to support banks' participation to the T-bills market.

18. To deepen the money and government securities markets, regular auctions of T-bills for conventional banks should be continued. The outstanding volume of T-bills should increase to MRU 3 billion by December 2024 (proposed SB). Similarly, regular auctions of Islamic bonds should be issued to reach an outstanding volume of MRU 1.5 billion by December 2024 (proposed SB). As banks' participation in the T-bill market increases and markets deepen, staff also recommends extending the maturities of government securities issued to two years to build the yield curve and ease monetary transmission and gradually narrowing the BCM interest rate corridor.

Text Figure 5. Inflation and BCM's Policy Rate
(In percent)



Sources: Mauritanian authorities; and IMF staff calculations.

19. The BCM has taken steps to strengthen safeguards in recent months, but key structural reforms remain outstanding. An updated safeguards assessment was completed in 2023. The BCM ceased its participation in a domestic gold program, and revisited activities of the General Council (GC) and the Audit Committee (AC). To facilitate the transition to IFRS, the BCM recently created an IFRS unit and hired an external expert. Outstanding key reforms include the transition to IFRS and modernization of the internal audit function. In addition, the BCM's financial position continues to be weakened by substantial claims on the government at below market interest rates. The authorities are consequently reviewing the 2018 convention on the BCM claims on government. A revision of the convention by December 2024 would shorten the maturity of the claim to 25 years or less, with a 3.75% interest rate on the remaining debt stock, and amortization beginning in 2025, with yearly amortization of at least 0.2 bn MRU until 2027 and equal installments thereafter (proposed SB).

Foreign Exchange Policy

20. The reform of the interbank FX market accelerated substantially in 2023 and the authorities requested a modification of the NIR and NDA QPCs end-December 2023 to smoothen the introduction of the FX platform. Tests for the interbank FX market platform were launched end-June. The regulation and the ethics code related to the interbank FX market were issues in October and the manual of procedures of the platform is in its final stages. The BCM is preparing a smooth transition to the FX platform by first reducing excessive liquidity in the markets to MRU 2.0 billion and clearing any backlog of FX demand. The foreign exchange market will operate within a band of +/- 5 percent around the reference ER set by the BCM. This band should be gradually widened over time to allow for increasing ER flexibility. The smooth introduction of the FX platform in a context of an orderly FX market is further helped by the BCM's ability to intervene to avoid excessive volatility. Accordingly, staff supports the authorities' request for a modification of the NIR and NDA QPCs for end-December 2023. In addition, the NIR and NDA QPC would henceforth be defined as levels (floors) instead of annual changes to allow for a smoother international reserve management from one fiscal year to another.

21. To smooth the volatility of the FX market, the BCM will have a monthly intervention budget for FX intervention consistent with the NIR program targets. Staff agreed with BCM on an intervention budget based on projected SNIM's FX repatriation,[14] which will be institutionalized by end-June 2024 with a quarterly committee between the BCM, SNIM, and the Ministry of Finance (MOF) to discuss and share forecasts of SNIM repatriation of funds (proposed SB).

22. The reorganization of the FX market, implemented with Fund TA[15], is expected to give rise to MCPs temporarily on December 14, 2023. The BCM is implementing a major reform agenda for the gradual transition to greater ER flexibility, supported by extensive Fund TA. Preparatory work for this reform is well underway. However, the reform agenda is expected to give rise to MCPs due to the lack of a mechanism to limit a spread of more than 2 percent in the context of auctions conducted by the BCM between the (i) exchange rates of winning bids and the

[14] An agreement on transparency of SNIM's holdings abroad has been signed between SNIM and BCM in November 2023.

[15] IMF Country Paper N0. 23/74, Chapter "Mauritania: Gradual Transition to Greater Exchange Rate Flexibility" provides the background and rationale for the current reforms (notably Paragraph 47).

prevailing FX market exchange rate and (ii) the reference exchange rates used for BCM's transactions with the Government and other public entities, and the prevailing FX market exchange rates. More specifically:

- The new auction arrangement does not meet all the criteria for an auction not segmenting the FX market under the MCP policy, since the exchange rates at which the auction participants can submit bids would be limited within a band determined before each auction, based on market conditions. That band itself will be set within the +/- 5 percent fluctuation band around the central exchange rate applicable to the new wholesale FX market which will be determined by the BCM[16]. Hence, an MCP arises as the auction exchange rates have the potential to differ by more than 2 percent from the prevailing market exchange rate. In the multi-price auction, an MCP also arises as the exchange rates at which the BCM sells FX to winning bids have the potential to deviate by more than 2 percent between themselves. This auction arrangement is intended to allow for more flexibility in the ER while limiting excessive ER fluctuations by restricting the exchange rate range in which bids can be submitted. The breach of the continuous PC is thus motivated by BoP reasons, and as market deepens, the auction system could be further revised to eliminate the MCPs during the program period. Overtime, the MCP related to auctions will disappear as transactions in the market will no longer have to pass through auctions.

- Furthermore, the ER applied for BCM's transactions with the Government and other public entities has the potential to deviate by more than 2 percent from the prevailing market rates, thereby expectedly giving rise to an MCP. The ER for the US dollar against the ouguiya for these transactions is calculated once per day and applied for the following 24 hours, thus leaving the possibility for such spread to arise as market rates may vary withing this 24-hour period. The BCM highlighted capacity constraints to recalculate the market ER for government transactions, thus breaching the CPC for non-BOP reasons. Going forward, the BCM will monitor the function of the reformed FX market and examine, with Fund TA, changes in the rules to avoid MCPs.

- The authorities request the temporary approval of these MCPs under Article VIII Section 3 and a waiver of nonobservance for the breaches to the CPC on the non-introduction and non-modification of MCPs.

Financial Sector Policies

23. The supervisory functions of the BCM need strengthening. The authorities have strengthened their sanctions regime to prevent recidivism, while integrating offenses linked to money laundering. They are also implementing Early Warning Indicators tools and improved the banking sector scoring system for more effective risk-based supervision. The BCM will develop a human resource (HR) plan to strengthen its supervisory function and increase technical staff in

[16] Further, bids submitted are firm and irrevocable at the close of the auction, except in the event of a quotation and/or volume error recognized by the BCM. It is unclear what this quotation and/or volume error cover exactly. Staff will seek clarifications from the authorities.

charge of off-site supervision from 2 to at least 4 people (proposed SB) by end-March 2024. The authorities have elaborated a draft instruction for the introduction of the Net Stable Funding Ratio (NFSR)—expected to reduce the transformation risk of the banking sector—with the support of IMF technical assistance (TA) and will publish the related instruction by end-March 2024 (proposed SB). The regulatory framework governing the supervision of payment institutions and electronic payment activities is being strengthened to (i) establish the conditions under which banks can open payment or electronic money accounts and under which banking operations are carried out remotely and (ii) to establish effective supervision of payment and electronic money establishments.

24. Enforcement of the prudential regulation is critical to ensuring banking system's resilience to shocks. The BCM adopted a new regulation on foreign exchange (FX) positions to adhere to the FX risk exposition, which will help to reduce banks' short FX NOPs to below 20 percent by December 2023 (current SB). The BCM will also enforce prudential limits on the minimum capital and core capital requirements, including the conservation buffer, by end-December 2024 (SB). Penalties are also being imposed on banks that are not adhering to the prudential limits on connected lending.

C. Policies to Bolster Governance, Transparency, and Private Investment

25. The authorities are taking actions in key governance areas supported by the governance diagnostic completed in June 2023. A time-bound action plan based on the Governance Diagnostic's recommendations was published by end-September 2023 (SB). Going forward, under the program, the authorities will implement key recommendations of the diagnostic as follows:

- **Financial management of government assets:** The MOF will develop and publish an ownership policy to guide the financial management of government assets in SOEs to address weaknesses in the management of the financial assets of Mauritania by end September 2024 (proposed SB).

- **Asset declaration and conflicts of interest:** The Ministry of Justice will amend existing legislation to establish an asset declaration and conflicts of interest system in line with the G20 High-Level Principles and recommendations of the governance diagnostic by end-December 2024 (proposed SB). Staff will discuss the specificities of this proposed SB with the authorities, following IMF TA and to ensure that it is aligned with recommendations of the governance diagnostic.

- **AML/CFT:** To promote transparency and fight corruption, the BCM is updating the AML/CFT system in relation to the current AML/CFT law adopted in 2019. The BCM has created a risk management committee which has to ensure the relevance of the internal control and AML/CFT system in relation to the risks identified in their risk mapping. Staff encourages the BCM to conduct AML/CFT on-site inspections to assess financial institutions' compliance with the 2019 AML/CFT Act. Mauritania should continue to strengthen legal obligations regarding beneficial ownership information of all legal entities, including by providing all AML/CFT and public procurement authorities with timely access to beneficial ownership information in accordance with the FATF standards.

26. Reforms to promote economic growth and create jobs need to be sustained by further improving the business environment and financial inclusion:

- **Small and medium-size enterprise (SME) guarantee fund:** An SME guarantee fund was set up by the authorities in 2020 to improve access to finance for SMEs. In February 2023, the MOF provided the capital required to operationalize the fund (end-December SB) with the first loans expected to be extended by end-2023.

- **National financial inclusion strategy:** The authorities aim to finalize and adopt the national financial inclusion strategy by end-2023. This strategy's primary objectives include the development of an inclusive, resilient, and sustainable financial sector, achieved through improved access and utilization of a diverse range of digital financial products and services, financial literacy initiatives, and the promotion of inclusive green finance for all, and in particular for young people, women, rural populations, forcibly displaced people and MSMEs.

- **Addressing the gender gap in financial inclusion:** The authorities are developing targeted financial literacy programs for women, with support from the IFC, to increase their number of bank accounts (with only 16 percent of women having accounts compared to 32 percent of men). These actions could be complemented by measures to provide guarantees for women, whether through the SME guarantee fund or by increasing access to land (see Box 1).

Lastly, with the support of the IFC and the World Bank the authorities plan to publish an investment policy letter in 2024, with the aim of addressing policy obstacles to enhance the business environment.

THE RSF ARRANGEMENT: ADDRESSING CLIMATE CHALLENGES

27. Mauritania faces significant structural climate challenges. About 90 percent of its territory is in the Sahara Desert, it has vast pastoral lands but only 0.5 percent of arable land.[17] Climate conditions have harshened in recent decades with higher temperatures, and greater variability and intensity of precipitation. All three climate-risk indices cited in the World Bank (WB) Country Climate and Development Report (CCDR) rank Mauritania as "high risk" (Annex II, Figure 2). The frequency and intensity of natural disasters have substantially increased over the past decades with droughts and floods are among the most frequent and devastating hazards (Annex II, Figure 2). In 2022, the damage and losses caused by flooding amounted to US$280 million while, on average, almost 10 percent of the population has been impacted by climate hazards from 2000-2020—the

[17] Source: EM Dat.

highest share in the MENA region. Increasing average temperatures threaten the country's productive capacity, particularly in agriculture. Therefore, Mauritania's long-term macroeconomic and external stability vitally depends on increasing its resilience through effectively mobilizing public and private resources, developing adapted infrastructure, increasing the safety net for the population, and effectively managing natural resources such as water, whilst also meeting NDC commitments through efforts to reduce emissions.

28. The authorities wish to seize the opportunity of a green transformation while mitigating the impact of climate shocks on the population. The parliament approved the changes in the electricity code in 2022 to promote production and consumption of renewable energy and the authorities are working with international companies to develop low carbon hydrogen production (Annex II. Box 1). Further, work is underway to reform or eliminate fuel subsidies, introducing a carbon tax, including for extractive industries, and reducing the hydrocarbon input into the energy consumed by the extractive sector. Mauritania has also made important progress in integrating climate commitments in its national and sectoral strategies, laying the foundation for resilient and low-carbon investments. The authorities are also strengthening their social protection system to respond to climate shocks and have embarked on enhancing their legislative framework in the water and sanitation sector.

29. Climate investments will require significant financing. Funding for climate actions has been limited and heavily dependent on external funding (approximately 92%)[18]. For instance, between 2010- 2020, international commitments for adaptation reached US$500 million, accounting annually on average 0.7 percent of GDP, with the bulk funded through grants and the rest through concessional loans. In contrast, Mauritania's NDC estimates that financing needs for adaptation and mitigation could amount to US$46 billion over 2021-30. If financed through public resources, Word Bank staff estimates show that national adaptation investments alone (accounting one fifth of total financing needs) would absorb an average of 69 percent of annual tax revenues between 2023-30 (World Bank CCDR, 2022).[19] To mobilize additional external financing, the authorities seek to access the Green Climate Fund and are currently conducting a climate readiness assessment to develop bankable projects eligible for climate financing.

30. Climate shock modelling using the DIGNAD model suggests substantial economic benefits from improved climate-adaptive public investment. The DIGNAD model highlights the additional resilience to climate shocks provided by increased public investment efficiency and public infrastructure investment adapted to climate change (Annex III). The policy changes lead to lower immediate GDP costs in response to an extreme weather shock, between 35 percent and 66 percent depending on the scenario, a faster return to previous capital and output levels, and between 12 and 15 percentage point lower increases in Debt-to-GDP during reconstruction (and hence reduced risks to debt sustainability). The Government has not yet conducted a fiscal risk analysis incorporating climate-related risks for public infrastructure. The DSA also demonstrates the risks of a

[18] Selected Issues Paper, February 2023 (IMF Country Report No. 23/74)

[19] The medium-growth scenario is based on historical episodes of sustained growth performance in each country.

tailored "once in a hundred years" natural disaster shock, which breaches key debt sustainability thresholds.

Reform Measures Under the RSF-Supported Arrangement

31. The RSF will support the authorities' efforts to implement macro-critical reforms to increase climate resilience and transition (MEFP Figure 1). The RSF will help Mauritania reduce macro-critical risks associated with long-term structural climate-related challenges facing Mauritania, and augment policy space and financial buffers to mitigate the risks arising from these challenges, thereby contributing to Mauritania's prospective BoP stability. It will target four areas: (i) integrating climate in public financial management (PFM) and public investment management (PIM), (ii) social protection against climate shocks, (iii) decarbonization, (iv) strengthening the financial sustainability and institutional framework for water management. The proposed reform measures (RMs) under the RSF are informed by the June 2023 Climate Change PIMA (C-PIMA), the September 2023 IMF Climate Policy Climate Mitigation Diagnostic mission and the World Bank (WB) 2022 Country Climate and Development Report (CCDR), in addition to consultation with the authorities, the WB and other development partners (DPs). Mauritania's Nationally Determined Contribution (NDC) and Strategic Climate Policy Note also provided key inputs to RMs.

32. The proposed reforms are a subset of broader measures the authorities are adopting to boost Mauritania's resilience against climate related shocks. RSF-supported reforms (i) aim to address macro-critical structural climate vulnerabilities within IMF competencies, (ii) complement extensive support by DPs, and (iii) are expected to be achieved within the concurrent IMF ECF and EFF arrangements' timeline (see Annex II, tables 5 and 6 for other critical climate measures outside of the RSF-supported program). In line with Mauritania's climate profile, the majority of proposed RMs focus on adaptation and/or adaptation and mitigation (text table 3).

33. The proposed RSF includes a comprehensive matrix of RMs on adaptation and mitigation. Their implementation timelines, key regulatory milestones, responsible stakeholders, and CD activities, some of which will be provided by WB and other DPs are presented below (Annex II, Table 4).

Text Table 3. Mauritania: RSF Support Reform Measures Classification

Reform Areas	Mitigation Measures	Adaptation and Mitigation Measures	Adaptation Measures
Integrating Climate in PFM and Public Investment		RM I, RM II, RM III, RM IV	
Social Protection Against Climate Shocks			RM V
Decarbonization	RM VI, RM VII, RM IX, RM X	RM VIII	
Strengthening the financial sustainability and institutional framework for water management			RM XI, RM XII, RM XIII

A. Reform Area 1—Integrating climate in public financial management (PFM) and public investment management (PIM)

34. The first pillar aims to create an enabling environment to strengthen Mauritania's adaptive capacity and support its transition to climate-sensitive PFM (RMs I and II) and green and resilient infrastructure (RMs III and IV). Building capacity to ensure effective mobilization of public resources to promote resilience and respond to shocks will be central to Mauritania's medium-term macroeconomic stability. The authorities aim to establish a comprehensive climate budget tagging (CBT) system that will support better-informed budget decisions and budget alignment with climate change priorities.[20] Following the implementation timeline of RMs I to IV in Annex II. Table 1 and Annex II. Table 3, the authorities plan to integrate climate dimensions in all phases of public investment management, from project conceptualization, appraisal, selection to execution.[21]

B. Reform Area 2—Social Protection Against Climate Shocks

35. The RSF will support institutionalizing the government's main cash transfers program to strengthen resilience against key climate shock (mainly droughts). Mauritania has progressed in establishing its social protection system, in particular through the implementation of the national safety net program Tekavoul. Tekavoul includes a climate shock-response component

[20] The CBT will allow generating climate-related budget data that are the basis for better-informed budget decisions and budget alignment with climate change priorities. It also supports climate change awareness and can help mobilize national and international finance.

[21] As a first important step, the authorities have begun to amend the Decree 2016-179, including the PIM Manual, to require the integration of climate aspects in all stages of public investment management. Climate aspects include higher heat and aridity, more frequent and severe flooding and its effects, coastal dune erosion, and rising groundwater resources.

(Tekavoul Choc). While being a flagship governmental program, Tekavoul is not yet legally anchored. The program was launched in 2016 and its component Tekavoul choc was launched in 2020, with World Bank assistance, to support households in extreme poverty and in climate-related food insecurity, respectively. The program uses the national social registry to select beneficiaries, the national payment platforms to deliver cash transfers, and the "cadre harmonisé" as the early warning system to trigger Tekavoul Choc. Under RM V, following the timeline presented in MEFP Figure 1, the authorities plan to (i) make cash transfers permanent, via a decree adopted by the Council of Ministers, (ii) expand the coverage of Tekavoul Choc to include all poor households affected by droughts and (iii) ensure sufficient financing for the transfers.[22] These transfers are currently largely funded by DPs. Under the RSF reform package, the government will gradually increase its own financing for these transfers. The resulting fiscal burden is estimated to be manageable (Annex II).[23]

C. Reform Area 3—Decarbonization

36. The proposed measures under the RSF aim to reform the fossil fuels pricing structure to phase out general fossil fuel subsidies (RM VI) and introduce carbon pricing (RM VII), to bring the country in line with its greenhouse gas (GHG) emissions reduction target.[24] In 2022 the government increased fossil fuel prices by 30 percent, reducing fuel subsidies which were estimated at around 4 percent of GDP in 2022.[25] However, the fossil fuels pricing methodology needs to be reformed to completely phase out subsidies. The CPAT analysis for Mauritania shows that power (inclusive of on-site electricity generation from mining), transportation, industrial, and buildings sectors make up 28, 28, 24, and 20 percent of GHG emissions. When disaggregating, fuel, diesel, and heavy fuel oil (HFO) are by far the largest sources of GHG emissions at over 80 percent (52 percent for diesel and 30 percent for HFO). LPG is the next largest source (13 percent), while gasoline and kerosene have little emissions. Carbon pricing could address these emissions while offering support to vulnerable households and industries.[26] The authorities plan to gradually

[22] The authorities are also studying the effects of floods on poor households and on food insecurity, and piloting cash support with WB assistance. Once the results from the pilot are finalized, it is possible that poor households affected by floods would also be included in the Tekavoul Choc window.

[23] If GoM finances 100 percent of Tekavoul and Tekavoul Choc, the fiscal burden is expected to be 0.59 percent of GDP in 2024, 0.54 percent in 2025, and 0.51 percent in 2026 (Annex II).

[24] In its 2021 updated NDC, Mauritania pledged to an unconditional 11 percent economy-wide reduction in GHGs emissions in 2030. In a conditional scenario, subject to substantial international financial support, the country has pledged to reduce emissions by 92 percent in 2030 and reach carbon neutrality before midcentury.

[25] Under the current system, fuel prices at the pump remain unchanged regardless of price movements in the international markets. For public finances, the break-even price is US$85 per barrel, implying that when international fuel prices are above US$85 dollars the Government pays fuel subsidies, and when it is below, it accumulates savings.

[26] IMF analysis recommends an international carbon price floor of US$25, US$50, and US$75 per ton of CO2 for low, middle, and high-income countries, respectively, to put the World on track to achieve Paris Agreement goals (Parry et al., 2022).

implement this reform, in line with Fund TA advice, starting in 2025 with US$5 per ton of CO2, and progressively increasing to US$35 in 2027 and US$50 by 2030.[27]

37. Mauritania has low rates of access to electricity,[28] which worsens the effects of climate change.[29] There is a lack of competition in the power sector with a power utility (SOMELEC) monopoly on electricity generation, transmission, commercialization, and distribution. Energy tariffs are high but below operating costs. To help increase access to electricity, the authorities recently revised the electricity code to promote consumption and production of renewable energy. The government aims to increase by 2030 the share of renewable energy in total energy from currently 38 percent to 50 percent.

38. The reform related to the energy sector proposed under the RSF (RM VIII) aims to open the energy sector to competition and investments in renewable energy, particularly to the private sector. While the 2022 electricity code provides the legal basis for independent power producers (IPPs) for entering and operating in the energy sector, regulatory obstacles, including the absence of an implementing decree of the updated electricity code, remain. Moreover, IPPs need access to the existing energy infrastructure to transmit the power to be produced. As recommended by the WB engagement on the energy sector, the proposed reform measure will introduce decrees to address these challenges, and will eliminate the regulatory barriers. The decrees will be underpinned by a study to be supported by the European Union Technical Assistance Facility (TAF). The proposed reform measure will also allow IPPs access to the transmission infrastructure owned by the country's power utility. These reforms will catalyze private sector energy company investment in on and off grid production and allow on-grid power produced to be transmitted via the existing network infrastructure.

39. The energy sector reform aims at unlocking competition in the power sector and increasing renewable electricity supply with lower costs and increased access. Increased access to electricity is a key adaptation measure for the rural population to protect against droughts through powering irrigation systems. The reform is also expected to increase the currently nascent off and mini grid production in the country, underpinned by the technical support of the United Nations Development Program (UNDP). Off and mini grid power production is particularly important for rural populations who have disproportionately lower access to electricity. This reform will benefit women and children in particular, given that they constitute the majority of rural populations during the dry season in Mauritania, as men tend to migrate to cities for seasonal work,

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[27] Future mechanism to support vulnerable households against the impacts of RMs VI and VII will be inspired by Tekavoul.

[28] 70 percent of urban Mauritanians have access to electricity, with only 5 percent access in rural areas (WB CCDR).

[29] Resilience to climate-related disasters is significantly improved by raising access to electricity. For Mauritania, better access to electricity can halve the medium-term economic loss from a drought (Mauritania Selected Issues Paper "Economic Impact of Climate Change", 2023). Electricity is essential for powering irrigation systems and deep tube-well pumps, which are critical for rural populations and the urban poor during prolonged dry spells and water shortages.

40. RM IX requires renewable energy input for mining companies. The proposed reform will require mining companies to increase the share of renewable-based electricity generation in their power mix by at least five percentage points annually. These companies plan to install renewable energy facilities on their properties to comply with the requirements of the measure. The Ministry of Petroleum, Mines and Energy's Directorate of Mines, which will enforce the measure, annually assesses the power produced by mining companies, including the renewable energy component. Its measured 2023 levels will be the baseline for this measure. Thereafter, the annual objectives not achieved will be subject to an appropriate penalty. The authorities will be in charge of the management and maintenance of these rural solar or wind energy sites.

41. The proposed reform (RM X) will ban routine gas flaring in oil and gas fields by including a high-level ban in the Crude Hydrocarbons Law and defining the rest in a subsequent application decree. The decree, which will be developed with support from the WB's Global Gas Flaring Reduction initiative, will define the level of fines, process and criteria for the exceptional (non-routine) flaring authorization and stipulate that the venting of gas will be prohibited. These will help towards the country's compliance with the joint WB-UN Zero Routine Flaring by 2030 initiative and its pledges to cut greenhouse emissions by 11 percent in 2030 and achieve net-zero emissions by 2050 under its NDCs. The decree is expected to be drafted by end-2024 and adopted by April 2025. The RSF supported measure will also help reduce the GHG emissions of oil and gas projects in the country, including the Greater Tortue Ahmeyim (GTA) LNG Project, as the legal changes will apply to existing and future oil and gas projects.

D. Reform Area 4—Strengthening the Financial Sustainability and Institutional Framework for Water Management

42. Under the proposed RM XI the authorities plan to strengthening the legal and institutional framework for effective water management. Limited inter-ministerial coordination has undermined effective planning and contributed to water resource depletion and degradation. The proposed RM XI will improve and institutionalize the collaboration between the Ministry of Hydraulic Works and Sanitation (MHWS) the Ministry of Environment (MEV) by signing an interministerial partnership agreement which requires collaboration on environmental assessments, data management and enforcement of rules. The proposed RM XII will further formalize the collaboration between MHWS and MEV through an interministerial order laying out areas of collaboration on environmental assessments, enforcement, water resource monitoring, and data management. The reform further supports the operationalization of the collaboration by requiring the government to publish an inventory of groundwater dependent ecosystems (GDEs) in Boulenoir, to strengthen the knowledge and methods of the National Water Resources Centre (CNRE) in terms of GDEs and other hydrological data. This inventory will also provide an opportunity to collect data on women accessing water resources, thereby informing policy recommendation to enhance women's access to water (Box 1). MHWS and MEV will also benefit from RMs implemented under Reform Area 1, enabling both to better identify and budget for climate adaptation and green public investments, and ultimately enhance joint activities and investments on the ground.

43. With RM XIII the government plans to adopt appropriate pricing mechanisms for water to improve cost recovery, promote water efficiency and improve service delivery. In 2023, the government introduced a unified tariff structure to ease the financial burden on rural households with moderate monthly consumption. Under RM XIII, the authorities plan to conduct a tariff study to better understand the fiscal implications of the reform, the true cost of water resources and introduce incentives to promote efficient water use. In line with IMF recommendations and using the inputs from the study, the Ministry of Water and Sanitation, in partnership with other government entities as relevant, will revise the regulation governing water pricing (Order n°2624/MHETIC/MCI, October 30, 2007). This reform complements support by the WB and AfD to strengthen institutional capacities and to revise the water code.

44. Reform measures under the RSF will help mobilize additional climate finance from the private sector, including in renewable energy. RSF supported reforms (RM I- IV) will help strengthen institutions to promote climate investments and transparently account for the use of climate resources, which in turn should help the government to access global climate funds. The RSF supported reforms (RM VI- IX) are expected to play a catalytic role to unlock private finance through improved regulatory frameworks and incentivized investments in renewable energy. The RSF supported reforms have been prepared and will be implemented in collaboration with other DPs, to ensure synergies with other programs, appropriate sequencing of the reforms and ensure coordinated CD (Annex II, Tables 4 and 5).

Box 1. Addressing Climate Impact on Gender Inequality in Mauritania[1]

Climate change carries important implications for gender equality in Mauritania where both climate change vulnerabilities and gender inequalities are high (Mauritania Selected Issues Paper "Economic Impact of Climate Change", 2023). Addressing gender inequality in specific areas such as financial inclusion and access to water, as well as a climate and gender budgeting, could help increase Mauritania's resilience to climate change. While reform measures under the IMF-supported programs can help address both gender inequality and climate vulnerabilities, they need to be complemented by better gender disaggregated data and targeted structural reforms.

Boosting financial access can help increase resilience to climate change and reduce gender inequality. Improved financial access can support climate-friendly and sustainable agriculture, renewable energy solutions, and risk mitigation measures. For example, access to financial resources allows farmers to invest in drought-resistant crops [2] and businesses to implement eco-friendly production methods. Increased financial access often goes hand-in-hand with improved access to digital financial services and mobile banking. This can facilitate the adoption of clean energy technologies and reduce the need for physical travel, thereby lowering carbon emissions. Time saving and green technologies are especially important for Mauritanian women who predominantly shoulder the burden of unpaid care work, and are overrepresented in informal, vulnerable employment (76.5 percent of Mauritanian women compared to 42.9 percent for Mauritanian men). [3] Moreover, 22 percent of formal female employment is in the agricultural sector in Mauritania (2022). However, account ownership and digital payments in Mauritania, although increasing,[4] are lower than in low-income peer countries, and female rates are well below male rates (Figure 1). The authorities are expected to adopt a financial inclusion strategy by end-2023, including tailored financial literacy programs for women to help address this gap.

Box 1. Addressing Climate Impact on Gender Inequality in Mauritania (continued)

Ensuring reliable access to water resources is essential for climate resilience and reducing gender gaps but gender-specific data and targeted strategies are lacking. Women often bear the responsibility of water collection, and having close, clean, and safe water sources reduces their vulnerability to changing weather patterns and prolonged droughts. Not only does this reduce the overall health risks for the population, but reducing the time spent fetching water frees up women's time for other productive activities, such as education or labor force participation. Moreover, with a large share of women in the agricultural sector, reliable access to water can support more consistent crop outputs during droughts and changes in precipitation patterns due to climate change. In Mauritania, only 50 percent of the population have access to water in the household, with large disparities between urban and rural areas.[5] Limited access to water means that more than two-thirds of the female population in Mauritania spends more than 30 minutes a day accessing water points, mainly in rural areas (Multiple Indicator Clusters Survey, 2015). Unfortunately, there is no official gender-disaggregated data on water access in Mauritania, and no specific efforts are being made to track women's access to it. While the authorities have initiatives to improve general access to drinking water, these efforts are not tailored specifically to benefit women.

Reform measures under the IMF-supported programs can help address climate change vulnerabilities and gender inequality in Mauritania. Mauritanian women, particularly in the entrepreneurial sector, find it difficult to provide bank guarantees due to limited access to land ownership. This often keeps them in the realm of microcredit, as these loans do not require such guarantees. Under the ECF/EFF programs, the authorities are expected to operationalize an SME guarantee fund by end 2023, which should assist in overcoming this collateral barrier for women. Under the RSF program, the authorities will publish an inventory of groundwater dependent ecosystems (GDEs) to strengthen the knowledge in terms of hydrological data, benefiting ultimately also women's access to water resources.

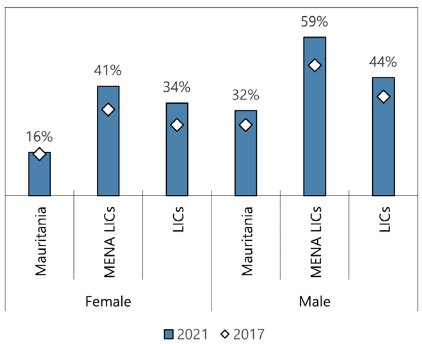
These efforts must be supplemented by consistent production of gender-disaggregated data and targeted structural reforms. Strengthening women's access to land ownership is crucial and should be advocated in the ongoing land reform. Encouraging female mobile phone ownership, enhancing digital literacy, and implementing mechanisms for government payments via digital transactions are essential to harness the potential of digital payments for further financial inclusion for women.[6] Complementing RSF-supported reforms in the water sector, compiling gender-disaggregated data on water usage and access is imperative for informed decision-making to predict water stress and coordinate responses. Public spending on water and sanitation infrastructure is also critical for reducing unpaid care work, supporting women's employment, and improving their health.[7] The authorities are planning to establish a comprehensive climate budget tagging (CBT) system, which could be complemented by gender budget tagging, paving the way for climate and gender-responsive budgeting that would help address gender inequality and climate vulnerabilities.

Box 1. Addressing Climate Impact on Gender Inequality in Mauritania (concluded)

Box 1. Figure 1. Mauritania: Gender Inequality in Financial Access

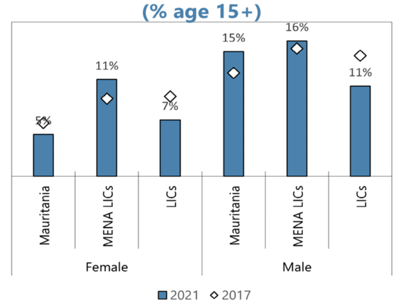
Female account ownership in Mauritania is half that of Mauritanian males and not progressing…

Account, female (% age 15+)



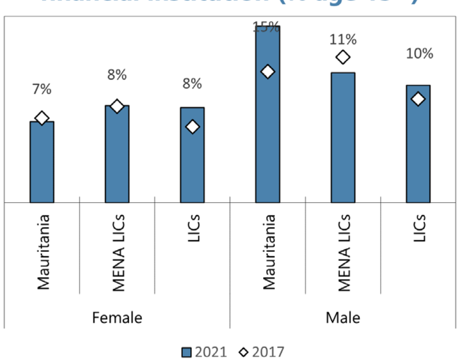
…while the female savings rate is a third of the male rate.

Saved at a financial institution (% age 15+)



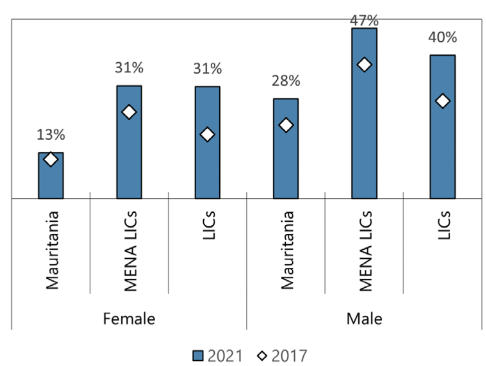
The female borrowing rate stagnates around 7 percent, but male borrowing surpasses that in peer countries and is more than double the female rate.

Borrowed from a formal financial institution (% age 15+)



Digital payment usage for both men and women in Mauritania is well below that for peers in other low-income countries.

Made or received a digital payment (% age 15+)



Source: World Bank

[1] Prepared by Lisa Kolovich and Anta Ndoye with the support of the UN Resident Coordinator office in Mauritania.

[2] The agricultural sector represented 19 percent of GDP in Mauritania, well above the Middle East and North Africa (excluding high-income countries) regional average of 9.5 percent in 2022 (WDI, World Bank).

[3] Source: 2023 UN Report: "Gender equality in Mauritania: commendable steps forward and major deadlocks"

[4] The percentage of the population making or receiving digital payments increased from 11 % in 2017 to 13 % in 2022 for Mauritanian women and 21% to 28 % for Mauritanian men.

[5] Enquête Démographique et de Santé de la Mauritanie (2019-2021) p.10.

[6] While gender disaggregated data are not available, data from the Findex survey show a doubling in the share of the population receiving wages via a mobile phone, rising from 8 percent in 2017 to 19 percent in 2022.

[7] Duflo, E., 2012, "Women Empowerment and Economic Development," Journal of Economic Literature, 50(4), 1051–1079.

PROGRAM MODALITIES

45. Staff proposes a modification of the NIR and NDA QPCs for end-December 2023. The modification of the NIR and NDA QPCs for end-December 2023 increases the BCM's availability of FX for possible market interventions aimed at smoothing exchange rate volatility. In addition, the NIR and NDA QPC would henceforth be defined as levels (floors) instead of annual changes to allow for a smoother international reserve management from one fiscal year to another.

46. Staff also proposes a 31-month RSF arrangement with access of 150 percent of quota (SDR 193.2 million, or US$253.9 million). Mauritania is eligible for RSF financing[30] to help address climate change and the proposed access is based on the assessment that: (i) the reforms proposed under the RSF are strong and ambitious, (ii) Mauritania's debt is sustainable, with adequate capacity to repay, and the concurrent ECF and EFF arrangements are underpinned by high-quality policies. The RSF arrangement will be used to replace more expensive financing. These savings will in turn increase buffers against risks related to climate change. Specifically, without access to the RSF, a large portion of the financing needs would be covered through government borrowing from commercial banks. The disbursements under the RSF arrangement will go towards budget support and the proposed RMs under the RSF are in MEFP Figure 1. The indicative test date for each RM is one month prior to the joint ECF EFF and RSF review dates (MEFP Figure 1).

47. Reforms envisaged under the EFF/ECF and RSF arrangements are closely coordinated with development partners to leverage comparative expertise and institutional knowledge. WB staff provided an assessment letter on the authorities' climate policies as background for the IMF Executive Board discussion of the RSF request (Annex V). DPs are actively engaged in TA related to climate (Annex II).

48. The ECF/EFF-supported program is fully financed, with firm commitments for the 12 months following the first reviews under the EFF and ECF arrangements with good prospects for financing thereafter. The authorities' financing needs beyond the ECF/EFF disbursements/purchases and external financing will be met by grants (primarily from the World Bank, European Union and France). The program continues to help ease pressures on official reserves (actual BoP need) given the deterioration of the BoP overall balance in 2024 compared to projections in the ECF-EFF request (resulting from increased import prices), and the significant risks associated with the volatile prices of Mauritania's commodity exports.

49. 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 4.5 percent of GDP in 2025 (see Table 12), combining together several overlapping lending instruments from recent years (ECF, RCF, ECF/EFF, RSF) including emergency financing to manage the response to COVID. Total debt service to the Fund as percent of revenue is above the 75th

[30] Mauritania belongs to the RST interest group A, as per IMF Policy Paper No. 2022/013 "Proposal to Establish a Resilience and Sustainability Trust, Appendix III".

percentile of comparator countries for several years (see Figure 6), while total Fund credit outstanding as a percent of gross international reserves peaks at 28.6 percent in 2026. Risks to the program are elevated given security risks, international commodity market volatility, climate change, and uncertainty related to the second and third phases of the GTA project. The authorities' continued commitment to reforms and donors' support will be critical to mitigating these risks.

50. External debt is sustainable with a moderate risk of debt distress (Debt Sustainability Analysis).[31] As a result of debt service obligations deferred in 2020-21 under the DSSI, along with additional loans taken during COVID (e.g., the RCF), external debt service obligations, from end-2022 outstanding debt, are expected to stabilize at 3.0 percent of GDP in 2023 before slightly increasing to 3.1 percent 2024.

STAFF APPRAISAL

51. Mauritania's economy is performing well thanks to a prudent implementation of monetary and fiscal policies. Real GDP growth is projected at 4.8 percent in 2023, the CA deficit is narrowing to 6.9 percent of GDP (H1 2023), inflation has declined rapidly to 3 percent (September 2023), international reserves are adequate at US$1.8 billion (6.1 months of prospective non-extractive imports), and the public sector debt is projected to decline steadily to 46.9 percent of GDP in 2023 (from 59.2 percent in 2018), Staff welcomes these results and encourages the Mauritanian authorities to maintain this macroeconomic stability as a foundation for sustained development by continuing to adhere to the Fund-supported program.

52. Building on macroeconomic stability, efforts are needed to increase and diversify non-extractive economic growth to sustainably reduce poverty and increase standards of living. Non-extractive private sector-driven economic growth is where most jobs are created, and household income is generated. At the current rate of non-extractive economic growth of 3.2 percent, it would take 22 years to double income. Thus, staff encourages the authorities to vigorously implement governance reforms and measures to diversify the economy and boost private sector investments, including by creating an even playing filed for the private sector. On the former, staff welcomes the publication of the governance action plan and urges the Government to its timely implementation. The latter can be achieved in part by reforming the Nouadhibou Free trade zone and revising the investment code that eliminates "points francs" and reduces special regimes.

53. The fiscal discipline with the fiscal anchor has helped maintain macroeconomic stability and reduce public sector debt. Staff commends the authorities for this achievement and recommends institutionalizing the fiscal anchor to make it a permanent feature. Furthermore, staff urges the authorities to embark—with the help of Fund CD—on a more ambitious mobilization of

[31] 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.

domestic revenue, which is the most stable and reliable government financial resource. More ambitious domestic revenues targets would allow to further increase investments to meet the enormous development needs and to quicker stabilize or increase net financial assets.

54. Tight monetary policy needs to support a smooth transition to the new FX platform. Staff urges the Central Bank to continue the sterilization of excess reserves as they can risk overheat FX demand and/or lead to renewed inflationary pressures, and to gradually reduce the BCM's dominant role as FX supplier in the market by gradually channeling export revenues to the FX platform. This will help reduce the imbalances in the FX market and support the move to a market-determined ER. The modification of the NIR QPC would provide an additional buffer for the BCM to conduct FX interventions if needed.

55. Staff welcomes the BCM's discontinuation of artisanal gold purchases and urges the authorities to implement all outstanding recommendations from the recent Safeguards assessments, specifically in the area of governance, financial reporting and internal audit. As significant legacy claims on the government continue to constrain the financial position of the BCM staff also recommends a revision of conversion to considerably reduce the grace period and the maturity of the claims. Furthermore, staff urges the BCM to adopt the International Financial Reporting Standards (IFRS) in 2024. As the governance arrangements and personal and financial autonomy at the BCM need strengthening, staff recommends—with the help of Fund CD—legal amendments to the BCM Law to remedy the shortcomings.

56. Staff supports the authorities' request for a new RSF program with 150 percent access. The RSF will help Mauritania reduce macro-critical risks associated with long-term structural climate-related challenges facing Mauritania, and augment policy space and financial buffers to mitigate the risks arising from these challenges. Staff urges the authorities to assure that the strong political commitment for the RSF-supported reforms translates into their effective implementation through strong inter-ministerial coordination, strengthened capacities—with the support of development partner, and close monitoring. Staff views the November 17, 2023 legal *arrêté* forming the interministerial technical committee for the implementation of the RSF, comprised of ministries of economy, finance, petroleum & energy, water, environment and the Central Bank, with other entities as needed during implementation, as an important step in this direction.

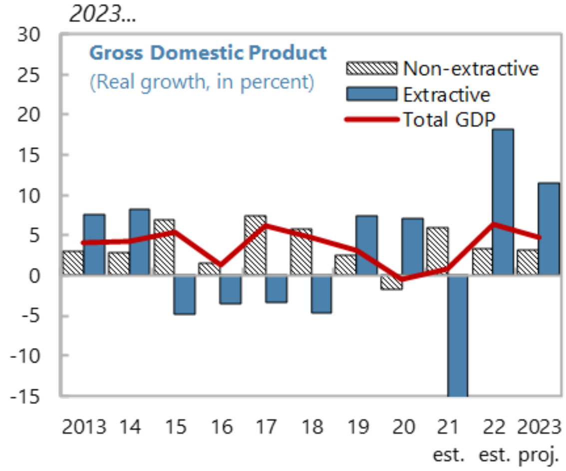
57. Staff supports the authorities' request to approve the expected MCP arising in the context of BCM's auctions, which is motivated by BOP reasons, on the basis that it is temporary, expected to be lifted over the program period as conditions allow, and do not give rise to an unfair competitive advantage over other members or discriminate among members. Staff equally supports the authorities' request to approve the expected MCP arising from ER used for BCM's transactions with the Government and other entities, which is motivated principally for non-BOP reasons, on the basis that the measure does not materially impede the BOP adjustment, does not harm the interests of other members, and does not discriminate among members. The authorities have requested a waiver of nonobservance for the expected breaches of the CPC related to the introduction or modification of MCPs, on the basis of corrective actions, and staff supports that request given its recommendation to approve these MCPs under Article VIII Section 3.[32]

58. Finally, staff also supports the authorities request for a modification of the end-December 2023 NIR and NDA QPCs and recommends completion of the first program reviews under the ECF and EFF arrangements. The new NIR and NDA QPCs would help smooth the transition to the new FX platform, by strengthening the BCM's ability to intervene, while maintaining reserves at an adequate level, to avoid excessive ER volatility until the market becomes used to the new platform. In addition, the NIR and NDA QPC would henceforth be defined as levels (floors) instead of annual changes to allow for a smoother international reserve management from one fiscal year to another. 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.

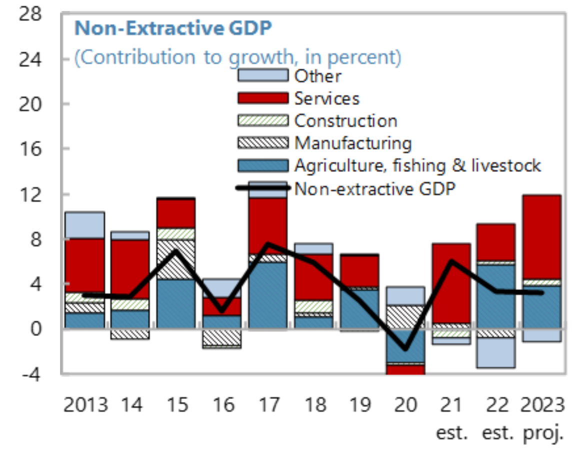
[32] Approval of an MCP by the Board is considered as a corrective action on the basis of which the waiver of non-observance of PC can be granted.

