INTERNATIONAL MONETARY FUND

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ISLAMIC REPUBLIC OF MAURITANIA

December 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, THIRD REVIEW UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED FUND FACILITY, REQUEST FOR MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF MAURITANIA

In the context of the Staff Report for the 2024 Article IV Consultation, Third Review Under the Arrangements Under the Extended Credit Facility and Extended Fund Facility, Request for Modification of Quantitative Performance Criteria, and Second Review Under the Resilience and Sustainability Facility Arrangement, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on December 18, 2024, following discussions that ended on October 16, 2024, with the officials of the 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 November 26, 2024.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the International Development Association.
- An **Informational Annex** prepared by the IMF staff.
- A **Statement by the Executive Director** for the Islamic Republic of Mauritania.

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

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PRESS RELEASE

PR 24/486

Islamic Republic of Mauritania: IMF Executive Board Concludes 2024 Article IV Consultation, and Completes Third Reviews of the Extended Arrangement under the Extended Fund Facility and the Extended Credit Facility Arrangement and Second Review of the Resilience and Sustainability Facility Arrangement

FOR IMMEDIATE RELEASE

- The Executive Board of the International Monetary Fund (IMF) concluded the 2024 Article IV Consultation with Mauritania. The Board also completed the Third Reviews of Mauritania's Extended Credit Facility and the Extended Fund Facility arrangements, and the Second Review under the Resilience and Sustainability Facility Arrangement. The decision allows for an immediate disbursement of SDR 36.16 million (about US$ 47.4 million).
- The Mauritanian economy has remained resilient, with economic growth projected to slow to 4.6 percent in 2024. Growth is expected to remain favorable in the medium term. Enhancing revenue mobilization, strengthening banking supervision, and sustaining the implementation of the national governance action plan would support private sector-led inclusive growth.
- Program performance has been strong. Mauritania's reform drive and sound macroeconomic management have helped strengthen debt sustainability and resilience to shocks, while creating policy space for pressing infrastructure and social spending.

Washington, DC – December 18, 2024: The IMF Executive Board concluded today the 2024 Article IV consultation[1] with Mauritania and also completed the Third Reviews under the 42-month blended Extended Credit Facility arrangement (ECF) and the Extended Fund Facility arrangement (EFF), and the Second Review under the Resilience and Sustainability Facility arrangement (RSF). The ECF/EFF were approved by the IMF Executive Board in January 2023 (see PR 23/15) and the RSF was approved in December 2023 (see PR23/465).

The completion of the reviews allows for the immediate disbursement of SDR 6.44 million (about US$ 8.4 million) under the ECF/EFF and of SDR 29.72 million (about US$ 39.0

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

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million) under the RSF, bringing the cumulative disbursements to SDR 89.7 million (about $ 117.7 million). The Executive Board also approved the modification of the quantitative performance criterion on new debt contracted or guaranteed by the government for 2024, with public debt remaining at moderate risk of debt distress.

The Mauritanian economy has remained resilient, leveraging the government's continued reform efforts, with economic activity projected to slow to 4.6 percent in 2024 driven by a contraction in the extractive activities. Following further deceleration in 2025-26, growth is expected to remain favorable in the medium term. Risks are tilted to the downside and include the escalation of regional instability and extreme climate events.

Continuing with prudent rule-based fiscal policy supported through revenue mobilization, particularly by streamlining tax exemptions would help create policy space for infrastructure and social spending while preserving debt sustainability. The ongoing reforms in the financial sector, including enhancing banking supervision and enforcing prudential norms, will help broaden access to finance and strengthen the banking system as an engine of growth. Acceleration of structural reforms, including through continued efforts to bolster governance, the business environment, and the regulatory landscape, are critical for the diversification of the economy and to achieve job-rich inclusive growth.

Program performance has been strong along its three pillars of fiscal sustainability, flexibilization of the exchange rate and governance reforms. All end-June 2024 quantitative targets were met, and most of the structural benchmarks (under the ECF/EFF) and all reform measures (under the RSF) were implemented.

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

Backed by sound policies, Mauritania's economy continued to grow in 2024, inflation remains contained, and the fiscal performance remained in line with the medium-term goal of declining external debt. Strong program performance has been supported by prudent monetary and fiscal policies. The authorities are focused on enhancing policy frameworks, strengthening resilience, accelerating inclusive growth, and mitigating the challenges posed by climate change.

Implementation and institutionalization of a fiscal anchor would help shield public expenditure from volatile commodity prices and reduce external public debt. Disciplined fiscal policy accompanied by fiscal and customs administration reforms could create the fiscal space needed to address the significant infrastructure and social development needs, while preserving the credibility of the medium-term budgetary framework. Key measures aim to broaden the tax base, improve tax administration, and eliminate excessive exemptions. It will also be important to enhance the efficiency of public investment.

As inflation remained contained, the Central Bank of Mauritania has appropriately narrowed the interest rate corridor and reduced the policy rate. The authorities are focused on enhancing the monetary policy framework and minimizing excess liquidity to help keep inflation anchored and develop interbank markets. Continued efforts to strengthen the central bank's supervisory functions and independence are important. Careful monitoring of financial sector developments and continued enforcement of prudential regulation would strengthen the banking sector's resilience to shocks. Further steps to enhance the AML/CFT framework and improve the functioning of the foreign exchange market and enhance exchange rate flexibility are 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 sector development and inclusion, and implementing the governance action plan to improve the business environment.

Continued implementation of the ambitious climate change adaptation and mitigation reform measures, supported by the Resilience and Sustainability Facility, will help address Mauritania's medium- and long-term term challenges and catalyze additional financing.

Executive Board Assessment

Executive Directors welcomed the authorities' commitment and strong program performance, supported by prudent monetary and fiscal policies. Directors, highlighted that, while positive, the outlook is subject to significant downside risks, including the security risks in the Sahel region and climate shocks. Directors underscored the need for continued commitment to maintaining macroeconomic stability, strengthening policy frameworks, and advancing reforms to promote sustainable and inclusive growth.

Directors encouraged continued fiscal discipline to support fiscal and debt sustainability, and the institutionalization of the fiscal anchor to help manage volatility in the extractive sector. Noting the considerable development needs, Directors called for more ambitious domestic revenue mobilization, while ensuring sufficient public investment and social spending to support the vulnerable. They recommended measures to broaden the tax base, improve tax administration, and eliminate excessive exemptions.

Directors emphasized the need to further enhance the monetary policy framework and continue efforts to reduce excess liquidity in the banking sector. Noting the importance of strengthening the central bank's supervisory functions and independence, Directors welcomed the recent amendments to the central bank law. They encouraged the authorities to complete the remaining recommendations from the 2023 Safeguards Assessment. Directors recognized the importance of ongoing measures to further improve the functioning of the foreign exchange market and enhance exchange rate flexibility. In addition, Directors stressed the need to carefully monitor banking sector developments and to strengthen bank resilience to shocks. Further steps to enhance the AML/CFT framework are important.

Directors underscored the importance of accelerating structural reforms to engender higher, more inclusive, private-sector-led growth. They highlighted the need to strengthen governance and transparency and welcomed the action plan for economic governance and anti-corruption reforms. Directors also emphasized the need to improve the business environment, diversify the economy, and enhance financial inclusion. Noting the need to mitigate the challenges posed by climate change, Directors welcomed the progress on implementing the RSF-supported climate reform agenda. Important measures include integrating climate action into public investment and financial management, increasing renewable energy generation, and enhancing water resource management. Directors encouraged continued efforts to enhance data provision.

Mauritania: Selected Economic Indicators, 2019–24

	2019	2020	2021	2022	2023		2024	
					2nd Review	Est.	2nd Review	Proj.
National accounts and prices	(Annual change in percent)							
Real GDP	3.1	-0.4	0.7	6.8	3.4	6.5	4.3	4.6
Real extractive GDP	7.5	7.1	-19.2	18.3	10.9	9.4	2.6	-0.5
Real non-extractive GDP	2.5	-1.7	6.0	3.8	1.7	5.9	4.7	5.7
Consumer prices (end of period)	2.7	1.8	5.7	11.0	1.6	1.6	4.0	3.0
Central government operations	(in percent of nonextractive GDP, unless otherwise indicated)							
Revenues and grants	19.9	20.8	22.7	25.0	22.9	22.5	23.6	24.1
Nonextractive	16.7	16.6	16.2	18.2	17.3	17.0	18.6	18.9
Taxes	12.2	10.9	11.7	13.4	12.8	12.6	14.0	14.3
Extractive	1.6	2.1	4.2	5.1	3.7	3.7	3.1	3.4
Expenditure and net lending	17.8	18.5	20.8	28.7	25.4	25.0	25.2	25.4
Of which: Current	11.2	12.0	13.0	17.2	16.6	16.4	15.7	15.5
Capital	6.8	6.6	7.8	11.5	8.8	8.7	9.5	9.8
Primary balance (excl. grants)	1.4	1.2	0.5	-4.5	-3.4	-3.3	-2.5	-2.1
Overall balance (in percent of GDP)	2.0	2.2	1.9	-3.7	-2.5	-2.5	-1.6	-1.2
Public sector debt (in percent of GDP)	57.7	56.5	52.4	48.5	47.9	46.4	44.5	44.3
External sector								
Current account balance (in percent of GDP)	-10.5	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7
Gross official reserves (in millions of US$, eop)	1,135	1,542	2,347	1,877	2,032	2,032	1,976	2,039
In months of prospective non-extractive imports	5.8	6.7	8.2	6.2	6.3	6.4	6.4	6.5
External public debt (in millions of US$)	3,845	4,113	4,204	3,970	4033	3,959	4025	3,921
In percent of GDP	48.7	49.1	45.8	42.3	41.4	40.0	38.0	36.3

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

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

November 26, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, THIRD REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED FUND FACILITY, REQUEST FOR MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT

EXECUTIVE SUMMARY

Context. The Mauritanian economy is expected to slow down in 2024 with a growth rate estimated at 4.6 percent (compared to 6.5 percent in 2023), reflecting sluggish extractive sector. Inflation is contained and the current account (CA) deficit is narrowing. The outlook is subject to significant risks, including an escalation of geopolitical tensions in the region, and weather shocks. Moreover, challenges related to infrastructure, governance, vulnerability to economic shocks, and limited economic diversification constrain Mauritania's economic development.

Article IV policy recommendations. Discussions focused on optimal policies to strengthen the resilience of the economy and accelerate inclusive economic growth. Policy priorities should aim at increasing resilience to shocks and include:
(i) institutionalizing a fiscal anchor that aims at shielding the fiscal policy from the extractive sector volatility and at stabilizing or reducing external public debt;
(ii) mobilizing domestic revenues to create fiscal space to meet significant development needs; (iii) deepening foreign exchange market reforms to increase exchange rate (ER) flexibility, which would help to absorb external shocks and support economic diversification; (iv) accelerating reforms aimed at financial sector development and stability, which would enhance the sector's contribution to economic development; and (v) speeding up structural reforms to improve governance, transparency, improve the business environment and financial inclusion, and mitigate the challenges posed by climate change.

Program performance. Implementation of the Extended Credit Facility (ECF) and Extended Fund Facility (EFF) arrangements has been strong, with all end-June quantitative performance criteria (QPCs) met and all but three structural benchmarks (SB) through end-October met. Similarly, reform measures (RM) under the Resilience and Sustainability Facility arrangement (RSF) were met. The authorities have requested modification of the time period of the present value of newly contracted debt QPC to bring in line with the presentation of the external borrowing table presented in the Memorandum of Economic and Financial Policies (MEFP). The authorities have also requested modification of four SBs to bring them in line with IMF technical assistance (TA) recommendations. No multiple currency practices (MCP) have occurred since the last review. Program implementation risks remain mitigated by Mauritania's strong track record and the authorities' commitment to reforms.

Approved By
Taline Koranchelian and Jacques Alain Miniane

Discussions took place during October 3 – 16, 2024, in Nouakchott, Islamic Republic of Mauritania. The team comprised Felix Fischer (head), Onur Ozlu, Rana Fayez (all MCD), Moustapha Mbohou (SPR), Faycal Sawadogo, Fabiana Machado (all FAD) and Younes Zouhar (Resident Representative), assisted by Ibrahim Ball and Moctar Bellamech (local economists). Ms. Fatimetou Yahya (OED) joined part of the discussions. Jarin Tasnim Nashin and Karman Singh provided research assistance, Sofia Cerna, and Ibrahima Kane provided administrative support. The team met with His Excellency the President of the National Assembly Mohamed Ould Megett, His Excellency, the Prime Minister Moctar Ould Diay, the Governor of the Central Bank Mohamed Lemine Dhehby, the Minister of Economy and Finance Sid'Ahmed Bouh, and the Minister Delegate in charge of the Budget Codioro N'Guenor. The team also held meetings with the Minister of Justice, the Minister of Energy and Oil, the Minister of Mining and Industry, the Minister of Hydraulics and Sanitation, the Minister of Environment and Sustainable Development, other senior government officials, the civil society, the banking association and other representatives of the private sector, and diplomatic community.

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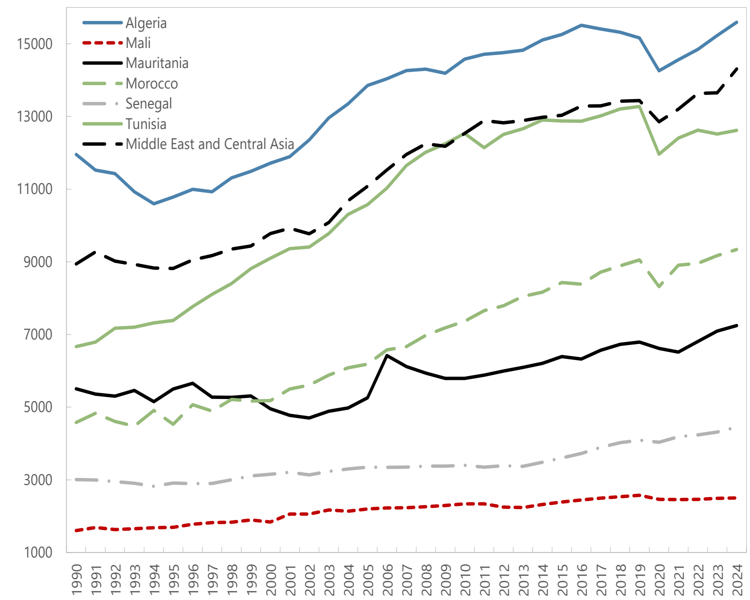
CONTEXT

1. **Mauritania's economic performance continues to be positive but economic development remains hindered by several factors.** Real GDP growth was robust in 2023, inflation remained contained, the current account (CA) deficit narrowed, and international reserves remained adequate. Yet, Mauritania faces significant structural challenges and has significant development needs. Limited economic diversification, dependence on a few exporting sectors (mining and fishing), and vulnerability to external shocks elevate external vulnerabilities. Private investment is constrained by limited access to finance, a challenging business environment, limited competition, the prevalence of State-Owned Enterprises (SOEs) in key sectors of the economy and challenges with the rule of law and governance. Low human capital, unemployment, informality—mainly among youth and workers in small firms—and urban rural disparities remain high. Significant infrastructure gaps persist, while macro-critical institutional reforms have been delayed by the pandemic. These challenges hinder economic development and the achievements of the Sustainable Development Goals (SDGs). Moreover, Mauritania is facing more frequent and severe climate-related natural disasters, which affect economic stability and growth.0F0F [1,] 1F1F [2] In addition, the deterioration of the security situation across the Sahel has led to a surge in refugees into Mauritania (Box 1) and while the authorities maintain an open-door policy and inclusive approach to refugees, the surge raises socio-economic challenges for local communities. Consequently, Mauritania has a way to go to achieve income convergence relative to its North African peers.

Text Figure 1. Mauritania: GDP per Capita
(2017 PPP International Dollars)



Sources: IMF WEO and IMF staff calculations.

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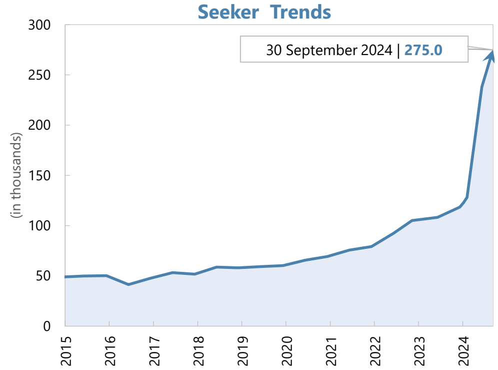
[1] The large adaptation (and mitigation) needs are discussed in the Staff Report of the first reviews under the ECF/EFF and request for an RSF, approved by the Executive Board on December 19, 2023.

[2] On June 4, the second ECF/EFF and first RST reviews were approved by the IMF Executive Board (LOT).

Box 1. Mauritania: Hosting a Growing Refugee Community

Figure 1. Mauritania: Refugee and Asylum Seeker Trends



Sources: Country authorities and UNHCR.

In the past few years, Mauritania has seen a large refugee influx. As of end- September-2024 Mauritania was hosting 275,000 refugees and asylum seekers, the highest number in its history, up from 41,113 in April 2016 (Figure 1). The majority (99 percent) are from Mali, predominantly residing in the Mbera Refugee Camp and adjacent communities within the Hodh Chargui region, which borders Mali. The Mbera Camp alone houses approximately112,000 individuals, making it one of Mauritania's largest human settlements while an estimated Malian refugee population of 143,000 lives out of camp in the Hodh Chargui region. Additionally, the cities of Nouakchott and Nouadhibou are home to 20,000 refugees from various countries, including Mali, the Central African Republic, and the Syrian Arab Republic. This refugee influx in Mauritania is part of the broader displacement of 4.7 million people in the Sahel region, from deteriorating conditions in Burkina Faso, Mali, and Niger. Based on field estimates by UNHCR, the ongoing insecurity in Mali could have contributed to over 100,000 new arrivals in Mauritania since January 2024, but most of them have yet to be registered and therefore not officially accounted for.

Comprehensive data on fiscal support for regions significantly impacted by the refugee influx is unavailable. According to UNHCR, Mauritania's national budgetary contributions towards refugee-related issues are modest. In 2023, these contributions included security expenditures to safeguard refugees in the Mbera camp (located at the border with Mali) and government assistance for health facilities within the camp alongside the operational budget for the National Consultative Commission for Refugees (Commission nationale consultative pour les réfugiés et les Personnes à Protéger, CNCRPP).

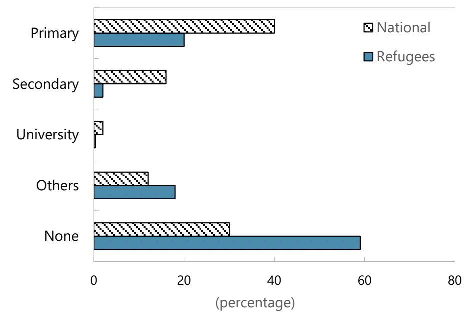
Mauritania promotes progressive policies towards refugees. Mauritania maintains open-door and progressive inclusion policies toward refugees despite the increased pressure on local communities, scarce natural resources such as water and grazing land, and elevated multidimensional poverty levels in the region of Hodh Chargui (78 percent, ANSADE).[1] While Mauritania has yet to enact a formal asylum law, it has implemented legal provisions that allow refugees access to social services and the opportunity to engage in wage-earning employment and entrepreneurship. Moreover, at both the 2019 and 2023 Global Refugee Forums, Mauritania pledged comprehensive inclusion, aiming to enroll refugees in the national civil registry and issue ID cards, enhance refugee access to the labor market, social protection, health, and education services on par with nationals as well as adapting Mbera camp into an integrated and sustainable human settlement. Mauritania has enacted legislation through decrees to include refugees into the national civil registry, issue them identification cards, and improve their access to the labor market, healthcare, and educational services. Since 2021, the World Bank-funded Social Safety Net System Project has facilitated access for over (7,000) refugee households in the Mbera camp to public social assistance programs, including regular and shock-responsive cash transfers (Tekavoul and ElMaouna).

1/ https://ansade.mr/fr/pauvrete-multidimensionnelle-en-mauritanie/

Box 1. Mauritania: Hosting a Growing Refugee Community (Concluded)

However, the refugee workforce remains low, due to limited skills and assets. Refugees account for only (2 percent) of the workforce aged 15-64 in Mauritania, with an employment rate of just 10 percent at Mbera Camp in 2023. Refugees are engaged in key economic sectors including livestock (32 percent), services (19 percent), trade (11 percent), craftsmanship (7 percent), and construction (6 percent). Despite challenges, such as limited access to formal jobs, mainly reflecting limited skills (Figure 2), bank penetration rate for refugees has increased to 10 percent in 2023 (in the Mbera camp), albeit lower than the 17 percent for nationals (2020).

Figure 2. Mauritania: Education Level



Sources: UNHCR, and Country authorities

Continued humanitarian and development support from the international community is needed to sustain Mauritania's progressive refugee policies and alleviate pressures on host communities. In light of Mauritania's limited resources, such support is needed to bridge service gaps and address ongoing humanitarian needs, particularly for the most vulnerable refugee populations. At the 2023 Global Refugee Forum the authorities, jointly with the UN, estimated the financial cost for humanitarian and development support for refugees at $284 million. Out of the estimated total amount, $240 million will be required between 2024-34 for the inclusion of refugees in the national education system, and $36 million, $6 million, and $2 million for their inclusion in health, social protection, and access to documentation respectively, by the next Global Refugee Forum in 2027.

2. **The political situation remains stable but security issues in the Sahel have led to a surge in refugees.** Presidential elections were held on June 29, 2024. Incumbent President Mohamed Ould Ghazouani was reelected for his second and final term and formed a new government on August 5, 2024. The new cabinet incorporates significant changes, with 18 of the 29 ministries being new.

3. **The Mauritanian authorities have requested modification of the time period of the PV of newly contracted debt quantitative performance criteria (QPC) and modification of four SBs.** For December 2024 and beyond, staff supports the authorities' request for a modification of the time period of the PV of newly contracted debt QPC to bring the QPC in line with the external borrowing table in the MEFP from the 2nd ECF/EFF reviews. [3] The new limits appear to be consistent with the moderate risk of debt distress. [4] The authorities

[3] The current definition, in the MEFP (Table 1), represents cumulative totals from the beginning of the program (January 1, 2023). However, the calculation of these values was based on an external borrowing plan discussed with the authorities that only accounts for expected 2024 disbursements (see Text Table 3 in the MEFP) and should thus have covered the period starting on January 2024 instead of January 2023.

[4] Meeting the target for newly contracted debt does not automatically guarantee that the DSA rating will remain unchanged, as the final terms and conditions of the debt (level of concessionality, grace period, repayment profile) determine the impact on the DSA. Potential impact of new debt needs thus to be assessed against both, the newly contracted debt QPC and the DSA.

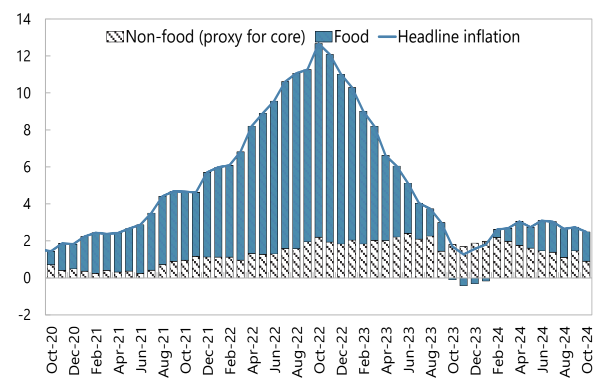
have also requested to re-formulate and move the SB on the consumption tax from 2024 to 2025, to re-formulate and move the SB on the enhancement of the declaration of assets and interests framework from end-December 2024 to end-February 2025, to re-formulate the SB on banking supervision, all per IMF TA recommendations, and to re-formulate the SB on the central bank claims on the government to improve the terms of the convention.

RECENT ECONOMIC DEVELOPMENTS AND STRUCTURAL REFORMS

4. **Economic activity continued a robust trajectory despite a slight slowdown, while inflation has slightly picked up in 2024.** The normalization of the extractive sector (from 18.3 percent in 2022 to 9.4 percent in 2023) was the main driver behind the slightly weaker overall growth (6.5 percent in 2023 down from 6.8 percent in 2022). Growth in the non-extractives sector picked up to 5.9 percent in 2023 (compared to 3.8 percent in 2022), despite a slowdown in fisheries and agriculture, mostly due to an expansion in financial services following the introduction of mobile banking across the country. Inflation increased to 2.5 percent (y-o-y) in October 2024, up from 1.6 percent at end-2023, driven by food and beverages inflation, which accounts for more than half of the increase (Text Figure 2).

Text Figure 2. Mauritania: Contribution to Inflation

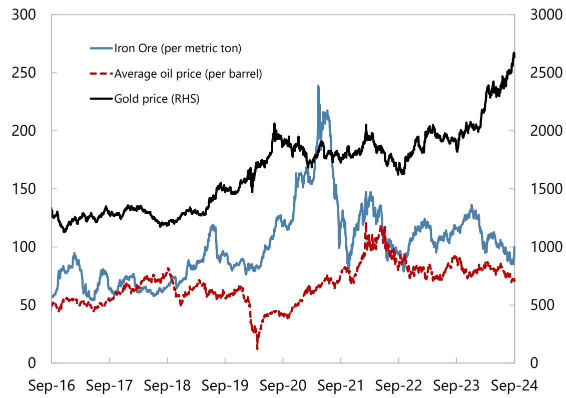
(In percent)



Sources: Mauritanian authorities; and IMF staff calculations.

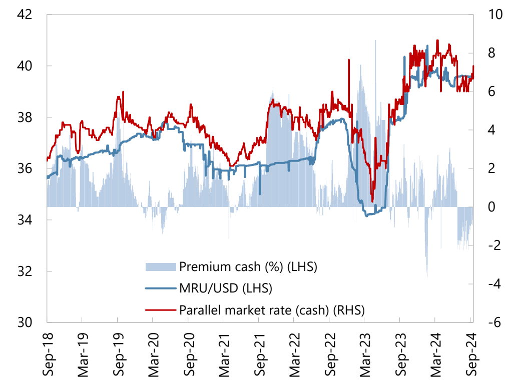
5. **The external position improved as imported food and energy prices normalized and gold prices continued on an upward path.** The CA deficit narrowed to US$303.8 million in the first half (H1) of 2024, down from US$587.8 million in the same period of 2023. Since the introduction of the new foreign exchange platform at the end of 2023, the Ouguiya depreciated by 0.74 percent against the dollar (as of end-September), and by 0.5 percent in nominal effective term, with decreased volatility in the Ouguiya compared to 2023.

Text Figure 3. Mauritania: International Commodity Price Indices



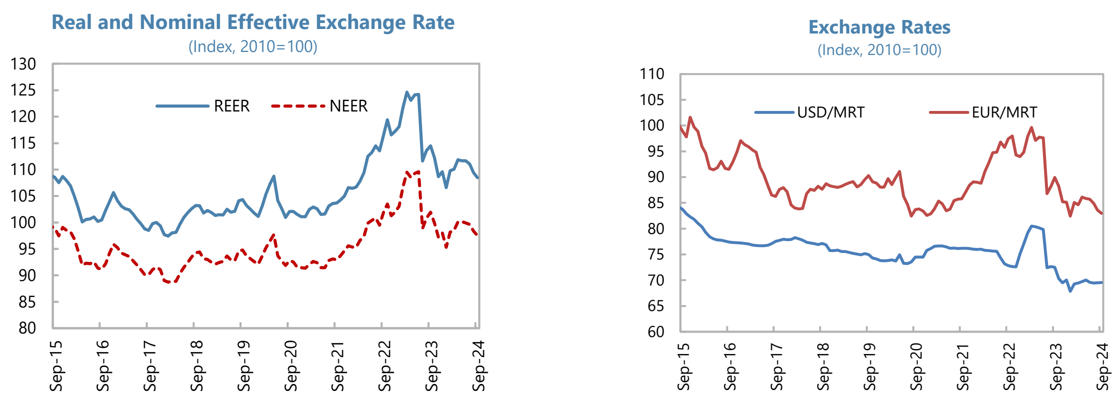
Sources: Bloomberg database; and IMF staff calculations.

Text Figure 4. Mauritania: Ouguiya per US Dollar— Official and Parallel Market



Sources: Mauritanian authorities; and IMF staff calculations.

Text Figure 5. Mauritania: Exchange Rates



Source: IMF staff calculations based on authorities' data.

6. **The 2024 budget execution is in line with the projections, with a slight overall fiscal surplus, as of end-September 2024, as revenue exceeded expenditure.** Revenue, including grants, stood at MRU 68.0 billion, i.e., 16.1 percent of 2024 projected GDP (66.7 percent of 2024 budget). Tax revenues were 30.1 percent higher year-to-date than in the same period of 2023 thanks to: (i) an advance tax payment of MRU 1 billion made by one of the mining operators, (ii) the increase in withholding taxes from subcontractors operating in the extractives sector, following regularization and audit operations, (iii) the introduction of a tax on telecommunications services at 5 percent of operators' turnover and the increase in VAT on telecommunications services from 16 to 18 percent in the last quarter of 2023, and (iv) the introduction of a tax on unbuilt property in 2024. Expenditure stood at MRU 67.5 billion, i.e., 16.0 percent of 2024 projected GDP (62.9 percent of 2024 budget), slightly above its end-September 2023 level of MRU 66.9 billion (62 percent of 2023 budget).

7. The Government further developed the treasury bill market while the BCM continued to keep excess liquidity minimal. The stock of treasury bills issued by the government and held by commercial banks has steadily increased from 2.9 billion MRU end-December 2023 to 4.6 billion MRU at end-September 2024 and Islamic treasury bills increased from 0.7 billion MRU end-December 2023 to 1.7 billion MRU at end-September 2024. The banking sector also showed increasing appetite for longer maturities with a successful issuance of two-years government bonds. The BCM has continued to develop the tools to finetune liquidity management. In early 2024, it created the conventional overnight deposit facility, and by end-year it aims to launch its Shariah compliant equivalent overnight deposit facility. The deployment of these instruments and the issuance of conventional and Islamic bonds, has helped reduce excess liquidity, reignite the government and security market and the emergence of market interest rates. During the first 9 months of 2024, excess reserves have averaged 1.6 billion MRU (compared to 4.2 billion MRU for the same period in 2023 and 3.8 billion in 2023).

8. The monetary tightening implemented in 2022 and the authorities' liquidity absorption efforts helped keep inflation within a 1.5-3 percent band for over 12 months and paved the way for monetary easing. With inflation expected at 3.0 percent by end-2024 (2.5 percent in October 2024), entrenched at 3-4 percent for more than 12 months, the BCM narrowed on October 22, 2024, the interest rate corridor and reduced the policy rate from 8 percent nominal to 7.25 percent.

9. Foreign exchange (FX) market reforms continued towards greater ER flexibility. As of early October, 16 commercial banks were participating on this platform, with nearly 70 percent of foreign exchange transactions occurring between banks, while the central bank conducted the rest through auctions. [5] So far, exchange rate (ER) fluctuations have remained modest, with regular transactions conducted by banks designated as 'market makers' on the platform. [6] Between mid-February and early-September 2024, the ER against the dollar has been stable, moving with a narrow +/- 2 percent band. Nonetheless, demand for Letters of Credit from formal importers is weighing on the available liquidity in the market as a share of imported goods is reexported informally with FX receipts not reentering the formal channels. To address challenges such as primary dealers not honoring firm quotes by executing transactions through the platform after agreeing on the ER offline and to further improve the functioning of the foreign exchange market and increase the flexibility of the ER, in line with IMF TA, the Central Bank reduced the number of banks acting as market makers from 11 to 4 at end-October and plans to integrate a tool within the

[5] While interbank transactions barely existed prior to the launch of the new platform, since the introduction of the platform on December 14 and up to October 10, 2024, commercial banks conducted 4083 FX interbank transactions amounting to a total of US$ 1,381,595,000. During this same period, the BCM offered US$554,000,000, of which US$532,081,813 million were adjudicated through auctions.

[6] On October 2024, the obligation for commercial banks operating as "market makers" to trade a daily volume of at least US$1 million on the FX platform has been revised to a weekly minimum volume of at least US$ 2 million.

platform's IT system (Refinitiv) to enforce firm foreign exchange quotes (proposed end-April 2025 SB).

10. Financial sector policies were further strengthened while a strategy for financial inclusion has been adopted. The authorities have strengthened their sanctions regime including enforcement of capital and core capital requirements, introduced a banking sector scoring system, and are implementing Early Warning Indicators tools. The national financial inclusion strategy was adopted by end-2023 and its execution is ongoing with the goal of promoting access and utilization of a diverse range of digital financial products and services, financial literacy, and inclusive green finance, including for young people, women, rural populations, forcibly displaced people and MSMEs. [7]

11. The authorities are working on relevant reforms in line with their published action plan for economic governance and anti-corruption reforms. [8] Following the publication of the Governance Diagnostic report in December 2023 and the establishment of an interministerial committee, the authorities set up a number of technical subcommittees [9] to accelerate and follow-up on the implementation of the action plan and the anti-corruption strategy. They are developing amendments to the anti-corruption law to bring it in line with the United Nations Convention Against Corruption and are planning to create a new anti-corruption agency. The authorities are also making progress, with Fund TA, on preparing legal amendments to enhance the declaration of assets and interests framework and are on track to submit them to parliament by end-February 2025 (SB, end-February 2025). A new law on public enterprises was developed with Fund TA and will be submitted to parliament (SB, end-September 2024, not met). To follow-up on the progress made under the action plan and improve transparency and accountability, the authorities plan to publish quasemi-annual reports on the implementation of the action plan (SB, end-December 2024).

12. The authorities are making timely progress in the implementation of the RSF, guided by a Technical Coordination Committee (TCC). The social assistance program aimed at safeguarding vulnerable households from climate shocks is progressing effectively. An inter-ministerial agreement has been signed and enacted to enhance cooperation between the Ministry of Environment and the Ministry of Water in managing water resources (end-October 2024 RSF RM XI). Additionally, the authorities have amended a decree and endorsed a manual to incorporate climate considerations into all phases of public investment management.

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[7] Supported by the World Bank, the authorities have formulated an investment policy statement, still to be adopted at Cabinet level, to address policy impediments and enhancing the business environment by: (i) further eliminating administrative barriers and red tape, (ii) simplifying national business creation procedures by expanding access to a centralized one-stop-shop, (iii) implementing initiatives to reinforce vocational training, (iv) streamlining import and export procedures, and (v) enhancing transparency in land allocation.

[8] See Plan d'Action du Gouvernement pour Améliorer la Gouvernance | وزارة الشؤون الاقتصادية وترقية القطاعات الإنتاجية (economie.gov.mr)

[9] In addition to ministries, the technical subcommittees also include representatives from the civil society and the private sector.

OUTLOOK AND RISKS

13. The economy remains resilient though further reforms are needed to lift the non-mining economic growth (Figure 1).

- **Economic growth in 2024 is projected to slow to 4.6 percent**, mainly driven by a contraction in the extractive sector. Non-extractive sector growth is expected to remain robust (5.7 percent vs. 5.9 percent in 2023), supported by a better-than-expected performance in agriculture and fisheries and the continued growth in the financial sector. Inflation is projected at 3 percent at end-2024. The CA deficit is expected to narrow to 7.7 percent of GDP (8.8 in 2023) and by end-year, international reserves are projected to remain flat relative to 2023 at around US$2.0 billion (6.4 months of prospective non-extractive imports).

- **The 2024 fiscal performance is expected to further reduce public debt.** The non-extractive primary deficit (NEPD) including grants should narrow to 3.7 percent of GDP from 5.2 percent of GDP in 2023. As a result, public debt is projected to further decline from 46.4 percent in 2023 to 44.3 percent in 2024.

14. Over the medium term, growth prospects are expected to remain favorable despite a temporary deceleration in 2025 and 2026 reflecting projected declines in mining production in line with their production cycles. Despite the start in GTA offshore gas production, economic growth in 2025 is expected to decelerate to 4.2 percent, driven by a projected 23.5 percent decline in gold production, as some gold mines reach the end of their production cycle, and a downward revision in iron ore production. Growth is expected to decelerate further in 2026 to 3.7 percent (reflecting a downward revision in iron ore production and a further drop in gold production), before picking up in 2027-2029, driven by higher gold and iron ore production. The CA deficit in 2025 is expected to widen to 8.4 percent of GDP, on the back of expected drop in fishing, iron ore and gold exports, as well as copper prices. Over the medium term, gas exports from the GTA project, combined with strong fishery, and accelerated reforms, will likely support the narrowing of the CA, thus keeping international reserves adequate through 2029 (at 5.8 months of non-extractive imports), while iron ore production should expand until 2029. The NEPD is expected to stabilize at 3.5 percent of GDP, supported by sustained non-extractive tax revenue mobilization.

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

	2019	2020	2021	2022	2023		2024	
					2nd Review	Est.	2nd Review	Proj.
National accounts and prices	(Annual change in percent)							
Real GDP	3.1	-0.4	0.7	6.8	3.4	6.5	4.3	4.6
Real extractive GDP	7.5	7.1	-19.2	18.3	10.9	9.4	2.6	-0.5
Real non-extractive GDP	2.5	-1.7	6.0	3.8	1.7	5.9	4.7	5.7
Consumer prices (end of period)	2.7	1.8	5.7	11.0	1.6	1.6	4.0	3.0
Central government operations	(In percent of nonextractive GDP, unless otherwise indicated)							
Revenues and grants	19.9	20.8	22.7	25.0	22.9	22.5	23.6	24.1
Nonextractive	16.7	16.6	16.2	18.2	17.3	17.0	18.6	18.9
Taxes	12.2	10.9	11.7	13.4	12.8	12.6	14.0	14.3
Extractive	1.6	2.1	4.2	5.1	3.7	3.7	3.1	3.4
Expenditure and net lending	17.8	18.5	20.8	28.7	25.4	25.0	25.2	25.4
Of which: Current	11.2	12.0	13.0	17.2	16.6	16.4	15.7	15.5
Capital	6.8	6.6	7.8	11.5	8.8	8.7	9.5	9.8
Primary balance (excl. grants)	1.4	1.2	0.5	-4.5	-3.4	-3.3	-2.5	-2.1
Overall balance (in percent of GDP)	2.0	2.2	1.9	-3.7	-2.5	-2.5	-1.6	-1.2
Public sector debt (in percent of GDP)	57.7	56.5	52.4	48.5	47.9	46.4	44.5	44.3
External sector								
Current account balance (in percent of GDP)	-10.5	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7
Excl. externally financed extractive capital goods imports	-3.8	2.2	1.0	-0.8	-1.6	-0.5	-1.8	-1.4
Gross official reserves (in millions of US$, eop)	1,135	1,542	2,347	1,877	2,032	2,032	1,976	2,039
In months of prospective non-extractive imports	5.8	6.7	8.2	6.2	6.3	6.4	6.4	6.5
External public debt (in millions of US$)	3,845	4,113	4,204	3,970	4033	3,959	4025	3,921
In percent of GDP	48.7	48.6	46.1	41.5	41.4	37.2	38.0	36.4

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

15. The balance of risks is tilted to the downside. An escalation of geopolitical tensions could affect Mauritania through new terms-of-trade shocks. The security situation in the Sahel could further deteriorate, potentially leading to increased security incidences on Mauritanian soil and a larger refugee inflow. [10] More frequent climate disasters could damage infrastructure, impact agriculture production, worsen food insecurity, and weigh on international reserves and economic growth, generating additional Balance of Payments (BoP) needs. Disruptions or delays in the start of operations of the GTA gas exploitation project and adverse price fluctuations in commodity markets could lower fiscal revenue, widen BOP needs, and increase external financing needs, and worsen the medium-term debt profile.

Authorities' Views

16. The authorities broadly agreed with staff's assessment of the outlook and risks but projected higher agriculture and fisheries production in 2026. They highlighted that planned measures to increase government support to both sectors are expected to result in higher agriculture and fisheries production despite the impact of climate change, including the frequency of droughts and the uncertainty surrounding GTA's impact on fish populations. Furthermore, the authorities considered the start of the GTA production to be imminent and associated risks to be negligible.

[10] See Box 1.

POLICY DISCUSSIONS FOR THE ARTICLE IV

17. President Mohamed Ould Ghazouani's second mandate puts high emphasis on youth promotion, fighting corruption, better access to public services, and economic transformation. The new government has identified among key challenges facing Mauritania the propensity to improperly appropriate public funds and weak local governance, the lack of economic diversification and weak infrastructure, and the attitude towards work and low access to education. To this effect, and in line with the authorities' economic program supported by the IMF (see Annex VI), the government roadmap is centered around five pillars including:

18. Strengthening the rule of law and strong institutions, with good modern governance, through notably the modernization of the judiciary and the effective operationalization of the anti-corruption agency,

a. Fostering an efficient, resilient, and eco-sustainable economy, which entails the revision of the tax system to ensure more equity, the revision of the PPP and investment laws, the reform of the banking system, the digitization and infrastructure investment.

b. Investing in human capital, particularly youth and promoting social integration, through the development of vocational training, the expansion of health infrastructure, the generalization of health insurance, and the improvement of the targeting of the social programs such as Taazour.

19. Under the ECF/ EFF arrangements, the authorities are implementing key Article IV Consultation recommendations. Annex VII details progress on the implementation of the 2022 Article IV, including the progress in developing the banking and liquidity management regulations, absorbing excess liquidity, introducing key reforms to the FX market to support a smooth transition to greater FX flexibility and the implementation of some key FSAP recommendations. Going forward, policies will need to focus on building economic resilience while accelerating economic development. This will require entrenching fiscal sustainability, developing financial markets, deepening reforms toward higher ER flexibility to absorb external shocks, and structural reforms to maximize the output potential (Annex VI).

Fiscal Sustainability

20. Mauritania's fiscal policy is anchored in a medium-term fiscal framework (MTFF) aimed at ensuring fiscal sustainability and reducing the volatility associated with extractive sector resources. The 2022 Article IV consultation made a case for a fiscal anchor and a gradual fiscal tightening with a target of the NEPD between 4.5 and 3.5 percent of GDP. The implementation of this anchor has helped strengthen the NEPD from 7.7 percent in 2022 to 3.7 percent of GDP in 2024. Staff welcomed this reform recommended fine-tuning this approach through a target of an annual NEPD based on the lower limit defined by the fiscal anchor, i.e., 3.5 percent of GDP. This would allow public debt to be maintained at around 45 percent of GDP and net assets at around

40 percent of GDP over the medium term and thus become a more attractive place of private sector investments, including foreign direct investments (FDI).

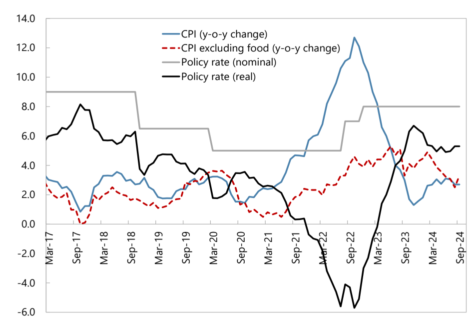
21. More ambitious domestic revenue mobilization would enable Mauritania to meet its enormous development needs while preserving fiscal sustainability. This requires reforms aimed at reducing the tax gap estimated by staff at 10.1 percent of GDP in 2022. [11] For instance, reducing the tax gap by one-third over the medium term would allow Mauritania to generate up to 3.4 percentage points of GDP of additional revenues through a combination of tax policy and tax administration measures. To achieve this, based on recent Fund tax policy, tax administration and customs administration diagnostics, staff recommended reducing VAT exemptions, especially those that are regressive; replacing corporate income tax exemptions with cost-based tax incentives; [12] effectively taxing all earned income, including public and private sector salaries, according to the law; and extending the consumption tax to local production and other products on tax policy. [13] Staff also recommended the simplification of tax procedures, effective management of tax arrears, and improvement of tax compliance on revenue administration. Maintaining fiscal sustainability also requires measures rationalizing current expenditures, particularly through the extension of the social registry coverage to improve the targeting mechanism and reducing the cost of generalized subsidies and transfers and improving the efficiency of capital expenditure.

Monetary and FX Policies

22. With inflation expected at 3.0 percent by end-2024 and entrenched at 3-4 percent for more than 12 months, staff welcomes the BCM recent narrowing of the interest rate corridor and reduction in the policy rate from 8.0 percent to 7.25 percent.

Text Figure 6. Mauritania: Inflation and BCM's Policy Rate

(In percent)



Sources: Mauritania Authorities and IMF staff calculations.

23. The Central Bank of Mauritania (BCM) should continue refining its monetary policy instruments to absorb excess liquidity and to finetune its liquidity management. Staff welcomed BCM's efforts to reduce banks' excess reserves to about 1.6 billion MRU on a monthly average for the first
9 months of 2024, compared to the monthly average of 3.8 billion MRU in 2023. To increase traction in liquidity management, the BCM complements its existing seven-day Shariah-compliant BCM instrument, SENAD, with an overnight Shariah-compliant facility. The BCM intends to further reduce

[11] See Selected Issues Paper on Improving tax revenue in Mauritania for a detailed discussion on these recommendations.

[12] These include non-refundable tax credits, accelerated depreciation, and investment allowances.

[13] Plastic bags, motor vehicles, and sugar-sweetened beverages.

the targeted excess liquidity to help develop the interbank market and avoid undue swings in the foreign exchange market. Staff recommended further improvements in coordinating the liquidity management between the BCM and the Ministry of Finance and Economy and a more frequent use of monetary policy instruments (from weekly to semi-weekly seven-day).

24. To deepen the money and government securities markets, regular auctions of T-bills for conventional and Islamic banks should continue. For 2025, the authorities intend to issue new securities (both conventional and Islamic) with maturities of up to ten years. Staff supported the authorities' initiative to issue longer-dated government securities to establish a yield curve and underlined the need of continued dialogue with the banking sector to assess their appetite for longer maturities and the necessity of a staggered issuances to mitigate rollover risks. These developments, along with the absorption of excess liquidity and the narrowing of the BCM interest rate corridor initiated in October 2024, would enhance monetary transmission, and improve the effectiveness of monetary policy operations.

25. Interbank FX platform launched in December 2023 represents a substantial shift from the central bank's previous quasi-monopoly in the foreign exchange market. The move paves the way for a transparent and more effective interbank market. Staff concurred with the BCM that continued reforms to address challenges and the fine-tuning of the platform in line with IMF TA would, ultimately, bring greater ER flexibility.

Developing Financial Markets

26. Despite the relatively large number of banking institutions, financial intermediation remains weak. Staff analysis indicates that credit-to-GDP ratios are persistently low and for a significant part of the population, access to financial services remains limited. [14] The prevalence of family-owned banks favors connected lending that crowds out potentially higher-yielding projects and perpetuates sub-optimal governance practices. As such, staff's analysis suggests that the relatively high number of banks does not result in more competitive pricing; instead, many banks operate in their own ecosystems, charging high markups to outsiders. These in turn prevent the formation of a competitive and transparent banking environment. To stimulate the emergence of a more competitive banking sector that can stimulate economic growth, staff recommended strict enforcement of regulatory and prudential requirements which would likely result in some consolidation in the banking sector. Staff reiterated the need to implement the key recommendations of a recent Fund TA that include reforming the legal framework for banking supervision and bank resolution, and strict enforcement of prudential norms, starting with capital requirements and limits on connected lending.

[14] See Selected Issues Paper on Financial Sector Development.

27. The central bank's supervisory functions and its independence are being strengthened. Staff welcomed the amendments to the central bank and banking laws [15] which will fortify the BCM's independence and expand its authority in matters of banking supervision, resolution and forced liquidation. Supported by IMF TA, the BCM will also work with banks to clarify any ambiguities in the applicable accounting standards [16] by focusing on the accurate classification of non-performing exposures and adequate provisioning for expected credit losses. [17] Additionally, the BCM is amending existing regulations to require auditors to adopt a "risk-based and materiality-based" approach and to assess the institution's internal controls. Finally, the central bank is conducting an international audit and will mandate all banks to publish financial statements in accordance with IFRS standards.

28. Upholding prudential norms is vital for maintaining the resilience of the banking system against shocks. The BCM has imposed monetary and non-monetary sanctions and established recovery plans and program contracts for banks in difficulty, including due to non-compliance with prudential ratios and qualitative norms. These sanctions, plans, and contracts vary depending on the severity of the non-compliance and are designed to ensure return to compliance. With the strengthening of the legal framework for banking supervision and resolution, forced liquidation will become an option for the BCM to deal with banks that fail to meet the conditions outlined in their recovery plans. Staff encouraged the BCM to use all available tools to enforce prudential norms and to break with past forbearance of some norms such as minimal capital.

29. With Fund TA, the BCM is developing a new methodology for on-site and off-site inspections. Through comprehensive monitoring of bank declarations, early warning indicators have been established. Additionally, a bank rating system has been implemented to pinpoint risks that necessitate on-site intervention. The BCM also enhanced its documentary control management team by assigning 15 personnel who have received TA from the IMF. The BCM further plans to draft an inspection manual and recruit and train banking supervision staff in alignment with the recently adopted HR strategy. This initiative will also involve enhancing off-site monitoring tools and refining on-site inspection processes to ensure they are more risk-based and efficient, thereby effectively addressing key risk areas within a reasonable inspection cycle over the coming years. Staff

[15] The amendment to the Central Bank law was adopted by the National Assembly on Nov 12, 2024. The amendment to the banking law was adopted by the Council of Ministers in November 2024 and is scheduled to be submitted to Parliament before end-2024. While the bulk of Fund comments were incorporated, the Central bank law does not include a double veto procedure for the appointment of the members of the decision-making bodies, which the authorities would want to address in a future revision to the law.

[16] The current national accounting standards from 1988 and last amended in 2009, have become obsolete. Over the medium term, the authorities will need to embark on comprehensive revisions to harmonize the national accounting plan with internationally recognized principles and practices.

[17] An in-depth audit of the methodologies employed by banks to calculate prudential ratios revealed a significant lack of understanding among the accountants in certain institutions, resulting in the improper application of prudential regulations.

welcomed the further strengthening of the BCM's on- and off-site inspections and continue to provide technical support in this area.

30. Staff also welcomed the establishment of the Guarantee Fund of Mauritania, which has already started issuing guarantees. The fund aims to increase financial inclusion and support SMEs as engines of growth. The first set of guarantees have been issued to projects in the fintech and fisheries sectors. In addition, the Guarantee Fund is also providing technical assistance to SMEs in the development of their projects. The authorities adopted their national financial inclusion strategy at end-2023 and are taking actions to increase digital finance, including by developing a national digital payments strategy, [18] implementing a regulatory sandbox at the BCM, and establishing an environmental, social, and governance (ESG) regulatory framework to support greener financing.

Structural Reforms

31. Prompt and well-sequenced implementation of structural reforms could help raise Mauritania's growth prospects. Mauritania's growth performance has weakened, particularly in the last five years. Staff's analysis shows that first-generation reforms such as governance, external sector liberalization, and regulatory quality reforms can yield significant upfront output gains in Mauritania (Annex VI), in particular the implementation of reforms in:

- **Governance:** Enhancing transparency, reducing corruption, and improving public sector efficiency. These reforms are currently being undertaken based on the action plan for governance reforms developed by the authorities. To keep the reform momentum, Staff encouraged the authorities to ensure the timely implementation of the action plan and prioritize the enactment of the implementation decrees for the new public enterprises law, the new declaration of assets and interests law and the operationalization of the anti-corruption agency. Over the medium-term, Staff urged the authorities to continue drawing from the IMF's Governance Diagnostic to expand the government's action plan.

- **External Sector Reforms:** Liberalizing trade, reducing non-tariff trade barriers—especially those arising from administrative burdens, and improving foreign investment regulations—including by advancing the establishment of a one-stop shop for trade, would improve logistics services, and enhance transparency and predictability.

- **Regulatory Quality Reforms:** Priorities include simplifying business regulations, reducing bureaucratic red tape, and improving the ease of doing business and tax compliance.

[18] In October 2024, the interoperability between banks of mobile banking payments was made operational.

Data Quality

32. Data provision has some shortcomings that somewhat hamper surveillance. The shortcomings reflect capacity issues and data availability limitations and are mostly in the national accounts data, external sector statistics and financial sector statistics. Additionally, improvements are needed in the fiscal sector statistics, particularly on the coverage of government entities beyond the central and local governments. The Fund is providing extensive TA to support the authorities in their efforts to address the data shortcomings.

Authorities' Views

33. The authorities were committed to maintaining the fiscal discipline established through the fiscal anchor based on a ceiling of the NEPD at 3.5 percent of GDP. They acknowledged this approach's relevance, which has enabled them to mitigate the volatility associated with extractive sector revenues and support their debt sustainability. They reiterated that fiscal consolidation would rely primarily on improving tax revenue mobilization, rationalizing current expenditures, and improving the efficiency of public spending. To this end, the authorities were determined to implement programmatic budgets and contracts for public entities, linking budgetary resources to results and strategic objectives while strengthening the accountability of public administrations. They also emphasized their willingness to initiate reform of fuel prices to phase out related subsidies. In addition, the authorities highlighted that they would implement their action plan for tax policy to generate additional revenue and progressively reduce the tax gap. This will allow to increase investment in human capital and infrastructure in the education, water, electricity, and health sectors while maintaining their social assistance program for the most vulnerable populations and refugees. However, they were cautious about applying the salary tax to all civil servants' earned income without an assessment of the effective tax base [19] and committed to studying the public sector salaries' structure to enumerate effective exemptions and link the tax collection procedure with the law on civil servants' wages.

34. The authorities agreed with staff's assessment of the monetary and FX policies and the need to reform and deepen financial markets. The BCM welcomed staff's assessments of financial sector issues and underscored the steadfast enforcement of regulatory and prudential requirements, including the recent amendments to the relevant laws to reinforce the legal framework for banking supervision and resolution. The BCM also highlighted recent innovations to deepen the country's financial sector and affirmed their commitment to closely monitoring capital

[19] Deductions on the value of benefits "in kind", including bonuses-which account for a significant share of the recent increases in the salaries of highly paid civil servants-are high and make it possible to avoid the highest rates of the tax schedule. This means that individuals with the same income are taxed unequally, even within the same sector, undermining the fairness of the Mauritanian tax system (Refer to the SIP on domestic revenue mobilization for a more detailed discussion). However, the authorities argued that several decrees adopted in the past granted salary increases and advantages on a net basis, thus justifying the exemption of a share of salaries in the public sector. The TPU started the identification and collection of these decrees that will serve as a basis for the analysis.

requirements and connected lending ratios, and ensuring that banks enhance their risk management capacity, including proactive provisions for non-performing loans.

35. The authorities agreed with staff's recommendations on the structural reforms needed to foster sustainable and inclusive growth in Mauritania. They noted that external shocks, such as the global financial crisis and the COVID-19 pandemic, impacted growth performance in Mauritania. They considered governance reforms a priority, as demonstrated by the action plan for governance adopted by the government in 2023, and relevant work toward its implementation. The authorities also recognized the importance of streamlining and digitalizing export and import procedures, along with establishing conducive regulatory frameworks to enhance trade, attract foreign investments, and increase private sector participation, including through the reforms to the investment code and the investment policy ("*lettre de politique d'investissement*").

36. The authorities welcomed staff's assessment of data quality. They highlighted the progress made, specifically on improving data sharing among different entities to support consistency across sectors as well as the timely publication of data. The authorities were committed to continue improving data quality, coverage, granularity, and timeliness across all sectors of the economy, supported by extensive Fund TA.

PROGRAM PERFORMANCE

37. Program performance through end-June was satisfactory (Table 12). All end-June 2024 QPC were met (MEFP Table 1). Progress is well underway for the end-December SBs (MEFP Tables 2 and 3):

- **Net international reserves levels** reached US$1,431 million at end-June and 1,361 million at end-September 2024, above the QPC target of US$1,293 million and IT of 1,259 million, reflecting improved reserves management and increased repatriation of the National Industrial and Mining Company (SNIM) funds.
- **Net domestic assets levels** were substantially below the QPC ceilings of MRU 5 billion and 7.4 billion, at MRU -7.3 billion and -4.7 billion at end-June and end-September, respectively.
- **New external payment arrears** remain at zero at end-June (and end September), in line with the QPC (IT), and the present value of new public and publicly guaranteed debt is at MRU 27.2 billion, below the QPC ceiling of MRU 35 billion. For December 2024 and beyond, staff proposes a modification of the time period of the PV of newly contracted debt QPC to bring the QPC in line with the external borrowing table in the MEFP from the 2nd ECF/EFF reviews. [20]

[20] The current definition, in the SR 24/194 MEFP (Table 3), represents cumulative totals from the beginning of the program (Jan 1, 2023). However, the calculation of these values was based on an external borrowing plan discussed with the authorities that only accounts for expected 2024 disbursements (see Table 3 in the MEFP) and should thus have covered the period starting on January 2024 instead of January 2023.

- **The non-extractive primary deficit** reached MRU 8.1 billion at end-June 2024 (below the QPC of MRU 12.0 billion and MRU 8.6 billion at end-September 2024, below the IT of MRU 14.7 billion

- **Social spendings** stood at MRU 10.4 and 15.9 billion at end-June and end-September, respectively, substantially above the indicative target of 5.5 and MRU 11.0 billion. [21]

- **The committee between the BCM, SNIM, and the MoF has been formed.** SNIM shares its repatriation forecast for the next 12 months. However, regular updates to the repatriation forecast are needed for an accurate FX cashflow analysis. The protocol to formalize the information exchange between BCM and SNIM is yet to be signed (SB for end-June 2024, not met).

- **Reform of the Consumption tax in the LFR 2024** (SB end-August 2024) was not met. Preparatory work was supported by Fund TA and staff suggests a rewording and rephasing of this SB as "Reform the consumption tax by replacing it with a conventional excise tax system, which applies to both imports and local production in the revised budget law (LFR) for 2025" (proposed SB for end-August 2025). [22]

- **A new law on public enterprises** was prepared and finalized with the assistance of Fund TA and will be submitted to parliament (SB for end-September 2024, not met).

- **The reform of the codification of indirect tax exemptions** (SB for end-September 2024) was met. [23]

- **The publication of financial reporting on SNIM mining and non-mining activities, including the SNIM foundation on an annual basis** (SB for end-October 2024) was met. [24]

- **The stock of treasury bills with commercial banks has continued to increase**, with conventional treasury bills reaching 4.6 billion MRU at end-September 2024 and Islamic treasury

[21] This trend over the first three quarters is in line with observations in previous years.

[22] In its current definition, the consumption tax in Mauritania only applies to a selection of imported products, thereby making it equivalent to a tariff. However, this conflicts with best practice and could be incompatible with the country's international commitments, particularly with (i) the ECOWAS, as this tax is in addition to the customs duty set in the Common External Tariff, and (ii) the WTO, which requires the notification of customs duties and taxes with equivalent effect. The proposed change in the SB follows findings from an FAD TA which assisted the tax administration with tax expenditures assessment. The authorities have requested FAD's support for the implementation of the proposed revised SB. Given the timeline of the adoption of the initial budget law for 2025, i.e., October 2024, the revised proposed SB is set to be implemented in the revised budget for end-August 2025. An FAD follow TA will support the authorities in the implementation of this SB.

[23] A new matrix with the new additional code was finalized with the World Bank support and the next steps are: (i) the signing of the decree setting the new codes by the MEF and (ii) the implementation of the new codes starting on January 1, 2025.

[24] These reports can be accessed online on https://www.snim.com/index.php/en/pub-v.

bills reaching 1.7 billion MRU, exceeding the December 2024 structural benchmark (SB) target of 3 billion MRU for conventional and 1.5 bn MRU for Islamic treasury bills (December 2024 SB).

38. 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 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. To support program implementation, a revised CD strategy has been prepared in consultation with the authorities and discussed with IMF CD departments (Annex I).

39. Reform measures (RMs) due for the second review under the RSF are completed. An interministerial agreement on water was signed and is being implemented by a technical committee (end-October 2024 RSF RM XI, met), and the PIM decree and manual were approved by the government (end-October 2024 RSF RM III, met), (MEFP Text Figure 1).

PROGRAM DISCUSSIONS

40. Program discussions aimed to help the authorities reach the objectives of (i) ECF/EFF arrangements of entrenching fiscal sustainability, increasing resilience to shocks, strengthening monetary policy, and fostering inclusive growth and of (ii) the RSF arrangement of addressing climate change related risks to BoP stability. The QPCs (MEFP Table 1) ensure that fiscal policy is insulated from volatile extractive revenue, external debt is stabilized or reduced, international reserves remain adequate given the risk of widening BoP needs and excess reserves are kept minimal. SBs support macro-critical structural reforms (MEFP Table 2). To support program implementation, staff discussed with the authorities their CD strategy. The CD strategy has been updated as a result of these consultations and in coordination with the IMF CD departments (Table 9 for RSF, Annex I for ECF/EFF).

A. Fiscal Policy

41. The projected 2024 budget is in line with the program, albeit at lower revenues and expenditures relative to the revised budget approved by Parliament. The approved 2024 revised budget targets total revenues at MRU 104.4 billion and expenditures at MRU 107.7 billion, with a NEPD at MRU 13.5 billion. Staff assessed the end-of-year revenue projection to be overly optimistic in light of the end-August execution rates and the authorities agreed to revise downward the provisional TOFE, which is used to monitor the budget execution. Revenues are thus expected to stand at MRU 101.9 billion and expenditures at MRU 107.2 billion, with a NEPD projected at MRU 15.6 billion. [25] The increase in domestically financed capital expenditures relative to the second

[25] Externally financed capital expenditures was reduced by MRU 0.5 billion in line with the observed end-August low execution rate.

review, is explained by the implementation of two emergency programs introduced to tackle disruptions in the water and electricity sectors. [26]

42. The 2025 budget law approved by Parliament targets a narrowing of the NEPD to 3.5 percent of GDP, in line with Staff recommendation. The 2025 budget presents an increase of MRU 8.5 billion in revenue (8.3 percent) and MRU 9.7 billion in expenditures (9.0 percent) relative to 2024 end-of-year projections. The increase in revenue is mainly supported by the following measures aiming at improving tax revenue collection: (i) the introduction of the carbon tax, referred to in Mauritania and thereafter as the climate contribution, at a rate of US$10 per ton of CO2 emission (MRU 1.7 billion or 0.4 percent of GDP), [27] the reform of the tax on vehicles (MRU 0.3 billion or 0.06 percent of GDP), and measures aiming at improving SOEs tax compliance (MRU 1.74 billion or 0.4 percent of GDP). On expenditures, the 2025 budget is mainly characterized by an increase of MRU 9.6 billion (2.2 percent of GDP) in capital expenditures. As a result, the NEPD is projected at MRU 15.3 billion (3.5 percent of GDP), below the end-December 2025 QPC of MRU 15.4 billion.

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

	2021	2022	2023	2024		2025	
	Act	Act	Act	Revised budget	Proj	Approved budget	Proj
				MRU billions			
Total revenue incl. grants	**75.5**	**88.4**	**87.4**	**104.4**	**101.9**	**110.5**	**110.5**
Tax revenue	45.5	51.1	51.9	67.3	65.9	72.3	72.3
Non-tax revenue	22.4	31.0	28.6	29.4	28.4	29.4	29.4
Of which: Petroleum revenue	1.2	2.1	2.4	2.1	1.1	2.6	2.6
Grants	7.6	6.4	6.9	7.6	7.6	8.8	8.8
Expenditure and net lending	**69.1**	**101.2**	**97.0**	**107.7**	**107.2**	**116.9**	**116.9**
Current expenditure	43.3	60.8	63.8	65.6	65.6	65.7	65.7
Of which: Energy subsidy 1/		10.8	5.2	-	4.2	-	4.0
Of which: Interest	2.8	3.5	3.7	4.2	4.2	4.6	4.6
Capital expenditure	26.0	40.7	33.5	42.1	41.6	51.2	51.2
Net lending	-0.2	-0.3	-0.2	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	**2.8**	**-15.7**	**-12.8**	**-6.8**	**-8.7**	**-10.6**	**-10.6**
Non-extractive primary balance	**-4.9**	**-27.2**	**-20.1**	**-13.5**	**-15.6**	**-15.3**	**-15.3**

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

[26] These include: (i) the emergency restructuring program for SOMELEC (MRU 1.7 billion) to cope with the recurrent recently observed power shortages, and (ii) support measures for SNDE (MRU 0.5 billion) to finance hydraulic projects to improve the water conveyance system from the Senegal River to Nouakchott.

[27] This estimate does not consider any exemptions.

43. For 2025, and heavily drawing from IMF TA, the program supports the following reforms:

- **Expenditure policy, PFM, and institutionalization of the fiscal anchor:** Prepare and publish a public expenditure review on current spendings from 2022 to 2024 (proposed end-June 2025 SB); Adopt a fiscal rule on the NEPD in the Government Policy Declaration (GPD); and study the modalities to amend the Loi Organique de la Loi de Finance (LOLF) to require the inclusion of this rule in future GPD for yearly budget preparations.
- **Revenue administration:** Adopt and sign a memorandum of understanding between the directions of tax (DGI), customs (DGD), and the free zone authority to define responsibilities (proposed end-June 2025 SB); Reform the organizational structure of the DGI and DGD and adopt a new function-based organigram for both directions in line with FAD TA (proposed end-December 2025 SB); Implementing e-signatures for customs officials and brokers; Set up and operationalize a task force within the DGI and DGD in charge of collecting tax arrears through a decree; Send an official letter from the DGI and DGD to the debtors, including SOEs, for the collection of tax arrears, in particular VAT and salary tax arrears; Reduce tax arrears by implementing a write-off procedure following the conditions defined in the tax procedure book.
- **Tax policy:** Reform the consumption tax by replacing it with a conventional excise tax system, which applies to both imports and local production in the revised budget law (LFR) for 2025 (proposed revised SB for end-August 2025); Reform the CGI to consolidate all tax measures and incentives, exclude all non-listed measures, and limit responsibility for introducing new tax measures to the MEF (proposed end-December 2025 SB); Study salaries' structure to determine the effective tax base and tax all earned income, including public and private sector salaries, according to the law; Reform the VAT in the CGI by initiating a reduction of regressive VAT exemptions based on the results of the Tax Expenditure Assessment and by improving the VAT refund mechanism while broadening the categories of eligible taxpayers.
- **Medium-term fiscal policies:** To achieve the ambitious investment plans contained in the GPD and meet the annual NEPD target of 3.5 percent of GDP, the authorities have agreed to rationalizing current expenditures from 16.4 percent of GDP in 2023 to 13.5 percent by 2029, [28] while boosting non-extractive tax revenues by approximately 0.5 percent of GDP each year. That will allow increasing domestically financed capital expenditure to around 11 percent of GDP by 2029, up from 6.4 percent in 2023. [29] Non-extractive tax revenue mobilization will be supported by the TPU's tax policy action plan, alongside ongoing Fund TA.

[28] This will be supported by measures to improve the efficiency of public spending through the implementation of programmatic budgets.

[29] The authorities have demonstrated strong commitment to implementing the recommendations of the PIMA and C-PIMA TAs and they are planning to introduce procedures and tools for planning, prioritizing, and monitoring investment projects. These measures aim to strengthen project preparation, enhance public investment efficiency, and ensure effective execution of capital expenditures.

B. Foreign Exchange, Financial Sector Policies, and Central Bank Safeguards

44. The BCM is building capacity in regularly updating the FX intervention budget to smooth the ER volatility of the market while ensuring that an increasing proportion of FX be supplied directly to the platform through banks. Regular meetings are held between the BCM, SNIM, and the MEF to discuss and share forecasts of SNIM repatriation of funds. The BCM and SNIM will sign a protocol to formalize information sharing. A more predictable and detailed repatriation schedule is needed to improve the forecasting of FX inflows and to improve the accuracy of the FX intervention budget. Furthermore, the BCM continues encouraging market operators to directly access the FX platform rather than selling FX to the BCM.

45. The authorities continue to take steps to comply with Mauritania's obligations under Article VIII. As the FX market on the FX platform develops further and over time FX transactions are conducted exclusively through the FX platform, FX auctions by the BCM would become redundant, thus eliminating a possible source of MCP. Staff noted that no impermissible spreads have been observed since the last reviews in relation to the ERs in the BCM FX auctions and government transactions in FX. [30]

46. The central bank's supervisory functions and its independence are being strengthened. To enhance its oversight function, the BCM is introducing a new IT system known as the Bank Supervision Application (BSA), that will allow banks to electronically submit supervisory returns in accordance with regulatory reporting requirements (proposed SB for March 2025). This system will also automate part of data quality controls and includes a template integrity protection. Supported by IMF TA, the BCM will also work with banks to clarify any ambiguities in the applicable accounting standards by focusing on the accurate classification of non-performing exposures and adequate provisioning for expected credit losses. Additionally, the BCM is amending existing regulations to require auditors to adopt a "risk-based and materiality-based" approach and to assess the institution's internal controls. Finally, the central bank is conducting an international audit and will mandate all banks to publish financial statements in accordance with IFRS.

47. The authorities requested reformulating the end-December 2024 supervision benchmark. The revised SB would monitor compliance among all banks with minimum capital and core capital requirements and to take appropriate actions against non-compliant banks in accordance with the legal framework governing credit institutions (end-December 2024 SB, reformulated). Additionally, the BCM plans to gradually tighten control over loans granted to related parties by lowering the existing ceiling from 25 percent to 20 percent by the end of 2024.

[30] The last SR identified two MCPs arising from impermissible spreads under the new MCP policy (one MCP arose from the weighted average rate of the BCM FX auctions and the second from the reference exchange rates used for the BCM's transactions with the government/other public entities).

48. The BCM has further strengthened safeguards. In cooperation with Fund staff, the BCM drafted amendments to the central bank Law, which were adopted by Parliament on November 12, 2024. While these amendments address some vulnerabilities identified in the previous safeguards assessment, such as (i) the definition of the BCM's mandate, and (ii) the removal of government officials from the Governing Council, the Audit Committee, and the Monetary Policy Committee, do not fully address some aspects of personal and financial autonomy highlighted by the safeguards assessment. Staff is continuing to engage the authorities on these aspects. Further, following the establishment of an IFRS unit and hiring of an external expert, the BCM achieved full transition to IFRS by end-April 2024, a full year ahead of schedule. In addition, (i) various measures to modernize and strengthen the internal audit function and expand oversight of the Audit Committee were completed by end-June 2024, (ii) measures to strengthen cybersecurity were carried out by end-June 2024, and (iii) the peer review of BCM's fiduciary and vault operations is currently in progress. In addition, the BCM requested TA for the development of internal regulatory procedures for the granting and guarantee of credit by end-June. Finally, to improve the BCM's financial position, which is weakened by substantial claims on the government at below market interest rates, the authorities are reviewing the 2018 convention on BCM claims on the government (see below).

49. Staff supports the authorities requested reformulating the end-December 2024 benchmark on the convention governing central bank's claims on government to bring it closer to market terms. [31] The BCM and MEF agreed to convert the 2018 convention on the BCM claims on the government with a new agreement amounting to the same net present value , according to IFRS, as of the date of the signing of the convention, to (i) transfer of shares of the international Bank Banque Maghrébine d'Investissement et de Commerce Extérieur (BMICE), (ii) transfer of real estate, (iii) transfer of cash from the issuance of 10-year treasury bonds, and (iv) a reimbursement plan of the remaining balance with an interest rate of 5.5 percent and equal annual amortization of MRU 361 million (proposed SB reformulation, for December 2024). Separately, staff encouraged the authorities to complete the outstanding recommendations on developing conventions for on-lent SDR allocations, and the peer review of its fiduciary and vault operations.

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

50. The authorities are working on key governance areas in accordance with their action plan for governance reforms:

- **Declaration of assets and interests:** The authorities are preparing amendments to the legal and organizational frameworks to align them with the G20 High-Level Principles on Asset Disclosure by Public Officials, the recommendations of the governance diagnostic assessment, and IMF TA (SB end-February 2025).

[31] Under the first program review, the Government set with minimal terms for the revised convention (25 years or less, with a 3.75 percent 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 (SB for December 2024).

- **Anti-corruption agency:** The authorities are ramping up their anti-corruption efforts, including through a new anti-corruption law that would mandate the creation of an anti-corruption agency. To support the timely operationalization of the anti-corruption agency, the authorities will (i) publish an implementation decree to the anti-corruption law to enable the appointment of the ACA's Directive Council members and the director general, and (ii) complete such appointments (proposed SB, end-September 2025).

- **Public enterprises governance:** To keep implementation of the new public enterprises law on track, the authorities, in consultation with Fund staff, will prepare a prioritized list of needed implementation decrees and publish the first of such decrees [32] (proposed SB, end-September 2025).

- **Progress on governance reforms:** To enhance transparency and accountability, the authorities intend to publish semiannual reports on progress in the implementation of the action plan, with the first report expected by end-December 2024 (SB, end-December 2024).

51. The BCM is improving the AML/CFT system. The BCM has created a risk management committee which has to ensure the relevance of the internal controls and its AML/CFT controls system in relation to the risks identified in their risk mapping. To improve management of money laundering risks associated with electronic payments and mobile banking, the BCM issued two new instructions in February 2024 to include established caps related to electronic payments and mobile banking. The BCM also conducted thematic AML/CFT inspections across all 17 banks and is applying sanctions to ensure compliance. The BCM has also made improvements to its National Accounts Registry to better monitor bank connections and identify customers, helping to also identify beneficial owners.

52. Reforms to promote economic growth and create jobs need to be sustained by further improving the business environment and financial inclusion. The authorities are in the process of reformulating the investment code that reduces special regimes and eliminates "Points Francs" (end-December 2024 SB) and aims at increasing Mauritania's attractiveness to investors by simplifying business procedures. With the support of IFC, the authorities are also developing an investment policy statement that should be finalized by end 2024, with the aim of addressing policy obstacles to enhance the business environment and to raise economic growth in key sectors such as fisheries, agriculture, and tourism.

D. Resilience and Sustainability Facility Arrangement

53. The successful implementation of the Tekavoul Choc program represents a significant advance in climate action (RM V for end of April 2024 - completed). The government has expanded coverage to include all poor households affected by droughts, and therefore food

[32] The minimum contents of the first implementation decree will be discussed and agreed with authorities during the 4th reviews mission once the new SOE Law is enacted.

insecurity, as estimated by the World Bank, and contributed with 50 percent of the program's funding through the FNRCAN (Fonds National de Réponse aux Crises Alimentaires et Nutritionnelles), thus making Tekavoul Choc less reliant on external funding. The total budgetary cost of the program is approximately 0.6 percent of GDP. Efforts are being made to further enhance the targeting of the most vulnerable households overall and strengthen the capacities of the General Delegation for National Solidarity and the Fight Against Exclusion (Taazour), with support from the World Bank.

54. The authorities made progress in integrating climate action into Public Investment Management (PIM) and Public Financial Management (PFM). They revised the regulatory framework for PIM to include climate considerations at various stages – planning, programming, execution, and monitoring – and updated the corresponding manual (RM III for end-October 2024 - completed). Additionally, the government is developing a guidance note on climate budget tagging for implementation in the 2026 budget exercise (RM I for October 2025) with IMF TA. To enhance its capacity, the government will also conduct ex-post budget tagging for the 2024 and 2025 budgets, supported by IMF TA.

55. Reform measures aimed at enhancing water resource management and ensuring the financial sustainability of water and sanitation services are progressing. An inter-ministerial partnership agreement (CIP) was adopted in May 2024, overseen by a technical committee, [33] to strengthen cooperation in environmental assessment, data management, and monitoring of groundwater-dependent ecosystems (RM XI for end-October 2024 - completed). Support from Agence Française de Développement (AFD) has been secured to conduct a pilot inventory of groundwater-dependent ecosystems in the Boulenoir aquifer (RM XII for end of April 2026) and to assist in reforming water and sanitation tariffs (RM XIII for end of October 2025). Ongoing discussions with AFD aim to ensure that this support encompasses both the design of a new regulatory framework and of complementary measures, including performance contracts with service providers and a pricing policy insulated from political interference. This will involve: i) a methodology for estimating revenue requirements, ii) the frequency of price revisions, and iii) the establishment of an independent agency responsible for tariff estimation, approval, application, and monitoring.

56. The government has initiated a series of reforms aimed at reducing emissions in the fuel sector. The 2025 budget law submitted to Parliament includes a climate contribution of US$10 per ton of CO_2 emission on petroleum products, applicable to all users, including large consumers, while excluding butane gas to mitigate the risk of households reverting to wood and coal. This tax is set to take effect in 2025, with a planned escalation to $50 per ton of CO_2 by 2030 (RM VII, due April 2025). Concurrently, the government is developing compensation mechanisms through TAAZOUR's services and programs to alleviate the tax's impact on vulnerable populations, in collaboration with the World Bank. Following IMF TA, the government has also outlined subsequent steps to adopt an

[33] https://www.hydraulique.gov.mr/ar/node/1725

automatic pricing mechanism with a smoothing component to set fuel pump prices (RM VI, targeted for end-April 2025). Furthermore, the World Bank is aiding in the formulation of a decree aimed at abolishing routine gas flaring, aligning with the World Bank-UN initiative "Zero Routine Flaring by 2030" and fulfilling the CDN commitment to achieve net-zero emissions by 2050 (RM X, targeted due April 2025).

57. Reforms aimed at enhancing renewable energy generation in the electricity sector are underway. The RST Committee is preparing a request to the World Bank for assistance in drafting a decree mandating mining companies to increase their renewable energy share by at least 5 percentage points annually until 2030. Non-compliance with annual targets will necessitate compensatory investments in rural electrification (RM IX, due October 2025). A working group will analyze the circumstances of the three major companies and facilitate discussions for decree amendments and their contributions to rural clean energy access. Additionally, decrees facilitating access for electricity producers to the Mauritanian energy market and ensuring non-discriminatory access to SOMELEC’s transmission infrastructure are being finalized for publication by the end of 2024 (RM VIII, due October 2025). A comprehensive analysis, with World Bank support, will identify additional measures to bolster the private sector’s role in the country's electricity infrastructure.

PROGRAM MODALITIES

58. The debt sustainability assessment remains broadly unchanged from the December 2023 DSA. The 2024 debt sustainability analysis [34] (DSA) assesses Mauritania at moderate risk of external and overall public debt distress, with some space to absorb shocks. Staff assesses Mauritania’s external and overall public debt to be sustainable in the medium-term. 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, debt service is expected to stay broadly flat at 3.3 percent of GDP between 2023 and 2024, before dropping to 3.1 in 2025.

59. The ECF/EFF program is fully financed for the next 12 months, with good prospects for the remainder of the program. The ECF and EFF arrangements, jointly with budget support, primarily from the World Bank, European Union, International Fund for Agricultural Development, and France, are expected to close external financing gaps (see Table 7). FDI and capital inflows will decline from 2024 onwards as investment in the GTA project concludes, but this will be largely offset by the resulting increase in gas exports. 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

[34] Mauritania has debt arrears to Brazil, which are deemed away under the Fund’s lending in official arrears policy, as the underlying Paris Club agreement is adequately representative, and the authorities have made significant progress toward reaching an agreement for partial debt cancellation with the Brazilian authorities. Mauritania also has outstanding pre-HIPC arrears to the Arab Fund for Economic and Social Development (FADES), 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.

projections in the ECF/EFF request (resulting from downward revisions in iron ore and gold exports), and the significant risks associated with the volatile prices of Mauritania's commodity exports. Potential additional grant financing [35] and loans on concessional terms from the EU and World Bank [36] will continue to support the catalytic role of the Fund program.

60. 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 4.5 percent of GDP in 2025 (12.5 percent of exports of goods and services or about 25.1 percent of gross FX reserves), combining several overlapping lending instruments from recent years (ECF, RCF, ECF/EFF, RSF). Total obligations to the Fund peak at 0.62 percent of GDP in 2026 (1.70 percent of exports of goods and services or 3.55 percent of gross FX reserves). Risks to the program are elevated given security risks, international commodity market volatility, and climate change. The authorities' continued commitment to reforms and donors' support will be critical to mitigating these risks.

STAFF APPRAISAL

61. Mauritania's economy is stable and performing well thanks to prudent monetary and fiscal policies; institutionalization of reforms and strengthened coordination and monitoring at technical level would help sustain this stability. Real GDP growth in 2024 is projected at 4.6 percent (compared to 6.5 percent in 2023) on the back of a sluggish extractive sector. Inflation is contained (2.7 percent, September 2024) and the current account deficit is expected to narrow to 7.7 percent of GDP from 8.8 percent in 2023. International reserves remain adequate at US$2.0 billion (6.4 months of prospective non-extractive imports). 2024 NEPB including grants is projected to narrow further to -3.7 percent of GDP from 5.2 percent of GDP in 2023. Staff welcomes these results and encourages the authorities to maintain this macroeconomic stability as a foundation for sustained development. It recommends strengthening the technical coordination and monitoring of macroeconomic policies and institutionalizing coordination and reforms to ensure smooth program implementation and sustainability of good policies beyond Fund programs.

62. Building on this macroeconomic stability, rigorous implementation of governance reforms and reforms to create an even playing field for investors would help increase inclusive growth. To sustainably reduce poverty and improve standards of living through increased private sector investments and economic growth, staff encourages the authorities to vigorously implement governance reforms and to create an even playing field for all investors, public or private. On the former, staff encourages the government to continue its timely implementation while ensuring reform momentum through follow-up measures in the medium term. Staff also welcomes progress with the draft new public enterprises law, the declaration of assets and interests law, and

[35] Relative to the second review, upward revision in grants is supported by additional acquired contributions from donors, mainly from the Abu Dhabi Fund for Development.

[36] Mauritania is a GAP country since July 2021 and is no longer eligible to receive World Bank grants.

the planned implementation decrees for the public enterprises law and operationalization of the new the anti-corruption agency. On the latter, an important element is leveling the playing field through the implementation of the revised Nouadhibou Free trade zone law and the revision of the investment code that eliminates "points francs" and reduces special regimes.

63. Fiscal discipline underpinned by the fiscal anchor continues to help maintain macroeconomic stability: Fiscal sustainability accompanied with stronger revenue mobilization would allow to fund priority investments and the fiscal anchor should be institutionalized to outlive Fund programs. Staff urges the authorities to embark on a more ambitious mobilization of domestic revenue to reduce over the medium term the tax gap. This can be achieved by a combination of tax policy and revenue administration measures, including by creating an even playing field for private sector operators. The latter can be achieved by reducing the multitude of special regimes, enforcing eligibility conditions for current preferential tax treatments, and implementing recommendations from the recent IMF tax policy, tax administration and customs administration diagnostics. More ambitious domestic revenue targets would allow to further increase investments to meet the enormous development needs without incurring more debt. Staff also urges the institutionalization of the fiscal anchor to make this achievement a permanent feature outlasting the Fund program.

64. The recent change in monetary policy stance is appropriate as inflation appears entrenched at around 3 percent. Staff urges the Central Bank to continue the sterilization of excess reserves and welcomes the development of new monetary policy instruments for Islamic Banks, as excess reserves can otherwise risk overheating FX demand and/or lead to renewed inflationary pressures. To further develop the FX market and allow for a more flexible ER, staff welcomes the recent reduction in the number of market makers and urges BCM to quickly adapt the FX platform IT system to enforce firm quotations. Staff also encourages the BCM to further reduce its role as FX supplier in the market by channeling more export revenues directly to the FX platform. Staff welcomes the continued development of the FX market and notes that no new MCPs occurred, and no new import restrictions for Balance of Payments purposes were imposed or intensified since the last review and the authorities continue to implement measures to minimize the chances of recurrence.

65. Staff welcomes recent measures to strengthen BCM safeguards and encourages the authorities to complete remaining recommendations from the 2023 Safeguards Assessment as soon as feasible. The authorities' full transition to the IFRS by end-April 2024, a full year ahead of schedule, is commendable, as is progress towards the completion of various measures to modernize and strengthen the BCM internal audit function and reinforce cybersecurity. Completing the outstanding items and concluding the revisions to the amended terms of the 2018 convention (December 2024 SB) would help accelerate the strengthening of BCM's financial position.

66. Staff welcomes the strong coordination and monitoring system and encourages the authorities to maintain the efforts to keep RSF-supported reform on track. The RSF will help

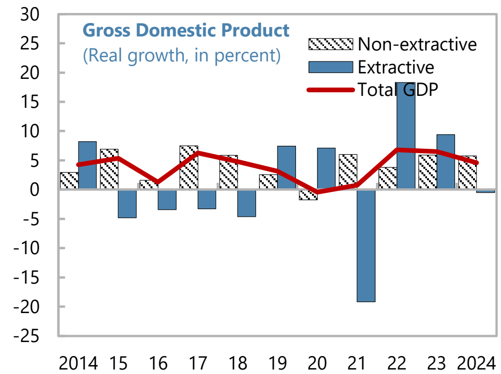
Mauritania to reduce macro-critical risks associated with long-term structural climate-related challenges facing Mauritania, and augment policy space and financial buffers to mitigate the risks arising from these challenges. Staff welcomes the authorities' continued focus on the timely implementation of reform measures and the strong high-level commitment for the RSF-supported reforms. These efforts are expected to turn into effective implementation through strong inter-ministerial coordination, strengthened capacities—with the support of development partners, and close monitoring.

67. Staff recommends completion of the third review under the ECF and EFF arrangements, completion of the second review under the RSF arrangement, and supports the authorities' request for a modification to the time period of the present value of newly contracted debt QPC to bring in line with the presentation of the external borrowing table and modification of four SBs to bring them in line with IMF TA recommendations. 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.

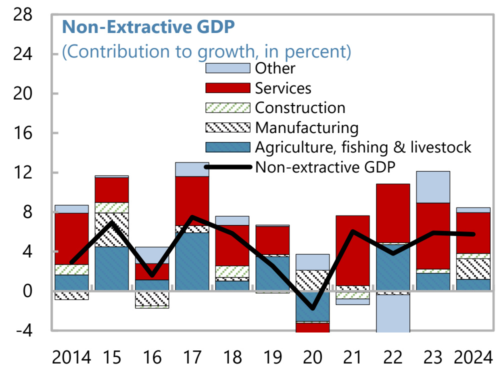
68. It is proposed that the next Article IV consultation be held on a 24-month cycle, in accordance with Executive Board decisions on consultation cycles.

Figure 1. Mauritania: Real Sector Developments, 2014–24

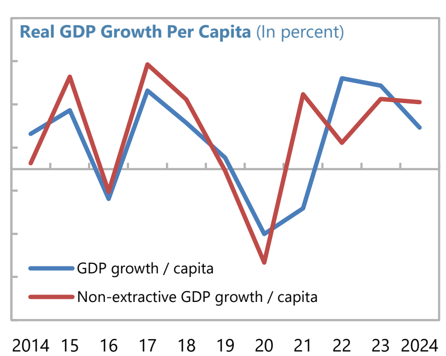
Real GDP growth moderated in 2024…



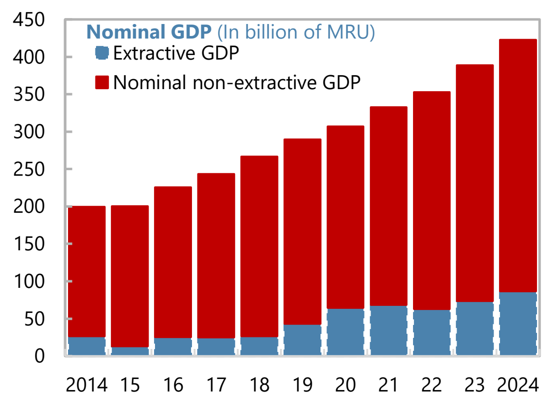
…non-extractive GDP remained mostly robust…



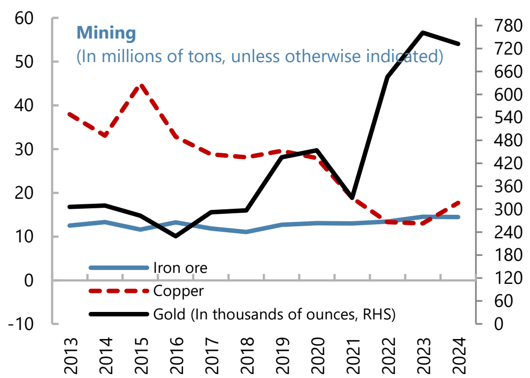
… with a slight deceleration of non-extractive activity per capita



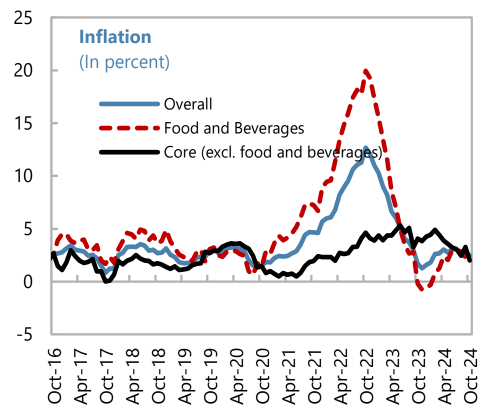
The non-extractive sector remained predominant.



… while the extractives sector saw a slight drop in real terms on a decrease in gold activity.



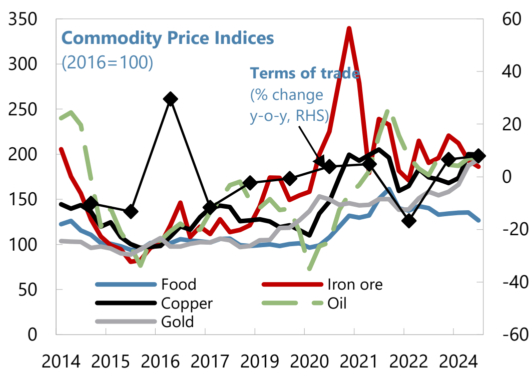
Inflation increased slightly on food and beverages increases but has mostly remained contained throughout the year.



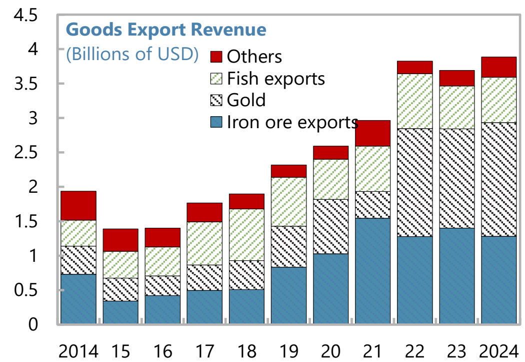
Sources: Mauritanian authorities; and IMF staff estimates and projections.

Figure 2. Mauritania: External Sector Developments, 2014–24

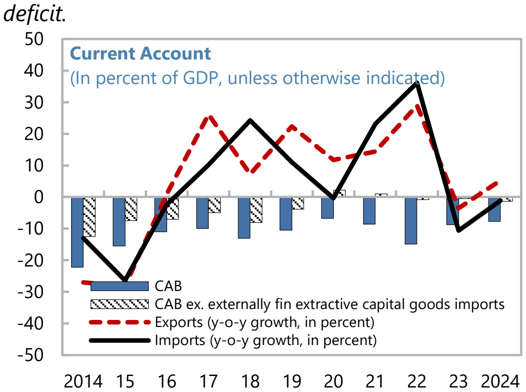
Terms of trade improved in 2024 with the stabilization in food prices and increases in gold, copper, and oil...



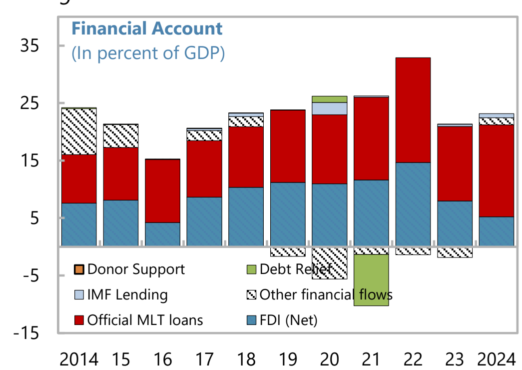
... with iron ore and fish exports comparable to 2023 and increases in gold and other exports...



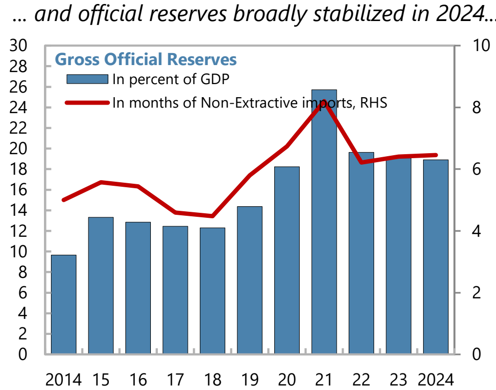
...resulting in a slight narrowing of the current account deficit.



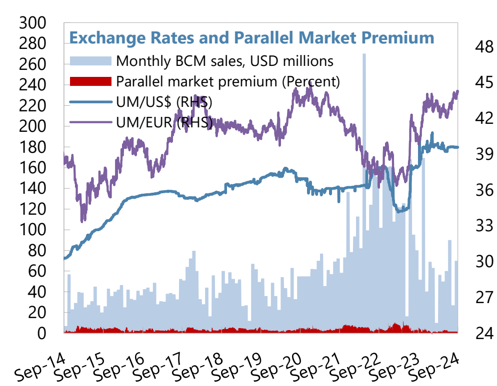
Significant financial flows that supported the recovery during COVID continued to slow in 2024...



... and official reserves broadly stabilized in 2024...



...as the BCM is decreasing substantially its FX interventions.

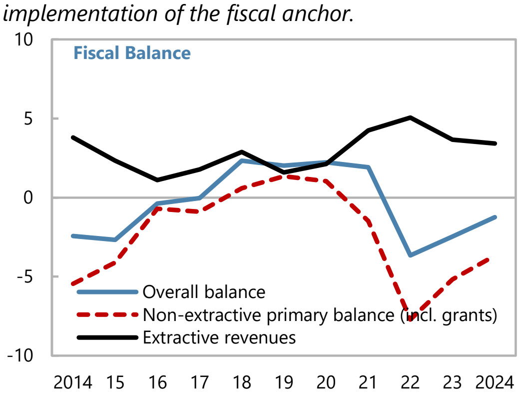


Sources: Mauritanian authorities; and IMF staff estimates and projections.

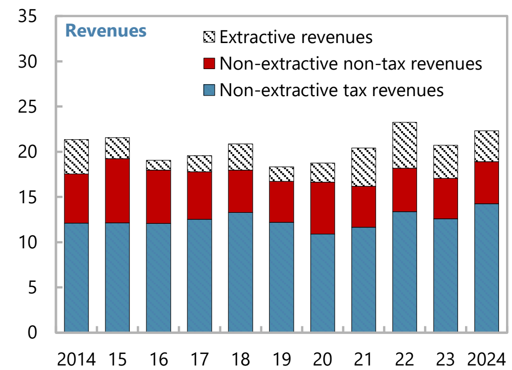
Figure 3. Mauritania: Fiscal Sector Developments, 2014–24

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

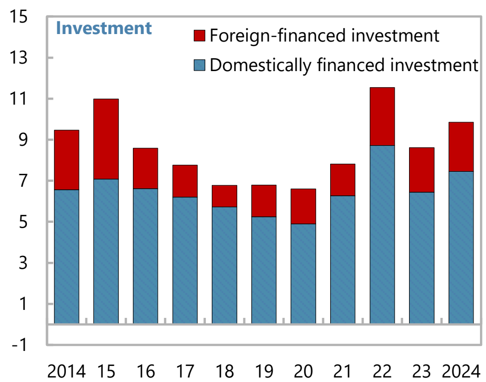
The fiscal balance improved in 2024 with the implementation of the fiscal anchor.



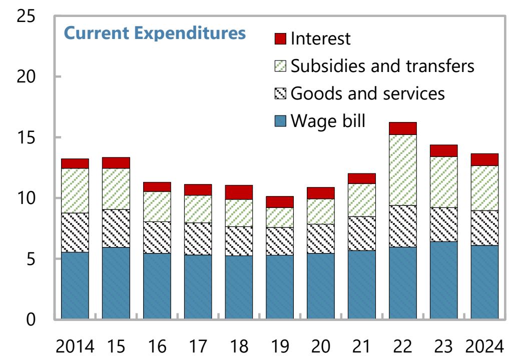
While non-extractive tax and non-tax revenues increased…



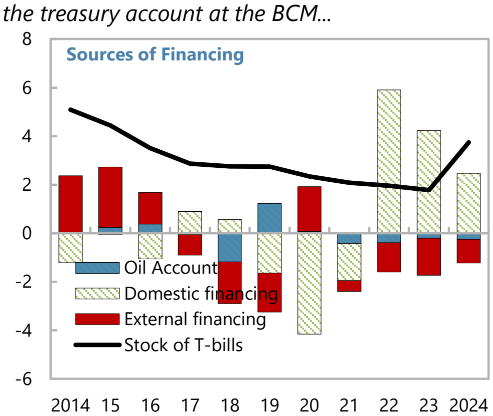
… public investment execution in 2024 is higher than 2023.