Figure 1. Mauritania: Real Sector Developments, 2013-23

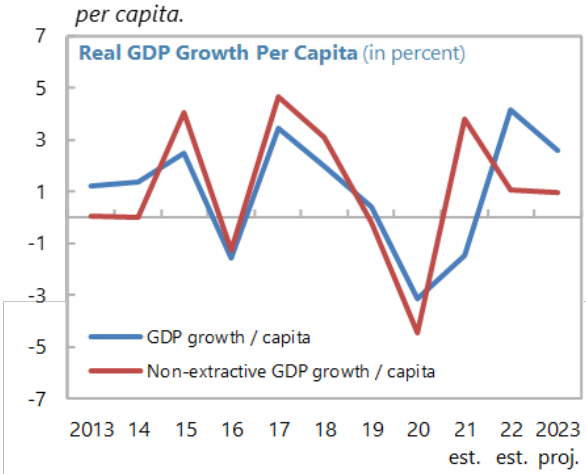
Real GDP growth is expected to decelerate in 2023…



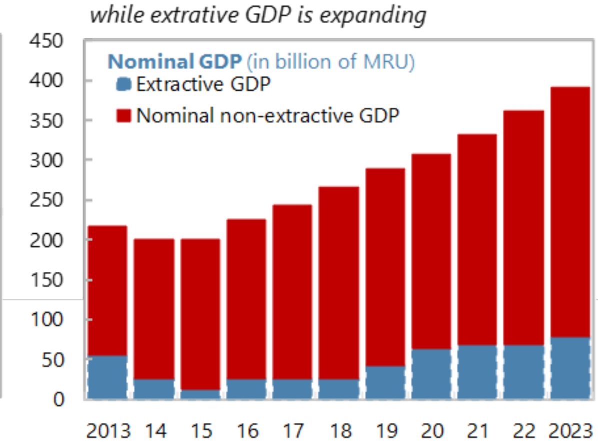
…and non-extractive GDP to broadly stabilize…



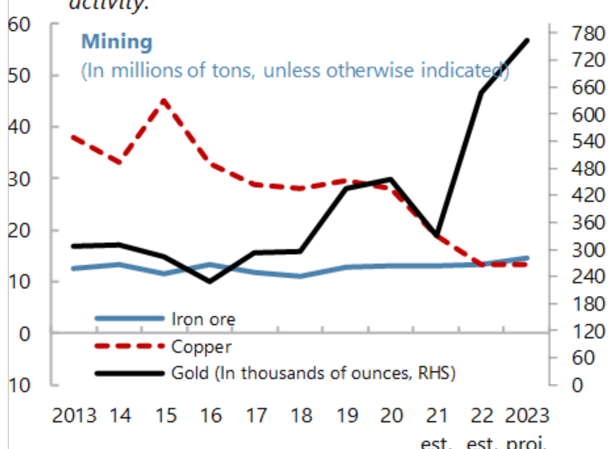
… with a stabilization of non-extractive activity per capita.



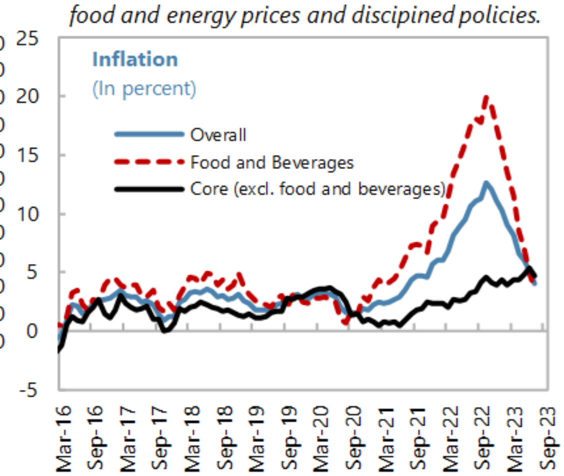
The non-extractive sector remains predominant, while extrative GDP is expanding



… supported by a substantial increase in gold activity.

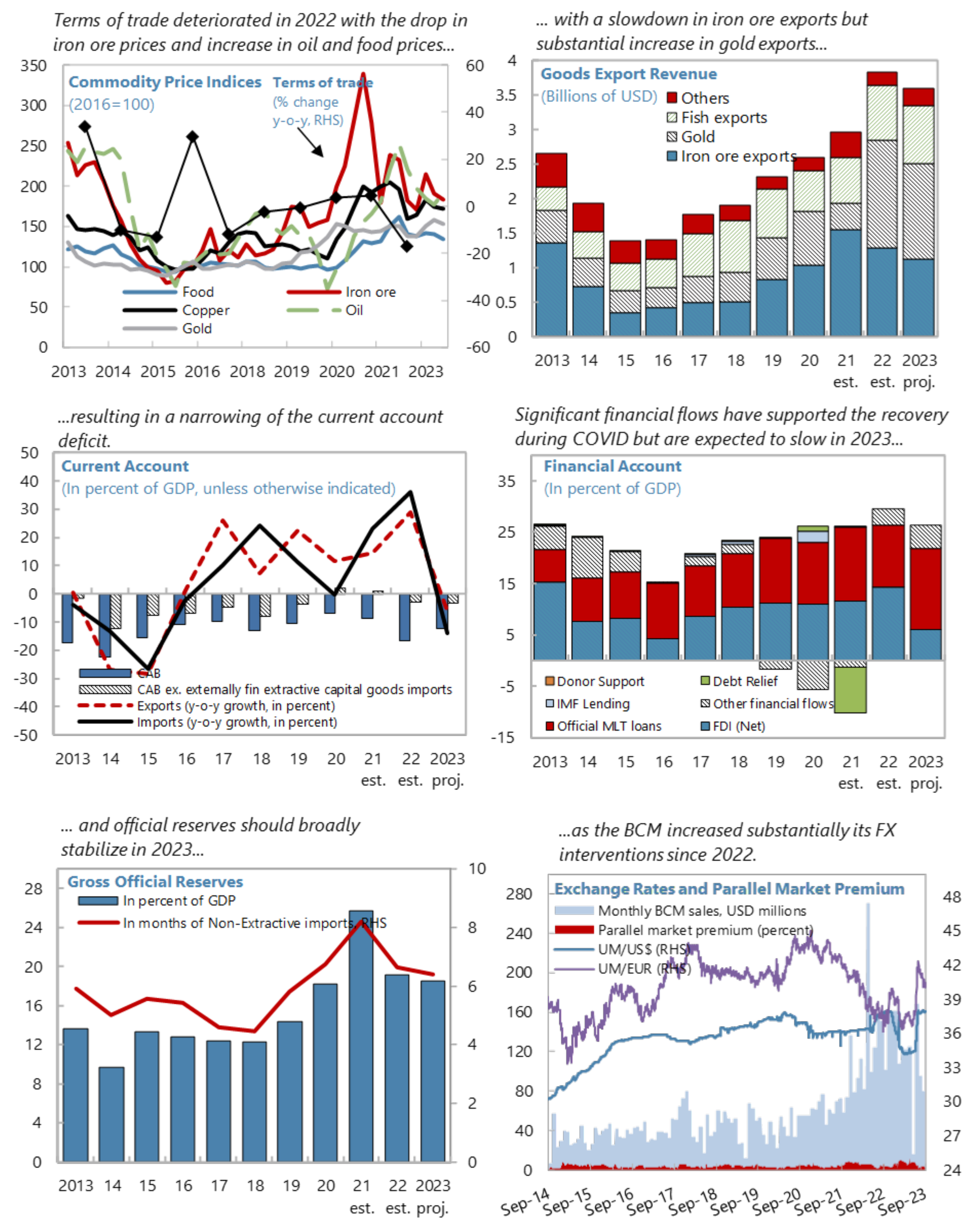


Inflation pressures decreased thanks to favorable food and energy prices and discipined policies.



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

Figure 2. Mauritania: External Sector Developments, 2013-23

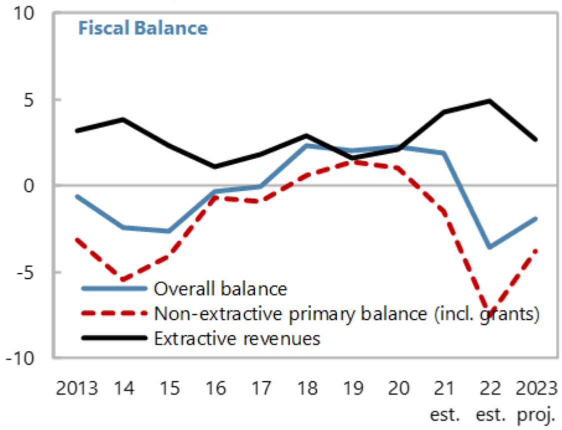


Sources: Mauritanian authorities; and IMF staff estimates and projections.

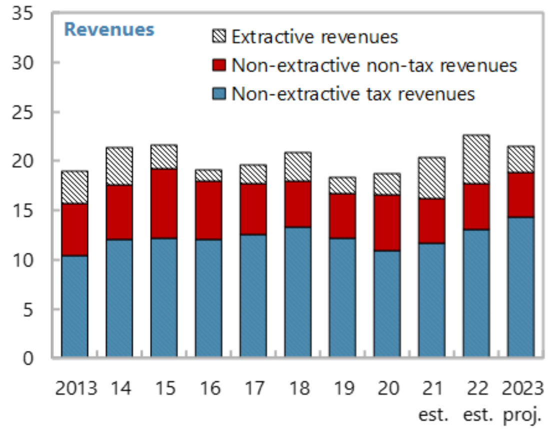
Figure 3. Mauritania: Fiscal Sector Developments, 2013-23

(Percent of GDP, unless otherwise indicated)

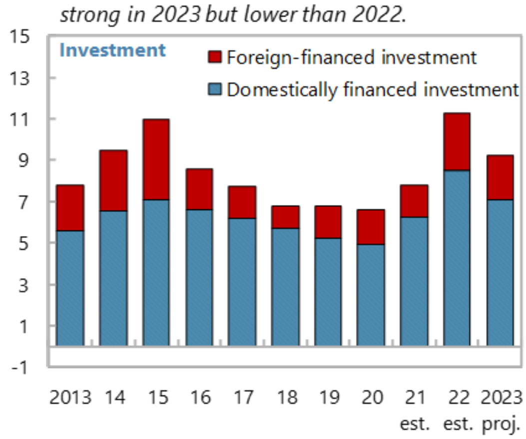
The fiscal balance is expected to improve in 2023 with the implementation of the fiscal anchor.



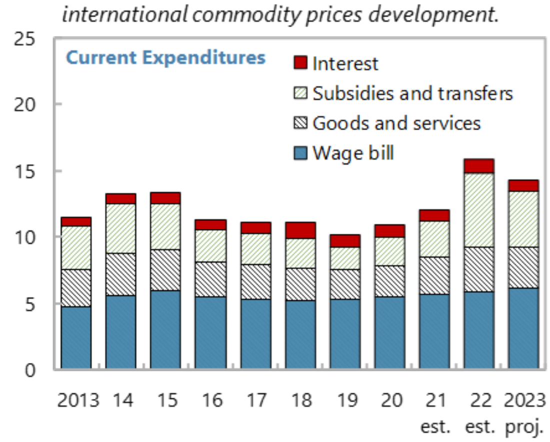
While extractive revenues should decrease and non-extractive revenues increase...



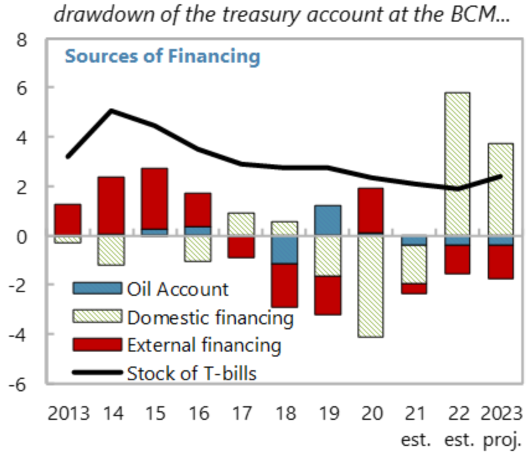
... public investment execution should remain strong in 2023 but lower than 2022.



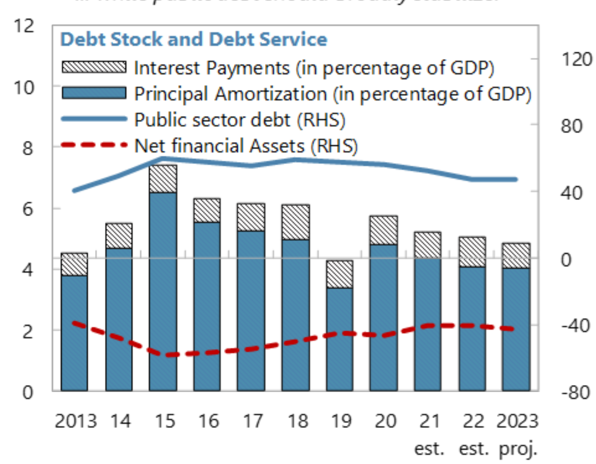
Subsidies are projected to decrease as result of international commodity prices development.



The fiscal deficit should be financed mainly by a drawdown of the treasury account at the BCM...

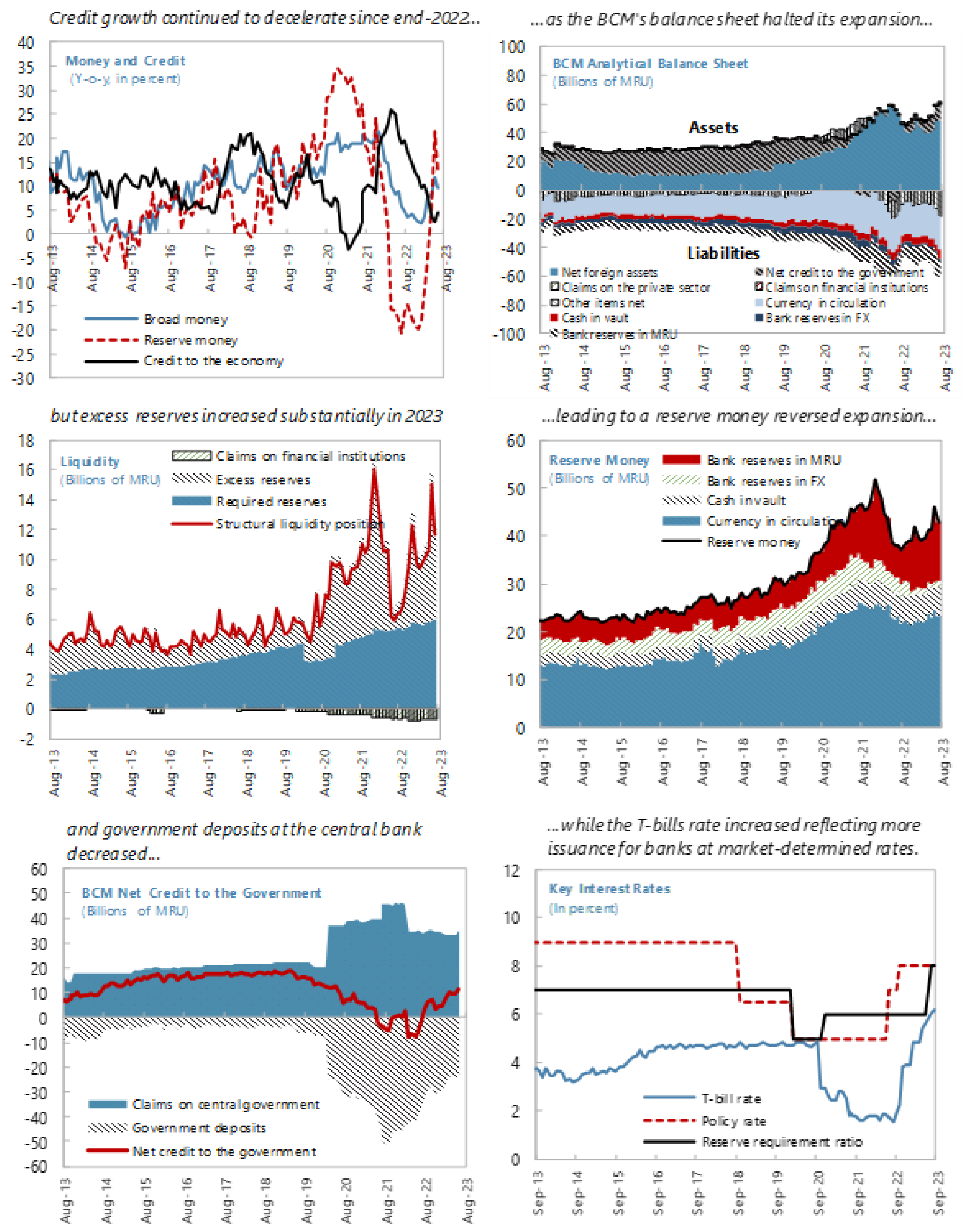


... while public debt should broadly stabilize.



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

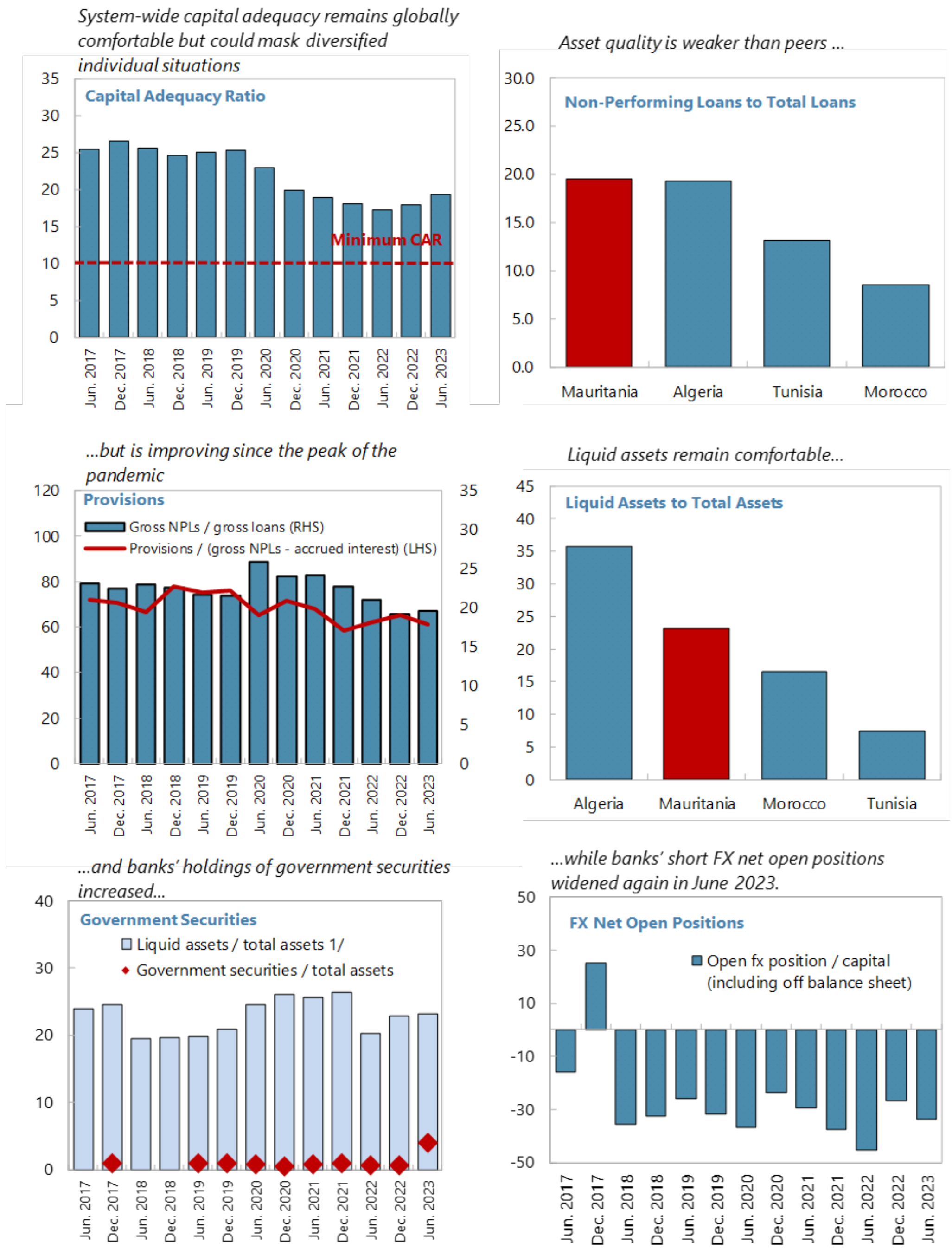
Figure 4. Mauritania: Monetary Sector Developments, 2013-23



Sources: Mauritanian authorities; and IMF staff calculations.

Figure 5. Mauritania: Financial Sector Indicators, 2017-23

(In percent)



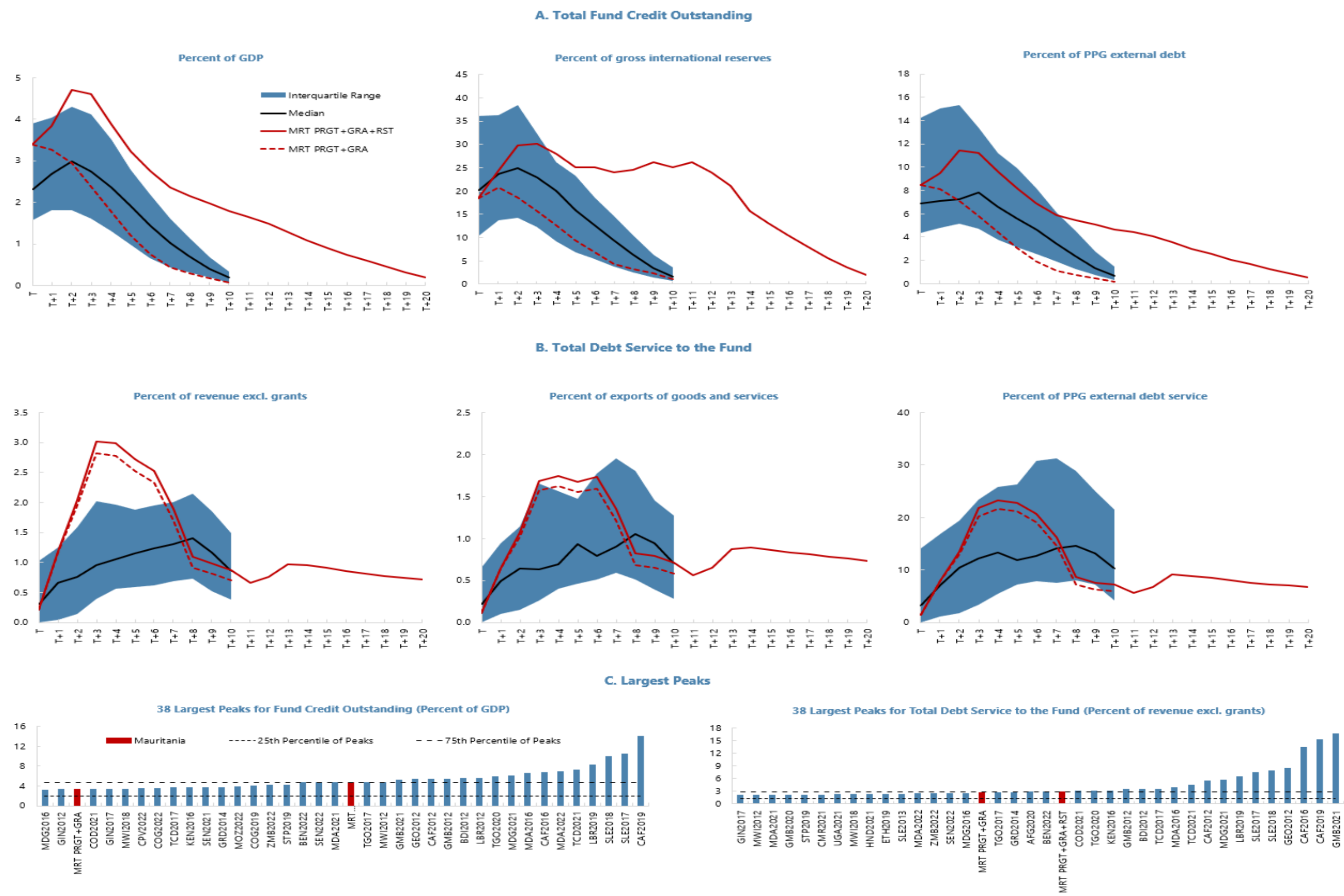
Sources: National authorities, and IMF staff calculations.

Notes: Ratios follow national standards, and observations are in: June 2023 for Mauritania, 2021 for Algeria, June 2022 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 2012 and 2022.
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.

Sources: National authorities, and IMF staff calculations.

Table 1. Mauritania: Macroeconomic Framework, 2018-28

Poverty rate: 28 percent (2019)
Population: 4.4 million (2018)

Quota: SDR 128.8 million
Main exports: iron ore, fish, gold

	2018	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028
		Est.	Est.	Est.	Est.	ECF/EFF	Proj.	ECF/EFF	Proj.	Projections			
	(Annual change in percent; unless otherwise indicated)												
National accounts and prices													
Real GDP	4.8	3.1	-0.4	0.7	6.4	4.3	4.8	5.7	5.1	5.5	4.5	5.6	4.3
Real extractive GDP	-4.6	7.5	7.1	-19.2	18.3	8.3	11.6	11.1	5.5	14.3	2.1	7.2	3.7
Real non-extractive GDP	5.8	2.5	-1.7	6.0	3.3	3.3	3.2	4.4	5.0	3.3	5.1	5.2	4.4
Real GDP per capita	2.5	0.9	-2.6	-1.5	4.1	2.1	2.6	3.4	2.8	3.3	2.2	3.4	2.1
Iron ore production (million tons)	11.1	12.7	13.1	13.0	13.4	14.6	14.5	16.4	14.9	16.2	17.0	18.0	18.0
GDP deflator	4.6	5.3	6.5	7.5	2.2	2.5	3.3	4.9	1.4	2.4	2.1	1.4	2.0
Nominal GDP	9.5	8.6	6.1	8.3	8.7	6.9	8.2	10.8	6.6	8.0	6.7	7.1	6.4
Consumer prices (period average)	3.1	2.3	2.4	3.6	9.6	10.0	7.8	7.5	4.4	4.1	4.0	4.0	4.0
Consumer prices (end of period)	3.2	2.7	1.8	5.7	11.0	9.0	4.5	6.0	4.2	4.0	4.0	4.0	4.0
	(In percent of GDP)												
Savings and Investment													
Gross investment	46.2	47.0	43.2	43.4	45.1	45.8	39.4	40.5	35.0	37.1	36.3	36.3	35.4
Gross national savings	33.2	36.5	36.4	34.8	28.5	34.4	27.3	34.6	27.4	29.7	29.2	29.2	28.5
Saving - Investment balance	-13.1	-10.5	-6.8	-8.6	-16.6	-11.4	-12.2	-5.9	-7.7	-7.4	-7.0	-7.1	-6.9
	(In percent of GDP)												
Central government operations													
Revenues and grants	21.3	19.9	20.8	22.7	24.4	22.0	23.2	21.8	24.1	23.0	23.4	23.6	24.2
Nonextractive	18.0	16.7	16.6	16.2	17.8	17.8	18.9	18.0	19.0	19.4	19.7	20.1	20.7
Taxes	13.3	12.2	10.9	11.7	13.1	13.5	14.3	14.0	14.6	15.0	15.3	15.8	16.2
Extractive	2.9	1.6	2.1	4.2	4.9	2.9	2.7	2.6	3.2	2.4	2.6	2.5	2.5
Grants	0.5	1.5	2.0	2.3	1.8	1.4	1.7	1.2	1.9	1.2	1.1	1.0	1.0
Expenditure and net lending	19.0	17.8	18.5	20.8	28.0	24.6	25.2	23.6	25.6	24.4	23.6	22.7	22.5
Of which: Current	12.1	11.2	12.0	13.0	16.8	15.2	15.9	14.8	15.4	14.5	14.4	13.9	13.7
Capital	6.8	6.8	6.6	7.8	11.3	9.4	9.2	8.8	10.2	9.9	9.3	8.8	8.8
Primary balance (excl. grants)	3.0	1.4	1.2	0.5	-4.4	-3.2	-2.8	-2.2	-2.5	-1.7	-0.5	0.7	1.5
Non-extractive primary balance (incl. grants)	0.6	1.4	1.0	-1.5	-7.5	-4.7	-3.8	-3.6	-3.8	-2.9	-2.0	-0.8	0.0
Overall balance	2.3	2.0	2.2	1.9	-3.6	-2.6	-1.9	-1.8	-1.5	-1.4	-0.2	0.9	1.6
Public sector debt 1/ 2/	59.2	57.7	56.5	52.4	47.3	50.3	46.9	49.7	46.7	45.9	45.5	45.4	45.2
Net financial assets 3/	-50.3	-45.4	-46.8	-40.9	-40.3	-46.2	-43.0	-48.1	-44.4	-44.4	-43.4	-41.7	-39.5
	(Annual change in percent; unless otherwise indicated)												
Money													
Broad money	13.8	11.8	21.0	20.4	3.1	8.1	8.0	14.8	11.9	10.3	9.1	9.5	9.0
Credit to the private sector	19.4	12.9	6.8	8.4	13.0	12.1	5.0	14.0	12.1	12.2	10.5	10.8	10.3
External sector													
Exports of goods, f.o.b.	7.3	22.4	11.7	14.4	29.0	-5.4	-6.2	11.1	8.6	9.4	0.6	1.5	1.2
Imports of goods, f.o.b.	24.2	11.1	-0.4	23.1	36.2	-19.2	-13.8	-2.5	-2.8	2.8	1.7	2.8	1.8
Terms of trade	-2.3	-0.7	3.9	4.8	-17.1	1.3	7.0	1.8	1.8	2.9	4.0	2.2	2.9
Real effective exchange rate	-0.3	1.8	0.9	-0.1	9.3	...	...	...	...	...	...	...	...
Current account balance (in percent of GDP)	-13.1	-10.5	-6.8	-8.6	-16.6	-11.4	-12.2	-5.9	-7.7	-7.4	-7.0	-7.1	-6.9
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	1.0	-2.9	-5.5	-3.2	-2.5	-1.7	-1.2	-1.4	-1.7	-1.7
Gross official reserves (US$ million, eop) 4/	918	1,135	1,542	2,347	1,877	1,568	1,893	1,635	1,682	1,795	1,801	1,722	1,669
In months of prospective non-extractive imports	4.5	5.8	6.7	8.2	6.6	5.2	6.4	5.2	5.5	5.8	5.6	5.2	5.2
External public debt (US$ million) 2/	3,708	3,845	4,113	4,204	3,970	4,560	4,099	4,731	4,322	4,670	4,852	4,977	5,123
In percent of GDP	50.6	49.6	49.1	45.8	41.3	43.4	40.7	42.9	40.8	41.6	41.4	40.4	39.9
Memorandum items:													
Nominal GDP (MRU billion)	266.6	289.7	307.2	332.6	361.7	406.8	391.5	450.9	417.1	450.6	480.7	514.7	547.6
Nominal non-extractive GDP (MRU billion)	240.2	246.7	242.9	264.1	292.9	330.4	313.8	361.1	333.7	352.2	379.0	409.3	440.1
Nominal GDP (US$ million)	7,472	7,894	8,464	9,126	9,799	10,507	10,243	11,021	10,661	11,323	11,846	12,431	12,956
Nominal GDP (US$, annual change in percent)	9.5	5.6	7.2	7.8	7.4	1.9	4.5	4.9	4.1	6.2	4.6	4.9	4.2
Exchange rate (MRU/US$)	35.7	36.7	36.3	36.4	36.6	...	...	...	...	...	...	...	...
Price of oil (US$/barrel)	68.5	61.4	41.8	69.2	96.4	85.5	80.5	80.2	79.9	76.0	72.7	69.9	67.5
Price of iron ore (US$/Ton)	70.1	93.6	108.1	158.2	120.7	101.5	111.8	95.7	94.6	86.2	78.9	75.8	75.8
Price of gold (US$/Ounce)	1,269	1,392	1,770	1,800	1,802	1,816	1,923	1,875	1,978	2,072	2,137	2,175	2,175

Sources: authorities; and IMF staff estimates and projections.
1/ Including government debt to the central bank recognized in 2018.
2/ Excluding passive debt to Kuwait under negotiation.
3/ Excluding the hydrocarbon revenue fund.
4/ Excluding the hydrocarbon revenue fund; including 2021 SDR allocation.

Table 2a. Mauritania: Balance of Payments, 2018-28
(In millions of U.S. dollars, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028
		Est.	Est.	Est.	Est.	ECF/EFF	Proj.	ECF/EFF	Proj.	Projections			
Current account balance	-976	-831	-576	-782	-1,628	-1,193	-1,247	-652	-817	-833	-831	-884	-888
Excl. externally financed extractive capital imports	-606	-303	187	87	-283	-574	-330	-274	-182	-138	-167	-213	-215
Trade balance	-706	-570	-288	-580	-1,002	-347	-572	139	-147	103	57	2	-22
Exports, fob	1,895	2,319	2,591	2,964	3,825	3,508	3,589	3,898	3,896	4,262	4,287	4,353	4,407
Of which: Iron ore	508	831	1,029	1,544	1,278	1,099	1,121	1,166	1,083	1,108	1,167	1,164	1,164
Hydrocarbons	11	0	0	0	0	0	0	208	215	494	462	454	463
Copper	148	145	153	192	92	133	90	138	98	85	0	0	0
Gold	420	596	787	388	1,567	1,335	1,387	1,422	1,473	1,573	1,648	1,678	1,678
Fish	750	712	584	659	799	749	841	752	862	826	819	849	877
Imports, fob	-2,601	-2,889	-2,879	-3,544	-4,827	-3,854	-4,161	-3,759	-4,044	-4,158	-4,231	-4,351	-4,429
Of which: Food	-495	-484	-687	-792	-1,002	-840	-951	-831	-968	-972	-999	-1,034	-1,065
Petroleum	-624	-560	-417	-708	-1,195	-932	-1,016	-897	-1,071	-1,065	-1,078	-1,089	-1,094
Capital goods	-558	-825	-1,011	-1,052	-1,514	-880	-1,086	-642	-814	-882	-858	-874	-886
Services and income (net)	-471	-577	-630	-618	-957	-1,088	-941	-1,039	-935	-1,210	-1,176	-1,190	-1,175
Services (net)	-432	-481	-524	-472	-899	-1,010	-862	-958	-859	-968	-993	-943	-974
Credit	250	313	272	321	346	275	360	286	374	387	400	414	432
Debit	-682	-793	-796	-793	-1,246	-1,284	-1,222	-1,244	-1,233	-1,355	-1,393	-1,356	-1,407
Income (net)	-38	-96	-106	-146	-58	-78	-78	-81	-75	-242	-183	-248	-201
Credit	80	86	84	60	190	242	272	243	274	268	260	258	256
Debit	-119	-183	-190	-206	-247	-320	-350	-323	-350	-511	-443	-505	-457
Current transfers (net)	202	316	342	416	330	242	267	247	265	273	288	304	309
Private unrequited transfers (net)	97	102	153	143	166	163	175	169	183	190	197	212	228
Official grants 1/	104	214	189	272	165	79	91	79	83	83	91	92	82
Capital and financial account	1,008	900	620	1,978	1,895	1,229	1,313	730	641	871	885	923	930
Capital account	19	22	73	987	136	0	99	39	65	67	69	71	74
Financial account	989	878	548	991	1,759	1,229	1,214	692	576	804	815	851	856
Foreign direct investment (net)	772	884	928	1,062	1,402	840	620	311	135	299	298	294	306
Official medium- and long-term loans	83	127	94	52	62	112	141	127	79	155	121	137	150
Disbursements	253	316	287	314	274	353	387	378	333	414	363	370	386
Of whch: GTA gas project	0	0	84	94	136	0	0	0	0	0	0	0	0
Amortization (before DSSI)	169	189	193	262	212	241	246	251	254	259	241	233	235
SNIM medium- and long-term loans	-63	-64	-60	-204	-13	-5	71	-7	73	79	86	20	20
Other financial flows	196	-69	-415	81	308	282	381	260	289	270	311	400	380
Errors and omissions	159	19	91	350	70	0	0	0	0	0	0	0	0
Overall balance	191	88	135	1,545	337	36	66	78	-176	38	54	39	42
Financing	-238	-134	-317	-1,569	-337	-79	-109	-96	158	-55	-63	-39	-42
Net foreign assets	-242	-138	-411	-755	-339	-79	-109	-96	158	-55	-63	-39	-42
Central bank (net)	-104	-248	-373	-658	-163	-73	-23	-90	248	-2	15	36	17
Change in reserve assets (- = increase, without RSF	-70	-219	-422	-805	148	-67	-16	-67	271	27	54	79	53
Liabilities	-34	-29	49	147	-311	-6	-6	-23	-23	-29	-39	-43	-36
Other, incl. deposit from Saudi Arabia	-81	-75	-24	-24	-311	-6	-6	-23	-23	-29	-39	-36	-28
Commercial banks (net)	-44	25	-35	-47	-140	0	-48	0	-49	-64	-70	-74	-61
Hydrocarbon revenue fund (net)	-93	85	-3	-49	-36	-5	-38	-5	-40	11	-8	0	2
Exceptional financing (incl. DSSI and debt cancellation)	4	5	94	-814	2	0	0	0	0	0	0	0	0
Exceptional official grants 1/	...	...	...	...	...	...	...	...	...	...	...	...	...
Financing gap	47	46	182	24	0	43	43	17	17	17	9	0	0
Use of Fund credit: ECF/EFF, RCF	47	46	182	24	0	43	43	17	17	17	9	0	0
Residual gap	0	0	0	0	0	0	0	0	0	0	0	0	0
Use of Fund credit: RSF	0	0	0	0	0	0	0	0	60	140	60	0	0
Change in reserves (- = increase, with RSF)				-805	148	-67	-16	-67	211	-113	-6	79	53
Gross official reserves, incl. IMF financing (US$ million)	918	1,135	1,542	2,347	1,877	1,568	1,893	1,635	1,682	1,795	1,801	1,722	1,669
(in months of imports excluding extractive industries)	4.5	5.8	6.7	8.2	6.6	5.2	6.4	5.2	5.5	5.8	5.6	5.2	5.2
Gross official reserves, excl. RSF (US$ million)	918	1,135	1,542	2,347	1,877	-	1,893	-	1,622	1,595	1,541	1,461	1,408
Memorandum items:													
Current account balance (in percent of GDP)	-13.1	-10.5	-6.8	-8.6	-16.6	-11.4	-12.2	-5.9	-7.7	-7.4	-7.0	-7.1	-6.9
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	1.0	-2.9	-5.5	-3.2	-2.5	-1.7	-1.2	-1.4	-1.7	-1.7
Trade balance (in percent of GDP)	-9.5	-7.2	-3.4	-6.4	-10.2	-3.3	-5.6	1.3	-1.4	0.9	0.5	0.0	-0.2
Total external financing requirements (in percent of GDP)	16.2	13.8	9.8	13.7	18.9	13.7	14.6	8.3	10.1	9.7	9.1	9.0	8.7
External public debt (in millions of US$)	3,708	3,845	4,113	4,204	3,970	4,560	4,099	4,731	4,322	4,670	4,852	4,977	5,123
(in percent GDP)	50.6	49.6	49.1	45.8	41.3	43.4	40.7	42.9	40.8	41.6	41.4	40.4	39.9
External public debt service (after DSSI - US$ million)	209	211	151	147	307	316	323	349	350	369	363	358	356
(in percent of revenue)	13.4	14.6	9.5	7.9	13.8	14.6	14.6	15.4	14.8	14.9	13.8	12.6	11.6
SNIM contribution to BOP (US$ millions)	173	462	275	619	810	678	714	771	619	606	646	581	592
Hydrocarbon revenue fund balance (US$ millions)	168	83	86	135	171	155	209	160	249	238	246	247	244

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Expected official grants to respond to the COVID-19 crisis, of which US$70 million from the World Bank, US$12 million from the EU, and US$10 million from AfDB.

Table 2b. Mauritania: Balance of Payments, 2018-28
(In percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028
		Est.	Est.	Est.	Proj.	ECF/EFF	Proj.	ECF/EFF	Proj.		Projections		
Current account balance	-13.1	-10.5	-6.8	-8.6	-16.6	-11.4	-12.2	-5.9	-7.7	-7.4	-7.0	-7.1	-6.9
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	1.0	-2.9	-5.5	-3.2	-2.5	-1.7	-1.2	-1.4	-1.7	0.0
Trade balance	-9.5	-7.2	-3.4	-6.4	-10.2	-3.3	-5.6	1.3	-1.4	0.9	0.5	0.0	-0.2
Exports, fob	25.4	29.4	30.6	32.5	39.0	33.4	35.0	35.4	36.5	37.6	36.2	35.0	34.0
Of which: Iron ore	6.8	10.5	12.2	16.9	13.0	10.5	10.9	10.6	10.2	9.8	9.8	9.4	9.0
Hydrocarbons	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.9	2.0	4.4	3.9	3.6	3.6
Copper	2.0	1.8	1.8	2.1	0.9	1.3	0.9	1.2	0.9	0.8	0.0	0.0	0.0
Gold	5.6	7.5	9.3	4.3	16.0	12.7	13.5	12.9	13.8	13.9	13.9	13.5	12.9
Fish	10.0	9.0	6.9	7.2	8.2	7.1	8.2	6.8	8.1	7.3	6.9	6.8	6.8
Imports, fob	-34.8	-36.6	-34.0	-38.8	-49.3	-36.7	-40.6	-34.1	-37.9	-36.7	-35.7	-35.0	-34.2
Of which: Food	-6.6	-6.1	-8.1	-8.7	-10.2	-8.0	-9.3	-7.5	-9.1	-8.6	-8.4	-8.3	-8.2
Petroleum	-8.3	-7.1	-4.9	-7.8	-12.2	-8.9	-9.9	-8.1	-10.0	-9.4	-9.1	-8.8	-8.4
Capital goods	-7.5	-10.4	-11.9	-11.5	-15.5	-8.4	-10.6	-5.8	-7.6	-7.8	-7.2	-7.0	-6.8
Services and income (net)	-6.3	-7.3	-7.4	-6.8	-9.8	-10.4	-9.2	-9.4	-8.8	-10.7	-9.9	-9.6	-9.1
Services (net)	-5.8	-6.1	-6.2	-5.2	-9.2	-9.6	-8.4	-8.7	-8.1	-8.5	-8.4	-7.6	-7.5
Credit	3.3	4.0	3.2	3.5	3.5	2.6	3.5	2.6	3.5	3.4	3.4	3.3	3.3
Debit	-9.1	-10.1	-9.4	-8.7	-12.7	-12.2	-11.9	-11.3	-11.6	-12.0	-11.8	-10.9	-10.9
Income (net)	-0.5	-1.2	-1.2	-1.6	-0.6	-0.7	-0.8	-0.7	-0.7	-2.1	-1.5	-2.0	-1.5
Credit	1.1	1.1	1.0	0.7	1.9	2.3	2.7	2.2	2.6	2.4	2.2	2.1	2.0
Debit	-1.6	-2.3	-2.2	-2.3	-2.5	-3.0	-3.4	-2.9	-3.3	-4.5	-3.7	-4.1	-3.5
Current transfers (net)	2.7	4.0	4.0	4.6	3.4	2.3	2.6	2.2	2.5	2.4	2.4	2.4	2.4
Private unrequited transfers (net)	1.3	1.3	1.8	1.6	1.7	1.5	1.7	1.5	1.7	1.7	1.7	1.7	1.8
Official grants 1/	1.4	2.7	2.2	3.0	1.7	0.8	0.9	0.7	0.8	0.7	0.8	0.7	0.6
Capital and financial account	13.5	11.4	7.3	21.7	19.3	11.7	12.8	6.6	6.0	7.7	7.5	7.4	7.2
Capital account	0.3	0.3	0.9	10.8	1.4	0.0	1.0	0.4	0.6	0.6	0.6	0.6	0.6
Financial account	13.2	11.1	6.5	10.9	17.9	11.7	11.8	6.3	5.4	7.1	6.9	6.8	6.6
Foreign direct investment (net)	10.3	11.2	11.0	11.6	14.3	8.0	6.1	2.8	1.3	2.6	2.5	2.4	2.4
Official medium- and long-term loans	1.1	1.6	1.1	0.6	0.6	1.1	1.4	1.2	0.7	1.4	1.0	1.1	1.2
Disbursements	3.4	4.0	3.4	3.4	2.8	3.4	3.8	3.4	3.1	3.7	3.1	3.0	3.0
Of whch: GTA gas project	0.0	0.0	1.0	1.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortization (before DSSI)	2.3	2.4	2.3	2.9	2.2	2.3	2.4	2.3	2.4	2.3	2.0	1.9	1.8
SNIM medium- and long-term loans	-0.8	3.7	-0.7	-2.2	-0.1	0.0	0.7	-0.1	0.7	0.7	0.7	0.2	0.2
Other financial flows	2.6	-5.4	-4.9	0.9	3.1	2.7	3.7	2.4	2.7	2.4	2.6	3.2	2.9
Errors and omissions	2.1	0.2	1.1	3.8	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	6.5	1.9	2.1	16.9	3.4	0.3	0.6	0.7	-1.6	0.3	0.5	0.3	0.3
Financing	-8.1	-2.8	-4.9	-17.2	-3.4	-0.7	-1.1	-0.9	1.5	-0.5	-0.5	-0.3	-0.3
Net foreign assets	-8.2	-2.9	-6.4	-8.3	-3.5	-0.7	-1.1	-0.9	1.5	-0.5	-0.5	-0.3	-0.3
Central bank (net)	-3.6	-5.2	-5.8	-7.2	-1.7	-0.7	-0.2	-0.8	2.3	0.0	0.1	0.3	0.1
Change in reserve assets (- = increase, without R	-2.4	-4.6	-6.6	-8.8	1.5	-0.6	-0.2	-0.6	2.5	0.2	0.5	0.6	0.4
Liabilities	-1.2	-0.6	0.8	1.6	-3.2	-0.1	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.3
Other, incl. deposit from Saudi Arabia	-1.8	-1.2	-0.3	-0.3	-3.2	-0.1	-0.1	-0.2	-0.2	0.3	0.3	0.3	0.2
Commercial banks (net)	-0.6	0.3	-0.4	-0.5	-1.4	0.0	-0.5	0.0	-0.5	-0.6	-0.6	-0.6	-0.5
Hydrocarbon revenue fund (net)	-1.2	1.1	0.0	-0.5	-0.4	-0.1	-0.4	0.0	-0.4	0.1	-0.1	0.0	0.0
Exceptional financing (incl. DSSI and debt cancellation)	0.0	0.1	1.1	-8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional official grants 1/	...	...	...	...	...	...	...	...	...	...	...		
Financing gap	1.6	1.0	2.8	0.3	0.0	0.4	0.4	0.2	0.2	0.2	0.1	0.0	0.0
Use of Fund credit: ECF/EFF	1.6	1.0	2.8	0.3	0.0	0.4	0.4	0.2	0.2	0.2	0.1	0.0	0.0
Residual gap	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Use of Fund credit: RSF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.2	0.5	0.0	0.0
Change in reserves (- = increase, with RSF)	-2.4	-4.6	-6.6	-8.8	1.5	-	-0.2	-	2.0	-1.0	-0.1	0.6	0.4
Gross official reserves, incl. IMF financing	12.3	14.4	18.2	25.7	19.1	14.9	18.5	14.8	15.8	15.8	15.2	13.8	12.9
(in months of imports excluding extractive industries)	4.5	5.8	6.7	8.2	6.6	5.2	6.4	5.2	5.5	5.8	5.6	5.2	5.2
Gross official reserves, excl. RSF	12.3	14.4	18.2	25.7	19.1	-	18.5	-	15.2	14.1	12.9	11.5	10.6
Memorandum items:													
Current account balance (in percent of GDP)	-13.1	-10.5	-6.8	-8.6	-16.6	-11.4	-12.2	-5.9	-7.7	-7.4	-7.0	-7.1	-6.9
Excl. externally financed extractive capital imports	-8.1	-3.8	2.2	1.0	-2.9	-5.5	-3.2	-2.5	-1.7	-1.2	-1.4	-1.7	-1.7
Trade balance (in percent of GDP)	-9.5	-7.2	-3.4	-6.4	-10.2	-3.3	-5.6	1.3	-1.4	0.9	0.5	0.0	-0.2
Total external financing requirements (in percent of GDP)	1.1	1.0	0.8	2.4	0.3	0.2	0.2	0.1	0.2	0.1	0.1	0.1	0.1
External public debt (in millions of US$)	3,708	3,845	4,113	4,204	3,970	4,560	4,099	4,731	4,322	4,670	4,852	4,977	5,123
(in percent GDP)	50.6	49.6	49.1	45.8	41.3	43.4	40.7	42.9	40.8	41.6	41.4	40.4	39.9
External public debt service (after DSSI - US$ million)	209	211	151	147	307	316	323	349	350	369	363	358	356
(in percent of revenue)	13.4	14.6	9.5	7.9	13.8	14.6	14.6	15.4	14.8	14.9	13.8	12.6	11.6
SNIM contribution to BOP (US$ millions)	173	462	275	619	810	678	714	771	619	606	646	581	592
Hydrocarbon revenue fund balance (US$ millions)	168	83	86	135	171	155	209	160	249	238	246	247	244

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Expected official grants to respond to the COVID-19 crisis, of which US$70 million from the World Bank, US$12 million from the EU, and US$10 million from AfDB.