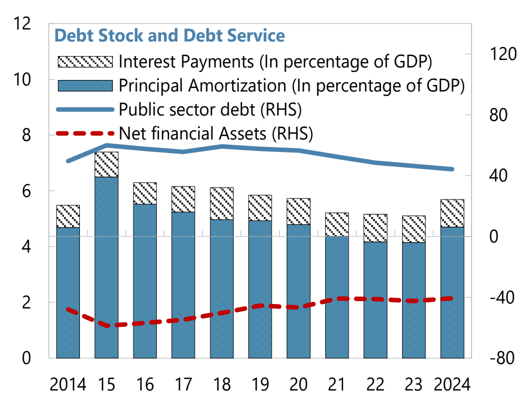
Subsidies decreased as result of international commodity prices development.



The fiscal deficit was financed mainly by a drawdown of the treasury account at the BCM…



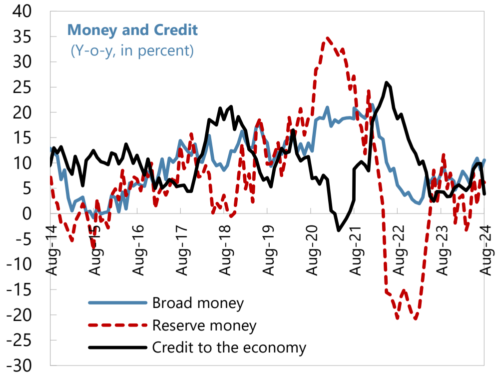
… while public sector debt is expected to decrease.



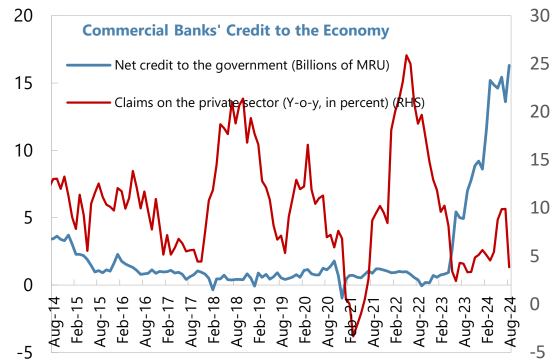
Sources: Mauritanian authorities; and IMF staff estimates and projections.

Figure 4. Mauritania: Monetary Sector Developments, 2014–24

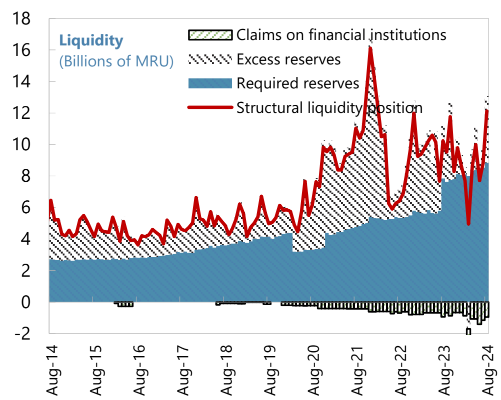
Private credit growth has decelerated since end-2022.



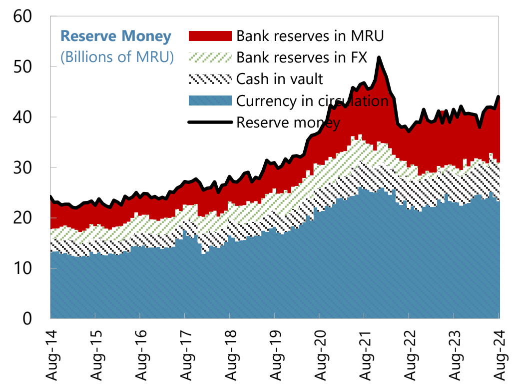
…partly as banks' credit to the government has expanded…



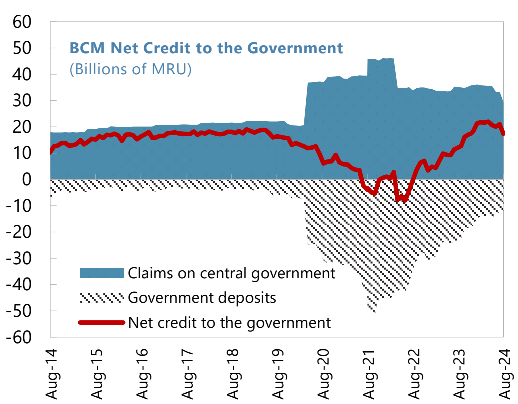
The BCM continued to reduce excess reserves in 2024…



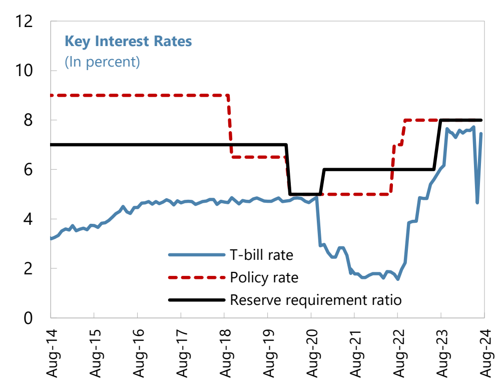
…which tempered the increase in reserve money …



and government deposits at the central bank decreased…



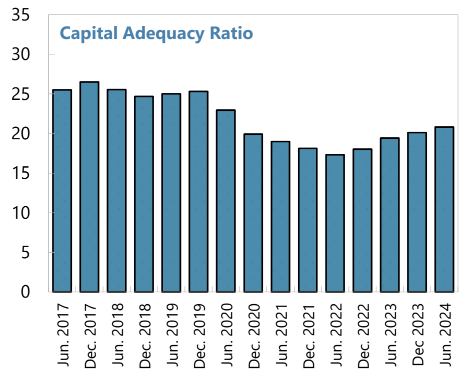
…while the T-bills rate reflect more issuance for banks at market-determined rates.



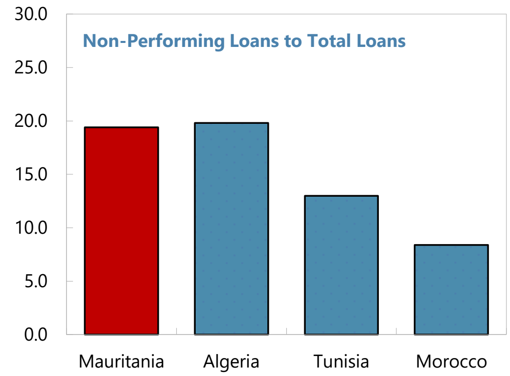
Sources: Mauritanian authorities; and IMF staff estimates and projections.

Figure 5. Mauritania: Financial Sector Indicators, 2017–24

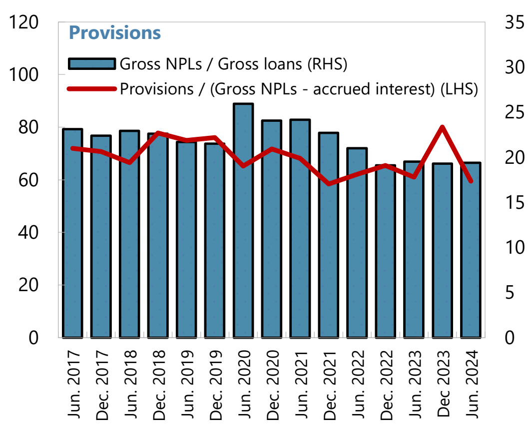
System-wide capital adequacy remains globally comfortable but masks uneven performance amongst individual banks...



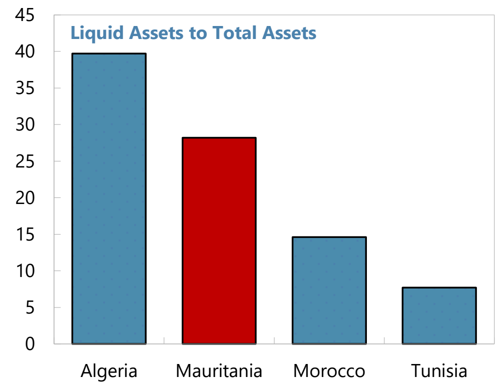
Asset quality is weaker than some peers ...



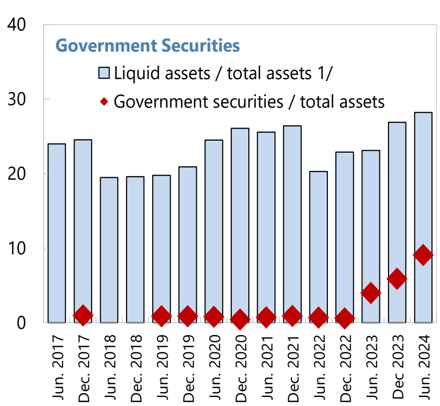
...but is improving since the peak of the pandemic...



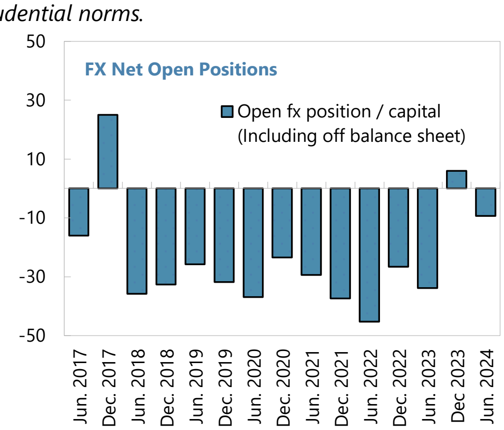
...liquid assets remain comfortable...



...and banks' holdings of government securities increased.



...while banks' short FX net open positions widened slightly again in June 2024, but remained well within the prudential norms.



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

Table 1. Mauritania: Macroeconomic Framework, 2020–29

Poverty rate: 33.6 percent (2021) — Quota: SDR 128.8 million
Population: 4.8 million (2022) — Main exports: iron ore, fish, gold

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				2nd Review	Est.	2nd Review	Proj.	Projections				
	(Annual change in percent; unless otherwise indicated)											
National accounts and prices												
Real GDP	-0.4	0.7	6.8	3.4	6.5	4.3	4.6	4.2	3.7	5.8	6.5	4.6
Real extractive GDP	7.1	-19.2	18.3	10.9	9.4	2.6	-0.5	3.4	1.5	12.7	15.9	5.6
Real non-extractive GDP	-1.7	6.0	3.8	1.7	5.9	4.7	5.7	4.5	4.3	4.2	4.3	4.4
Real GDP per capita	-2.6	-1.5	4.6	1.2	4.3	2.0	2.3	2.0	1.5	3.6	4.3	2.4
Iron ore production (million tons)	13.1	13.0	13.4	14.5	14.5	14.9	14.5	15.4	15.3	18.1	19.1	19.0
GDP deflator	6.5	7.5	-0.6	2.7	3.4	4.4	4.0	-0.2	2.6	2.4	3.4	1.3
Nominal GDP	6.1	8.3	6.1	6.2	10.1	8.8	8.8	4.0	6.4	8.4	10.1	6.0
Consumer prices (period average)	2.4	3.6	9.6	4.9	4.9	2.7	2.3	3.5	4.0	4.0	4.0	4.0
Consumer prices (end of period)	1.8	5.7	11.0	1.6	1.6	4.0	3.0	4.0	4.0	4.0	4.0	4.0
	(In percent of GDP)											
Savings and Investment												
Gross investment	45.5	45.1	42.0	36.9	36.3	37.3	36.9	37.0	36.0	36.1	37.7	37.6
Gross national savings	38.7	36.6	27.1	27.0	27.5	29.4	29.2	28.6	28.6	29.9	31.5	31.2
Saving - Investment balance	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7	-8.4	-7.4	-6.2	-6.2	-6.4
	(In percent of GDP)											
Central government operations												
Revenues and grants	20.8	22.7	25.0	22.9	22.5	23.6	24.1	25.1	25.8	25.8	26.0	26.6
Nonextractive	16.6	16.2	18.2	17.3	17.0	18.6	18.9	20.0	20.7	21.3	21.8	22.4
Taxes	10.9	11.7	13.4	12.8	12.6	14.0	14.3	15.6	16.2	16.7	17.2	17.7
Extractive	2.1	4.2	5.1	3.7	3.7	3.1	3.4	3.1	3.4	3.4	3.2	3.1
Grants	2.0	2.3	1.8	1.8	1.8	1.9	1.8	2.0	1.7	1.2	1.1	1.0
Expenditure and net lending	18.5	20.8	28.7	25.4	25.0	25.2	25.4	26.6	26.8	26.9	27.3	27.9
Of which: Current	12.0	13.0	17.2	16.6	16.4	15.7	15.5	14.9	14.5	13.7	13.6	13.4
Capital	6.6	7.8	11.5	8.8	8.7	9.5	9.8	11.6	12.4	13.2	13.8	14.5
Primary balance (excl. grants)	1.2	0.5	-4.5	-3.4	-3.3	-2.5	-2.1	-2.4	-1.8	-1.3	-1.5	-1.4
Non-extractive primary balance (incl. grants)	1.0	-1.5	-7.7	-5.3	-5.2	-3.8	-3.7	-3.5	-3.5	-3.5	-3.5	-3.5
Overall balance	2.2	1.9	-3.7	-2.5	-2.5	-1.6	-1.2	-1.4	-1.0	-1.1	-1.3	-1.3
Public sector debt 1/ 2/	56.5	52.4	48.5	47.9	46.4	44.5	44.3	44.9	44.9	44.3	43.0	43.3
Net financial assets 3/	-46.8	-40.9	-41.2	-43.8	-42.4	-42.2	-40.7	-41.2	-41.1	-40.5	-39.2	-39.5
	(Annual change in percent; unless otherwise indicated)											
Money												
Broad money 4/	21.0	20.4	2.8	4.7	4.7	5.3	6.8	7.1	7.0	7.4	7.9	8.2
Credit to the private sector	6.8	8.4	13.0	5.2	5.2	7.3	12.9	9.5	10.0	10.3	10.1	10.1
External sector												
Exports of goods, f.o.b.	11.7	14.4	29.0	-6.4	-3.5	8.6	5.2	-4.9	4.8	6.5	10.5	0.9
Imports of goods, f.o.b.	-0.4	23.1	36.2	-10.6	-10.6	0.1	-1.1	-2.6	1.8	2.1	9.6	2.8
Terms of trade	3.9	4.8	-16.8	0.7	6.6	9.4	7.9	2.2	2.7	2.7	2.0	1.9
Real effective exchange rate	0.9	-0.1	9.3	...	...	...	...	...	...	...	...	...
Current account balance (in percent of GDP)	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7	-8.4	-7.4	-6.2	-6.2	-6.4
Excl. externally financed extractive capital imports	2.2	1.0	-0.8	-1.6	-0.5	-1.8	-1.4	-3.0	-2.3	-1.8	-1.0	-1.5
Gross official reserves (US$ million, eop) 5/	1,542	2,347	1,877	2,032	2,032	1,976	2,039	2,015	2,030	2,095	2,161	2,150
In months of prospective non-extractive imports	6.7	8.2	6.2	6.3	6.4	6.4	6.5	6.2	6.0	5.7	5.7	5.9
External public debt (US$ million) 2/	4,113	4,204	3,970	4,033	3,959	4,025	3,921	4,054	4,235	4,449	4,674	4,915
In percent of GDP	49.1	45.8	42.3	41.4	40.0	38.0	36.3	36.6	36.7	36.3	35.3	35.8
Memorandum items:												
Nominal GDP (MRU billion)	307.2	332.6	353.0	382.6	388.7	416.3	422.9	439.7	467.9	507.1	558.3	591.6
Nominal non-extractive GDP (MRU billion)	242.9	264.1	290.3	303.8	315.2	319.8	336.5	356.3	381.1	409.5	439.3	471.7
Nominal GDP (US$ million)	8,464	9,126	9,564	10,481	10,649	10,589	10,782	11,152	11,661	12,388	13,369	13,883
Nominal GDP (US$, annual change in percent)	7.2	7.8	4.8	7.4	11.3	1.0	1.2	3.4	4.6	6.2	7.9	3.9
Exchange rate (MRU/US$)	36.3	36.4	36.6	...	39.3	...	...	...	...	...	...	...
Price of oil (US$/barrel)	41.8	69.2	96.4	80.6	80.6	77.7	81.3	72.8	70.2	68.6	67.6	67.0
Price of iron ore (US$/Ton)	108.1	158.2	120.7	120.3	120.3	128.4	110.9	95.5	92.0	90.6	90.6	90.6
Price of gold (US$/Ounce)	1,770	1,800	1,802	1,943	1,943	2,061	2,342	2,608	2,704	2,777	2,777	2,777

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including government debt to the central bank recognized in 2018.
2/ From 2021, including renegotiated, previously passive debt to Kuwait.
3/ Defined as end of year stock in hydrocarbon fund and treasury account minus gross debt
4/ Broad money has been adjusted downward from 2023 onwards to correct for the previous misclassification of the BCM's liquidity absorption operations.
5/ Excluding the hydrocarbon revenue fund; including 2021 SDR allocation.

Table 2a. Mauritania: Balance of Payments, 2020–29

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

	2020	2021	2022	2023		2024			2025	2026	2027	2028	2029
				2nd Review	Est.	2nd Review	Proj.				Projections		
Current account balance	-576	-782	-1,424	-1,045	-935	-838	-833		-942	-858	-771	-824	-888
Excl. externally financed extractive capital imports	187	87	-79	-164	-54	-194	-146		-339	-266	-220	-136	-208
Trade balance	-288	-580	-1,002	-735	-625	-428	-382		-461	-358	-196	-180	-274
Exports, fob	2,591	2,964	3,825	3,581	3,691	3,890	3,884		3,693	3,871	4,124	4,556	4,595
Of which : Iron ore	1,029	1,544	1,278	1,290	1,400	1,407	1,282		1,175	1,126	1,310	1,389	1,392
Hydrocarbons	0	0	0	0	0	0	0		219	473	446	445	454
Copper	153	192	92	95	95	113	141		99	33	0	0	0
Gold	787	388	1,567	1,440	1,440	1,518	1,653		1,454	1,461	1,577	1,945	1,897
Fish	584	659	799	623	623	701	658		587	605	614	594	665
Imports, fob	-2,879	-3,544	-4,827	-4,316	-4,316	-4,318	-4,266		-4,154	-4,229	-4,320	-4,736	-4,869
Of which : Food	-687	-792	-1,002	-1,039	-1,039	-1,078	-1,034		-1,011	-1,032	-1,063	-1,142	-1,214
Petroleum	-417	-708	-1,195	-1,041	-1,041	-1,079	-1,048		-1,027	-1,090	-1,136	-1,167	-1,206
Capital goods	-1,011	-1,052	-1,514	-1,122	-1,122	-886	-928		-857	-857	-826	-973	-976
Services and income (net)	-630	-618	-753	-609	-609	-679	-714		-778	-807	-898	-973	-958
Services (net)	-524	-472	-597	-618	-618	-688	-720		-768	-790	-875	-944	-925
Credit	272	321	346	338	338	349	349		360	372	385	415	433
Debit	-796	-793	-943	-956	-956	-1,036	-1,069		-1,129	-1,162	-1,260	-1,359	-1,359
Income (net)	-106	-146	-156	9	9	8	6		-9	-17	-22	-30	-33
Credit	84	60	91	170	170	131	132		123	114	114	117	120
Debit	-190	-206	-247	-161	-161	-123	-126		-133	-131	-136	-146	-153
Current transfers (net)	342	416	330	298	298	269	263		297	307	322	329	345
Private unrequited transfers (net)	153	143	166	167	167	174	174		181	187	201	216	232
Official grants	189	272	165	132	132	95	89		116	120	121	113	112
Capital and financial account	620	1,978	1,710	988	878	818	822		908	946	993	1,042	976
Capital account	73	987	136	192	192	88	88		91	94	97	100	103
Financial account	548	991	1,575	796	686	730	734		817	852	896	942	873
Foreign direct investment (net)	928	1,062	1,402	848	848	545	561		683	663	606	618	640
Official medium- and long-term loans	94	52	306	35	35	-9	44		58	121	257	297	305
Disbursements	287	314	518	277	277	268	343		274	360	495	532	551
Of whch: GTA gas project	84	94	136	0	0	0	0		0	0	0	0	1
Amortization (before DSSI)	193	262	212	242	242	277	299		216	239	238	235	246
SNIM medium- and long-term loans	-60	-204	-13	-9	-9	87	87		96	105	110	111	20
Other financial flows	-415	81	-121	-79	-189	107	42		-20	-38	-76	-84	-92
Errors and omissions	91	350	78	284	253	0	0		0	0	0	0	0
Overall balance	135	1,545	364	227	196	-20	-11		-33	88	222	218	89
Financing	-317	-1,569	-362	-242	-242	3	-6		16	-96	-222	-218	-89
Net foreign assets	-411	-755	-364	-242	-242	3	-6		16	-96	-222	-218	-89
Central bank (net)	-373	-658	-194	-189	-189	97	62		100	-7	-123	-122	-35
Change in reserve assets (- = increase, without RSF)	-422	-805	148	-155	-155	115	52		164	45	-65	-67	11
Liabilities	49	147	-342	-34	-34	-17	11		-64	-52	-59	-55	-46
Other, incl. deposit from Saudi Arabia	-24	-24	-311	20	20	-17	11		-64	-52	-55	-46	-27
Commercial banks (net)	-35	-47	-133	-17	-17	-41	-41		-55	-59	-61	-46	0
Hydrocarbon revenue fund (net)	-3	-49	-38	-36	-36	-53	-27		-29	-31	-38	-50	-54
Exceptional financing (incl. DSSI and debt cancellation)	94	-814	2	0	0	0	0		0	0	0	0	0
Exceptional official grants	…	…	…	…	…	…	…		…	…	…	…	…
Financing gap	182	24	-2	15	46	17	17		17	9	0	0	0
Use of Fund credit: ECF/EFF, RCF	182	24	0	43	43	17	17	0	17	9	0	0	0
Residual gap	0	0	0	0	0	0	0		0	0	0	0	0
Use of Fund credit: RSF	0	0	0	0	0	60	59		140	60	0	0	0
Change in reserves (- = increase, with RSF)	-422	-805	148	-155	-155	55	-8		24	-15	-65	-67	11
Gross official reserves, incl. IMF financing (US$ million)	1,542	2,347	1,877	2,032	2,032	1,976	2,039		2,015	2,030	2,095	2,161	2,150
(in months of imports excluding extractive industries)	6.7	8.2	6.2	6.3	6.4	6.4	6.5		6.2	6.0	5.7	5.7	5.9
Gross official reserves, excl. RSF (US$ million)						1,917	1,980		1,816	1,771			
(in months of imports excluding extractive industries and RSF financing)	…	…	…		…		6.3		5.6	5.2			
Memorandum items:													
Current account balance (in percent of GDP)	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7		-8.4	-7.4	-6.2	-6.2	-6.4
Excl. externally financed extractive capital imports	2.2	1.0	-0.8	-1.6	-0.5	-1.8	-1.4		-3.0	-2.3	-1.8	-1.0	-1.5
Trade balance (in percent of GDP)	-3.4	-6.4	-10.5	-7.0	-5.9	-4.0	-3.5		-4.1	-3.1	-1.6	-1.3	-2.0
Total external financing requirements (in percent of GDP)	9.8	13.7	17.2	12.4	11.1	10.6	10.6		10.4	9.4	8.1	7.9	8.2
External public debt (in millions of US$)	4,113	4,204	3,970	4,033	3,959	4,025	3,921		4,054	4,235	4,449	4,674	4,915
(in percent GDP)	49.1	45.8	42.3	41.4	40.0	38.0	36.3		36.6	36.7	36.3	35.3	35.8
External public debt service (after DSSI - US$ million)	151	147	241	323	323	368	364		356	367	373	372	379
(in percent of revenue)	9.5	7.9	10.8	14.6	14.7	16.0	15.1		13.8	13.1	12.2	11.2	10.7
SNIM contribution to BOP (US$ millions)	275	619	810	983	980	1,086	922		749	685	793	858	767
Hydrocarbon revenue fund balance (US$ millions)	86	135	171	191	191	244	218		247	279	316	366	420

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

Table 2b. Mauritania: Balance of Payments, 2020–29
(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				2nd Review	Est.	2nd Review	Proj.	Projections				
Current account balance	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7	-8.4	-7.4	-6.2	-6.2	-6.4
Excl. externally financed extractive capital imports	2.2	1.0	-0.8	-1.6	-0.5	-1.8	-1.4	-3.0	-2.3	-1.8	-1.0	-1.5
Trade balance	-3.4	-6.4	-10.5	-7.0	-5.9	-4.0	-3.5	-4.1	-3.1	-1.6	-1.3	-2.0
Exports, fob	30.6	32.5	40.0	34.2	34.7	36.7	36.0	33.1	33.2	33.3	34.1	33.1
Of which : Iron ore	12.2	16.9	13.4	12.3	13.2	13.3	11.9	10.5	9.7	10.6	10.4	10.0
Hydrocarbons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	4.1	3.6	3.3	3.3
Copper	1.8	2.1	1.0	0.9	0.9	1.1	1.3	0.9	0.3	0.0	0.0	0.0
Gold	9.3	4.3	16.4	13.7	13.5	14.3	15.3	13.0	12.5	12.7	14.5	13.7
Fish	6.9	7.2	8.4	5.9	5.8	6.6	6.1	5.3	5.2	5.0	4.4	4.8
Imports, fob	-34.0	-38.8	-50.5	-41.2	-40.5	-40.8	-39.6	-37.3	-36.3	-34.9	-35.4	-35.1
Of which : Food	-8.1	-8.7	-10.5	-9.9	-9.8	-10.2	-9.6	-9.1	-8.9	-8.6	-8.5	-8.7
Petroleum	-4.9	-7.8	-12.5	-9.9	-9.8	-10.2	-9.7	-9.2	-9.3	-9.2	-8.7	-8.7
Capital goods	-11.9	-11.5	-15.8	-10.7	-10.5	-8.4	-8.6	-7.7	-7.3	-6.7	-7.3	-7.0
Services and income (net)	-7.4	-6.8	-7.9	-5.8	-5.7	-6.4	-6.6	-7.0	-6.9	-7.2	-7.3	-6.9
Services (net)	-6.2	-5.2	-6.2	-5.9	-5.8	-6.5	-6.7	-6.9	-6.8	-7.1	-7.1	-6.7
Credit	3.2	3.5	3.6	3.2	3.2	3.3	3.2	3.2	3.2	3.1	3.1	3.1
Debit	-9.4	-8.7	-9.9	-9.1	-9.0	-9.8	-9.9	-10.1	-10.0	-10.2	-10.2	-9.8
Income (net)	-1.2	-1.6	-1.6	0.1	0.1	0.1	0.1	-0.1	-0.1	-0.2	-0.2	-0.2
Credit	1.0	0.7	1.0	1.6	1.6	1.2	1.2	1.1	1.0	0.9	0.9	0.9
Debit	-2.2	-2.3	-2.6	-1.5	-1.5	-1.2	-1.2	-1.2	-1.1	-1.1	-1.1	-1.1
Current transfers (net)	4.0	4.6	3.5	2.8	2.8	2.5	2.4	2.7	2.6	2.6	2.5	2.5
Private unrequited transfers (net)	1.8	1.6	1.7	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.6	1.7
Official grants	2.2	3.0	1.7	1.3	1.2	0.9	0.8	1.0	1.0	1.0	0.8	0.8
Capital and financial account	7.3	21.7	17.9	9.4	8.2	7.7	7.6	8.1	8.1	8.0	7.8	7.0
Capital account	0.9	10.8	1.4	1.8	1.8	0.8	0.8	0.8	0.8	0.8	0.7	0.7
Financial account	6.5	10.9	16.5	7.6	6.4	6.9	6.8	7.3	7.3	7.2	7.0	6.3
Foreign direct investment (net)	11.0	11.6	14.7	8.1	8.0	5.1	5.2	6.1	5.7	4.9	4.6	4.6
Official medium- and long-term loans	1.1	0.6	3.2	0.3	0.3	-0.1	0.4	0.5	1.0	2.1	2.2	2.2
Disbursements	3.4	3.4	5.4	2.6	2.6	2.5	3.2	2.5	3.1	4.0	4.0	4.0
Of whch: GTA gas project	1.0	1.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Amortization (before DSSI)	2.3	2.9	2.2	2.3	2.3	2.6	2.8	1.9	2.0	1.9	1.8	1.8
SNIM medium- and long-term loans	-0.7	-2.2	-0.1	-0.1	-0.1	0.8	0.8	0.9	0.9	0.9	0.8	0.1
Other financial flows	-4.9	0.9	-1.3	-0.8	-1.8	1.0	0.4	-0.2	-0.3	-0.6	-0.6	-0.7
Errors and omissions	1.1	3.8	0.8	2.7	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Overall balance	2.1	16.9	3.8	2.2	1.8	-0.2	-0.1	-0.3	0.8	1.8	1.6	0.6
Financing	-4.9	-17.2	-3.8	-2.3	-2.3	0.0	-0.1	0.1	-0.8	-1.8	-1.6	-0.6
Net foreign assets	-6.4	-8.3	-3.8	-2.3	-2.3	0.0	-0.1	0.1	-0.8	-1.8	-1.6	-0.6
Central bank (net)	-5.8	-7.2	-2.0	-1.8	-1.8	0.9	0.6	0.9	-0.1	-1.0	-0.9	-0.3
Change in reserve assets (- = increase, without RSF)	-6.6	-8.8	1.6	-1.5	-1.5	1.1	0.5	1.5	0.4	-0.5	-0.5	0.1
Liabilities	0.8	1.6	-3.6	-0.3	-0.3	-0.2	0.1	-0.6	-0.4	-0.5	-0.4	-0.3
Other, incl. deposit from Saudi Arabia	-0.3	-0.3	-3.3	0.2	0.2	-0.2	0.1	0.6	0.4	0.4	0.3	0.2
Commercial banks (net)	-0.4	-0.5	-1.4	-0.2	-0.2	-0.4	-0.4	-0.5	-0.5	-0.5	-0.3	0.0
Hydrocarbon revenue fund (net)	0.0	-0.5	-0.4	-0.3	-0.3	-0.5	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4
Exceptional financing (incl. DSSI and debt cancellation)	1.1	-8.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional official grants	...	...	...	...	...	...	...	...	...			
Financing gap	2.8	0.3	0.0	0.1	0.4	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Use of Fund credit: ECF/EFF	2.8	0.3	0.0	0.4	0.4	0.2	0.2	0.2	0.1	0.0	0.0	0.0
Residual gap	0.0	0.0	0.0	-0.3	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	0.6	0.6	1.3	0.5	0.0	0.0	0.0
Change in reserves (- = increase, with RSF)	-6.6	-8.8	1.6	-1.5	-1.5	0.5	-0.1	0.2	-0.1	-0.5	-0.5	0.1
Gross official reserves, incl. IMF financing	18.2	25.7	19.6	19.4	19.1	18.7	18.9	18.1	17.4	16.9	16.2	15.5
(in months of imports excluding extractive industries)	6.7	8.2	6.2	6.3	6.4	6.4	6.5	6.2	6.0	5.7	5.7	0.0
Gross official reserves, excl. RSF					-	18.1	18.4	16.3	15.1			
(in months of imports excluding extractive industries and RSF financing)	...	...	...		...		6.3	5.6	5.2			
Memorandum items:												
Current account balance (in percent of GDP)	-6.8	-8.6	-14.9	-10.0	-8.8	-7.9	-7.7	-8.4	-7.4	-6.2	-6.2	-6.4
Excl. externally financed extractive capital imports	2.2	1.0	-0.8	-1.6	-0.5	-1.8	-1.4	-3.0	-2.3	-1.8	-1.0	-1.5
Trade balance (in percent of GDP)	-3.4	-6.4	-10.5	-7.0	-5.9	-4.0	-3.5	-4.1	-3.1	-1.6	-1.3	-2.0
Total external financing requirements (in percent of GDP)	0.8	2.4	0.3	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1
External public debt (in millions of US$)	4,113	4,204	3,970	4,033	3,959	4,025	3,921	4,054	4,235	4,449	4,674	4,915
(in percent GDP)	49.1	45.8	42.3	41.4	40.0	38.0	36.3	36.6	36.7	36.3	35.3	35.8
External public debt service (after DSSI - US$ million)	151	147	241	323	323	368	364	356	367	373	372	379
(in percent of revenue)	9.5	7.9	10.8	14.6	14.7	16.0	15.1	13.8	13.1	12.2	11.2	10.7
SNIM contribution to BOP (US$ millions)	275	619	810	983	980	1,086	922	749	685	793	858	767
Hydrocarbon revenue fund balance (US$ millions)	86	135	171	191	191	244	218	247	279	316	366	420

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

Table 3a. Mauritania: Central Government Operations, 2020–29
(In billions of MRU, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				2nd Review	Est.	2nd Review	Proj.	Projections				
Revenues and grants	63.8	75.5	88.4	87.4	87.4	98.5	102.0	110.5	120.6	131.1	145.4	157.2
Revenues	57.6	67.9	82.1	80.5	80.5	90.6	94.4	101.7	112.6	125.0	139.2	151.0
Nonextractive	51.1	53.8	64.2	66.3	66.3	77.5	79.9	88.1	96.7	107.8	121.6	132.7
Tax	33.5	38.8	47.2	48.9	48.9	58.1	60.3	68.5	76.0	84.7	96.0	104.8
Of which: Carbon tax	...	...	...	...	...	...	...	1.7	3.4	6.0	7.5	8.2
Nontax	17.6	15.0	17.0	17.3	17.3	19.5	19.6	19.7	20.7	23.1	25.6	27.9
Extractive	6.5	14.1	17.9	14.2	14.2	13.1	14.5	13.6	15.9	17.1	17.6	18.3
Oil and gas 1/	0.5	1.2	2.1	2.4	2.4	2.3	1.1	2.6	3.9	4.2	4.8	5.2
Mining	6.0	12.9	15.8	11.9	11.9	10.8	13.4	11.0	12.0	12.9	12.9	13.2
Grants	6.2	7.6	6.4	6.9	6.9	7.8	7.6	8.8	8.0	6.1	6.2	6.2
Of which: Projects	2.6	2.6	5.8	5.5	5.5	6.9	6.9	7.3	6.7	4.8	4.8	4.8
Expenditure and net lending	56.9	69.1	101.3	97.2	97.2	105.1	107.2	116.9	125.5	136.6	152.6	165.1
Current	36.8	43.3	60.8	63.8	63.8	65.5	65.6	65.7	67.7	69.5	75.8	79.3
Compensation of employees	16.8	18.9	21.1	24.9	24.9	24.8	25.8	27.1	28.6	29.6	32.4	34.1
Goods and services	7.4	9.3	12.2	10.9	10.9	12.8	12.2	12.0	12.5	12.9	14.2	15.1
Subsidies and transfers 2/	6.4	9.0	20.6	16.4	16.4	15.5	15.6	14.0	13.5	13.0	13.7	13.9
Interest	2.9	2.8	3.5	3.7	3.7	3.9	4.1	4.6	4.6	4.9	5.3	5.8
External	2.2	2.1	2.8	2.8	2.8	2.9	2.5	2.9	3.0	3.1	3.4	3.7
Domestic	0.7	0.7	0.7	0.9	0.9	1.1	1.7	1.7	1.6	1.8	1.9	2.1
Special accounts	0.9	1.4	1.9	6.1	6.1	6.0	5.5	5.4	5.7	6.2	6.8	6.8
Common reserves 3/	2.5	1.6	1.3	1.2	1.2	2.4	2.4	2.5	2.8	3.0	3.3	3.6
Others	-0.1	0.3	0.2	0.6	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	20.3	26.0	40.7	33.6	33.6	39.6	41.6	51.2	57.8	67.1	76.8	85.8
Foreign-financed	5.2	5.2	9.9	8.4	8.4	10.7	10.1	11.5	14.0	17.9	19.5	20.3
Domestically financed, incl. COVID-19	15.0	20.8	30.8	25.0	25.0	28.9	31.5	39.7	43.8	49.1	57.4	65.4
Net lending	-0.2	-0.2	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	3.6	1.6	-15.7	-12.8	-12.8	-10.6	-8.7	-10.6	-8.3	-6.8	-8.1	-8.2
Primary balance	9.7	9.2	-9.4	-5.9	-5.9	-2.7	-1.1	-1.8	-0.3	-0.7	-2.0	-2.1
Non-extractive primary balance (incl. grants)	3.2	-4.9	-27.2	-20.1	-20.1	-15.8	-15.6	-15.3	-16.2	-17.8	-19.6	-20.4
Overal balance (excl. grants)	0.7	-1.2	-19.2	-16.5	-16.5	-14.5	-12.8	-15.2	-12.9	-11.6	-13.4	-14.0
Overall balance	6.8	6.4	-12.9	-9.6	-9.6	-6.7	-5.2	-6.4	-4.9	-5.5	-7.2	-7.9
Financing	-6.8	-6.4	12.9	9.6	9.6	6.7	5.2	6.4	4.9	5.5	7.2	7.9
Domestic	-12.6	-5.1	20.9	16.4	16.4	10.2	10.4	2.5	2.0	2.2	2.9	3.2
Banking system	-9.4	5.5	-5.9	16.5	16.5	9.1	6.0	1.3	1.0	1.1	1.4	2.1
Treasury account	-19.9	-12.8	14.0	13.8	13.8	8.0	1.5	0.0	0.0	0.0	0.0	1.0
Central bank	11.4	-6.7	11.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-0.9	-0.4	-2.9	2.7	2.7	1.1	4.5	1.3	1.0	1.1	1.4	1.1
Commercial banks (Without the RSF)	-0.9	-0.4	-2.9	2.7	2.7	3.4	6.8	6.8	3.4	1.1	1.4	1.1
Nonbanks	-0.4	-0.8	0.1	-0.1	-0.1	1.1	4.5	1.3	1.0	1.1	1.4	1.1
Domestic arrears	-1.5	1.5	1.3	-1.3	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-1.3	3.8	11.1	9.3	9.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	6.4	...	...	...	...	...	...	...	...	...	...
External	5.9	-2.8	-5.6	-6.7	-6.7	-3.5	-5.2	3.8	2.9	3.3	4.3	4.7
Hydrocarbon revenue fund (net)	0.2	-1.4	-1.4	-0.8	-0.8	-2.1	-1.1	-1.2	-1.3	-1.6	-2.1	-2.3
Oil and gas revenue	-0.8	-1.4	-1.2	-0.8	-0.8	-2.1	-1.1	-13.6	-15.9	-17.1	-17.6	-18.3
Transfer to the budget	1.0	0.0	0.0	0.0	0.0	0.0	0.0	11.0	11.7	12.7	14.0	14.8
Other external financing	5.6	-1.5	-4.2	-5.9	-5.9	-1.4	-4.1	1.3	1.4	4.7	6.3	6.5
Borrowing (net)	-3.9	-4.8	-2.5	-5.9	-5.9	-3.8	-7.4	-5.4	-2.3	3.5	5.1	5.3
Disbursements	2.8	2.6	5.3	3.8	3.8	7.1	3.2	4.2	7.3	13.1	14.7	15.5
Amortization	-6.8	-7.3	-7.8	-9.8	-9.8	-10.9	-10.6	-9.6	-9.6	-9.6	-9.6	-10.3
of which debt relief (DSSI)	3.5	4.1	-1.5	-2.1	-2.1	-2.2	0.0	0.0	0.0	0.0	0.0	0.0
IMF (RCF)	4.7	...	...	...	...	...	...	...	...	...	0.0	0.0
IMF (ECF/EFF, actual and prospective)	1.9	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
IMF (RSF)	...	...	...	...	...	2.3	2.3	5.5	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	0.0
Errors and omissions	-0.2	1.6	-2.3	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Real growth rate of public expenditure (percent)	7.7	17.2	33.8	-8.6	-8.6	5.3	7.8	5.3	3.3	4.6	7.4	4.0
Current (percent)	11.1	13.5	28.1	-0.1	-0.1	0.0	0.6	-3.2	-0.8	-1.3	4.8	0.6
Capital (percent)	0.8	23.7	43.0	-21.3	-21.3	14.7	21.0	18.8	8.6	11.6	10.2	7.3
Non-extractive primary balance (excl. grants)	-3.0	-12.5	-33.6	-27.1	-27.1	-23.6	-23.2	-24.1	-24.2	-23.9	-25.7	-26.6
Non-extractive primary balance (incl. grants)	3.2	-4.9	-27.2	-20.1	-20.1	-15.8	-15.6	-15.3	-16.2	-17.8	-19.6	-20.4
Basic budget balance (excl. grants) 4/	5.9	4.0	-9.3	-8.1	-8.1	-3.8	-2.7	-3.7	1.1	6.3	6.1	6.3
Net financial assets 5/	-143.7	-135.9	-145.6	-167.8	-164.9	-175.7	-172.1	-181.1	-192.4	-205.3	-218.8	-233.6
Social spending	14.6	15.6	19.4	20.3	21.1	21.3	22.3	22.9	24.5	26.3	28.3	30.3

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ "Oil and gas" tax revenues do not include revenue from the carbon tax, which is presented under non-extractive tax revenue.
2/ Including transfers to public entities outside the central government.
3/ For 2024, it includes social spendings against Climate Shocks.
4/ Overall balance excluding foreign-financed investment expenditure.
5/ Defined as end of year stock in FNRH and treasury account minus gross debt.

Table 3b. Mauritania: Central Government Operations, 2020–29
(In percent of GDP, unless otherwise indicated)

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				2nd Review	Est.	2nd Review	Proj.	Projections				
Revenues and grants	20.8	22.7	25.0	22.9	22.5	23.6	24.1	25.1	25.8	25.8	26.0	26.6
Revenues	18.8	20.4	23.2	21.0	20.7	21.8	22.3	23.1	24.1	24.6	24.9	25.5
Nonextractive	16.6	16.2	18.2	17.3	17.0	18.6	18.9	20.0	20.7	21.3	21.8	22.4
Tax	10.9	11.7	13.4	12.8	12.6	14.0	14.3	15.6	16.2	16.7	17.2	17.7
Of which: Carbon tax	...	...	...	...	...	...	...	0.4	0.7	1.2	1.3	1.4
Nontax	5.7	4.5	4.8	4.5	4.5	4.7	4.6	4.5	4.4	4.6	4.6	4.7
Extractive	2.1	4.2	5.1	3.7	3.7	3.1	3.4	3.1	3.4	3.4	3.2	3.1
Oil and gas 1/	0.2	0.4	0.6	0.6	0.6	0.5	0.3	0.6	0.8	0.8	0.9	0.9
Mining	2.0	3.9	4.5	3.1	3.1	2.6	3.2	2.5	2.6	2.6	2.3	2.2
Grants	2.0	2.3	1.8	1.8	1.8	1.9	1.8	2.0	1.7	1.2	1.1	1.0
Of which: Projects	0.8	0.8	1.6	1.4	1.4	1.6	1.6	1.7	1.4	0.9	0.9	0.8
Expenditure and net lending	18.5	20.8	28.7	25.4	25.0	25.2	25.4	26.6	26.8	26.9	27.3	27.9
Current	12.0	13.0	17.2	16.7	16.4	15.7	15.5	14.9	14.5	13.7	13.6	13.4
Compensation of employees	5.5	5.7	6.0	6.5	6.4	6.0	6.1	6.2	6.1	5.8	5.8	5.8
Goods and services	2.4	2.8	3.4	2.8	2.8	3.1	2.9	2.7	2.7	2.5	2.5	2.5
Subsidies and transfers 2/	2.1	2.7	5.8	4.3	4.2	3.7	3.7	3.2	2.9	2.6	2.5	2.4
Interest	0.9	0.8	1.0	1.0	1.0	0.9	1.0	1.0	1.0	1.0	0.9	1.0
External	0.7	0.6	0.8	0.7	0.7	0.7	0.6	0.7	0.6	0.6	0.6	0.6
Domestic	0.2	0.2	0.2	0.2	0.2	0.3	0.4	0.4	0.3	0.4	0.3	0.4
Special accounts	0.3	0.4	0.5	1.6	1.6	1.4	1.3	1.2	1.2	1.2	1.2	1.2
Common reserves 3/	0.8	0.5	0.4	0.3	0.3	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Others	0.0	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	6.6	7.8	11.5	8.8	8.7	9.5	9.8	11.6	12.4	13.2	13.8	14.5
Foreign-financed	1.7	1.6	2.8	2.2	2.2	2.6	2.4	2.6	3.0	3.5	3.5	3.4
Domestically financed, incl. COVID-19	4.9	6.3	8.7	6.5	6.4	6.9	7.5	9.0	9.4	9.7	10.3	11.1
Net lending	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	1.2	0.5	-4.5	-3.4	-3.3	-2.5	-2.1	-2.4	-1.8	-1.3	-1.5	-1.4
Primary balance	3.2	2.8	-2.7	-1.5	-1.5	-0.7	-0.3	-0.4	-0.1	-0.1	-0.4	-0.4
Non-extractive primary balance (incl. grants)	1.0	-1.5	-7.7	-5.3	-5.2	-3.8	-3.7	-3.5	-3.5	-3.5	-3.5	-3.5
Overal balance (excl. grants)	0.2	-0.4	-5.5	-4.3	-4.3	-3.5	-3.0	-3.5	-2.8	-2.3	-2.4	-2.4
Overall balance	2.2	1.9	-3.7	-2.5	-2.5	-1.6	-1.2	-1.4	-1.0	-1.1	-1.3	-1.3
Financing	-2.2	-1.9	3.7	2.5	2.5	1.6	1.2	1.4	1.0	1.1	1.3	1.3
Domestic	-4.1	-1.5	5.9	4.3	4.2	2.4	2.5	0.6	0.4	0.4	0.5	0.5
Banking system	-3.1	1.7	-1.7	4.3	4.2	2.2	1.4	0.3	0.2	0.2	0.3	0.4
Treasury account	-6.5	-3.8	4.0	3.6	3.5	1.9	0.4	0.0	0.0	0.0	0.0	0.2
Central bank	3.7	-2.0	3.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial banks	-0.3	-0.1	-0.8	0.7	0.7	0.3	1.1	0.3	0.2	0.2	0.3	0.2
Commercial banks (Without the RSF)	-0.3	-0.1	-0.8	0.7	0.7	0.8	1.6	1.5	0.7	0.2	0.3	0.2
Nonbanks	-0.1	-0.2	0.0	0.0	0.0	0.3	1.1	0.3	0.2	0.2	0.3	0.2
Domestic arrears	-0.5	0.4	0.4	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-0.4	1.2	3.1	2.4	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	1.9	...	...	...	...	...	...	...			
External	1.9	-0.9	-1.6	-1.8	-1.7	-0.8	-1.2	0.9	0.6	0.7	0.8	0.8
Hydrocarbon revenue fund (net)	0.1	-0.4	-0.4	-0.2	-0.2	-0.5	-0.2	-0.3	-0.3	-0.3	-0.4	-0.4
Oil and gas revenue	-0.2	-0.4	-0.3	-0.2	-0.2	-0.5	-0.2	-3.1	-3.4	-3.4	-3.2	-3.1
Transfer to the budget	0.3	0.0	0.0	0.0	0.0	0.0	0.0	2.5	2.5	2.5	2.5	2.5
Other	1.8	-0.4	-1.2	-1.6	-1.5	-0.3	-1.0	0.3	0.3	0.9	1.1	1.1
Borrowing (net)	-1.3	-1.4	-0.7	-1.6	-1.5	-0.9	-1.7	-1.2	-0.5	0.7	0.9	0.9
Disbursements	0.9	0.8	1.5	1.0	1.0	1.7	0.8	1.0	1.6	2.6	2.6	2.6
Amortization	-2.2	-2.2	-2.2	-2.6	-2.5	-2.6	-2.5	-2.2	-2.0	-1.9	-1.7	-1.7
of which debt relief (DSSI)	1.1	1.2	-0.4	-0.5	-0.5	-0.5	0.0	0.0	0.0	0.0	0.0	0.0
IMF (RCF)	1.5	...	...	...	...	...	...	...	...	...	0.0	0.0
IMF (ECF/EFF, actual and prospective)	0.6	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
RSF (RSF)	...	...	...	...	...	0.6	0.6	1.3	0.5	...	...	...
Errors and omissions	-0.1	0.5	-0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Non-extractive primary balance (excl. grants)	-1.0	-3.8	-9.5	-7.1	-7.0	-5.7	-5.5	-5.5	-5.2	-4.7	-4.6	-4.5
Non-extractive primary balance (incl. grants)	1.0	-1.5	-7.7	-5.3	-5.2	-3.8	-3.7	-3.5	-3.5	-3.5	-3.5	-3.5
Overall balance (in percent of GDP)	2.2	1.9	-3.7	-2.5	-2.5	-1.6	-1.2	-1.4	-1.0	-1.1	-1.3	-1.3
Basic budget balance (excl. grants) 4/	1.9	1.2	-2.6	-2.1	-2.1	-0.9	-0.6	-0.8	0.2	1.2	1.1	1.1
Net financial assets 5/	-46.8	-40.9	-41.2	-43.8	-42.4	-42.2	-40.7	-41.2	-41.1	-40.5	-39.2	-39.5
Social spending	4.7	4.7	5.5	5.3	5.4	5.1	5.3	5.2	5.2	5.2	5.1	5.1

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

1/ “Oil and gas” tax revenues do not include revenue from the carbon tax, which is presented under non-extractive tax revenue.

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

3/ For 2024, it includes social spendings against Climate Shocks.

4/ Overall balance excluding foreign-financed investment expenditure.

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

Table 4. Mauritania: Monetary Survey, 2020–29

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

	2020	2021	2022	2023		2024		2025	2026	2027	2028	2029
				2nd Review	Est.	2nd Review	Proj.			Projections		
Monetary survey												
Net foreign assets	27.0	52.7	53.7	63.6	63.6	58.4	59.5	55.8	57.2	62.8	69.3	71.2
Net domestic assets	69.0	63.0	65.2	60.8	60.8	72.6	73.3	86.5	95.1	100.8	107.3	119.9
Net domestic credit	86.4	89.3	103.2	131.7	131.7	148.3	151.0	163.5	177.2	192.9	210.1	229.5
Net credit to the government	5.5	1.6	4.1	27.5	27.5	36.6	33.4	34.7	35.7	36.8	38.2	40.3
Credit to the economy	80.9	87.7	99.1	104.2	104.2	111.8	117.6	128.7	141.5	156.1	171.8	189.2
Other items net	-17.4	-26.3	-38.0	-70.9	-70.9	-75.8	-77.7	-76.9	-82.1	-92.1	-102.8	-109.6
Broad money (M2)	96.0	115.6	118.9	124.4	124.4	131.0	132.8	142.3	152.3	163.6	176.6	191.1
Monetary authorities												
Net foreign assets	29.5	52.2	48.0	57.3	57.3	52.8	53.9	50.1	51.0	57.2	63.5	66.3
Net domestic assets	12.2	-0.3	-6.5	-16.5	-16.5	-10.0	-10.5	-3.5	-1.2	-8.4	-15.2	-14.0
Net domestic credit	7.2	1.6	4.6	19.4	19.4	27.4	20.9	20.9	20.9	20.9	20.9	21.9
Net credit to the government	6.5	0.5	3.4	18.3	18.3	26.3	19.8	19.8	19.8	19.8	19.8	20.8
Other items net	5.0	-1.9	-11.1	-36.0	-36.0	-37.4	-31.4	-24.4	-22.1	-29.3	-36.1	-35.9
Reserve money	41.7	51.8	41.5	40.7	40.7	42.9	43.5	46.6	49.8	48.7	48.3	52.3
Currency in circulation	22.7	25.7	22.2	22.9	22.9	24.1	24.5	26.2	28.0	30.1	32.5	35.2
Reserves of banks	19.0	26.1	19.3	17.8	17.8	18.7	19.0	20.4	21.8	18.6	15.8	17.1
Of which: Banks deposits in FX	4.9	4.7	1.0	1.2	1.2	1.3	1.3	1.4	1.5	1.3	1.1	1.2
Commercial banks												
Net foreign assets	-2.5	0.5	5.6	6.4	6.4	5.6	5.6	5.7	6.2	5.6	5.8	5.0
Net domestic credit	79.6	88.4	99.4	112.9	112.9	121.6	130.8	143.2	157.0	172.6	189.8	208.3
Net credit to the government	-1.0	1.0	0.7	9.2	9.2	10.3	13.7	15.0	15.9	17.0	18.5	19.6
Credit to the private sector	80.5	87.3	98.6	103.7	103.7	111.3	117.1	128.3	141.0	155.6	171.3	188.7
Other items net	-22.3	-24.5	-26.8	-34.9	-34.9	-39.1	-47.0	-53.2	-60.7	-63.4	-67.3	-74.4
						(Annual change in percent)						
Monetary survey												
Net foreign assets	46.3	94.7	1.9	18.6	18.6	-8.2	-6.5	-6.3	2.5	9.7	10.4	2.8
Net domestic assets	13.3	-8.7	3.5	-6.8	-6.8	19.3	20.6	18.0	9.9	6.1	6.4	11.7
Net domestic credit	-3.7	3.4	15.5	27.6	27.6	12.6	14.7	8.2	8.4	8.9	8.9	9.3
Net credit to the government	-60.6	-71.5	161.6	572.2	572.2	33.1	21.7	3.8	2.8	3.1	3.9	5.4
Credit to the economy	6.7	8.5	12.9	5.2	5.2	7.3	12.8	9.5	9.9	10.3	10.1	10.1
Other items net	39.7	-51.7	-44.2	-86.7	-86.7	-6.9	-9.6	1.0	-6.8	-12.1	-11.6	-6.6
Broad money (M2)	21.0	20.4	2.8	4.7	4.7	5.3	6.8	7.1	7.0	7.4	7.9	8.2
Monetary authorities												
Net foreign assets	36.7	76.7	-7.9	19.2	19.2	-7.7	-5.8	-7.1	1.9	12.0	11.0	4.4
Net domestic assets	30.0	-102.5	2012.9	152.6	152.6	-39.7	-36.7	-66.4	-65.9	600.8	80.3	-7.8
Net domestic credit	-47.5	-78.5	196.2	322.6	322.6	41.2	7.7	0.0	0.0	0.0	0.0	4.8
Net credit to the government	-50.8	-91.8	539.3	442.2	442.2	43.8	8.2	0.0	0.0	0.0	0.0	5.1
Reserve money	34.7	24.4	-20.0	-1.9	-1.9	5.3	6.8	7.1	7.0	-2.2	-0.9	8.2
Commercial banks												
Net foreign assets	20.3	120.1	1028.3	13.5	13.5	-12.1	-12.6	2.1	8.2	-9.2	3.4	-14.5
Net domestic credit	4.5	11.1	12.4	13.7	13.7	7.7	15.8	9.5	9.6	10.0	10.0	9.7
Net credit to the government	-225.7	-206.4	-30.5	1180.5	1180.5	11.8	48.5	9.3	6.6	6.9	8.5	5.8
Credit to the private sector	6.8	8.4	13.0	5.2	5.2	7.3	12.9	9.5	10.0	10.3	10.1	10.1
Memorandum items:												
Velocity of broad money (to non-extractive GDP)	2.5	2.3	2.4	2.4	2.5	2.4	2.5	2.5	2.5	2.5	2.5	2.5
Credit to the private sector (percent of non-extractive GDP)	33.2	33.1	34.0	34.1	32.9	34.8	34.8	36.0	37.0	38.0	39.0	40.0
Net foreign assets of banks (in millions of U.S. dollars)	-67.6	13.8	153.6	162.6	162.6	142.7	142.7	143.6	152.3	135.6	137.4	115.2

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

Table 5. Mauritania: Banking Soundness Indicators, 2010–24
(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 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	38.7	45.2
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	37.4	36.8
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	3.0	2.7
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	5.9	9.1
Private-sector credit growth (y-o-y)	16.0	10.6	15.1	14.9	21.3	8.0	8.3	7.5	19.4	12.8	6.8	8.4	13	5.2	4.6
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	19.3	19.4
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	80.1	59.5
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	122.0	86.1
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	70.8	70.2
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	80.4	77
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	15.2	14.9
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	20.1	20.8
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	8.8	7
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	110.5	85
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	6.0	-9.3
Profitability and liquidity															
Return on assets	0.4	1.2	1.4	1.2	1.2	0.7	...	0.6	0.4	0.5	0.3	0.0	...	1.2	...
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	...	8.6	...
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	26.9	28.2
Liquidity coverage ratio (statutory min. = 100 percent) 3/	...	...	...	...	...	...	...	...	...	...	148.9	152.5	140	185.7	205.4
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	42.4	43.9
Number of banks	10	12	12	15	15	16	16	17	17	18	18	18	17	17	17

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, 2020–29 1/
(In billions MRU)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
				Est.			Proj.			
Gross financing needs (A)	**6.1**	**8.5**	**28.5**	**28.4**	**23.5**	**24.8**	**22.5**	**21.2**	**23.0**	**24.3**
Primary balance, excl. grants and before DSSI	3.6	1.6	-15.7	-12.8	-8.7	-10.6	-8.3	-6.8	-8.1	-8.2
External public debt amortization	-6.8	-7.3	-7.8	-9.8	-10.6	-9.6	-9.6	-9.6	-9.6	-10.3
Interest payments	-2.9	-2.8	-3.5	-3.7	-4.1	-4.6	-4.6	-4.9	-5.3	-5.8
External	-2.2	-2.1	-2.8	-2.8	-2.5	-2.9	-3.0	-3.1	-3.4	-3.7
Domestic	-0.7	-0.7	-0.7	-0.9	-1.7	-1.7	-1.6	-1.8	-1.9	-2.1
Rescheduled debt service under Debt Service Suspension Initiative (DSSI)	...	...	-1.5	-2.1	0.0	0.0	0.0	0.0	0.0	0.0
Financing sources	**6.4**	**3.2**	**46.2**	**34.1**	**23.2**	**20.6**	**18.8**	**19.9**	**21.6**	**22.5**
Domestic	**-12.7**	**-10.6**	**37.3**	**24.5**	**10.4**	**2.5**	**2.0**	**2.2**	**2.9**	**3.2**
Drawdown of treasury account	-19.9	-12.8	14.0	13.8	1.5	0.0	0.0	0.0	0.0	1.0
Borrowing (net) 1/	10.1	-7.9	8.6	2.6	8.9	2.5	2.0	2.2	2.9	2.2
Borrowing (net) (Without the RSF) 2/	10.1	-7.9	8.6	2.6	11.3	8.1	4.4	2.2	2.9	2.2
Other (incl. arrears variation)	-2.9	3.7	14.7	8.1	0.0	0.0	0.0	0.0	0.0	0.0
SDR allocation	...	6.4	...	...	...	...	...	...	...	...
External	**19.1**	**13.8**	**8.8**	**9.6**	**12.8**	**18.0**	**16.8**	**18.7**	**20.7**	**22.4**
Official grants	6.2	7.6	6.4	7.1	7.6	8.8	8.0	6.1	6.2	6.2
Project grants	2.6	2.6	5.8	5.5	6.9	7.3	6.7	4.8	4.8	4.8
Budget support grants	3.6	5.0	0.6	1.5	0.7	1.5	1.3	1.3	1.4	1.4
External borrowing (gross)	2.8	2.6	5.3	3.8	3.2	4.2	7.3	13.1	14.7	15.5
Project loans	2.7	2.6	4.2	3.0	3.2	4.2	7.3	13.1	14.7	15.5
Budget support loans	0.2	0.0	1.1	0.9	0.0	0.0	0.0	0.0	0.0	0.0
DSSI	3.5	4.1	-1.5	-2.1	0.0	0.0	0.0	0.0	0.0	0.0
Drawdown of oil account	0.2	-1.4	-1.4	-0.8	-1.1	-1.2	-1.3	-1.6	-2.1	-2.3
IMF financing	6.6	0.9	0.0	1.6	3.0	6.2	2.8	0.0	0.0	0.0
ECF 2017-21 and 2020 RCF	6.6	0.9	...	...	...	...	...	...	...	...
New ECF/EFF	...	...	...	1.6	0.7	0.7	0.3	0.0	0.0	0.0
RSF	...	...	...	...	2.3	5.5	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**	**0.0**
Treasury account balance	27.5	40.3	26.2	12.5	11.0	11.0	11.0	11.0	11.0	10.0
Gross international reserves (US$ million)	1,542	2,347	1,877	2,032	2,039	2,015	2,030	2,095	2,161	2,150

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, 2022–29 [1/]

(In millions of U.S. dollars)

	2022	2023	2024	2025	2026	2027	2028	2029
		Est.			Proj.			
Gross Financing Needs	**1,851**	**1,473**	**1,228**	**1,278**	**1,219**	**1,195**	**1,239**	**1,246**
Current account balance, excl. grants	1,589	1,067	922	1,058	978	892	937	1,000
External public debt amortization 1/	225	251	306	220	241	238	235	246
Accumulation of hydrocarbon revenue fund	38	36	27	29	31	38	50	54
Reserves accumulation (without RSF)	0	155	0	0	0	65	67	0
Gross Financing Sources	**1,851**	**1,430**	**1,122**	**1,144**	**1,091**	**1,074**	**1,126**	**1,133**
Foreign direct investment and capital inflows (net)	1,537	1,041	649	774	757	703	718	743
Official grants (historical)	165	132	...	...	...	...	...	...
Official loan disbursements (excluding IMF) 2/	274	275	343	274	360	495	532	551
Other flows 3/	-596	-17	78	-68	-72	-124	-124	-172
Drawdown of hydrocarbon revenue fund	0	0	0	0	0	0	0	0
Reserves drawdown (without RSF)	471	0	52	164	45	0	0	11
Financing gap	**0**	**-43**	**-106**	**-134**	**-128**	**-121**	**-113**	**-112**
Prospective financing	**0**	**43**	**106**	**134**	**128**	**121**	**113**	**112**
IMF ECF/EFF	0	43	17	17	9	0	0	0
Official grants (prospective) 4/	0	0	89	116	120	121	113	112
Residual financing gap	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
RSF disbursement (prospective)	0	0	59	140	60	0	0	0
Change in reserves (net, with RSF)	-471	155	8	-24	15	65	67	-11
Memorandum items:								
Gross official reserves (US$ million)	1,877	2,032	2,039	2,015	2,030	2,095	2,161	2,150
Hydrocarbon revenue fund balance (US$ millions)	171	191	218	247	279	316	366	420

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Including central government, central bank, and SNIM.
2/ Budget support is primarily from the World Bank, European Union, International Fund for Agricultural Development, and France.
3/ Including SNIM, SMHPM, commercial banks, errors, and omissions, and HIPC Debt Relief.
4/ Disbursed official grants moved above the line for 2022 outturn.

Table 8. Mauritania: Capacity to Repay the Fund, 2024–48

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048
Payments to the Fund based on existing credit																									
Principal (in million of SDRs)	11.59	26.13	44.71	47.26	45.87	41.43	27.11	8.53	6.87	5.44	1.32	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	1.49	0.74	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	8.36	7.47	7.48	7.47	7.39	7.23	7.06	6.89	6.72	6.55	6.45	6.42	6.39	6.35	6.32	6.28	6.25	6.21	6.18	6.15	6.12	6.10	6.10	6.10	6.11
Payments to the Fund based on existing and prospective credit																									
Principal (in million of SDRs)	11.59	26.13	44.71	47.26	45.87	42.50	30.26	12.89	11.45	10.02	5.90	9.55	17.66	19.32	19.32	19.32	19.32	19.32	19.32	19.32	18.58	12.63	2.23	0.00	0.00
PRGT (ECF & RCF)	11.59	26.13	44.71	46.37	41.94	37.14	23.46	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	0.00	0.00
GRA (EFF)	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	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	0.74	6.69	17.09	19.32	19.32	19.32	19.32	19.32	19.32	19.32	18.58	12.63	2.23	0.00	0.00
Charges and interest (in million of SDRs)	8.38	8.95	11.66	12.17	12.10	11.92	11.70	11.42	11.13	10.85	10.64	10.48	10.21	9.78	9.35	8.92	8.49	8.05	7.62	7.18	6.75	6.34	6.13	6.10	6.11
Total payments to the Fund based on existing and prospective credit																									
In millions of SDRs	19.98	35.08	56.38	59.43	57.97	54.43	41.96	24.31	22.58	20.86	16.53	20.03	27.87	29.10	28.67	28.24	27.81	27.37	26.94	26.50	25.33	18.98	8.36	6.10	6.11
In millions of US$	25.57	44.89	72.15	76.07	74.19	69.66	53.70	31.11	28.90	26.70	21.16	25.63	35.68	37.25	36.70	36.14	35.59	35.03	34.47	33.92	32.41	24.29	10.70	7.81	7.82
In percent of exports of goods and services	0.60	1.11	1.70	1.69	1.49	1.39	1.20	0.78	0.73	0.64	0.50	0.62	0.86	0.93	0.91	0.87	0.85	0.81	0.78	0.74	0.69	0.50	0.21	0.15	0.15
In percent of debt service	7.22	12.89	20.04	20.80	20.37	18.75	14.56	8.12	7.60	6.80	5.44	6.28	8.46	8.20	6.93	7.05	6.36	6.14	5.92	5.71	5.35	3.93	1.70	1.22	1.19
In percent of GDP	0.24	0.40	0.62	0.61	0.55	0.50	0.38	0.22	0.20	0.17	0.13	0.15	0.20	0.20	0.19	0.18	0.17	0.16	0.15	0.14	0.13	0.09	0.04	0.03	0.03
In percent of Gross International Reserves	1.25	2.23	3.55	3.63	3.43	3.24	2.71	1.87	2.09	1.62	1.32	1.42	1.89	2.14	2.23	2.26	2.37	2.27	2.17	2.07	1.92	1.40	0.60	0.42	0.41
In percent of quota	15.51	27.23	43.77	46.14	45.01	42.26	32.58	18.87	17.53	16.20	12.84	15.55	21.64	22.60	22.26	21.92	21.59	21.25	20.91	20.57	19.66	14.73	6.49	4.74	4.74
PRGT (ECF & RCF)	9.00	20.29	34.71	36.00	32.56	28.83	18.22	4.45	3.33	2.92	1.50	0.83	0.17	0.00	0.00	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	0.69	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	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	0.58	5.19	13.27	15.00	15.00	15.00	15.00	15.00	15.00	15.00	14.42	9.81	1.73	0.00	0.00
Outstanding Fund credit																									
In millions of SDRs	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	0.0	0.0
PRGT (ECF & RCF)	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	0.0	0.0
GRA (EFF)	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	0.0	0.0
RSF	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	0.0	0.0
In millions of US$	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	0.0	0.0
In percent of exports of goods and services	9.2	12.5	12.1	10.1	8.0	6.8	6.7	7.2	6.9	6.2	6.0	5.7	5.2	4.8	4.1	3.4	2.8	2.1	1.5	0.9	0.4	0.1	0.0	0.0	0.0
In percent of debt service	110.2	145.4	142.9	124.2	108.5	91.8	82.0	74.6	71.3	65.8	64.5	58.4	51.2	42.1	31.5	27.6	20.9	16.2	11.6	7.2	3.1	0.5	0.0	0.0	0.0
In percent of GDP	3.6	4.5	4.4	3.7	3.0	2.5	2.1	2.0	1.8	1.7	1.5	1.4	1.2	1.0	0.9	0.7	0.6	0.4	0.3	0.2	0.1	0.0	0.0	0.0	0.0
In percent of gross international reserves	19.1	25.1	25.3	21.7	18.3	15.9	15.3	17.2	19.6	15.7	15.6	13.2	11.5	11.0	10.1	8.9	7.8	6.0	4.2	2.6	1.1	0.2	0.0	0.0	0.0
In percent of quota	236.8	307.2	312.1	275.4	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	0.0	0.0
PRGT (ECF & RCF)	178.8	161.9	128.8	92.8	60.3	31.4	13.2	8.7	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	0.0	0.0
GRA (EFF)	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	0.0	0.0
RSF	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	0.0	0.0
Net use of Fund credit (in millions of SDRs)	64.91	130.68	23.92	-47.26	-45.87	-42.50	-30.26	-12.89	-11.45	-10.02	-5.90	-9.55	-17.66	-19.32	-19.32	-19.32	-19.32	-19.32	-19.32	-19.32	-18.58	-12.63	-2.23	0.00	0.00
Disbursements	76.50	156.81	68.63	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	0.00	0.00
Repayments	11.59	26.13	44.71	47.26	45.87	42.50	30.26	12.89	11.45	10.02	5.90	9.55	17.66	19.32	19.32	19.32	19.32	19.32	19.32	19.32	18.58	12.63	2.23	0.00	0.00
Memorandum items:																									
Exports of goods and services (in millions of US$)	4,233	4,054	4,243	4,509	4,971	5,029	4,490	3,964	3,934	4,145	4,205	4,159	4,172	4,021	4,043	4,149	4,185	4,310	4,440	4,573	4,710	4,851	4,997	5,147	5,301
Debt service (in millions of US$)	354	348	360	366	364	372	369	383	380	393	389	408	422	454	529	513	559	570	582	593	605	617	630	642	655
Nominal GDP (in millions of US$)	10,782	11,152	11,661	12,388	13,369	13,883	14,114	14,115	14,785	15,470	16,241	16,860	17,703	18,585	19,247	19,975	20,714	21,750	22,838	23,979	25,178	26,437	27,759	29,147	30,605
Gross international reserves (in millions of US$)	2,039	2,015	2,030	2,095	2,161	2,150	1,980	1,663	1,381	1,649	1,605	1,804	1,884	1,740	1,647	1,597	1,500	1,545	1,592	1,640	1,689	1,739	1,792	1,845	1,901
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	128.8

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

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	Oct-25	IMF CD (tentative)	Institutionalizing climate budget tagging in budget preparation will support climate change awareness and enable better-informed budget decisions and	
	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	Apr-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	Oct-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	Apr-26	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"	Apr-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.		Apr-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.		Apr-25	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"	Oct-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"	Oct-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"	Apr-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"	Oct-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"	Apr-26		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		Oct-25	IMF CD	Sustainable tariff setting permits efficent, 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, 2023–26

Availability date	Amount of Disbursements		Conditions
	RSF		
	Millions of SDR	Percent of Quota 1/	
April 17, 2024	14.86	11.54	Completion of RSF review of RM5 implementation
October 17, 2024	14.86	11.54	Completion of RSF review of RM3 implementation
October 17, 2024	14.86	11.54	Completion of RSF review of RM11 implementation
April 17, 2025	14.86	11.54	Completion of RSF review of RM6 implementation
April 17, 2025	14.86	11.54	Completion of RSF review of RM7 implementation
April 17, 2025	14.86	11.54	Completion of RSF review of RM10 implementation
October 17, 2025	14.86	11.54	Completion of RSF review of RM1 implementation
October 17, 2025	14.86	11.54	Completion of RSF review of RM8 implementation
October 17, 2025	14.86	11.54	Completion of RSF review of RM13 implementation
October 17, 2025	14.86	11.54	Completion of RSF review of RM9 implementation
April 17, 2026	14.86	11.54	Completion of RSF review of RM2 implementation
April 17, 2026	14.86	11.54	Completion of RSF review of RM4 implementation
April 17, 2026	14.88	11.54	Completion of RSF review of RM12 implementation
Total	193.20	150.00	

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, 2023–25[1/]

(Based on end-2023 debt outstanding)

	Debt Stock			Debt service					
	end-2023			2023	2024	2025	2023	2024	2025
	In millions of US$	Percent of total debt	Percent of GDP	Millions US$			Percent of GDP		
Total PPG debt (external + domestic)	**4,592.8**	**100.0**	**46.4**	**522.1**	**545.2**	**763.6**	**5.3**	**5.0**	**6.9**
External	**3,960.1**	**86.2**	**40.0**	**323.3**	**354.2**	**344.0**	**3.3**	**3.3**	**3.1**
Multilateral creditors	2,475.2	53.9	25.0	179.2	205.6	215.2	1.8	1.9	1.9
FADES	1,197.3	26.1	12.1	101.5	125.3	114.4	1.0	1.2	1.0
IsDB	310.4	6.8	3.1	39.9	34.5	36.0	0.4	0.3	0.3
World Bank	426.2	9.3	4.3	13.6	15.8	16.8	0.1	0.1	0.2
IMF	347.7	7.6	3.5	8.5	16.6	35.1	0.1	0.2	0.3
Other multilaterals	193.7	4.2	2.0	15.7	13.4	13.0	0.2	0.1	0.1
Bilateral creditors	1,483.8	32.3	15.0	144.1	148.6	128.8	1.5	1.4	1.2
Paris Club	84.7	1.8	0.9	17.6	18.9	12.3	0.2	0.2	0.1
France (incl. AFD)	69.8	1.5	0.7	11.8	12.3	10.2	0.1	0.1	0.1
Spain	12.7	0.3	0.1	5.7	6.5	1.9	0.1	0.1	0.0
Other Paris Club	2.2	0.0	0.0	0.2	0.2	0.2	0.0	0.0	0.0
Non-Paris Club	1,399.1	30.5	14.1	126.5	129.6	116.5	1.3	1.2	1.1
Saudi Arabia	667.2	14.5	6.7	30.8	33.1	27.8	0.3	0.3	0.3
China	306.7	6.7	3.1	40.7	44.9	45.1	0.4	0.4	0.4
Kuwait	250.8	5.5	2.5	23.9	23.8	20.0	0.2	0.2	0.2
Other Non-Paris Club	174.5	3.8	1.8	31.0	27.9	23.6	0.3	0.3	0.2
Bonds	1.0	0.0	0.0	-	-	-	-	-	-
Commercial creditors	-	-	-	-	-	-	-	-	-
Domestic	**632.7**	**13.8**	**6.4**	**198.9**	**191.0**	**419.6**	**2.0**	**1.8**	**3.8**
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	176.1	3.8	1.8	184.0	176.1	404.9	1.9	1.6	3.7
Loans	456.7	9.9	4.6	14.8	14.9	14.7	0.2	0.1	0.1
Memo items:									
Collateralized debt[2]	-	-	-						
Contingent liabilities	498.7	10.9	5.0						
o/w Public guarantees	6.4	0.1	0.1						
o/w Other explicit contingent liabilities[3]	473.7	10.3	4.8						
Nominal GDP (end of period)	9,890			9,890	10,803	11,071			

Source: Mauritanian authorities.

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 or 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 borrowing 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 information.

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)

Sources of Risks	Relative Likelihood	Expected Impact	Policy Response
		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, 2024-25

CD will be closely integrated in the 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 SB under the ECF and EFF arrangements are provided below. [1]

	Program Structural Benchmarks 2024	Supporting CD and Diagnostic Tools
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	Continuous TA is being provided by the WB under their Social Safety Net Project
Fiscal policy		
2	Operationalize the Tax Policy Unit (TPU) by hiring competent staff and having the TPU operations started	FAD provided TA on the evaluation of tax expenditures and the creation of a Tax Policy Unit
3	Reform of the codification of imported products in customs, including the additional codes used for the codification of tax regimes	The WB is providing supporting TA
4	Publish financial reporting on SNIM mining and non-mining activities, including the SNIM foundation, on an annual basis	Governance Diagnostic assessment by IMF staff (LEG, FIN, FAD, and MCM)
5	Reform the consumption tax in the LFR 2024 (2024 Revised Budget Law)	FAD provided TA on tax expenditures assessment and a general tax policy diagnostic and recommended reformulating the SB and moving it to 2025
6	Submit to Parliament a revised investment code that eliminates "points francs" and reduces special regimes	IFC is providing support on that and FAD carried out a diagnostics mission in early 2024 and a follow-up diagnostic could be planned for early-2025
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	Convert the 2018 convention on the BCM claims on the government with a new agreement amounting to the same net present value, according to IFRS, as of the date of the signing of the convention. to (i) transfer of shares of the international Bank Banque Maghrébine d'Investissement et de Commerce Extérieur (BMICE), (ii) transfer of real estate, (iii) transfer of cash from the issuance of 10-year treasury bonds, and (iv) a reimbursement plan of the remaining balance with an interest rate of 5.5 percent and equal annual amortization of MRU 361 million	

[1] Mauritania's RSF reform measures and their supporting CD and diagnostic tools can be found in Table 9.

	Program Structural Benchmarks	Supporting CD and Diagnostic Tools
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	
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 Funding Stable Ratio (NFSR) instruction by March 2024	AFRITAC West TA missions on banking supervision and regulation
13	The authorities will monitor the compliance of all banks with the minimum capital and core capital requirements and undertake appropriate actions against non-complying banks under the legal framework governing credit institutions	AFRITAC West TA missions on banking supervision and regulation
Governance and Private Investment		
14	Submit to Parliament a new law on government enterprises in line with international standards and best practices, including the main elements of a government ownership policy in these entities and measures to strengthen their governance, transparency, and accountability	LEG (with FAD) TA is underway to prepare a draft new SOE Law
15	Submit to Parliament legal amendments to enhance the declaration of assets and interests framework in line with the G20 High-Level Principles on Asset Disclosure by Public Officials, including by (i) adding members of parliament and SOE board members to the current list of obligated persons, (ii) specifying the types of assets and interests that, as a minimum should be reported by obligated persons, including assets beneficially owned and assets of spouses (if above a reasonable materiality threshold proposed by the Anti-Corruption Agency), (iii) clarifying that declarations should be filed upon taking office, every two years, and upon leaving office, (iv) requiring the publication of relevant data declared by high-level officials, including their interests, annual income, aggregate data on their wealth (within ranges or above a certain threshold, proposed by the Anti-Corruption Agency) and material changes in their financial situations, and (v) introducing an effective and proportionate sanctions and enforcement regime for lack of compliance and false declarations	LEG is providing TA to prepare the legal amendments to the laws
16	Start regular publications of semi-annual reports on the implementation of the action plan in key governance areas supported by the IMF governance diagnostics	

	Program Structural Benchmarks 2025	Supporting CD and Diagnostic Tools
Fiscal policy		
1	Reform the consumption tax by replacing it with a conventional excise tax system, which applies to both imports and local production in the revised budget law (LFR) for 2025	FAD provided TA on (i) the evaluation of tax expenditures and the creation of a Tax Policy Unit and (ii) a tax diagnostic mission early 2024. A follow-up mission is planned for early-2025
2	Prepare and publish a public expenditure review on current spendings from 2022 to 2024	FAD will provide TA
3	Reform the organizational structure of the directions of tax (DGI) and customs (DGD) and adopt a new function-based organigram for both directions in line with FAD TA	FAD will provide TA
4	Reform the CGI to consolidate all tax measures and incentives, clearly exclude all non-listed measures, and limit responsibility for introducing new tax measures to the MEF	
5	Adopt and sign a memorandum of understanding between the directions of tax (DGI), customs (DGD), and the free zone authority to define responsibilities	FAD will provide TA
Monetary and foreign exchange policy		
6	Introduce in the IT system Refinitiv a tool that allows to enforce firm FX quotes	MCM TA on FX
Financial sector policies		
7	Set up a robust IT system managed by BCM that will enable banks to electronically submit supervisory returns in compliance with regulatory reporting requirements, including effective data quality control and template integrity protection	AFRITAC West TA missions on banking supervision and regulation
Governance and private investment		
8	Publish the semi-annual report on the implementation of the action plan in key governance areas supported by the IMF governance diagnostics	
9	In consultation with the Fund staff, publish an implementation decree to the new public enterprises law after its approval by parliament	
10	Publish an implementation decree to the Anti-Corruption Agency (ACA) law to enable the appointment of the ACA's Directive Council members and the director general, and complete such appointments	
11	Publish the semi-annual report on the implementation of the action plan in key governance areas supported by the IMG governance diagnostics	

Annex II. Data Issues

Table 1. Mauritania: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	C	B	B	C	C	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	C	B	B	C		
Granularity 3/	C		A	B	B		
			C		C		
Consistency			C	C		C	
Frequency and Timeliness	B	B	A	B	B		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision has some shortcomings that somewhat hamper surveillance, the weaknesses in the majority of sectors relate to coverage, granularity and consistency, reflecting some capacity constraints and data availability limitations. The quality of the underlying data in some sectors, specifically the national accounts and the external sector complicate projections. On the national accounts, there are considerable revisions between the provisional and final accounts, the GDP series need to be re-based as the current base year is outdated, and demand side GDP needs substantial improvements. On government finance statistics, improvements on the coverage and breakdown of other government entities, including the Social Insurance Fund and public enterprises are needed. On the external sector, the authorities do not currently compile International Investment Position data and exernal trade data also requires substantial improvements. On financial sector statistics, bank level data need enhancements as the available data hampers the in-depth assessment of financial intermediation, including in the application of accounting standards.

Changes since the last Article IV consultation. There have been continued improvements government finance statistics, the authorities have produced the first local governments fiscal operations table for 2023 in January 2024. The authorities have also made improvements on national accounts and prices measurement methodologies and publications. Additionally, to continously improve the quality of national accounts, the National Agency for Statistics, Demographic and Economic Analysis (ANSADE) signed an agreement on the exchange of data with the Ministry of Economy and Finance (MEF). In addition, a memorandum of understanding for the coordination and exchange of data with the General Directorate of Customs and the Central Bank was agreed in order to develop statistics on foreign trade in goods. ANSADE has also published quarterly and annual GDP figures and monthly CPI figures in addition to the quarterly release of the industrial production index.

Corrective actions and capacity development priorities. The Mauritanian authorities are fully committed to making all the necessary improvements in their data standards. The Fund is carrying out extensive technical assistance to support the authorities' efforts to improve their data standards. Ongoing Fund TA currently supports data enhancements in the national accounts, the external sector, monetary and financial sector and the government finance statistics. The Central Bank is implementing recommendations from recent IMF TA on improving balance of payment statistics and the IIP data. On financial sector data, the BCM will work with banks to clarify any ambiguities in the applicable accounting standards with the support of IMF TA. In order to improve the coverage of the General Government, the MEF is working on collecting data on the operations of the Social Insurance Fund and public enterprises with the help of IMF TA.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Data from Tasiast is used for gold production and data from the National Industrial and Mining Company (SNIM) for iron ore production. Data on population numbers and growth and other development indicators are extracted from the World Bank Worldwide Development Indicators.

Other data gaps. On climate change, there are some data gaps that hamper the assessment and quantification of the available water resources. The RMs under the RSF have been designed to address these data gaps and support the compilation of such data. Mauritania hosts a large number of refugees, however there is limited information on the economic impact of hosting these refugees, hampering the assessment of the potential short and/or medium-term impacts on the economy. Finally, a household income and expenditure survey is planned for 2025 (the most recent having been carried out in 2020), which should better capture the structural changes in the economy and better inform policymaking.

Table 2. Mauritania: Data Standards Initiatives

Mauritania participates in the Enhanced General Data Dissemination System (e-GDDS) and publishes the data on its National Summary Data Page since September 2019.

Table 3. Mauritania: Table of Common Indicators Required for Surveillance

As of October 23, 2024

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Mauritania[8]	Expected Timeliness[6,7]	Mauritania[8]
Exchange Rates	Nov-24	Nov-24	D	W	D	30	...	30
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Sep-24	Oct-24	M	M	M	30	1M	28
Reserve/Base Money	Sep-24	Nov-24	M	M	M	30	2M	35
Broad Money	Sep-24	Nov-24	M	M	M	30	1Q	35
Central Bank Balance Sheet	Sep-24	Nov-24	M	M	M	30	2M	35
Consolidated Balance Sheet of the Banking System	Sep-24	Nov-24	M	M	M	30	1Q	35
Interest Rates[2]	Nov-24	Nov-24	W	W	M	30	...	35
Consumer Price Index	Oct-24	Nov-24	M	M	M	30	2M	30
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	NA	NA	NA	NA	A	...	3Q	...
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	Oct-24	Nov-24	M	M	Q	30	1Q	30
Stocks of Central Government and Central Government-Guaranteed Debt[5]	Sep-24	Nov-24	M	M	Q	30	2Q	30
External Current Account Balance	Jun-24	Aug-24	Q	Q	Q	90	1Q	180
Exports and Imports of Goods and Services	Jun-24	Aug-24	Q	Q	M	90	12W	180
GDP/GNP	Jun-24	Oct-24	Q	Q	Q	365	1Q	360
Gross External Debt	Aug-24	Oct-24	M	M	Q	365	2Q	60
International Investment Position	NA	NA	NA	NA	A	...	3Q	...

1/ Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.
2/ Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.
3/ Foreign, domestic bank, and domestic nonbank financing.
4/ The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.
5/ Including currency and maturity composition.
6/ Frequency and timeliness: (“D”) daily; (“W”) weekly or with a lag of no more than one week after the reference date; (“M”) monthly or with lag of no more than one month after the reference date; (“Q”) quarterly or with lag of no more than one quarter after the reference date; (“A”) annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.
7/ Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.
8/ Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

Annex III. External Sector Assessment [1]

Overall Assessment: *The external position of Mauritania in 2021, the last year for which an ESA was conducted, was broadly in line with the level implied by fundamentals and desirable policies. The CA deficit slightly increased during 2020-21, following global price rises of key import goods (food and petrol). However, it widened significantly in 2022 following increases in import prices due to Russia's war in Ukraine, and reductions in commodity prices of Mauritania's main exports. In 2023, the external position was weaker than implied by fundamentals, despite a moderating CA deficit compared to 2022. The country remains significantly exposed to external shocks due to its heavy dependence on commodity exports.*

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

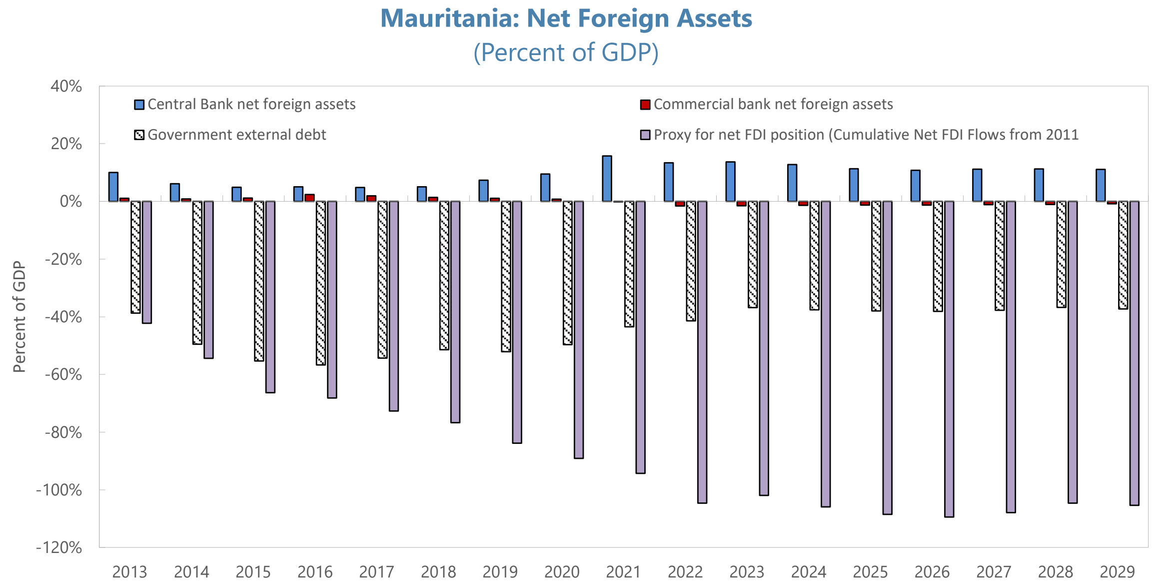
Foreign Assets and Liabilities: Position and Trajectory

Background. While the Net International Investment Position (NIIP) is not available for Mauritania, it is nonetheless possible to examine certain components for which data is available, including: the foreign asset position of the central bank and commercials banks, the external debt position of the government, and cumulative foreign direct investment. [2] Commercial banks oscillate between negative and positive net foreign positions, but the values remain very close to zero as a fraction of GDP. Central Bank assets, primarily made up of foreign reserves, are positive and peaked in 2021 at 15.8 percent of GDP and decreased to 13.7 percent in 2023. Government external debt stock contributes a large and consistently negative net position, at 37.8 percent of GDP in 2023 and following a slight upward trend until 2029. As discussed in the DSA, Mauritania is assessed to be at moderate risk of debt distress but with an overall sustainable debt position. The negative net FDI position is likely the largest component of Mauritania's negative NIIP, reflecting major investments in Mauritania's extractives sector (including gold, iron ore, and gas). Net FDI flows are consistently positive, with sharp increases during the 2010s, and are projected to taper off but not reverse up to 2029.

Assessment. There is significant uncertainty about the net international investment position in Mauritania and hence a clear assessment is not possible. However, government debt, undoubtedly a large contributing factor, is judged as sustainable with moderate risk of debt distress in the DSA. The central bank overall has significant positive assets, while foreign direct investment is likely to only adjust slowly, and predictably as new extractives projects start up and others reach the end of their lifecycle.

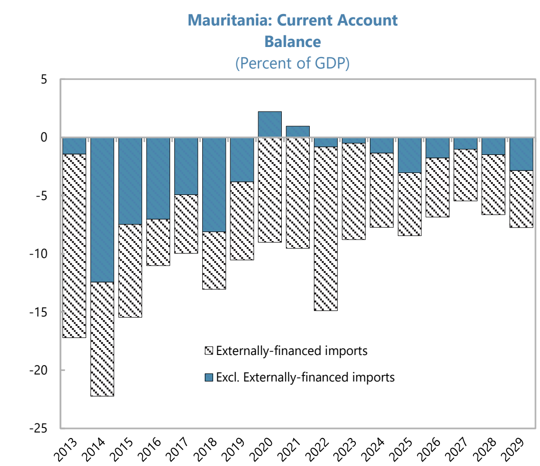
[1] Prepared by Clara Galeazzi (SPR).

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

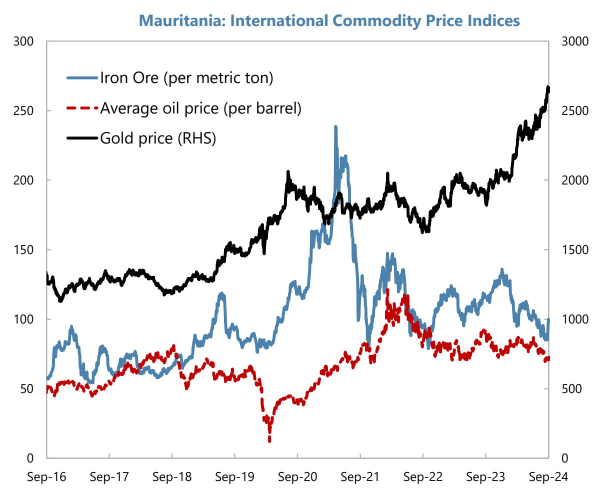


Current Account

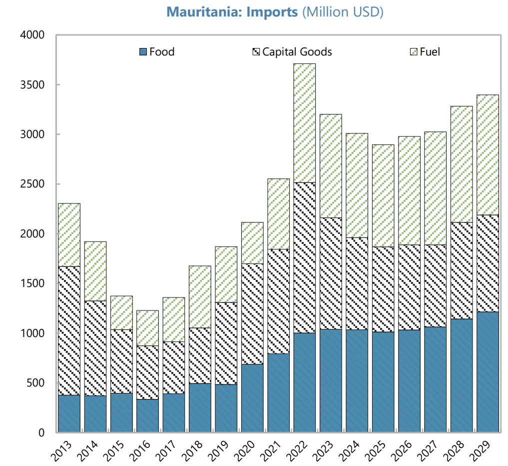
Background. The CA balance stood at -8.8 percent of GDP in 2023, substantially less negative than in 2022 (14.6 percent) and less negative than the five-year average of -10.8 percent (2018-22). Exports increased slightly, with strong gold prices counteracting stability in iron ore prices despite a trending decline in TASIAST's gold production. Total imports strongly decreased in 2023 following a jump in world petrol and food prices during 2021 and 2022. The CA balance deficit is projected to decrease to 7.7 percent of GDP in 2024 but to increase to 8.5 percent in 2025 on the back of decreasing fishing, iron ore and gold exports, and copper prices that are not countered by equal decreases in import prices. The CA is expected to moderate after 2025 once gas exports come online.



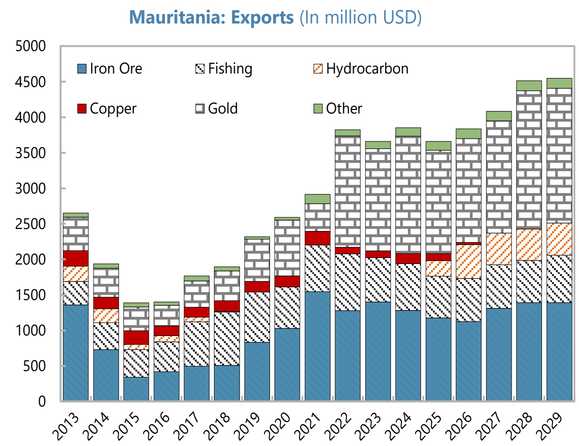
Sources: Mauritanian authorities and IMF staff calculations.



Sources: Bloomberg database; and IMF staff calculations.



Sources: Data from authorities and IMF staff calculations.



Sources: Data from authorities and IMF staff calculations.

Assessment. The CA gap (difference between the cyclically adjusted CA and CA norm) is estimated at -2.2 percent of GDP in 2023. Staff therefore assess that the external position of Mauritania in 2023 was weaker than the level implied by fundamentals and desirable policies. This represents a change relative to the 'broadly in line' assessment of 2021 and the 'moderately stronger' assessment of the 2020 ESA. It primarily reflects (i) moderation in imports due to global price decreases and (ii) a stronger CA norm due to increases in key export prices and in iron ore production. Cyclical contributions are 0.6 percent of GDP, resulting from a small output gap and contribution of the detrended terms of trade. The 3.0 percent policy gap is primarily driven by three components: (i) the cyclically adjusted fiscal balance was positive in 2023 (1.3 percent of GDP) due to strong revenue performance from extractives and under-execution of the budget, while the optimal medium-term policy is to run a contained deficit of 1.5 percent of GDP, (ii) health spending in 2023 was estimated at 3 percent of GDP while the optimal policy from cross country regression analysis was 6 percent, and (iii) the change in reserves was negative 1 percent in 2023, while the optimal rate is considered to be negative 2.2 percent.

Mauritania: EBA-lite Model Results, 2023

	CA model 1/	**REER model**
	(in percent of GDP)	
CA-Actual	**-8.8**	
Cyclical contributions (from model) (-)	0.6	
Additional temporary/statistical factors (-) 2/		
Natural disasters and conflicts (-)	-0.1	
Adjusted CA	**-9.3**	
CA Norm (from model) 3/	**-7.2**	
Adjusted CA Norm	**-7.2**	
CA Gap	**-2.2**	**-0.8**
o/w Relative policy gap	3.0	
Elasticity	-0.3	
REER Gap (in percent)	**8.1**	**3.1**

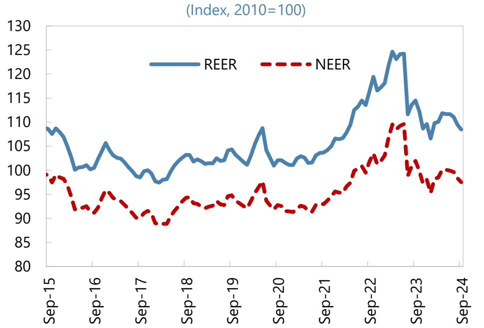
1/ Based on the EBA-lite 3.0 methodology
2/ No additional adjustments.
3/ Cyclically adjusted, including multilateral consistency adjustments.

Real Exchange Rate

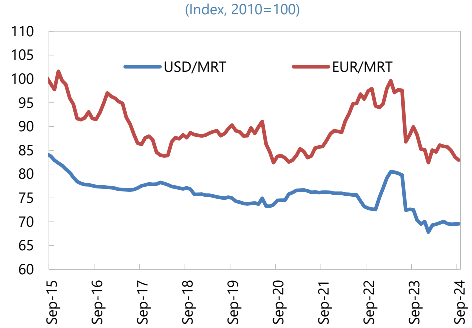
Background. The REER appreciated by 3.9 percent between 2022 and 2023, compared to an average depreciation of 2.3 percent over the previous 5 years. The authorities base the exchange rate policy on a basket of Eurodollar currencies with a 5 percent fluctuation band as a reference for foreign exchange interventions.

Assessment. Staff assesses that the REER was overvalued in 2023, based on the CA model's 8.1 percent gap, and in part reflecting challenges in rolling out a competitive and functioning interbank market with multi-price currency auctions that determine a market exchange rate. Starting in 2022, BCM changed its policy by meeting the demand for FX in the official market. The REER model suggests a more moderate 3.1 percent overvaluation; this model is less reliable for countries such as Mauritania with data issues or that have or are experiencing large structural changes.