Table 3a. Mauritania: Central Government Operations, 2018-28
(In billions of MRU, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028
				Est.	Est.	ECF/EFF	Proj.	ECF/EFF	Proj.	Projections			
Revenues and grants	56.8	57.5	63.8	75.5	88.4	89.5	91.0	98.4	100.4	103.7	112.3	121.7	132.4
Revenues	55.6	53.1	57.6	67.9	82.1	84.0	84.3	92.9	92.6	98.2	107.0	116.5	127.1
Nonextractive	47.9	48.5	51.1	53.8	64.2	72.4	73.8	81.4	79.3	87.4	94.7	103.6	113.5
Tax	35.4	35.4	33.5	38.8	47.2	55.0	55.9	63.3	61.0	67.4	73.5	81.2	88.7
Nontax	12.5	13.1	17.6	15.0	17.0	17.4	17.9	18.1	18.4	20.0	21.2	22.4	24.8
Extractive	7.7	4.6	6.5	14.1	17.9	11.6	10.5	11.5	13.2	10.8	12.3	12.9	13.6
Oil and gas 1/	6.0	1.8	0.5	1.2	2.1	0.5	0.8	0.5	0.8	2.6	4.5	4.8	5.3
Mining	1.6	2.8	6.0	12.9	15.8	11.2	9.7	11.1	12.5	8.2	7.8	8.1	8.3
Grants	1.2	4.4	6.2	7.6	6.4	5.50	6.7	5.5	7.8	5.5	5.3	5.3	5.3
Of which: Projects	1.0	1.8	2.6	2.6	5.8	5.0	5.4	5.0	7.0	5.0	4.7	4.7	4.7
Expenditure and net lending	50.6	51.6	56.9	69.1	101.3	100.0	98.5	106.5	106.8	110.1	113.4	117.1	123.5
Current	32.4	32.4	36.8	43.3	60.8	61.9	62.4	66.9	64.4	65.5	69.0	71.8	75.2
Compensation of employees	14.0	15.4	16.8	18.9	21.1	24.1	24.2	26.4	24.9	26.0	28.2	30.4	32.6
Goods and services	6.4	6.6	7.4	9.3	12.2	12.9	11.8	14.3	12.8	13.8	15.5	16.6	18.5
Subsidies and transfers 2/	6.0	4.8	6.4	9.0	20.6	17.4	16.4	18.1	14.4	14.2	14.0	13.6	12.2
Of which: Social spendings against Climate Shocks									*0.3*	*0.3*	*0.3*	*0.3*	*0.3*
Interest	3.1	2.6	2.9	2.8	3.5	3.2	3.2	3.5	3.9	4.1	4.1	4.2	4.8
External	2.6	2.2	2.2	2.1	2.8	2.6	2.4	2.9	2.7	2.9	3.1	3.3	3.5
Domestic	0.4	0.5	0.7	0.7	0.7	0.6	0.8	0.6	1.2	1.2	0.9	0.9	1.3
Special accounts	1.1	1.4	0.9	1.4	1.9	4.3	5.2	4.6	5.5	5.2	5.0	5.1	5.5
Common reserves	1.2	1.4	2.5	1.6	1.3	0.0	1.5	0.0	2.9	2.2	2.2	1.9	1.6
Others	0.6	0.2	-0.1	0.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	18.1	19.7	20.3	26.0	40.7	38.1	36.2	39.6	42.4	44.6	44.5	45.3	48.2
Foreign-financed	2.8	4.5	5.2	5.2	9.9	9.8	8.4	10.4	14.6	17.2	14.8	12.1	12.5
Domestically financed, incl. COVID-19	15.3	15.2	15.0	20.8	30.8	28.3	27.8	29.2	27.8	27.4	29.6	33.2	35.7
Net lending	0.2	-0.4	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	8.0	4.1	3.6	1.6	-15.7	-12.8	-11.0	-10.1	-10.3	-7.8	-2.4	3.6	8.4
Primary balance	9.3	8.5	9.7	9.2	-9.4	-7.3	-4.3	-4.6	-2.5	-2.3	2.9	8.8	13.7
Non-extractive primary balance	1.6	3.9	3.2	-4.9	-27.2	-18.9	-14.8	-16.1	-15.8	-13.2	-9.5	-4.0	0.1
Overal balance (excl. grants)	5.0	1.4	0.7	-1.2	-19.2	-16.0	-14.2	-13.6	-14.2	-11.9	-6.4	-0.6	3.6
Overall balance	6.2	5.9	6.8	6.4	-12.9	-10.5	-7.5	-8.1	-6.4	-6.4	-1.2	4.6	8.9
Financing	-6.2	-5.9	-6.8	-6.4	12.9	10.5	7.5	8.1	6.4	6.4	1.2	-4.6	-8.9
Domestic	1.5	-4.8	-12.6	-5.1	20.9	14.1	14.5	11.8	7.1	-2.7	-2.5	-3.5	-8.1
Banking system	0.1	-4.2	-9.4	5.5	-5.9	13.7	13.3	10.4	7.0	0.0	-2.7	-6.2	-10.0
Treasury account	0.8	-5.3	-19.9	-12.8	14.0	13.3	12.0	9.1	6.9	2.7	-3.0	-9.0	-12.0
Central bank	-0.6	0.0	11.4	-6.7	11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-0.1	1.1	-0.9	-0.4	-2.9	0.4	1.2	1.3	0.1	-2.7	0.3	2.8	2.0
Commercial banks (Without the RSF)	-0.1	1.1	-0.9	-0.4	-2.9	0.4	1.2	1.3	2.4	2.9	2.7	2.8	2.0
Nonbanks	0.4	0.1	-0.4	-0.8	0.1	0.4	1.2	1.3	0.1	-2.7	0.3	2.8	2.0
Domestic arrears	0.0	1.4	-1.5	1.5	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	1.0	-2.0	-1.3	3.8	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	...	...	6.4	...	...	...	...	...	...	...	...	...
External	-7.7	-1.1	5.9	-2.8	-5.6	-3.6	-7.0	-3.7	-0.7	9.1	3.6	-1.1	-0.8
Hydrocarbon revenue fund (net)	-3.1	3.5	0.2	-1.4	-1.4	-0.2	-1.5	-0.2	-1.6	0.4	-0.3	0.0	0.1
Oil and gas revenue	-6.3	-1.8	-0.8	-1.4	-1.2	-1.0	-1.5	-1.1	-1.6	-10.8	-12.3	-12.9	-13.6
Transfer to the budget	3.1	5.3	1.0	0.0	0.0	0.8	0.0	0.8	0.0	11.3	12.0	12.9	13.7
Other external financing	-4.6	-4.6	5.6	-1.5	-4.2	-3.3	-5.5	-3.5	0.9	8.6	4.0	-1.1	-0.9
Borrowing (net)	-4.3	-4.1	-3.9	-4.8	-2.5	-3.3	-5.5	-3.5	-1.4	3.0	1.5	-1.1	-0.9
Disbursements	2.0	2.8	2.8	2.6	5.3	6.0	3.9	6.7	8.5	13.2	11.1	8.3	8.8
Amortization	-6.3	-6.9	-6.8	-7.3	-7.8	-9.3	-9.4	-10.1	-10.0	-10.2	-9.6	-9.5	-9.7
of which debt relief (DSSI)	0.0	0.0	3.5	4.1	-1.5	-2.2	-2.1	-2.3	-2.2	-1.0	-1.0	-0.7	0.0
IMF (RCF)	...	...	4.7	...	...	...	...	...	...	...	...	...	0.0
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	0.0	0.0	0.0
IMF (RSF)	...	...	...	...	...	...	...	...	2.3	5.6	2.4	...	...
Residual financing gap	...	...	0.0	0.0	0.0	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	1.6	-2.3	0.0	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	7.7	17.2	33.8	-6.4	-9.8	-0.9	3.9	-1.0	-0.9	-0.8	1.4
Current (percent)	8.0	-2.1	11.1	13.5	28.1	-13.2	-4.8	0.6	-1.1	-2.3	1.2	0.1	0.8
Capital (percent)	-12.0	6.3	0.8	23.7	43.0	6.2	-17.6	-3.4	12.4	1.1	-4.2	-2.0	2.4
Non-extractive primary balance (excl. grants)	0.4	-0.5	-3.0	-12.5	-33.6	-24.5	-21.5	-21.6	-23.6	-18.7	-14.7	-9.3	-5.2
Non-extractive primary balance (incl. grants)	1.6	3.9	3.2	-4.9	-27.2	-18.9	-14.8	-16.1	-15.8	-13.2	-9.5	-4.0	0.1
Basic budget balance (excl. grants) 3/	7.8	5.9	5.9	4.0	-9.3	-6.2	-5.8	-3.2	0.3	5.3	8.4	11.4	16.2
Net financial assets 4/	-134.0	-131.6	-143.7	-135.9	-145.6	-188.1	-168.5	-216.7	-185.2	-200.2	-208.7	-214.6	-216.5
Social spending	8.8	9.6	14.6	15.6	19.5	20.7	20.9	22.6	22.3	23.5	25.3	27.3	29.4

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ “Oil and gas” tax revenues do not include any potential revenue that would be gained through a carbon tax. This revenue estimation will be available in subsequent RSF reviews.
2/ Including transfers to public entities outside the central government.
3/ Overall balance excluding foreign-financed investment expenditure.
4/ Defined as end of year stock in FNRH and treasury account minus gross debt.

Table 3b. Mauritania: Central Government Operations, 2018-28
(In percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028
				Est.	Est.	ECF/EFF	Proj.	ECF/EFF	Proj.	Projections			
Revenues and grants	21.3	19.9	20.8	22.7	24.4	22.0	23.2	21.8	24.1	23.0	23.4	23.6	24.2
Revenues	20.9	18.3	18.8	20.4	22.7	20.6	21.5	20.6	22.2	21.8	22.3	22.6	23.2
Nonextractive	18.0	16.7	16.6	16.2	17.8	17.8	18.9	18.0	19.0	19.4	19.7	20.1	20.7
Tax	13.3	12.2	10.9	11.7	13.1	13.5	14.3	14.0	14.6	15.0	15.3	15.8	16.2
Nontax	4.7	4.5	5.7	4.5	4.7	4.3	4.6	4.0	4.4	4.4	4.4	4.3	4.5
Extractive	2.9	1.6	2.1	4.2	4.9	2.9	2.7	2.6	3.2	2.4	2.6	2.5	2.5
Oil and gas 1/	2.3	0.6	0.2	0.4	0.6	0.1	0.2	0.1	0.2	0.6	0.9	0.9	1.0
Mining	0.6	1.0	2.0	3.9	4.4	2.7	2.5	2.5	3.0	1.8	1.6	1.6	1.5
Grants	0.5	1.5	2.0	2.3	1.8	1.4	1.7	1.2	1.9	1.2	1.1	1.0	1.0
Of which: Projects	0.4	0.6	0.8	0.8	1.6	1.2	1.4	1.1	1.7	1.1	1.0	0.9	0.9
Expenditure and net lending	19.0	17.8	18.5	20.8	28.0	24.6	25.2	23.6	25.6	24.4	23.6	22.7	22.5
Current	12.1	11.2	12.0	13.0	16.8	15.2	15.9	14.8	15.4	14.5	14.4	13.9	13.7
Compensation of employees	5.3	5.3	5.5	5.7	5.8	5.9	6.2	5.8	6.0	5.8	5.9	5.9	6.0
Goods and services	2.4	2.3	2.4	2.8	3.4	3.2	3.0	3.2	3.1	3.1	3.2	3.2	3.4
Subsidies and transfers 2/	2.3	1.6	2.1	2.7	5.7	4.3	4.2	4.0	3.5	3.1	2.9	2.6	2.2
Of which: Social spendings against Climate Shocks									*0.1*	*0.1*	*0.1*	*0.1*	*0.1*
Interest	1.1	0.9	0.9	0.8	1.0	0.8	0.8	0.8	0.9	0.9	0.8	0.8	0.9
External	1.0	0.7	0.7	0.6	0.8	0.6	0.6	0.6	0.7	0.6	0.7	0.6	0.6
Domestic	0.2	0.2	0.2	0.2	0.2	0.1	0.2	0.1	0.3	0.3	0.2	0.2	0.2
Special accounts	0.4	0.5	0.3	0.4	0.5	1.1	1.3	1.0	1.3	1.2	1.0	1.0	1.0
Common reserves	0.4	0.5	0.8	0.5	0.4	0.0	0.4	0.0	0.7	0.5	0.5	0.4	0.3
Others	0.2	0.1	0.0	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	6.8	6.8	6.6	7.8	11.3	9.4	9.2	8.8	10.2	9.9	9.3	8.8	8.8
Foreign-financed	1.1	1.5	1.7	1.6	2.8	2.4	2.1	2.3	3.5	3.8	3.1	2.3	2.3
Domestically financed, incl. COVID-19	5.7	5.2	4.9	6.3	8.5	7.0	7.1	6.5	6.7	6.1	6.2	6.5	6.5
Net lending	0.1	-0.1	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	3.0	1.4	1.2	0.5	-4.4	-3.2	-2.8	-2.2	-2.5	-1.7	-0.5	0.7	1.5
Primary balance	3.5	2.9	3.2	2.8	-2.6	-1.8	-1.1	-1.0	-0.6	-0.5	0.6	1.7	2.5
Non-extractive primary balance	0.6	1.4	1.0	-1.5	-7.5	-4.7	-3.8	-3.6	-3.8	-2.9	-2.0	-0.8	0.0
Overal balance (excl. grants)	1.9	0.5	0.2	-0.4	-5.3	-3.9	-3.6	-3.0	-3.4	-2.6	-1.3	-0.1	0.7
Overall balance	2.3	2.0	2.2	1.9	-3.6	-2.6	-1.9	-1.8	-1.5	-1.4	-0.2	0.9	1.6
Financing	-2.3	-2.0	-2.2	-1.9	3.6	2.6	1.9	1.8	1.5	1.4	0.2	-0.9	-1.6
Domestic	0.6	-1.6	-4.1	-1.5	5.8	3.5	3.7	2.6	1.7	-0.6	-0.5	-0.7	-1.5
Banking system	0.0	-1.5	-3.1	1.7	-1.6	3.4	3.4	2.3	1.7	0.0	-0.6	-1.2	-1.8
Treasury account	0.3	-1.8	-6.5	-3.8	3.9	3.3	3.1	2.0	1.7	0.6	-0.6	-1.7	-2.2
Central bank	-0.2	0.0	3.7	-2.0	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	0.0	0.4	-0.3	-0.1	-0.8	0.1	0.3	0.3	0.0	-0.6	0.1	0.5	0.4
Commercial banks (Without the RSF)	0.0	0.4	-0.3	-0.1	-0.8	0.1	0.3	0.3	0.6	0.6	0.6	0.5	0.4
Nonbanks	0.2	0.0	-0.1	-0.2	0.0	0.1	0.3	0.3	0.0	-0.6	0.1	0.5	0.4
Domestic arrears	0.0	0.5	-0.5	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	0.4	-0.7	-0.4	1.2	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	...	...	1.9	...	...	...	...	...	...	...		
External	-2.9	-0.4	1.9	-0.9	-1.6	-0.9	-1.8	-0.8	-0.2	2.0	0.8	-0.2	-0.1
Hydrocarbon revenue fund (net)	-1.2	1.2	0.1	-0.4	-0.4	-0.1	-0.4	0.0	-0.4	0.1	-0.1	0.0	0.0
Oil and gas revenue	-2.3	-0.6	-0.2	-0.4	-0.3	-0.2	-0.4	-0.2	-0.4	-2.4	-2.6	-2.5	-2.5
Transfer to the budget	1.2	1.8	0.3	0.0	0.0	0.2	0.0	0.2	0.0	2.5	2.5	2.5	2.5
Other	-1.7	-1.6	1.8	-0.4	-1.2	-0.8	-1.4	-0.8	0.2	1.9	0.8	-0.2	-0.2
Borrowing (net)	-1.6	-1.4	-1.3	-1.4	-0.7	-0.8	-1.4	-0.8	-0.3	0.7	0.3	-0.2	-0.2
Disbursements	0.7	1.0	0.9	0.8	1.5	1.5	1.0	1.5	2.0	2.9	2.3	1.6	1.6
Amortization	-2.3	-2.4	-2.2	-2.2	-2.2	-2.3	-2.4	-2.2	-2.4	-2.3	-2.0	-1.8	-1.8
of which debt relief (DSSI)	0.0	0.0	1.1	1.2	-0.4	-0.5	-0.5	-0.5	-0.5	-0.2	-0.2	-0.1	0.0
IMF (RCF)	...	...	1.5	...	...	...	...	...	...	...	...	...	0.0
IMF (ECF/EFF, actual and prospective)	0.0	0.0	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF (RSF)	...	...	...	...	...	...	...	...	0.6	1.2	0.5	...	...
Errors and omissions	0.0	0.0	-0.1	0.5	-0.6	0.0	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	-1.0	-3.8	-9.3	-6.0	-5.5	-4.8	-5.7	-4.1	-3.1	-1.8	-0.9
Non-extractive primary balance (incl. grants)	0.6	1.4	1.0	-1.5	-7.5	-4.7	-3.8	-3.6	-3.8	-2.9	-2.0	-0.8	0.0
Overall balance (in percent of GDP)	2.3	2.0	2.2	1.9	-3.6	-2.6	-1.9	-1.8	-1.5	-1.4	-0.2	0.9	1.6
Basic budget balance (excl. grants) 3/	2.9	2.0	1.9	1.2	-2.6	-1.5	-1.5	-0.7	0.1	1.2	1.8	2.2	3.0
Net financial assets 4/	-50.3	-45.4	-46.8	-40.9	-40.3	-46.2	-43.0	-48.1	-44.4	-44.4	-43.4	-41.7	-39.5
Social spending	3.3	3.3	4.7	4.7	5.4	5.1	5.3	5.0	5.3	5.2	5.3	5.3	5.4

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

1/ "Oil and gas" tax revenues do not include any potential revenue that would be gained through a carbon tax. This revenue estimation will be available in subsequent RSF reviews.

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

3/ Overall balance excluding foreign-financed investment expenditure.

4/ Defined as end of year stock in FNRH and treasury account minus gross debt.

Table 4. Mauritania: Monetary Survey, 2019-28

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

	2019	2020	2021	2022	2023		2024		2025	2026	2027	2028
			Est.	Est.	ECF/EFF	Proj.	ECF/EFF	Proj.	Projections			
Monetary survey												
Net foreign assets	18.5	27.0	52.7	53.7	37.8	55.6	42.9	44.9	44.8	44.6	42.7	42.1
Net domestic assets	60.9	69.0	63.0	65.5	93.4	73.1	107.6	99.1	114.1	128.7	147.0	164.8
Net domestic credit	89.7	86.4	89.3	103.2	128.5	121.3	154.9	140.9	155.5	166.5	175.9	182.3
Net credit to the government	13.9	5.5	1.6	4.1	14.1	17.3	24.5	24.4	24.8	22.1	15.8	5.8
Credit to the economy	75.8	80.9	87.7	99.1	114.4	104.0	130.4	116.6	130.8	144.5	160.1	176.5
Other items net	-28.8	-17.4	-26.3	-37.7	-35.1	-48.2	-47.3	-41.8	-41.5	-37.8	-28.9	-17.5
Broad money (M2)	79.4	96.0	115.6	119.2	131.2	128.7	150.6	144.0	158.8	173.3	189.7	206.9
Monetary authorities												
Net foreign assets	21.6	29.5	52.2	48.0	37.3	50.1	42.4	40.4	40.6	40.5	39.8	39.9
Net domestic assets	9.4	12.2	-0.3	-6.2	8.3	-1.6	16.0	13.9	15.1	20.3	20.4	20.1
Net domestic credit	13.7	7.2	1.6	4.6	13.7	16.6	22.8	23.6	26.2	23.2	14.2	2.2
Net credit to the government	13.1	6.5	0.5	3.4	12.6	15.4	21.7	22.3	25.0	22.0	13.0	1.0
Other items net	-4.3	5.0	-1.9	-10.8	-5.4	-18.2	-6.8	-9.7	-11.1	-2.9	6.2	17.9
Reserve money	31.0	41.7	51.8	41.8	45.6	48.6	58.4	54.3	55.7	60.8	60.2	59.9
Currency in circulation	17.4	22.7	25.7	22.2	25.4	24.0	29.1	26.8	29.6	32.3	35.3	38.5
Reserves of banks	13.5	19.0	26.1	19.6	20.2	24.6	29.2	27.5	26.1	28.5	24.9	21.4
Of which: Banks deposits in FX	4.0	4.9	4.7	1.0	3.5	1.3	5.1	1.4	1.4	1.5	1.3	1.1
Commercial banks												
Net foreign assets	-3.1	-2.5	0.5	5.6	0.5	5.5	0.6	4.5	4.2	4.1	2.9	2.3
Net domestic credit	76.2	79.6	88.4	99.4	115.4	105.5	132.7	118.2	130.1	144.1	162.4	180.8
Net credit to the government	0.8	-1.0	1.0	0.7	1.4	2.0	2.7	2.0	-0.2	0.1	2.8	4.8
Credit to the private sector	75.4	80.5	87.3	98.6	114.0	103.6	130.0	116.1	130.3	144.0	159.6	176.0
Other items net	-24.7	-22.3	-24.5	-26.8	-30.3	-30.8	-41.1	-32.9	-31.2	-35.7	-35.9	-36.2
					(Annual change in percent)							
Monetary survey												
Net foreign assets	85.6	46.3	94.7	1.9	9.5	3.6	13.5	-19.3	-0.3	-0.4	-4.2	-1.4
Net domestic assets	-0.3	13.3	-8.7	4.0	7.6	11.6	15.3	35.5	15.1	12.8	14.3	12.1
Net domestic credit	3.4	-3.7	3.4	15.5	25.4	17.6	20.6	16.2	10.4	7.1	5.6	3.6
Net credit to the government	-28.9	-60.6	-71.5	161.6	3828.7	324.4	74.2	40.5	1.8	-11.0	-28.3	-63.5
Credit to the economy	12.9	6.7	8.5	12.9	12.1	5.0	14.0	12.1	12.2	10.5	10.8	10.3
Other items net	-12.3	39.7	-51.7	-43.1	-124.7	-28.0	-34.7	13.2	0.8	8.8	23.7	39.4
Broad money (M2)	11.8	21.0	20.4	3.1	8.1	8.0	14.8	11.9	10.3	9.1	9.5	9.0
Monetary authorities												
Net foreign assets	57.0	36.7	76.7	-7.9	9.5	4.3	13.6	-19.3	0.4	-0.4	-1.7	0.2
Net domestic assets	-37.9	30.0	-102.5	1916.0	37.4	-74.8	93.2	-981.0	8.9	34.5	0.5	-1.6
Net domestic credit	-29.8	-47.5	-78.5	196.2	3962.5	261.3	66.6	41.8	11.3	-11.4	-38.8	-84.4
Net credit to the government	-31.1	-50.8	-91.8	539.3	-1950.8	356.7	72.0	45.2	12.0	-12.0	-40.9	-92.4
Reserve money	7.4	34.7	24.4	-19.4	13.7	16.2	28.1	11.9	2.6	9.1	-0.9	-0.4
Commercial banks												
Net foreign assets	18.1	20.3	120.1	1028.3	6.0	-2.6	5.4	-18.8	-6.2	-1.2	-29.4	-22.6
Net domestic credit	13.2	4.5	11.1	12.4	12.4	6.2	15.0	12.0	10.1	10.7	12.7	11.3
Net credit to the government	48.4	-225.7	-206.4	-30.5	35.9	173.1	94.1	4.2	-109.5	-137.9	3729.6	69.4
Credit to the private sector	12.9	6.8	8.4	13.0	12.1	5.0	14.0	12.1	12.2	10.5	10.8	10.3
Memorandum items:												
Velocity of broad money (to non-extractive GDP)	3.1	2.5	2.3	2.5	2.5	2.4	2.4	2.3	2.2	2.2	2.2	2.1
Credit to the private sector (percent of non-extractive GDP)	30.6	33.2	33.1	33.7	34.5	33.0	36.0	34.8	37.0	38.0	39.0	40.0
Net foreign assets of banks (in millions of U.S. dollars)	-83.3	-67.6	13.8	153.6	13.8	141.2	13.8	112.9	103.9	100.7	69.7	52.9

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

Table 5. Mauritania: Banking Soundness Indicators, 2010-23

(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023 Jun.
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	35.0	35.3
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	40.3	37.6
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	3.0	2.8
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	0.6	4.0
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	13	2.4
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	19.1	19.5
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	65.4	61.0
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	95.1	90.0
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	69.7	70.0
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	85.7	86.3
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	13.6	14.7
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	18	19.4
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	9.1	7.1
Fx assets / fx liabilities (on balance sheet)	112.1	135.2	100.1	106.6	138.6	108.2	116.0	102.5	99.5	103.2	117.8	89.8	94.3	78.3
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	-26.6	-33.8
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	22.9	23.1
Liquidity coverage ratio (statutory min. = 100 percent) 3/	...	...	...	...	...	...	...	...	...	...	148.9	152.5	140	148.9
Memorandum items:														
Share of assets held by three largest banks	53.7	50.7	45.4	42.3	45.7	42.0	41.0	38.8	42.3	35.9	36.8	35.5	37.6	40.2
Number of banks	10	12	12	15	15	16	16	17	17	18	18	18	17	16

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, 2020-28 1/
(In billions MRU)

	2020 Est.	2021 Est.	2022 Est.	2023 Proj.	2024	2025	2026	2027	2028
Gross financing needs (A)	**6.1**	**8.5**	**28.5**	**25.8**	**26.4**	**23.1**	**17.1**	**10.8**	**6.1**
Primary balance, excl. grants and before DSSI	3.6	1.6	-15.7	-11.0	-10.3	-7.8	-2.4	3.6	8.4
External public debt amortization	-6.8	-7.3	-7.8	-9.4	-10.0	-10.2	-9.6	-9.5	-9.7
Interest payments	-2.9	-2.8	-3.5	-3.2	-3.9	-4.1	-4.1	-4.2	-4.8
External	-2.2	-2.1	-2.8	-2.4	-2.7	-2.9	-3.1	-3.3	-3.5
Domestic	-0.7	-0.7	-0.7	-0.8	-1.2	-1.2	-0.9	-0.9	-1.3
Rescheduled debt service under Debt Service Suspension Initiative (DS	...	...	-1.5	-2.1	-2.2	-1.0	-1.0	-0.7	0.0
Financing sources	**6.4**	**3.2**	**46.2**	**23.1**	**22.7**	**21.7**	**15.3**	**9.4**	**6.1**
Domestic	**-12.7**	**-10.6**	**37.3**	**14.5**	**7.1**	**-2.7**	**-2.5**	**-3.5**	**-8.1**
Drawdown of treasury account	-19.9	-12.8	14.0	12.0	6.9	2.7	-3.0	-9.0	-12.0
Borrowing (net) 2/	10.1	-7.9	8.6	2.5	0.2	-5.3	0.5	5.5	3.9
Borrowing (net) (Without the RSF) 2/	10.1	-7.9	8.6	2.5	2.5	0.3	3.0	5.5	3.9
Other (incl. arrears variation)	-2.9	3.7	14.7	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	6.4	...	...	...	...	...	...	...
External	**19.1**	**13.8**	**8.8**	**8.6**	**15.5**	**24.4**	**17.8**	**13.9**	**16.2**
Official grants	6.2	7.6	6.4	6.7	7.8	5.5	5.3	5.3	5.3
Project grants	2.6	2.6	5.8	5.4	7.0	5.0	4.7	4.7	4.7
Budget support grants	3.6	5.0	0.6	1.3	0.8	0.6	0.5	0.5	0.5
External borrowing (gross)	2.8	2.6	5.3	3.9	8.5	13.2	11.1	8.3	8.8
Project loans	2.7	2.6	4.2	3.0	5.2	6.6	7.6	7.4	7.8
Budget support loans	0.2	0.0	1.1	0.9	3.3	6.6	3.4	1.0	1.0
DSSI	3.5	4.1	-1.5	-2.1	-2.2	-1.0	-1.0	-0.7	0.0
Drawdown of oil account	0.2	-1.4	-1.4	-1.5	-1.6	0.4	-0.3	0.0	0.1
IMF financing	6.6	0.9	0.0	1.6	3.0	6.3	2.8	0.0	0.0
ECF 2017-21 and 2020 RCF	6.6	0.9	...	...	...	...	...	...	...
New ECF/EFF	...	...	...	1.6	0.7	0.7	0.4	0.0	0.0
RSF	...	...	...	...	2.3	5.6	2.4	...	...
Errors and omissions	**-0.2**	...	...	...	...	...	...	...	...
Residual financing gap	...	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Treasury account balance	27.5	40.3	26.2	14.2	7.3	4.6	7.6	16.6	28.6
Gross international reserves (US$ million)	1,542	2,347	1,877	1,893	1,682	1,795	1,801	1,722	1,669

Sources: Mauritanian authorities; and IMF staff estimates and projections.
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, 2021-28 1/
(In millions of U.S. dollars)

	2022	2023	2024	2025	2026	2027	2028
	Est.			Proj.			
Gross Financing Needs	**2,054**	**1,605**	**1,160**	**1,180**	**1,165**	**1,209**	**1,205**
Current account balance, excl. grants	1,793	1,338	899	917	922	976	970
External public debt amortization 1/	225	251	261	264	244	233	235
Accumulation of hydrocarbon revenue fund	36	38	40	0	8	0	0
Reserves accumulation (without RSF)	0	16	0	0	0	0	0
Gross Financing Sources	**2,054**	**1,471**	**1,061**	**1,080**	**1,066**	**1,117**	**1,123**
Foreign direct investment and capital inflows (net)	1,537	719	200	367	367	366	379
Official grants (historical)	165	...	...	...	...	...	...
Official loan disbursements (excluding IMF)	274	387	333	414	363	370	386
Other flows 2/	-393	364	256	261	282	302	303
Drawdown of hydrocarbon revenue fund	0	0	0	11	0	0	2
Reserves drawdown	471	0	271	27	54	79	53
Financing gap	**0**	**-135**	**-100**	**-101**	**-100**	**-92**	**-82**
Prospective financing	**0**	**135**	**100**	**101**	**100**	**92**	**82**
IMF ECF/EFF	0	43	17	17	9	0	0
Official grants (prospective) 3/	0	91	83	83	91	92	82
Residual financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**
RSF disbursement (prospective)	0	0	60	140	60	0	0
Change in reserves (net, with RSF)	-471	16	-211	113	6	-79	-53
Memorandum items:							
Gross official reserves (US$ million)	1,877	1,893	1,682	1,795	1,801	1,722	1,669
Hydrocarbon revenue fund balance (US$ millions)	171	209	249	238	246	247	244

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including central government, central bank, and SNIM.
2/ Including SNIM, SMHPM, commercial banks, errors and omissions, and HIPC Debt Relief.
3/ Disbursed official grants moved above the line for 2021 & 2022 estimated outturn.

Table 8. Mauritania: Capacity to Repay the Fund, 2023-46

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046
Payments to the Fund based on existing credit																								
Principal (in million of SDRs)	3.31	11.59	26.13	44.71	47.26	43.73	37.64	23.10	4.52	2.86	1.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.00	8.10	8.09	8.10	8.08	8.00	7.90	7.82	7.72	7.63	7.55	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54	7.54
Payments to the Fund based on existing and prospective credit 1/																								
Principal (in million of SDRs)	3.31	11.59	26.13	44.71	47.26	45.87	42.50	30.26	12.89	11.45	10.02	5.89	9.55	17.66	19.32	19.32	19.32	19.32	19.32	19.32	19.32	18.58	12.63	2.23
PRGT (ECF & RCF)	3.31	11.59	26.13	44.72	46.37	41.94	37.14	23.47	5.74	4.29	3.76	1.93	1.07	0.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRA (EFF)	0.00	0.00	0.00	0.00	0.89	3.93	5.36	6.80	7.16	7.16	6.26	3.22	1.79	0.36	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RSF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.74	6.69	17.09	19.32	19.32	19.32	19.32	19.32	19.32	19.32	18.58	12.63	2.23
Charges and interest (in million of SDRs)	0.05	8.96	10.87	13.57	14.10	14.00	13.77	13.48	13.12	12.75	12.38	12.12	11.92	11.63	11.20	10.77	10.34	9.91	9.46	9.03	8.60	8.17	7.77	7.56
Total payments to the Fund based on existing and prospective credit 1/																								
In millions of SDRs	3.36	20.55	37.00	58.28	61.36	59.87	56.27	43.74	26.01	24.20	22.40	18.01	21.47	29.29	30.52	30.09	29.66	29.23	28.78	28.35	27.92	26.75	20.40	9.79
In millions of US$	4.30	26.30	47.36	74.59	78.53	76.63	72.02	55.98	33.29	30.97	28.67	23.05	27.48	37.49	39.06	38.51	37.96	37.41	36.83	36.28	35.73	34.24	26.11	12.53
In percent of exports of goods and services	0.11	0.62	1.02	1.59	1.65	1.58	1.63	1.28	0.77	0.75	0.68	0.53	0.62	0.82	0.84	0.82	0.79	0.76	0.73	0.70	0.67	0.62	0.46	0.21
In percent of debt service	1.37	7.71	13.11	20.96	22.41	21.99	19.97	15.63	8.33	7.30	6.99	5.44	6.42	8.83	8.38	8.16	7.67	7.21	6.96	6.72	6.49	6.09	4.55	2.14
In percent of GDP	0.04	0.25	0.42	0.63	0.63	0.59	0.55	0.41	0.24	0.21	0.19	0.14	0.16	0.21	0.21	0.20	0.19	0.18	0.17	0.16	0.15	0.13	0.10	0.04
In percent of Gross International Reserves	0.23	1.56	2.64	4.14	4.56	4.59	4.99	4.21	2.70	2.83	2.63	2.27	2.60	3.48	3.02	2.84	2.64	2.41	2.30	2.20	2.11	1.96	1.45	0.68
In percent of quota	2.61	15.95	28.73	45.25	47.64	46.48	43.69	33.96	20.19	18.79	17.39	13.98	16.67	22.74	23.70	23.36	23.03	22.69	22.34	22.01	21.68	20.77	15.84	7.60
PRGT (ECF & RCF)	2.57	9.00	20.29	34.72	36.00	32.56	28.84	18.22	4.46	3.33	2.92	1.50	0.83	0.16	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
GRA (EFF)	0.00	0.00	0.00	0.00	0.69	3.05	4.16	5.28	5.56	5.56	4.86	2.50	1.39	0.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
RSF	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.57	5.19	13.27	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.43	9.81	1.73
Outstanding Fund credit																								
In millions of SDRs	259.1	304.9	395.7	402.0	354.8	308.9	266.4	236.1	223.3	211.8	201.8	195.9	186.3	168.7	149.4	130.0	110.7	91.4	72.1	52.8	33.4	14.9	2.2	0.0
PRGT (ECF & RCF)	237.6	230.3	208.5	165.9	119.5	77.6	40.5	17.0	11.3	7.0	3.2	1.3	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA (EFF)	21.5	30.0	38.6	42.9	42.0	38.1	32.7	25.9	18.8	11.6	5.4	2.2	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	44.6	148.6	193.2	193.2	193.2	193.2	193.2	193.2	193.2	193.2	192.5	185.8	168.7	149.4	130.0	110.7	91.4	72.1	52.8	33.4	14.9	2.2	0.0
In millions of US$	331.6	390.3	506.5	514.6	454.1	395.4	341.0	302.2	285.7	271.1	258.3	250.7	238.5	215.9	191.2	166.4	141.7	117.0	92.3	67.5	42.8	19.0	2.9	0.0
In percent of exports of goods and services	8.4	9.1	10.9	11.0	9.5	8.2	7.7	6.9	6.6	6.5	6.1	5.7	5.3	4.7	4.1	3.5	2.9	2.4	1.8	1.3	0.8	0.3	0.1	0.0
In percent of debt service	105.6	114.4	140.2	144.6	129.6	113.5	94.5	84.4	71.5	63.9	63.0	59.2	55.7	50.8	41.0	35.3	28.6	22.5	17.4	12.5	7.8	3.4	0.5	0.0
In percent of GDP	3.2	3.7	4.5	4.3	3.7	3.1	2.6	2.2	2.0	1.9	1.7	1.6	1.4	1.2	1.0	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0
In percent of gross international reserves	17.5	23.2	28.2	28.6	26.4	23.7	23.6	22.7	23.1	24.8	23.7	24.7	22.6	20.0	14.8	12.3	9.8	7.5	5.8	4.1	2.5	1.1	0.2	0.0
In percent of quota	201.1	236.8	307.2	312.1	275.5	239.8	206.8	183.3	173.3	164.4	156.7	152.1	144.7	131.0	116.0	101.0	86.0	71.0	56.0	41.0	26.0	11.5	1.7	0.0
PRGT (ECF & RCF)	184.5	178.8	161.9	128.8	92.8	60.2	31.4	13.2	8.8	5.4	2.5	1.0	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
GRA (EFF)	16.7	23.3	30.0	33.3	32.6	29.6	25.4	20.1	14.6	9.0	4.2	1.7	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF	0.0	34.6	115.4	150.0	150.0	150.0	150.0	150.0	150.0	150.0	150.0	149.4	144.2	131.0	116.0	101.0	86.0	71.0	56.0	41.0	26.0	11.5	1.7	0.0
Net use of Fund credit (in millions of SDRs)	39.82	65.43	131.40	24.33	-47.26	-45.87	-42.50	-30.26	-12.89	-11.45	-10.02	-5.89	-9.55	-17.66	-19.32	-19.32	-19.32	-19.32	-19.32	-19.32	-19.32	-18.58	-12.63	-2.23
Disbursements	43.13	77.02	157.53	69.04	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Repayments	3.31	11.59	26.13	44.71	47.26	45.87	42.50	30.26	12.89	11.45	10.02	5.89	9.55	17.66	19.32	19.32	19.32	19.32	19.32	19.32	19.32	18.58	12.63	2.23
Memorandum items:																								
Exports of goods and services (in millions of US$)	3,949	4,270	4,648	4,688	4,767	4,839	4,411	4,390	4,316	4,152	4,244	4,377	4,463	4,558	4,647	4,716	4,816	4,908	5,055	5,207	5,363	5,524	5,690	5,861
Debt service (in millions of US$)	314	341	361	356	350	348	361	358	399	424	410	423	428	425	466	472	495	519	530	540	551	562	573	585
Nominal GDP (in millions of US$)	10,243	10,661	11,323	11,846	12,431	12,956	13,120	13,619	14,065	14,604	15,294	16,103	16,899	17,779	18,697	19,408	20,182	20,970	22,019	23,120	24,276	25,490	26,764	28,102
Gross international reserves (in millions of US$)	1,893	1,682	1,795	1,801	1,722	1,669	1,442	1,330	1,235	1,095	1,089	1,014	1,056	1,078	1,295	1,357	1,440	1,552	1,598	1,646	1,696	1,747	1,799	1,853
Quota (millions of SDRs)	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	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/ Mauritania belongs to Group A for RSF financing.

Table 9. Mauritania: RSF Reform Measure, Diagnostic Reference and CD Input

Key Challenge	Reform Measure	Diagnostic Reference	Tentative completion date of RMs	IMF CD input	RM expected outcome	Development Partner Role
Absence of climate informed budget reporting	RM I The Ministry of Finance will require in the FY 2026 budget circular NDC sector ministries to estimate the share of their FY 2026 budget that relate to climate adaption, in line with the CBT methodology	IMF CPIMA	Jul-25	IMF CD (tentative)	Institutionalizing climate budget tagging in budget preparation will support climate change awareness and enable better-informed budget decisions and budget alignment with climate change priorities	
	RM II The Ministry of Finance will publish a FY 2026 climate budget note, informed also by FY 2024 and 2025 tagging results of the NDC sectors, jointly with the 2026 Budget law.	IMF CPIMA	Jan-26	IMF CD (tentative)		
Lack of a standard methodology for climate informed project appraisal and selection	RM III The Ministry of Economy and Sustainable Development will amend the Decree 2016-179, including the PIM manual, to integrate climate aspects in the PIM stages of the management of public investments (project conceptualization, appraisal, selection, and execution) and publish it on the Ministry's website.	IMF CPIMA	Jan-24	IMF CD (tentative)	Increase in resilient and green public investments, which ultimately will reduce (i) the risk of disruptions to critical services, (ii) reduce maintenance and rehabilitation costs and (iii) greenhouse gas emissions	
	RM IV The Ministry of Economy and Sustainable Development, jointly with the Ministry of Environment, will pilot the climate screening template for major project proposals of selected NDC sectors, submitted for review and validation by CAPIP.	IMF CPIMA	Aug-25	IMF CD (tentative)		
Lack of (i) legal basis for the cash transfers; (ii) full coverage of effected vulnerable households and (iii) full government financing	RM V The Council of Ministers will adopt a decree to institutionalize the national social safety net program Tekavoul, including the climate shock-responsive cash transfer component (Tekavoul choc). The Agency for National Solidarity and the Fight Against Exclusion (Taazour) will expand the Tekavoul choc component to vulnerable households affected by drought while ensuring cover adequate funding.	WB "CCDR", "Framework for Adaptive Social Protection", "Financing Food Insecurity Risk - A Proactive Approach: The Mauritania National Fund for Food and Nutrition Crisis Response"	Feb-24		Reduced impact of climate related hazards, notably droughts, on vulnerable households. Prevention of famine.	WB CD (tentative)
Lack of (i) an efficient fossil fuel pricing mechanism and (ii) carbon pricing for hydrocarbons	RM VI In line with IMF TA, the Council of Ministers will adopt a decree for a new fossil fuel price structure that adjusts automatically to changes in international prices, removes discretionary price setting, phases out subsidies, and includes a price smoothing mechanism.		Mar-25	IMF CD	Increased fiscal revenues, reduced fiscal burden, reduced GHG emissions, reduced poverty and inequality	WB CD (for possible cash transfers aspect)
	RM VII In line with IMF TA, the Council of Ministers will adopt the FY 2025 budget law introducing a carbon tax applied starting March 2025 that (i) would be phased in gradually, (ii) is aligned with the country NDCs to address emissions from all sectors of the economy and fuels except LPG and (iii) is supplemented with compensation measures to safeguard poor households when prices exceed a certain threshold.		Oct-24	IMF CD	Increased fiscal revenues, reduced GHG emissions, reduced poverty, and inequality	
Lack of (i) competition in electricity sector and (ii) access to power transmission infrastructure by private renewable energy producers	RM VIII In accordance with its New Electricity Code, the Ministry of Petroleum, Mines and Energy will adopt regulatory decree(s) to (i) provide access for independent power producers to the Mauritanian energy market and (ii) establish a non-discriminatory third-party access to transmission infrastructure owned by the public power utility SOMELEC.	WB "CCDR", "Study of Mauritania Power Production Master Plan", EU "Options for the Restructuring of SOMELEC"	Aug-25			WB CD
Lack of legal basis for requiring mining companies to use renewables in their energy mix	RM IX The Ministry of Petroleum, Mines and Energy will adopt a decree requiring mining companies to increase the share of renewable-based electricity generation in their power mix by at least 5 percentage points annually until 2030. The annual objectives not achieved will be subject to a compensatory investment in rural electrification, especially in isolated areas.	WB "Climate Smart Mining Initiative"	Aug-25		Reduced GHG emissions	WB CD (tentative)
Lack of legal basis for preventing oil and gas companies from routine flaring	RM-X To reduce GHG emissions from the hydrocarbons production, the Ministry of Petroleum, Mines and Energy will adopt a decree, in line with WB TA, to eliminate routine gas flaring and venting and reduce methane emissions through well-defined sanctions for non-compliance.	Joint UN-WB Zero Routine Flaring by 2030 Initiative, WB "Global Gas Flaring and Venting Regulations"	Feb-25		Reduced GHG emissions	WB CD (tentative)
Weak interministerial collaboration in the water sector	RM XI The Ministry of Water and Sanitation and the Ministry of Environment will sign an interministerial partnership agreement (PA) on areas of cooperation (environmental assessments, enforcement, data management, monitoring of groundwater-dependent ecosystems (GDEs) and other hydrogeological data) and implement the agreement overseen by a technical committee, created as part of the PA.	WB "CCDR"	Sep-24		Enhanced collaboration on key responsibilities will improve planning, enhance effectiveness of activities on the ground and contribute to better allocation of resources	WB, EU and AfD CD
Lack of knowledge on groundwater dependent ecosystems	RM XII The Ministry of Water and Sanitation and the Ministry of Environment will (i) adopt an inter-ministerial order on environmental assessments and monitoring of water resources, informed by the experience of the partnership agreement and (ii) publish a pilot joint inventory on GDEs and hydrogeological data on the Boulenoir aquifer.	WB "Hidden Wealth of Nations"	Sep-25		Enhanced knowledge of GDE's will enhance project evaluation and inform decision-making on protection of GDEs and sustainable groundwater management	WB, EU and AfD CD
Water prices are set below the cost recovery level, creating incentives for overuse and underinvestment	RM XIII The Ministry of Water and Sanitation will revise and publish the water tariff regulations (2007 Order n°2624/MHETIC/ MCI) in line with IMF recommendations		Sep-25		Sustainable tariff setting permits effcient, equitable and sustainable use of water	AfD

Sources: IMF staff with inputs from WB, EU and AfD

Table 10a. Mauritania: Schedule of Reviews and Disbursements and Purchases Under the ECF-EFF Blended 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 10b. Mauritania: Schedule of Reviews and Disbursements Under the RSF Arrangements, 2024-26

ECF-EFF Reviews	Availability date	Amount of Disbursements		Conditions
		RSF		
		Millions of SDR	Percent of Quota 1/	
Second Review	April 17, 2024	14.86	11.54	Completion of RSF review of RM5 implementation
Third Review	October 17, 2024	14.86	11.54	Completion of RSF review of RM3 implementation
Third Review	October 17, 2024	14.86	11.54	Completion of RSF review of RM11 implementation
Fourth Review	April 17, 2025	14.86	11.54	Completion of RSF review of RM6 implementation
Fourth Review	April 17, 2025	14.86	11.54	Completion of RSF review of RM7 implementation
Fourth Review	April 17, 2025	14.86	11.54	Completion of RSF review of RM10 implementation
Fifth Review	October 17, 2025	14.86	11.54	Completion of RSF review of RM1 implementation
Fifth Review	October 17, 2025	14.86	11.54	Completion of RSF review of RM8 implementation
Fifth Review	October 17, 2025	14.86	11.54	Completion of RSF review of RM13 implementation
Fifth Review	October 17, 2025	14.86	11.54	Completion of RSF review of RM9 implementation
Sixth Review	April 17, 2026	14.86	11.54	Completion of RSF review of RM2 implementation
Sixth Review	April 17, 2026	14.86	11.54	Completion of RSF review of RM4 implementation
Sixth Review	April 17, 2026	14.88	11.55	Completion of RSF review of RM12 implementation
	Total	193.2	150.0	

Source: IMF staff calculations.
1/ Mauritania's quota is SDR 128.8 million. Percentages are rounded.

Table 11. Mauritania: Decomposition of Public Debt and Debt Service by Creditor, 2022-24 1/

(Based on end-2022 debt outstanding)

	Debt Stock			Debt service					
	end-2022			2022	2023	2024	2022	2023	2024
	In millions of US$	Percent of total debt	Percent of GDP	Millions US$			Percent of GDP		
Total PPG debt (external + domestic)	**4,555.1**	**100.0**	**46.5**	**513.4**	**508.3**	**343.3**	**5.2**	**5.0**	**3.2**
External	**3,973.5**	**87.2**	**40.5**	**306.9**	**309.2**	**328.5**	**3.1**	**3.0**	**3.1**
Multilateral creditors	2,376.1	52.2	24.2	178.4	170.1	192.1	1.8	1.7	1.8
FADES	1,133.3	24.9	11.6	101.2	100.7	106.5	1.0	1.0	1.0
IsDB	312.1	6.9	3.2	34.1	36.3	35.5	0.3	0.4	0.3
World Bank	404.1	8.9	4.1	13.5	14.0	16.0	0.1	0.1	0.2
IMF	326.0	7.2	3.3	9.3	4.6	21.6	0.1	0.0	0.2
Other multilaterals	200.5	4.4	2.0	20.3	14.5	12.5	0.2	0.1	0.1
Bilateral creditors	1,597.4	35.1	16.3	128.5	139.1	136.4	1.3	1.4	1.3
Paris Club	98.6	2.2	1.0	15.2	14.5	13.6	0.2	0.1	0.1
France (incl. AFD)	80.0	1.8	0.8	9.6	8.9	9.3	0.1	0.1	0.1
Spain	16.3	0.4	0.2	5.4	5.3	4.1	0.1	0.1	0.0
Other Paris Club	2.3	0.1	0.0	0.2	0.2	0.2	0.0	0.0	0.0
Non-Paris Club	1,498.8	32.9	15.3	113.3	124.6	122.8	1.2	1.2	1.2
Saudi Arabia	648.5	14.2	6.6	23.1	29.2	29.2	0.2	0.3	0.3
China	405.1	8.9	4.1	39.4	46.0	45.2	0.4	0.4	0.4
Kuwait	251.5	5.5	2.6	18.9	21.6	20.9	0.2	0.2	0.2
Other Non-Paris Club	193.7	4.3	2.0	31.9	27.8	27.4	0.3	0.3	0.3
Bonds	-	-	-	-	-	-	-	-	-
Commercial creditors	-	-	-	-	-	-	-	-	-
Domestic	**581.5**	**12.8**	**5.9**	**206.6**	**199.0**	**14.8**	**2.1**	**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	184.0	4.0	1.9	191.0	184.0	0.0	1.9	1.8	0.0
Loans	397.5	8.7	4.1	15.5	15.0	14.8	0.2	0.1	0.1
Memo items:									
Collateralized debt[2]	-	-	-						
Contingent liabilities	355.4	7.8	3.6						
o/w Public guarantees	6.5	0.1	0.1						
o/w Other explicit contingent liabilities[3]	325.5	7.1	3.3						
Nominal GDP (end of period)	9,799			9,799	10,243	10,661			

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 12. Mauritania: Risk Assessment Matrix 1/

Sources of Risks	Relative Likelihood	Expected Impact	Policy Response
		Global Risks: Conjunctural shocks and scenarios	
Intensification of regional conflict(s).	High	**High.** Escalation of Russia's war in Ukraine or other regional conflicts and resulting economic sanctions disrupt trade (e.g., energy, food, tourism, and/or critical supply chain components), remittances, FDI and financial flows, and payment systems, and lead to refugee flows.	Package of policy measures aiming at making monetary policy more effective, subsidies better targeted, and social transfers to the most vulnerable.
Commodity price volatility.	High	**High.** A succession of supply disruptions (e.g., due to conflicts, uncertainty, and export restrictions) and demand fluctuations causes recurrent commodity price volatility, external and fiscal pressures in EMDEs, contagion effects, and social and economic instability.	- Strengthening of the monetary policy framework to make it more effective. - Greater ER flexibility to absorb external shocks. - Better targeted subsidies. - Use external and fiscal buffers, implementation of fiscal anchor, and donor support if needed. - Structural reforms to diversify the economy.
Abrupt global slowdown or recession	Medium	**Medium.** Global and idiosyncratic risk factors combine to cause a synchronized sharp growth downturn, with adverse spillovers through trade and financial channels, and market fragmentation. 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.
Monetary policy miscalibration	Medium	**Medium.** Amid high economic uncertainty and financial sector fragility, major central banks pause monetary policy tightening or pivot to loosen policy stance prematurely, de-anchoring inflation expectations, triggering a wage-price spiral and spillovers to financial markets.	Package of policy and operational measures aiming at eliminating the remaining excess liquidity and making monetary policy more effective, including increasing the policy rate, stopping BCM's gold purchases, resuming monetary liquidity absorption operations, and deepening the government securities' market.
Systemic financial instability	Medium	**Low.** Sharp swings in real interest rates and risk premia, and asset repricing amid economic slowdowns and policy shifts trigger insolvencies in countries with weak banks or non-bank financial institutions, causing market dislocations and adverse cross-border spillovers.	- Closed capital account and underdeveloped financial market limit spillovers from global financial turmoil. - Strengthening of banking supervision and resolution framework to address weak banks.
Sovereign debt distress	Medium	**Low.** Domino effects of higher global interest rates, a growth slowdown in Aes, and/or disorderly debt events in some EMDEs spillover to other highly indebted countries, resulting in capital outflows, an increase in risk premia, and loss of market access.	- Closed capital account and no access to international financial markets limit the risk - Implementation of fiscal anchor aimed at stabilizing or reducing external debt

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: Risk Assessment Matrix (concluded)

		Structural Risks	
Social discontent	Medium	**High.** High inflation, real income loss, and spillovers from crises in other countries, including migration, worsen inequality, trigger social unrest, and give rise to financing pressures and detrimental populist policies. This exacerbates imbalances, slows growth, and triggers market repricing.	- Use fiscal space for health, education, social and infrastructure spending toward SDGs. - Strengthening of the monetary policy framework - Improve communication on social measures and targeted subsidies
Deepening geo-economic fragmentation	High	**High.** Broader and deeper conflict(s) and weakened international cooperation result in a more rapid reconfiguration of trade and FDI, supply disruptions, protectionism, technological and payments systems fragmentation, rising input costs, financial instability, a fracturing of international monetary and financial systems, 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 physical or digital infrastructure (including digital currency and crypto assets ecosystems) or misuse of AI technologies trigger financial and economic instability.	- Accelerate digitalization and business climate reforms and increase ER flexibility to mitigate shocks. - Develop prudent borrowing plans.
Extreme climate events	Medium	**High.** Extreme and more frequent climate events driven by rising temperatures cause water and food shortages, loss of human lives, severe damage to infrastructure, supply disruptions, lower growth, migration, and financial instability.	- RSF to advance reforms in four key climate-related areas: (i) green public investment management (PIM) and public finance management (PFM), (ii) social protection systems and financing against climate-related disasters, (iii) decarbonization and (iv) climate mitigation and adaptation in critical sectors.
Disorderly energy transition	Medium	**Medium.** Disorderly shift to net-zero emissions and climate policy uncertainty cause supply disruptions, stranded assets, market volatility, and subdued investment and growth.	RSF to help establish an orderly decarbonization strategy by (i) introducing carbon pricing; (ii) reform of fuel subsidies; (iii) introducing a ban on routine gas flaring in oil and gas fields and (iv) opening the electricity sector to competition and investments in renewable energy, particularly to the private sector.
		Domestic Risks	
Political and social unrest; regional terrorist attacks	Medium	**High.** Higher public spending, including on security; higher migration flows to Mauritania; 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	Medium	**Medium.** Negative impact on social outcomes, confidence, and growth.	Build consensus on reforms. Improve communication. Invest in human capital and institutions.
Reduced correspondent banking services	Low	**Low.** 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.

Annex I. Integration of Capacity Development in the Program, 2024

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 SBs under the new ECF and EFF arrangements are provided below.

	Program Structural Benchmarks	Supporting CD and Diagnostic Tools
Social Protection		
1	Increase the quarterly amount paid to households from 2,900 MRU to 3,600 MRU and publish a report by Taazour/World Bank	WB TA under Social Safety Net Project
Fiscal policy		
2	Operationalize the tax policy unit by hiring competent staff and having the TPU operations started	FAD TA on the evaluation of tax expenditures and the creation of a Tax Policy Unit
3	Reform the codification of imported products in customs, including the additional codes used for the tax regimes	The WB intends to provide supporting TA
4	Publish regular financial reporting on SNIM mining and non-mining activities, including the SNIM foundation	IMF staff governance diagnostic assessment (LEG, FIN, FAD, and MCM)
5	Reform the consumption tax in the revised budget law (LFR) for 2024 if not integrated in the budget law (LFI) for 2024	FAD TA on the evaluation of tax expenditures and the creation of a Tax Policy Unit and upcoming tax diagnostic mission early 2024
6	Submit a revised investment code that eliminates "points francs" and reduces special regimes to the parliament	IFC TA. An FAD tax diagnostic mission in early 2024 is also planned.
Monetary Policy		
7	Conduct regular auctions of T-bills for conventional banks to bring the outstanding volume of T-bills to MRU 3 billion by December 2024	AFRITAC West TA missions on the Government securities' market
8	Conduct regular auctions of Islamic T-bills to bring the outstanding volume of Islamic T-bills to MRU 1.5 billion by December 2024	AFRITAC West TA missions on the Government securities' market
9	Revise the 2018 convention on the BCM claims on government to shorten the maturity of the claim to 25 years or less by December 2024, with a 3.75% interest rate and amortization beginning in 2025, with yearly amortization of 0.2 bn MRU until 2027 and equal installments thereafter.	FSAP 2014, Safeguards Assessment 2021, and Safeguard Assessment 2023
Foreign Exchange Policy		
10	Establish a quarterly committee between the BCM, SNIM, and the MOF to discuss and share forecasts of SNIM repatriation of funds for a minimum of 12 months into the future, and integrate the forecasts into FX cashflow analysis	MCM TA on FX liquidity forecasting
Financial Sector Policies		
11	Develop an HR plan to strengthen the BCM supervisory function and increase technical staff in charge of off-site supervision from 2 to 4 people	AFRITAC West TA missions on banking supervision and regulation
12	Publish the Net Stable Funding Ratio (NFSR) instruction by end March 2024	AFRITAC West TA missions on banking supervision and regulation
13	Ensure the compliance of all banks to the minimum capital and core capital requirements	AFRITAC West TA missions on banking supervision and regulation
Governance and Private Investment		
14	Define and publish an ownership policy to guide the financial management of government assets.	IMF staff governance diagnostic assessment (LEG, FIN, FAD, and MCM)
15	Approval of legislative amendments to establish an asset declaration and conflicts of interest system in line with the G20 High-Level Principles and the findings of the governance diagnostic	LEG TA on drafting asset declarations and conflict of interest laws and regulations.

Annex II. Resilience and Sustainability Facility[1]

Climate Change Risks and Impact

1. **Mauritania is already suffering from climate change**. Historically, average annual temperature has been higher than its neighboring countries but changing climate conditions have harshened this in recent decades with higher temperatures and irregular precipitations, increased frequency of droughts and floods and higher number of disasters (Annex II Figure 2).[2] Mauritania is one of the ten in the MENA region that has more than 100 days of extreme heat per year.[3] Mauritania is ranked 49 out of 191 countries on the 2023 INFORM Risk Index published by the Disaster Risk Management Knowledge Centre of the European Commission (Annex II Figure 2). Climate change-induced events, particularly droughts, and to some extent, floods, threaten Mauritania's potential output, with a disproportionate impact on vulnerable households.

2. **The water sector is particularly vulnerable to climate change.** Changing rainfall patterns and rising temperatures have affected water availability, production and food insecurity in an already water-stressed country. Mauritanian has ground water and surface water resources though these are unevenly distributed; 97 percent of the water resources are concentrated in and around the Senegal River. The country has one of the richest fishing grounds in the world, accounting for 5.5 percent of its GDP and 19.2 percent of its export earnings in 2022. In the arid and semi-arid climate of Mauritania, where surface water is scarce, groundwater plays a crucial role in contributing to the preservation of delicate ecosystems like oases and wetlands. Groundwater also sustains a broad range of ecosystems (groundwater dependent ecosystems (GDE's)) that provide grazing areas for livestock and for fishing grounds. They are also essential carbon sinks, vital to biodiversity and rural livelihoods. Climate change challenges have exacerbated the country's vulnerabilities to water security, eroding availability of surface and underground waters, in turn contributing to food insecurity (Annex II. Figure 1).

3. **Climate change is jeopardizing access to water, agricultural production and, consequently food security.** The World Food Program estimates that in Mauritania, 90% of agricultural production is for subsistence purposes, leaving a large proportion of the population vulnerable to climate change-induced drought, crop failure and desertification. Current projections anticipate a decline in water availability due to population growth, although an increase is expected in some parts of the country. This would also generate a high risk of flooding, increased vulnerability to food insecurity, as well as changes in pest and disease vectors. The 2017 droughts impacted more than 95 percent of the population, a quarter of whom were exposed to acute food insecurity (Annex II Figure 1). These consequences can also lead to macroeconomic challenges. According to a recent

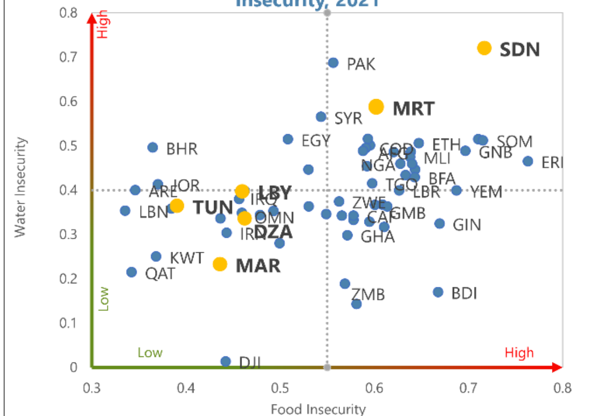
[1] Prepared by Onur Ozlu, Jarin Tasnim Nashin, and Anta Ndoye (all MCD), Faycal Sawadogo and Sylke von Thadden-Kostopoulos (FAD).

[2] Average annual temperatures have increased by about 0.75° C in Mauritania over the past three decades, faster than in emerging and developing economies.

[3] Mauritania Selected Issues Paper "Economic Impact of Climate Change", 2022.

analysis[4], the negative impact of droughts on Mauritania's economic growth is up to three times greater than the average for emerging and developing economies. Another empirical study[5] shows that a one-degree Celsius increase in temperature in Mauritania would lead to a two-point drop in per capita GDP growth with severe repercussions in agriculture, industry and construction sectors.

Annex II. Figure 1. Mauritania: Food and Water Insecurity, 2021



Sources: Notre Dame Global Adaptation Initiative (ND-GAIN) and IMF staff calculations

4. Despite a high vulnerability to climate-related shocks, Mauritania is a small emitter globally, though the country's emissions per-capita and per million dollars of GDP fall within or above the regional average. Is estimated that in 2020 Mauritania emitted almost 13 mtCO2, 0.03 percent of global GHG, being the world's 136th largest emitter out of 194 countries. Moreover, with 2.79 tCO2e emissions per capita, it ranks well below the global average of 6.5 tCO2e. Under this metric, Mauritania is the world's 134th largest emitter. While at the regional level Mauritania's emissions on a per capita basis are above the average for the Sahel region. Similarly, the emission intensity of Mauritania's economy, measured as emissions per one million dollars of GPD, falls within the average of other countries in the region.

5. Mauritanian authorities wish to convert these challenges into opportunities and fulfill their climate commitments. The 2021 NDC includes an unconditional target to reduce GHG emissions by 11 percent by 2030 and a conditional target of 92.5 percent reduction by 2030. Based on the WB CCDR, the National Climate Strategy (NCS), 2023, determines the sectors which are essential to achieving the NDC goals and Mauritania's transition. Low-carbon economic growth strategies with a strong focus on developing renewable energy potential, and specific renewable energy targets are key among policies identified. Further, there is work underway to decarbonize the hydrocarbon sector with possible policy options ranging from reforming or eliminating fuel subsidies, introducing a carbon tax and reducing the hydrocarbon input into the energy consumed by the extractives sector. The authorities are also strengthening their adaptative social protection system to respond to climate shocks to mitigate the negative impact on the livelihoods and food security of the vulnerable households. Boosting Mauritania's resilience to climate change will also

[4] Mauritania Selected Issues Paper "Economic Impact of Climate Change", 2022.

[5] IMF, Feeling the Heat: Adapting to Climate Change in the Middle East and Central Asia, 2022

require institutional development and integrating climate into key public policy decisions, including public infrastructure and budgeting.

Annex II. Box 1. Low-Carbon Hydrogen* in Mauritania[1]

Owing to its abundant wind and solar endowment, and its co-location with a significant and high-quality iron ore basin, Mauritania has the potential to produce green power, green hydrogen and ammonia, and low-carbon direct reduction iron at very competitive costs. According to the International Renewable Energy Agency (IRENA), Mauritania has the potential to develop up to 458 GW of photovoltaic solar projects and 47 GW of wind projects. Such endowment highlights Mauritania's potential to become one of the key future hubs for low carbon hydrogen in Africa.

Despite the considerable uncertainty of the development of this sector (e.g., demand could be deficient, as explained in IEA's 2023 Update to Net Zero Roadmap), the authorities aim to leverage this potential and be an early mover in the low carbon hydrogen and derivatives sectors. Four low carbon hydrogen projects are now under various early stages. Together, they purport to reach a very high capacity of about 80 GW of power production. They aim to develop a low carbon hydrogen code (with TA from WB and European Investment Bank) and plan key road and port infrastructure necessary for the import and transport of equipment and for the export of hydrogen produced.

1. Aman Project. Led by CWP Global, the project aims, over a series of development stages, to install renewable power generation facilities. These facilities are planned to be made with wind and solar power, expected to produce (i) electricity, (ii) green hydrogen, and (iii) green ammonia. If feasibility stage is successfully concluded, construction of stage one is expected to begin in 2027.

2. Nour Project. Developed by Chariot and Total Eren, the project involves a series of development stages to install renewable power generation facilities, with an electrolyser capacity.

3. Nessim Project. Developed by BP, Nessim aims to install renewable power generation facilities, with an electrolyser capacity.

4. Conjuncta & Infinity. Led by a consortium of companies (Conjuncta, Infinity and Masdar), this project aims to install renewable power generation facilities, with an electrolyser capacity, over a series of development stages. If feasibility stage is successfully concluded, the first phase of the project is scheduled to start in 2028.

* Low-Carbon Hydrogen comprises of (i) *blue hydrogen* (produced by separating natural gas into hydrogen and carbon dioxide (CO2), which is captured and stored to mitigate environmental impacts), (ii) *green hydrogen* (produced by splitting water into hydrogen and oxygen using electrolysis, during which electricity from renewable energy sources, such as solar or wind power, are used and no CO2 is emitted) and (iii) *turquoise hydrogen* (produced through pyrolysis which involves heating the natural gas to a high temperature until it breaks down into hydrogen and solid carbon, which avoids CO2 production).

[1] Prepared by Onur Ozlu

6. **Mauritania plans to reach 50 percent of total electricity generation with renewable sources in 2030, up from the current 35-40 percent share of hydro, wind, and solar power.** While the renewable share in the power mix has increased significantly over the past decade, the government does not provide specific incentives to develop clean energy projects. The wind and solar resources in Mauritania are among the best in the world (installed capacity potential of 457.9 and 47 GW, respectively), with wind power density and solar generation potential above the world average in most of its territory. The last three auctions to build solar and wind projects took place in 2013 and led to the construction of the 30 MW wind farm outside Nouakchott and the 50 MW Toujounine solar farm. The latest project, a 100 MW wind farm in Boulenoir, is operating at less than half its capacity due to grid balancing issues. At present, there are no new planned auctions or

offtake frameworks to build new renewable projects, although the authorities plan to issue specific regulations for new power purchase agreements between independent producers and SOMELEC.

7. Emissions from the power sector are projected to increase, but there is potential to reverse the trend if further renewable capacity is incorporated and gas-to-power plans are met. Authorities have highlighted, however, that the electricity transmission grid does not have the flexibility and capacity to take on more variable renewable resources, but plans are underway to address these barriers through, for example, building new transmission lines from Nouakchott to the south of the country and on to Mali; resolving congestion from Boulenouar to Nouakchott; and linking mines to the national grid. Moreover, Mauritania has access to 35 million standard cubic feet per day (mmscfd) of natural gas from the Greater Tortue Ahmeyim (GTA) project, which would be enough to power a 225 MW natural gas plant, and could potentially develop gas deposits closer to shore (Banda field).

8. The RSF will support these efforts and help the authorities build resilience. Increased capacity to invest in climate-adapted infrastructure would reduce the structural risks of weather shock impacts on both capital stock and output (see DIGNAD modelling in Annex III for more detail). Shocks that entrain rebuilding of infrastructure or reduce output of domestically produced goods and services can lead to significant increases in imports, or decreases in exports, hence threatening BoP stability. Shock-contingent transfers would support households that have their livelihoods disrupted and allow them to invest in rebuilding damaged private infrastructure. Developing ground water management will ultimately ensure more equitable access to water as temperatures increase, reducing structural risks of water depletion and facilitating resilient agriculture. Developing public financial management systems will promote targeted spending to promote adaptation and mitigation across public expenditure. A carbon tax and reduced fuel subsidies will more effectively price-in carbon which, combined with improved gas flaring regulations, will contribute to reducing global emissions. Reforms to the electricity code and regulations on electricity usage by mining companies will promote the usage of renewable energy, adding to efforts to reduce emissions.

9. Various DPs are assisting the authorities on implementing policies to achieve Mauritania's climate goals. Staff and the authorities ensured that the RSF-supported reforms either fill a policy gap or complement ongoing reforms, leveraging IMF expertise (Table 9 and Annex II, Tables 4 and 5).

Reform Area 1— Integrating Climate in Public Financial Management (PFM) and Public Investment Management (PIM) (RM I, RM II, RM III, and RM IV)

10. The C-PIMA identified several institutional gaps that undermine building climate-resilient and low-carbon infrastructure. While Mauritania has made important progress on climate-aware planning, there is a need to strengthen the monitoring and assessment of climate appropriations to inform strategic resource allocations. Mauritania requires project environmental impact assessments under the Decree 2016-179. However, climate change considerations have not yet been integrated into project conceptualization, evaluation, and selection, nor in the Public Private Partnership (PPP) framework. Climate modelling using the DIGNAD model is presented in

Annex III, highlighting the additional resilience to climate shocks provided by increased public investment efficiency and climate-adapted public infrastructure investment. For example, replacing standard public investment worth 2 percent of GDP with equivalent investment in adapted infrastructure for a period of five years reduces the immediate GDP impact of an extreme weather shock by 35 percent. Additionally increasing adapted infrastructure investment by another 2 percent of GDP, as well as increasing the efficiency of public investment by 20 percentage points, further reduces this immediate effect by an additional 31 percent. The proposed RMs under the RSF thus aim to create an enabling environment to strengthen Mauritania's adaptive capacity and support its transition to climate-sensitive PFM (RMs I and II) and green and resilient infrastructure (RMs III and IV).

Integrating Climate in Public Financial Management (PFM) Through CBT (RM I and RM II)

11. CBT aims the identification, measurement, and monitoring of climate change relevant expenditure.[6] The tagging allows to generate climate-related budget data that are at the basis of better-informed budget decisions and budget alignment with climate change priorities. The tool also supports climate change awareness and can help mobilize national and international finance. Tagging climate-related expenditure in the budget preparation and execution phases has gained traction internationally over the last decade, particularly in climate change-impacted low-income countries.[7]

12. Mauritania does not yet identify climate-relevant expenditures in the budget or related documents. Although an initial assessment of climate expenditures was conducted. The Government conducted, a Climate Public Institutional Expenditure Review in 2021. With support from UNDP. However, the study was not used to inform strategic budget allocations nor for the introduction of climate budget tagging. At present, the country does not have the tools for the design and implementation of a CBT through existing systems and reporting mechanisms nor the institutional arrangement in place clarifying roles and responsibilities and quality control for CBT.

13. The authorities envisage a sequence of RMs to establish a comprehensive CBT system over the coming years. The gradual introduction of CBT consists of three phases (Annex II. Table 3). In the first phase, the authorities would need to establish a task force, responsible for developing the institutional framework for CBT, preparing the CBT guidelines and updating planning tools, such as the budgetary circular. The second phase, which corresponds to the RSF RMs implementation phase thus draws on lessons learned in the pilot phase to institutionalize the CBT in the budget preparation. The proposed reform measures under the RSF (RM I and RM II), thus, aim to *apply the CBT and extend it to all NDC sectors during the FY 2026 budget preparation* by July 2025 *(RM I)* and *publish FY 2026 climate budget brief jointly with the 2026 budget law* by January 2026

[6] CBT assesses each component of the budget based on its climate impact and gives it a "tag" according to whether it is helpful or harmful to the achievement of climate objectives.

[7] Examples for climate-sensitive expenditure tagging in Africa are Ghana, Ethiopia, Nigeria, Kenya, Uganda, and South Africa

(RM II). The MOF is responsible of implementing both RMs. During the final phase, the tool will be deployed by all public agencies during budget preparation and budget execution, guiding climate informed budget allocation informed by the implementation performance of climate relevant expenditure.

14. The success of CBT will ultimately rest on the capacity to analyze and classify expenditures adequately and reliably. There is no single, widely accepted international standard for tagging climate expenditure. Some countries use their National Climate Change Strategies or Action plans as policy reference for the tagging. Annex II, Box 2 below summarizes some guiding principles based on international experience. The design and implementation of a comprehensive budget tagging system will require dedicated and sustained resourcing across key ministries. The MOF in close coordination with the Ministry of Economy and Sustainable Development should take a central role in the design and development of the tagging system, coordinating the preparation of the budget tagging system. A robust coordination mechanism (for example, the working task force) would be a valuable component of the approach to developing climate change budget tagging in Mauritania, as it would draw on different stakeholders from across the government. The publication of a climate budget brief can support greater transparency, accountability, and public engagement on how the government uses budget policy to ensure that national climate goals are prioritized and achieved. The effective application of the tool is achieved when climate aspects are fully integrated at all stages of the budget cycle and climate information is used to inform strategic budget allocations.

Annex II. Box 2. Guiding Principles for Climate Budget Tagging Systems

1. In designing the tagging system, the classification/taxonomy should align with country-specific climate goals. The design of the climate budget system can be informed by country experiences and international taxonomies, but it is important to ensure the approach fits to the national context.
2. Countries should work towards tagging both positive and negative budget measures across the budget.
3. The design of the tagging system will depend on the granularity of budget data available and quality of the program budget classification system.
4. Strong political commitment and leadership by the Ministries of Finance, and Economy is critical for a successful deployment of the tool by public ministries and agencies across all administrative levels.
5. Clarity of the roles and responsibilities and early communication of the approach to relevant ministries and agencies is also an important prerequisite to ensure the timely and effective application of the tool.
6. To ensure consistency and avoid green washing, there should be clear guidance as well as processes for review and validation.
7. Using budget tagging evidence for the preparation of a climate budget statement and awareness raising alone is unlikely to achieve substantial results; the focus should be on ensuring the mainstreaming of climate along the budget cycle and use of the tagging results in decision-making during budget preparation.
8. Any approach should be consistent with the broader budgetary framework and coherent with other PFM initiatives, such as gender budgeting and Sustainable Development Goals budgeting.
9. Climate budget tagging should not sit alone but alongside a wider set of reforms to achieve national goals.
10. Drawing on technical assistance, training and peer learning can substantially support the design and implementation of the climate budget tagging system.

Source: Organization for Economic Cooperation and Development (2021), Green Budget Tagging: Introductory Guidance & Principles, OECD Publishing, Paris; IMF, How to Make the Management of Public Finances Climate Sensitive Green PFM (2022); World Bank, Climate Change Budget Tagging: A Review of International Experience (2021).

Integrating climate in public investment management (PIM) (RM III and RM IV)

15. Climate resilient and green public investments are essential to strengthen Mauritania's adaptive capacity and support its transition to green infrastructure. High temperatures, flooding and rising sea levels can lead to the deterioration of roads, buildings, and coastal infrastructure. Making infrastructures more resilient reduces the risk of disruptions to essential services and can help reduce the costs of maintaining and rehabilitating them. Public investment projects can also contribute to reducing GHG emissions. For instance, the country has significant wind and solar energy potential to accelerate its energy transition, while promoting the development and value enhancement of key sectors of its economy, such as agriculture and the mining industry. To make public infrastructure more resilient and less polluting, it is important to integrate the climate dimension at all levels of PIM from project conceptualization to appraisal and selection.

16. The C-PIMA highlighted progress and gaps for climate-informed public investment management in Mauritania. It noted that Mauritania has made progress in climate change-aware planning, but considerable scope remains to incorporate climate change mitigation and adaptation criteria in project appraisal and selection processes. The PIM legislation governing the institutional framework for project formulation, selection, and programming (decree 2016-179) requires—in addition to financial, technical, and economic assessment—an Environmental Impact Assessment before appraisal, but it does not include requirement for climate change-specific analysis of infrastructure project. And while a checklist is used for project selection including a criterion related to environmental viability, this checklist does not include any climate change specific criteria.

17. Mauritania has committed to improving climate informed PIM, with a focus on integrating climate aspects into project appraisal and selection processes. In this regard, as part of the first reform phase, the Ministry of Economy and Sustainable Development (MEDD) is in the process of amending the decree 2016-179, including the PIM Manual, to require the integration of climate aspects in all stages of public investment management (conceptualization, appraisal, evaluation, and execution) and will publish it on the Ministry's website by January 2024 (RM III). The amended PIM legislation will be published and disseminated to sector ministries. To support the legal revision, it would be important to prepare a climate PIM guidance note that informs about requirements, responsibilities and provides standardized templates and check lists for climate screening at appraisal and climate selection criteria. The second phase of the reforms focuses on applying the amended decree through the piloting of climate screening and climate informed selection templates that will be submitted to the Public Investment Programming Analysis Committee (CAPIP) starting from August 2025 (RM IV). The climate screening template to be adopted (RM IV) will be mainstreamed beyond the life of the IMF supported RSF program. This reform could possibly be supported if there is a follow-on phase of the RSF.

Annex II. Table 1. Mauritania: Proposed Reforms Program for Climate informed PIM

Phase	Reform	Timing	RSF support
Phase I – Legal foundation and tools for Climate informed PIM	**The Ministry of Economy and Sustainable Development will amend the decree 2016-179, including the PIM manual, to incorporate climate aspects in the stages of PIM (project conceptualization, appraisal, evaluation, and execution) and publish it on the Ministry's website**	**January 2024**	**RSF RM III**
	Prepare a climate informed guidance note for climate screening and assessment of projects GHG emissions and publish it on the MEDD website	FY 2024	
	Sensibilize sector ministries and agencies and conduct training on application of the tool	FY2024	
Phase II – Application of climate informed PIM	**The Ministry of Economy and Sustainable Development, jointly with the Ministry of Environment will pilot the climate screening template for major project proposals of selected NDC sectors, submitted for review and validation by CAPIP**	**August 2025**	**RSF RM IV**
	Pilot the prioritization and selection template for all qualifying projects submitted for review and validation by the CAPIP	FY 2025	

Reform Area 2—Social Protection Against Climate Shocks (RM V)

18. Working closely with the World Bank, the authorities are working to achieve this RM. The Agency for National Solidarity and the Fight Against Exclusion (Taazour), which provides substantial support to vulnerable populations and administers the national safety net program Tekavoul, is working with the Ministry of Finance and other relevant government agencies to draft the decree which will include the vertical and horizontal expansions envisioned in the RM, including the government obligation to sustain the transfers, and meet the RM achievement timeline (end-April 2024).

19. According to staff estimates, the fiscal impact of RM V is assessed to be manageable. Additional poor households to be covered by *Tekavoul* and *Tekavoul Choc* transfers and increasing financing by the authorities will cause fiscal burden. In 2023, the number of households covered by *Tekavoul* was 98,235, with WB financing 25 percent of program total cost. Starting from 2024, the government plans to increase the quarterly amount from MRU 2,900 to MRU 3,600, and extend the number of households covered to 127,000, with 85 percent of the program's total cost entirely covered from its budget. This results in an annual budget cost of MRU 1,554 million for the government. *Tekavoul Choc*, on which the RSF will focus, covered 69,000 households in 2022 with a cash transfer payment of MRU 500 per individual for four months, entirely financed by DPs. In the past years, the coverage was approximately 65 percent of affected households. With the introduction of the RSF supported reform measure, the government intends to increase the number of households covered to 90,000 to reach 100 percent of affected households during the lean season, with 50 percent of the cost of the response plan financed from its budget via the National Fund for Food and Nutrition Crisis Response (FNRCAN). WB estimates the total cost of this program as US$18.1 million, or MRU 670 million, annually. The budget cost for financing 50 percent of the response plan is thus estimated to MRU 335 million.[8] The annual overall budgetary cost of financing the two programs for the government is estimated at MRU 1.9 billion, corresponding to 0.4 percent of GDP in 2024 (Annex II. Table 2).

Annex II. Table 2. Mauritania: Estimation of the Budgetary Cost of the Cash Transfers Programs

				Costs in Million MRU			Costs in Million US$		
Program	Number of households	Payment amount	Number of covered periods	**Total cost**	Financed by DPs	**Financed by the government**	Total cost	Financed by DPs	Financed by the government
Regular Tekavoul	127,000	3,600 MRU per quarter	4 quarters	**1,819**	274	**1,554**	49	7	42
Response to shocks	90,000	500 MRU per month/ Individual	4 months	**670**	335	**335**	18.1	9	9.1
Overall cost for the two programs				**2,499**	610	**1,890**	67	16	51
As a share of GDP				**0.59**	**0.14**	**0.45**			

Source: IMF Staff Calculations based on data from the authorities and the World Bank.

Reform Area 3—Decarbonization (RM VI, RM VII, RM VIII, RM IX, and RM X)

20. Fossil fuel subsidies artificially lower the cost of carbon-intensive resources. The authorities need to further review the fossil fuels pricing methodology to phase out subsidies to keep public finances sustainable and shield itself from political pressure. Emissions from energy-related activities, which are the second largest source of GHGs after agriculture, could be addressed through carbon pricing while offering support to vulnerable households and industries, and transition to renewable energy where possible.

[8] According to the World Bank, in previous years, the coverage was approximately 65 percent of affected households entirely financed by DPs.

21. RM VI, RM VII, RM VIII, RM IX and RM X are aimed at bringing the country in line with its GHG emissions reduction target. Proposed RM VI aims to adopt a decree for a new fossil fuel price structure that adjusts automatically to changes in international prices, removes discretionary price setting, phases out subsidies, and includes a price smoothing mechanism starting from March 2025. Proposed RM VII aims to introduce in the FY 2025 budget law a carbon tax that would be applied starting from March 2025 and would be (i) phased in gradually, (ii) aligned with the country NDCs to address emissions from all sectors of the economy and fuels except LPG and (iii) supplemented with compensation measures to safeguard poor households when prices exceed a certain threshold. LPG is excluded from the scope of that RM since increasing LPG prices can lead to substitution towards dirty cooking fuels like biomass and kerosene. The authorities agreed to the gradual pricing plan suggested by the FAD TA mission, i.e., a rate per ton of $CO2$ starting at US$5 in 2025 and progressively increasing to US$35 in 2027 and US$50 in 2030. RMs VI and VII will both have an impact on fuel prices and incorporate a compensation mechanism for vulnerable economic agents.[9] This mechanism will draw on existing cash transfer systems, i.e., Tekavoul choc and Al Maouna, and will be activated when pump prices exceed a certain threshold. One of the main recommendations of the FAD mission is the importance of entrusting the administration of the automatic mechanism for setting fuel prices to an independent regulator. To this end, the status of the Commission Nationale des Hydrocarbures will be modified, to make it an independent regulatory authority. The following measures will also be adopted by the authorities: Establishing a transparent communication and consultation with stakeholders, including information campaigns on the amount of the subsidies and their impact on the budget, and adopting a comprehensive energy sector reform plan with long-term objectives and an analysis of the impact of reforms. Proposed RM VIII is a final outcome of long-standing policy dialogue on the electricity and renewable energy sectors involving the WB and aims to introduce competition to state monopoly over electricity and introduce private investment in renewables.

22. RM VIII also aims to help establish a viable electricity sector that attracts private capital, particularly in renewable energy. WB regional power sector modelling shows that regional integration would help achieve economies of scale in power generation, and reduce costs, while decarbonizing the sector and reducing dependence on expensive imported oil through better integration of renewable generation. Regional integration with other countries could also allow Mauritania to earn revenues from the export of surplus generation from its world class wind energy resources. Reducing generation costs and earning revenues from exporting surplus energy will improve the financial sustainability of the national utility, improving its credibility as an off-taker for privately financed independent power producers (IPPs). Finally, regional integration helps to provide the flexibility required by an electricity system with a significant share of generation from intermittent renewable energy. RM VIII aims to establish the regulatory, operational, and commercial framework conducive to the integration of electricity markets.

[9] Affected economic agents include households as well as certain sectors such as artisanal fishing. The planned extension of the social registry will enable a better identification of these agents.

23. It is critical to ensure that the sectoral legal framework and institutional arrangements are in place to accompany the opening of the electricity market to private sector investment. Authorities are committed to having sufficient safeguards and transparency requirements to prevent or avoid favoritism and conflicts of interest in the granting of licenses, permits or contracts through clear criteria and procedures for granting production licenses or contracts, clear delineation of roles and responsibilities in government bodies, and robust oversight mechanisms. Based on staff suggestion, the authorities agreed to conduct a risk-mapping exercise for the power sector by the regulatory body, *Autorité de Régulation*, that can help identify specific governance vulnerabilities and establish mitigation and prevention measures, including enhanced scrutiny by audit bodies[10].

24. RM IX requires renewable energy input for mining companies. The proposed reform will require mining companies to increase the share of renewable-based electricity generation in their power mix by at least five percentage points annually. These companies plan to install renewable energy facilities on their properties to comply with the requirements of the measure. The Ministry of Petroleum, Mines and Energy's Directorate of Mines, which will enforce the measure, annually assesses the power produced by mining companies, including the renewable energy component. The 2023 measured levels will be the baseline for this measure. Thereafter, the annual objectives not achieved will be subject to an appropriate penalty. The authorities will be in charge of the management and maintenance of these rural solar or wind energy sites.

40. The proposed reform (RM X) will ban routine gas flaring in oil and gas fields by including a high-level ban in the Crude Hydrocarbons Law and defining the rest in a subsequent application decree. The decree, which will be developed with support from the WB's Global Gas Flaring Reduction initiative, will define the level of fines, process and criteria for the exceptional (non-routine) flaring authorization and stipulate that the venting of gas will be prohibited. These will help towards the country's compliance with the joint WB-UN Zero Routine Flaring by 2030 initiative and its pledges to cut greenhouse emissions by 11 percent in 2030 and achieve net-zero emissions by 2050 under its NDCs. The decree is expected to be drafted by end-2024 and adopted by April 2025. The RSF supported measure will also help reduce the GHG emissions of oil and gas projects in the country, including the Greater Tortue Ahmeyim (GTA) LNG Project, as the legal changes will apply to existing and future oil and gas projects.

Reform Area 4—Strengthening the Financial Sustainability and Institutional Framework for Water Management (RM XI, And RM XII)

25. The water sector is managed by several agencies, but coordination in the context of climate change is challenge. The Ministry of Hydraulic Works and Sanitation (MHWS) is responsible for water policy, water resource management and water supply and sanitation services and oversees several operating agencies. However, limited inter-ministerial coordination and collaboration has hindered comprehensive water resource planning, allocation, and monitoring, which has contributed to water resource depletion and degradation. Inadequate financial and

[10] Unlike the extractive sector's benchmark EITI standards, the energy sector does not have a similar transparency standards and/or a body that monitors them.

human resources have also impeded the sector's capacity to respond to emerging water-related challenges aggravated by the impact of climate change. A comprehensive information system, including data on GDEs and gender-disaggregated water usage/access, is therefore vital for informed decision-making to predict water stress and coordinate responses.

26. **The Government has recently strengthened its climate informed planning to enhance its climate change response in the water sector**. The recently adopted National Strategy for the sustainable access to water and sanitation incorporates climate change aspects. MHWS also prepared a NDC sectoral action plan that aims to prepare the sector's future climate change resilient development strategy, implement urgent adaptation measures for communities, infrastructure and economic sectors related to water and sanitation, and strengthen the institutional and governance capacities of the sector.

27. **The proposed RM XI aims to improve the collaboration between the ministries of Water and Environment.** Lack of coordination between the Ministry of Water and Environment has led to overlapping responsibilities and inconsistencies on quality control and enforcement in the water sector. To address this, both ministries will sign a two-year partnership agreement (PA) that will present the areas of collaboration on data management, enforcement, monitoring of GDEs and other hydrogeological data, and environmental project assessment and whose implementation will be overseen by a committee.