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

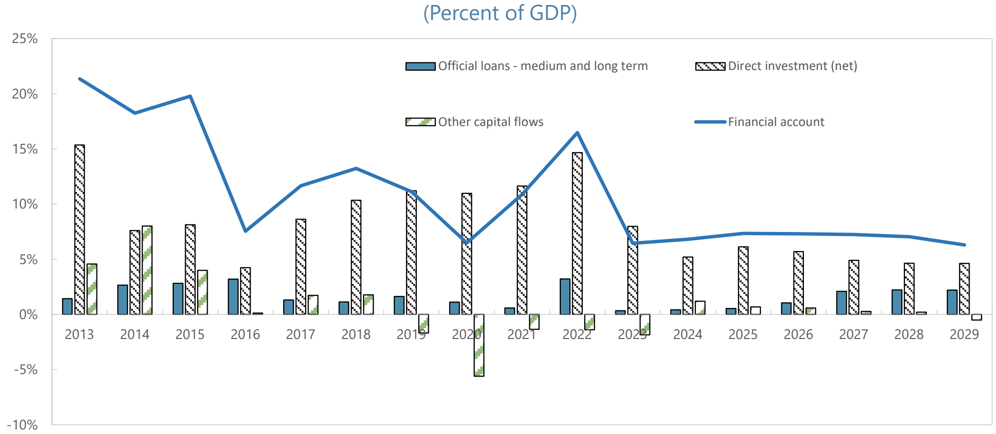


Mauritania: Exchange Rates
(Index, 2010=100)



Capital and Financial Accounts: Flows and Policy Measures

Mauritania: Financial Account
(Percent of GDP)



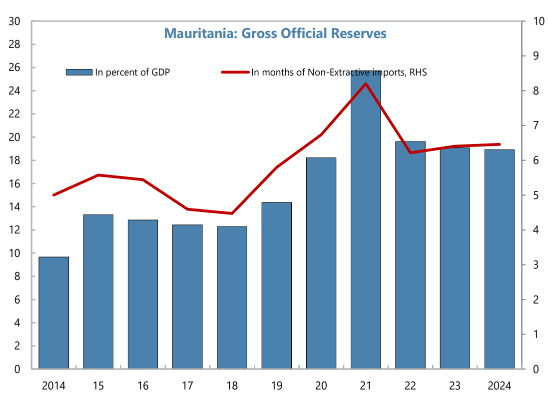
Background. Non-CA flows in Mauritania are dominated by financial account flows. In 2023 the net financial flows amounted to 6.4 percent of GDP, down from 16.5 percent in 2022, and compared to an average of 11.6 percent over the previous 5 years (2018-2022). These flows can be decomposed into direct investment at 8.0 percent of GDP, official loans at 0.3 percent, and other capital transactions at -1.9 percent. The financial account has seen a downward trend over time after a peak in 2012 of 26.5 percent of GDP resulting from direct investment in the extractives sector. As Phase One of the GTA gas project comes online post 2024, Staff projects comparatively low direct investment, and hence financial inflows, over the coming years. While the authorities have been more flexible in 2023 in providing FX than in previous years, this has generally been targeted towards financing imports as opposed to significantly opening up the capital or financial accounts.

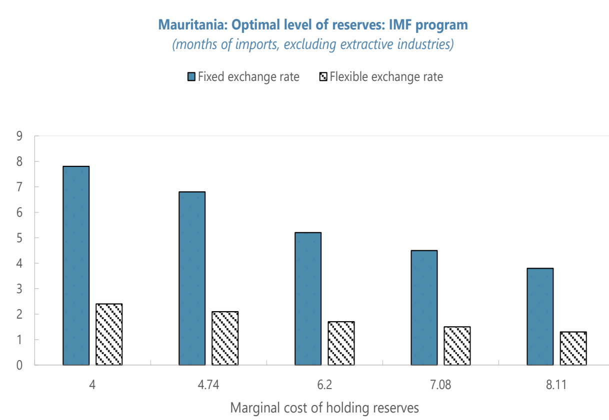
Assessment. While public sector borrowing has been significant in recent years, financial flows in Mauritania have largely been driven by direct investment linked to the extractives sector. As current investment projects come to a close, inflows are likely to remain lower than previous years. Public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

FX Intervention and Reserves Level

Background. Foreign reserves at end-2023 stood at 19.1 percent of GDP, or 6.3 months of non-extractive imports, approximately the same as in 2022 (6.2 months of non-extractive imports) and the same as the previous 5-year average (6.3 months). This increase was due to a combination of factors, investment in extractive industries, and strong gold and iron ore prices. Reserves and months of non-extractive imports are expected to remain similar in 2024 and staff projects months of imports to remain between the 5.6-6.1 months mark until 2030. The ER is typically managed in a crawl-like arrangement and efforts are being made to establish a market with intervention focused on managing volatility.

Assessment. The IMF's reserve adequacy for credit-constrained economies metric provides an adequacy level of 5.3 months of non-extractive imports, assuming a fixed ER, an IMF program, and a marginal cost of holding reserves of 6.2 percent. While the assessment is sensitive to the assumed marginal cost of holding reserves—which is uncertain—Mauritania's official reserves would be assessed as more than adequate in 2023 using a reasonable range of values for that cost. However, large past variations in key mineral export prices such as gold and iron ore could indicate that a higher level of reserves than indicated by the metric could be considered appropriate to avoid an overly abrupt adjustment in case of exogenous shocks.





Sources: Data from authorities and IMF staff calculations.

Annex IV. Progress in Key Sustainable Development Goals

1. **Mauritania has made commendable progress towards achieving the Sustainable Development Goals (SDGs), despite numerous challenges.** The country currently ranks 132 out of 167 countries. Even with high poverty, inequality, extreme climate conditions and the COVID-19 pandemic shock in 2020, Mauritania has made slow but steady progress towards achieving SDG goals. The overall SDG score has improved from 51.2 in 2010 to 58.2 in 2023 with the most noticeable improvement in the areas of poverty, reduced inequalities, and climate action (Table 1).

2. **However, there are still large development gaps and major challenges remain particularly in the areas of health, education, youth employment and climate change.** According to the latest SDG report, in Mauritania, only 16 percent of the SDG goals are in track, 57 percent have made limited progress, and the status of 27 percent are worsening. The performance of Mauritania in reaching SDG goals in climate action (Goal 13) are impressive, scoring higher than MENAP average, however, challenges remain due to the harsh climate conditions. The performance is SDGs related to health (Goal 3), affordable and clean energy SDG (Goal 7) is comparable to low-income countries (LICs) and considerably lower than MENAP countries. In particular, Mauritania ranks in the lowest range in the areas of education (Goal 4), gender equality (Goal 5) and decent work and economic growth (Goal 8) across LICs and MENAP. Continued efforts in quality education, health, climate change and youth employment sectors will be crucial to ensuring sustainable growth for Mauritania.

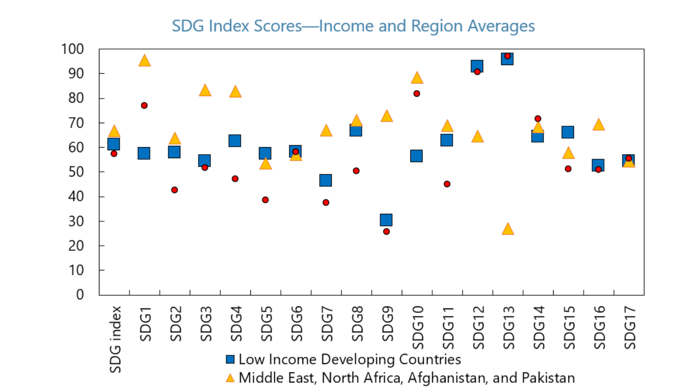
Text Figure 1. Mauritania: Percentage in Scores by SDG Goals

SDGs	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Goal 1 (No Poverty)	▲	▲	▲	▲	▲	▲	▼	▲	▲	▲
Goal 2 (Zero Hunger)	▲	▼	▼	▲	▲	▼	▲	▲	▼	►
Goal 3 (Good Health and Well-Being)	▲	▼	▲	▲	▲	▼	▼	▲	▲	▼
Goal 4 (Quality Education)	▲	▲	▼	▲	▲	▼	►	▲	►	►
Goal 5 (Gender Equality)	▼	▼	▲	▲	▲	▼	▲	▲	▼	▲
Goal 6 (Clean Water and Sanitation)	▲	▲	▲	▲	▲	▲	▲	▲	▲	▲
Goal 7 (Affordable and Clean Energy)	▼	▼	▲	▼	▲	▲	▼	▼	▲	►
Goal 8 (Decent Work and Economic Growth)	▼	▲	▼	▼	▼	▲	▼	▼	▲	▲
Goal 9 (Industry, Innovation and Infrustructure)	▲	▲	▼	▼	▲	▲	▲	▲	▲	▼
Goal 10 (Reduced Inequalities)	▲	►	►	►	►	▲	►	►	►	►
Goal 11 (Sustainable Cities and Communities)	▲	▼	▲	▼	▲	▲	▼	▼	▲	►
Goal 12 (Responsible Consumption and Production)	▲	▲	▼	▼	▲	▼	▲	▼	▼	▲
Goal 13 (Climate Action)	▲	▼	▲	▼	▼	▼	▼	▼	▲	►
Goal 14 (Life Below Water)	▲	▲	▲	▲	▼	▼	▲	▲	▼	▲
Goal 15 (Life on Land)	▲	►	►	►	▼	▼	►	►	▲	▼
Goal 16 (Peace, Justice and Strong Institutions)	▼	▲	▼	▼	▼	▲	▲	▲	▼	▲
Goal 17 (Partnerships for the Goals)	▲	▲	▼	▲	▲	▲	▲	▲	▼	►

▲ Positive growth
▼ Negative growth
► Stagnation

Sources: Sustainable Development Report 2023; and IMF staff calculations.

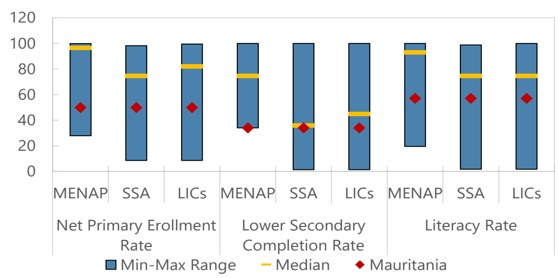
Text Figure 2. Mauritania: Sustainable Developments Goals Performance



Note**:** A missing country value for any SDG means that this SDG score is not available.
Source: IMF SDG Performance Tool, 2024 based on Sustainable Development Report by Sachs, J.D et al
Note: AE = Advanced Economies, EME = Emerging Market Economies, LIDC = Low Income Developing Countries; all SDGs are index ranging from 0 (worst possible value) to 100 (best possible value).

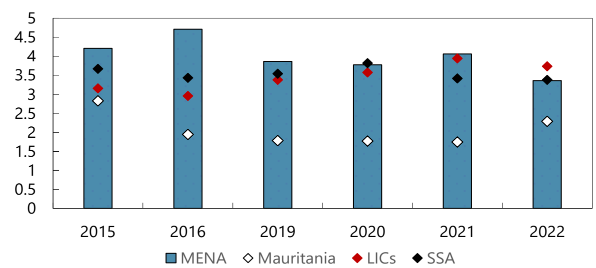
3. Literacy rate has improved significantly in recent years, from 54 percent in 2017 to 67 percent in 2021, but major challenges persist. The proportion of Illiterates remains high including noticeable gender disparities as well as inequalities between urban and rural areas. Nearly one-third of the children who enter the initial year of primary education will not complete the entire cycle. The preschool system's limitations are negatively influencing enrollment rates. The Human Capital Index 2022 indicates that in Mauritania, 7.7 years of preprimary, primary, and secondary education should be expected to be completed by children by the age of 18. However, when factoring in the quality of learning, the actual years of schooling in Mauritania equals to just 4.2 years of schooling. As a result, the overall SDG performance linked to education is far below MENAP, SSA and LICs averages. One of the main drivers for the weak performance in education sector is low level of public education spending, which has improved recently in 2022 but is still lower compared to LICs, SSA and MENA averages.

Text Figure 3. Mauritania: School Enrollment and Literacy Rate, 2022



Source: Sustainable Development Goals Report 2023.

Text Figure 4. Mauritania: Education Spending
(Percent of GDP)

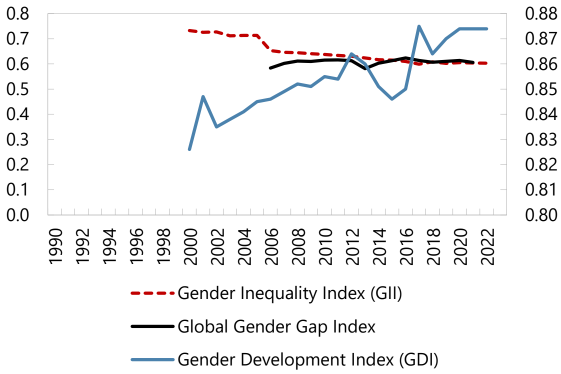


Source: World Development Indicators.

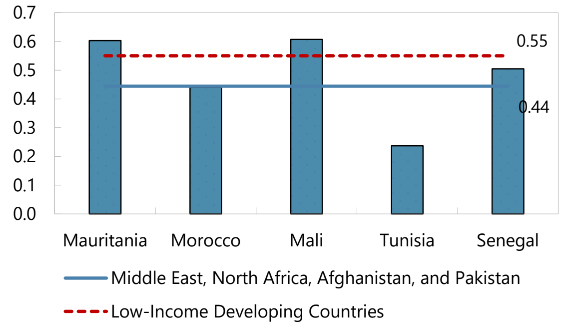
4. Unemployment, especially among youth, has been a matter of concern and poses several policy challenges. The unemployment distribution across rural and urban areas reveals a significant impact on young individuals, particularly female youth experience less favorable outcomes in the urban labor market. The unemployment rate among young women in urban areas (36.3 percent) surpasses that of young men (24.4 percent). Total youth unemployment is around 24 percent in Mauritania, which is more than double compared to LICs average (11 percent). The prevalence of job insecurity remains striking, characterized by a dominant informal sector with inadequately compensated workers and a shortage of skilled personnel.

Figure 1. Mauritania: Key Gender Indicators

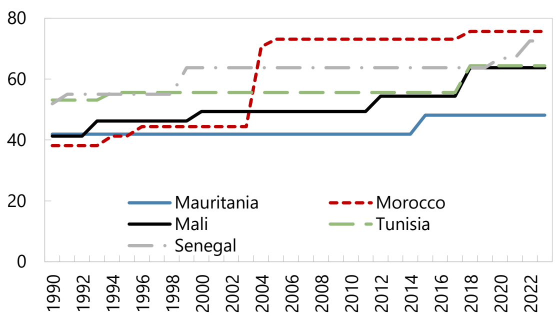
Gender Composite Indexes, 1990-2023



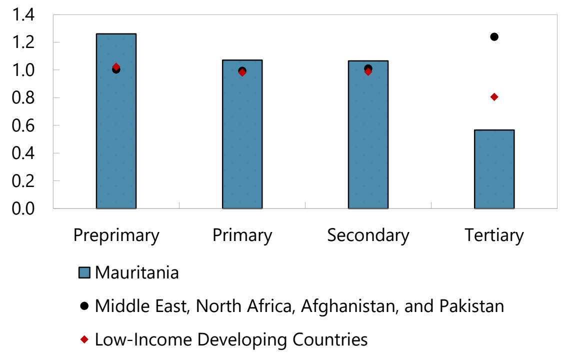
Gender Inequality Index (GII), Latest Available Value (Index 0-1)



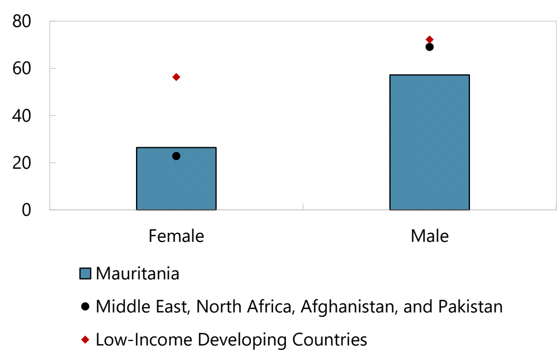
Legal Rights Index, 1990-2023
(Index 0-100)



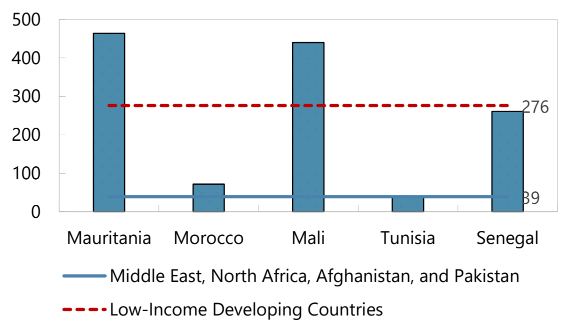
School Enrollment Ration Female-Male, Latest Available Value (Gender Parity Index)



Labor Force Participation Rate by Gender, Latest Available Value (In percent)



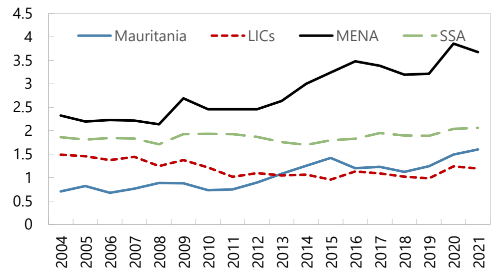
Maternal Mortality Ratio, Latest Available Value (Ratio per 100,00 Live Births)



Sources: IMF staff using IMF Gender Data Hub and World Development Indicators.

5. Mauritania's performance in achieving SDGs in the healthcare sector is generally comparable to the average performance of LICs and SSA region. In terms of life expectancy, Mauritania surpasses the SSA average with 64.4 years compared to 60.2 years. Mauritania's total healthcare spending has slowly improved over the last decade; in 2020 healthcare spending was about 1.3 percent of GDP, which is higher than LICs average but falls below the average of SSA and MENA region. Additionally, the maternal mortality ratio in Mauritania is eight times higher than MENA average (464 vs 56 per 100,000 live births). Shortage of key healthcare resources such as hospital beds, nurses, midwives, and physicians are some of the key challenges for Mauritania.

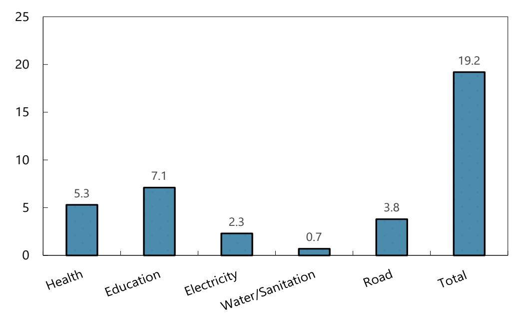
Text Figure 5. Mauritania: Healthcare Spending (Percent of GDP)



Source: World Development Indicators.

6. Mauritania's harsh climate conditions and frequent climate disasters are worsening land degradation, water stress, and food insecurity. Although Mauritania's utilization of freshwater aligns with the average for emerging and developing economies (EMDEs), its reliance on water surpasses global norms, as nearly 100 percent of this resource originates from external borders. Simultaneously, Mauritania demonstrates lower levels of efficiency in water usage compared to the average observed in other (EMDEs) worldwide. The climate-related disasters, such as droughts and floods, are also diminishing the size and fertility of arable land, as well as depleting surface and underground water sources which are vital for agriculture, fishing, and hydropower. Consequently, these challenges are playing a role in the escalation of water and food insecurity.

Text Figure 6. Mauritania: SDG Costing (Percent of 2030 GDP)



Source: IMF SDG Financing Framework.

7. While financing is crucial to overcome these challenges, the required financing needs to attain SDGs for Mauritania remain large. The SDGs Financing Tool, as presented by Benedek et al. (2021), is a framework designed to assess the financial requirements essential for realizing the SDGs within a coherent and dynamic macroeconomic context. Results show that to attain high performance across the five SDG areas—Health, Education, Electricity, Water/Sanitation, and Roads—the total annual cost between now and 2030 is estimated at around 19 percent of projected 2030 GDP, of which two-thirds targeting to build human capital (health and education) (Figure 6). Under the baseline scenario, without policy reform and additional financing, Mauritania will be able to reach its SDGs targets linked to these five sectors only by 2050. However, to meet the SDGs targets by 2030, additional financing at around 11.9 percent of GDP per year will be needed between now and 2030. Considering this substantial financing needs and the significant challenges, achieving the SDG goals by 2030 seems not realistic anymore. However, the duration for achieving them can be shortened by increasing domestic revenue mobilization.

8. **The scale of financing needs to achieve the SDGs requires the involvement of various financing channels and a proper phasing that is consistent with Mauritania's absorption capacity and macroeconomic stability.** Improving domestic revenue mobilization and spending efficiency can contribute to higher SDG accomplishments. In the short and medium run, allocating budget resources more effectively towards high-priority areas like education and healthcare is essential. That can be facilitated through improved budget planning and execution procedures. Simplifying budget implementation, improving oversight mechanisms, and enhancing public investment management will be pivotal in this process. Moreover, grants and concessional loans in the form of development assistance are vital financing sources for a low-income country like Mauritania. Nevertheless, considering the substantial funding requirements, private investment should complement these endeavors. In that regard, enhancing the business environment would facilitate attracting private investments.

9. **The need for additional funds could be reduced substantially if Mauritania undertakes an ambitious reform agenda.** For instance, the completion of an ambitious medium term revenue strategy to boost revenue by 5 percentage points of GDP over the course of 6 years (2024-30) by reforming fossil fuel pricing, introducing a climate contribution, and reducing tax expenditures, could shorten the achievement of SDG goals by 11 years and reduce financing gap by 3 percentage points. Reallocating 1 percent of the GDP from existing current and capital non-SDG spending towards SDG priorities could save three more year and additionally reduce financing gap by 2 percentage points of GDP. Channeling additional private sector participation into priority SDG sectors—where private investment of 2 percent of GDP per year is shared equally between infrastructure and health and education—would allow to save one more year and meet SDGs by 2035 vs. 2050 under the baseline scenario. Using the SDGs Financing Tool, this combination of fiscal measures with additional private investment into SDGs sectors could cover around half of the financing gap reducing it to 6.6 percent of GDP per year till 2030 from 11.9 percent of GDP under the baseline scenario and shorten the achievement of SDGs targets by 15 years with Mauritania meeting SDGs targets by 2035 without additional resources. Better corruption prevention and enforcement outcomes would also yield higher government revenues and more efficient spending to achieve SDGs.

10. **Mauritania needs an ambitious but realistic plan to achieve the SDGs.** Mauritania has the potential to improve its domestic revenue mobilization and spending quality. However, while the above-mentioned numerical findings are appealing, they need to be put in context with Mauritania's absorption capacity, both in terms of Mauritania's ability to simultaneously implement many complex structural reforms and its capacity to massively scaling up expenditures without incurring important efficiency losses. Moreover, mobilizing additional external support of this magnitude seems challenging. Nonetheless, a substantial acceleration of Mauritania's current path towards the SDG is need while simultaneously promoting economic growth and maintaining macroeconomic stability.

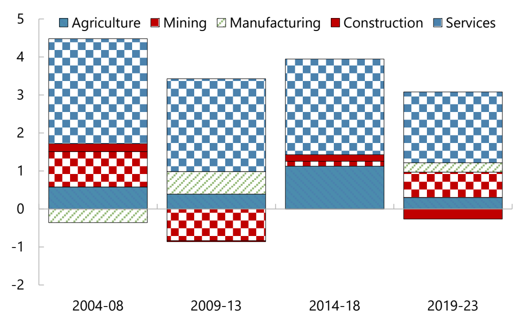
Annex V. Structural Reforms and Output Potential

1. Mauritania's growth performance has weakened significantly over the past decade. While domestic and external vulnerabilities have been notably reduced through strong policy actions aimed at improving macroeconomic conditions, economic growth has remained volatile. During 2004-08, growth was primarily driven by the extractive sector, but between 2009-18, it was largely supported by the non-extractive sectors, such as services and agriculture (Figure 1). Since 2019, the extractive sector has once again become the main driver of growth. On average, real GDP grew by 5.9 percent during 2004-08 but declined to 3.4 percent during 2019-23, as both extractive and non-extractive GDP saw significant reductions (Figure 1).

Text Figure 1. Mauritania: GDP Growth (2004-2023)

Contribution to GDP Growth

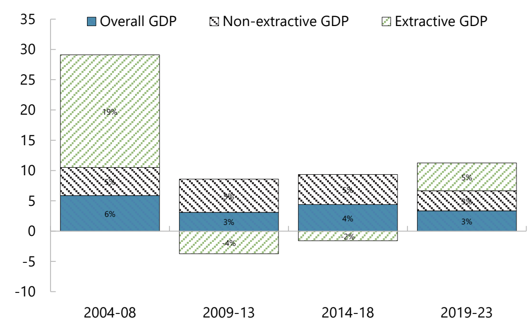
(in percent)



Source: IMF Staff Calculations.

Growth

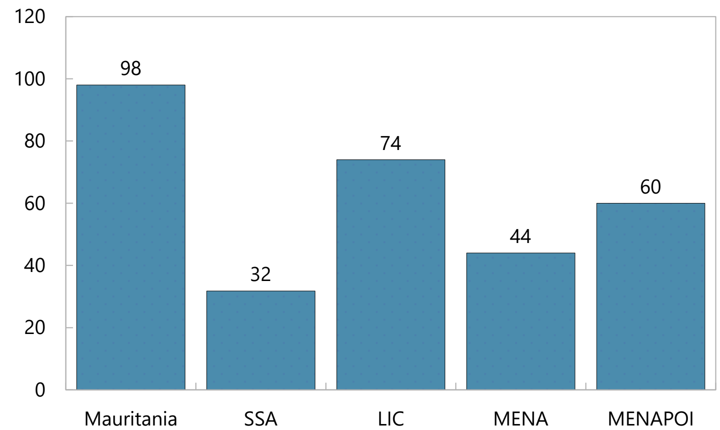
(in percent)



Source: IMF WEO.

2. The weaker growth performance observed over the last decade has led to slower income convergence with emerging market countries. Economic theory predicts that low-income countries will experience rapid economic growth, resulting in a gradual convergence of income levels with those of developed high-income countries. In Mauritania's case, while the economy grew rapidly before the global financial crisis, particularly during 2004-2008, economic growth has since slowed, leading to a slower pace of income convergence. At the average growth rate over the last decade, it will take approximately 100 years for Mauritania to reach emerging market status, which is significantly longer compared to its peers in Sub-Saharan Africa (SSA) and Middle East and North Africa (MENAP) countries (Figure 2).

Text Figure 2. Mauritania: Years Until Convergence with EMME GDP per Capita

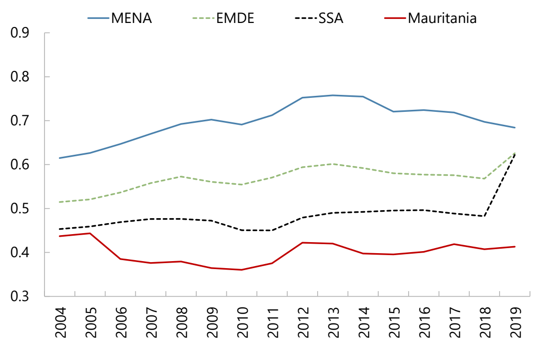


Sources: IMF WEO; IMF Staff Calculations

3. Growth in Mauritania is constrained by low and declining productivity levels. According to IMF analysis (WEO, 2023), the global trend of declining actual growth is primarily driven by Total Factor Productivity (TFP) dynamics, with its impact being most pronounced in low-income countries, where nearly all the decline is attributed to TFP growth. In contrast, in EMDEs and AEs, TFP growth accounts for over half of the observed decline. Estimates indicate that Mauritania's TFP has been declining relative to the frontier and remains below the averages for MENA, SSA and EMDE (Figure 3). The contribution of TFP growth to overall growth been volatile since the global financial crisis and declining over the last five years. This may reflect fading effects of technological and educational improvements, as well as a slowdown in reform momentum (WEO 2023). Meanwhile, the contributions of capital formation and employment growth to GDP growth have been stable (Figure 3).

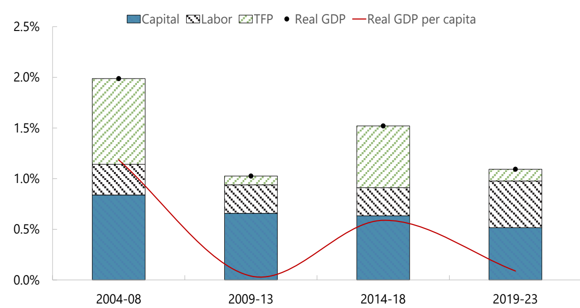
Text Figure 3. Mauritania: Contribution of Factors to GDP Growth

TFP Levels at Current PPPs (UAS=1)



Source: Penn World Table (10.01).

Contribution of Components of GDP Growth, 1995-2023 (Percent)



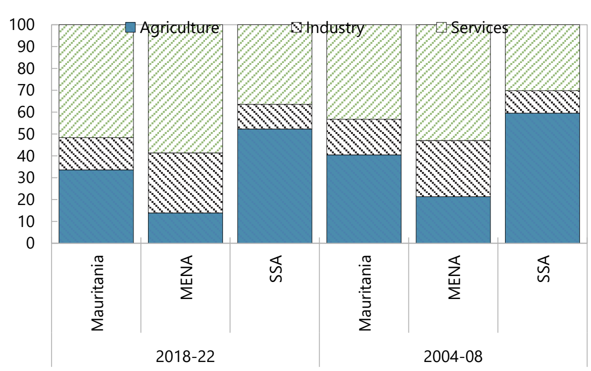
Source: IMF Staff Calculations.

4. **Limited structural transformation in the economy may have also contributed to low productivity growth.** In a multi-sector economy, aggregate productivity is a weighted average of the productivity of individual sectors. Gains in aggregate productivity can arise from (i) productivity gains within a sector and (ii) the reallocation of resources, notably labor, from low to high productivity sectors (e.g., from agriculture to manufacturing and services). This latter reallocation, termed structural transformation, has been an important source of aggregate productivity growth for many developing economies (McMillan and Rodrik, 2011). In Mauritania, there appears to have been some reallocation of labor from agriculture to services, but not in the industrial sector, where value added is higher than in agriculture (Figure 4). Several institutional frictions could be preventing the efficient reallocation of labor across sectors (ElFayoumi and al, 2018).

Text Figure 4. Mauritania: Employment and Value Added by Sector in Mauritania

Share of Employment

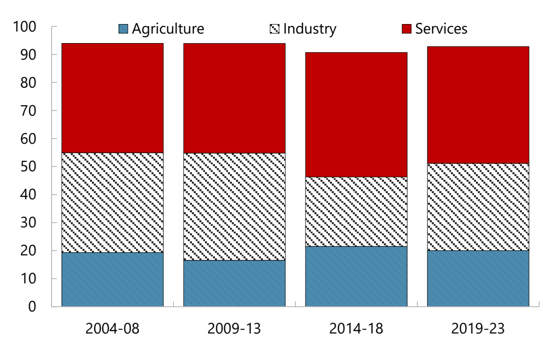
(Percent of Total Employment)



Source: World Development Indicators.

Composition of GDP

(Value Added, Percent of GDP)



Source: World Development Indicators.

5. An analysis of the output gains from structural reforms, built on previous IMF work (October 2023 MCD Regional Outlook; Budina and others 2023) pinpointed reforms and combinations thereof that will accelerate growth benefits. The impact of major structural reforms on key macroeconomic outcomes-output, investment, employment, and labor productivity was estimated using the local projection method developed by Jordà (2005). Reform areas in the analysis include governance, external sector reforms, credit market, labor market, and regulatory quality reforms. The baseline regression specification, following IMF (2019), takes the following form:

$$y_{i,t+k} - y_{i,t-1} = \alpha_i + \gamma_{t+} \beta_k \mathrm{S}R_{i,t} + \theta \mathrm{X}_{\mathrm{i},t} + \epsilon_{i,\mathrm{t}}$$

where $y_{i,t}$ is the log of output (or investment, employment, or labor productivity); t and i are the time and country dimensions, respectively while k=0,1,2,...6; β_k is our coefficient of interest and captures the (cumulative) impact on $y_{i,t}$ following the introduction of a given structural reform SRi,t denotes the structural reform variable, defined as the change in the structural indicator; $X_{\mathrm{i},t}$ is a set a of control variables, including lags of the dependent variable and past reforms; α_i and γ_t denotes country fixed effects, included to control for unobserved cross-country heterogeneity as well as common global factors (e.g., oil prices, global business cycle).

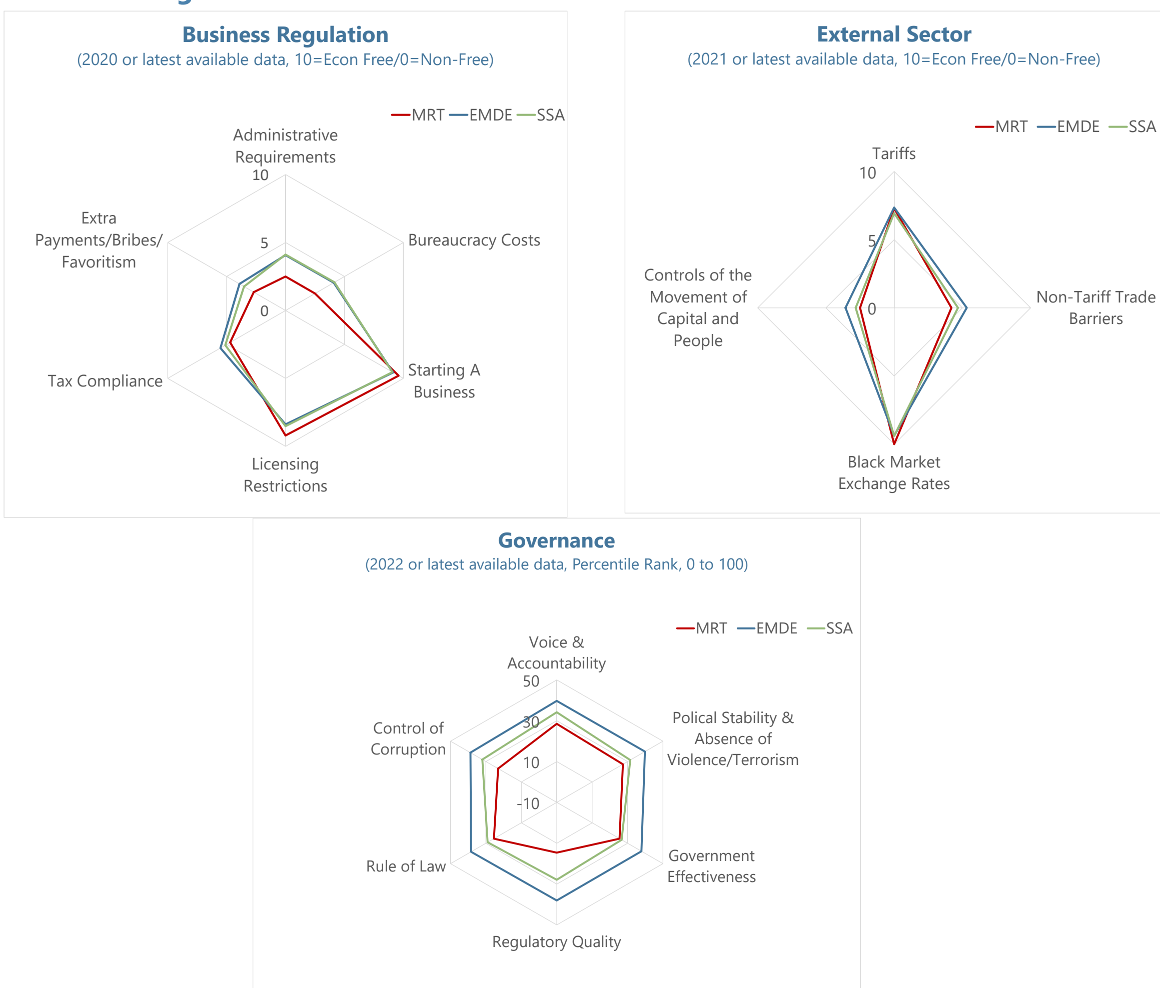
6. First-generation reforms such as governance, external sector liberalization, and regulatory quality reforms can yield significant upfront gains in Mauritania. Econometric analysis indicates that reforms addressing the most critically binding constraints to economic activity—such as governance, business regulation, and external sector reforms (first-generation reforms)—can help front-load output gains by promoting domestic and foreign investment and enhancing labor productivity. Based on the analysis, Mauritania is classified as a below-median first-generation reformer, meaning Mauritania's structural gaps to global leaders in these areas (governance, external sector, business regulation) are larger than the median EMDE. Figure 5 shows that in Mauritania, closing the first-generation reform gap by 25 percent relative to the frontier emerging markets would result in a cumulative increase in output by 5.1 percent in the short term (in the first two years of reform implementation) and 10.8 percent in the medium term (in four years of reform implementation). The figure also shows that closing the same gap in EMDEs will increase output by 2.4 percent in the short term and 2.6 percent in the medium term. When these first-generation reforms are implemented together, their combined gross effect tends to be larger than when they are implemented individually. Accumulated evidence suggests that the long-term effects of structural reforms are substantial and transformative, particularly in EMDEs. Over time, such reforms are expected to enhance workforce productivity, which contributes to sustained productivity gains and supports prolonged economic growth.

7. More specifically, for Mauritania, the following reforms should be implemented over the medium term:

- **Governance Reforms:** Enhancing transparency, reducing corruption, and improving public sector efficiency. These reforms are currently being undertaken in the action plan for governance developed by the authorities and are being supported under the IMF program.

- **External Sector Reforms:** Liberalizing trade, reducing non-tariff trade barriers, and improving foreign investment regulations, including advancing with the establishment of a one-stop shop for trade that digitalizes import and export procedures. This will also improve logistics services, enhance transparency and predictability, and reduce non-tariff barriers, especially those arising from administrative burdens.
- **Regulatory Quality Reforms:** Simplifying business regulations, reducing bureaucratic red tape, and improving the ease of doing business and tax compliance.

Figure 5. Mauritania: First Generation Structural Reform Indicators



Sources: World Governance Indicators, Fraser Institute's Economic Freedom Database, and Haver.

8. **Overcoming the political economy challenges of implementing reforms will also be crucial because reforms often face resistance from stakeholders with vested interests.** Strong leadership and effective communication are essential to build support and trust in the reform agenda. Building coalitions and seeking consensus among diverse stakeholders can help navigate political resistance, and transparency in the reform process helps build trust and attract support.

Involving the public in the reform process through consultations and participatory mechanisms can help legitimize the reforms and ensure that they align with the population's needs and aspirations. For Mauritania, a country with capacity constraints to implementing reforms, leveraging technical assistance from international organizations and donor countries will be key. Overall, persistence in the face of obstacles and a commitment to the reform agenda are essential, especially given the potential for significant output gains from these reforms.

Annex VI. Alignment of the Mauritanian Government's Strategy and IMF-Supported ECF/EFF and RST Programs

<table>
<tr><th>Government Roadmap [1]</th><th>IMF-supported programs</th></tr>
<tr><td>Pillar 1: Strengthening the rule of law and institutions, with good modern governance</td><td></td></tr>
<tr><td>Strengthening governance and modernizing the judiciary system:

• Accelerate the implementation of the National Document on the Reform and Modernization of Justice
• Enhance the anti-corruption legal framework, to facilitate asset recovery to effectively combat illicit enrichment, to protect whistleblowers and allow fluid access to information.
• Set up a strong public procurement system, more immune to corruption.
• Strengthen the role of the justice system in deterring corruption and preventing impunity,
• Operationalize the institutional framework for monitoring the implementation of the national anti-corruption strategy and create a national anti-corruption agency</td><td>Structural reforms within ECF/EFF arrangements to improve governance, increase transparency and strengthen institutions which should yield longer-term growth dividends conducive to a level playing field, a more competitive environment and increased private investment.
• A time-bound Action Plan on Governance reforms, based on the Governance Diagnostic report published in December 2023. A semi-annual progress report will be published by the authorities with the first report expected in December 2024 (structural benchmark)
• Drawing from the Governance Diagnostic Report and with IMF TA support, key governance reforms include (i) the implementation of decree of the Public Procurement Code clearly defining the beneficial ownership and information requirements was approved by the government in mid-2022; (ii) the upcoming submission of a new law on public enterprises to parliament(SB); (iii) strengthening legislation governing the declaration of assets and interests framework in line with international best practices, by end-February 2025 (SB); (iv) the update of the AML/CFT system through the creation of a risk management committee at the BCM; and (v) the strengthening of the legal obligations regarding beneficial ownership information of all legal entities.
• The program also aims to support the operationalization of the new public enterprises law through an implementation decree (proposed SB) and the operationalization of the anti-corruption agency through an implementation decree that would enable the appointment of the members of its Directive Council and Director General (proposed SB).</td></tr>
</table>

[1] https://www.primature.gov.mr/sites/default/files/2024-09/DPGG%202024%20FR%20.pdf

Government Roadmap	IMF-supported programs
Modernization of public administration: • Carry out an organizational audit of the public administration (adoption of an organizational chart…) • Dematerialization of administrative processes • Modernize the management system of civil servants and state agents and improve their conditions, whether they are in service or retired	The IMF provides technical assistance on: (i) the modernization and reform of the organizational structure of the tax and customs administration (DGI, DGD) and (ii) the enhancement of HR capabilities at the BCM, DGI, DGD, Budget, ANSADE.
Pillar 2: Building an efficient, resilient, and eco-sustainable economy	
Structural reforms: • Revision of the investment code, public procurement code, and the PPP law • Revision of the general tax code to ensure tax equity, • Launch of the land/real estate reform and reform of the banking system	*The ECF/EFF program aims to rebuild economic resilience including through anchoring fiscal policy on a debt stabilizing non-extractive primary balance (NEPB) incorporated in the Medium-Term Fiscal Framework (MTFF).* • Improve domestic revenue mobilization. • Prepare and submit to parliament a MTFF incorporating in line with the fiscal anchor. • Improve natural resource revenue management by: i) integrating gas revenues into the medium-term budget framework, ii) establishing rules to smooth the volatility of extractive revenues financing the budget and applying best practices in the reporting of resource revenues and savings fund assets/gains, iii) reviewing the FNRH and examining its suitability for managing larger financial flows and assets • Improve public spending efficiency. • Undertake banking and financial sector reforms: - Developing the banking and liquidity management regulations and the adoption of International Financial Reporting Standards (IFRS) - Reform of the foreign exchange market and Implementation of the technical platform for FX transaction: - Use of modern monetary policy instruments - Strengthen monetary policy framework and banking sector

Government Roadmap	IMF-supported programs
Infrastructure: • Roads. The launch of a vast construction program modern road infrastructure (construction of highways, feasibility study for railway lines, connecting the country to neighboring markets, address the transport problem of certain discovered mining products, to export ports, like phosphate in Brakna and iron in Inchiri) • Ports. Rehabilitation, expansion and modernization of port infrastructure (port of Amitié, autonomous port and artisanal port of Nouadhibou, and the port of Tanit, in addition to the adaptation of the port of Ndiago to meet the needs of future gas projects, the creation of new structures like the deep water port of Nouadhibou, the dry port in Gogui and a port to accompany the development of green hydrogen projects) • Airports. Strengthening and expanding airports infrastructure, while supporting and accompanying the national airline company (MAI) • Electricity. The launch of an ambitious electricity production program including based on renewable resources; launch of the construction of the Nouakchott Néma power line, construction of two gas-fired power plants….	• *Under ECF/EFF arrangement, public investment is expected to increase from 8.6 percent of GDP in 2023 to 13.2 percent in 2027 to address large infrastructure and development needs. The RSF aims to improve public investment management (PIM) and incorporate climate considerations into PIM.* IMF technical assistance to update the public investment management framework and integrate climate considerations into PIM. • Developing a methodology to systematically budget for the maintenance of public investment. • Sound fiscal and monetary policies have reduced crowding out of the private sector. This, together with the recent reduction of the BCM policy rate, will improve access to finance for the private sector. **Energy:** • Introduction of a climate contribution and reform of fuel pricing mechanism • 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 • 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. **Water:** • Strengthening the Financial Sustainability and Institutional Framework for Water Management. • 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

Government Roadmap	IMF-supported programs
• Water. The launch of major hydraulic projects (dams, channels and hydraulic systems) • Digitization. Strengthening digital infrastructure	• Implement a water tariff reform. **Digitalization:** • Revenue administration: put in place a platform connected with the Jibaya software enabling electronic filing and payments, make e-filing and e-payments for tax and customs for large taxpayers compulsory; integrate all large taxpayers in the large taxpayers' office once e-filing has become available and linked with Jibaya, and expand access for customs brokers to e-filing. • The new law on electronic payment services provides opportunities for financial service providers to advance financial inclusion by enhancing access to low-value, transactional payment services in the country. To further simplify administrative procedures, the one-stop shop has been dematerialized.

Sectoral development:
• *Agriculture :* increase in rice production to ensure self-sufficiency in 2024, aim at achieving self-sufficiency in traditional products. Measures include (i) increase in cultivated areas, water supply, dams, land reform and (ii) Continue the exemption equipment and inputs
• *Mining:* Revision of the mining code, harmonization of the national entities intervening in the mining sector for more efficiency,
  ○ The government will accompany SNIM to double the annual production by 2029.
  ○ Make Mauritania a regional center for low carbon energy, a regional hub for gaz production and export, develop green hydrogen
• *Industry*. Establish an industrial zone
	Reforms to promote economic growth and create jobs need to be sustained by further improving the business environment and financial inclusion:
	• Ensure a level playing field by limiting and rationalizing tax and non-tax incentives and special tax regimes while also improving access to finance:
	• Reform the Nouadhibou Free Zone, make declaration for CIT compulsory, including for companies that are exempt (proposed SB),
	• Reform the Investment Code to abolish the "Point Francs" and reduce the number of special fiscal regimes (proposed SB).
	• The Guarantee Fund of Mauritania was set up by the authorities in 2024 to improve access to finance for SMEs and support them in developing their business plans.
	• **National financial inclusion strategy:** The authorities have finalized and adopted the national financial inclusion strategy. They are also developing instant payment systems

Government Roadmap	IMF-supported programs
Pillar 3: Well-trained and qualified human capital, particularly among young people	
a. Education: Government plans, on the horizon 2029, (i) to increase the capacity of tertiary national educational establishments to reach 50,000 students and (ii) ensure the training of 115,000 young people in vocational training and technical establishments	
b. Health: The expansion of health infrastructure, development of centers of excellence, basic services to reduce unequal access between rural and urban / Increase the health insurance coverage rate with scope to generalize it	
c. Youth employment: the implementation of the national employment strategy (2019-2030), through its three-year action plan (2025-2027).	
Pillar 4: Solid national unity and complementary social integration	
a. Security: Government intends to prepare and implement a programming law financial (loi de programmation financière) to strengthen the capacities and operationality of defense and security forces through the acquisition of modern equipment and adapted to the specificities of new challenges	• Improve the social registry to continue improving targeting and increase well-targeted social spending. • Social protection is supported through a floor on social spending that is increased annually. • Quarterly cash transfers to poor households increased gradually from 2, 200 MRU in 2022 to 3,600 MRU in 2024.

Government Roadmap	IMF-supported programs
b. Migration: Implement a strategy to fight against illegal migration **c.** Social policy: Continue well-targeted social programs and improve access to basic services to reduce inequality, empower women. Assess and reorient the Taazour program, Revise the Social registry, Reorganize the social programs	• The RSF support institutionalizing the government's main cash transfers program "Tekavoul Choc" to strengthen resilience against key climate shock (mainly droughts) • 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

Annex VII. Status of Implementation of Key Recommendations from 2022 Article IV Consultation

Key Recommendation	Status of Implementation
Fiscal policy will need to be anchored on the fiscal balance excluding extractive revenues and be calibrated with the objective of stabilizing public debt	Measures implemented to enhance the fiscal policy framework, include (i) anchoring fiscal policy to a policy on a debt stabilizing non-extractive primary balance (NEPB) and (ii) adopting and submitting to parliament a medium-term expenditure and revenue framework. This has contributed to the reduction of public debt to GDP from 48.5 percent in 2022 to 44.3 percent in 2024.
Improve non-extractive tax revenues with ambitious tax policy and administration reforms and rationalize costly and untargeted tax exemptions.	The government has undertaken several reforms to improve revenue mobilization, including (i) putting in place a platform connected with the Jibaya software enabling electronic filing and payments, (ii) making declaration for CIT compulsory, including for exempted companies, (iii) creating and operationalizing a tax policy unit (TPU) in the Cabinet of the Minister of Finance, and reforming the codification of imported products in customs. Moreover, and in order to achieve a more equitable and efficient tax system the parliament adopted a law reforming the Nouadhibou Free Zone to enhance the transparency of the tax system and reduce the number of special regimes. The government is in the process of revising the investment code to eliminate "points francs" and reduce special regimes, and also agreed to reform the consumption tax base to include both local production and imports. An action plan for tax policy implementation has also been prepared by the TPU.
Public expenditures should be reoriented from generalized subsidies to targeted social spending in support of the vulnerable, and quality public investment to address infrastructure gap and developmental needs	The government has developed a comprehensive social registry which has served to design and implement well targeted cash transfer programs such as Tekavoul, targeting more than 200,000 households. The quarterly amount has been increased regularly. Moreover, the cash transfers mechanism was institutionalized, via a decree adopted by the Council of Ministers, and the Tekavoul Choc coverage has been expanded to all poor households affected by droughts. Moreover, efforts to rationalize public expenditures have allowed the reduction of current spendings from 17.2 percent of GDP in 2022 to 15.5 percent of GDP in 2024. Finally, parallel to the amendment of the public investment framework, public investment to GDP has increased from 8.7 percent in 2023 to 9.8 percent of GDP in 2024.