28. **The proposed RM XII will formalize the collaboration and support its operationalization with a focus on enhancing knowledge on GDEs.** Based on the experience of the PA implementation, the committee will initiate the preparation of an interministerial order that will be adopted by the MHA and MINE. It will lay the regulatory foundation for both ministries' collaboration on environmental assessment, monitoring of water resources and joint data management. This complements current WB support to the water sector legislation which focuses on better governance for water resource management. The proposed RM also aims to enhance the management of groundwater resources and GDEs that are key to protecting biodiversity and livelihoods—there is only limited knowledge and monitoring on GDEs today. As part of the implementation of the collaboration both ministries will conduct on a pilot basis a first mapping of GDEs and hydrological data on the Boulenoir acquifer.

29. **The government has launched an important reform, introducing a unified tariff structure in the water sector, to provide affordable water access for rural households.** The setting of water tariffs is regulated in the 2007 Order No. 2624 which stipulates the affordability and efficient use of water. To better understand the fiscal implications of the new tariff reform, including the underlying costs, and the incentives that should promote an efficient and optimal use of water, the government seeks to conduct a tariff study in 2024. The study will inform RM XIII where the Ministry of Water and Sanitation in partnership with other government entities will revise and publish the water tariff in line with IMF recommendations.

Institutional Capacity Needs and TA under the RSF

30. The proposed RSF reform measures seek to support the authorities in these policy priority areas while their implementation will be supported by TA. The authorities aim to request IMF TA for the implementation of the reforms in PFM/PIM and fiscal policies, notably related to fuel pricing and the carbon tax. Additional TA will be also provided by several development partners (the World Bank, AFD, and others) in the areas of social protection, electricity reforms, gas flaring and the water sector. The TA is expected to focus on the following areas:

Reform area 1 - Integrating climate in public financial management (PFM) and public investment management.

- As part of the first phase of the CBT design and implementation, the authorities would need to establish an interagency working group, responsible to develop the institutional framework for CBT and coordinate the CBT implementation, prepare the CBT guidelines and planning tools, such as the budget circular and conduct an ex-post assessment on the 2024 national budget with selected NDC sector ministries. Drawing on peer learning and best practices, support will be provided by the IMF through short term assistance to support the design and pilot implementation of the CBT laying the foundation of its institutionalization during budget preparation.

- The technical work related to the integration of climate considerations in PIM will need to be spearheaded by the interagency working group, ensuring reform coordination and oversight. The authorities highlighted the need for TA for incorporating climate change considerations in all PIM phases and the development of tools, such as climate screening for project appraisal and climate informed criteria for selection. The IMF will provide short-term assistance informed by international best practices and may potentially also facilitate peer learning from other countries.

Reform Area 2—Social Protection Against Climate Shocks

- Support provided by the World Bank Social Protection Project.

Reform Area 3—Decarbonization

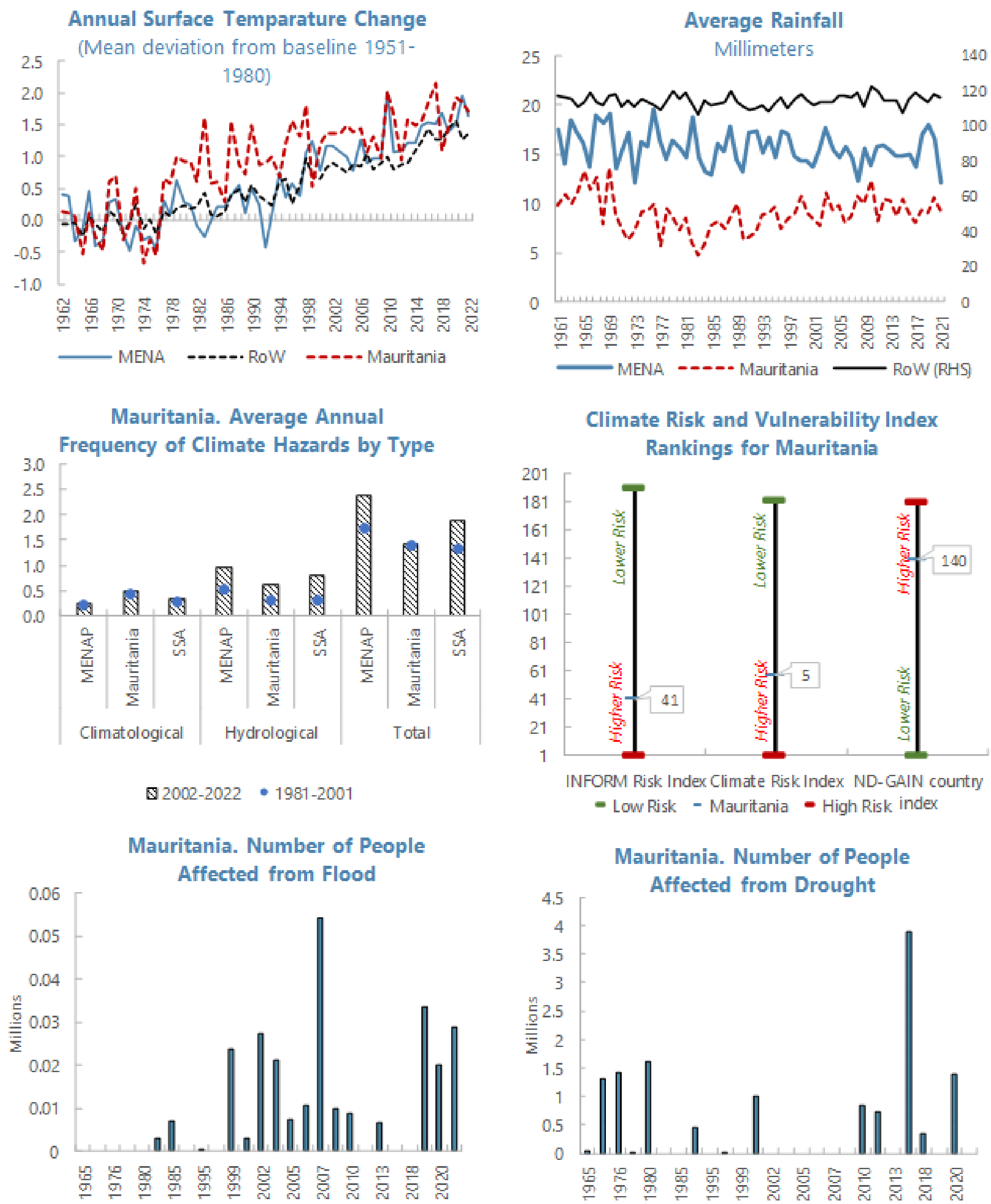
- The authorities benefited from IMF TA on fossil fuel pricing and carbon tax (September 2023) and requested further support for implementation. The IMF will provide additional TA elaborating in-depth the application of the fuel pricing and the implementation of the carbon tax.

- The authorities will request support from the WB Social Protection team to design and implement the cash transfers compensation mechanism related to the application of the new fossil fuel price structure and the carbon tax.

Reform Area 4 - Strengthening the institutional and financial framework for water management

- The implementation of the inventory on the Boulenoir acquifer will require technical expertise and funding. Similarly, analytical work needs to be conducted to inform the revision of water tariff. In close coordination with key development partners in the water sector (World Bank and UNICEF), AFD will provide investment support for the inventory and finance through its ongoing projects.

Annex II. Figure 2. Mauritania:Climate Trends and Climate Hazards in Mauritania



Sources: International Monetary Fund. 2022. Climate Change Indicators Dashboard; Haver; World Bank CCDR; EM-DAT, CRED / UCLouvain, Brussels, Belgium – www.emdat.be; European Commission.2023.INFORM Report

Annex II. Table 3. Mauritania: Proposed Reforms Program for Climate Change Budget Tagging

Phase	Reform	Timing	RSF support
Phase I – CBT design and pilot implementation	Establish a working task force	FY 2023	
	Develop guidance note about scope, methodology, responsibilities, and implementation of CBT	FY 2023-2024	
	Conduct ex-post assessment by 4-5 NDC pilot sectors of climate appropriations on FY 2024 National Budget Law	FY 2024 (January-October)	
	Develop a road map to integrate climate considerations in planning tools and the budget process (budgetary circular, manuals, budget reports, the fiscal strategy, etc.)	FY 2024	
	Publish a climate budget brief from 4-5 selected NDC sector ministries (based on an ex-post assessment of FY 2024 National Budget) either as an annex to the FY 2025 National budget or on the Ministry of Finance (MOF) website	FY 2024 (December)	
	Update the guidance note informed by pilot CBT experience	FY 2024/2025	
Phase II – Pilot CBT institutionalization in budget preparation	Continue to conduct CBT ex post on the FY 2025 budget law	FY 2025 (January-March)	
	FY 2026 budgetary circular requires NDC sector ministries to estimate the share of their FY 2026 budget that relate to climate adaptation, in line with the CBT methodology	**July 2025**	**RST RM I**
	Conduct CBT by NDC sectors during FY 2026 budget preparation	FY 2025	
	Publication by the MOF of FY 2026 climate budget brief (informed by FY 2024 and 2025 tagging results of the NDC sectors) jointly with 2026 Budget law	**January 2026**	**RSF RM II**
	Assess inclusion of climate tracker in Integrated Financial Management and Information System (IFMIS) and budget execution reports	FY 2025	
Phase III – Fully fledged CBT deployment during budget preparation and implementation	Integrate a climate tracker in the IFMIS	FY 2026	
	FY 2027 budgetary circular to require all sector ministries and agencies to estimate the share of their FY2027 budget that relate to climate adaptation and mitigation, in line with the CBT methodology	FY 2026	
	Integrate tagging results in quarterly and annual budget execution reports FY 2026	FY 2026	
	Deployment of climate budget tagging by all sector ministries and agencies during FY 2027 budget preparation	FY 2026	
	Publication of FY 2027 climate budget brief (informed by FY 2027 tagging results of sector ministries and agencies) jointly with the 2027 Budget law, in line with the CBT methodology	FY 2026 (December)	

Annex II. Table 4. Mauritania: Climate Mapping: Other Country and Development Partner Effort

Key Challenge	RM Discussed (not proposed in the RSF)	Diagnostic Reference	Development Partner Involvement
Outdated water code	Ministry of Water to revise the 2005 Water Code to clarify the process for awarding public service water delegations and to emphasize the vision of establishing global water resource management in the context of climate change	WB CCDR, MHA communication No09 2023 regarding the SNADEA 20230 and the revision of the legislative and institutional framework	The AfD and WB support the revision of the water code and related regulations
Developing New Low Carbon Hydrogen Code	The authorities are preparing a new code to regulate the anticipated low carbon hydrogen production in the country		WB and EU are supporting the authorities' efforts to develop a hydrogen road map.
Developing Climate Resistant Crop Seeds and flood-resilient infrastructure, strengthen the resilience of agricultural production through index insurance and heat- and drought-resistant technologies	Ministry of Agriculture is thinking of developing drought resistant crop seeds, cannot be supported under the RSF program due to the fact that the expected achievement timeline for the reforms will take longer than the lifetime of the RSF program	WB CCDR	WB supports land resources management and inclusive and sustainable commercial. agriculture in selected areas of Mauritania.
Disaster warning systems and improve disaster preparedness	Authorities are reforming the national disaster risk preparedness system		Reforms being supported by the WB, including through the DPO

Annex II. Table 5. Mauritania: Development Partners' Support to Sectors Critical for Climate Change

Renewable Energy and Energy Efficiency	**World Bank**	Support to the government to make a final investment decision and lay the foundations for the gas sector's contribution to the economy through enhanced legal and regulatory frameworks and capacity building. The project has committed US$300,000 to the study on hydrogen to elaborate the government's "feuille de route".
	FAO	1) Installation of solar pumps in community wells.
		2) Distribution of improved stoves
		3) Installation of bio-digester units at household level
	AfDB	Investment in renewable energies (solar hybridization and mini-grids) for rural areas and to increase energy access rates.
	AFD	1) Skills development in electricity sector with SOMELEC, with component on vocational training in renewable and energy efficiency).
		2) Solar photovoltaic / thermal hybrid power plant project in Kiffa.
		3) Rural electrification project in the south-east of Mauritania.
		4) Multinational Nouakchott-Nema High Voltage Interconnection and Transmission Project and associated solar power plants.
		5) Project to support Skills Improvement in the Electricity sector.
		6) Support for the Ministry of Petroleum, Mines and Energy (MPME) in defining an energy transition strategy by 2050.
		7) Support for the MPME in the Wind and Solar Cadastre study.
	UE	RIMDIR (électrification rurale), Facilité d'Assistance technique code H^2 vert
Agriculture and Livestock	**World Bank**	Improve land resource management and foster inclusive and sustainable commercial agriculture in selected areas of Mauritania.
	AfDB	In the field of climate change and the transition to green growth, the bank aims to build pastoral reserves.
	AFD	AFD (28,5M€) – ASARIGG project: irrigation, rice production and soil restoration.
	UE	RIMDiR (infrastructures productives), RIMFIL (appui filière), SECURALIM (souveraineté alimentaire).
Forestry and other land uses	**FAO**	1) Defending and planting of hardy local species, 2) Direct seeding and 3) Assisted Natural Regeneration
	AfDB	Restoration of protected forests.
	AFD	Support for the implementation of the great green wall in Mauritania: natural resources management, agricultural value chain support, agro ecology, agroforestry, etc.
Natural resources	**FAO**	Establishment of a Biosphere Reserve in the El Atf area
	AFD	Support for the implementation of the great green wall in Mauritania: Natural resources management, agricultural value chain support, agro ecology, agroforestry etc.
		"Volet d'action rapide" of DECLIC and DECLIC 2 Hodhs projects: a quick action components implemented by NGO supports natural resources management, sustainable land management, pastoralism, etc.
	UE	Test of new tools for a most environmental friendly fishing + development of a system to follow artisanal fishing and at the cost- linked to PROMOPECHE programme implemented by AECID
Continental Fishing	**FAO**	Creation of continental ponds
	UE	Promopêche program (artisanal fishery value chain – PDA-PDI construction (in the future) – strengthening institutions related to fishing – NOT CONTINENTAL BUT LITTORAL)

Annex II. Table 5. Mauritania: Development Partners' Support to Sectors Critical for Climate Change (concluded)

Water & Sanitation	**World Bank**	Increase access to improved water and sanitation services in selected rural areas and small towns, and to strengthen the performance of sector institutions. The project is being restructured to support the rehabilitation and expansion of stormwater drainage and sanitation services in Nouakchott.
	AfDB	Support to sustainable access to water and sanitation and sustainable management of water resources.
	UNICEF	Rural water supply (multi-usage), sanitation and hygiene services using appropriate technologies resilient to climate change for communities, schools and health-centre
		Institutional, policy and governance strengthening of the hydraulics and sanitation sector at central (MHA, CNRE, ONSER), regional (DRHA) and Municipal levels, supporting stakeholders to address climate change challenges within the sector
		Support for the integration of climate change at sectoral and cross-sectoral levels (e.g. vulnerability and risk analysis, Sector Adaptation Plan in the framework of the NDC, Climate Landscape Analysis for Children)
		Coordinating the technical and financial partners, including response to climate related emergencies
	AFD	AFD Three projects to reduce the effects of climate change on rural populations thanks to a better exploitation of the surface and ground water resources and the structuration of a more efficient public administration.
Habitat, Urban and Territorial Development, Disaster Risk Management- Social Protection (DRM)	**World Bank**	Includes an important pillar on strengthening the capacity of the country to reduce and manage disasters, and to provide rapid and cost-efficient liquidity in the aftermath of climate shocks.
		Improve access to local services in selected localities and strengthen the capacities of Local Governments to plan and manage local public services. The project is being restructured to support the resilient rehabilitation and expansion of stormwater drainage and sanitation services in selected secondary cities affected by the floods.
	AfDB	Design a unique participatory drought contingency plan.
	WB, WFP	Social Safety nets.
	UNICEF	Capacity-building for public-sector players at local (communal and regional) level to improve the planification of activities
		Qualifying the impact of climate change on the system and social protection programs in Mauritania
	AFD	Support to decentralization and local development project: DECLIC in Assaba, Gorgol and Guidimakha and DECLIC 2 Hodhs in Hodh Ech Chargui and Hodh El Gharbi.
		Pilot project to support the integrated territorial development of Amourj, Bougadoum and Adel Bagrou in Hodh Ech Chargui.
		Contribution to the National Fund to respond to Food and Nutritional Crisis (FNRCAN) in order to fund cash transfers during the lean season. Social safety nets are crucial to tackle the effects of climate change.
Education/ Higher Education/Research	**AFD**	Sectorial wide approach in education, vocational training and employment.
		Development of entrepreneurship in Mauritania, in particular women.
	UNICEF	Support education reform, the National Education System Orientation Act and the education policy letter adopted in 2022, and the Education Sector Development Plan. UNICEF will support the implementation of a risk mitigation strategy that will help to make systems more resilient
	UE	Programme on environmental education around Nouadhibou, elaboration of a guide - linked to PROMOPECHE implemented by AECID + New programme to support primary education involving improvement of manuals for the students and teachers= Projet PAIRE.
Employment	**World Bank**	Activation of a Contingency Emergency Response Component (CERC) which made available an amount of US$15 million for the 2022 flood response used to help in cleaning the affected urban areas and restoring life to normal by procuring much needed water-pump vehicles.
	FAO	Promoting green employment
	UNICEF	Promoting employability among youngs and girls (based on social behavior change) and developing micro-business opportunities (around green jobs)
	UE	Programmes to improve ECO-CONSTRUCTIONS/BUILDINGS – implemented by OIT – already finished
		Trainings for environmental friendly fishing production

Annex III. Application of the DIGNAD Model to Mauritania[1]

1. **Mauritania is exposed to climate-related extreme weather events which can have significant negative macroeconomic consequences.** Droughts and flooding represent the largest risks, while severe storms, hurricanes and forest fires remain unlikely. These events can have direct and immediate effects on economic output. For example, droughts can destroy agricultural production in a given year through insufficient water, and flooding can make public infrastructure such as roads unusable hence limiting access to key inputs (e.g., fertilizers) and blocking goods from reaching markets. Furthermore, these events can have longer term impacts on output through reduction in public and private capital. In the case of both droughts/extreme heat and flooding, this could take the form of damaged materials used in key roads and buildings.[2]

2. **The Dynamic-Investment-Growth and Natural Disasters (DIGNAD) model provides insights into the impact of policy decisions on the consequences and recovery from a climate shock**. DIGNAD is a dynamic, non-stochastic, general equilibrium model of a small open economy. It allows for counterfactuals in policy choices over a five-year period, before a natural disaster shock hits in year six. The response of key economic outcomes, such as GDP, debt levels, and the current account deficit, can then be projected up to a twenty-year time horizon. The model includes both direct effects of the shock on output, as well as destruction to productive capital which takes time to rebuild and leads to longer run output impacts.

3. **This annex calibrates the DIGNAD model to the Mauritanian context**. The natural disaster shock is calibrated using data from Emergency Events Database (EM-DAT). According to this database, the most extreme weather shock felt by Mauritania in the past 100 years was a drought in 1969 which led to a 11.5 percent drop in GDP. This value is therefore used for the model shock. Other key calibrated variables include existing debt, investment and tax levels as well as the share of traded and non-traded production (among numerous others). We assume that rebuilding of capital is undertaken using concessional debt due to the limited capacity of the authorities to significantly boost domestic tax revenue, and the nature of Mauritania's existing debt portfolio.

4. **Three key scenarios are modelled in this annex**.

   a. **Scenario A (blue dotted line)**: The status quo scenario, where non-adapted public investment remains at its current level and no additional adapted investment is incorporated. Public investment efficiency also remains at its baseline level.

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[1] Prepared by Benjamin Kett (SPR), Onur Ozlu (MCD), Faycal Sawadogo (FAD) and Jarin Tasnim Nashin (MCD)

[2] Mauritania is one of only ten countries in the MENA region that has more than 100 days of extreme heat per year. The World Bank Climate Change Diagnostic Report (CCDR) ranks Mauritania as "high risk" for all three climate-risk indices (Annex II, Figure 2). Climate change-induced extreme weather events are also likely to have a disproportionate impact on vulnerable households.

b. **Scenario B (red dotted line)**: Existing non-adapted public infrastructure investment is partially reallocated (2 percent of GDP, representing about 1/5 of all public investment) to adapted infrastructure investment, without an increase in overall investment. Public investment efficiency again remains at the baseline level.

c. **Scenario C (yellow dotted line)**: In addition to the reallocation incorporated in Scenario B, this scenario adds an additional 2 percent of public investment in adapted infrastructure, financed in part by the RSF and in part by additional grants from international partners. On top of this, the scenario increases public investment efficiency from 43 percent to 63 percent reflecting significant assumed reforms in public investment management.

5. **The results are presented in Figure 1:**

a. **Investment levels.** Panel (a) shows the 2 percent drop in non-adapted infrastructure investment during the first five years for scenarios B and C. The spike in investment in 2030 and elevated levels up to 2035 reflect the need to rebuild damaged infrastructure post-natural disaster, with the levels of required rebuilding being significantly lower for the scenarios which invested in adapted infrastructure. Panel (b) shows the equivalent 2 percent increase in adapted investment for scenario B, along with an additional 2 percent for scenario C. The increase in public investment efficiency ensures that a greater proportion of investment ends up as productive capital, hence speeding up the recovery.

b. **Debt.** During the first five years, debt levels (panel (c)) do not increase under scenario B relative to scenario A as total investment remains the same (there is only a reallocation). Under scenario C, however, there is a slight increase as the RSF provides additional debt-financing while the remaining investment is assumed to be financed by grants. However, the rebuilding efforts from 2030 onwards lead to very significant increases in public debt across all scenarios, with greater adapted investment during the initial five years reducing this level in scenarios B and C.

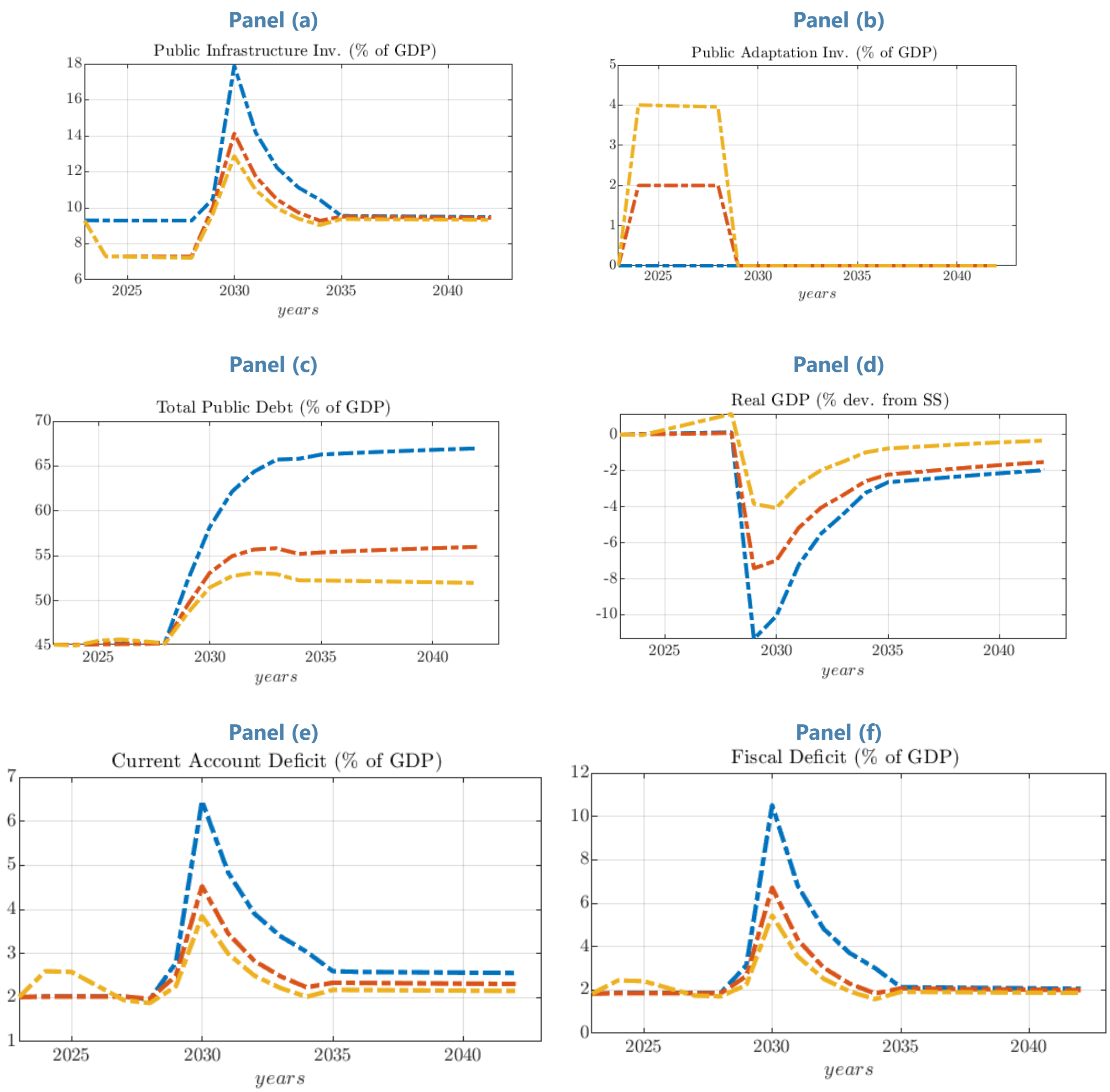
c. **GDP**. Additional investment in adapted infrastructure also reduces the GDP costs (panel (d)) of the shock both directly in 2029 (by 35 percent in scenario B and an additional 31 percent in scenario C) and also throughout the recovery period. Scenario C also sees a slight increase in GDP prior to the shock reflecting the economic activity associated with increased public investment.

d. **Current account and fiscal deficit**. Panels (e) and (f) respectively present the impacts of the shock on the current and fiscal deficits. The additional investment in the pre-shock period under scenario C increases both deficits in parallel through increased financial inflows (mirrored in increased imports of inputs). This effect is dramatically magnified during the post-shock period due to the public investment required to rebuild.

6. **The model demonstrates how key policy actions undertaken in the short term can**

reduce vulnerabilities to extreme weather events. Reallocation from non-adapted to adapted infrastructure increases the resilience of the infrastructure to these shocks. If additional adapted investment can be undertaken, this would further strengthen resilience, and the authorities should maximize the concessional or grant financing where possible to fund this investment. Public investment efficiency is notably low in Mauritania, and improving this represents a low hanging fruit for the authorities, hence minimizing losses and inefficiencies and ensuring that a greater proportion of investment passes directly through to production.

Annex III. Figure 1. Mauritania: Key Macroeconomic Outcomes from the DIGNAD Model



Appendix I. Letter of Intent

ISLAMIC REPUBLIC OF MAURITANIA
CENTRAL BANK OF MAURITANIA

Nouakchott, December 1, 2023

Kristalina Georgieva,
Managing Director, International Monetary Fund,
Washington D.C. 20431,
United States

Dear Madam Managing Director:

In 2023, economic growth is expected to slow to 4.8 percent from 6.4 percent in 2022, due to a normalization of activity in the extractive sector and the lagged impact of monetary policy tightening in 2022. After peaking at 12.7 percent year-on-year in October 2022, inflation slowed to 3 percent in September 2023, also reflecting tighter monetary policy and lower international commodity prices. Despite these good results, strong headwinds continue to be felt, particularly as a result of geopolitical tensions, climatic shocks, and the security situation in the Sahel region. The uncertainty hanging over the global economy and the sustainable development challenges we face remain significant and our reform-oriented program is ongoing.

The economic and social program that the Mauritanian authorities are implementing with the support of the International Monetary Fund (IMF) under the Extended Credit Facility and the Extended Fund Facility has got off to a good start. The program aims to:

- stimulate recovery to achieve greater macroeconomic stability, improve social protection, and develop infrastructure in line with Mauritania's Strategy for Accelerated Growth and Shared Prosperity (SCAPP). This includes an improvement in budget outturn (by anchoring fiscal policy over the medium term), underpinned by higher domestic revenues and greater spending efficiency, and a prudent monetary policy with the primary objective of containing inflation.

- integrate short-term recovery measures into a solid policy framework underpinned by a program of phased, prioritized structural reforms. The reforms aim to modernize tax administration and strengthen public financial management and the monetary policy framework, while preparing for a more flexible exchange rate regime.

- strengthen governance and transparency and stimulate private investment by improving the business climate and financial inclusion, and redoubling efforts to accelerate key governance reforms.

All the end-June 2023 performance criteria and structural benchmarks scheduled between March and September 2023 under the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements approved by the IMF Executive Board on January 25, 2023 have been achieved, although 2 structural benchmarks were implemented with a delay and one structural benchmark will be implemented by mid-December. The indicative target for net international reserves was not met in March and September 2023. In view of the results achieved, we are requesting completion of the first program reviews under the ECF and EFF and the combined disbursement/purchase of SDR 16.10 million, of which SDR 10.73 million for EFF and SDR 5.37 million for the ECF.

The government is requesting a change to the performance criteria relating to the floor on net international reserves and the ceiling on net domestic assets for end-December 2023 with the aim of increasing the shock absorbers during the transition period on the foreign exchange market. To achieve the performance criterion on the non-extractive primary balance by the end of December 2023, we undertake to contain expenditure within the limit of revenues generated and not to accumulate domestic payment arrears. Finally, we undertake to contain expenditure in 2024 as well, in order to achieve a non-extractive primary balance of MRU 16 billion by the end of 2024, and we will adopt a supplementary budget in line with this objective.

The government also requests the temporary approval of the multiple currency practices that are expected to arise on December 14, 2023 and seeks a waiver for the breach of the continuous performance criterion on the non-introduction and non-modification of multiple currency practices (MCP) on the basis of corrective actions. The reform of the FX market, implemented with extensive Fund technical assistance, is necessary in the context of a gradual transition to greater exchange rate flexibility. We commit to review and reform the markets to avoid MCP, during the program period as conditions permit.

Our country also faces enormous challenges linked to climate change, increasingly resulting in extreme temperatures, droughts, floods, and coastal erosion. Consequently, Mauritania's long-term macroeconomic and external stability requires the strengthening of its resilience through the efficient mobilization of public and private resources, the development of adapted infrastructure, increased safety nets for the population, and the efficient management of natural resources such as water, while respecting the commitments of the nationally determined contribution (NDC), through efforts to reduce carbon emissions. For this purpose, the government is requesting access to the Resilience and Sustainability Facility (RSF) in the amount of SDR 193.2 million (150 percent of quota) to implement a program aimed at strengthening resilience to climate shocks, developing disaster risk management capacity, and accelerating the transition to cleaner energy sources. The new RSF program will support the implementation of reforms in the following four pillars: (i) mainstreaming climate in public financial management (PFM) and public investment management (PIM); (ii) social protection against climate shocks; (iii) decarbonization; and (iv) strengthening the institutional framework for water management. Given the complexity and broad scope of the reforms envisaged, the government plans to request technical support from the IMF, the World Bank, and other development partners to implement its RSF-supported program.

The next semi-annual reviews under the ECF and EFF as well as the RSF will take place no earlier than April 17, 2024, and the next no earlier than October 17, 2024, on the basis of the quantitative criteria, structural benchmarks, and reform measures as described in the attached Memorandum of Economic and Financial Policies (MEFP) and Technical Memorandum of Understanding (TMU). We will continue to provide the IMF with all the data and information required to monitor the implementation of measures and the achievement of program objectives under the ECF and EFF, as well as the RSF, in accordance with the attached TMU.

We will provide the IMF with all the data and information needed to monitor the implementation of the measures and the achievement of the targets as described in the TMU and we will consult the IMF when drawing up the budget laws and the medium-term budget framework. We believe that the policies described in the MEFP, which are based on the SCAPP, the SDGs, the updated NDC in 2021, and the national strategy to combat climate change (SNLCC) are relevant to achieving the objectives of the programs. We will take any additional measures required for this purpose. We will consult with the IMF on the adoption of these measures and prior to any revision of the policies set out in the MEFP, in accordance with the IMF's policies on such consultations. We consent to the publication of this letter, its attachments, and the IMF staff report.

Sincerely yours,

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

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

/s/
Mr. Abdessalem Ould Mohamed Saleh
Minister for Economy and Sustainable Development

Attachments (2):
1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

A. Context: Development Program(s) of the Public Authorities

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) and the Resilience and Sustainability Facility (RSF) for the period 2023-26. The ECF and EFF program aims to preserve macroeconomic stability, consolidate the foundations for sustainable and inclusive growth, and reduce poverty in line with the strategy for accelerated growth and shared prosperity (SCAPP). The RSF-supported program aims to build resilience to climate shocks, strengthen disaster risk management capacities, and accelerate the transition to cleaner energy sources.

B. Economic Developments

2. Growth reached 6.4 percent in 2022 (against 0.7 percent in 2021), mainly driven by the extractive sector (18.3 percent). Non-extractive sector performance slowed to 3.3 percent in 2022 (as against 6 percent in 2021), as rising fuel prices in July 2022 affected key sectors of the economy. After peaking at 12.7 percent year-on-year in October 2022, inflation slowed to 3 percent in September 2023, reflecting the central bank's tightening of monetary policy in 2022 and lower international commodity prices.

3. Budget execution is in line with program expectations. At the end of September 2023, revenues including grants amounted to MRU 56.7 billion, or 60 percent of the total fiscal target for the year. Non-tax revenues were 47.3 percent higher in September 2023 than during the same period in 2022. Expenditure amounted to MRU 65.8 billion, or 62.7 percent of the year's total budget, and up in 2022. This increase is due to the normal start of budget execution, which began in January in 2023, compared to April in previous years.

4. The international investment position improved following the normalization of international food and energy prices, despite the appreciation of the exchange rate. The current account (CA) deficit was reduced to 6.9 percent of GDP in the first half h of 2023, compared with 9.5 percent of GDP in the second half of 2022. At the end of September 2023, international reserves fell to US$1.8 billion (6.1 months of prospective non-extractive imports), compared with US$1.9 billion (6.6 months of prospective non-extractive imports) at the end of 2022. The bilateral rate of the ouguiya against the US dollar appreciated by 6.6 percent during the first quarter of 2023 and depreciated by 11.0 percent at the end of September. By the end of September 2023, the nominal effective exchange rate (NEER) and the real effective exchange rate (REER) had depreciated by 0.3 percent and 3.0 percent respectively compared with the end of 2022.

5. Credit growth continued to slow in the second half of 2023 due to the tightening of monetary policy in 2022. Excess reserves contracted from MRU 7.3 billion at the end of 2022 to MRU 6.4 billion in August 2023, reflecting increased foreign exchange intervention. In addition, the BCM increased its reserve requirement by a cumulative 200 basis points in August 2023. Credit growth slowed to 4.2 percent in August 2023, compared with 13.0 percent at the end of 2022 and a record 25.9 percent in May 2022. However, the downward trend in money supply reversed in March 2023, reaching 12.2 percent in August 2023, compared with 2.2 percent in February 2023 owing to the build-up of international reserves and the associated increase in currency in circulation and demand for deposits. Bank reserves in MRU increased to 14.5 billion in August (13.1 billion at end-2022) and excess reserves decreased to 6.4 billion MRU in August (as against 7.3 billion at end-2022) thanks to the BCM's efforts to absorb excess liquidity through seven-day reverse repos.

C. Short- and Medium-Term Outlook

Short-Term Projections for 2023

6. In 2023, economic growth is expected to slow to 4.8 percent due to a normalization of activity in the extractive sector and the lagged impact of monetary policy tightening in 2022. Inflation is likely to stabilize at around 4.5 percent as a result of monetary contraction measures, disciplined fiscal policy, and lower international prices. The current account deficit is expected to narrow to (12.1 percent) of GDP (as against 16.6 percent at end-2022) thanks to lower food and energy prices, fiscal consolidation, and the lagged impact of monetary policy tightening in 2022, but it remains significant as the exchange rate appreciated in the first quarter. Gross reserves should stabilize at around 6.4 months of non-extractive imports, thanks to the repatriation of profits from *Société Nationale Industrielle et Minière de Mauritanie* (SNIM). The non-extractive primary balance, including grants, should narrow to -3.8 percent of GDP– close to the debt stabilization level–and should be financed by a combination of withdrawals from the Treasury account (around 3.1 percent of GDP) and the issuance of Treasury bills.

Medium-Term Projections for 2024-28

7. Between 2024 and 2028, non-extractive growth should be close to 5 percent. The normalization of world prices should improve the current account deficit in 2024. Gas and gold exports will also support the narrowing of the current account, with international reserves remaining adequate throughout the observation period to 2028 (above 5.2 months of non-extractive imports). Gas production will stimulate extractive growth until 2025, while iron ore volumes should increase until 2027. Structural reforms are also set to accelerate thanks to support from the ECF-EFF and RSF-supported programs.

8. Downside risks are predominant. Escalating geopolitical tensions and a deteriorating security situation in the Sahel region could affect Mauritania by triggering further terms-of-trade shocks, notably in oil and food prices, thereby increasing macroeconomic challenges and creating social tensions. In addition, more frequent climatic catastrophes, notably floods, could impair infrastructure, arable land, and agricultural production, thereby keeping levels of food insecurity relatively high. The resulting imports of food products and reconstruction materials could increase balance-of-payments needs, putting pressure on the international reserves. Delays in the start-up of gas production and adverse price fluctuations on commodity markets could reduce budget revenues, increase external financing requirements, and worsen the medium-term debt profile. On the positive side, implementation of future phases of the Greater Tortue Ahmeyim (GTA) gas project would improve economic growth and the balance of payments.

D. ECF-EFF Economic Program for 2023-26

Pillar 1: Stimulating Recovery While Preserving Economic Stability

Fiscal Policy

9. Our fiscal policy is anchored with a Medium-Term fiscal Framework (MTFF) aiming for fiscal sustainability and reducing the volatility of extractive sector resources. The fiscal anchor is a debt ceiling that keeps Mauritania below the high debt distress threshold. Implementation of this fiscal anchor implies a non-extractive primary deficit (including grants) in the range of 2.5- 3.5 percent of GDP by 2026, and below 2.5 percent of GDP by 2027. This objective implies reducing current expenditure to 13.6 percent of GDP by 2027, from 16.2 percent projected for 2023, while maintaining capital expenditure at around 9 percent of GDP and increasing non-extractive tax revenues by 0.5 percent of GDP per year. This will help protect public spending from the volatility of commodity prices and will aim to stabilize debt over the medium term. These objectives are included in the national budget and the medium-term fiscal framework, but a more solid institutional anchoring is desirable to support the reform in a sustainable way.

10. To achieve the performance criterion on the non-extractive primary balance by the end of December 2023, we will contain expenditure within the limit of revenues collected. Finally, we undertake to containing expenditure in 2024 as well to achieve a non-extractive primary balance of MRU 16 billion by the end of 2024 and not to accumulate domestic payment arrears. For this purpose, a provisional TOFE with an amount of domestically financed investment of MRU 2.6 billion less (for a total amount of investment from domestic resources of MRU 28.9 billion instead of MRU 31.5 billion) will be shared with the IMF and will be used for the execution and monitoring of the budget for 2024 before the adoption of the revised budget law for 2024 that will incorporate this. As part of the program supported by the Resilience and Sustainability Facility (RSF), a fuel price reform aimed at phasing out subsidies is planned. However, given that this decree is not due to come into force until March 2025, we undertake to closely monitoring the evolution of international oil prices and implement the necessary measures to limit the budgetary cost of energy subsidies.

11. We are expanding our social protection system. Nearly 100,000 vulnerable households benefited from cash transfers under the "Tekavoul" program in 2023. In 2024, we aim to increase the number of vulnerable households covered by the program to over 130,000. In 2023, we increased the quarterly amount paid to these households to MRU 2,900 (structural benchmark) and plan to increase this to MRU 3,600 in 2024 (structural benchmark, December 2024). A report on the effective implementation of the Tekavoul program will be produced by Taazour (Agency for National Solidarity and the Fight against Exclusion) and/or the World Bank in 2024. This report should show the evolution of the number of households covered as well as the quarterly amount of cash transfers. We will update and enrich the social registry and encourage its use for social programs, while taking into account the need for geographical equity by 2025. At the same time, food distribution centers (Temwine program) will be reorganized to improve their targeting. Finally, we will continue to prioritize spending on primary and secondary education, primary healthcare, access to water and sanitation, and better-targeted social assistance programs.

12. Considering that the ceiling on remuneration subject to contributions for the private social security plan was raised in 2021, we will take the necessary steps to reform the public pension plan to ensure a more sustainable system, financed system. We undertake to develop an action plan based on the recommendations of the IMF technical assistance mission on the assessment of pension plans. This will enable us to keep current expenditure below MRU 68.5 billion in 2024 and MRU 70 billion in 2025.

13. To increase domestic revenues, we plan to accelerate ongoing reforms of tax policy and administration. A large share of the revenue increase under the ECF/EFF-supported program will come from strengthening tax administration:

14. We will also work to reduce tax expenditure (estimated at around 3 percent of GDP) to free up room to increase priority spending. We will publish a comprehensive analysis of tax expenditure as an appendix to the 2025 budget henceforth, as a basis for eliminating unproductive exemptions and special schemes. We will ensure that the filling obligation for corporate income tax is fully implemented, including for corporations subject to tax exemptions (Investment Code, Free Zone, and establishment conventions) to improve our registry of taxpayers and our tax expenditure estimation.

- For this purpose, we will update the codification system for imported goods to bring it into line with the new HS 2022 version of the harmonized commodity coding system shared by all member countries of the World Customs Organization (WCO). This reform will have a positive impact on the implementation of sub-regional agreements (ECOWAS CET) and will open the possibility of using mirror databases to improve the valuation of goods and tax expenditure. On another front, the customs administration intends to reform the codification of its tax regimes (additional codes), making them easier to understand and better suited to tracking exemptions and privileges granted (structural benchmark, September 2024). These codes will also be very useful for estimating tax expenditure by creating conditions for rapid processing of tax information.
- We will analyze and exploit cross-matching data to remove from the informal sector those corporations that exceed the flat-rate threshold without declaring it. We will start by suspending the Tax Identification Numbers (TINs) of these corporations from the source companies (clients) to force them to regularize their situation. We will also undertake a campaign to locate unidentified companies, notably by sharing information between the Mauritanian electricity company (SOMELEC), the Mauritanian water company (SNDE), and General Tax Directorate (DGI) to exchange addresses.
- We will set up an interface with the digitalized public procurement platform. This interface will enable us to harmonize and cross-check data with other public entities, such as the national

social security fund (CNSS). This will encourage companies to be more transparent in their declarations regarding their business volume, classification, number of employees, and experience in the field.

- The audit program for 2023, which started late (in August), will be spread over the first three months of 2024. The 2024 program will start as early as May, just after the deadline for filing declarations, with the aim of improving coverage and collecting more revenue.
- We undertake to revitalize the post-clearance control unit in customs by providing it with the resources it needs to carry out its missions. This requires capacity building to create specialized skills. For this purpose, technical assistance will be needed to enable the customs administration to make the most of this new profession, which could potentially contribute to a significant increase in revenue, and improve relations between the customs administration and its partners (corporations) granted the best services (immediate removal of goods and the possibility of immediate clearance when assigned the green channel).
- We intend to reinforce the fight against fraud by equipping the customs administration's regional surveillance squads with major infrastructure and portable devices for the customs handling and clearance of fraudulent goods.

15. Our debt strategy will be based on one principle: avoid excessive and costly borrowing. We will finance our investments through grants and loans taken out at a moderate pace, compatible with a moderate risk of debt distress and our absorption capacity. For this purpose, the present value of external borrowing (public and government-guaranteed) will be capped according to the limits provided in Table 1. An annual borrowing plan (presented in Table 3) has been drawn up in consultation with the IMF to reinforce our medium-term debt reduction strategy. We also recognize that this ceiling will not guarantee a moderate risk of debt distress. We therefore undertake to assess the impact of conventions on debt sustainability and to inform the IMF of financing agreements.

Monetary and Exchange Policy

16. The BCM will conduct a prudent monetary policy aimed at reducing excess liquidity in the banking system and containing inflationary pressures with a view to supporting the gradual move towards greater exchange rate flexibility. The Central Bank will implement the necessary instruments to perform its price stability mission to the full. At the same time, we will strengthen the monetary policy framework to increase its effectiveness and support the reform of the exchange rate regime.

Pillar 2: Strengthening of the Economic Policy Frameworks

Fiscal Policy Framework

17. Reforms will focus on improving budget performance, modernizing the tax administration, and strengthening public financial management. For this purpose, we will continue the ongoing structural reforms.

18. Public Financial Management: To strengthen the medium-term fiscal policy outlook and stabilize debt, we will update the Medium-Term Fiscal Framework (MTFF) and clearly define the fiscal anchor we are aiming for with our fiscal policy. We will update, and after consultation with the IMF, adopt the MTFF in the Council of Ministers and submit it to Parliament in September 2024. We will also strengthen project evaluation and selection beyond consideration of the climate aspect. In addition, to improve budget transparency, we will continue to modernize the presentation of budget statistics and the Table of Government Financial Operations (TOFE) in line with the international standards of the Government Finance Statistics Manual 2014 (GFSM 2014) with the technical assistance of the IMF. Finally, following the conclusions of the governance diagnostic report, and even though the annual publication of the audited accounts of *Société Nationale Industrielle et Minière de Mauritanie* (SNIM) is in line with international best practice, we will publish financial report on SNIM's mining and non-mining activities, including the SNIM Foundation, on an annual basis, by October 2024 (structural benchmark) to continue promoting fiscal transparency.