Key Recommendation	Status of Implementation
Modernize the monetary policy framework and strengthen liquidity management	The BCM has been active in absorbing excess liquidity through notably the increase in conventional and Islamic treasury bills. The stock of treasury bills issued by the government and held by commercial banks has steadily increased and with growing participation by banks. Conventional treasury bills increased from 0.3 billion MRU at end-2022 to 2.9 billion MRU end-December 2023 and reached 4.6 billion MRU at end-September 2024 and Islamic treasury bills increased from 0.7 billion MRU end-December 2023 to 1.7 billion MRU at end-September 2024. The BCM has continued to develop the tools to finetune liquidity management, with monthly average excess liquidity of 3.8 billion in 2023 going down to 1.6 billion as of Q3, 2024.In 2024, the central bank created the conventional overnight deposit facility and aims to launch its Shariah compliant equivalent overnight deposit facility by end-2024 to further reduce excess liquidity and also to reduce the monthly volatility.
Implementing the technical platform for interbank FX market transactions, and adopting regulations needed to create an interbank FX market	On December 14, 2023, the central bank successfully launched the new electronic interbank FX trading platform. The share of BCM intervention dropped from 99 percent in 2023 to 30 percent as of October 2024. In parallel, the banks' short FX net open positions have been gradually reduced to below 20 percent by December 2023 through a better enforcement of the prudential limit (20 percent). More recently, the number of market makers was reduced from 11 to 4 to improve the functioning of the FX market. Finally, in order to improve the BCM FX intervention budget, a committee between the BCM, SNIM, and the MEF has been created and meets on a quarterly basis to discuss and share forecasts of SNIM repatriation of funds, and the BCM integrates the forecasts into its FX cashflow analysis.
Structural reforms to improve governance and strengthen institutions should yield longer-term growth dividends conducive to stronger competition, and private investment	At the request of the authorities, the IMF conducted a Governance Diagnostic in 2023 and the report was published. The authorities developed an action plan for governance reforms, in consultation with civil society, to implement key reforms to improve transparency and accountability and strengthen institutions. Key recommendations of the diagnostic were incorporated as structural conditionality under the EFF/ECF including legal amendments to the public enterprises law and declaration of assets and interests framework. The program also includes conditionality on operationalizing the new public enterprises law and the planned anti-corruption agency. The authorities have also embarked on a series of reforms to strengthen the AML/CFT framework, including enhancing public information on beneficial ownership.

Appendix I. Letter of Intent

Nouakchott, November 26, 2024

Ms. Kristalina Georgieva
Managing Director
International Monetary Fund
Washington, D.C. 20431
U.S.A.

Dear Madam Managing Director:

The new government established in the wake of the re-election of His Excellency, Mohamed Ould Cheikh El Ghazouani plans to intensify its efforts to implement the economic and social development strategy. In this regard, the government's program for the period 2024-2026 is focused primarily on establishing the rule of law and robust institutions, modern governance and a powerful, resilient, and eco-sustainable economy, investment in human capital, particularly among youth, and further social integration.

We are therefore pleased to inform you that, with the continued support of the International Monetary Fund (IMF), our economic and financial program continues to make tangible progress. Our sound public financial management based on the fiscal anchor enables us to stabilize, and even to reduce our public debt. Similarly, the ongoing foreign exchange market reform and a prudent monetary policy have strengthened our domestic and external balances, as evidenced by the improvement in the macroeconomic indicators.

The arrangement under the Resilience and Sustainability Facility (RSF) approved by the IMF Executive Board in December 2023 to supplement the Extended Credit Facility (ECF)/Extended Fund Facility (EFF) arrangements to strengthen Mauritania's socioeconomic resilience is advancing well. We have also met all quantitative targets at end-June and are on track to implement the structural reforms agreed with IMF staff under the ECF/EFF and the RSF.

Mauritania continues to face substantial risks in connection with the instability in the Sahel region, the massive influx of refugees, and climate shocks. Despite these uncertainties, Mauritania's economy has shown great resilience as a result of sound macroeconomic management and the sustained implementation of the reforms during recent years. Accordingly, economic growth in 2024 can be expected to remain relatively robust at approximately 4.6 percent, despite the decline in extractive activities, while inflation should be limited to less than 3 percent.

Moreover, we continue to make substantial progress with our structural reform agenda. The implementation of our governance action plan, based on the IMF's diagnostic, is well under way. We will therefore submit to parliament a new law on state-owned enterprises to strengthen their governance, transparency, and accountability. We also intend to finalize and submit to parliament amendments to the declaration of assets and interests framework by end-February 2025.

We are also implementing our climate agenda, that has been supported since December 2023 by the Resilience and Sustainability Facility arrangement. We have therefore incorporated climate action into the public investment management framework and have strengthened the institutional framework for water management. We will proceed with introduction of the climate contribution in the 2025 budget law and the reform of petroleum products pricing.

The government trusts that the measures and policies outlined in the Memorandum of Economic and Financial Policies (MEFP, Attachment I) are adequate to achieve the program objectives as expected. It will take any additional measures that may be appropriate, as required. The government will consult with IMF staff on the adoption of these measures, and before making any changes to the policies provided in this Memorandum, in accordance with the IMF rules applicable to this type of consultation.

We will implement the commitments outlined in the MEFP, we agree to report to the IMF any information on implementation of the agreed measures and on program execution, and we will consult the IMF when drafting budget laws and the medium-term fiscal framework, as provided in the Technical Memorandum of Understanding (TMU, Attachment II). In light of the level of program implementation to date, as well as the commitments presented in the MEFP, the government requests (i) the amendment of the quantitative performance criteria for the present value of new external debt by the end of 2024; (ii) the completion of the third review under the Extended Credit Facility and the Extended Fund Facility arrangements, and the disbursement of SDR 6.44 million (equivalent to 5 percent of Mauritania's quota), including SDR 2.15 million under the ECF and SDR 4.29 million under the EFF; and (iii) the completion of the second review of the RSF and the disbursement of SDR 29.72 million (23.08 percent of Mauritania's quota).

In line with our objective of promoting transparency, we consent to the publication of this letter, its attachments, and the staff report in connection with our request for support.

Very truly yours,

/s/

Mohamed-Lemine Dhehby

Governor of the Central Bank

/s/

Sid'Ahmed Bouh

Minister of Economy and Finance

/s/

Codioro Moussa N'Guenor

Minister Delegate in charge of the Budget

Attachments (2):

1. Memorandum of Economic and Financial Policies (MEFP)
2. Technical Memorandum of Understanding (TMU)

Attachment I. Memorandum of Economic and Financial Policies

A. Context

1. In the wake of the re-election of the President of the Republic, His Excellency, Mohamed Ould Cheikh El Ghazouani, to a second term, the government's general policy statement focused on strengthening the rule of law and governance, and building a powerful, resilient, and ecologically sustainable economy in its guidance for public action, to address the many challenges at hand. The socioeconomic and governance reforms promoted are based on the Accelerated Growth and Shared Prosperity Strategy (SCAPP), which remains the anchor for the government's actions. Our economic and financial program, supported by the International Monetary Fund through the Extended Credit Facility (ECF), the Extended Fund Facility (EFF), and the Resilience and Sustainability Facility arrangement (RSF), has delivered tangible results. Important transformational reforms are being implemented, with already noticeable impacts on governance and macroeconomic management.

2. The quantitative targets and objectives of the EFF/ECF for end-March, end-June, and September 2024 have been achieved, and most of the structural benchmarks were met. The draft law on SOEs will be submitted to the National Assembly in November 2024. In addition, the monetary policy tools have been strengthened with the implementation of regular treasury bill auctions. Similarly, the new financial agreement under the RSF approved by the IMF Executive Board at the end of 2023 continues to be promising with the successful implementation of the reform measures planned for end-October 2024.

B. Recent Economic Developments and Outlook

3. In general, the Mauritanian economy continues to show great resilience in addressing multiple shocks:

- Economic growth in 2023 exceeded expectations at 6.5 percent, as against an initial estimate of 3.4 percent, as a result of sound performance in the non-extractive sector (+5.9 percent) driven primarily by the tertiary sector, particularly other services and telecommunications. Despite performance that fell short of the 2022 levels, extractive activities also contributed positively to economic growth. The non-extractive sector continued its sound performance during the first eight months of 2024, driven by the recovery in the primary sector, particularly fisheries and agriculture. At the same time, after a slowdown in 2023, inflation increased in September 2024 to 2.7 percent year-on-year, as against 1.6 percent at the end of 2023, as a result of higher food prices.

- As for the external sector, the current account deficit continues to narrow and is expected to stand at 7.7 percent in light of the trends observed during the first half of 2024 (after a deficit of 8.8 percent in 2023 and 14.9 percent in 2022), reflecting in particular the combined effects of the rise in gold prices [1] and the normalization of international food and energy prices. This improvement also derives in part from the decline in capital goods imports in the gas sector, in which the development phase has come to an end. Against this backdrop, net international reserves were consolidated at US$1.43 billion at end-June 2024, well above the program target of US$1.29 billion. At end-June 2024, the nominal effective exchange rate (NEER) and the real effective exchange rate (REER) had depreciated by approximately 2 percent respectively as against end-2023.

- At end-July 2024, growth in credit to the economy increased by almost 10 percent year-on-year. As a result of the systematic efforts of the BCM, excess liquidity was reduced and became more stable in 2024 as compared with 2023, at a monthly average of MRU 1.6 billion during the first nine months of 2024, as against MRU 3.8 billion in 2023. However, volatility is still present on a month-to-month basis (a monthly average of MRU 2.5 billion in January, as against MRU 0.4 billion in February) and within the same month (variance from a minimum of MRU -1.4 billion to a maximum of MRU 5 billion for August).

- In terms of financing, a combination of drawings from the treasury account (MRU 5.42 billion at end-August) and treasury bill issues should contribute to the financing of the non-extractive primary deficit.

4. **The short and medium-term macroeconomic outlook remains promising.** Economic growth is expected to reach 4.6 percent in 2024 as a result of the expected good performance of the non-extractive sector. It is expected to accelerate gradually to reach a peak of 6.5 percent in 2028 when the GTA project is fully operational, along with the rebound in gold production, the continued expansion of the agriculture and fisheries sector, and when the effects of structural reforms on the private sector become evident. In this context, the current account balance is expected to gradually stabilize at approximately 7 percent, helping to maintain an adequate level of foreign exchange reserves in the medium term at nearly 6 months of non-extractive goods and services imports.

5. **However, this outlook still entails risks, including the following:**

- A resurgence of geopolitical tensions and a deterioration in the security situation in the Sahel region.

- Negative terms-of-trade shocks, including higher oil and food prices, are likely to lead to greater macroeconomic and social challenges.

- Risks associated with climate change, including higher temperatures, prolonged heatwaves, and increased rainfall variability, leading to periods of severe drought or flooding, could cause deterioration in the infrastructures, arable land, and agricultural production, maintaining a relatively high level of food insecurity. The resulting imports of food products and materials for

[1] Despite a decline in gold production and exports.

reconstruction could increase balance-of-payments requirements, exerting pressure on international reserves and economic growth.

- Further delays in the start of gas exploitation and adverse price fluctuations on the commodity markets could reduce budget revenue, increase external financing requirements, and adversely affect the medium-term debt profile.

- By contrast, accelerated implementation of future phases of the GTA gas project or other major mining projects, and the accelerated implementation of the structural reforms should improve economic growth and the balance of payments.

C. Institutionalizing the Fiscal Anchor and Improving Revenue Mobilization and Spending Efficiency to Preserve Debt Sustainability

6. We met all of the quantitative targets of the ECF/EFF by end-June and will continue to apply our prudent stance in budget execution.

- In general, budget revenue at the end of August 2024 registered an increase of MRU 9.86 billion (equivalent to 19.1 percent) as against the end of August 2023, as a result of: (i) the early payment of an instalment of MRU 1 billion made by a mining operator; (ii) the increase in withholdings from flat-rate subcontractors involved in the GTA project following an adjustment made by BP; (iii) regularizations made by certain mining operators as well as the increase in wage and salary tax (ITS) withholdings from GTA flat-rate subcontractors (BP adjustment); (iv) the increase in withholding taxes on treasury bills, the stock of which has increased as compared with 2023; (v) the application of the new tax (5 percent) on telecommunication services introduced in the 2023 Supplementary Budget Law (LFR); (vi) the restoration of the value-added tax (VAT) rate on telecommunication services to 18 percent introduced by the 2023 LFR; (vii) the increase in the import assessment base combined with a volume effect as against 2023; and (viii) the performance of nontax revenue, particularly from dividends.

- Expenditure at the end of August 2024 is up 8.6 percent as against the end of August 2023. This increase is attributable in particular to (i) the budget impact relating more specifically to new recruitments in the education and health sectors; (ii) the increase in interest expenditure as a result of the growth in the outstanding stock of treasury paper (BTs) and the relevant interest rate; and (iv) the financing of certain priority social activities not anticipated in the Initial Budget Law (LFI).
- Against this backdrop, the non-extractive primary balance at end-August 2024 registered a deficit of MRU 10.86 billion, a clear improvement in comparison with the target of MRU 12.00 billion programmed for the end of June 2024.

- The deficit was financed by mobilizing external resources (primarily official financing) and increased recourse to bond market issues with relatively limited borrowing costs, despite an increase in interest rates on the domestic market.

2024 Draft Supplementary Budget Law

7. In accordance with our commitments, we will ensure that the implementation of the 2024 Supplementary Budget Law gradually incorporates the fiscal anchor and is in line with the parameters of the EFF/ECF program. The non-extractive primary balance target for 2024 was therefore reduced to MRU 16 billion, as against MRU 18.61 billion in the Initial Budget Law for this year, in line with our medium-term fiscal consolidation objectives of a non-extractive primary balance of -3.5 percent of GDP. The effort to reduce the overall budget deficit will be intensified (1.3 percent of GDP in the LFR, as against 0.9 percent of GDP in the context of the second review). We have also included in the LFR new spending for the implementation of the rapid intervention program introduced to address urgent challenges not anticipated in the 2024 Initial Budget Law.

- ***The emergency restructuring program for SOMELEC (MRU 1.69 billion):*** we will provide SOMELEC with financial resources in the near future (during the next three months) to address the recurrent power cuts recently experienced. We will launch during 2025 an administrative and financial audit of SOMELEC, to be used in the preparation of a comprehensive institutional, administrative, and financial reform of the public enterprise.

- ***Support measures for the SNDE (MRU 0.5 billion):*** In light of an increasing drinking water shortage, this program aims to finance hydraulic works to improve the water supply system from the Senegal River to the city of Nouakchott**.**

- ***Upward adjustment of the wage bill (MRU 0.93 billion):*** This increase reflects the budget implications of new measures, and more specifically the recruitment of the latest graduates from the teacher training schools and the *Ecole Normale Supérieure*, as well as the periodic increase in wages for higher education teachers and recruitment in the health sector.

8. We intend to intensify the efforts to increase tax revenue mobilization and to reprioritize public investment by the end of the year. The revenue measures under the LFR include (i) increasing the number of enterprises subject to remote declaration; (ii) systematic cross checking between the databases of the DGI and those of the National Health Insurance Fund (CNAM), the National Social Security Fund (CNSS), and the Free Trade Area; (iii) implementation of monthly reporting of the turnover declared by gold washers with the DGI's database; increasing on-site and off-site tax audits, and updating and monitoring the taxpayers' registry in order to increase the number of declarants. We will ensure that the balanced budget is observed, and, if required, we will implement the regulatory measures provided by the current laws and regulations to comply with the target of MRU 16 billion for the non-extractive primary deficit. When appropriate, the prioritization of public expenditure will remain sensitive to social expenditure.

2025 Draft Budget Law

9. We will continue our efforts to improve fiscal discipline, and our policy will still be based on a fiscal anchoring of the medium-term fiscal framework (MTFF). This approach is already helping to smooth the volatility related to extractive sector resources and to support debt sustainability. In this connection, we plan to set, already in the 2025 Budget Law, the non-extractive primary balance (including grants), in line with the medium-term fiscal anchor estimated at -3.5 percent. The deficit will be stabilized at this level thereafter, which will help insulate public expenditure from commodity price volatility, rebuild fiscal space for social and infrastructure expenditure, and keep the debt ratio at approximately 45 percent during the medium term. Fiscal consolidation will be based primarily on improving tax revenue mobilization, rationalizing current expenditure, and making public expenditure more efficient. This strategy should enable us to create additional fiscal space.

10. We will intensify revenue mobilization efforts to address the significant infrastructure and social sector requirements. Leveraging the recently established Fiscal Policy Unit (UPF), our revenue mobilization strategy is designed to gradually achieve the large tax potential of our economy. In this connection, we have identified tax policy and revenue administration, drawing from the IMF recommendations.

11. In terms of tax policy, in the 2025 Budget Law, we will include a set of tax measures to broaden the tax assessment base, reduce exemptions, simplify the tax system, and ensure that it is fair.

- **Rationalization of tax expenditure.** The UPF has completed a comprehensive analysis of tax expenditure that will be published as an annex to the budget beginning with the 2025 Budget Law. On the basis of this analysis, we will develop a strategy for rationalizing tax expenditure in the medium term. We will ensure that the obligation to file corporate income tax declarations is fully implemented, including for corporations subject to tax exemptions (through the Investment Code, the tax regime for the Free Trade Area, and establishment agreements) to improve our register of taxpayers and our tax expenditure estimates. We also intend to implement a value-added tax (VAT) reform by initiating a reduction in regressive VAT exemptions based on the results of the tax expenditure assessment and by improving the VAT refund mechanism, while expanding the categories of eligible taxpayers. In addition, we will reduce the number of special arrangements and will repeal the provisions relating to free points with the revision of the Investment Code that will be submitted to the National Assembly by December 2024 *(**Structural Benchmark for end-December 2024**)*.

- **Consumption tax reform.** In light of the challenges encountered in implementing the consumption tax reform ***(Structural Benchmark for end-August 2024)***, we will, in the interim, introduce, into the 2025 Supplementary Budget Law, a conventional excise tax system that applies to both imports and local production ***(Revised structural benchmark for end-August 2025)*** with technical assistance from the IMF.

- **Vehicle taxation reform.** To mobilize additional resources in the budget, we plan a reform of vehicle taxation. According to our preliminary estimates, this reform will bring in approximately MRU 0.28 billion in additional revenue.

- **Introduction of a climate contribution levy.** Mindful of the impact of climate effects on our economy, we introduced this contribution into the 2025 Draft Budget Law, that will be applicable to all consumers, including large consumers (mining and industrial entities, and electricity producers), and can be expected to generate net revenue of approximately 1.4 percent of GDP by 2030.

- **Simplification of the tax system**. We will implement a reform of the General Tax Code (CGI) to consolidate all tax measures and incentives, to clearly exclude all unlisted measures, and to limit responsibility for introducing new tax measures to the Ministry of Economy and Finance (MEF) **(*New structural benchmark for end-December 2025)*.** We will study the wage structure so that effective exemptions can be listed, and tax practices can be incorporated into the law on civil servants' wages, including bonuses. We will also organize consultation events through tax conferences, that could help build wider support for fiscal policy reforms.

12. We will concurrently accelerate implementation of revenue administration reforms with a view to improving tax collection and the efficiency of the DGI and DGD. Our strategy in this area is guided in particular by the recommendations from the recent IMF administration diagnostic (TADAT). Key measures in progress include the following:

- **Operationalization of the Law of the Nouadhibou Free Trade Area.** Following the recent promulgation of this important law in July 2024 (*Structural Benchmark for end-March 2023),* we will work on its implementation by clarifying the responsibilities of the administrations involved and withdrawing any noncompliant authorizations. Against this backdrop, a memorandum of understanding will be adopted and signed between the Free Zone Authority, the Directorate General of Taxes, and the Directorate General of Customs, that defines their respective roles and responsibilities in connection with the administration of the Free Trade Area, particularly with regard to collections and the tax and customs control of authorized enterprises and the prevention of tax evasion and fraud. ***(New structural benchmark for end-June 2025).***

- **Improved collection / Reduction of tax arrears.** We will issue a decree for the establishment and implementation of a working group within the DGI and DGD responsible for collecting tax arrears. The DGI and the DGD will issue an official letter to debtors, including public enterprises, for the collection of tax arrears, including VAT and payroll tax arrears. For that purpose, specific measures will be taken to encourage public enterprises to meet their tax obligations and to voluntarily pay their arrears and contributions during the 2025 fiscal year. These measures are expected to generate additional revenue of approximately MRU 1.7 billion. Last, a procedure for the write-off of tax arrears will be implemented according to the conditions defined in the Tax Procedures Manual, that will reduce and update the stock of arrears.

- **Modernization of tax administrations.** We will conduct a reform of the organizational structure of the DGI and the DGD and adopt a new functional organizational chart based on the responsibilities of the two directorates in accordance with the recommendations from the IMF technical assistance ***(New structural benchmark for end-December 2025).*** To strengthen the digitization of the DGD, we will implement the legal and technical framework for the use of electronic signatures for customs agents and brokers.

13. We are confident that these measures will lead to an improvement in total revenue of MRU 8.52 billion in 2025 (1 percent of GDP) as against the projected table of government financial operations (TOFE) for 2024. Regarding tax revenue is concerned, the table below presents the main developments planned for each main tax category and the measures that would enable us to ensure that they are executed. We undertake to implement all of the strengthening measures mentioned so that the revenue provided in the two tables below can be mobilized.

Table 1. Mauritania: Expected Tax Revenue of the DGI for 2024

	End-2024 projections	Approved 2025 budget	Evolution	Measures
Corporate income tax, including from GTA	8.17	8.68	0.51	Specific measures to encourage public companies to comply with their tax obligations and voluntarily pay their arrears in 2025. These measures should generate additional revenues of around MRU 1.7 billion.
Of which : exctractive	2.18	1.20	-0.98	
Tax on salaries and wages	9.04	9.03	-0.01	
Tax on income from movable capital	1.65	1.25	-0.40	
Of which : exctractive	0.61	0.35	-0.26	
Simplified tax regime (RSI)	1.26	1.20	-0.06	
Domestic VAT	5.74	7.27	1.53	
SNIM Single tax/TPS-TOF	5.00	4.99	-0.01	
Of wich: SNIM Single tax (extractive)	2.86	2.20	-0.66	
Other taxes (insurance, vehicles, airport, etc.)	1.79	1.80	0.01	
Total DGI	**32.65**	**34.22**	**1.57**	

N.B.: The end-2024 projections column refers to the projected TOFE that has been agreed for budget execution monitoring.

Table 2. Mauritania: Expected Tax Revenue of the DGD for 2024 and 2025

	End-2024 projections	Approved 2025 budget	Evolution	Measures
Minimum income tax collected at customs	2.53	2.72	0.19	(i) Vehicle tax reform, which will generate additional revenue of MRU 0.28 billion; (ii) Climate contribution, which will generate additional revenues of MRU 1.72 billion.
VAT on imports	11.95	13.44	1.49	
Tax on petroleum products	2.74	3.24	0.50	
Climate contribution		1.72	1.72	
Consumption taxes (tea, tobacco, sugar, cement)	1.90	2.08	0.18	
Imports (customs duty)	10.19	11.14	0.95	
Statistical tax	1.35	1.37	0.02	
Other taxes	2.64	2.30	-0.34	
Total DGD	**33.31**	**38.01**	**4.70**	

N.B.: The end-2024 projections column refers to the projected TOFE that has been agreed for budget execution monitoring.

14. We will accelerate our efforts to rationalize current expenditure through a reduction of untargeted subsidies and more efficient expenditure. Current expenditure will be reduced to 14.9 percent of GDP in 2025, against 15.5 percent of GDP in 2024, and will reach approximately 13.5 percent of GDP in the medium term. The following measures are under consideration, *inter alia*:

- **Fuel price reform,** as part of the RSF. With technical support from the IMF, we are on track for the finalization and adoption by the Council of Ministers by March 2025 of a decree establishing a new fossil fuel price structure. This new structure will automatically adjust to changes in international prices, exclude all discretionary intervention in setting prices, phase out subsidies, and will include a price smoothing mechanism. ***(Reform measure VI for end-March 2025).***

- **Pension reform.** Bearing in mind that the ceiling on remuneration subject to contributions for the private social security scheme was raised in 2021, we will take the necessary steps for reform of the public pension scheme with a view to achieving a more sustainable system. We undertake to develop and implement an action plan based on the recommendations of the IMF technical assistance mission on the assessment of pension schemes and the outcomes of actuarial study that will be launched during 2025.

- **Public expenditure review:** To gain a better understanding of the dynamics of current expenditure and for its more effective rationalization, we will prepare and publish a report on the review of current public expenditure from 2022 to 2024 ***(New structural benchmark for end-June 2025)*** with technical assistance from the IMF.

15. We will intensify the public investment effort to address the significant requirements in terms of infrastructure and social safety nets, and to meet the challenges in connection with climate change. The public investment rate will be increased in the 2025 Budget Law to 11.6 percent of GDP (as against 9.8 percent of GDP in the 2024 LFR) and will be gradually increased in the medium term. We will concurrently continue to improve the public investment management framework by ensuring better evaluation, selection, and prioritization of public projects. In this connection, we are committed to systematically publishing, from the end of December 2025, all evaluation and selection criteria for major investment projects, as well as the relevant feasibility studies. In addition, we amended and published in October 2024 Decree 2016-179, including the Public Investment Management Manual, to include climate issues in the public investment management stages (conceptualization, evaluation, selection, and execution of projects) ***(Reform measure III for end-October 2024).*** The MEF, along with the Ministry of Environment, will provide guidance for the climate-based selection model for major project proposals from the key sectors involved with the Nationally Determined Contributions (CDN) submitted for review and validation by the Public Investment Analysis and Programming Committee (CAPIP) by August 2025 ***(Reform Measure IV for end-April 2026).***

16. To accelerate progress towards achieving the Sustainable Development Goals (SDGs), we will strengthen social expenditure and accelerate implementation of social interventions to benefit vulnerable sectors.

- In terms of **social welfare**, in 2024, we increased the number of vulnerable households covered by the regular Tekavoul program to more than 140,297, and we plan to increase the quarterly payment to these households to MRU 3,600 ***(Structural benchmark for end-December 2024)***, as against MRU 2,900 in 2023. A memorandum on the effective implementation of the Tekavoul program will be produced by the Agency for National Solidarity and the Fight against Exclusion (Taazour) by December 2024. This memorandum should highlight the changes in the number of households covered as well as the quarterly amount of fund transfers, and its publication will validate the achievement of the structural benchmark set at end-December 2024.

- We will continue to improve the targeting of social programs. In this connection, we will continue to update the social register while taking into account the need for wider geographic coverage. At the same time, food distribution centers (Temwine Program) will be reorganized to improve their targeting.

- We will continue to prioritize spending on primary and secondary education, primary health care, access to water and sanitation, and more effectively targeted social assistance programs.

17. As a result of the accelerated influx of refugees, it is an urgent matter to work with the development partners to plan actions to prevent food insecurity and to ensure access to basic services. The influx of refugees to Hodh Chargui accelerated during this period from 150,000 in 2023 to 260,000 in 2024, equivalent to an increase of 73 percent. This figure is constantly increasing with the arrival of new refugees. Our country will continue to maintain its generous welcoming and inclusion policies. In this connection, to stem the increase in food insecurity risks and to meet the challenges in connection with this influx, we will strengthen the government's social program interventions in this region while continuing to seek to mobilize the additional necessary funds through the humanitarian windows of the agencies of the United Nations system and development partners. The overall cost over twelve months is around $82 million.

Public Financial Management and Fiscal Transparency

18. To sustain the benefits from the fiscal anchor, we will examine, with the technical support of development partners, ways to institutionalize the fiscal rule on the non-extractive primary balance. In the meantime, we will introduce a reference to the fiscal rule on the non-extractive primary deficit in the Government Policy Statement (DPG)**.** To strengthen the medium-term fiscal policy outlook and stabilize the debt, we will update the medium-term fiscal framework and clearly define the fiscal anchor that we are targeting with our fiscal policy. In consultation with the IMF, we will update and adopt the medium-term budget programming document (DPBMT) in the Council of Ministers and submit it to the National Assembly. The DPBMT will aim in particular to increase tax revenue by 0.5 percent of GDP per year.

19. We will reorganize our gas and mining resource management and forecasting structure ahead of the start of gas production in connection with the GTA gas project scheduled for 2025. We will strengthen the rule for smoothing the volatility of gas and mining revenue financing the budget and will apply best practices to the reporting of gas and mining revenue and savings fund assets/gains. We will concurrently review the performance of our sovereign wealth fund, the National Fund for Hydrocarbon Reserves (FNRH), and will examine its suitability for managing larger financial and asset flows. The FNRH Investment Policy was adopted by the Investment Advisory Committee (CCI) at its last meeting in January 2024 and was signed by the authorities. The reports are published monthly and presented to the CCI at its monthly meeting.

20. To improve fiscal transparency, we will continue to modernize the presentation of fiscal statistics and the Table of Government Financial Operations in line with the international standards of the Government Finance Statistics Manual 2014 (GFSM 2014) with technical assistance from the IMF. For this purpose, we will start work on the production of TOFEs for social security (CNSS and CNAM) and extrabudgetary units (government administrative agencies—EPAs and government industrial and commercial agencies—EPICs), starting with the collection of the required information at the level of social security entities.

21. Our debt strategy will be based on one principle: to ensure a moderate level of debt and a moderate cost of debt, in particular by focusing on concessional financing. To cover our financing requirements, we will also make greater use, in coordination with the BCM, of conventional and Islamic treasury bill issues, that will help boost the domestic treasury bill market and improve liquidity management. We will finance our investments through grants and loans arranged 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 of the MEFP. An annual borrowing plan (presented in Table 3) was drawn up in consultation with the IMF to reinforce our medium-term debt reduction strategy. We also recognize that this ceiling *per se* will not guarantee a moderate risk of debt distress. We therefore undertake to assess the impact of agreements on debt sustainability and to inform the IMF of any financing arrangements.

D. Improving the Monetary and Foreign Exchange Policy Management Framework and Accelerating the Financial Sector Reforms

22. We have undertaken reforms in several areas to accelerate the modernization of the banking and financial sector and to strengthen its contribution to economic development and the creation of wealth and opportunities**.** Our strategy is based on (i) modernizing the monetary and foreign exchange policy management framework; (ii) modernizing the markets; (iii) bringing banking and financial regulations into compliance; and (iv) strengthening supervision and control.

Monetary Policy Framework

23. After the tightened stance since 2022, economic and monetary conditions are favorable for an easing of monetary policy. The increases in key interest rates following the monetary tightening that began in the fall of 2022 have helped to anchor inflation expectations in the range of 2-3 percent. Against this backdrop, we reduced the central bank's key interest rate, in line with our primary monetary policy objective of price stability. The BCM will continue to conduct monetary policy with a view to reducing surplus liquidity in the banking system and maintaining price stability to support the changes in progress to achieve greater exchange rate flexibility and to revitalize the interbank market.

24. We will capitalize on recent progress to further strengthen liquidity management. Banks' surplus reserves have declined substantially since the beginning of 2024, reflecting the central bank's active use of a wider range of intervention instruments, including conventional floating-rate operations to mop up liquidity through BCM paper issues, conventional liquidity absorption through SENAD securities issues, conventional fixed-rate issues (without the issue of BCM securities), and deposit (conventional overnight) facility operations. This approach has made it possible to reduce surplus liquidity, to contribute to the implementation of the new foreign exchange market platform, and it has revitalized the secondary market. We will take the following steps to strengthen liquidity management and monetary policy conduct:

(i) Regular use of monetary policy instruments (weekly to biweekly) while strengthening coordination between the monetary and fiscal authorities in liquidity management.

(ii) The introduction of a Shariah-compliant short-term (daily) Islamic deposit facility to absorb surplus liquidity in Islamic banks; to ensure the interoperability of mobile payment platforms to absorb surplus bank liquidity and to reduce disparity in bank liquidity, from the increased use of mobile payments.

(iii) The regular assessment of the effects of interoperability and the new daily Islamic facility, *inter alia*, on surplus liquidity and production costs and to maintain its target level at MRU 2 billion, pending a better estimate of precautionary liquidity by local commercial banks. The objective is to maintain excess liquidity within a range of MRU 1–2 billion that will contribute to the development of the interbank market and reduce excessive fluctuations on the foreign exchange market.

25. The development of treasury bill markets will contribute to the modernization of monetary policy management and the diversification of financing sources. The volume of treasury bill issues has increased steadily from MRU 32.8 billion in 2023 to MRU 49.8 billion in 2024. We will continue to organize auctions of conventional treasury bills for the benefit of conventional banks to increase the outstanding stock of government securities held by conventional banks ***(Structural benchmark for end-December 2024).*** Similarly, we will continue to hold Islamic treasury bill auctions to continue to increase the stock of government securities held by Islamic banks ***(Structural benchmark for end-December 2024).***

Foreign Exchange Policy and Market

26. While the reforms undertaken have improved the operation of the foreign exchange market, there is still substantial scope for progress. The share of BCM in foreign exchange transactions declined from 99 percent in January 2023 to approximately 30 percent in September 2024. At the same time, banks have established and are developing exchange rooms and strengthening their human resources. To further improve the operation of the interbank foreign exchange market, the BCM has strengthened the criteria for the selection of market makers, which has reduced the number of banks operating as market makers to four. In addition, by end-April

2025, the BCM will introduce a tool into the IT application *(Refinitiv)* that will make it possible to impose firm exchange rate quotations ***(New structural benchmark, April 2025).***

27. We acknowledge the importance of being able to predict the repatriation of foreign exchange earnings by SNIM so that BCM can effectively manage foreign exchange reserves. Progress has been made with the holding of a quarterly high-level meeting of the tripartite committee that includes the BCM, the Ministry of Economy and Finance, and SNIM, and the consideration of SNIM's forecasts for the repatriation of funds in the analysis of the BCM's cash flows in foreign exchange ***(Structural benchmark for end- June 2024).*** To further improve its operation, we will (i) ensure that SNIM's foreign exchange repatriation projections for the next 12 months, will be an integral part of the meeting minutes, are discussed and shared within this committee; and (ii) proceed with the signing of a protocol between the BCM and the SNIM to formally establish the exchange of information. This information will be essential for us to update the budget for the BCM's foreign exchange interventions. In addition, mindful that the exemption provisions on the repatriation of export earnings for certain sectors reduce foreign exchange liquidities and make it difficult to predict foreign exchange inflows, we will prepare a study in 2025 on benchmarking for practices in foreign exchange repatriation exemptions to clarify the options to be considered. In addition, we have succeeded in eliminating the use of multiple exchange rate practices and will continue to monitor any effective discrepancies that may emerge and to implement a reform of the markets, including with any technical assistance that may be required, to prevent the re-emergence of such practices.

BCM: Transparency and Governance

28. BCM remains determined to continue the efforts to implement the recommendations of the 2023 safeguards assessment mission.

- **Revision of the agreement relating to the BCM's claim on the government**. The BCM and the MEF agreed to convert the old claims on the government with a new agreement amounting to the same net present value, according to IFRS, as of the date of the signing of the convention. to (i) transfer of shares of the international Bank Banque Maghrébine d'Investissement et de Commerce Extérieur (BMICE), (ii) transfer of real estate, (iii) cash from the issuance of 10-year treasury bonds, and (iv) a reimbursement plan of the remaining balance with an interest rate of 5.5 percent and equal annual amortization of MRU 361 million.

- **Strengthening of cyber security.** In light of the substantial increase in cyber-attacks, the BCM will integrate cyber security into banking supervision, and will introduce stringent rules for banks on data protection, incident management, and cybernetic resilience. The unit dedicated to cyber security, established in May 2024 within the Directorate General of Banking Supervision, will prepare, with technical support, a regulatory text on cyber security in line with the 2020 roadmap.

- **Agreements on the onlending of SDR allocations.** We will continue to strengthen the agreements applicable to onlent SDR allocations and will provide maturity schedules for the reimbursement of the principal.

- **Peer review of trust and vault transactions.** We have launched a project involving the required prerequisites, after which we will have a peer review conducted of the trust and vault operations.

Financial Surveillance and Regulation

29. The BCM will continue to work to promote the development of the financial system and to strengthen its stability. We are conducting a reform of the legal framework to enable the central bank to use all necessary means to ensure the soundness of the financial system, including bank resolution. This includes important amendments to the Law on the Central Bank (adopted by Parliament on November 12, 2024) and the Banking Law, that we would like to submit to parliament by the end of the year. The BCM has established a range of measures to ensure the stability and resilience of the banking sector as a whole. These measures are designed to apply the relevant regulations and establish international best practices, while taking into account the realities of the national banking sector. These measures include the following: (i) establishment of recovery plans for banks in difficulty with the aim of bringing them back to standard; (ii) amendment of the Law on the Charter of the BCM to strengthen its independence and powers in terms of resolution and compulsory liquidation; (iii) amendment of the banking law to supplement, *inter alia*, the resolution system and to introduce the compulsory liquidation mechanism, as these measures are required in case the recovery plans should fail; (iv) reinforcement of the off-site supervision staff and modernization of their tools for more effective risk-based supervision; (v) execution of an international audit and the requirement to publish financial statements in accordance with the International Financial Reporting Standards (IFRS) for all local banks; (vi) recapitalization of banks by tripling the current minimum capital requirement beginning in 2027, with a view to strengthening the resilience of the sector and minimizing insolvency risks; and (vii) gradual strengthening of the control of loans granted to related parties by reducing the ceiling previously set at 25 percent of capital to 20 percent at the beginning of 2024.

30. We are determined to continue to apply the prudential regulations stringently to ensure that the banking system is resilient against shocks. The BCM will continue to apply financial and disciplinary penalties to all banks that fail to comply with the prudential ratios, except those in the recovery process. For the latter institutions, the BCM has established recovery plans designed to ensure that they will once again meet the standards. We also had the Council of Ministers adopt an amendment to the Banking Law at the beginning of July 2024 supplementing, *inter alia*, the resolution mechanism and a compulsory liquidation mechanism. This draft law has been submitted to Parliament and will be examined during the current session of the National Assembly. This mechanism is required if recovery plans for banks currently in difficulty should fail. We will monitor all banks' compliance with the minimum capital and core capital requirements and will take appropriate action against banks that do not comply with the legal framework governing credit institutions ***(Revised structural benchmark for end-December 2024).***

31. We will strengthen the BCM's supervision capacity through the strengthening of human resources, improvement of information systems, and by updating the accounting standards applicable to banks:Robust information systems. To enhance the reliability of banks' data and facilitate their data reporting, the BCM will make operational and deploy, by March 2025, a robust IT system that will enable banks to electronically submit declarations in accordance with regulatory reporting requirements, including effective data quality control and model integrity protection ***(New structural benchmark for end-March 2025).*** The BCM will establish what is known as the Bank Supervision Application (BSA) that will automate a number of tasks, including the collection of declarations, verification of the reliability of these declarations, and the generation of prudential and early warning indicators.

- **Financial reporting by banks**. The current national accounting standards are obsolete, dating back to 1988, and changes were initiated in 2009. Pending the revision of the chart of accounts to align with internationally accepted accounting principles and practices, we will, with technical assistance from the IMF, work with banks to clarify any ambiguities in the accounting standards applicable to banks, with particular emphasis on the accurate classification of nonperforming exposures and adequate provisioning for expected credit losses. In addition, we are amending the existing texts to introduce the requirement for the auditors to apply the relative importance and risk-based method, to assess the institution's internal controls in the area of financial reporting, and to extend the obligation to reporting internal control deficiencies to the BCM.

- **New methodology for on-site and off-site supervision.** Off-site supervision activity has been significantly strengthened. The in-depth monitoring of declarations from banks has led to the development of early warning indicators and to the signing of program contracts with fragile banks to define the measures required to avoid noncompliance with the prudential ratios. Similarly, a rating system was established for banks to identify risk areas requiring on-site supervision. In addition, a comprehensive audit of the methods used by banks to calculate prudential ratios revealed a lack of understanding on the part of some banks' accountants, leading to an inadequate application of the provisions of the prudential regulations. In this connection, the BCM has increased the staff of the directorate responsible for off-site supervision with the assignment of approximately 15 staff members to these activities. These staff members were trained with IMF technical assistance. The BCM will draft an inspection manual and recruit and train banking supervision staff in line with the recently adopted HR strategy. These activities should include upgrading off-site supervision tools and on-site supervision processes to make them more risk based and effective to cover the key risk areas within a reasonable multiyear cycle of on-site supervision activities.

32. The BCM intends to strengthen corporate governance in banks. The instruction on bank governance was adopted at the end of March 2022. Since then, the central bank has been working towards strict compliance by banks, and significant progress has been made, in particular in the establishment and quality of the management and administrative bodies (board of directors, management committees, and internal control entities) as well as the review of the BCM's off-site and on-site supervision procedures to bring them into line with the highest standards of governance. We are focusing particularly on this area to ensure overall compliance with the regulations in the coming months.

Debt Management

33. 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 ensure coordination between institutions. We will continue to improve procedures for granting public guarantees and borrowing, clarifying the respective responsibilities and conditions for approval among the ministries. The National Public Debt Committee (CNDP) has been revitalized. Its operational capacities will be strengthened to improve coordination between the various entities responsible for debt matters. The Committee will continue to meet regularly to assess the impact on debt of any new projects to be financed with non-concessional external borrowing, that must be validated by the CNDP before the relevant agreements are signed. Similarly, we will continue to develop the capacities of the directorate responsible for debt, the directorate responsible for financing of the Ministry of Economy and Finance, and the directorate responsible for debt of the BCM for debt sustainability analyses, including the use of the debt dynamics tool, calculation of concessionally for projects covered by a financing agreement, and development of a medium-term debt management strategy. Our debt management strategy also aims to develop the treasury bill and bond market, to diversify our debt instruments to finance the budget deficit. For that purpose, with the support of the BCM, we have introduced for the first-time treasury bonds with maturities of up to three years. We will continue this strategy aimed at extending the maturities of debt instruments issued on the domestic market with a view to limiting short-term refinancing risks.

Table 3. Mauritania: Program Summary Table for 2025

Public and Publicly Guaranteed External Debt	Volume of new debt, millions of US$ 1/	Present value of new debt, millions of USD 1/
Sources of financing by borrowing arrangement	**1,678.9**	**1,196.4**
Concessional debt 2/	343.4	217.5
Nonconcessional debt 3/	1,335.4	978.9
Uses of financing by borrowing arrangement	**1,678.9**	1,196.4
Infrastructure	1,617.3	1,153.2
Social expenditure	**616.6**	43.2

1/ New debts contracted and guaranteed. The present value of the debt is calculated using the terms of each individual loan and by applying the 5 percent discount rate under the program.
2/ Debt for which the grant component exceeds a minimum threshold. This minimum is typically 35 percent but is subject to increase.
3/ Debt without a positive grant component. For commercial debt, the present value would be defined as the nominal/visual value.

34. To enhance 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 (Debt Directorate, Directorate General of Budget, Directorate General of Treasury and Public Accounting—DGTCP, Directorate General of Finance and Economic Cooperation—DGFCE, and BCM) to monitor disbursements relating to external debt and debt service payments. We will reinforce real-time monitoring by the DGTCP and the Debt Directorate of the programming and execution of debt service by the BCM, in line with the powers delegated by the Ministry of Finance. This monitoring will be carried out through web-based services between the Debt Directorate's SYGADE system and those of the DGTCP and the BCM. Implementation of these interconnections will strengthen debt management capacity through the 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). (With the assistance of the United Nations Conference on Trade and Development (UNCTAD), we are currently consolidating SYGADE Version 6.2 and validating the database, and we will migrate to Version 7 of the system during 2025. The SYGADE interfaces with other applications will be completed in 2026 with technical assistance from the UNCTAD Debt

Management and Financial Analysis (DMFAS) staff, with funding from the African Development Bank (AfDB).

35. 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, when possible, public enterprise arrears. In this connection, we have already published semiannual bulletins for 2023, and will continue to publish quarterly bulletins beginning in 2024. The External Debt Directorate will accelerate actions aimed at strengthening its technical and operational capacities for more effective 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 operating system more reliable. We will incorporate all public and government guaranteed debt data into our debt statistics, including agreements for which cancellation is assumed but not yet confirmed, and we will share the statistics with the IMF when the financial flows (disbursements and payments) have been identified.

E. Strengthening Governance, Transparency, and the Anti-Money Laundering and Financing of Terrorism (AML/FT) Framework

36. We have accelerated implementation of the National Governance Action Plan. We have identified a series of governance reform measures based on the governance diagnostic. The first report on implementation of this action plan will be published by the end of December 2024 ***(Structural benchmark for end-December 2024).*** In September, we changed the composition of the Anticorruption Strategy Steering Committee to include representatives from civil society. We have also decided to create an Anticorruption Agency through a new law that will include provisions to safeguard its independence. To make the Anticorruption Agency operational, we will (i) publish an implementing decree for the Law on the Anticorruption Agency to enable the members of the Board of Directors and the Director General to be appointed; and (ii) finalize these appointments ***(New structural benchmark for end-September 2025).***

37. With the IMF support, we are in the process of finalizing amendments related to the declaration of assets and interests' the legal and organizational frameworks. These amendments will align our system with the G20 High-Level Principles of Asset Disclosure by Public Officials, the recommendations of the governance diagnostic, and IMF TA and will be submitted to parliament by the end of February 2025 ***(Structural benchmark for end-February 2025).***

38. We will also establish a specialized digital system, led by the Government Inspectorate General, to follow up on recommendations made by the administrative control bodies (not including the Court of Auditors). This system will enable (i) real-time monitoring of the recommendations and an instant view of their implementation status; (ii) management of remedial actions by facilitating the assignment, monitoring, and execution of the required remedial measures; (iii) automation of detailed reports on the implementation status of the recommendations, with alerts for deadlines that have been missed or anomalies detected; and (iv) effective collaboration by ensuring seamless communication among the teams responsible for implementing the recommendations and the oversight bodies. We will publish annual reports on progress in the implementation of the recommendations.

39. We will continue prioritizing reforms aimed at improving financial transparency and governance of public enterprises. We will submit a draft new law on public enterprises to parliament ***(Structural benchmark for end-September 2024).*** This draft law is designed to correct weaknesses in the governance of these financial assets, by *inter alia*, providing the key components of a policy on government ownership and measures to strengthen their corporate governance, transparency, and accountability. To ensure the effective and timely operationalization of this law, we are developing a list of implementation decrees with the needed details of the procedures and regulations to implement the principles and requirements provided by the Law on Public Enterprises, including reporting and transparency requirements and appointment procedures, and we will share them with the IMF by March 2025. In consultation with Fund staff and after the law on public enterprises is approved by parliament, we will publish an implementing decree (the scope will be agreed during the 4th review) ***(New structural benchmark for end-September 2025).*** We are also still committed to ensuring financial transparency in public enterprises by strengthening the compliance of public enterprises with the legal obligation to publish their financial statements. In this regard, the SNIM has published the financial report on its mining and non-mining activities, including the SNIM Foundation ***(Structural Benchmark for end-October 2024).***

40. We have intensified the efforts to close the gaps in the AML/FT system, in line with the recommendations from the Middle East and North Africa Financial Action Task Force (MENAFATF) and the report on the IMF Governance Diagnostic. The regulatory framework for mobile banking operations and electronic payment services and mechanisms and inspection have been strengthened. The central bank has also updated the declaration process of the National Register of Accounts, a surveillance tool for the identification of customers and beneficial owners, and data updating. The BCM has carried out inspections to verify banks' compliance with AML/FT mechanisms, particularly with regard to governance, the system for managing suspicious and habitual transactions, and banks' correspondence with the Mauritanian Financial Investigations Unit. Last, the BCM has made improvements to its National Register of Accounts tool (RNC) for more effective monitoring of new bank relationships and customer identification, that will facilitate the identification of beneficial owners.

F. Improving the Business Climate and Financial Inclusion

41. Support for small and medium-scale enterprises is a priority of our national development program. For that purpose, we have set up the Mauritania Guarantee Fund (FGM), which will provide partial guarantees for bank loans granted to SMEs to improve access to financing and contribute to job creation. The FGM has already issued guarantees in connection with different economic sectors, including the digitization of financial operations and the processing and exporting of fish. The FGM supports several projects in terms of development, market studies, selection of appropriate financing, preparation of the financing application, etc.

42. The reforms to improve the business environment are substantial. The recent adoption of the Law on Public-Private Partnerships (PPP) and the overhaul of the Investment Code that is now being completed should improve the country's position in terms of attractiveness to investors and should strengthen the role of the private sector by introducing simpler and more uniform approval procedures. The Investment Policy Letter (IPL) designed to create a common view among all public and private stakeholders in connection with the country's priorities in terms of private investment is based on the following four areas: (i) development of the potential of the productive sectors; (ii) strengthening the local content and supporting investments from the diaspora; (iii) economic diversification with a focus on growth sectors; and (iv) support for sustainable investment through the encouragement of investment in the area of green growth. In addition, to simplify the administrative procedures, a project to dematerialize the procedures of the one-stop window is being studied. It will enable automated processing of applications and workflows within the window for greater speed and transparency.

43. In addition, we are implementing the action plan of the National Financial Inclusion Strategy (SNIF). The first national financial education program was successfully launched. The next educational program is scheduled for 2025. As far as digital finance is concerned, several large-scale projects have been initiated, including an Instant Payment System (IPS) project and the Regulatory Sandbox and Digilab projects to encourage innovation in financial technologies. The BCM has also undertaken a comprehensive sector study on microfinance to strengthen the capacities in this area. Where crowdfunding is concerned, a project has been initiated to establish a legal and regulatory framework, and to develop crowdfunding in Mauritania. Regarding inclusive green finance, a project has been initiated that will enable the establishment of a national regulatory framework relating to environmental, social, and governance (ESG) standards.

Modernizing the Statistics System

44. The development of economic statistics remains one of our priorities. With the IMF's technical assistance, we will continue to improve the monetary, balance of payments, public finance, and real sector statistics. To improve the quality of the national accounts, the National Statistics and Demographic and Economic Analysis Office (ANSADE) has signed an agreement on the exchange of data with the units of the Ministry of Finance. In addition, a memorandum of understanding on the coordination and exchange of data with the Directorate General of Customs and the central bank was established for the compilation of statistics on foreign trade in goods. We will also improve our capacity to prepare growth forecasts. For this purpose, we intend to strengthen the capacities of the relevant department within the MEF and to provide it with the required human resources. The BCM is in the process of implementing the recommendations from the last technical assistance mission from the IMF Statistics Department on balance of payments statistics and the establishment of the international investment position for the period 2020 to 2023. The BCM has made progress in automating the codification of the economic types of bank settlements and the balance of trade data and is continuing its efforts on surveys to establish the international investment position and to improve the balance of payments statistics. In addition, to improve the coverage of general government, the MEF is working on the collection of data on the operations of the social security agency and public enterprises and is preparing their table of government financial operations with the support of IMF technical assistance. We look forward to continuing to work with the IMF to align the methodology used for the preparation of our statistics with international standards.

G. Consolidating Resilience to Climate Change

45. The climate reform agenda has accelerated under the program supported by the Resilience and Sustainability Facility arrangement (Figure 1). With a view to incorporating climate action into the budget process for public investment programming, we amended the regulatory framework governing public investment management to include climate issues in the different phases of public investment management, and we updated the Public Investment Management Manual accordingly ***(Reform measure III for end-October 2024)***. In addition, we are working on the development of a policy paper on the scope, methodology, responsibilities, and implementation of climate budget tagging for implementation in the 2026 budget year (**Reform measure I for October 2025**) with the support of IMF technical assistance that has already been requested. For that purpose, and with the aim of developing our capacities in this area, we will carry out ex-post fiscal marking on the 2024 and 2025 budgets. To strengthen the institutional framework for water management, an interministerial partnership agreement (CIP) was adopted in May 2024 in specific areas of cooperation such as environmental assessment, data management, and monitoring of groundwater-dependent ecosystems (DE) and other hydrogeological data ***(Reform measure XI for end-October 2024).***

46. We are determined to introduce a climate contribution and to conduct a reform of fossil fuel tariffs. As part of the program supported by the RSF, we have introduced a climate contribution of approximately US$10 per ton of CO_2 emission on petroleum products into the 2025 Budget Law. This contribution will gradually increase to US$50 per ton of CO_2 by 2030. With technical support from the IMF, we have agreed the rates applicable to each product according to its carbon intensity. To reduce the risk of the use of wood and charcoal, which are even more polluting and harmful to the protection of vegetation cover, butane gas will not be subject to the climate contribution. This contribution will apply from April 2025 to all agents, including large consumers (mining and industrial and electricity producers) and is expected to generate net revenue of approximately 1.4 percent of GDP by 2030 ***(Reform measure VII for end-April 2025).*** Concurrently, we will identify supporting measures to mitigate the impact on vulnerable populations, based in particular on the existing programs and tools of the National Delegation for Solidarity and the Fight against Exclusion (Taazour), with technical assistance from the World Bank. In addition, following the recent IMF TA mission on petroleum tariff mechanisms, we identified the following steps for the implementation of the reform of oil products ***(Reform measure VI for end-April 2025)*** *through* (i) the reorganization of the price- structure for oil products, highlighting subsidies and tax expenditures, as appropriate; and (ii) defining the parameters for an automatic tariff mechanism with a smoothing component. In addition, we have adopted the terms of reference and issued the expression of interest for the recruitment of a consultant who will assist us in drafting the implementing decree for Article 40 of the Hydrocarbons Code, with technical assistance from the World Bank. The objective of this decree is to eliminate the routine use of flaring and gas releases and to reduce methane emissions. This approach will enable us to comply with the UN-WB Zero Routine Flaring by 2030 Initiative and to meet the commitment under the Nationally Determined Contributions to achieve net zero emissions by 2050. ***(Reform measure X for end-April 2025*****).**

47. Reforms aimed at improving water resource management and the financial sustainability of water and sanitation services are progressing according to the implementation schedule: The government will adopt an interministerial decree on environmental assessments and water resource monitoring. The decree will draw from the experience of implementing the CIP. In addition, the government plans to conduct and publish a pilot inventory, led by the Centre National de Ressources en Eau (CNRE - National Water Resources Center), with support from the French development authorities (AFD), of groundwater-dependent ecosystems and hydrogeological data in the Boulenoir aquifer, by September 2025 **(Reform measure XII for end-October 2025).** The government also undertakes to revise and publish the water tariff regulations (Decree No. 2624/MHETIC/MCI of October 30, 2007) in line with the IMF recommendations, by end-October 2025 ***(Reform measure XIII for end-October 2025)***. In addition, the government will request technical assistance to define the new regulatory system and to provide support in the implementation of the additional steps required for the new system to operate properly. These steps include the development and implementation of program or performance contracts with the enterprises providing the services and the preparation of a draft tariff policy that is independent of political contingencies and that includes: (i) a calculation methodology for estimating revenue requirements; (ii) the frequency of tariff revisions; and (iii) the body responsible for estimating, approval, application, and monitoring of tariffs.

48. In addition, we are committed to promoting an increase in the rate of renewable electricity production through:

- The adoption of a decree requiring mining companies to increase the share of electricity produced with renewable energies into their energy mix by at least five percentage points per year until 2030. If the annual targets are not met, compensatory investments in rural electrification will be required ***(Reform measure IX for October 2025).*** A working group will be established to analyze the specific situation of each of the three major enterprises and to organize and engage in collective or individual discussions with mining enterprises with a view to consultation on the decree, including measures related to their contribution to access to clean energy in rural areas.

- The implementing decrees for the electricity code are being finalized and will be published by the end of 2024. These decrees aim to (i) provide independent electricity producers with access to the Mauritanian energy market; and to (ii) guarantee nondiscriminatory access for third parties to the transmission infrastructure owned by the public electricity company SOMELEC ***(Reform Measure VIII for October 2025).*** A comprehensive analysis will be carried out with the support of the World Bank to identify complementary measures, including sector governance, to further strengthen the expected role of the private sector in the country's electricity infrastructure.

49. The successful implementation of the Tekavoul Choc program is an important step forward in the climate area. To increase the scope and impact of social safety net programs, the government has made these monetary transfers permanent through a decree adopted by the Council of Ministers in consultation with the IMF and World Bank. We have also extended the coverage of Tekavoul Choc to include all poor households affected by droughts, and thus affected by food insecurity, while ensuring sufficient coverage and financing from own resources of 50 percent of the total amount of monetary transfers, through the National Fund for Food and Nutrition Crisis Response (FNRCAN) **(Reform measure V for end-April 2024).** The total budget cost of this measure is approximately 0.6 percent of GDP in 2024. The extension of Tekavoul Choc's coverage reaches an average of 100 percent of the households affected by food insecurity, i.e, approximately 90,000 households, according to World Bank estimates. This constitutes major progress, and with the support of the World Bank, we will continue to strengthen the targeting of the most vulnerable households overall, as well as the capacities of the Taazour, that is responsible for social safety nets.

H. Program Monitoring

50. The Reform Monitoring Committee (CSR), which is responsible for monitoring structural reforms and changes in Mauritania's macroeconomic, monetary, and financial outlook (CSR) ensures effective monitoring of implementation of this program. The Committee includes representatives from the MEF, the Ministry Delegate Responsible for Budget, 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 program execution. Implementation of the program under the ECF and EFF will be assessed every six months by the IMF Executive Board on the basis of the performance criteria and structural benchmarks (Tables 1 and 3). The Draft Budget Law, the Draft Supplementary Budget, and the Draft Medium-Term Fiscal Framework will be shared with the IMF staff for consultation ten (10) days before approval by the Council of Ministers. The fifth and the sixth reviews will take place on or after April 17, 2025, and October 17, 2025, respectively, and will be based on quantitative indicators and performance criteria (Table 1) as well as structural benchmarks (Tables 2 and 3). New indicative targets are set for end-March and end-September 2025. These criteria and quantitative benchmarks, as well as the mechanisms for readjustment in the event of contingencies, are defined in the Technical Memorandum of Understanding (TMU). The CSR will work in close coordination with the Technical Macroeconomic Framework Committee, the Fiscal and Monetary Policy Committee, and the CNDP.

51. As part of the RSF, we have set up a technical coordination committee which meets monthly to monitor the reforms of the program under the RSF. These are detailed in Graphic 1, and implementation will also be assessed every six months by the Executive Board of the IMF concurrently with the ECF and EFF reviews.

Table 1. Mauritania: Performance Criteria and Indicative Targets for 2023–25

(Cumulative changes) 1/

	End-Dec. 2023				End-March 2024				End-June 2024				End-Sept. 2024			End-Dec. 2024	Proposed End-March 2025	Proposed End-June 2025	Proposed End-Sept. 2025	Proposed End-Dec. 2025
	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Indicative Targets	Adjusted Indicative Targets	Actual	Status	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Indicative Targets	Actual	Actual	Performance Criteria	Indicative Targets	Performance Criteria	Indicative Targets	Performance Criteria
Quantitative Performance Criteria																				
Change in net international reserves of the BCM (floor); in millions of U.S. dollars 2/	-100.8	-101.5	107.8	Met																
Net international reserves level of the BCM (floor); in millions of U.S. dollars					1,330	NA	1,487	Met	1,293	NA	1,431	Met	1,259	1,361	Met	1,224	1,343	1,259	1,275	1,198
Change in net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRU) 3/	4.0	4.0	-4.3	Met	2.6	NA	0.5	Met		NA										
Net domestic assets level of the BCM (ceiling); in billions of ouguiyas (MRU)									5.0	5.0	-7.3	Met	7.4	-4.7	Met	9.6	1.0	4.7	4.1	2.7
Non-extractive primary deficit including grants (ceiling); in billions of ouguiyas (MRU) 4/	20.0	20.0	20.1	Not Met	8.0	8.0	3.8	Met	12.0	12.0	8.1	Met	14.7	8.6	Met	16.0	7.7	11.6	14.1	15.4
Present Value of new public and publicly-guaranteed (PPG) external debt contracted since January 1, 2023 (ceiling); in billions of ouguiyas (MRU) 5/	25.8		14.5	Met	35.0	NA	25.5	Met	35.0	NA	27.2	Met	35.0	28.8	Met					
Present Value of new public and publicly-guaranteed (PPG) external debt contracted during the year (ceiling); in billions of ouguiyas (MRU)																35.0	46.7	46.7	46.7	46.7
New external payment arrears (continuous ceiling) 6/	0.0		0.0	Met	0.0	NA	0.0	Met	0.0	NA			0.0			0.0	0.0	0.0	0.0	0.0
Indicative Targets																				
Floor on social spending; in billions of ouguiyas (MRU) 7/	20.0		21.1	Met	1.8	NA	4.7	Met	5.5	NA	10.4	Met	11.0	15.9	Met	22.0	1.9	5.6	11.3	22.5
Adjustment Factors (in millions of U.S. dollars)																				
Net international assistance	NA		NA		NA		NA		NA				NA			NA	NA	NA	NA	NA
Cumulative disbursements of official loans and grants in foreign currency	NA		NA		NA		NA		NA				NA			NA	NA	NA	NA	NA
Cumulative amounts of external cash debt service payments	NA		NA		NA		NA		NA				NA			NA	NA	NA	NA	NA
European Union fishing compensation fee	57.0		56.4		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	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/ Performance criteria are also updated to incorporate adjustment factors with no associated changes to targets being met/not met.
3/ NDA realizations were updated to be presented as levels rather than as changes as in the first ECF/EFF reviews. This adjustment means the end-March 2023 indicative target was missed despite being previously reported as being met. Performance criteria are also updated to incorporate adjustment factors with no associated changes to targets being met/not met.
4/ Adjusted by the difference between planned and realized EU fishing compensation. In previous versions of the table, this line was labelled as exclusive of grants, while it should be read as inclusive of grants as defined in the TMU.
5/ Cumulative limit of both non-concessional external debt and concessional external debt for end June and Sept- 2024. For Dec-2024 onwards, the QPC is calibrated as PV of new public and publicly-guaranteed (PPG) external debt contracted during the year.
6/ Excluding arrears subject to rescheduling.
7/ 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.

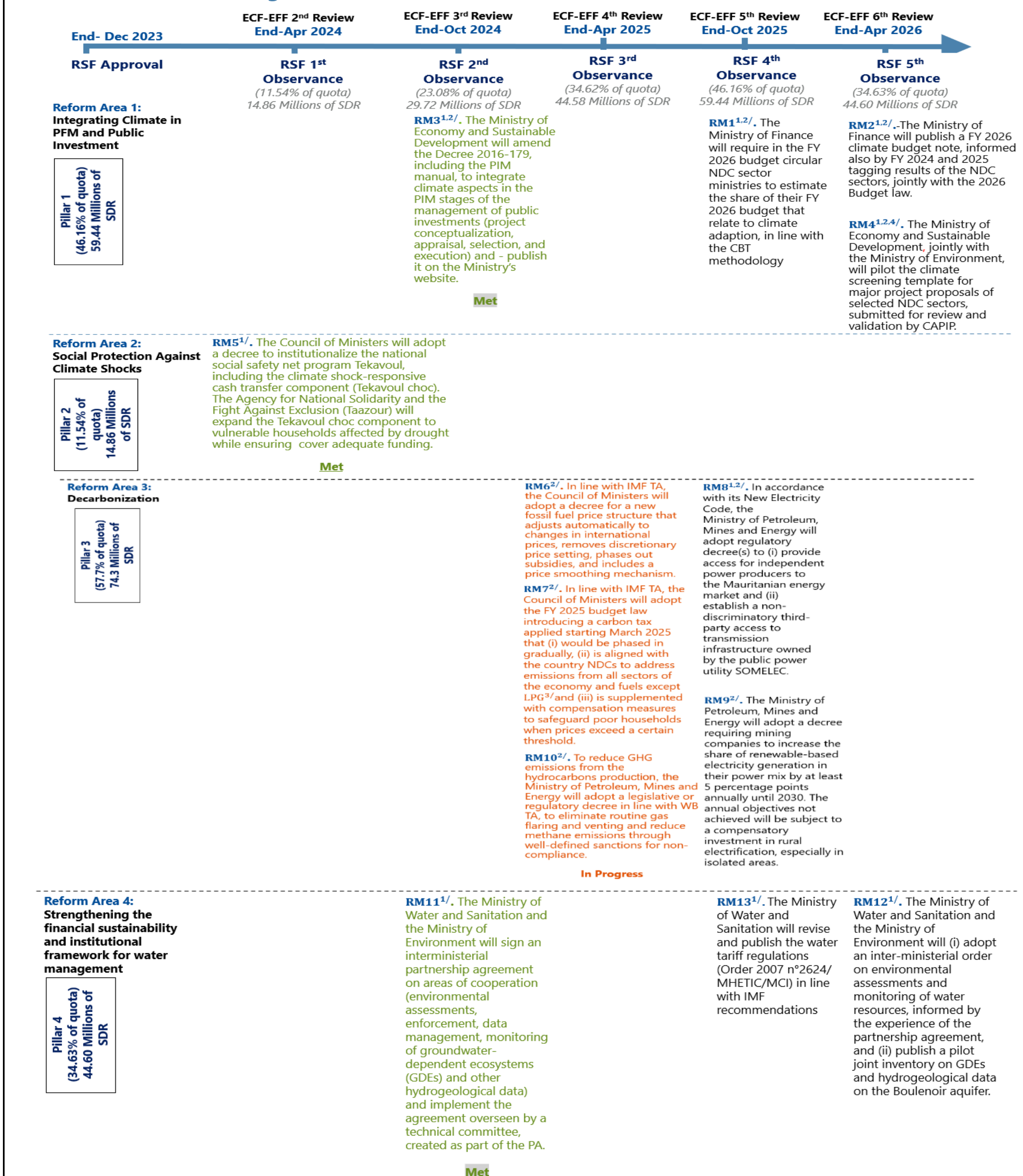
Table 2. Mauritania: Structural Benchmarks 2024

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	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.
3	Reform of the codification of imported products in customs, including the additional codes used for the codification of tax regimes	End-September 2024	Met	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	Met	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	Not met	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 by December 2024	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 by December 2024	End-December 2024		Strengthen monetary policy	Strengthen monetary policy implementation and transmission
9	Convert the 2018 convention on the BCM claims on the government with a new agreement amounting to the same net present value, according to IFRS, as of the date of the signing of the convention to (i) transfer of shares of the international Bank Banque Maghrébine d'Investissement et de Commerce Extérieur (BMICE), (ii) transfer of real estate, (iii) transfer of cash from the issuance of 10-year treasury bonds and (iv) a reimbursement plan of the remaining balance with an interest rate of 5.5 percent and equal annual amortizations of MRU 361 million.	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	Not met	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	Met	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	Met	Reduce the transformation risk	Ensure that banks' long-term assets are funded by adequate resources
13	The authorities will monitor the compliance of all banks with the minimum capital and core capital requirements and undertake appropriate actions against non-complying banks under the legal framework governing credit institutions	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	Submit to Parliament a new law on government enterprises in line with international standards and best practices, including the main elements of a government ownership policy in these entities and measures to strengthen their governance, transparency, and accountability	End-September 2024	Not met	Address weaknesses in the management of the financial assets of Mauritania	Address weaknesses in the management of the financial assets of Mauritania
15	Start regular publications of semi-annual reports on the implementation of the action plan in key governance areas supported by the IMF governance diagnostics	End-December 2024		Strengthen governance and transparency and reduce corruption risks	Adress governance vulnerabilities to strengthen business environment and the quality of government policy making.

Table 3. Mauritania: Proposed Structural Benchmarks for 2025

Item	Measures	Date (end-of-period)	Objective	Rationale and measurement
Fiscal policy				
1	Reform the consumption tax by replacing it with a conventional excise tax system, which applies to both imports and local production in the revised budget law (LFR) for 2025	End August 2025	Tax Policy – Improve the tax system and revenue mobilization	Improve the tax system by aligning it to best practice and broaden the tax base
2	Prepare and publish a public expenditure review on current spendings from 2022 to 2024	End-June 2025	Expenditure Policy – Improve public expenditures efficiency	Improve public expenditures efficiency and level
3	Adopt and sign a memorandum of understanding between the directions of tax (DGI), customs (DGD), and the free zone authority to define responsibilities	End-June 2025	Revenue Administration – Improve revenue administration	Improve revenue administration and domestic revenue mobilization
4	Reform the organizational structure of the directions of tax (DGI) and customs (DGD) and adopt a new function-based organigram for both directions in line with FAD TA	End-December 2025	Revenue Administration – Improve organizational management	Improve the organizational structure of the tax and customs directions
5	Reform the CGI to consolidate all tax measures and incentives, clearly exclude all non-listed measures, and limit responsibility for introducing new tax measures to the MEF	End-December 2025	Tax Policy – Reduction of tax exemptions	Enhance transparency of tax system, manage the tax burden, and reduce exemptions over time resulting in a more equitable and efficient tax system.
Monetary and foreign exchange policy				
6	Introduce in the IT system Refinitiv a tool that allows to enforce firm FX quotes	End April 2025	Support the move to exchange rate flexibility and the development of the financial sector	Improve the functioning of the newly introduced foreign exchange platform and ensure the exchnage rate is market-based
Financial sector policies				
7	Set up a robust IT system managed by BCM that will enable banks to electronically submit supervisory returns in compliance with regulatory reporting requirements, including effective data quality control and template integrity protection	End-March 2025	Improve data reporting by banks	Upgrade the reporting systems and improve prudential monitoring
Governance and private investment				
8	Submit to Parliament legal amendments to enhance the declaration of assets and interests framework in line with the G20 High-Level Principles on Asset Disclosure by Public Officials, including by (i) adding members of parliament and SOE board members to the current list of obligated persons, (ii) specifying the types of assets and interests that, as a minimum, should be reported by obligated persons, including assets beneficially owned and assets of spouses (if above a reasonable materiality threshold proposed by the Anti-Corruption Agency), (iii) clarifying that declarations should be filed upon taking office, every two years, and upon leaving office, (iv) requiring the publication of relevant data declared by high-level officials, including their interests, annual income, aggregate data on their wealth (within ranges or above a certain threshold, proposed by the Anti-Corruption Agency) and material changes in their financial situations, and (v) introducing an effective and proportionate sanctions and enforcement regime for lack of compliance and false declarations	End-February 2025	Strengthen the AC framework	Develop corruption prevention tools and strengthening corruption detection mechanisms
9	Publish the semi-annual report on the implementation of the action plan in key governance areas supported by the IMF governance diagnostics	End-June 2025	Strengthen governance and transparency and reduce corruption risks	Adress governance vulnerabilities to strengthen business environment and the quality of government policy making.
10	In consultation with the Fund staff, publish an implementation decree to the new public enterprises law after its approval by parliament	End-September 2025	Address weaknesses in the management of the financial assets of Mauritania	Address weaknesses in the management of the financial assets of Mauritania
11	Publish an implementation decree to the Anti Corruption Agency (ACA) law to enable the appointment of the ACA's Directive Council members and the director general, and complete such appointments	End-September 2025	Continue to strengthen the AC framework	Develop corruption prevention tools and strengthening corruption detection mechanisms
12	Publish the semi-annual report on the implementation of the action plan in key governance areas supported by the IMF governance diagnostics	End-December 2025	Strengthen governance and transparency and reduce corruption risks	Adress governance vulnerabilities to strengthen business environment and the quality of government policy making.

Figure 1. Mauritania: Reform Measures Info Chart



Sources: Mauritanian authorities; and IMF staff.

1/ Adaptation.

2/ Mitigation.

3/ Increasing LPG prices can lead to substitution towards dirty cooking fuels like biomass and kerosene, thus justifying its exclusion from the reform.

4/ CAPIP - Public Investment Analysis and Programming Committee (*Comité d'Analyse et de Programmation de l'Investissement public*).

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). 2023 NIR performance criteria are set as cumulative changes relative to the start of the year, while 2024 NIR performance criteria are set in levels.

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 seven-day liquidity operations and SENAD. Amounts received on deposit under the deposit facility are treated as monetary policy operations. 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. 2023 and March 2024 NDA performance criteria are set as cumulative changes relative to the start of the respective year, while end-June, end-September and end-December 2024 NDA performance criteria are set in levels, same for 2025 targets. To be noted that the QPC target is a ceiling, i.e. results can be less than the target, but should not be more.

5. The non-extractive primary fiscal deficit including grants is defined, for program monitoring purposes, as the overall fiscal deficit, including grants of the central government, but excluding interest due on public debt and extractive revenues. The overall fiscal deficit is equal to government revenue minus government expenditure. To be noted that the QPC target is a ceiling, i.e. the non-extractive primary fiscal deficit can be less than the target, but should not exceed it. 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, the climate contribution, 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 deficit will be measured on the basis of Treasury data. Revenue and expenditures are defined in accordance with the *Government Finance Statistics Manual (GFSM 2001)*. It will be monitored on a cash basis.

6. Treasury float (technical gap) is defined as the stock of payments validated and recorded at the Treasury but not yet executed by the latter. With the introduction of the payment module in the RACHAD system, this technical gap is defined as the stock of payments validated in the RACHAD payment module but not yet executed by the Treasury.

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

8. For program purposes, the definition of external debt is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to IMF Executive Board Decision No. 16919-(20/103) adopted on October 28, 2020. [1]

- 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

[1] Reform of the Policy on Public Debt Limits in Fund-Supported Programs—Proposed Decision and Proposed New Guidelines

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:

- 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);
- 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
- 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.

- 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.

- 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.

- 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.32F42F [2] 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

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

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 amount of the European Union (EU) fishing compensation. If the amount of EU fishing compensation falls short of the amount 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 57 million Euros. The raising of the NDA ceiling will be limited to the ouguiya equivalent of 57 million Euros, at the programmed exchange rates. If 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.

14. The non-extractive primary fiscal deficit (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 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

15. 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 of FX interventions 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;

- At the end of each week: 1) data on BCM auctions (direction of auction, currencies, amounts, rates, bidders), including results of market makers' bids (direction of bid, currency , amounts, rates, bidders); 2) data on interbank foreign exchange market operations (stakeholders, direction of the operation, currency, amounts, rate applied to the operation, central rate and reference rate); and 3) data on government transactions (currency, amounts, rate applied to the operation); and 4) data on parallel foreign exchange market transactions.

- 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 and stock 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 Finance

- 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.

- The Treasury's cash plan (developed by the Treasury staff), 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: (i) 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), (ii) 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;

- Monthly execution of social expenditure by budget title presented in section B;

- 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 (ANSADE)

- 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;

- Statistics on annual and quarterly national accounts, as soon as they are available.

Technical Committee on Program Monitoring

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

16. 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

17. 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's financing needs is defined as a change in net banking system credit to the government, that is, claims on the government (Treasury securities held by commercial banks) minus government deposits with the banking system (guaranteed bonds excluding deposits of public institutions and EPA at the BCM, but including the HIPC account);

- **Domestic nonbank financing** of the government's financing needs 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 net drawdowns on the FNRH (i.e. the inverse of a variation in the balance of the FNRH offshore account), net disbursements of foreign loans and exceptional financing. The latter includes a) cumulative debts due and technical arrears as defined in paragraph 9; and b) relief of the government's external debt, less HIPC aid, considered as part of grants.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

December 3, 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, THIRD REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED FUND FACILITY, REQUEST FOR MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—DEBT SUSTAINABILITY ANALYSIS

Approved By
Taline Koranchelian and Jacques Miniane (IMF), and Manuela Francisco and Abebe Adugna (IDA)

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

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

Mauritania's risk of external and overall public debt distress is assessed as "moderate"—unchanged from the previous DSA published in December 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, while all but one indicator breach under the most extreme shock scenario. External and public debt therefore continue to be assessed as sustainable, supported by a comfortable fiscal buffer maintained by the government at end-June 2024. 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 possibly other mining projects, and better than expected terms of trade developments. The DSA highlights the need to adopt a prudent borrowing strategy, that relies on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity, to keep debt service contained.[1]

[1] Mauritania's Composite Indicator is estimated at 2.76 and is based on the April 2024 WEO update and 2022 WB CPIA; the debt carrying capacity is "moderate".

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	

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 loan, provided by Brazil in 1973 for the construction of a road, has been under renegotiations since 1985. The Mauritanian

[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.

authorities understand that the full debt cancellation has been agreed by the Brazilian authorities under the Paris Club framework. Preliminary information indicates that an agreement for partial debt cancellation has been reached, with a draft agreement to cancel 98 percent of the existing debt, with the remaining 2 percent to be paid immediately, sent to Brazil to confirm.

3. As in the last DSA, the baseline includes 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 initially not 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]

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 4.4 percent of GDP (US$473.7 million) for the GTA project loan to SMH (disbursed value to end-2023), and SNIM's debt (0.2 percent of GDP), giving a SOE debt shock totaling 6.6 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 (part of the FY22 Performance and Policy Action (PPA) under the IDA Sustainable Development Finance Policy (SDFP). In July 2022, the government 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, the Government issued 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 (FY24 PPA). The contingent liability associated with PPPs corresponds to 5.0 percent of GDP, and 47.1 percent of the PPP stock.[5] Risks from financial markets are set at the minimum value of 5 percent of GDP, the average cost of a financial crisis in LICs.

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[4] One such related voluntary cancellation of 150 million Yuan (approximately $ 20 million) was provided by the Chinese authorities in July 2023.

[5] 1,058 US$ million, from World Bank PPP database: https://ppi.worldbank.org/en/snapshots/country/mauritania.

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	6.6	Default value (2 percent of GDP) plus SNIM debt (about 0.2 percent of GDP) and GTA debt (4.4 percent of GDP).
4	PPP	23 percent of PPP stock	3.5	Mauritania's PPPs are valued at about 10.7 percent of GDP.
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		15.1	

1/ The default shock of 2 percent 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 percent.

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 Economy and 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 Economy and 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 remained relatively stable between 2022 and 2023 at 42.3 and 40.0 percent of GDP, respectively.** 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 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 42.3 percent again, which decreased further to 40.0 at end-2023.[6]

8. Non-PPG external debt increased, from 3.7 to 5.0 percent of GDP between 2022 and 2023, 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 46.0 percent of GDP in 2022 to 45.0 percent of GDP in 2023.

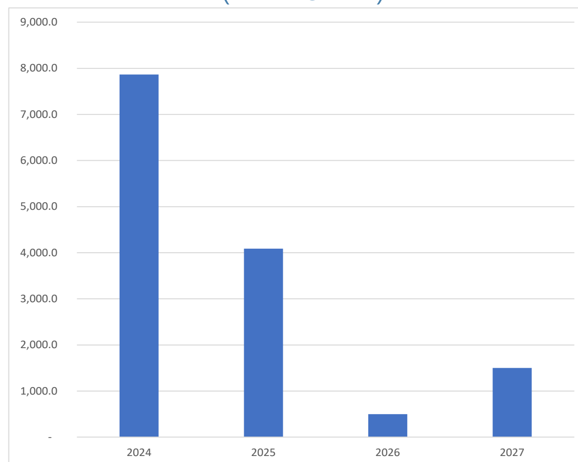
9. Public domestic debt remains low.[7] Domestic debt, which had significantly increased in 2018 when the government formally recognized a debt of about 6.0 percent of GDP toward the BCM, remained stable over the past years varying between 6.6 and 6.4 percent of GDP between 2021 and 2023. The domestic financing market remains shallow, with no issuance of medium- to long-term domestic bonds. The stock of T-bills issued by the government in the domestic market has steadily increased from MRU 2.9 billion end-December 2023 to 4.6 billion at end-September, reflecting a peak in net issuances of domestic debt in 2024 (Figure 6). Despite the rise in net issuances of treasury bill, there remains ample room to further develop the domestic bond market, given the excess liquidity in the banking sector and the banks' growing appetite for longer maturities, as evidenced by the successful issuance of two-years government bonds.

[6] 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.

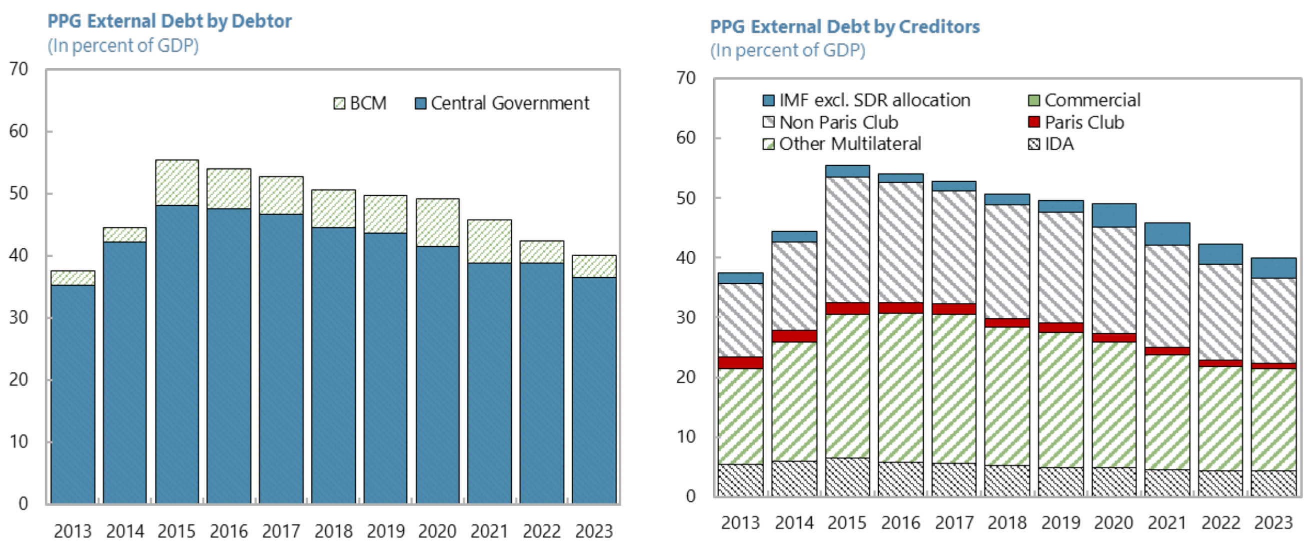
[7] The SDR allocation principal is excluded from PPG debt due to the long-term nature of the financing.

10. Debt issued in the domestic market is mostly short term, resulting in high roll over risk. A significant portion of the current debt stock is maturing this year and in 2025, while the yields on government securities have been rising. Reducing the rollover risk requires lengthening the maturities and deepening the interbank liquidity.

Text Figure 1. Mauritania: Redemption Profile of the Current Stock of Domestic Debt
(In MRU mln)



Text Figure 2. Mauritania: PPG External Debt, 2013-23



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

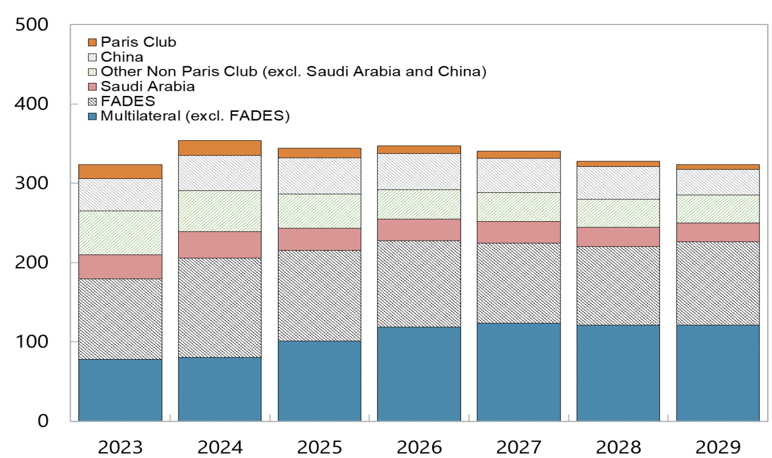
11. Official non-Paris Club bilateral and multilateral creditors other than IMF and IDA represented about 73.4 percent of PPG external debt at end-2023, only slightly below from 74.1 percent at end-2022. As of end-2023, the top two creditors were the Arab Fund for Economic and Social Development (FADES) and Saudi Arabia, representing 26.1 and 14.5 percent of Mauritania's PPG external debt respectively.

12. 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 repayment period was increased to 20 years and the interest rate reduced to 1 percent. This renegotiation also passed liability for the loan from the Central Bank to Central Government.

13. 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 3. Mauritania: External Debt Service, 2023-29

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



Sources: Mauritanian authorities and IMF staff estimates.

Text Table 3. Mauritania: Decomposition of Public Debt and Debt service by Creditor, 2023-2025 1/

	Debt Stock			Debt service					
	end-2023			2023	2024	2025	2023	2024	2025
	In millions of US$	Percent of total debt	Percent of GDP	Millions US$			Percent of GDP		
Total PPG debt (external + domestic)	**4,592.8**	**100.0**	**46.4**	**522.1**	**545.2**	**763.6**	**5.3**	**5.0**	**6.9**
External	**3,960.1**	**86.2**	**40.0**	**323.3**	**354.2**	**344.0**	**3.3**	**3.3**	**3.1**
Multilateral creditors	2,475.2	53.9	25.0	179.2	205.6	215.2	1.8	1.9	1.9
FADES	1,197.3	26.1	12.1	101.5	125.3	114.4	1.0	1.2	1.0
IsDB	310.4	6.8	3.1	39.9	34.5	36.0	0.4	0.3	0.3
World Bank	426.2	9.3	4.3	13.6	15.8	16.8	0.1	0.1	0.2
IMF	347.7	7.6	3.5	8.5	16.6	35.1	0.1	0.2	0.3
Other multilaterals	193.7	4.2	2.0	15.7	13.4	13.0	0.2	0.1	0.1
Bilateral creditors	1,483.8	32.3	15.0	144.1	148.6	128.8	1.5	1.4	1.2
Paris Club	84.7	1.8	0.9	17.6	18.9	12.3	0.2	0.2	0.1
France (incl. AFD)	69.8	1.5	0.7	11.8	12.3	10.2	0.1	0.1	0.1
Spain	12.7	0.3	0.1	5.7	6.5	1.9	0.1	0.1	0.0
Other Paris Club	2.2	0.0	0.0	0.2	0.2	0.2	0.0	0.0	0.0
Non-Paris Club	1,399.1	30.5	14.1	126.5	129.6	116.5	1.3	1.2	1.1
Saudi Arabia	667.2	14.5	6.7	30.8	33.1	27.8	0.3	0.3	0.3
China	306.7	6.7	3.1	40.7	44.9	45.1	0.4	0.4	0.4
Kuwait	250.8	5.5	2.5	23.9	23.8	20.0	0.2	0.2	0.2
Other Non-Paris Club	174.5	3.8	1.8	31.0	27.9	23.6	0.3	0.3	0.2
Bonds	1.0	0.0	0.0	-	-	-	-	-	-
Commercial creditors	-	-	-	-	-	-	-	-	-
Domestic	**632.7**	**13.8**	**6.4**	**198.9**	**191.0**	**419.6**	**2.0**	**1.8**	**3.8**
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	176.1	3.8	1.8	184.0	176.1	404.9	1.9	1.6	3.7
Loans	456.7	9.9	4.6	14.8	14.9	14.7	0.2	0.1	0.1
Memo items:									
Collateralized debt 2/	-	-	-						
Contingent liabilities	498.7	10.9	5.0						
o/w Public guarantees	6.4	0.1	0.1						
o/w Other explicit contingent liabilities 3/	473.7	10.3	4.8						
Nominal GDP (end of period)	9,890			9,890	10,803	11,071			

Source: Mauritanian authorities.
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 or 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 borrowing 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 information.

13. Debt service is projected to fluctuate somewhat over the next years. Based on the debt stock as of end-2023, debt service is expected to remain stable at 3.3 percent of GDP between 2023 and 2024, before dropping back to 3.1 in 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 3.6 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$202.2 million in 2024, keep the same weight distribution between multilateral and bilateral creditors as seen historically. Moreover, the baseline includes the World Bank's projected disbursements (US$96.7 million on average over 2024-30, and US$76.6 million thereafter), with financing terms reflective of Mauritania's transition to an IDA gap country in July 2021 and including all lending instruments.[8] Additionally, this DSA incorporates public sector debt for a needed electric line, a project detailed in the June 2024 Staff Report, pivotal for Mauritania's development, and supported by various development partners. 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.[9]

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. New external debt disbursements are expected to average 3.1 percent of GDP over between 2024-2030. Disbursements are projected to reach 2.0 percent of GDP in 2024 and then gradually increase to stabilize at 3.8 percent from 2027 onwards, reflecting the end of IMF

[8] As an IDA status country, Mauritania will receive 100 percent of its IDA financing in blend terms. The IDA financing projections reflect the IDA FY25 allocation.

[9] The Central Bank and the Ministry of the Economy and Finance, in consultation with the IMF, are finalizing the modalities for the treatment of this debt. Any changes in the treatment of this debt would be reflected in the DSA once an agreement has been signed.

financing in 2026 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 remains strong over the projection period, while inflation has remained contained during 2023. Growth fell slightly to 6.5 percent in 2023 (from 6.8 percent in 2022), driven by both the extractive (9.4 percent in 2023) and non-extractive sectors (5.9 percent in 2023) mainly, and expansion in financial services. Inflation slowed in 2023 reaching 1.6 percent y-o-y in December 2023 reflecting the lagged effect of the central bank's monetary policy tightening.

18. International commodity price movements improved the external position in 2023. The current account (CA) deficit narrowed to 8.8 percent of GDP in 2023 relative to 14.9 percent of GDP in 2022. The renormalization of imported food and energy prices led to a narrowing of the CA deficit in 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 2024, international reserves decreased slightly to $1.8 billion from $2.0 billion at end-2023 but are expected to stabilize at $2.0 billion at end-2024 (6.4 months of prospective non-extractive imports).

19. The primary fiscal deficit decreased in 2023 and it is projected to improve over the projection period. The primary fiscal balance in 2023 was 1.5 percent of GDP, up from -2.7 in 2022. Under the fiscal anchor, the 2024 non-extractive primary deficit at 3.7 percent of GDP is expected to stabilize at 3.5 percent of GDP in future years. The fiscal primary balance is thus expected to stabilize around 0.5 percent of GDP on average, over the medium term.

Text Table 4. Mauritania: Macroeconomic Assumptions 2023-42

	2023	2024	2025	2026	2027	2028	2029-33	2034-42
Real GDP growth								
Current DSA	6.5	4.6	4.2	3.7	5.8	6.5	2.3	3.5
Previous DSA	4.8	5.1	5.5	4.5	5.6	4.3	2.2	3.7
Real GDP growth (Non-extractive)								
Current DSA	5.9	5.7	4.5	4.3	4.2	4.3	4.3	4.1
Previous DSA	3.2	5.0	3.3	5.1	5.2	4.4	4.4	4.2
Nominal GDP (millions of US$)								
Current DSA	10,649	10,782	11,151	11,661	12,387	13,368	14,473	19,175
Previous DSA	10,243	10,661	11,323	11,846	12,431	12,956	14,140	19,309
Inflation (EoP)								
Current DSA	1.6	3.0	4.0	4.0	4.0	4.0	4.0	4.0
Previous DSA	4.5	4.2	4.0	4.0	4.0	4.0	4.0	4.0
Exports, goods & services (percent of GDP)								
Current DSA	37.8	39.3	36.4	36.4	36.4	37.2	29.9	22.0
Previous DSA	38.5	40.1	41.1	39.6	38.3	37.4	30.5	24.6
Current account balance (percent of GDP)								
Current DSA	-8.8	-7.7	-8.4	-7.4	-6.2	-6.2	-7.1	-6.1
Previous DSA	-12.2	-7.7	-7.4	-7.0	-7.1	-6.9	-7.5	-5.6
Revenue and grants (percent of GDP)								
Current DSA	22.5	24.1	25.0	25.6	25.7	26.0	26.6	26.7
Previous DSA	23.2	24.1	23.0	23.4	23.6	24.2	24.0	23.9
Primary fiscal balance (percent of GDP)								
Current DSA	-1.5	-0.3	-0.5	-0.1	-0.2	-0.3	-0.3	-2.1
Previous DSA	-1.1	-0.6	-0.5	0.6	1.7	2.5	1.5	0.6
Expenditure (percent of GDP)								
Current DSA	25.0	25.3	26.6	26.7	26.8	27.2	27.9	29.8
Previous DSA	25.2	25.6	24.4	23.6	22.7	22.5	23.5	24.4
Price of iron ore (US$/ton)								
Current DSA	111.8	94.6	86.2	78.9	75.8	75.8	75.8	75.8
Previous DSA	111.8	94.6	86.2	78.9	75.8	75.8	75.8	75.8
Price of gold (US$/ounce)								
Current DSA	1,943	2,342	2,608	2,704	2,777	2,777	2,777	2,777
Previous DSA	1,923	1,978	2,072	2,137	2,175	2,175	2,175	2,175

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

20. Credit growth has some what picked up in the first half of 2024, then decreased in Q3. Credit growth increased to 9.9 percent in June 2024 from 5.2 percent at end-2023, then dropped to 3.9 percent in August. Broad money growth increased to 10.6 percent in August 2024 from 4.7 percent at end-2023. Bank reserves in MRU moderated in the first half of 2024, showing downward trend in excess reserves on the back of the BCM's efforts to absorb excess liquidity. Nevertheless, excess reserves have started increasing gradually in recent months, in tandem with the upward trend in the use of mobile payments and the associated liquidity precaution associated.

21. The outlook remains broadly positive (see Text-Table 4).

- **In the short-term (2024):**
  - Growth is expected to moderate to 4.6 percent in 2024 (5.1 percent in the previous DSA). Extractive growth is expected to contract due to a downward revision in iron ore and gold production relative to the previous projections. Gold production is now projected to decline relative to 2023 while iron ore production is projected to remain unchanged. Non-extractive growth is expected to remain robust (5.7 percent vs 5.9 percent in 2023), supported by a better-than-expected performance in agriculture and fisheries and the continued growth in the financial sector.
  - Inflation remained low in 2023 (1.6 percent), below the projections of the previous DSA (4.5 percent), it has picked up slightly, to around 3.0 percent in the first half of 2024 and is projected to stabilize at around 4.0 percent in 2024 onwards reflecting disciplined fiscal policy, and the decrease in international prices.
  - The CA deficit improved at a faster pace than the one projected in the previous DSA, resulting in 8.8 percent of GDP in 2023 compared to 14.9 in 2022. It is expected to narrow to 7.7 percent of GDP in 2024.
  - A combination of a drawdown from the treasury account (around 1.9 percent of GDP) and issuance of treasury bills should contribute to financing a non-extractive primary deficit of 3.7 percent of GDP (including grants), staying similar to 3.8 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 paragraph below on revenues measures for 2024).
- **In the medium term (2025–29) and beyond:**
  - Despite the projected start of the GTA gas project, growth is projected to decelerate to 4.2 percent in 2025, on the back of decreasing iron ore and gold production. Growth is expected to decelerate further in 2026 to 3.7 percent (reflecting drop off in planned iron ore and gold production), before picking up in 2027-2029, driven by higher gold and iron ore production. Over the period, non-extractives growth is expected to average 4.3 percent. During 2029-2033, growth is projected to drop to an average of 2.3 percent (reflecting a drop off in planned gold production) and bouncing back to an underlying steady state of 3.4 percent in the long-run supported by higher private investment (facilitated by reforms to the banking sector and the business environment, and catalyzing public infrastructure investment). Ambitious public investment levels, combined with improvements in public investment efficiency, supported by IMF technical assistance, will also support growth in the medium and long term.
  - The CA deficit in 2025 is expected to widen to 8.4 percent of GDP, on the back of expected decreasing fisheries, iron ore and gold exports, and copper prices. 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 2026 until at least 2028. 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 5.3 months of non-extractive imports up to 2029.

- Revenues[10] are projected to slightly increase in 2024 as tax policy and revenue administration reforms take hold, supported by technical assistance from the IMF and World Bank. The Tax Policy Unit has prepared an action plan for tax policy implementation and the authorities have agreed to adopt measures to increase non-extractive tax revenue by 0.5 percent of GDP annually over the medium term to support the important investment needs contained in the new government's policy statement while keeping the non-extractive primary deficit at 3.5 percent of GDP over the medium term. This explains the revision in revenue and the primary balance projections. In the medium term, revenues from the Grand Tortue/Ahmeyim (GTA) offshore gas project are expected to provide additional fiscal space of 0.8 percent of GDP over the projection period and help raise social and infrastructure spending while maintaining sustainable primary balances. New measures for 2025 also include the introduction of the carbon tax at a rate of 10 USD per ton of CO_2 (0.4 percent of GDP), the reform of the tax on vehicles (0.06 percent of GDP), and measures to improve SOEs tax compliance (0.4 percent of GDP). The carbon tax for instance is expected to gradually increase from the initial 10 USD per ton in 2025 to 50 USD per ton in 2030 (1.4 percent of GDP).