19. Tax policy to improve the neutrality, equity, and efficiency of the tax system and mobilize additional revenues:

- The reform of the Nouadhibou free zone law submitted to Parliament (structural benchmark, March 2023) will create new conditions favorable to the emergence of new synergy effects in our economy. This reform will improve our ability to supervise incoming and outgoing flows, thanks to the introduction of new harmonized customs procedures. Involving the customs administration in a better control of activities within the geographical limits of the free zone will help to achieve efficiency in the industrial focus of the new reform. As soon as the new law is adopted, we undertake, with the support of IMF technical assistance, to implement it and withdraw any non-compliant approvals.

- We will make the tax policy unit (TPU) operational to strengthen our tax policy framework by March 2024 (structural benchmark). More specifically, this will involve recruiting the coordinator and qualified staff, transferring skills from the ad hoc working group to the unit team and carrying out operations relating to the mandate of a TPU. The evaluation of tax expenditure for 2023 will be carried out by the unit and published as an appendix to the Initial Budget Law (LFI) for 2025.

    - We will monitor and check the operations of "points francs" to identify those carrying out activities not covered by the approval they were granted. This will enable us to take action to reduce the number of "points francs." In addition, we will submit a revised investment code that eliminates "points francs" and reduces special regimes to Parliament by December 2024 (structural benchmark).

    - Based on the recommendations of the IMF assistance on the general tax policy diagnostic scheduled for January 2024, we will define a roadmap with measures aimed at eliminating economic distortions, reducing the complexity of the tax system, and improving revenue mobilization while ensuring that Mauritania remains attractive for new investment. Technical assistance will also help us to reform the consumption tax in the 2024 revised budget law by August 2024 (structural benchmark).

20. Tax Administration: To increase domestic revenues, we plan to accelerate ongoing reforms of tax administration. To guide our tax administration reform strategy, we have carried out a TADAT assessment with the support of the IMF. In parallel, we will pursue ongoing reforms designed to increase tax revenues. These include:

- We will make e-filing and e-payment compulsory for large taxpayers from 2024, starting gradually with the most advanced in terms of IT systems adoption, with a regulatory text specifying transitional arrangements. Large taxpayers will also be incorporated into the register of large companies from 2024. We will continue to review the taxpayer registry with a view to cleaning it up and updating it. We will work to simplify tax procedures for small businesses, with the support of IMF technical assistance. We will monitor the spontaneous creation of TINs for new taxpayers who pollute the registry, put in place rigorous processes to prevent the creation of temporary TINs, revise the law relating to the creation of TINs to clarify taxpayer identification, and cross-check data with the registry office records to improve the reliability of the information received.

- We will also initiate discussions with IMF teams to develop a strategy for managing tax arrears, focusing initially on state-owned enterprises. Improving and strengthening the VAT credit refund system will be one of our tax administration priorities for 2024 and will be the subject of IMF technical assistance.

- We will also work to strengthen cooperation between the DGI and other government administrations, starting with the customs administration.

- To better prepare the e-filing and e-payment service (STT) for the "changeover of all large taxpayers" (DGE - Large Enterprise Directorate) on January 1, 2024 we will urgently improve the platform by ensuring: (i) the inclusion of a dashboard for management of the platform; (ii) the capability to take future taxes into account without having to rewrite the application code; (iii) full integration of banks (only 3 banks out of 20 at this stage); and (iv) the capability to make a supplementary tax return online.

- To improve IT capabilities, the government intends to allocate more resources to the Directorate for Information, Studies, Tax Reforms, and Training (DIERFF) to hire more IT developers and provide training for its staff in the platform and the network parameters.

21. Management of Extractive Sector Revenues: Before the start of gas production under the GTA gas project, scheduled for 2024, we will reorganize our gas and mining resource management and forecasting structure. We will integrate gas revenues into the MTBF. We will strengthen the rule for smoothing the volatility of gas and mining revenues financing the budget and apply best practice to the reporting of gas and mining revenues and savings fund assets/gains. At the same time, we will review the performance of our sovereign wealth fund, the National Fund for

Hydrocarbon Reserves (FNRH), and examine its suitability for managing larger financial flows and assets. For this purpose, we will finalize the adoption of its financial investment policy by its Investment Advisory Committee and continue to draw up regular reports and audit its activities.

Monetary and Exchange Policies Framework

22. We will continue to put in place the key elements needed to implement and strengthen the transmission of a price-oriented monetary policy, namely:

1. the continued development of the government securities market through the regular issuance of negotiable government securities for banks in coordination with the Ministry of Finance, on terms that enable the market to operate without restriction, in accordance with regulatory provisions, particularly as regards the marginal rate accepted in Treasury bill auctions,

2. the extension of maturities issued by the Treasury to support the formation of the yield curve and monetary policy transmission,

3. the gradual tightening of the BCM's interest-rate corridor,

4. more active management of bank liquidity, and in particular the absorption of excess liquidity to bring it down to nearly MRU 2 billion; and

5. development of the interbank money market.

23. We will continue to use the policy rate actively and the main liquidity-absorbing operations (seven-day and SENAD reverse repos) more regularly. We will make the deposit facility for conventional banks operational and create a new deposit facility instrument for Islamic banks in line with the Shariah. We will encourage the development of the interbank money market and the government securities market and aspire to create a daily interbank reference rate and a government securities reference rate curve. With the support of IMF staff, our aim is to strengthen the role of the interest rate in the conduct and transmission of monetary policy, and to better anchor inflation expectations.

24. We will modernize the monetary policy framework and conduct a forward-looking monetary policy, while laying the foundations for a more flexible exchange rate regime with the support of IMF technical assistance. Our monetary policy will focus on its primary objective, namely price stability. During the transition phase, we will continue to monitor the growth rate of the money supply (monetary aggregate M2) as well as that of the monetary base. We will use the reserve requirement ratio as a structural instrument for managing bank liquidity: we will reduce it in the event of a structural liquidity squeeze in order to inject liquidity on an ongoing basis and raise it in the event of a structural increase in bank liquidity in order to mop up bank liquidity on an ongoing basis.

25. We will strengthen coordination between the monetary and fiscal authorities to further develop the government securities market by creating an active primary market in the various maturities issued by the Treasury and by extending the maturities issued by the Treasury. Against a backdrop of financing requirements that could potentially increase in the future, we will reinvigorate the government securities market, not only with a view to providing collateral eligible for monetary policy operations and reinforcing monetary policy transmission, but also with the objective of harnessing financial development as a vector for economic growth. The role of the *Comité de Coordination des Politiques Monétaire et Budgétaire* (CCPMB - Monetary and Fiscal Policy Coordination Committee) will be to ensure regular issuances of conventional and Islamic government securities in favor of banks and to extend the benchmark yield curve for government securities. We will hold regular auctions of conventional Treasury bills for the benefit of conventional banks in order to increase the outstanding amount of government securities held by conventional banks to MRU 3 billion by December 2024 (structural benchmark). Similarly, we will hold regular auctions of Islamic Treasury bills with the aim of increasing the outstanding amount of such bills to MRU 1.5 billion by December 2024 (structural benchmark). We also undertake to take the necessary steps to issue two-year Treasury bills for banks. We will draw up a schedule for government securities issuance over the period 2024-26 in consultation with the IMF staff and in line with the program's objectives.

26. The BCM has already put in place all the instruments needed to operate an interest-rate corridor system: seven-day main refinancing operations, liquidity repos and BCM bills, standing overnight lending and deposit facilities, fine-tuning and long-term operations, and reserve requirements. The BCM will increase the volume of its liquidity absorption operations to reduce banks' excess liquidity to MRU 2 billion by March 2024. It will also begin to gradually reduce the width of its interest rate corridor, gradually narrowing the spread between the overnight deposit rate and the overnight lending rate. The aim will be to move gradually towards an interest rate system with a width of 200 basis points, centered on the BCM's policy rate.

27. To gauge the volume of its core operations, the BCM will strengthen its framework for forecasting autonomous liquidity factors during the reserve requirement period, in line with the recommendations of the MCM technical assistance mission on liquidity forecasting and management. In this context, we will strengthen coordination between the entities in charge of liquidity management and public treasury management. With the support of the IMF, the BCM will develop its liquidity forecasting and monitoring capabilities.

Exchange Rate Policy

28. Exchange rate policy will focus on creating the conditions for fully competitive foreign exchange auctions and a successful transition to an exchange rate determined by the market. The BCM will modernize the operation of the foreign exchange market, develop activity on the interbank foreign exchange market and, once the monetary policy framework has been strengthened, gradually relax the exchange rate in order to reinforce its role as a buffer against exogenous shocks and preserve external viability. The aim of the reform is to eventually reduce the BCM's current role as the main supplier of foreign currency on the official market to that of a marginal player, to preserve international reserves, and unify the foreign exchange market. The BCM undertakes to direct foreign exchange buyers and sellers directly to the foreign exchange market without going through the BCM and will reduce its own foreign exchange intervention budget accordingly.

29. To modernize the foreign exchange market, testing of the technical platform for interbank transactions on the foreign exchange market was launched at the end of June 2023 with most banks, and the platform's procedures manual has been drafted. The regulations and code of ethics relating to the interbank foreign exchange market were published in October 2023. We have also set up a market maker mechanism to support the development of interbank money market activity. A basket of Eurodollar currencies with a 5 percent fluctuation band as a benchmark for BCM foreign exchange intervention will also be introduced. The fluctuation band is expected to be progressively widened over time to allow greater exchange rate flexibility.

30. We will set up a system of regular multiple-price currency auctions and will eventually evolve from an intervention strategy aimed at stabilizing the exchange rate to one designed primarily to limit excessive volatility in a market-determined exchange rate.

31. We recognize the importance of effective foreign exchange reserve management and the need to limit any interventions so as to preserve an adequate level of the BCM's international reserves. The BCM will strengthen both the data and the methodology for monthly cashflow projections. Thus, (i) given the importance of SNIM's foreign exchange repatriation for these projections, we will set up a committee comprising the BCM, SNIM, the Ministry of Finance, and the Ministry of Economy and Sustainable Development, which will meet quarterly to share SNIM's foreign exchange repatriation forecasts over a minimum one-year horizon (structural benchmark); (ii) the BCM and the Ministry of Finance will improve coordination on autonomous factors, including foreign exchange; and (iii) the BCM's interventions on the foreign exchange market will be guided by exchange rate trends, while respecting the performance criterion of net international reserves. We will thus define an intervention budget in line with these objectives. If the intervention budget proves insufficient to meet the international reserves target, the BCM will adjust its central exchange rate and/or widen the fluctuation band to bring it into line with the market equilibrium rate.

32. We will gradually allow greater exchange rate volatility to encourage interbank trade. The reform of the FX market, implemented with extensive Fund TA, is necessary in the context of a gradual transition to greater ER flexibility, but expected to give rise to multiple currency practices (MCPs) temporarily. We commit to review and reform the markets, including with TA as appropriate, to eliminate MCPs within the program period, as conditions permit. The foreign exchange policy reforms we envisage will require continued technical assistance from the IMF as well as support from a central bank in the sub-region which has already set up an interbank foreign exchange market.

BCM: Transparency and Governance

33. BCM has made some significant progress in implementing the recommendations of the 2021 safeguards assessment mission. The Central Bank has ceased its participation in the gold purchase program and has reviewed the activities of the General Council and the Audit Committee. However, some important recommendations of the safeguards assessment have not yet been implemented, such as the adoption of the IFRS accounting standards. To facilitate the transition to the IFRS, the BCM has set up an IFRS department within the Directorate-for General Accounting and hired an external expert in March 2023. In addition, the BCM's financial position continues to be weakened by significant claims on central government at below market interest rates. For this purpose, we will revise the 2018 agreement relating to the BCM's claim on government and include the new agreement in the 2025 Budget Law at the latest. This new agreement will have a grace period extending to the end of 2024, with annual amortizations of at least MRU 0.2 billion (plus debt service) between 2025 and 2027, before starting equal annual amortizations for a remaining period of 25 years, or less. The interest rate applied to the remaining debt will be 3.75 percent (or market rate) (structural benchmark).

34. The BCM will continue to strengthen the AML/CFT measures and their implementation, in consultation with all parties concerned, including the *Unité Mauritanienne d'Enquêtes Financières* (UMEF - Mauritanian Financial Investigation Unit) and the banks. We will strengthen the BCM's AML/CFT supervision to ensure that banks comply with enhanced due diligence requirements for politically exposed persons, increase the UMEF's use of financial intelligence to detect money laundering-related cases, and disseminate this information to law enforcement agencies.

Financial Supervision and Regulation

35. We have strengthened our sanctions regime by introducing calculation methods and multiplier coefficients to prevent repeat offending, while integrating the category of money laundering offences. We also introduced the early warning indicator tool and improved the rating system for more effective risk-based supervision. At the same time, we have improved our licensing and governance procedures. We aim to adopt a directive on banks of systemic importance by the end of 2023. We will further strengthen the BCM's supervisory capacity. We aim to achieve this by, among other things, (i) adopting regulations on the net stable funding ratio (NSFR) by the end of March 2024 (structural benchmark) and on internal control by the end of 2023. The BCM will adopt a human resources strategy to strengthen its control function and will increase the technical staff responsible for off-site inspection from two to at least four by the end of March 2024 by selecting suitable profiles (structural benchmark). It will upgrade its regulatory framework governing the supervision of payment institutions and electronic payment activities in order to (i) set the conditions under which banks can open payment or electronic money accounts and under which remote banking operations are carried out, and (ii) put in place effective supervision of payment and electronic money institutions. It will also ensure compliance with the recently adopted an act on interoperability.

36. We are determined to continue applying prudential regulation to ensure that the banking system is resilient in the face of shocks. For this purpose, the BCM will ensure compliance with the prudential limits on core capital and minimum net capital by the end of December 2024 (structural benchmark). To support the reform of foreign exchange policy, the BCM will ensure strict compliance with the limits imposed on foreign exchange positions, bringing banks with long or short positions in excess of prudential thresholds into line with the individual (10 percent) and global (20 percent) standards. A new act on foreign exchange positions, in harmony with the standards and acts in force, was recently adopted, reducing banks' consolidated net foreign exchange positions to a low level in response to requirements under prudential regulations. The BCM is also pursuing its commitment to meeting the 20 percent consolidated standard (structural benchmark, December 2023). When calculating the overall net foreign exchange position, care will be taken not to offset the short positions of one bank against the long positions of another, using absolute values. The number of institutions in breach of the 20 percent threshold will be indicated.

37. The BCM intends to strengthen good bank governance, as provided for in the new banking law. The directive on the governance of banks was adopted at the end of March 2022. Since then, the central bank has been working to ensure strict compliance by banks, with significant progress made in particular in the constitution and quality of management and administrative bodies (board of directors, management committees, internal control entities). We are paying particular attention to this aspect to ensure overall compliance with the regulations in the months ahead.

Debt Management

38. Improving debt management remains a key priority. Further efforts will be made to ensure consistency between borrowing and spending priorities, particularly for major infrastructure projects, and to guarantee coordination between institutions. We will continue to improve procedures for borrowing and granting public guarantees, clarifying the respective responsibilities and conditions for approval of ministries. The *Comité national de la dette publique* (CNDP - National Public Debt Committee) has been revitalized. Its operational capacities will be strengthened to improve coordination between the various entities responsible for debt-related matters. The committee will continue to meet regularly to assess the impact on debt of any new project to be financed by non-concessional external borrowing, which must be validated by the CNDP before the relevant agreement is signed. Similarly, we will continue to develop the capacity of the directorate responsible for debt, the directorate responsible for financing at the Ministry of Environment and Sustainable Development (MEDD), and the directorate responsible for debt at the BCM to carry out debt sustainability analyses, calculate the concessional treatment of projects covered by a financing agreement, and develop a medium-term debt management strategy.

39. In order to improve coordination between the various entities responsible for debt management, we will use SYGADE, ARKAM, El/Istithmar, and RACHAD, which are software packages used by the institutions involved in debt servicing (Directorate for Debt, Directorate-General for Budget, Directorate-General for Treasury and Public Accounting (DGTCP), Directorate-General for Finance and Economic Cooperation (DGFCE), and the BCM) to monitor disbursements relating to foreign debt and debt servicing payments. We will reinforce real-time monitoring by the DGTCP and the Directorate for Debt of the programming and execution of debt servicing by the BCM, in line with the powers delegated by the Ministry of Finance. This monitoring will be carried out by means of web-based services, between the Directorate for Debt's DMFAS system and those of the DGTCP and the BCM. The implementation of this interconnectivity will strengthen debt management capacity through systematic monitoring of external debt disbursements (SYGADE - El/Istithmar) and will enable debt service payment operations to be integrated into the automated chain of the expenditure system SYGADE-RACHAD).

40. We will continue to 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, the arrears of public enterprises. The Directorate for External Debt will accelerate actions aimed at strengthening its technical and functional capacities for better recording and monitoring of public debt as well as for better dissemination and analysis of debt data through targeted technical assistance, both on international best practices for recording, monitoring, and analyzing debt and on making the system more reliable and operational. We will integrate all public and state-guaranteed debt data into our debt statistics, including agreements for which cancellation is assumed but not yet confirmed, and will share the statistics with the IMF.

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

Governance, Transparency, and the Business Environment

41. We conducted a governance diagnostic with the support of the IMF in 2022. In line with the IMF's Framework for Enhanced Engagement on Governance, the diagnostic assessment focused on governance weaknesses and vulnerabilities to corruption in the following macro-critical priority areas: (i) central bank governance and operations; (ii) financial sector supervision; (iii) anti-money laundering and combating the financing of terrorism (AML/CFT); (iv) fiscal governance (e.g. public financial management, revenue administration (including customs), natural resource management, public procurement and auditing); (v) contract enforcement and protection of property rights; and vi) legal and institutional frameworks, as well as strategies, for fighting corruption.

42. The diagnostic assessment revealed both positive developments and persistent weaknesses in governance in a number of government functions. Existing rules and practices expose the country to macro-economically critical corruption risks, particularly with regard to the management of state-owned material and financial assets, oversight of the financial sector, and the process of concluding contracts with non-state parties as part of licensing and public procurement procedures. The legal and organizational framework for combating corruption could be improved. Efforts on this front are based neither on an effective strategy nor on mechanisms for coordinating measures. Specific shortcomings in monitoring, control, and accountability reflect more general problems with the structure of governance.

43. The recommendations of the diagnostic assessment contributed to the formulation and publication of an action plan with a timetable, including the institutions responsible, by end-September 2023 (structural benchmark). The implementation of this action plan will be the subject of annual reports. As part of this action plan, we will define an ownership policy to guide the financial management of government assets in SOEs in terms of investments, a dividend policy, and establish procedures and protocols to monitor and verify compliance with the ownership policy by the end of September 2024 (structural benchmark). We will also modify the legal and organizational frameworks relating to the asset declaration and to conflicts of interest to align them with the G20 principles and the recommendations of the diagnostic assessment on governance by December 2024 (structural benchmark). These laws will require senior officials to declare their assets on a regular basis from 2025.

44. Support for SMEs is a priority of our national development program: we want to remedy the scarcity of long-term banking resources to finance productive investment and create jobs, particularly for SMEs. In this connection, at the end of 2020, in collaboration with national economic partners, we set up a company governed by Mauritanian law, with the African Guarantee Fund as a strategic partner. This fund will provide partial guarantees for bank loans to SMEs in order to improve access to financing and to contribute to job creation. The fund's first general meeting was held in 2022 and a distribution of capital between the various partners was recorded. In February 2023, the Ministry of Finance released the capital required to make the guarantee fund operational by the end of 2023 (structural benchmark). A meeting of the Board of Directors was held in July 2023, and we are working to ensure that the first operations take place by the end of 2023, thus marking the effective start of the Fund's operational activities. We will also finalize and adopt the national financial inclusion strategy by the end of 2023.

45. The reforms underway to improve the business environment will be continued. To simplify administrative procedures, we are going to completely computerize the one-stop shop by the end of 2023. The drafting of an investment policy letter to overcome obstacles to improving the business environment is a priority for the *Agence nationale de promotion des investissements* (APIM - National Investment Promotion Agency). Under the RSF-supported program, the electricity sector will be opened up to competition and private financing in renewable energies will also be encouraged.

Statistics

46. The development of economic statistics remains one of our priorities: we want to make a better assessment of the impact of our economic policy and monitor the implementation of our development strategy. With the IMF's technical assistance, we also intend to improve the balance of payments, public finance, and real sector statistics. To improve the quality of the quarterly national accounts, the *Agence Nationale de la Statistique et de l'Analyse Démographique et Economique* (ANSADE - National Agency for Statistics and Demographic and Economic Analysis) has initiated a memorandum of understanding to be signed with the Directorate-General for Tax (DGI) to speed up the processing of the statistical and tax declaration (DSF) and gain access to other tax information. We will also improve our capacity to make growth forecasts. For this purpose, we intend to strengthen the capacity of the relevant department within the MEDD and provide it with additional qualified staff.

E. RSF program for 2023-26: Meeting Climate Challenges

47. Our country faces enormous challenges linked to climate change. The Sahara Desert covers around 90 percent of Mauritania's territory. Mauritania has vast areas of grazing land but only 0.5 percent of arable land. Rising average temperatures threaten the country's production capacity, particularly in the agricultural sector. Consequently, Mauritania's long-term macroeconomic and balance-of-payments stability depends on improving its resilience to climate change, notably through effective mobilization of public and private resources, development of infrastructure adapted to climate change, increased social safety nets for the population vulnerable to climate change, and efficient management of natural resources such as water, while meeting its commitments under the National Determined Contribution (NDC) through efforts to reduce greenhouse gas (GHG) emissions.

48. 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 and presented our updated National Determined Contribution (NDC - 2021) in Glasgow in 2021. To support the implementation of the NDC, we have also drawn up nine sectoral action plans for the implementation of the NDC. By harmonizing its preparation with that of the SCAPP and building on the country's sectoral strategies and programs, the NDC defines the framework for the country's climate policy up to 2030. A national adaptation plan (NAP) is currently being drawn up and should be ready by mid-2024. We also plan to prepare a *Stratégie Nationale de Lutte contre le Changement Climatique* (SNLCC - National Strategy to Combat Climate Change) by the end of 2023, which will determine the measures needed to achieve the objectives of the NDC.

49. We want to seize the opportunity for a green transformation while mitigating the impact of climate shocks on the population. Parliament approved a new electricity code in 2022 to promote the production and consumption of renewable energy and the authorities are working with international companies to develop low-carbon hydrogen production. In addition, work is underway to reform or eliminate fuel subsidies by introducing a carbon tax, including for the extractive industries, and to reduce the share of hydrocarbons in the energy consumed by the extractive sector. We will also continue to strengthen our social protection system in response to climate shocks and improve our legislative framework in the water sector.

50. The new RSF program will support the implementation of macro-critical reforms to increase resilience and the green transition. The program will help Mauritania to reduce the macro-critical risks associated with the long-term structural climate-related challenges it faces and to increase fiscal space and financial reserves to mitigate the risks arising from those challenges, thereby contributing to the future stability of Mauritania's balance of payments. The program will focus on four pillars: (i) integrating climate into public financial management (PFM) and public investment management (PIM); (ii) social protection against climate shocks; (iii) decarbonization; and (iv) strengthening the financial sustainability and institutional framework for water management.

Pillar 1: Integrating Climate into Public Financial Management (PFM) and Public Investment Management (PIM)

51. Better information on the relevance of budget allocations to addressing climate change contributes to better budgetary decision-making and budget alignment with our climate change priorities. We conducted a review of public institutional climate-related spending in 2021. However, the findings of that study were not used to inform strategic budget allocations or guide the consideration of climate issues in the budget cycle. We also carried out a so-called C-PIMA assessment in 2023 with the support of the IMF. That assessment identified institutional shortcomings and highlighted the need for climate budget tagging (CBT) to improve the inclusion of adaptation and mitigation projects in the budget. On this basis, the government plans to institute CBT to encourage sectoral ministries to include climate-related investments in their budget proposals and to improve transparency regarding the amount and use of climate-related financing. To apply CBT during budget preparation, the government will require in the FY 2026 budget circular that the sectoral NDC ministries estimate the share climate adaptation in their fiscal year 2026 budget, in line with the CBT methodology; this should be completed by July 2025 (***RSF reform measure I****)*. The government will then prepare a climate budget note, presenting the climate-related budget allocations for fiscal year 2026 - based on the results of the NDC-relevant sector tagging carried out for the years 2024 and 2025- and will publish the note together with the 2026 initial budget law by January 2026 (***RSF reform measure II***). We intend to request technical assistance from the IMF for the development and application of the CBT.

52. However, the success of CBT depends on learning by doing. The government therefore is committed to (i) first develop a CBT methodology, (ii) publish a note on the climate budget of 4 to 5 selected sectoral NDC ministries by December 2024, (based on an ex-post assessment of the revised national budget for fiscal year 2024) on the Ministry of Finance website, and (iii) continue ex-post CBT in the initial budget for fiscal year 2025 by March 2025. The government will also continue its efforts to implement gender-responsive budgeting.

53. Green and climate-resilient public investments are essential to strengthen Mauritania's adaptive capacity and support our transition to green infrastructure. C-PIMA noted that Mauritania has made progress in planning taking climate change into account, but considerable effort remains to be made to integrate mitigation and adaptation aspects into project appraisal and selection processes. To address this key gap, the government will amend Decree 2016-179, including the PIM manual, to integrate climate aspects into the stages of PIM (conceptualization, appraisal, selection, and execution) and will publish it on the website of the Ministry of Economy and Sustainable Development (MEDD) by January 2024 (***RSF reform measure III***). The government will also pilot the implementation of a climate screening template for major projects in selected NDC sectors, submitted for review and validation by the Public investment analysis and programming committee) *(CAPIP -Comité d'analyse et de programmation de l'investissement public)* by August 2025 (***RSF reform measure IV***). We intend to request technical assistance from the IMF for the development of environmental and climate tools.

Pillar 2: Social Protection Against Climate Shocks

54. Reducing the negative impact of climate change-induced events on poor and vulnerable households is a government priority. The government is already using its social safety net program (Tekavoul and Tekavoul Choc) to help poor and vulnerable households to cope with the effects of droughts and floods. To increase the scope and impact of these programs, the government intends to (i) make these cash transfers permanent through a decree; (ii)extend the coverage of Tekavoul

Choc to include all poor households affected by droughts[1]; (iii) guarantee sufficient coverage; and (iv) guarantee own-resource funding of up to 50 percent of the total amount of cash transfers through the National Fund for Food and Nutrition Crisis Response *(*FNRCAN - *Fonds national de réponse aux crises alimentaires et nutritionnelles)* -) by February 2024 (***RSF reform measure V****)*. This coverage of drought-affected households includes a vertical extension (which consists of adding an additional amount for households that are receiving regular Tekavoul and are affected by food insecurity) and a horizontal extension (which consists of increasing the number of households covered by the program). The total budgetary cost of this measure is estimated at around 0.6 percent of GDP in 2024. According to World Bank estimates, an average of 90,000 households are affected by food insecurity every year. The extension of Tekavoul Choc's coverage should therefore cover an average of 100 percent of affected households, i.e., 90,000 households. Given that in previous years the program covered an average of 65 percent of affected households, this will represent a major step forward in government's support for those affected by food insecurity. With the support of the World Bank, we will continue to strengthen the targeting of the most vulnerable households, as well as the capacities of the General Delegation for National Solidarity and the Fight against Exclusion *(Taazour -Délégation Générale à la Solidarité Nationale et à la Lutte contre l'Exclusion–*) in charge of social safety nets.

Pillar 3: Decarbonization

55. The reform of fossil fuel pricing and the introduction of carbon pricing are essential to achieving our reduction targets for GHG emissions. For this purpose, and in line with IMF technical assistance, the government plans to adopt by decree, by March 2025, a new pricing structure for fossil fuels that will (i) automatically adjust to international price variations, (ii) remove discretionary pricing, (iii) phase out subsidies and, (ii) include an automatic price smoothing mechanism to mitigate price volatility (***RSF reform measure VI***).

56. In addition, the government, in line with the recommendations of the IMF's technical assistance, will introduce a carbon tax, its rate, and its trajectory in the 2025 Initial Budget Law, applicable from March 2025 in a progressive manner in line with the country's NDC, in order to reduce emissions from all sectors of the economy and from all fuels excluding liquefied petroleum gas (LPG), with compensation measures to protect poor households when prices exceed a certain ceiling ***(RSF reform measure VII).*** Rising LPG prices may lead to a switch to polluting cooking fuels such as biomass and kerosene, posing a risk to the sparse plant cover. This is the reason for its exclusion from the scope of this reform. The government plans to submit a request to the IMF for technical assistance in implementing the automatic mechanism for setting fuel prices and the carbon tax. A request will also be made to the World Bank to integrate into the existing cash transfer system a mechanism for compensating the most vulnerable economic agents when pump prices exceed a certain threshold. We will change the status of the National Hydrocarbons Commission *(Commission Nationale des Hydrocarbures)* by making it an independent regulatory authority

[1]The vulnerable households affected are defined on the basis of the results of the Harmonized Framework, prioritizing IPC3+ households in IPC2+ moughtaas.

through a law, in order to entrust the administration of the automatic mechanism for setting fuel prices to an independent regulator.

57. The government is fully engaged in the reform of the energy sector. The aim is to open up the energy sector to competition and attract private investment in renewable energies. The government has already reformed its electricity code in 2022 and intends to reinforce this reform by adopting regulatory decrees (i) to allow independent power producers access to the Mauritanian market and (ii) to establish a non-discriminatory third-party system for access to transmission infrastructure belonging to the public electricity company SOMELEC by August 2025 ***(RSF reform measure VIII)***. We seek to implement a risk mapping exercise in the electricity sector by the Multisector Regulatory Authority *(ARM- Autorité de Régulation Multisectorielle* (ARM -) within the Ministry of Petroleum, Energy, and Mines that can help identify specific governance vulnerabilities and establish mitigation and prevention measures, including increased oversight by audit bodies. To support the implementation of the reform, the government will seek technical assistance from the European Union (EU) and the United Nations Development Program (UNDP).

58. The government aims to reduce the mining sector's GHG emissions and encourage the sector to use more renewable energies in its energy production. For this purpose, the authorities will adopt a decree by August 2025 that will require mining companies to increase the share of electricity production from renewable sources in their energy mix by at least 5 percentage points per year. These companies can set up renewable energy facilities on their properties to comply with the requirements of the reform. Any annual targets not met will be offset by compensatory investment in rural electrification, particularly in remote areas. We will cover the costs of maintaining these infrastructures. The Directorate for Mines will be responsible for applying and monitoring these regulations ***(RSF reform measure IX)***. We will also rely on technical assistance from the EU and the UNDP.

59. To comply with the WB-UN Zero Routine Flaring by 2030 initiative and to meet the NDC's commitment to achieve zero net emissions by 2050, the government plans to adopt a decree, in line with World Bank technical assistance, to eliminate routine flaring and gas discharges and reduce methane emissions by February 2025 ***(RSF reform measure X)***. The measure will also help reduce GHG emissions from oil and gas projects in the country, notably the gas project (GTA), as the legal reforms will apply to existing and future oil and gas projects. Technical support will be requested from the World Bank on gas flaring for the preparation of the decree.

Pillar 4: Strengthening the Financial Sustainability and Institutional Framework for Water Management.

60. Multiple actors at different institutional levels play a role in the governance of the water sector, but the institutional structure is fragmented and lacks a coordinating mechanism. To improve collaboration between the Ministry of Water and Sanitation on the one hand, and the Ministry of the Environment on the other, the government aims to adopt an interministerial partnership agreement *(CIP - Convention interministérielle de partenariat)* between the two ministries in specific areas of cooperation such as environmental assessment, data management, monitoring of groundwater-dependent ecosystems (DE), and other hydrogeological data by September 2024 **(RSF reform measure XI)**. To ensure implementation of the CIP, the government plans to set up a technical committee to oversee and validate agreed joint activities.

61. To formalize this collaboration, the government will adopt an inter-ministerial order on environmental assessments and water resource monitoring. The decree will be informed by the implementation experience of the CIP. In addition, the government also plans to conduct and publish a pilot inventory, led by the National Water Resources Center *(CNRE -Centre National de Ressources en Eau*), of groundwater-dependent ecosystems and hydrogeological data in the Boulenoir aquifer by September 2025 ***(RSF reform measure XII)***. The government commits to mobilize funding for the pilot inventory, either from external resources or from its own resources.

62. The government has launched an important reform implementing a unified water tariff structure aimed at bringing down the cost for rural households with moderate monthly consumption. To better understand the fiscal implications of the reform, the underlying costs, and the incentives to promote water savings, the government commits to conduct a tariff study by 2024. This study will inform the revision of the water code, currently under preparation, and the revision of regulatory texts on pricing. In this respect, the government seeks to revise and publish the water tariff order (Order No. 2624/MHETIC/MCI of October 30, 2007) in line with IMF recommendations by 2025 ***(RSF reform measure XIII)***. The government intends to mobilize funding for the pricing study from donors or its own resources.

63. The government is committed to implementing all these reforms. Given the complexity and broad scope of the reforms envisaged, the government is considering requesting technical support from the IMF, the World Bank, and other development partners to implement its RSF-supported program.

F. Program Monitoring

64. The *Comité de Suivi des réformes structurelles et de l'évolution des perspectives macroéconomiques, monétaires et financières de la Mauritanie* (CSR - Committee for Monitoring Structural Reforms and Mauritania's Macroeconomic, Monetary and Financial Outlook) ensures the effective implementation of this program. The committee includes representatives from the Ministry of Finance, the Ministry of Economy and Sustainable Development, the BCM, as well as other ministries and public bodies that can provide assistance. The CSR has a permanent secretariat, meets regularly to assess progress, and ensures the transmission of the data required to monitor implementation of the program. Implementation of the program under the ECF and EFF will be assessed every six months by the IMF's Executive Board on the basis of performance criteria and structural benchmarks (Tables 1 and 3). The draft Budget Law, the draft Supplementary Budget, and the draft MTFF will be shared with the IMF team for consultation ten (10) days before approval by the Council of Ministers. The second and third reviews will take place on or after April 17, 2024 and October 17, 2024, respectively, and will be based on quantitative performance criteria and indicative targets (Table 1) as well as structural benchmarks (Table 3). These criteria and quantitative benchmarks, 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. Within the context of the RSF, monitoring will be carried out by the inter-ministerial technical committee for the monitoring of RSF reforms. These are detailed in Figure 1, and implementation will also be assessed every six months by the Executive Board of the IMF at the same time as the ECF and EFF assessments.

Table 1. Mauritania: Performance Criteria and Indicative Targets for 2023–24

(Cumulative changes, unless otherwise specified) 1/

.	End-March 2023			End-Jun 2023			End-Sep 2023			End-Dec 2023		End-March 2024	End-June 2024	End-Sept. 2024	End-Dec. 2024
	Indicative Targets	Actual	Status	Performance Criteria	Actual	Status	Indicative Targets	Actual	Status	Performance Criteria	Suggested Modified Performance Criteria	Indicative Target	Performance Criteria	Indicative Target	Performance Criteria
Quantitative Performance Criteria															
Change in net international reserves of the BCM (floor); in millions of U.S. dollars	22.6	-129.0	Not met	10.7	115.6	Met	16.0	-107.3	Not met	55.7	-100.8				
Net international reserves level of the BCM (floor); in millions of U.S. dollars												1,330	1,293	1,259	1,224
Change in net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRU)	0.1	-4.1	Met	1.2	-10.1	Met	11.7	-3.5	Met	3.0	4.0	2.6	5.0	7.40	9.60
Non-extractive primary balance excluding grants; in billions of ouguiyas (MRU) 2/	10.0	1.9	Met	15.0	10.3	Met	18.3	16.9	Met	20.0		8.0	12.0	14.7	16.0
Present Value of new public and publicly-guaranteed (PPG) external debt contracted since January 1, 2023; in billions of ouguiyas (MRU) 3/	25.8	1.2	Met	25.8	3.1	Met	25.8	3.1	Met	25.8		35.0	35.0	35.0	35.0
New external payment arrears (continuous ceiling) 4/	0.0	0.0	Met	0.0	0.0	Met	0.0	0.0	Met	0.0		0.0	0.0	0.0	0.0
Indicative Targets															
Floor on social spending; in billions of ouguiyas (MRU) 5/	1.7	3.5	Met	5.0	9.7	Met	10.0	14.2	Met	20.0		1.8	5.5	11.0	22.0
Adjustment Factors (in millions of U.S. dollars)															
European Union fishing compensation fee	0.0	0.0		0.0	0.0		0.0	0.0		57.0		0.0	0.0	0.0	57.0
Memorandum items:															
Program exchange rate (MRU/USD)	37.79	37.79		37.79	37.79		37.79	37.79		37.79		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 households 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
Social protection					
1	Increase the quarterly amount paid to households from 2,200 MRU to 2,900 MRU	End-December 2023	Met	Social safety net program	Protect vulnerable households and strengthening targetting of social assistance.
Fiscal policy					
2	Submit a revised budget in line with program understanding to Parliament	End-June 2023	Met	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	Met	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	Met	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	Met	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	Not Met implemented with delay	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	Not met. Implemented with delay	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	End-June 2023	Not met expected by Mid-December 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	Met (June and September)	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	Met	Strengthen 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	Met	Support financial inclusion	Improve access to finance and foster private sector development.

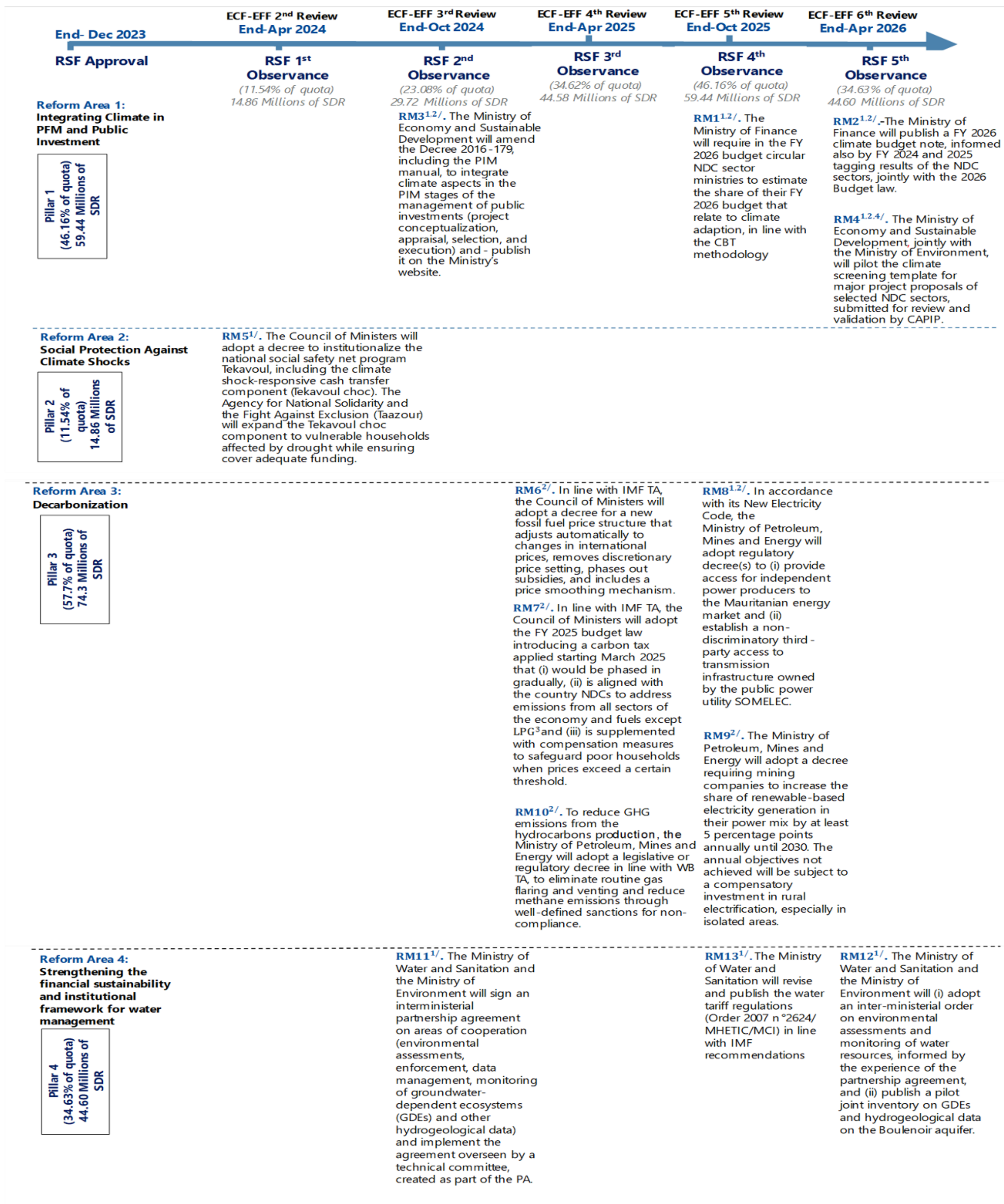
Sources: IMF Staff

Table 3. Mauritania. Proposed Structural Benchmarks for 2024

Item	Measures	Date (end-of-period)	Outcome / Status	Objective	Rationale and measurement
Social Protection					
1	Increase the quarterly cash transfers amount paid to vulnerable households from MRU 2,900 to MRU 3,600 and publish a report by Taazour/World Bank	End-December 2024		Social safety net program	Protect vulnerable households and strengthening targeting of social assistance.
Fiscal policy					
2	Operationalize the Tax Policy Unit (TPU) by hiring competent staff and having the TPU operations started	End-March 2024		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.
3	Reform of the codification of imported products in customs, including the additional codes used for the codification of tax regimes	End-September 2024		Domestic revenue mobilization - improving the quality of tax expenditures assessment	To allow monitoring, apply the new additional codes to identify imports that benefit from a special tax incentives constituting a tax expenditure.
4	Publish financial reporting on SNIM mining and non-mining activities, including the SNIM foundation, on an annual basis	End-October 2024		Fiscal transparency	Enhance fiscal transparency of State Owned Enterprises (SOEs) operations.
5	Reform the consumption tax in the LFR 2024 (2024 Revised Budget Law)	End-August 2024		Domestic revenue mobilization	Improve business environment by removing inconsistencies in the existing general tax code.
6	Submit to Parliament a revised investment code that eliminates "points francs" and reduces special regimes.	End-December 2024		Domestic revenue mobilization - reduction of tax exemptions	Enhance transparency of tax system, reduce number of special regimes over time resulting in a more equitable and efficient tax system.
Monetary policy					
7	Conduct regular auctions of T-bills for conventional banks to bring the outstanding volume of T-bills to MRU 3 billion	End-December 2024		Strengthen monetary policy	Strengthen monetary policy implementation and transmission
8	Conduct regular auctions of Islamic T-bills to bring the outstanding volume of Islamic T-bills to MRU 1.5 billion	End-December 2024		Strengthen monetary policy	Strengthen monetary policy implementation and transmission
9	Revise the 2018 convention on the BCM claims on government to shorten the maturity of the claim to 25 years or less by December 2024, with a 3.75% interest rate and amortization beginning in 2025, with yearly amortisation of 0.2 bn MRU until 2027 and equal installments thereafter.	End-December 2024		Central bank autonomy and credibility	Increase central bank financial and operational independence and support the adoption of IFRS and help develop a treasury bill market
Foreign exchange policy					
10	Establish a quarterly committee between the BCM, SNIM, and the MoF to discuss and share forecasts of SNIM repatriation of funds for a minimum of 12 months into the future, and integrate the forecasts into FX cashflow analysis.	End-June 2024		Intervention strategy	Improve the calibration of the BCM FX interventions
Financial sector policies					
11	Develop an HR plan to strengthen the BCM supervisory function and increase technical staff in charge of off-site supervision from 2 to 4 people	End-March 2024		Strentghen off-site supervision	Strentghen BCM's monitoring and enforcement of prudential norms, and increase banks' compliance with prudential ratios
12	Publish the Net Funding Stable Ratio (NFSR) instruction by March 2024.	End-March 2024		Reduce the transformation risk	Ensure that banks' long-term assets are funded by adequate resources
13	Ensure the compliance of all banks to the minimum capital and core captial requirements.	End-December 2024		Strentghen banks solvency	Strentghen banking sector soundness and its resilience to shocks. All banks need to comply with the minumum capital requiement
Governance and private investment					
14	Define and publish an ownership policy to guide the financial management of government assets.	End-September 2024		Address weaknesses in the management of the financial assets of Mauritania.	Address weaknesses in the management of the financial assets of Mauritania.
15	Approval of legislative amendments to establish an asset declaration and conflicts of interest system in line with the G20 High-Level Principles and the findings and recommendations of the governance diagnostic	End-December 2024		Strengthen the AC framework	Develop corruption prevention tools and strengthening corruption detection mechanisms

Sources: IMF Staff

Figure 1. Proposed Reform Measures for the RSF



1/ Adaptation
2/ Mitigation
1,2/ Adaptation and Mitigation
3/ Increasing LPG prices can lead to substitution towards dirty cooking fuels like biomass and kerosene, thus justifying its exc lusion from the reform.
4/ CAPIP - Public Investment Analysis and Programming Committee (*Comité d'Analyse et de Programmation de l'Investissement public*)

Source: IMF staff.

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 (US$1 = MRU 37.79), the SDR (US$1.28 = SDR 1), the euro (US$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). The monetary base excludes BCM liquidity absorption operations conducted for monetary policy reasons, such as 7-day liquidity operations and SENAD. 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.[33]

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

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

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

iii. Leases, that is, agreements governing the provision of property that the lessee has the right to use for one or more specified period(s), generally shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of the 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 US$ SOFR is 2.03 percent and will remain fixed for the duration of the program.[34] The spread of six-month Euro LIBOR over six-month US$ SOFR is -200 basis points. The spread of six-month GBP SONIA over six-month US$ SOFR is -100 basis points. For interest rates on currencies other than Euro and GBP, the spread over six month US$ SOFR is -100 basis points. Where the variable rate is linked to a benchmark interest rate other than the six-month US$ SOFR, a spread reflecting the difference between the benchmark rate and the six-month US$ 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 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 (US$1.2904 = SDR 1) and other national currencies, namely, the euro (1.01 euro = $1), the Kuwaiti dinar (KWD 0.3098 = US$1), the Saudi rial (SR 3.75 = US$1), and the pound sterling (£ 0.88 = US$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 at the end of each quarter;

Ministry of Economy and Sustainable Development

- 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 within four (4) months from the end of the accounting year;

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 MOF

- (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 2, 2023

FIRST REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

Approved By
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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 and overall public debt distress is assessed as "moderate"—unchanged from the previous DSA published in January 2023—with 'some space' to absorb shocks. All external and public debt indicators remain below their thresholds during the whole projection period under the baseline scenario. but all indicators breach under the most extreme 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-September 2023. 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 intensified geopolitical tensions 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 keeps debt service contained, relying instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity.*[1]

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, the Société Nationale Industrielles et Minière (SNIM), classified as private external debt (SNIM has one publicly guaranteed loan with the Fonds Arabe for le Développement Economique et Social, FADES, which is included).[2] PPG debt excludes borrowing by the state-owned oil company, the Société Mauritanienne des Hydrocarbures, (SMH), to finance Mauritania's participation in the Grand Tortue/Ahmeyim (GTA) offshore gas project in the baseline, instead including this loan as a contingent liability.[3] 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	

[1] Mauritania's Composite Indicator is estimated at 2.76 and is based on the October 2023 WEO update and 2022 WB CPIA; the debt carrying capacity remains "medium".

[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] 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.

2. The authorities continue to work towards regularizing longstanding arrears. Mauritania has two remaining cases relating to longstanding arrears (neither of them included in the DSA). The first relates to outstanding arrears to Organization of Arab Petroleum Exporting Countries (OAPEC), disbursed 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 the Heavily Indebted Poor Countries (HIPC) initiative, followed by a second letter in October 2023 such that staff assesses that a credible plan to resolve the arrears is in place, but a response is yet to be received. The second, lent by Brazil in 1973 for the construction of a road, has been the subject of renegotiations since 1985. The Mauritanian authorities understand that the full debt cancellation has been agreed by the Brazilian authorities under the Paris Club framework and sent a letter in October 2023 to confirm.

3. The DSA baseline has been updated to include estimated outstanding debts to the Chinese government. The Mauritanian authorities have signed five such loan conventions which are still active since 2013, worth a total of US$87 million. These conventions had not previously been included in the authorities' debt statistics as: (i) the loans were taken under the implicit understanding that the balances would be cancelled without debt service (in line with previous practice); (ii) the Chinese authorities have not provided a specific disbursement and repayment schedules; and (ii) only disbursed amounts are subject to repayment and the Mauritanian authorities do not receive this data. The Mauritanian authorities have reached out to the Chinese authorities to request an update on the repayment of these loans and, in the meantime, the loans are now included in the DSA.[4] One such related voluntary cancellation of 150 million Yuan (approximately $ 20 million) was provided by the Chinese authorities in July 2023.

4. 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 3.3 percent of GDP (US$325.5 million) for the GTA project loan to SMH (disbursed value to end-2022), and SNIM's debt (0.2 percent of GDP), giving a SOE debt shock totaling 5.5 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 and African Development Bank are 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 (FY22 PPA)[5] and expanded the coverage of public debt which is provided in the annual debt bulletin. The bulletin includes on-lending, new borrowing, the debt of the Central Bank and the SNIM debt (FY23 PPA). To further improve the tracking and reporting of SOE debt, a FY24 PPA requires the Government to issue an arreté mandating all SOEs to share data with the Directorate of External Debt, the Central Bank, and the Treasury debt data before end-March of every year along with the establishment of a centralized database on SOE debt. The contingent liability associated with PPPs corresponds to 3.6 percent of GDP, which

[4] The loans are included under the conservative hypothesis of full disbursement with ten years grace period from the signature of the convention followed by ten years of even principal repayments with no interest.

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

represents 35 percent of the PPP stock.[6] 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	5.5	Default value (2 percent of GDP) plus SNIM debt (about 0.2 percent of GDP) and GTA debt (3.3 percent of GDP).
4	PPP	35 percent of PPP stock	3.6	Mauritania's PPPs are valued at about 10.2 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)		14.1	

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%.

5. **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 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.

6. **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

7. **PPG external debt dropped to 41.3 percent of GDP in 2022.** 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 decreasing trend stalled, reflecting financing to help Mauritania mitigate the impact of the Covid-19 pandemic. IMF financing rose from 2.1 to 4.0 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

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

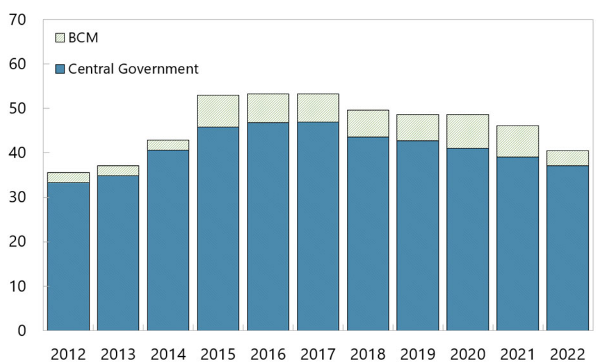
external debt declined from 49.1 to 45.8 percent of GDP, driven by high nominal GDP growth (8.3 percent) in 2021 and lower-than-expected external disbursements related to the public investment program (PIP). 2022 saw a reduction in nominal PPG external debt to 41.3 percent again largely due to high nominal growth (8.7 percent).[7]

8. Non-PPG external debt increased, from 2.3 to 3.6 percent of GDP between 2021 and 2022, due to GTA-related loan disbursements (only slightly counteracted by SNIM and commercial banks repaying their debts). Therefore, total external debt, which includes SNIM's non-guaranteed and commercial bank debts, declined from 53.3 percent of GDP in 2020 to 44.9 percent of GDP in 2022.

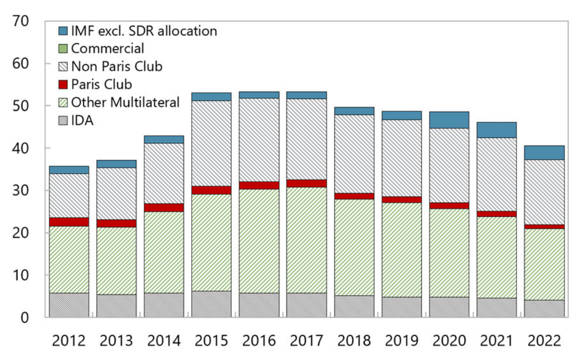
9. Public domestic debt remains low.[8] Domestic debt, which had significantly increased in 2018 when the government formally recognized a debt of about 6.0 percent of GDP toward the BCM, decreased from 2021 to 2022 from 6.6 to 5.9 percent of GDP (largely due to the increase in nominal GDP). The domestic financing market remains shallow, with no issuance of medium- to long-term domestic bonds.

Text Figure 1. Mauritania: PPG External Debt, 2012-22

PPG External Debt by Debtor
(In percent of GDP)



PPG External Debt by Creditor
(Percent of GDP)



Sources: Mauritanian authorities and IMF staff estimates.
Notes: Excluding drawn SDR allocation

10. Official non-Paris Club bilateral and multilateral creditors other than IMF and IDA represented about 79.1 percent of PPG external debt at end-2022, only slightly down from 79.5 percent at end-2021. As of end-2022, the top two creditors were the Arab Fund for Economic and Social Development (FADES) and Saudi Arabia, representing 28.5 and 16.3 percent of Mauritania's PPG external debt respectively.

11. 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 ¶6). This renegotiation significantly reduced the present value of the loan and associated debt service, as the

[7] The 2022 transfer of the Saudi loan from the BCM to the Treasury is reflected in the decrease and increase of the two institutions' debt stocks.

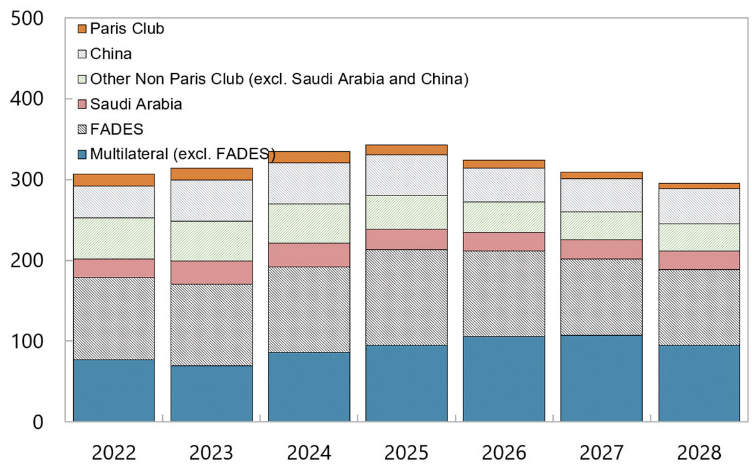
[8] The SDR allocation principal is excluded from PPG debt due to the long-term nature of the financing.

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.

12. 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. Payment of the suspended debt restarted in 2022 (estimated at US$30.7 million) and will continue until 2027.

Text Figure 2. Mauritania: External Debt Service, 2022-28

(In Millions USD, based on end-2022 debt outstanding)



Source: Mauritanian authorities and IMF staff estimates

Text Table 3. Mauritania: External Debt, 2018-22

	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
	(In millions of USD)					(In percent of GDP)				
External debt	4,057	4,171	4,467	4,419	4,319	55.4	53.8	53.3	48.1	44.9
Public and publicly guaranteed (PPG) external debt	**3,710**	**3,845**	**4,113**	**4,204**	**3,970**	**50.6**	**49.6**	**49.1**	**45.8**	**41.3**
Bilateral creditors	1,488	1,548	1,605	1,693	1,594	20.3	20.0	19.2	18.4	16.6
Paris Club	105	113	122	113	99	1.4	1.5	1.5	1.2	1.0
Of which: France	76	89	96	89	80	1.0	1.1	1.1	1.0	0.8
Spain	26	22	23	21	16	0.4	0.3	0.3	0.2	0.2
Non Paris Club	1,383	1,434	1,482	1,580	1,495	18.9	18.5	17.7	17.2	15.5
Of which: China	419	412	427	439	402	5.7	5.3	5.1	4.8	4.2
Kuwait 1/	176	187	191	267	252	2.4	2.4	2.3	2.9	2.6
Saudi Arabia 2/	590	611	644	656	648	8.0	7.9	7.7	7.1	6.7
Multilateral creditors	2,222	2,297	2,509	2,511	2,376	30.3	29.6	29.9	27.3	24.7
Of which: Islamic Development Bank (IDB)	376	368	359	339	312	5.1	4.7	4.3	3.7	3.2
International Development Association (IDA)	383	377	402	415	404	5.2	4.9	4.8	4.5	4.2
International Monetary Fund (IMF, excl. SDRs)	137	160	336	335	326	1.9	2.1	4.0	3.7	3.4
Arab Monetary Fund (AMF)	101	62	35	10	3	1.4	0.8	0.4	0.1	0.0
Arab Fund for Economic and Social Development (FADES)	1,011	1,125	1,163	1,203	1,133	13.8	14.5	13.9	13.1	11.8
Commercial creditors	-	-	-	-	-	-	-	-	-	-
Non-PPG external debt (by debtor)	**347**	**327**	**353**	**215**	**349**	**4.7**	**4.2**	**4.2**	**2.3**	**3.6**
SNIM	347	300	238	38	23	4.7	3.9	2.8	0.4	0.2
Commercial banks	286	292	310	185	166	3.9	3.8	3.7	2.0	1.7
Other	-	27	116	178	325	-	0.3	1.4	1.9	3.4
Memorandum items:										
Domestic debt	628	628	619	605	582	8.6	8.1	7.4	6.6	6.0
Nominal GDP (US dollars, end of period)	7,327	7,753	8,378	9,183	9,620	100	100	100	100	100

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

2/ Including loan to the central bank.

13. Debt service is projected to stay flat in 2023. Based on the debt stock as of end-2022, debt service is expected to stay broadly flat, moving from 3.1 to 3.0 percent of GDP between 2022 and 2023, staying at approximately this level until 2025. This reflects the resumption from 2022 onwards of debt service suspended under the DSSI, as well as 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.

DEBT PROJECTIONS

14. Financing assumptions build on the 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$308.1 million in 2023, keep the same weight distribution between multilateral and bilateral creditors as seen historically. Moreover, the baseline includes the World Bank's projected disbursements (US$90.3 million on average over 2023-30, and US$73.5 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 15.5 billion is assumed to remain constant with no new debt undertaken and no principal payments made until 2028.

15. IMF program financing is integrated into the baseline. Realized and prospective disbursements from the ECF, EFF and RSF arrangements are integrated into the baseline distributed across 2023-2026. ECF and EFF funding is assumed to be maintained at the BCM to bolster foreign reserves, while RSF funding is assumed to be on-lent from the BCM to central government.

16. External debt disbursements are expected to average 4.1% percent of GDP over the medium-term. Disbursements are projected to reach 3.7% percent of GDP in 2023 before increasing to 5.6 percent in 2025 and then reducing 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

17. Economic activity was strong in 2022, while inflation decelerated during the first half of 2023. Growth reached 6.4 percent (from 0.7 percent in 2021), mainly driven by the extractive sector

[9] As an IDA status country, Mauritania will receive 100 percent of its IDA financing in blend terms. The IDA financing projections have been revised to reflect the new IDA FY24 allocation.

(18.3 percent). Performance of the non-extractive sector slowed to 3.3 percent of GDP (from 6.0 percent in 2021) as the increase in fuel prices in July 2022 affected key sectors of the economy. After reaching a peak of 12.7 percent y-o-y in October 2022, inflation decelerated to 3.0 percent in September 2023, reflecting the central bank's monetary policy tightening in 2022 and the decline in international commodity prices.

18. International commodity price movements worsened the external position in 2022. The current account (CA) deficit widened to 16.6 percent of GDP in 2022 relative to 8.6 percent of GDP in 2021, however, reserves remained above the adequate level in part due to repatriation of Funds from SNIM. Staff estimates that the renormalization of imported food and energy prices led to a narrowing of the CA deficit in the first half of 2023, although this was hampered by the policy-led Q1 exchange rate appreciation which boosted imports (the currency renormalized by July 2023). By end-September 2023, international reserves decreased slightly to $1.8 billion (6.6 months of prospective non-extractive imports), compared to $1.9 billion (6.6 months of prospective non-extractive imports) at end-2022.

19. Fiscal policy was expansionary amid rising international energy prices and food import prices in 2022. The overall fiscal deficit in 2022 was 3.6 percent of GDP with an associated non-extractive primary deficit of 7.5 percent of GDP, reflecting increased expenditure through transfers and price subsidies as well as a scaling up of public investment and security spending relative to 2021. Budget execution is slight behind schedule as of September-2023, but is expected to largely catch up before the end of the year, although with reduced revenues (largely due to lower SNIM dividends from 2022 distributed in 2023) and expenditures (to match lower revenues) relative to 2022.

Text Table 4. Mauritania: Macroeconomic Assumptions 2022-42

	2022	2023	2024	2025	2026	2027	2028	2029-33	2034-42
Real GDP growth									
Current DSA	6.4	4.8	5.1	5.5	4.5	5.6	4.3	2.2	3.7
Previous DSA	5.3	4.3	5.7	6.6	3.9	5.1	2.6	2.5	3.7
Real GDP growth (Non-extractive)									
Current DSA	3.3	3.2	5.0	3.3	5.1	5.2	4.4	4.4	4.2
Previous DSA	2.1	3.3	4.4	4.7	4.8	5.0	4.4	4.4	4.1
Nominal GDP (millions of US$)									
Current DSA	9,799	10,243	10,661	11,323	11,846	12,431	12,956	14,140	19,309
Previous DSA	10,314	10,507	11,021	11,541	11,953	12,456	12,984	14,192	19,515
Inflation (EoP)									
Current DSA	11.0	4.5	4.2	4.0	4.0	4.0	4.0	4.0	4.0
Previous DSA	11.0	9.0	6.0	5.0	4.0	4.0	4.0	4.0	4.0
Exports, goods & services (percent of GDP)									
Current DSA	42.6	38.5	40.1	41.1	39.6	38.3	37.4	30.5	24.6
Previous DSA	38.5	36.0	38.0	39.2	37.9	36.2	35.5	28.7	24.9
Current account balance (percent of GDP)									
Current DSA	-16.6	-12.2	-7.7	-7.4	-7.0	-7.1	-6.9	-7.5	-5.6
Previous DSA	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7	-5.1	-7.4	-3.8
Revenue and grants (percent of GDP)									
Current DSA	24.4	23.2	24.1	23.0	23.4	23.6	24.2	24.0	23.9
Previous DSA	24.0	22.0	21.8	21.9	22.0	22.5	22.0	22.2	21.7
Primary fiscal balance (percent of GDP)									
Current DSA	-2.6	-1.1	-0.6	-0.5	0.6	1.7	2.5	1.5	0.6
Previous DSA	-0.5	-1.8	-1.0	-0.3	0.3	1.3	1.0	1.0	0.4
Expenditure (percent of GDP)									
Current DSA	28.0	25.2	25.6	24.4	23.6	22.7	22.5	23.5	24.4
Previous DSA	19.2	25.4	24.6	23.6	22.9	22.5	22.2	22.1	22.4
Price of iron ore (US$/ton)									
Current DSA	120.7	111.8	94.6	86.2	78.9	75.8	75.8	75.8	75.8
Previous DSA	121.0	101.5	95.7	90.0	90.0	85.0	85.0	85.0	85.0
Price of gold (US$/ounce)									
Current DSA	1,802	1,923	1,978	2,072	2,137	2,175	2,175	2,175	2,175
Previous DSA	1,820	1,816	1,875	1,930	1,960	1,989	1,989	1,989	1,989

Sources: Mauritanian authorities and staff calculations

20. Credit growth started to decelerate in the second half of 2022 as a result of tighter monetary policy in 2022. Credit growth slowed to 2.4 percent in June 2023 from 13.0 percent at end-2022, following a contraction of excess reserves in the first half of 2022 and an increase in the policy rate in the second half. However, broad money growth increased to 11.7 percent in June 2023 from 3.1 percent at end-2022 due to the build-up of international reserves by the BCM to meet the end-June program target (NIR QPC) and the associated increase of currency in circulation and demand deposits. Bank reserves in MRU increased to 15.7 billion in June (13.1 billion at end-2022) as excess reserves expanded to MRU 9.8 billion (from 7.3 billion at end-2022) despite BCM's efforts to absorb liquidity through its 7-day deposit auctions.

21. The outlook remains broadly positive (see Text-Table 1).

- **In the short-term (2023):**
    - Growth is expected to decelerate to 4.8 percent relative to 2022 (4.3 percent in the previous DSA). Extractive growth remains high due to better-than-expected gold production, although it decreases slightly relative to 2022 (which was a result of the one-off boost from the post-factory fire recovery). Non-extractive growth should remain roughly stable at 3.2 percent despite fiscal and monetary tightening (down from 3.3 percent in the previous DSA), as prices of international inputs normalize, inflation has come under control relatively quickly, digital money reforms have given a boost to the banking and telecom sector, elevated public investment in 2022 bears fruit, and a historically high level of public spending bolsters services growth (in particular construction).
    - Inflation is projected to stabilize at around 4.5 percent (end-of-period 2023) following monetary contraction, disciplined fiscal policy, and the decrease in international prices, (significantly lower than the previous DSA projection, 9 percent).
    - The CA deficit is expected to narrow to 12.2 percent of GDP in 2023 from 16.6 percent in 2022 (and 11.4 in the previous DSA) under the effect of decreasing imported food and energy prices, although still remaining significant in part due to a policy-led appreciation in Q1 providing a boost to imports (the exchange rate renormalized by July 2023). Gross reserves are expected to stabilize around 6.4 months of non-extractive imports.
    - A combination of a drawdown from the treasury account (around 3.1 percent of GDP) and issuance of treasury bills should contribute to financing a non-extractive primary deficit of 3.8 percent of GDP (including grants), up from 4.7 percent in the previous DSA. Revenues targets and reforms agreed under the ECF/EFF are expected to boost revenue supported by commitments from the authorities (see footnote 10 below).

- **In the medium term (2024–28) and beyond:**

  - The projected start of the GTA gas project in 2024 will likely strengthen overall growth in 2024 and 2025, before dropping in 2026 to 4.5 percent and then to an average of 2.2 percent during 2029-2033 (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 (facilitated by reforms to the banking sector, and catalyzing public infrastructure investment). Increases in GTA production drive extractive growth to 2025, while iron ore volumes are projected to expand more rapidly up to 2027, and updated gold production projections have been integrated seeing a steep decline from 2028 onwards as the main mine comes to the end of its lifetime. Ambitious public investment levels, combined with improvements in public investment efficiency, supported by IMF technical assistance, will also support growth in the medium term.

  - A continued normalization of global prices is likely to stabilize imports which, combined with the beginning of gas exports, is projected to improve the current account deficit in 2024 and beyond. Financial and capital inflows will remain strong over the medium term, in part due to official external financing and, although FDI will initially drop as investment in GTA comes to an end, it will be sustained over the medium term through reinvested earnings and additional investment in extractives projects. International reserves are therefore projected to stay above the adequate level of 5.2 months of non-extractive imports up to 2028.

  - Revenues are projected to slightly increase in 2024 as tax and tax administration reforms take hold, supported by technical assistance from the IMF and World Bank.[10] In the medium term, revenues 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 Fund ECF-EFF 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.

22. Baseline projections incorporate key climate change elements. GDP projections over the medium and long term are discounted based on IMF median estimates of climate impacts based on

[10] Tax and structural reforms under the Fund ECF-EFF arrangement include: the increase of the VAT rate for the telecommunications sector from 16 percent to 18 percent, the introduction of a special levy on the telecommunications sector of 5 percent of turnover, the removal of the custom duty exemptions for imports of consumer goods into the Nouadhibou Free Zone, the reform of the Nouadhibou Free Zone Law (ongoing), the reform of the consumption tax (for 2024), the reform of the codification of imported products, including the additional codes used for codifying the tax regime (for 2024), reducing tax expenditures through the reform of the investment code to eliminate "points francs" and reduce special regimes (for 2024), and strengthening tax revenue measures related to transparency, compliance, taxpayer identification, and audits.

current global mitigation policies.[11] The baseline incorporates the RSF disbursements, which are assumed to increase policy space and facilitate an equivalent increase in adaptive infrastructure investment. As RSF reforms measures build capacity in climate-related public investments, the baseline incorporates a reallocation from existing non-adaptive investment to adaptive investment estimated at an additional 0.4 percent of GDP per year up to 2028, reaching a total of 2 percent of GDP. Given very limited fiscal space if the country remains in line with the fiscal anchor, the baseline does not project additional borrowing to finance adaptive infrastructure (beyond the RSF).

23. 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 2022 Article IV, DSA). These factors along with the revision of the nominal GDP figures in 2017-20 explain the large, unexpected changes in debt in the past 5 years. The projected fiscal adjustment suggests a fiscal tightening relative to the deficit in 2022 which resulted from food and energy subsidies in response to high international prices. A reducing primary balance is projected from 2024 onwards in line with the fiscal measures that are to be implemented during the program period, putting Mauritania just into the top quartile of fiscal adjustments realized among peer countries. Baseline GDP growth is below fiscal impulse projections from 2022 given a one-off boost to growth in 2022 on the back of the post-fire reopening of the gold factory. Finally, relative to the previous DSA, the baseline anticipates a similar contribution of public and private investment to growth over the next five years relative to the previous DSA, but higher than the historic level partly due to the implementation of reforms increasing public investment efficiency.

COUNTRY CLASSIFICATION AND STRESS TESTS

24. Mauritania's debt carrying capacity continues to be assessed as medium. The new Composite Indicator (CI)—calculated using the October 2023 World Economic Outlook, the 2022 World Bank CPIA, and staff's baseline projections—is estimated at 2.76, which corresponds to a medium CI score and indicates a third 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. This reflects better-than-expected BOP outcomes, the favorable outlook regarding commodity markets, and good growth prospects. Text table 6 presents the resulting applicable thresholds used for the debt sustainability analysis.

25. 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

[11] Macro-economic damages from chronic physical risk are computed using simple damage functions that estimate damages based on the temperature outcomes inferred from emission trajectories. Source: https://data.ene.iiasa.ac.at/ngfs/#/login?redirect=%2Fdownloads.

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	4.363	0.12	4%
Import coverage of reserves (in percent)	4.052	34.018	1.38	50%
Import coverage of reserves^2 (in percent)	-3.990	11.572	-0.46	-17%
Remittances (in percent)	2.022	1.577	0.03	1%
World economic growth (in percent)	13.520	2.889	0.39	14%
CI Score			2.760	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

26. 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 (0.2 percent of GDP at end-2022) 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 (3.3 percent of GDP). This brings the overall SOE's debt shock to 5.5 percent of GDP, up from the 5.3 percent used in the last DSA due to the increase in SMH debt. The valuation 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

27. **Mauritania is evaluated at moderate risk of external debt distress (in line with 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. External debt is assessed to be sustainable based on this assessment, and supported by a significant buffer held at the treasury projected at 3.6 percent of GDP at end-2023.[12]

28. **Under stress tests, all four debt indicators breach their thresholds.** A commodity price shock is the most extreme shock for debt service-to-revenue, while a shock on exports is the most extreme shock for the PV of debt-to-exports ratio and the debt service-to-exports ratio, and a natural disaster shock is most extreme for the PV of debt-to-GDP.[13]

29. **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 and the debt service-to-revenue ratio remain in the 'some space' category throughtout the projection period, while both the PV of debt-to-exports and the debt service-to-exports ratios spend most of the period in the 'substantial space' category before dipping into 'some space' at the end of the period.

B. Public Debt Sustainability

30. **Mauritania is evaluated at moderate risk of public debt distress.** Under the baseline scenario, the PV of debt-to-GDP ratio remains under its indicative threshold, however, the most extreme shock—a natural disaster—leads to breaches from 2024 onwards on the back of the risks associated with extreme weather events stemming from climate change. A natural disaster shock is also the most extreme scenario for both the debt service-to-revenue ratio and PV of debt-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 (see ¶26).

CLIMATE CHANGE RISKS

31. **Mauritania is highly vulnerable to climate change shocks, especially floods and droughts, which might affect debt dynamics.** The baseline incorporates estimates of average climate change

[12] The end-2023 treasury account stock is projected at MRU 14.2 billion (approx. US$ 370 million), representing 3.6 percent of 2023 GDP.

[13] 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).

related losses to GDP over the medium and long run, as well as public investment in adapted infrastructure within the fiscal anchor embedded in the ECF-EFF arrangement. Specifically, we assume an increase in adaptive investment equal to the size of RSF disbursements and a reallocation over time from non-adaptive to adaptive investments as the RSF supports building capacity. Given the high cost of adaptation (according to the National Determined Contributions (NDC) Report, up to US$10.6 billion)[14] more financing through increased debt would pose significant risks to debt sustainability. Therefore, adaptation will be challenging without increasing the efficiency of public investment, ensuring public investment plans consider climate adaptive elements in appraisal and selection (supported by the RSF), searching out grant and highly concessional financing, promoting private sector financing in climate-related projects, and mobilizing additional tax revenues.

32. A natural disaster stress test for Mauritania illustrates the risks to debt sustainability of an extreme climate event. The tailored natural disaster stress test is informed by historic climate events,[15] with the calibration assuming a 22-percentage point increase in debt-to-GDP, a one-off 11.3 percentage point decline in real GDP growth, and a 5.7 percentage point shock to export growth. Results (Table 2) illustrate that the PV of external debt-to-GDP ratio would breach its threshold by 2024 under the natural disaster shock, suggesting significant risks to debt sustainability from ex-post rebuilding after a natural disaster.

RISK RATING AND VULNERABILITIES

33. 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).

34. The rating is vulnerable to various downside risks. Key downside risks include an intensification of geopolitical tensions, which could further impact food prices, further delays regarding the beginning of GTA gas exploitation, subdued iron ore and gold production, fluctuations in iron ore, gold and oil prices, and security risks in the Sahel region. Risks related to export revenue fluctuations 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.

35. 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

[14] See IMF selected issues paper 2023, *Mauritania: Economic Impact of Climate Change* (IMF Country Report No. 23/74), for further analysis.

[15] The largest climate-related natural disaster in the past 100 years occurred in 1969 (according to the Emergency Events Database (EM-DAT) leading to an 11.3 percent drop in GDP. The corresponding debt increase is informed by the IMF's DIGNAD modelling tool. Exports are assumed to impacted half as much as overall GDP given the nature of Mauritania's commodity exports.

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 September-2023, this financing contributes to the remaining unused buffer of the central government.

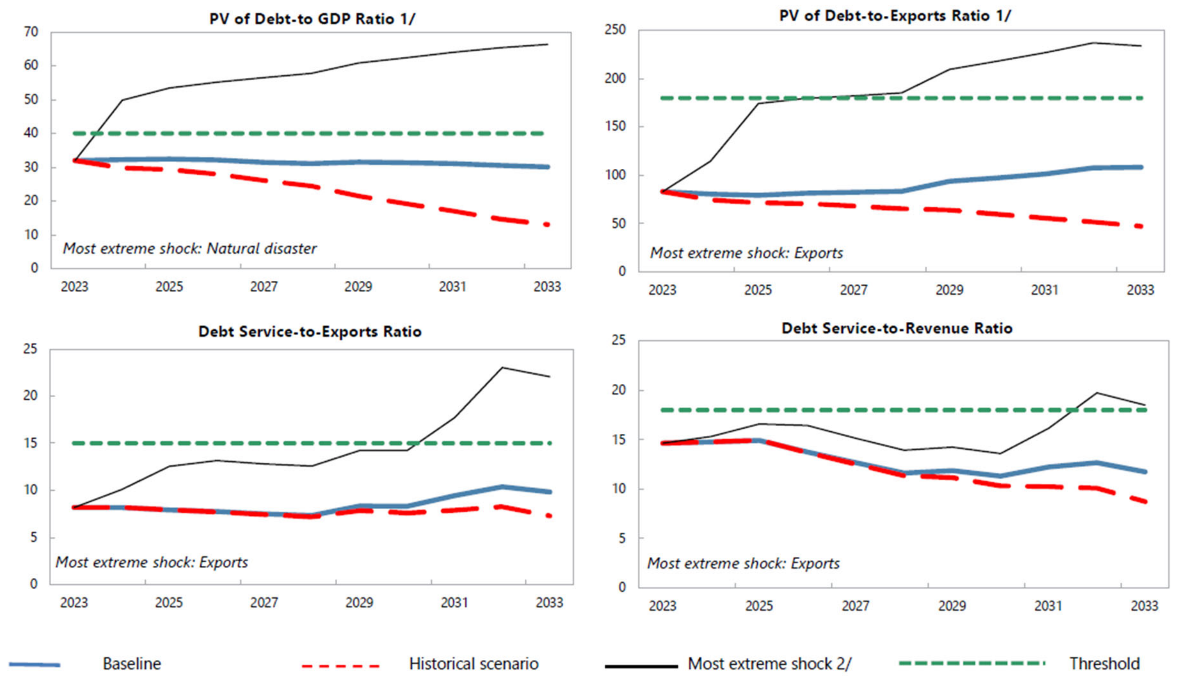
- **Future assets of the GTA-funded hydrocarbon fund could lower risks and improve debt sustainability.** The assets that may accumulate in the hydrocarbon fund from GTA-related revenues (which are assumed in this DSA to represent half of annual GTA government revenues) could be available to meet debt 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.

36. 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 to invest in climate adaptation. 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

37. The authorities welcomed the continued moderate risk of debt distress rating 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 adapt to climate change 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, 2023-33



Customization of Default Settings		
	Size	Interactions
Tailored Stress		
Combined CL 3/	Yes	
Natural disaster	Yes	Yes
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	1.8%	1.8%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	6	6

* 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.

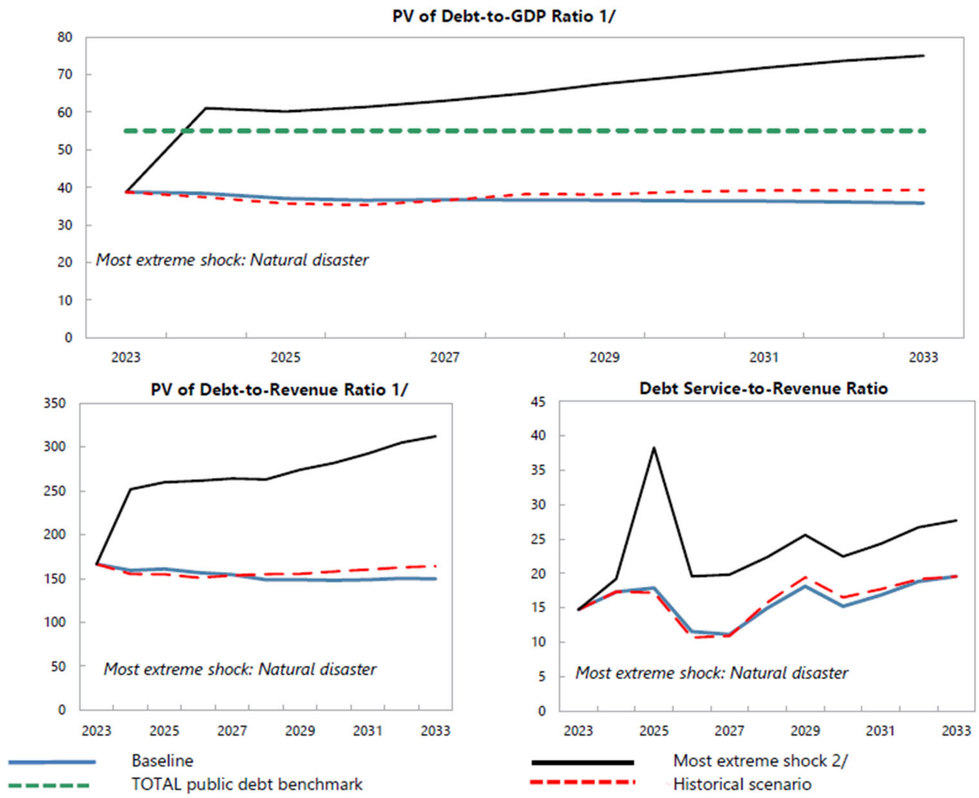
Sources: Country authorities; and staff estimates and projections.

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 2033. 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, 2023–33



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	81%	81%
Domestic medium and long-term	3%	3%
Domestic short-term	16%	16%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.8%	1.8%
Avg. maturity (incl. grace period)	22	22
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.4%	3.4%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	3.3%	3.3%

* 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.

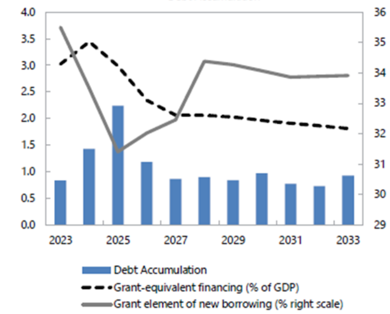
2/ The most extreme stress test is the test that yields the highest ratio in or before 2033. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

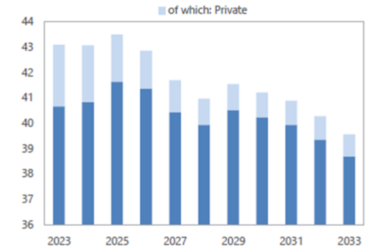
Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2020–43

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
External debt (nominal) 1/	55.6	48.3	43.3	43.1	43.1	43.5	42.9	41.7	41.0	39.6	37.3	56.7	41.7
of which: public and publicly guaranteed (PPG)	49.1	45.8	41.3	40.7	40.8	41.6	41.4	40.4	39.9	38.7	36.7	48.1	40.3
Change in external debt	-1.5	-7.4	-5.0	-0.2	0.0	0.4	-0.6	-1.2	-0.7	-0.7	0.2		
Identified net debt-creating flows	-8.0	-7.1	-1.0	4.1	4.3	2.5	2.6	2.4	2.8	3.5	1.9	0.8	3.8
Non-interest current account deficit	6.2	8.2	15.7	11.3	6.8	6.5	6.2	6.4	6.2	5.5	3.9	12.2	7.0
Deficit in balance of goods and services	9.6	11.5	19.4	14.0	9.4	7.6	7.9	7.6	7.7	8.8	6.0	14.9	9.0
Exports	33.8	36.0	42.6	38.5	40.1	41.1	39.6	38.3	37.4	27.8	22.6		
Imports	43.4	47.5	62.0	52.6	49.5	48.7	47.5	45.9	45.0	36.6	28.6		
Net current transfers (negative = inflow)	-4.0	-4.6	-3.4	-2.6	-2.5	-2.4	-2.4	-2.4	-2.4	-2.3	-2.1	-3.3	-2.4
of which: official	-2.2	-3.0	-1.7	-0.9	-0.8	-0.7	-0.8	-0.7	-0.6	-0.5	-0.3		
Other current account flows (negative = net inflow)	0.7	1.2	-0.3	-0.1	-0.2	1.3	0.8	1.3	0.9	-1.0	0.0	0.6	0.5
Net FDI (negative = inflow)	-11.0	-11.6	-14.3	-6.1	-1.3	-2.6	-2.5	-2.4	-2.4	-1.3	-1.5	-10.2	-2.4
Endogenous debt dynamics 2/	-3.3	-3.7	-2.4	-1.1	-1.2	-1.4	-1.1	-1.6	-1.0	-0.8	-0.5		
Contribution from nominal interest rate	0.6	0.4	0.9	0.9	0.9	0.9	0.8	0.7	0.7	0.7	0.6		
Contribution from real GDP growth	0.2	-0.4	-2.9	-2.0	-2.1	-2.2	-1.9	-2.3	-1.7	-1.4	-1.1		
Contribution from price and exchange rate changes	-4.1	-3.7	-0.5	...	...	...	...	...	...	...	...		
Residual 3/	6.5	-0.3	-4.0	-4.3	-4.3	-2.1	-3.3	-3.6	-3.5	-4.2	-1.7	-1.2	-4.2
of which: exceptional financing	-1.1	8.9	0.0	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	...	...	32.4	31.8	32.0	32.2	31.9	31.2	30.8	29.9	28.1		
PV of PPG external debt-to-exports ratio	...	...	76.2	82.6	79.8	78.4	80.6	81.4	82.5	107.7	124.1		
PPG debt service-to-exports ratio	5.3	4.5	7.4	8.2	8.2	7.9	7.7	7.5	7.3	9.8	11.0		
PPG debt service-to-revenue ratio	9.5	7.9	13.8	14.6	14.8	14.9	13.8	12.6	11.6	11.7	10.4		
Gross external financing need (Billion of U.S. dollars)	0.3	0.2	0.7	1.1	1.1	1.0	0.9	0.9	0.9	1.1	1.2		
Key macroeconomic assumptions													
Real GDP growth (in percent)	-0.4	0.7	6.4	4.8	5.1	5.5	4.5	5.6	4.3	3.7	3.1	3.6	3.7
GDP deflator in US dollar terms (change in percent)	7.7	7.0	1.0	-0.3	-0.9	0.7	0.2	-0.7	-0.1	1.0	-0.2	0.5	0.4
Effective interest rate (percent) 4/	1.1	0.7	2.0	2.2	2.1	2.1	1.9	1.8	1.7	1.7	1.7	1.8	1.9
Growth of exports of G&S (US dollar terms, in percent)	8.8	14.8	27.0	-5.3	8.1	8.9	0.8	1.7	1.5	2.2	2.0	5.6	0.3
Growth of imports of G&S (US dollar terms, in percent)	-0.2	18.0	40.0	-11.3	-2.0	4.5	2.0	1.5	2.3	2.1	0.1	5.3	-0.7
Grant element of new public sector borrowing (in percent)	...	...	...	35.5	33.5	31.4	32.0	32.5	34.4	33.9	34.1	...	33.6
Government revenues (excluding grants, in percent of GDP)	18.8	20.4	22.7	21.5	22.2	21.8	22.3	22.7	23.6	23.2	23.8	20.2	22.9
Aid flows (in Billion of US dollars) 5/	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	3.0	3.4	3.0	2.3	2.1	2.1	1.8	1.5	...	2.3
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	55.8	52.4	43.6	46.9	48.7	49.5	46.3	41.6	...	48.6
Nominal GDP (Billion of US dollars)	8	9	10	10	11	11	12	12	13	15	23		
Nominal dollar GDP growth	7.2	7.8	7.4	4.5	4.1	6.2	4.6	4.9	4.2	4.7	2.9	4.0	4.1
Memorandum items:													
PV of external debt 7/	...	...	34.4	34.3	34.2	34.1	33.4	32.5	31.9	30.8	28.6		
In percent of exports	...	...	80.9	88.9	85.4	83.0	84.4	84.7	85.3	110.9	126.6		
Total external debt service-to-exports ratio	24.2	15.4	12.5	13.1	12.3	11.3	10.4	9.3	8.6	10.7	11.9		
PV of PPG external debt (in Billion of US dollars)			3.2	3.3	3.4	3.6	3.8	3.9	4.0	4.6	6.4		
(PVt-PVt-1)/GDPt-1 (in percent)				0.8	1.4	2.2	1.2	0.9	0.9	0.9	0.9		
Non-interest current account deficit that stabilizes debt ratio	7.7	15.6	20.7	11.5	6.8	6.1	6.8	7.6	6.9	6.2	3.7		

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief) 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, 2023–33

(in percent)

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to GDP Ratio											
Baseline	32	32	32	32	31	31	32	31	31	31	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	32	30	29	28	26	24	21	19	17	15	13
B. Bound Tests											
B1. Real GDP growth	32	34	37	37	36	35	36	36	35	35	34
B2. Primary balance	32	34	35	35	35	34	35	34	34	33	32
B3. Exports	32	39	**50**	**50**	**49**	**49**	**50**	**49**	**49**	**47**	**46**
B4. Other flows 3/	32	35	38	38	37	37	37	37	37	36	35
B5. Depreciation	32	**41**	38	37	37	36	36	36	36	35	35
B6. Combination of B1-B5	32	40	**42**	**41**	**41**	**40**	**41**	**41**	40	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	32	**40**	**41**	**41**	**41**	**40**	**41**	**41**	**40**	40	39
C2. Natural disaster	32	**50**	**53**	**55**	**56**	**58**	**61**	**62**	**64**	**65**	**66**
C3. Commodity price	32	**41**	**50**	**50**	**49**	**49**	**49**	**49**	**48**	**45**	**43**
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	83	80	79	81	82	83	94	97	101	108	108
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	83	74	71	71	68	65	64	59	55	52	47
B. Bound Tests											
B1. Real GDP growth	83	80	79	81	82	83	94	97	101	108	108
B2. Primary balance	83	84	86	89	90	91	103	106	110	116	116
B3. Exports	83	115	174	179	**182**	**185**	**210**	**218**	**227**	**237**	**234**
B4. Other flows 3/	83	88	93	96	97	98	111	115	120	126	126
B5. Depreciation	83	80	72	74	75	76	85	88	92	98	99
B6. Combination of B1-B5	83	102	89	115	117	119	134	139	144	152	152
C. Tailored Tests											
C1. Combined contingent liabilities	83	100	101	105	107	108	122	126	131	139	140
C2. Natural disaster	83	117	123	131	139	146	170	**182**	**197**	**216**	**225**
C3. Commodity price	83	145	158	156	151	146	156	161	165	170	165
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt Service-to-Exports Ratio											
Baseline	8	8	8	8	8	7	8	8	9	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	8	8	8	8	7	7	8	8	8	8	7
B. Bound Tests											
B1. Real GDP growth	8	8	8	8	8	7	8	8	9	10	10
B2. Primary balance	8	8	8	8	8	8	9	9	10	11	11
B3. Exports	8	10	13	13	13	13	14	14	**18**	**23**	**22**
B4. Other flows 3/	8	8	8	8	8	8	9	9	10	12	12
B5. Depreciation	8	8	8	8	7	7	8	8	9	9	9
B6. Combination of B1-B5	8	9	10	10	10	10	11	11	13	15	14
C. Tailored Tests											
C1. Combined contingent liabilities	8	8	8	8	8	8	9	9	10	11	10
C2. Natural disaster	8	9	9	9	9	9	10	10	12	13	13
C3. Commodity price	8	12	11	11	11	10	11	11	14	**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	15	15	15	15	15	15	15	15	15	15	15
Debt Service-to-Revenue Ratio											
Baseline	15	15	15	14	13	12	12	11	12	13	12
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	15	15	15	14	13	11	11	10	10	10	9
B. Bound Tests											
B1. Real GDP growth	15	16	17	16	14	13	13	13	14	14	13
B2. Primary balance	15	15	15	14	13	12	12	12	13	14	13
B3. Exports	15	15	17	16	15	14	14	14	16	**20**	**19**
B4. Other flows 3/	15	15	15	14	13	12	12	12	14	15	14
B5. Depreciation	15	**19**	**19**	17	16	14	15	14	15	15	14
B6. Combination of B1-B5	15	16	18	16	15	14	14	13	16	16	15
C. Tailored Tests											
C1. Combined contingent liabilities	15	15	16	15	14	13	13	12	13	14	13
C2. Natural disaster	15	15	16	15	14	13	14	13	15	15	14
C3. Commodity price	15	17	**19**	**19**	17	15	15	14	17	**20**	**19**
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

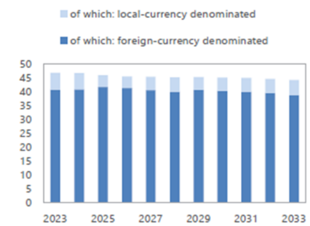
Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2020–43

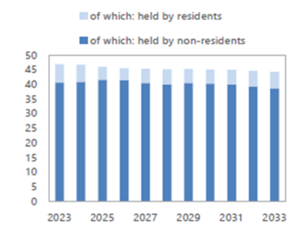
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2033	2043	Historical	Projections
Public sector debt 1/	56.5	52.4	47.3	46.9	46.7	45.9	45.5	45.4	45.2	44.2	48.6	53.6	45.4
of which: external debt	49.1	45.8	41.3	40.7	40.8	41.6	41.4	40.4	39.9	38.7	36.7	48.1	40.3
				6.2	5.9	4.3	4.1	4.9	5.2				
Change in public sector debt	-1.2	-4.1	-5.1	-0.4	-0.2	-0.8	-0.4	-0.1	-0.2	-0.5	1.4		
Identified debt-creating flows	-7.6	-18.1	-0.6	-2.0	-1.7	-1.8	-2.5	-4.2	-4.0	-2.8	-1.8	-3.6	-2.7
Primary deficit	-3.2	-2.8	2.6	1.1	0.6	0.5	-0.6	-1.8	-2.9	-1.3	-0.8	-0.8	-1.1
Revenue and grants	20.8	22.7	24.4	23.2	24.1	23.0	23.4	23.8	24.6	24.0	24.2	21.4	24.0
of which: grants	2.0	2.3	1.8	1.7	1.9	1.2	1.1	1.0	1.0	0.7	0.4		
Primary (noninterest) expenditure	17.6	19.9	27.0	24.3	24.7	23.5	22.8	21.9	21.7	22.7	23.4	20.6	22.9
Automatic debt dynamics	-3.6	-4.5	-1.8	-2.8	-2.3	-2.4	-1.9	-2.4	-1.1	-1.6	-1.0		
Contribution from interest rate/growth differential	-0.3	-2.6	-5.3	-2.8	-2.3	-2.4	-1.9	-2.4	-1.1	-1.6	-1.0		
of which: contribution from average real interest rate	-0.5	-2.2	-2.2	-0.7	-0.1	0.1	0.0	0.1	0.8	0.0	0.4		
of which: contribution from real GDP growth	0.2	-0.4	-3.1	-2.2	-2.3	-2.4	-2.0	-2.4	-1.9	-1.6	-1.4		
Contribution from real exchange rate depreciation	-3.3	-1.9	3.5	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.9	-10.8	-1.4	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.4	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)	-0.9	-10.8	-1.4	-0.3	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/	6.4	13.9	-4.5	1.6	1.6	1.0	2.1	4.1	3.8	2.4	3.2	4.4	2.4
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	39.1	38.6	38.1	36.8	36.3	36.5	36.4	35.7	40.2		
PV of public debt-to-revenue and grants ratio	...	...	159.9	165.9	158.3	159.7	155.6	153.4	147.8	148.8	166.3		
Debt service-to-revenue and grants ratio 4/	22.6	17.5	13.5	14.7	17.3	17.8	11.6	11.1	15.0	19.6	29.5		
Gross financing need 5/	0.7	-9.6	4.5	4.2	4.7	4.5	2.0	0.8	1.1	3.5	6.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	-0.4	0.7	6.4	4.8	5.1	5.5	4.5	5.6	4.3	3.7	3.1	3.6	3.7
Average nominal interest rate on external debt (in percent)	0.0	0.0	1.6	1.8	1.8	1.9	1.8	1.7	1.7	1.7	1.7	1.0	1.7
Average real interest rate on domestic debt (in percent)	-2.1	-4.1	0.4	1.5	3.4	2.4	2.6	3.3	2.9	2.5	4.6	2.3	2.4
Real exchange rate depreciation (in percent, + indicates depreciation)	-6.6	-4.0	8.6	...	...	...	...	...	...	...	...	2.5	...
Inflation rate (GDP deflator, in percent)	6.5	7.5	2.2	3.3	1.4	2.4	2.1	1.4	2.0	3.0	1.9	2.7	2.6
Growth of real primary spending (deflated by GDP deflator, in percent)	3.6	14.2	44.3	-5.6	6.4	0.7	1.0	1.8	3.1	3.2	1.3	7.5	2.1
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-2.0	1.4	7.6	1.5	0.8	1.3	-0.2	-1.7	-2.7	-0.8	-2.1	2.3	-0.8
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, 2023–33

	Projections 1/										
	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
PV of Debt-to-GDP Ratio											
Baseline	39	38	37	37	37	37	37	36	36	36	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	39	37	36	35	37	38	38	39	39	39	39
B. Bound Tests											
B1. Real GDP growth	39	42	45	47	49	51	53	**56**	**58**	**60**	**61**
B2. Primary balance	39	40	40	40	40	40	40	40	40	40	39
B3. Exports	39	43	52	51	51	51	51	51	51	50	49
B4. Other flows 3/	39	41	43	42	42	42	42	42	42	41	41
B5. Depreciation	39	46	42	40	38	37	36	34	33	31	29
B6. Combination of B1-B5	39	39	38	37	37	37	37	37	38	39	38
C. Tailored Tests											
C1. Combined contingent liabilities	39	49	47	46	46	46	46	46	46	46	46
C2. Natural disaster	39	**61**	**60**	**61**	**63**	**65**	**68**	**70**	**72**	**74**	**75**
C3. Commodity price	39	41	43	46	50	52	**55**	**58**	**60**	**62**	**63**
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	167	159	161	157	155	149	149	148	149	150	149
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	167	155	155	151	154	155	155	158	160	163	164
B. Bound Tests											
B1. Real GDP growth	167	172	195	199	205	207	217	225	236	248	255
B2. Primary balance	167	166	174	170	167	161	162	162	162	164	163
B3. Exports	167	181	225	219	216	208	210	209	209	208	203
B4. Other flows 3/	167	171	186	181	178	172	173	172	172	172	170
B5. Depreciation	167	191	184	172	163	151	145	139	134	129	123
B6. Combination of B1-B5	167	161	167	159	156	151	152	152	155	160	160
C. Tailored Tests											
C1. Combined contingent liabilities	167	202	202	197	193	187	188	188	189	192	191
C2. Natural disaster	167	252	260	261	264	263	274	282	292	305	312
C3. Commodity price	167	178	197	209	217	219	228	233	244	256	263
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	15	17	18	12	11	15	18	15	17	19	20
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2023-2033 2/	15	17	17	11	11	16	19	17	18	19	20
B. Bound Tests											
B1. Real GDP growth	15	18	21	16	16	20	24	21	24	27	28
B2. Primary balance	15	17	20	14	12	16	18	15	17	20	21
B3. Exports	15	17	18	13	13	16	19	17	20	24	25
B4. Other flows 3/	15	17	18	12	12	16	19	16	18	21	22
B5. Depreciation	15	19	22	15	15	18	21	18	19	21	21
B6. Combination of B1-B5	15	17	18	13	12	16	18	15	19	23	24
C. Tailored Tests											
C1. Combined contingent liabilities	15	17	28	14	14	17	19	16	18	20	20
C2. Natural disaster	15	19	38	20	20	22	26	22	24	27	28
C3. Commodity price	15	18	20	13	16	21	24	21	23	27	29
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.

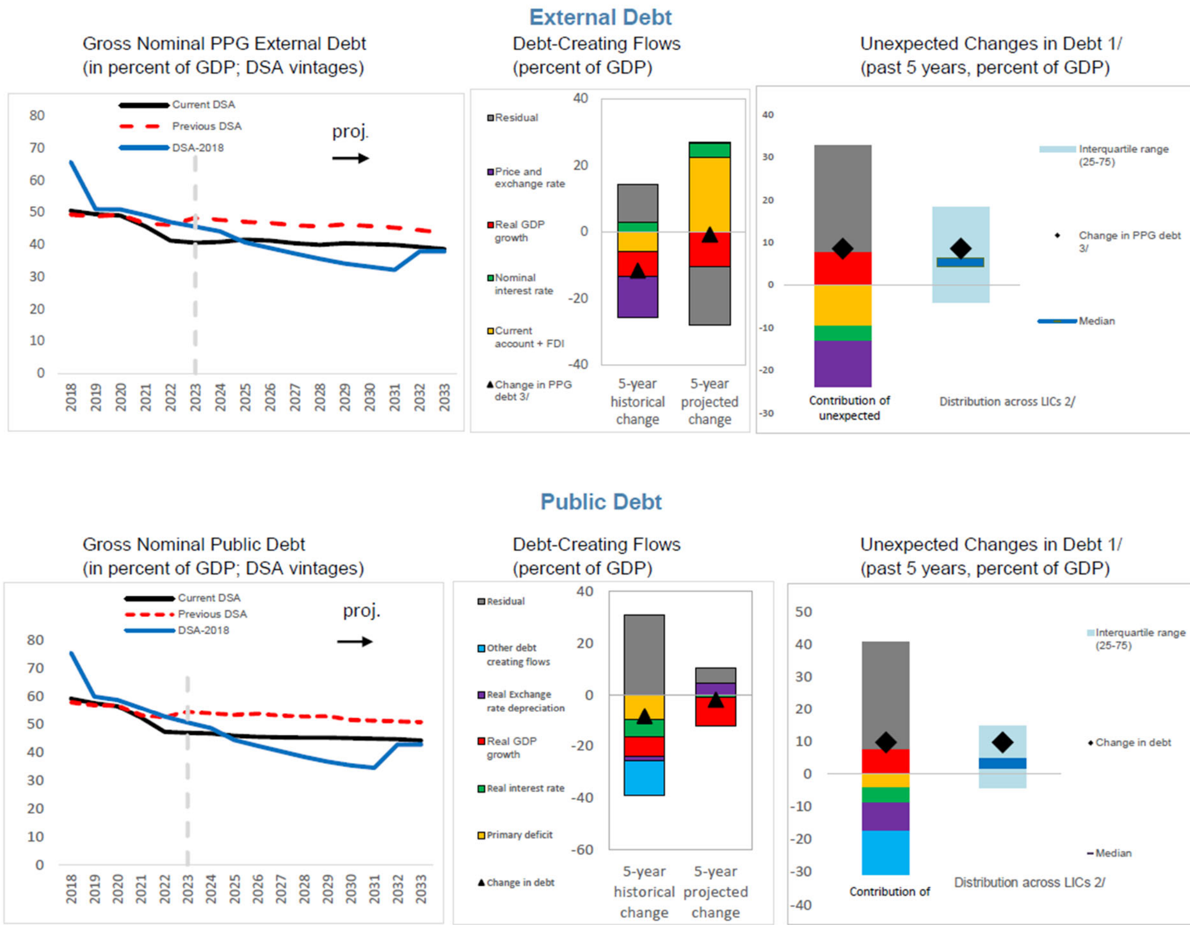
Sources: Country authorities; and staff estimates and projections.

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



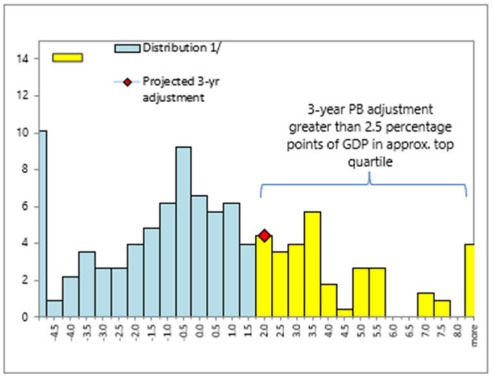
1/ Difference between anticipated and actual contributions on debt ratios.

2/ Distribution across LICs for which LIC DSAs were produced.

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

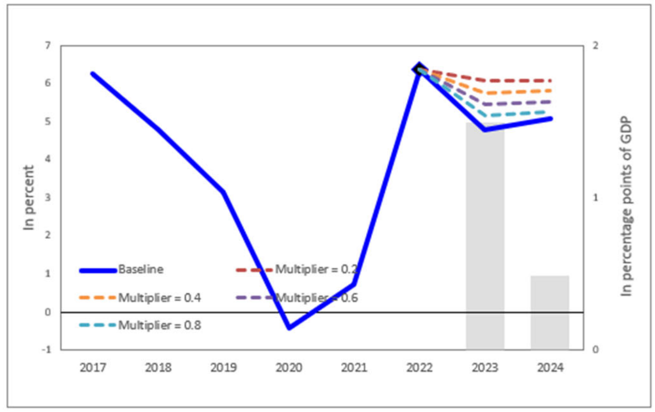
Figure 4. Mauritania: Realism Tools

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



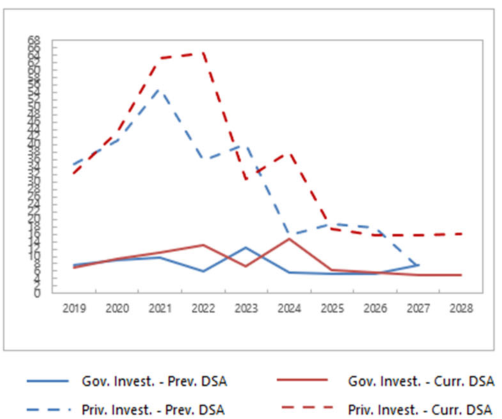
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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)

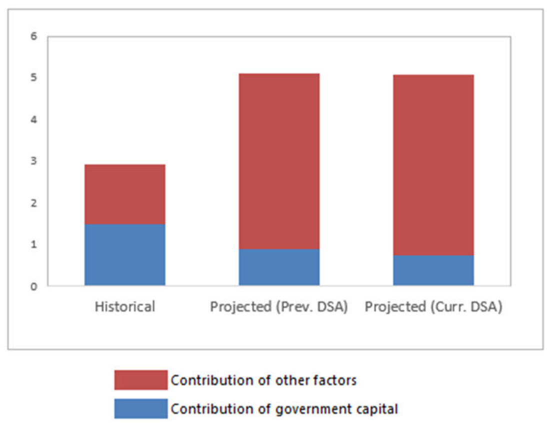
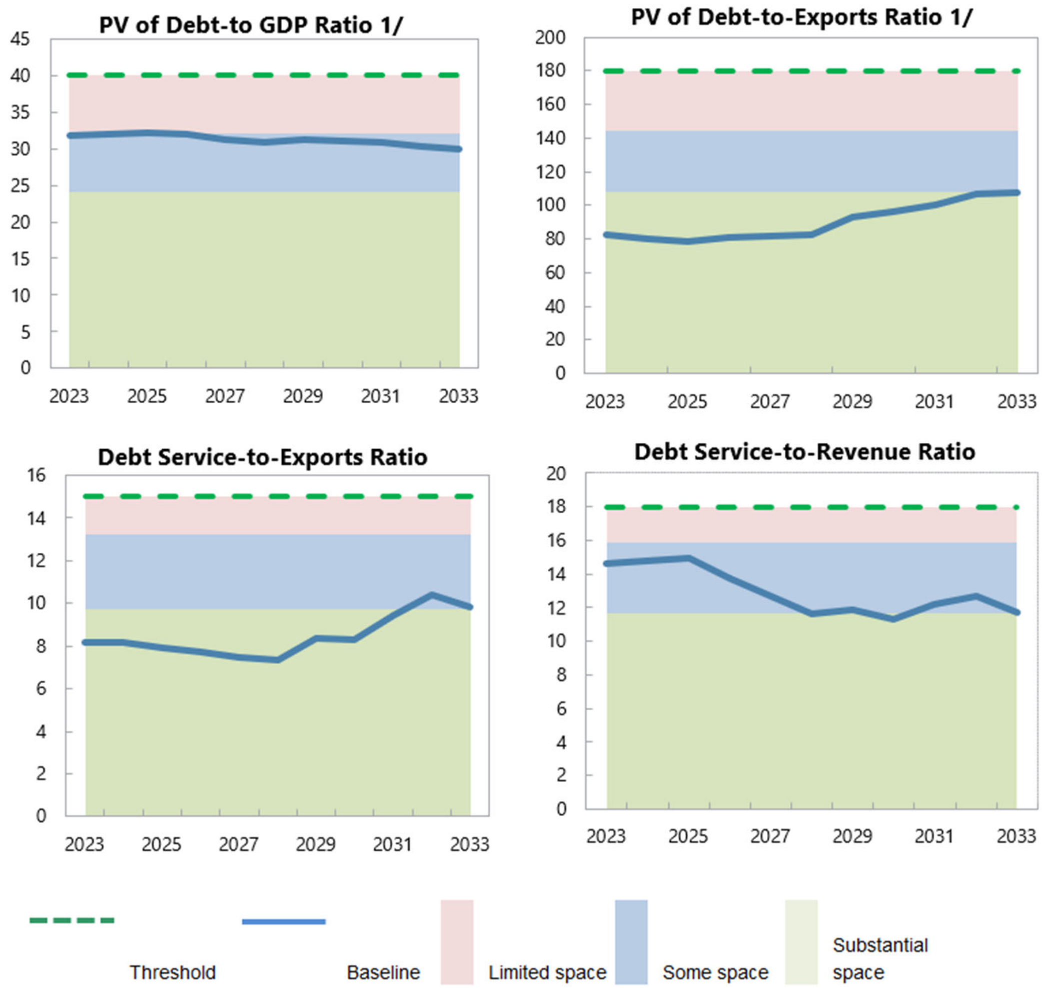


Figure 5. Mauritania: Qualification of the Moderate Category, 2023–33 1/



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.

ISLAMIC REPUBLIC OF MAURITANIA

December 6, 2023

FIRST REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND THE EXTENDED FUND FACILITY, REQUESTS FOR MODIFICATION OF PERFORMANCE CRITERIA AND A WAIVER OF NONOBSERVANCE OF PERFORMANCE CRITERION, AND REQUEST FOR AN ARRANGEMENT UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY

WORLD BANK ASSESSMENT LETTER FOR THE RESILIENCY AND SUSTAINABILITY FACILITY

A. Mauritania Vulnerability to Climate Change

1. Mauritania has historically been affected by extreme weather events and is highly vulnerable to climate change. According to the University of Notre Dame Global Adaptation Initiative (ND-GAIN) index, in 2021, Mauritania ranked 165th out of 185 countries with respect to the vulnerability to climate change[1]. Also, over the period 2000–21, Mauritania ranked as the third country in Sub-Saharan Africa with the highest level of human exposure to climate-related events, surpassed only by Somalia and Eswatini[2]. The country is exposed to various types of hazards, and frequently experiences droughts, floods, and extreme heat. Since the 1950's, average annual temperature has risen by about 2.3°C and there are nearly 45 more days with a heat Index above 35°C[3].

[1] Ranking of 1 meaning the less vulnerable to climate change and ranking of 185 being the most vulnerable to climate change.

[2] World Bank Group. 2023. Mauritania sixth Economic Update: Navigating the Storm: How Urbanization and Climate Change are Affecting Flood Risks in Mauritania, The World Bank Group.

[3] Climate change knowledge portal, consulted on August 19, 2023.

Mauritania is also becoming drier. Annual rainfall decreased from about 85 mm in 1950 to 63 mm in 2020, while the maximum number of consecutive dry days is increasing (*about 225 days in the 1950s compared to 245 days in the last decade)*. All climate scenarios developed in the 2022 Sahel Country Climate and Development Report (CCDR) predict a further increase in mean temperatures in Mauritania, compared to historical averages (1995–2020).[4] Mean temperatures are expected to increase by 0.9°C and 1.8°C by 2050 under the optimistic and pessimistic climate scenarios, respectively. Precipitation increases by 24 percent in the wet climate scenario and decreases by 16 percent in the dry climate scenario. Because of climate change, by 2050, without adaptation measures, annual GDP in Mauritania would be reduced by 3.4 percent in the wet and optimistic scenarios and 7.2 percent under the dry and pessimistic scenarios[5] while about 4 percent of the current population would fall into poverty.

2. Mauritania's Greenhouse Gas (GHG) emissions have increased steadily over the last two decades, but remain insignificant compared to global CO2 emissions[6]. GHG emissions almost doubled from 6.9 million tons (Mt) in 1990 to 12.9 Mt in 2020 driven by higher methane emission from livestock as the herd size significantly increased. In 2020, the amount of CO2 equivalent emitted by Mauritania represents 0.03 percent of global emissions. In per capita terms, Mauritania's emissions are about 2.7 tCO2e, a slight decrease compared to 1990 and below the regional[7] average (3.2 tCO2e). Mauritania also has a relatively high emissions intensity of about 16.4 tCO2e per 1000 2015 US$ GDP. Emissions from livestock, agriculture, and land use together account for 66 percent of total emissions. Energy accounts for 33 percent of total emissions while the waste sector, and industrial processes account of 1 percent.[8] Also, the share of energy consumption from renewable sources is estimated at 23 percent in 2021 and has been declining since 1990 (47 percent). The exploitation of oil and gas resources expected to start in 2024-25, could further change the structure and sources of GHG emissions in Mauritania and require additional efforts to accelerate the transition to cleaner energy.

B. Government Policies and Commitments in Terms of Climate Change Adaptation and Priority areas to Strengthen Resilience

3. In 2021, Mauritania updated its National Determined Contribution (NDC) which is consistent with the Strategy for Accelerated Growth and Shared Prosperity and sets the framework for climate policy until 2030. The NDC provides a framework for consultation and

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[4] World Bank Group 2022. G5 Sahel Country Climate and Development Report. The World Bank.

[5] These estimates exclude the impact of sea level rise. When considered, the impact on growth increase to 5.7 percent and 9.3 percent under the optimistic and pessimistic scenario respectively.

[6] Climate watch, consulted on August 19, 2023.

[7] Region considered: Sub-Saharan Africa Climate watch, consulted on August 19, 2023.

[8] Second Rapport Biennal Actualisé sur le changement climatique, (BUR2), 2021, Ministry of Environment and Sustainable Development, Mauritania, https://unfccc.int/sites/default/files/resource/BUR2-MAURITANIE-VF.pdf. Emissions reported in the energy sector account for emissions generated by energy consumption in the mining sector. Thus, emissions from industrial processes exclude mining to avoid double counting.

dialogue with all stakeholders to define transformative, integrated, inclusive, clean, and sustainable programs. The Ministry of Environment leads the development of the climate change strategy and policies. Mauritania's legal framework for Disaster Risk Management (DRM) is outdated, and the DRM institutions focus mainly on emergency management, especially in food crisis situations. In 2022, Mauritania developed a national plan for the prevention of climatic risks, but its implementation has yet to start. Mauritanian environmental and social impact assessment regulations don't adequately cover climate and disaster risks, climate resilience or the social dimensions of climate change. A draft has been prepared to update the law and integrate these aspects, but the proposed law has yet to be adopted.

4. Mauritania's NDC identified 23 adaptation actions along a wide range of sectors (Natural Resources; Coastal Protection; Agriculture; Livestock; Fisheries; Water and Sanitation; Housing, Urban and Regional Planning; Health; Infrastructure; Education and Research; and Jobs). Key actions include restoring and protecting forests, strengthening of the dunes system protecting Nouakchott, developing an insurance scheme for agriculture against climate shocks, developing pastoral reserves; improving water access and water drainage in key cities; building houses for the most vulnerable; strengthening the early warning systems for climate/health and food security; developing research programs to inform long-term development strategies in all key sectors; and creating at least 130,000 new climate- resilient jobs. Further actions may be needed to tackle emerging issues such as coastal erosion and coastal floodings due to sea-level rise that are expected to impact Mauritania's infrastructure and pose additional risks, but also impact of higher temperatures on productivity, especially for rural communities.

5. The implementation of the NDCs is still lagging. To date, very few sectors have dedicated climate action plans. The government is in the process of preparing sectoral climate plans based on its NDC and a road map for NDC implementation. To successfully adapt to climate change, it is important i) to consider the cross sectoral aspects of some impacts (e.g., competing demand of different sectors on the availability and quality of water resources or land) and ii) take a long-term approach (e.g., shifting from a reactive to anticipative approach in disaster-risk management). There is also a broad need for awareness raising and capacity building on climate risks and adaptation solutions. Mauritania is updating its *National Adaptation Plan*. The cost of implementing Mauritania's NDC is estimated to cost around US$10.6 billion by 2030, of which US$10.2 billion is contingent on external support, and US$0.45 billion is unconditional[9]. Water and housing correspond to 39 percent and 33 percent of these costs respectively.

C. Government Policies and Commitments in Terms of Climate Change Mitigation and Priority Areas to Reduce Greenhouse Gas Emissions

6. Although Mauritania is a relatively small GHG emitter, its 2021 NDC made a strong commitment towards mitigation. Mauritania committed to an estimated total emissions reduction potential of around 18 million tons of carbon dioxide equivalent (MtCO2e) by 2030, compared to

[9] Mauritania committed to finance only 2.4 percent of their plan under the budget.

the business-as-usual scenario, and pledged net-zero emissions conditional on additional support. Without additional external support, Mauritania expects to decrease its emission by 11 percent. To meet its emissions reduction commitment, the government has prioritized measures in the energy, industrial processes, waste, and agriculture and forestry sectors.

7. Investments in energy generation would provide a major part of the mitigation efforts, accounting for more than 85 percent of the expected reduction by 2030. The main effort would be made by increasing the use of renewable energy, including solar and wind power and converting this renewable energy into hydrogen. Mauritania is aiming for a contribution of 50 percent of renewable energy into the energy mix by 2030 despite the exploitation of new gas fields. In addition, Mauritania is committed to protecting forests by supporting the green great wall initiative (with the goal of protecting, restoring or planting at least 31,000 ha of land per year) further offsetting Mauritania's GHG emissions. As only 46 percent of the population has access to electricity (70 percent of urban population and 5 percent of rural population)[10], and the government is committed to universal access by 2030, energy is expected to become the sector contributing the most to GHG emissions. Mauritania's NDC estimates the cost of mitigation investments to be around US$34 billion by 2030 mainly in the energy sector, with US$33.6 billion to come from additional external supports, and US$0.6 billion already committed, either from the national budget or on-going projects.

D. Other Challenges and Opportunities

8. Mobilizing financing at scale to implement the ambitious Mauritania's NDC will be challenging. Mauritania's NDC estimates financial needs at US$44.8 billion. To cover the identified investment needs, Mauritania will need to create more fiscal space, tap into climate finance opportunities and mobilize domestic and international private capital. Widening fiscal space will require enhanced tax revenue mobilization, increased spending efficiencies and better management of fiscal risks. To attract private investments on climate, Mauritania needs to further improve business climate, make smart and informed use of public-private partnerships, and building and protecting human capital for economic and climate shocks. At the institutional level, challenges include (i) the low level of involvement of key players and lack of clarity in the division of roles and responsibilities in the implementation of the Paris Agreement and (ii) inadequate training, information and awareness-raising initiatives on climate.

9. Strengthening climate governance and coordination of actors will be needed to better deliver. Legal, regulatory and procedural gaps and obstacles exist to adequately attribute mandates and implementation tools; in particular, the absence of any mention of climate change in the Environmental Code and its implementing texts, as well as the lack of regulatory documents for assigning mandates and responsibilities in this area. These shortcomings are partially addressed through the recent appointment of climate focal points in each sectoral department. These focal points were at the centre of the consultations carried out during the process of updating the 2021

[10] World Bank Group 2022. G5 Sahel Country Climate and Development Report. The World Bank.

NDC. Also, the Ministry of Environment was restructured to create a new department, the Climate and Green Economy Division. Furthermore, increasing institutional capacities for climate action will require (i) clarifying responsibilities among government agencies, paying attention to planning and finance functions; and (ii) moving toward climate-smart investments, public procurement and public asset management.

E. World Bank Engagement

10. The World Bank Country Partnership Framework (2018-23) for Mauritania includes a crosscutting strategy to address climate change. Accordingly, the World Bank has an active portfolio of financing, analytics and TA that is helping Mauritania implements its climate commitments. Mauritania has benefitted from the CCDR core analytics, which was completed in FY22. The CCDR examines the most critical actions and policy changes needed to accelerate the region's sustainable and inclusive development and adaptation to the impact of climate change. The World Bank's project portfolio in Mauritania encompasses initiatives that actively contribute to both climate change mitigation and adaptation. Ongoing and most recent activities include:

- **Coastal resilience**: The regional **West Africa Coastal Area Resilience Investment Project (P162337)**, is aiming at strengthening the resilience of communities and ecosystems in targeted coastal areas. Specific objectives of the project include increasing the resilience of ecosystems, protecting coastal areas through green infrastructure and strengthening the socio-economic resilience of the most vulnerable communities. The project also aims to strengthen the institutional and legal framework for more resilient coastal management, through the creation of an observatory of coastal environment, the revision of the environmental assessment law to include climate change consideration and the costal law, to consider adaptive management of the coastline, to respond to changing conditions in the future.

- **Urban resilience and sustainable cities**: In the aftermath of the 2022 floods, both the Government and the World Bank agreed to activate CERCs (Contingency Emergency Response Components) to swiftly address immediate pressing needs and made available an amount of US$15 million from the **Youth Employability Project (P162916**) used to help in cleaning the affected urban areas and restoring life to normal by procuring much-needed water-pump vehicles. This joint effort also led to a portfolio restructuring to create financial flexibility to bolster urban resilience. The **Decentralization and Productive cities project (P169332)** benefited from an additional financing of US$25 million to support the resilient rehabilitation and extension of stormwater drainage and sanitation services in selected flood-affected secondary cities and to develop long-term climate resilient urban planning tools.

- **Disaster Risk Management**: Building on the recommendations of the join World Bank Government of Mauritania rapid post 2022-flood assessment preparation is underway for a Catastrophe Deferred Drawdown Option (Cat DDO), as an integral part of the **Mauritania Fiscal Management and Resilience DPO (P179263),** to strengthen the country's capacity to reduce and manage disaster risks (including through the adoption of a unified Emergency preparedness and Response Framework (EP&R) and a new urban code), and to provide rapid and cost-efficient liquidity in the aftermath of climate shocks.

- **Sustainable agriculture and livestock farming**: Furthering climate adaptation efforts, the regional **Sahel Pastoralism Support Project II (P173197)** actively promotes the sustainable and resilient management of landscapes to adapt agropastoralism practices in response to evolving climatic conditions. Similarly, Agriculture Development and Innovation Project (P168847) is supporting agriculture practices within a landscape approach and in line with climatic conditions. Moving forward, the upcoming regional **Senegal River Valley Development and Resilience Project (P179449)** will strengthen the resilience of vulnerable communities to the impacts of climate change within the Senegal river valley.

- **Sustainable energy access**: In terms of mitigation efforts, the regional **Electricity Access and Best Project (P167569)** will play a key role in promoting the adoption of renewable energy sources, particularly solar energy. Moving forward, the upcoming **Universal Energy Access Project (P179383)** will support the stabilization of national grid which will allow for increase and more regular access to energy in the country.

11. A new CPF scheduled to be prepared in FY24 will prioritize climate change adaptation and mitigation, and seek to address some of the pending issues identified in Section B.

Draft statement by Mr. Sylla, Executive Director for Islamic Republic of Mauritania
December 19, 2023

On behalf of our Mauritanian authorities, we would like to express our gratitude to the IMF Executive Board and Management for their continued support, as well as staff for their candid and constructive discussions with the authorities, and the valuable technical support offered. Our authorities broadly share the thrust of the staff's assessment and policy recommendations.

Despite the challenging external environment, the authorities have remained committed to their economic reform agenda, as demonstrated by the progress achieved on far-reaching institutional reforms and the overall macroeconomic outcomes during the period under review. They are nonetheless mindful of the challenges ahead and are dedicated to pursuing efforts to implement their national development and inclusive growth strategy for shared prosperity (Stratégie de Croissance Accélérée et de Prospérité Partagée, SCAPP).

RECENT DEVELOPMENTS AND OUTLOOK

Recent Economic Developments

The economy recovered in 2022 but GDP growth is expected to moderate in 2023 owing mainly to the normalization of activity in the extractive sector. Real GDP growth reached 6.4 percent in 2022 (0.7 percent in 2021), mainly driven by the extractive sector with the resumption of gold production at the Tasiast mine after the June 2021 fire. For 2023, economic growth is expected to slow but remain at a healthy 4.8 percent**,** underpinned by normalized extractive sector activity, moderate agricultural sector output, as well as the lagged effect of tighter monetary policy in 2022. Moreover, despite key sectors of the economy being negatively impacted by the increase in fuel prices in July 2022 following the entry into effect of the new pricing structure to reduce subsidies, growth in 2023 continues to be supported by robust services activity, favorable food price dynamics, and the receding impact of past droughts.

The budget deficit 2023 is expected to be lower than projected and public debt should continue declining. Initially projected at 4.7 percent of GDP, the non-extractive primary budget deficit should be contained at 3.8 percent by end of year, mostly reflecting stronger-than-anticipated revenue performance. Overall, budget execution is in line with program expectations, including on the projected increase in social spending. Consistent with the authorities' debt sustainability objectives, public debt is steadily declining. It should reach 46.9 percent of GDP in 2023, from47.4 percent of GDP in 2022.

The external position is improving as international prices of food and energy products normalize. The current account is expected to narrow to 12.1 percent of GDP in 2023, compared to 16.6 percent of GDP in 2022. At end-September 2023, international reserves stood at US 1.8 billion dollars (6.1 months of prospective non-extractive imports), compared to US 1.9 billion dollars (6.6 months of prospective non-extractive imports) at the end of 2022. They are projected to reach 6.4 months of non-extractive imports at end-2023.

Outlook and Risks

The authorities broadly agree with the staff's assessment of the medium-term outlook and risks. Growth in the non-extractive sector should strengthen to 5 percent over the medium-term and inflation will continue to recede in 2024, backed by the downward trend in international food and energy prices, lagged transmission of recent monetary policy rate increases and a slowdown in credit growth. The extractive and oil and gas sectors are positioned to take off, with higher projected gold prices from 2024 and onward, and the planned kickoff of production of the Greater Tortue Ahmeyim Gas Project (GTA) in the first half of 2024. While the overall outlook remains positive, the war in Ukraine, conflicts in the Middle East, rising geoeconomic fragmentation, a global recession, more frequent natural disasters, and regional security threats in the Sahel could weaken extractive exports and revenue, increase pressures on the balance of payments and international reserves, and worsen the fiscal position.

PROGRAM PERFORMANCE

The ECF/EFF program implementation has been satisfactory and all performance criteria for end-June 2023 have been met. Indicative targets for end-September were all met except for the floor on net international reserves, for which necessary corrective actions have been taken by the BCM. Most structural benchmarks for March to December 2023 have also been observed, albeit with delays in some cases.

Significant progress has also been made on strengthening the monetary policy framework and toolkits. Key actions include diversifying the BCM's monetary policy instruments, revising the legal and operational framework for financial supervision and the launch in December 2023 of a new interbank platform for FX market transactions. The Central Bank also introduced its new Automated Transfer System (ATS) and Central Securities Depository (CSD) platform, both of which will play an important role in modernizing financial infrastructure and aligning it with international financial standards.

In keeping with their commitment to strengthen governance and transparency, the authorities have started implementing the action plan from the country's recent Governance Diagnostic Report. They are notably addressing identified weaknesses in central bank governance, as well as in the fiscal and financial sectors. Other areas of focus relate to the protection of contract and property rights and to anti-money laundering. Moreover, the government has adopted a new anti-corruption strategy and a technical committee was created under the supervision of the General State Inspection (*Inspection Générale d'État, IGE*) to oversee the implementation of proposed reforms.

POLICY PRIORITIES FOR THE MEDIUM TERM

Fiscal Policy and Reforms

The authorities remain committed to further their fiscal consolidation efforts. They are, in this context, prioritizing growth-supporting infrastructure spending and ensuring access to basic social services, along with consistent increases and better targeting of social program outlays. The medium-term fiscal framework (MTFF) for 2024-2026 approved in September 2023 is anchored on a debt ceiling that aims to keep Mauritania below the high debt distress threshold. This will be achieved by limiting the non-extractive primary balance (NEPB) between 3.2 and 5 percent of GDP, and current expenditure to 13.1 percent of GDP in 2024, while keeping investment spending above 8.6 percent of GDP. Reforms to enhance domestic revenue mobilization are at the core of the MTFF, which envisages an increase of non-extractive tax revenues by 0.5 percent of GDP per year during the program period. The authorities are determined to smooth the volatility of extractive revenues, including through the adoption of a financial investment policy for the offshore Fund for Hydrocarbon Reserves (FNRH), regular audits and the completion of a performance review with oversight from the recently created supervisory committee.

The planned increase in domestic revenue will be supported by continued reforms of tax policy and administration and containment of tax expenditure. The efficiency and equity of the tax system will be strengthened through rigorous implementation of the reform of the Nouadhibou Free Zone law submitted to Parliament in 2023, as well as the swift execution of the recommendations from planned evaluation of tax expenditure and tax policy diagnostic in 2024. Also, to improve the monitoring and analysis of tax expenditures, a new filling obligation will be introduced, providing detailed data on tax exemption beneficiaries and imposing mandatory e-filing and e-payment for large taxpayers from 2024. The investment code will also be revised in 2024 to eliminate free zones and reduce special regimes.

Social programs will continue to be improved through better targeting and increased coverage. Social spending is a pillar of the authorities' program and amount to around 8 percent of GDP, one of the highest ratios in the region. The government's Tekavoul program which provides quarterly cash transfer to vulnerable groups is based on a social registry developed since 2016 with support from the World Bank. This has helped gradually improve targeting of social expenditure and increase the number of beneficiary households, and now offers one of the best regional coverages with the 47 percentiles of the poorest quintile. The number of beneficiary households will be increased by 30 percent in 2024 and the cash transfer amounts raised.

Debt management reforms will be continued. Mauritania's debt management strategy and undertaken reforms have allowed a steady decrease of debt-to-GDP ratios and enhanced transparency and availability of data. With TA from the Fund, the external debt directorate has updated its medium-term debt strategy (MTDS) and debt sustainability analysis (DSA) and published an annual debt statistics bulletin in accordance with international standards, and in coordination with the BCM and Public Treasury. Efforts will be continued to broaden coverage and improve data quality and timeliness.

Monetary Policy, Exchange Rate System, and Financial Sector Reforms

The BCM will maintain its prudent monetary policy to absorb excess liquidity and contain inflation. Priorities will include reducing excess liquidity in the banking sector by further developing and increasing the Central Bank's liquidity-absorbing operations including for Islamic banks which currently hold the highest excess liquidity positions. Efforts to strengthen monetary policy transmission will be pursued, as well as actions to develop the interbank market, backed by an increase of government securities and the extension of their maturities.

Strengthening the monetary toolkit and instruments is a priority. The BCM has achieved remarkable progress on the various reforms initiated. These include developing its instruments for seven-day refinancing operations, standing overnight lending and deposit facilities, liquidity repurchasing agreements and Central Bank securities. This will position the Central Bank ideally to continue strengthening its monetary policy framework, increase its effectiveness, and more effectively conduct an interest-based monetary policy. The BCM also signed a convention with the national mining company SNIM to establish data sharing mechanisms and improve predictability of SNIM's foreign currency repatriation given their significance in improving cashflow projections.

The Central Bank is moving towards a more flexible exchange rate system. The authorities are preparing the necessary prerequisites to modernize their foreign exchange market and transition to a market-determined exchange rate. The BCM has so far been the main supplier of foreign currency on the market, which limits market development and at times puts additional pressure on international reserves objectives. It has now removed impediments to a more dynamic foreign exchange market and intends to scale back its dominant role to allow stronger market development. The planned gradual move to a floating market-led exchange system will strengthen the economy's resilience in the face of external shocks, help enhance monetary policy independence, and contribute to the successful implementation of the exchange system reform. This ambitious overhaul of the system has benefitted from close cooperation with private banks and technical assistance from the IMF.

The authorities are committed to strengthening financial sector supervision and compliance with prudential regulations. An early-warning indicator tool has been introduced, as well as new directives on banks' governance. Also, the revised sanctions regime is being more rigorously applied. Going forward, short term priorities will include strengthening the supervision framework to better identify financial sector risks including by adopting directives on internal controls and on systemic banks, increasing regulatory controls, and stepping up efforts to ensure all banks comply with the prudential limits on core capital, minimum net capital, and foreign exchange positions.

The BCM will continue strengthening its governance and AML/CFT framework. Ongoing reforms include pursuing the transition to IFRS. Renegotiations of the Central Bank's claims on the government, which weigh on its financial position, are also well underway; and the authorities will continue improving the AML/CFT framework strengthening supervision and enforcing compliance.

Structural Policies

Mauritania will continue implementing reforms to strengthen governance and transparency, based on the results of the governance diagnostic and related action plan adopted by the government, for which annual implementation reports will be published. The focus of these reforms will be on the frameworks for managing state-owned material and financial assets, particularly in SOEs, oversight of the financial sector, and public procurement procedures where the diagnostic pointed to pending weaknesses. Significant progress has already been achieved, particularly on the screening and selection of projects. A new technical inter-ministerial committee (CAPIP) was created and has set up a data driven approach for screening project worthiness and ensuring financially responsible management. The legal framework for public procurement has also been modernized with the introduction of a clear separation of functions, simpler processes, and more efficient audit procedures.

The authorities have developed a comprehensive strategy to boost private sector development and financial inclusion and improve the business climate. They plan to launch activities of the guarantee fund created to facilitate SMEs' access to financing, in partnership with the African Guarantee and Economic Cooperation Fund (FAGACE). Building on the recently drafted investment policy letter, efforts will be pursued to streamline administrative procedures and increase transparency including through the National Investment Promotion Agency (*Agence nationale de promotion des investissements - APIM)* recent digitalization of processes for its Guichet Unique (business registration single window).

MAURITANIA'S CLIMATE AGENDA AND RESILIENCE AND SUSTAINABILITY FACILITY REQUEST

Mauritania is faced with significant climate challenges, including extreme heat and rising temperatures, rising flood and drought frequencies, sea-level rise, and desertification. These have tremendous impact on the population, particularly the most vulnerable groups, and threaten the country's long-term macroeconomic stability. Nearly 10 percent of the population has been affected by climate change in the past twenty years and budgetary costs from climate-related damages have reached $280 million in 2022 alone. Given elevated budgetary costs and the frequency of climate-related events in recent years, the authorities have put contingency reserves provisions in the annual budget to respond to natural disasters as they arise. The latest World Bank CCDR ranks Mauritania as high risk in all climate indices. It is also among the Sahelian countries most affected by recurring droughts. The resulting desertification is aggravated by the increasing impacts of climate change and has direct consequences on an already precarious environment. Only 50 percent of the population have access to water, and rural areas in particular, often suffer severe and frequent shortages.

Building up climate resilience is a priority for the authorities. Following the authorities' commitment under the Paris agreement on climate change, the National Determined Contribution (NDC 2021-2030) was updated in 2021, concomitantly with the elaboration of SCAPP 2016-2030 strengthening the coherence of the climate strategy with the government's medium-term action plan. The NDC baseline scenario ambitions a net reduction in GHG emissions of 11 percent by 2030 and net-zero carbon emissions by 2050. The overall cost of climate adaptation and mitigations is estimated at US$46 billion over 2021-2030. The National

Climate Strategy (NCS) approved in 2023, puts forth priority sectors to advance the climate agenda. Progress has been made to align investment projects with the NDC and sectorial plans were drafted for nine key sectors, including energy, water, agriculture, and housing.

The proposed RSF reform package offers a comprehensive framework addressing all major adaptation and mitigations challenges and compliments existing initiatives and ongoing climate reforms. The four pillars of the program focus on (i) integrating climate in public financial management, including externally financed investment projects, (ii) social protection against climate shocks, (iii) decarbonization, (iv) strengthening the financial sustainability and institutional framework for water management. Measures include adopting a new fossil fuel pricing structure that phases out remaining subsidies, and gradually introducing a carbon tax. Under the RSF program, the authorities will also require mining companies to increase the share of renewable energy by at least 5 percent annually until 2030. The proposed measures will also be accompanied by an expansion of social programs, particularly the Tekavoul choc window dedicated to vulnerable households impacted by climate disasters.

Given the importance of the energy sector for Mauritania's climate agenda, the authorities intend to build on the important progress achieved and accelerate the green transformation. Mauritania's greenhouse emissions are at 0.015 percent of global emissions, with the energy and agriculture, forestry and other land uses representing 99 percent of national emissions. The reform measures proposed for decarbonization under the RSF will be crucial to achieve the green transformation agenda by phasing out remaining fuel subsidies and introducing carbon taxes. The proposed measures will also provide additional incentive to increase the clean energy mix, while also opening the energy sector to private investments in renewable energy.

CONCLUSION

Our Mauritanian authorities continue to demonstrate strong commitment to advance their economic and structural reforms supported by the ECF-EFF program.

The requested RSF program and largescale reform measures proposed will be vital to reduce macro-critical risks associated with structural climate challenges and advance Mauritania's climate agenda, while helping mobilize the necessary financing for climate action, including from the private sector.

Given commendable progress achieved and the authorities' continuing strong commitment to their ambitious reform agenda under the ECF-EFF program, we would appreciate Executive Directors' support for their request for completion of the first program review and associated decisions, as well as their request for a new RSF program.