22. The LIC-DSF realism tools confirm the credibility of the baseline scenario but highlight risks (Figures 3 and 4). Like in the previous DSA, the projected debt-creating flows are higher than the historical dynamics. The current account and FDI are expected to contribute positively to debt accumulation, in line with the decline in FDI that will occur after the completion of GTA Phase 1. The unexpected change in debt is high relative to LIC counterparts on the back of a combination of factors, including those 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 and methodology in 2017-20 and in 2024, help explain the large, unexpected changes in debt in the past 5 years. The projected fiscal adjustment of about 1 percent of GDP in 2024 suggests a continuation of fiscal tightening. 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 below the top

[10] Grant projections for 2025 and 2026 were revised up from 1.3 percent and 1.2 percent of GDP to 2.0 percent and 1.7 percent of GDP respectively. These increases stem from the updated medium-term budget framework, which incorporates recently signed conventions. The main donor, accounting for over 65 percent of the increase, is the Abou Dhabi Fund (MRU 1.9 bln and MRU 2 bln in 2025 and 2026, respectively), for projects in water and sanitation and construction of infrastructure in education. Other donors include France, the EU, Japan, the AfDB and the Islamic Development Bank.

quartile of fiscal adjustments realized among peer countries. Like in the previous DSA, baseline GDP growth is below fiscal impulse projections from 2023 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 somewhat higher contribution of public and private (though declining) investment to growth over the next five years, and higher than the historic level partly due to the implementation of reforms increasing public investment efficiency. These measures encompass the prioritization of ongoing projects, i.e. projects with a certain execution rate, and the improvement of the public investment plan management, in addition to the reform measures under the RSF. These include, in particular, the introduction of climate budget tagging and the integration of climate considerations into all stages of public investment management, notably through the adoption of climate screening, that will help improve the planning and selection of public investment projects.

COUNTRY CLASSIFICATION AND STRESS TESTS

23. **Mauritania's debt carrying capacity continues to be assessed as medium.** The new Composite Indicator (CI)—calculated using the April 2024 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. Mauritania therefore continues to be assessed to have medium debt carrying capacity, which corresponds to the classification it had in the last DSA**.** This reflects the World Bank CPIA ten-year average of 3.382 strong import coverage of reserves, the favorable outlook regarding commodity markets, and good growth prospects. Text table 6 presents the resulting applicable thresholds used for the debt sustainability analysis.

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

Text Table 5. Mauritania: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.382	1.30	47%
Real growth rate (in percent)	2.719	4.363	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

25. **Default values were used for the standardized stress tests and for the commodity price tailored test** (see text Table 2). The other tailored test—the combined contingent liability stress test—uses the same value as in the previous DSA. As in the last update, 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-2023) 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 (4.4 percent of GDP). This brings the overall SOE's debt shock to 6.6 percent of GDP, up from the 5.5 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 1) 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

26. **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 three of them 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 3.3 percent of GDP at end-2023.

27. **Under stress tests, all but one debt indicators breach their thresholds.** Like in the most recent DSA, the PV of debt-to-GDP appears as the most vulnerable indicator, crossing the indicative thresholds under five (previously six) of the shock scenarios (exports, depreciation,

combination tests,[11] combined contingent liabilities, and natural disasters). As in the most recent DSA, a natural disaster and an exports shock appear particularly worrying as they would trigger a breach of indicative thresholds for all indicators except debt service-to-revenue ratio (Table 2).

28. Overall, Mauritania's external indicators show 'some space' to absorb shocks by the end of the projection period, yielding a moderate rating. Figure 5 presents the additional qualification of the moderate category for each of the external debt indicators. The PV of debt-to-GDP is most concerning, remaining within "some space" while nearing the "limited space" category during the projection period. Instead, the PV of debt -to-exports ratio remains in the "substantial space" category during the entire period (only slightly reaching the "some space" category). The debt service-to-export ratio and the PV of debt-to-exports ratio remain either in the "substantial space" or in the "some space" category.

B. Public Debt Sustainability

29. 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 2025 onwards on the back of the risks associated with extreme weather events stemming from climate change, like in the previous DSA. 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 (Table 4). As in the previous DSAs, public debt and debt service dynamics are driven by external debt, as public domestic debt is low (Figure 6). Public debt is also assessed to be sustainable on the basis of this assessment and the significant buffer held at the treasury (see paragraph 27). 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.

CLIMATE CHANGE RISKS

30. 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 related losses to GDP over the medium and long run,[12] as well as public investment in adapted infrastructure within the fiscal anchor embedded in the ECF-EFF

[11] The combination test is composed real GDP growth, primary balance, exports, depreciation, and other flows. See Table 2 for more information.

[12] In the absence of new information, the calibration of average climate change related losses to GDP over the medium and long run remains unchanged from the previous DSA. Our assumption for average long term growth excluding climate change impact is 4.6 percent. The assessment of the macroeconomic impact of climate change, based on a calibration of the DIGNAD model for Mauritania (see IMF selected issues paper 2023, Mauritania: Economic Impact of Climate Change (IMF Country Report No. 23/74)), showed that climate shocks would lead to an average deviation in long term growth of 1-2 percent. The calibration of climate change risks also incorporated the June 2022 CCDR estimates of costs of adaptative investment required.

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)[13] 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 that public investment plans consider climate adaptive elements in appraisal and selection (supported by the RSF), relying on grant and highly concessional financing, promoting private sector financing in climate-related projects, and mobilizing additional tax revenues. In this context, IDA's loans to Mauritania play an instrumental role in financing adaptation and mitigation at highly concessional terms (longer maturities and lower interest rates).[14]

31. 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. Like in the most recent DSA, Results (Table 2) illustrates that the PV of external debt-to-GDP ratio would breach its threshold by 2025 under the natural disaster shock, suggesting significant risks to debt sustainability from ex-post rebuilding after a natural disaster.

RISK RATING AND VULNERABILITIES

32. 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).

33. 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.

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

[14] The volume of commitments towards these objectives in Mauritania amounted to US$166.3 million between November 2023 and April 2024.

[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.

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

- **The general SDR allocation has provided additional reserve assets.** Mauritania received a SDR123.4 million allocation in 2021, which has reduced the country's long-term need for reserve assets by providing additional reserve buffers to the central bank. The Mauritanian authorities on-lent the allocation to the treasury as domestic financing. The terms of this on-lending indicate that the government is responsible for the SDR-related interest payments, with MRU equivalents directly debited from the treasury account. As of August-2024, this financing contributes to the remaining unused buffer of the central government.

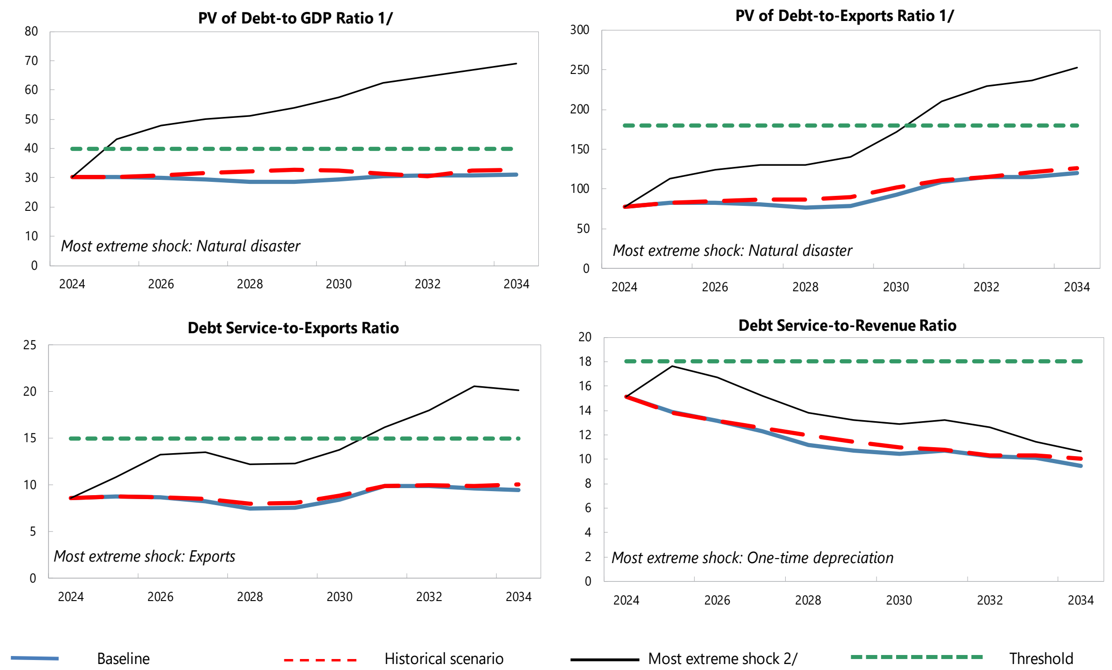
- **Future assets of the GTA-funded hydrocarbon fund could lower risks and improve debt sustainability.** The assets that may accumulate in the hydrocarbon fund from GTA-related revenues (which are assumed in this DSA to represent half of annual GTA government revenues) could be available to meet debt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

35. 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

36. The authorities agreed with staff's assessment that Mauritania's risk of external debt distress remain moderate. They concurred with staff's recommendation that maintaining the moderate risk of debt distress is important to safeguard Mauritania's macroeconomic stability. In this regard, they saw the need to maintain prudent borrowing, improve revenue mobilization and enhancing public investment management. They noted the adverse impact of climate change shocks on the economy and debt dynamics and the importance of climate actions to address gaps in adaptation and mitigation. They remained committed to prioritizing borrowing on concessional terms, although recognized that the size of 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, 2024-34



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.

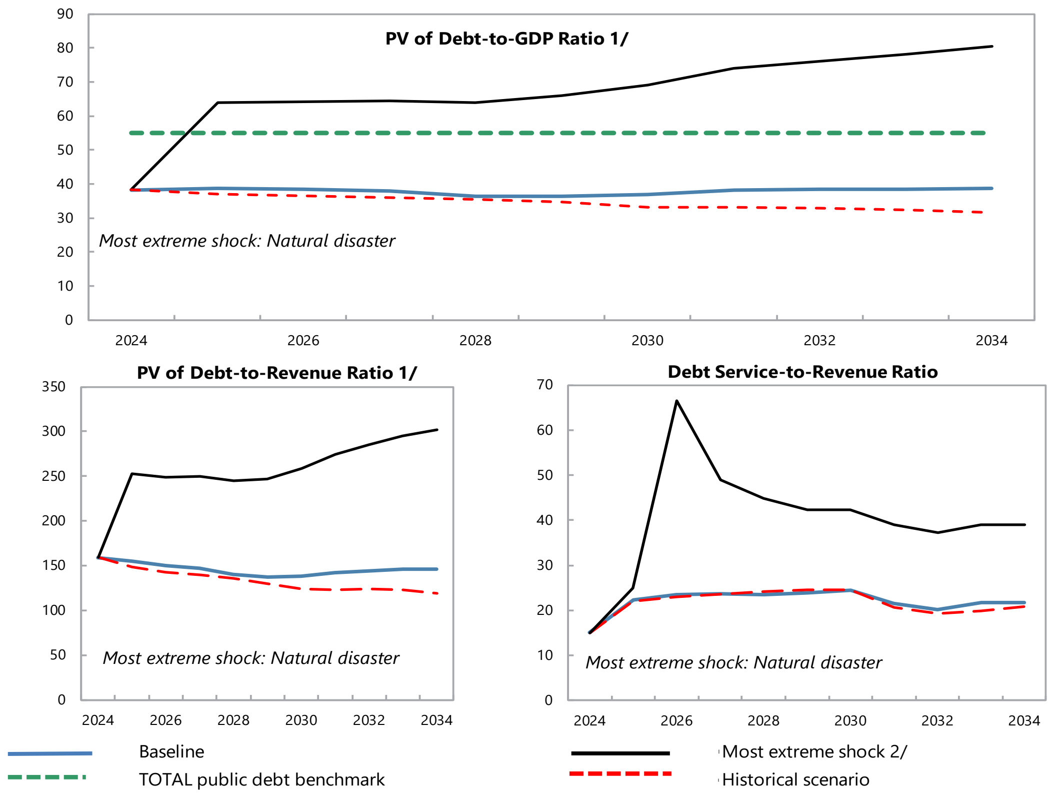
Note: "Yes" indicates any change to the size or interactions of the default settings for the stress tests. "n.a." indicates that the stress test does not apply.

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 2034. 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 one-off breach happens to the most extreme 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, 2024–34



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	55%	55%
Domestic medium and long-term	4%	4%
Domestic short-term	41%	41%
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	3.5%	3.5%
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.

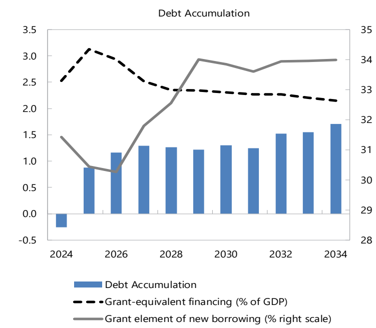
2/ The most extreme stress is the test that yields the highest ratio in or before 2034. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most extreme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

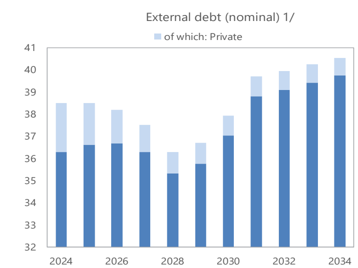
Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2021–44

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
External debt (nominal) 1/	48.3	44.3	41.6	38.5	38.5	38.2	37.5	36.3	36.7	40.5	45.2	56.0	38.5
of which: public and publicly guaranteed (PPG)	45.8	42.3	40.0	36.3	36.6	36.7	36.3	35.3	35.8	39.7	44.7	48.4	37.4
Change in external debt	-7.4	-4.0	-2.7	-3.2	0.0	-0.3	-0.7	-1.2	0.4	0.3	0.3		
Identified net debt-creating flows	-7.1	-2.0	-3.7	0.6	0.7	0.3	-0.8	-0.7	0.2	0.8	1.1	0.6	0.9
Non-interest current account deficit	8.2	14.6	7.9	6.9	7.6	6.6	5.5	5.5	5.7	5.4	5.5	11.3	6.3
Deficit in balance of goods and services	11.5	16.7	11.7	10.2	11.0	9.8	8.6	8.4	8.6	8.6	8.3	14.1	9.6
Exports	36.0	43.6	37.8	39.3	36.4	36.4	36.4	37.2	36.2	25.9	18.5		
Imports	47.5	60.3	49.5	49.5	47.4	46.2	45.0	45.6	44.9	34.5	26.8		
Net current transfers (negative = inflow)	-4.6	-3.5	-2.8	-2.4	-2.7	-2.6	-2.6	-2.5	-2.5	-2.4	-2.2	-3.4	-2.5
of which: official	-3.0	-1.7	-1.2	-0.8	-1.0	-1.0	-1.0	-0.8	-0.8	-0.7	-0.4		
Other current account flows (negative = net inflow)	1.2	1.4	-1.0	-0.9	-0.7	-0.6	-0.5	-0.4	-0.4	-0.8	-0.6	0.6	-0.7
Net FDI (negative = inflow)	-11.6	-14.7	-8.0	-5.2	-6.1	-5.7	-4.9	-4.6	-4.6	-3.7	-3.9	-9.5	-4.8
Endogenous debt dynamics 2/	-3.7	-2.0	-3.6	-1.0	-0.8	-0.6	-1.4	-1.6	-1.0	-0.8	-0.6		
Contribution from nominal interest rate	0.4	0.2	0.9	0.9	0.8	0.7	0.7	0.6	0.7	0.7	0.8		
Contribution from real GDP growth	-0.4	-3.1	-2.6	-1.9	-1.6	-1.4	-2.1	-2.3	-1.6	-1.5	-1.3		
Contribution from price and exchange rate changes	-3.7	0.9	-1.9	...	...	...	...	...	...	...	...		
Residual 3/	-0.3	-2.0	1.0	-3.8	-0.7	-0.6	0.1	-0.5	0.2	-0.5	-0.8	-1.4	-1.0
of which: exceptional financing	8.9	0.0	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	...	...	30.9	30.3	30.1	29.9	29.4	28.4	28.5	30.9	34.1		
PV of PPG external debt-to-exports ratio	...	...	81.7	77.1	82.8	82.2	80.6	76.3	78.7	119.4	184.9		
PPG debt service-to-exports ratio	4.5	5.8	8.0	8.6	8.8	8.7	8.3	7.5	7.5	9.4	15.3		
PPG debt service-to-revenue ratio	7.9	10.8	14.7	15.1	13.8	13.1	12.2	11.2	10.7	9.5	10.7		
Gross external financing need (Billion of U.S. dollars)	0.2	0.5	0.5	0.7	0.7	0.6	0.5	0.6	0.6	0.7	1.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	0.7	6.8	6.5	4.6	4.2	3.7	5.8	6.5	4.6	4.0	3.0	3.9	3.7
GDP deflator in US dollar terms (change in percent)	7.0	-1.9	4.5	-3.2	-0.8	0.8	0.4	1.3	-0.7	0.9	0.5	0.2	0.3
Effective interest rate (percent) 4/	0.7	0.5	2.3	2.1	2.2	2.0	1.9	1.9	1.9	1.8	1.7	1.5	1.9
Growth of exports of G&S (US dollar terms, in percent)	14.8	27.0	-3.4	5.1	-4.2	4.7	6.3	10.3	1.2	1.4	-1.0	5.2	0.6
Growth of imports of G&S (US dollar terms, in percent)	18.0	33.0	-8.6	1.2	-1.0	2.0	3.5	9.2	2.2	2.4	1.3	4.1	0.6
Grant element of new public sector borrowing (in percent)	...	...	...	31.4	30.4	30.3	31.8	32.6	34.0	34.0	34.2	...	32.7
Government revenues (excluding grants, in percent of GDP)	20.4	23.2	20.7	22.3	23.1	24.1	24.6	24.9	25.5	25.7	26.4	20.4	24.8
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/	...	...	...	2.5	3.1	2.9	2.5	2.4	2.3	2.1	1.8	...	2.5
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	61.3	54.8	51.0	47.2	47.6	48.1	45.2	41.1	...	49.3
Nominal GDP (Billion of US dollars)	9	10	11	11	11	12	12	13	14	16	23		
Nominal dollar GDP growth	7.8	4.8	11.3	1.2	3.4	4.6	6.2	7.9	3.9	5.0	3.5	4.0	3.9
Memorandum items:													
PV of external debt 7/	...	...	32.5	32.5	32.0	31.4	30.6	29.3	29.4	31.7	34.7		
In percent of exports	...	...	85.9	82.7	87.9	86.3	84.0	78.9	81.2	122.4	187.9		
Total external debt service-to-exports ratio	15.4	10.9	12.8	12.7	12.6	11.5	10.2	8.7	8.2	10.2	16.3		
PV of PPG external debt (in Billion of US dollars)			3.3	3.3	3.4	3.5	3.6	3.8	4.0	5.0	8.0		
(PVt-PVt-1)/GDPt-1 (in percent)				-0.3	0.9	1.2	1.3	1.3	1.2	1.7	1.4		
Non-interest current account deficit that stabilizes debt ratio	15.6	18.6	10.6	10.0	7.6	6.9	6.2	6.8	5.3	5.1	5.2		

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, 2024–34

(In percent))

	Projections 1/										
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
PV of Debt-to GDP Ratio											
Baseline	30	30	30	29	28	28	29	31	31	31	31
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	30	30	31	31	32	33	32	31	30	32	33
B. Bound Tests											
B1. Real GDP growth	30	32	33	32	31	31	32	33	33	33	34
B2. Primary balance	30	31	32	32	31	32	33	34	34	34	35
B3. Exports	30	37	**47**	**46**	**45**	**45**	**46**	**48**	**48**	**47**	**46**
B4. Other flows 3/	30	33	35	34	33	33	34	36	36	35	35
B5. Depreciation	30	38	34	33	32	32	33	35	35	35	36
B6. Combination of B1-B5	30	37	37	37	35	36	37	38	38	38	38
C. Tailored Tests											
C1. Combined contingent liabilities	30	36	38	38	38	38	39	**41**	**41**	**42**	**42**
C2. Natural disaster	30	**43**	**48**	**50**	**51**	**54**	**57**	**62**	**64**	**67**	**69**
C3. Commodity price	30	34	37	36	35	35	36	37	37	36	36
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	77	83	82	81	76	79	92	109	115	115	119
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	77	83	84	86	86	90	101	111	115	120	126
B. Bound Tests											
B1. Real GDP growth	77	83	82	81	76	79	92	109	115	115	119
B2. Primary balance	77	85	88	88	84	87	103	122	129	128	133
B3. Exports	77	117	173	170	161	166	**194**	**229**	**240**	**234**	**238**
B4. Other flows 3/	77	90	96	94	89	92	108	127	134	132	136
B5. Depreciation	77	83	73	72	68	70	82	97	103	104	109
B6. Combination of B1-B5	77	103	92	109	103	106	125	147	154	153	157
C. Tailored Tests											
C1. Combined contingent liabilities	77	99	104	105	101	105	124	147	155	155	161
C2. Natural disaster	77	112	124	130	130	140	171	**210**	**230**	**236**	**252**
C3. Commodity price	77	106	113	108	100	101	115	135	141	138	141
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	9	9	9	8	7	8	8	10	10	10	9
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	9	9	9	8	8	8	9	10	10	10	10
B. Bound Tests											
B1. Real GDP growth	9	9	9	8	7	8	8	10	10	10	9
B2. Primary balance	9	9	9	8	8	8	9	10	10	11	10
B3. Exports	9	11	13	14	12	12	14	**16**	**18**	**21**	**20**
B4. Other flows 3/	9	9	9	9	8	8	9	10	11	11	11
B5. Depreciation	9	9	9	8	7	7	8	10	10	9	8
B6. Combination of B1-B5	9	10	11	10	9	9	10	12	13	13	13
C. Tailored Tests											
C1. Combined contingent liabilities	9	9	9	9	8	8	9	11	11	11	10
C2. Natural disaster	9	9	10	10	9	9	10	12	13	13	13
C3. Commodity price	9	10	10	10	9	9	9	11	12	12	12
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	14	13	12	11	11	10	11	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	15	14	13	13	12	11	11	11	10	10	10
B. Bound Tests											
B1. Real GDP growth	15	14	14	13	12	12	11	12	11	11	10
B2. Primary balance	15	14	13	12	11	11	11	11	11	11	11
B3. Exports	15	15	15	15	14	13	13	13	14	16	15
B4. Other flows 3/	15	14	13	13	12	11	11	11	11	12	11
B5. Depreciation	15	18	17	15	14	13	13	13	13	11	11
B6. Combination of B1-B5	15	15	15	14	13	12	12	12	13	13	12
C. Tailored Tests											
C1. Combined contingent liabilities	15	14	14	13	12	12	11	12	11	11	10
C2. Natural disaster	15	14	14	13	13	12	12	13	12	13	12
C3. Commodity price	15	15	14	14	13	12	11	12	12	13	12
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.

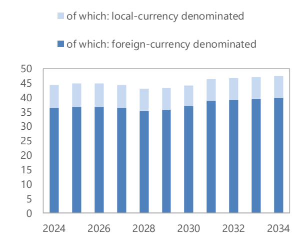
Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2021–44

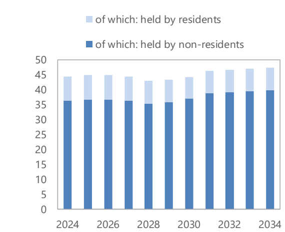
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2034	2044	Historical	Projections
Public sector debt 1/	52.4	48.5	46.4	44.3	44.9	44.9	44.3	43.0	43.3	47.4	49.7	54.3	45.1
of which: external debt	45.8	42.3	40.0	36.3	36.6	36.7	36.3	35.3	35.8	39.7	44.7	48.4	37.4
				8.0	8.3	8.2	8.0	7.7	7.5		5.1		
Change in public sector debt	-4.1	-3.9	-2.1	-2.1	0.6	0.0	-0.6	-1.3	0.3	0.4	-0.5		
Identified debt-creating flows	-18.1	0.2	-1.9	-2.8	-1.8	-2.2	-2.9	-2.4	-1.4	-1.0	-1.1	-3.5	-1.7
Primary deficit	-2.8	2.7	1.5	0.3	0.4	0.1	0.1	0.4	0.4	1.4	1.0	-0.6	0.4
Revenue and grants	22.7	25.0	22.5	24.1	25.1	25.8	25.8	26.0	26.6	26.5	26.8	21.7	26.0
of which: grants	2.3	1.8	1.8	1.8	2.0	1.7	1.2	1.1	1.0	0.8	0.5		
Primary (noninterest) expenditure	19.9	27.7	24.0	24.4	25.5	25.8	26.0	26.4	26.9	27.9	27.8	21.1	26.5
Automatic debt dynamics	-4.5	-1.1	-1.7	-2.2	-1.4	-1.4	-2.3	-2.0	-1.0	-1.7	-1.4		
Contribution from interest rate/growth differential	-2.7	-5.8	-3.5	-2.2	-1.4	-1.4	-2.3	-2.0	-1.0	-1.7	-1.4		
of which: contribution from average real interest rate	-2.3	-2.5	-0.6	-0.2	0.4	0.2	0.2	0.7	0.9	0.1	0.1		
of which: contribution from real GDP growth	-0.4	-3.3	-3.0	-2.0	-1.8	-1.6	-2.5	-2.7	-1.9	-1.8	-1.5		
Contribution from real exchange rate depreciation	-1.8	4.7	1.9	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-10.8	-1.4	-1.8	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7	-1.6	-0.8
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)	-10.8	-1.4	-1.8	-0.8	-0.8	-0.8	-0.8	-0.7	-0.7	-0.7	-0.7		
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/	13.9	-4.1	-0.1	0.6	2.4	2.2	2.4	1.1	1.7	1.4	0.6	4.1	1.8
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	39.7	38.2	38.6	38.4	37.6	36.3	36.3	38.9	39.5		
PV of public debt-to-revenue and grants ratio	...	...	176.3	158.4	153.6	148.9	145.6	139.6	136.7	146.6	147.4		
Debt service-to-revenue and grants ratio 4/	17.5	10.7	14.7	15.0	22.1	23.1	23.3	23.1	23.8	22.6	18.3		
Gross financing need 5/	-9.6	3.9	3.0	3.0	5.1	5.1	5.3	5.5	5.8	6.6	5.1		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	0.7	6.8	6.5	4.6	4.2	3.7	5.8	6.5	4.6	4.0	3.0	3.9	3.7
Average nominal interest rate on external debt (in percent)	0.0	0.0	2.0	1.9	2.0	1.9	1.8	1.8	1.9	1.8	1.7	0.7	1.9
Average real interest rate on domestic debt (in percent)	-4.1	3.3	1.4	0.2	4.6	1.9	2.2	1.3	3.7	2.5	3.8	2.6	2.3
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.9	11.8	4.8	...	...	...	...	...	...	...	...	3.6	...
Inflation rate (GDP deflator, in percent)	7.5	-0.6	3.4	4.0	-0.2	2.6	2.4	3.4	1.3	3.0	2.5	2.3	2.6
Growth of real primary spending (deflated by GDP deflator, in percent)	14.2	48.4	-7.7	6.2	9.2	5.0	6.4	8.2	6.7	6.1	1.8	7.5	5.2
Primary deficit that stabilizes the debt-to-GDP ratio 6/	1.4	6.5	3.6	2.4	-0.2	0.1	0.7	1.6	0.1	1.1	1.4	3.8	0.3
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, 2024–34

	Projections 1/										
	2024	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**	**2033**	**2034**
						PV of Debt-to-GDP Ratio					
Baseline	38	39	38	38	36	36	37	38	38	39	39
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	38	37	36	36	35	34	33	33	33	32	31
B. Bound Tests											
B1. Real GDP growth	38	41	44	45	45	47	49	53	54	**56**	**58**
B2. Primary balance	38	41	42	41	39	39	40	42	42	42	42
B3. Exports	38	43	51	50	48	48	49	51	51	50	50
B4. Other flows 3/	38	41	43	43	41	41	42	43	43	43	43
B5. Depreciation	38	45	43	40	37	35	34	34	32	31	29
B6. Combination of B1-B5	38	39	39	37	35	35	35	37	37	38	38
C. Tailored Tests											
C1. Combined contingent liabilities	38	51	50	48	46	46	47	49	49	49	49
C2. Natural disaster	38	**64**	**64**	**64**	**64**	**66**	**69**	**74**	**76**	**78**	**81**
C3. Commodity price	38	41	44	47	49	52	54	**58**	**60**	**61**	**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	158	154	149	146	140	137	139	143	145	147	147
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	158	148	142	139	135	130	124	122	123	122	118
B. Bound Tests											
B1. Real GDP growth	158	164	171	174	173	175	184	195	204	212	217
B2. Primary balance	158	161	163	159	152	148	150	155	157	159	158
B3. Exports	158	172	198	194	186	182	186	191	193	191	187
B4. Other flows 3/	158	164	169	165	158	155	157	162	164	164	163
B5. Depreciation	158	182	168	157	143	133	128	125	121	117	111
B6. Combination of B1-B5	158	154	151	143	135	132	133	137	140	143	144
C. Tailored Tests											
C1. Combined contingent liabilities	158	203	193	187	178	174	177	182	184	186	186
C2. Natural disaster	158	251	246	247	244	247	259	275	286	297	303
C3. Commodity price	158	170	179	192	194	198	207	216	225	233	237
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	22	23	23	23	24	25	22	20	22	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2024-2034 2/	15	22	23	23	24	24	25	21	19	20	21
B. Bound Tests											
B1. Real GDP growth	15	23	27	30	31	32	34	32	31	34	34
B2. Primary balance	15	22	27	29	26	26	26	23	22	24	24
B3. Exports	15	22	24	24	24	25	26	23	23	27	27
B4. Other flows 3/	15	22	23	24	24	24	25	22	22	24	24
B5. Depreciation	15	23	26	24	25	25	26	23	22	23	23
B6. Combination of B1-B5	15	22	23	25	23	24	24	21	22	25	26
C. Tailored Tests											
C1. Combined contingent liabilities	15	22	48	34	31	29	28	25	23	25	25
C2. Natural disaster	15	25	66	48	44	42	42	39	38	40	40
C3. Commodity price	15	24	25	27	33	35	37	34	33	36	37
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.

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

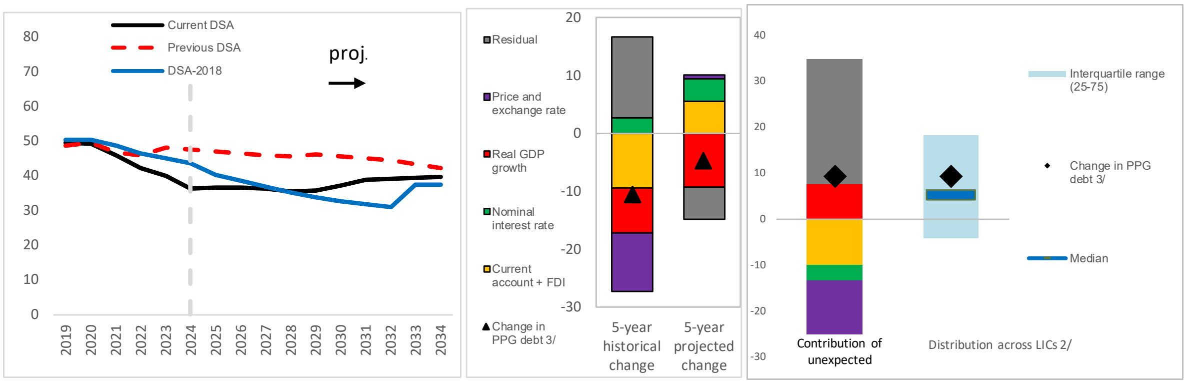
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.

3/ Includes official and private transfers and FDI.

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

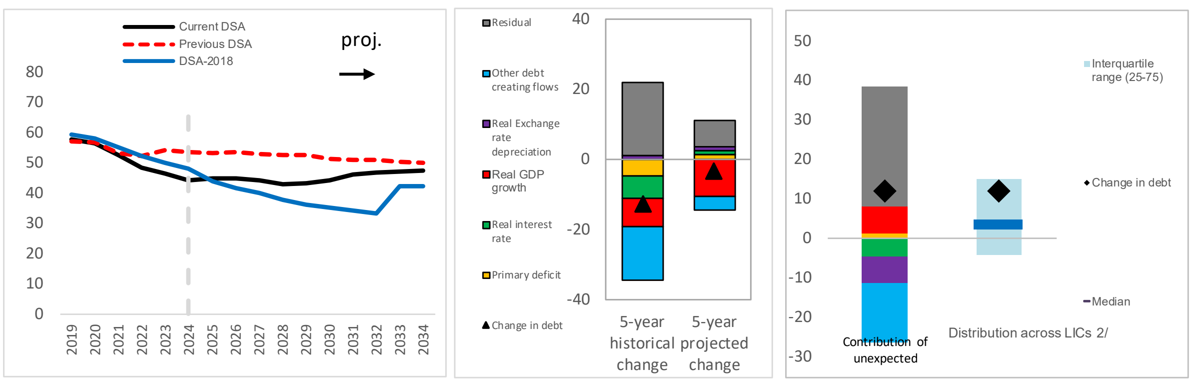
External Debt

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



Public Debt

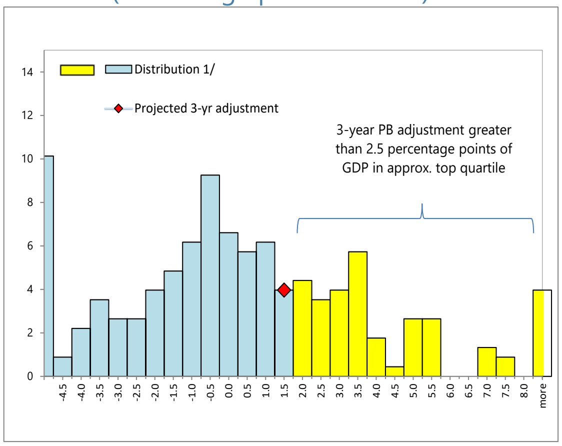
Gross Nominal Public Debt (in percent of GDP; DSA vintages) | Debt-Creating Flows (percent of GDP) | Unexpected Changes in Debt 1/ (past 5 years, percent of GDP)



1/ Difference 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 de
the drivers of the external debt dynamics equation.

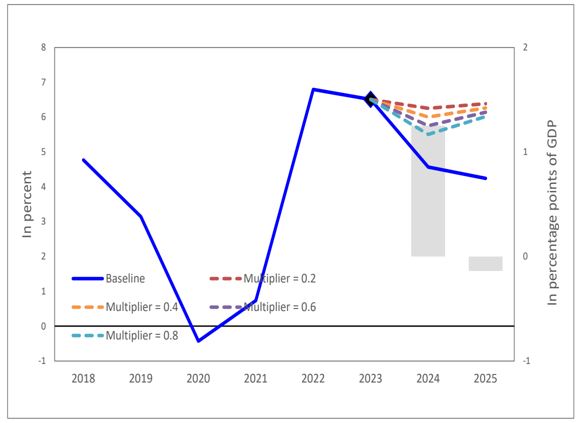
Figure 4. Mauritania: Realism Tools

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



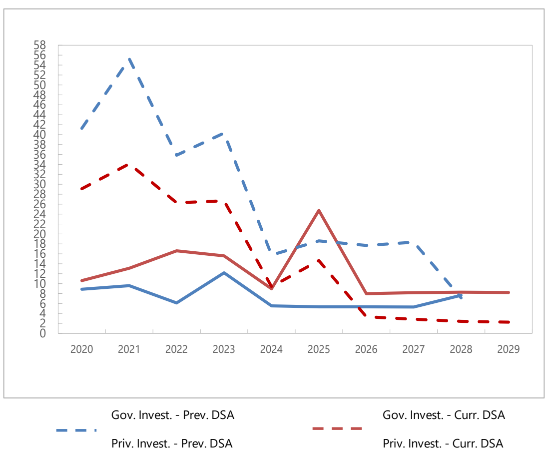
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

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/]



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)

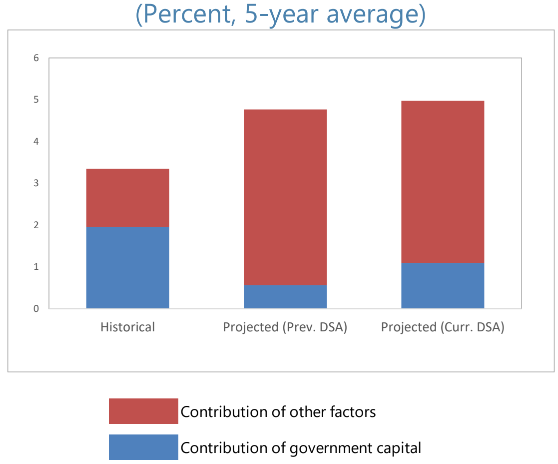
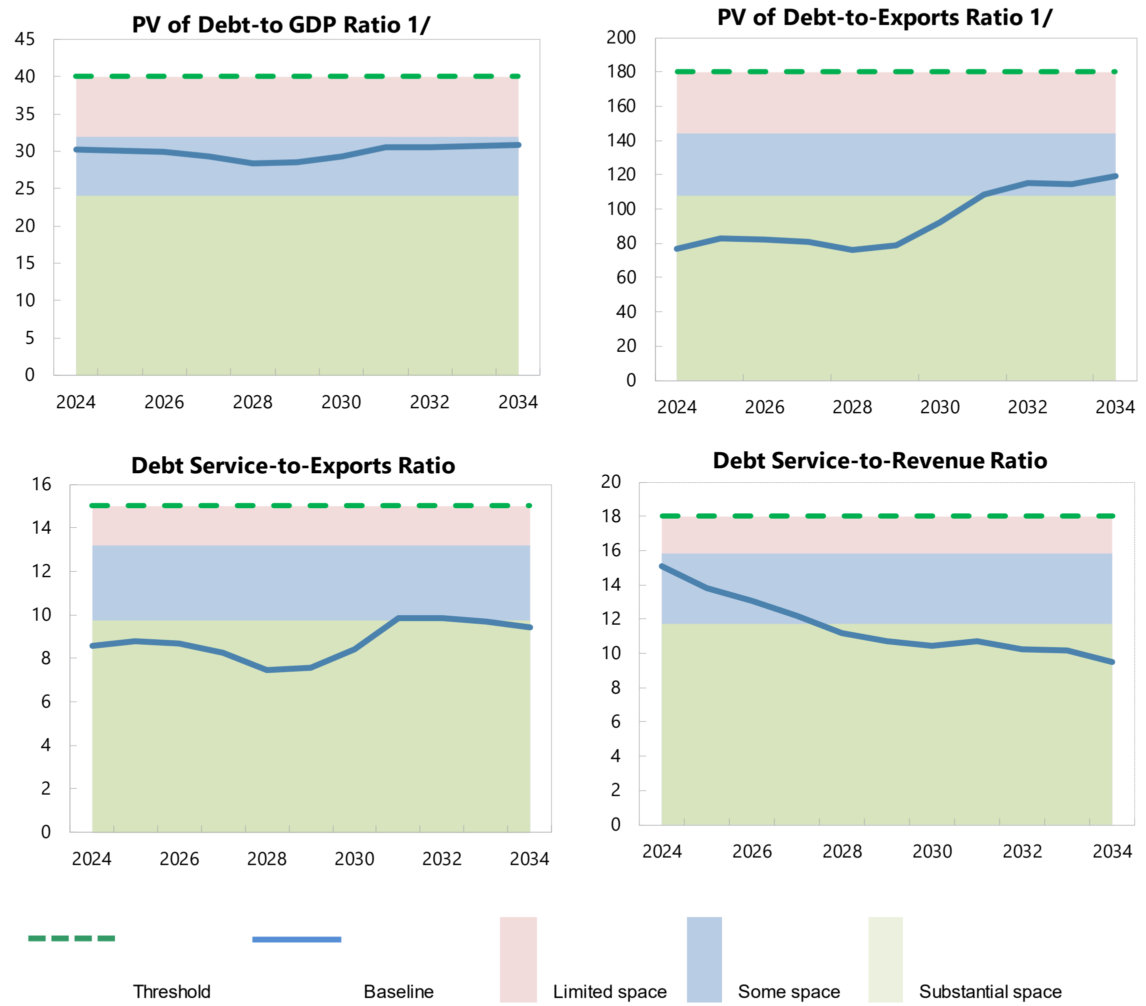


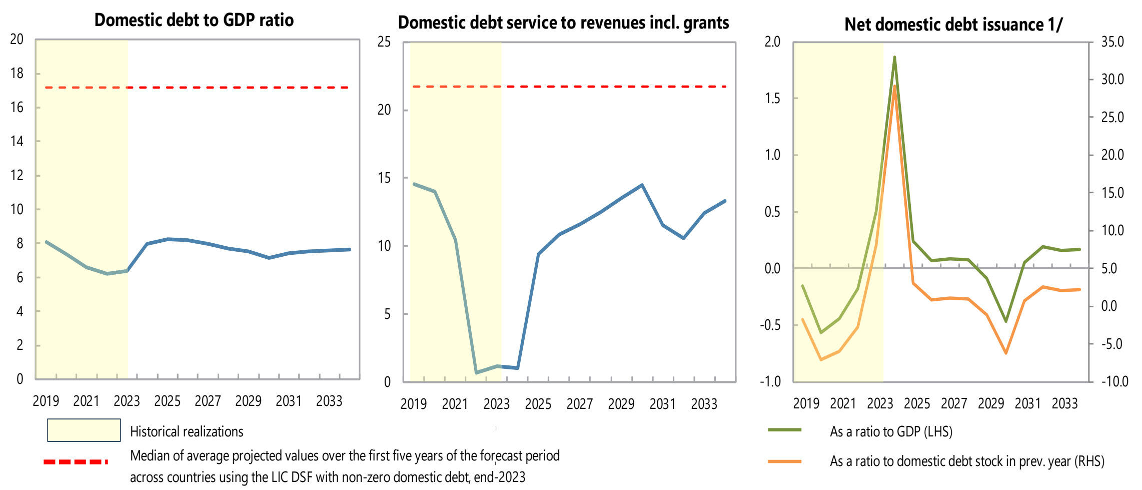
Figure 5. Mauritania: Qualification of the Moderate Category, 2024–34 1/



Sources: Country authorities; and staff estimates and projections.
1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent an y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.

Figure 6. Mauritania: Indicators of Domestic Public Debt, 2019–34

(percent)



Borrowing Assumptions (average over 10-year projection)	Value
Shares in new domestic debt issuance	
Medium and long-term	9%
Short-term	91%
Borrowing terms	
Domestic MLT debt	
Avg. real interest rate on new borrowing	3.5%
Avg. maturity (incl. grace period)	3
Avg. grace period	2
Domestic short-term debt	
Avg. real interest rate	3.3%

Sources: Country authorities; and staff estimates and projections.

Note: 1/ Net domestic debt issuance is an estimate based on the calculated public gross financing need net of gross external financing, drawdown of assets, other adjustments and domestic debt amortization. It excludes short-term debt that was issued and matured within the calendar year.

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

December 2024

STAFF REPORT FOR THE 2024 ARTICLE IV CONSULTATION, THIRD REVIEWS UNDER THE ARRANGEMENTS UNDER THE EXTENDED CREDIT FACILITY AND EXTENDED FUND FACILITY, REQUEST FOR MODIFICATION OF QUANTITATIVE PERFORMANCE CRITERIA, AND SECOND REVIEW UNDER THE RESILIENCE AND SUSTAINABILITY FACILITY ARRANGEMENT—INFORMATIONAL ANNEX

Prepared By

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

CONTENTS

RELATIONS WITH THE FUND

(As of October 31, 2024)

Membership Status: Joined September 10, 1963; Article VIII

General Resources Account:	**SDR Million**	**Percent of Quota**
Quota	128.80	100.00
Fund holdings of currency	138.33	107.4
Reserve Tranche Position	16.27	12.63

SDR Department:	**SDR Million**	**Percent of Allocation**
Net cumulative allocation	185.11	100.00
Holdings	9.12	4.93

Outstanding Purchases and Loans:	**SDR Million**	**Percent of Quota**
RSF Arrangements	14.86	11.54
Extended Arrangements	25.75	19.99
RCF Loans	95.68	74.29
ECF Arrangements	139.11	108.01

Latest Financial Commitments:

Arrangements:

Type	Date of Arrangement	Expiration Date	Amount Approved (SDR Million)	Amount Drawn (SDR Million)
RSF	Dec 19, 2023	July 24, 2026	193.20	14.86
ECF	Jan 25, 2023	July 24, 2026	21.47	12.89
EFF	Jan 25, 2023	July 24, 2026	42.93	25.75

Outright Loans:

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

Projected Payments to Fund [1]

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

	Forthcoming				
	2024	2025	2026	2027	2028
Principal	6.62	26.13	44.71	47.26	45.87
Charges/Interest	2.08	7.54	7.54	7.53	7.45
Total	8.70	33.66	52.25	54.79	53.32

Implementation of HIPC Initiative:

I. Commitment of HIPC assistance	Enhanced Framework
Decision point date[2]	February 2000
Assistance committed by all creditors (US$ million)[3]	622.00
Of which: IMF assistance (US$ million)	46.76
(SDR equivalent in millions)	34.80
Completion point date[4]	June 2002
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	34.80
Interim assistance[5]	16.88
Completion point balance	17.92
Additional disbursement of interest income[6]	3.63
Total disbursements	38.43

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

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

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

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

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

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

Implementation of Multilateral Debt Relief Initiative (MDRI):

I. MDRI-eligible debt (SDR Million)[7]			32.91
Financed by: MDRI Trust			30.23
Remaining HIPC resources			2.68

II. Debt Relief by Facility (SDR Million)

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

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

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

Safeguards Assessments

The Central Bank has been making progress towards implementing the key recommendations of the 2023 safeguards assessment. Namely, the Central Bank has ceased its participation in the gold purchase program, and in cooperation with Fund staff, the BCM drafted amendments to the central bank Law adopted by the Parliament on November 12, 2024. These amendments, address some vulnerabilities identified in the previous safeguards assessment, although aspects of personal and financial autonomy still need to be strengthened. Further, the BCM achieved full transition to IFRS by end-April 2024, a full year ahead of schedule. In addition, various measures to modernize and strengthen the internal audit function and expand oversight of the Audit Committee were completed by end-June 2024. Measures to strengthen cybersecurity were also carried out by end-June 2024, and the peer review of BCM's fiduciary and vault operations is currently in progress. In addition, the BCM requested technical assistance for the development of internal regulatory procedures to support the lending framework. Finally, to improve the BCM's financial position, which is weakened by substantial claims on the government at below market interest rates, the authorities are reviewing the 2018 convention on BCM claims on the government.

AML/CFT

Following the first round of mutual evaluation process for Mauritania in 2006, Mauritania's second round of Mutual Evaluation Report (MER) was published by the Middle East and North Africa Financial Action Task Force (MENAFATF) in May 2018. The MER identified major deficiencies in Mauritania's anti-money laundering and combatting the financing of terrorism (AML/CFT) regime. Mauritania was found to be non-compliant or partially compliant with 35 of the 40 FATF Recommendations. The assessment of the effectiveness of Mauritania's AML/CFT system found that

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

all the 11 outcomes to have low levels of effectiveness. Following the 2018 MER, Mauritania was placed under the enhanced monitoring process by MENAFATF. Since then, Mauritania had submitted three follow-up reports to MENAFATF, and had achieved either Compliant or Largely Compliant in 35 of the 40 FATF Recommendations. While Mauritania has addressed most of its technical compliance with the FATF standards, staff encouraged the authorities to take further steps to strengthen effectiveness of the implementation of its AML/CFT measures, also based on recommendations from the IMF Governance Diagnostics carried out in 2023, including strengthening its AML/CFT risk-based supervision for banks. Staff also encouraged authorities to rectify its legal framework on beneficial ownership transparency for legal persons to be in line with the FATF standards. The BCM has issued instructions for mobile banking and electronic payments, updated the declaration process for the National Register Account and carried out inspections to verify banks' compliance with the AML/CFT law and improved the National Register of Accounts tool to facilitate the identification of beneficial owners.

Exchange Arrangements

The currency of Mauritania is the Mauritanian ouguiya (MRU). The de jure exchange rate (ER) arrangement is floating. Effective February 7, 2024, the ER has stabilized within a 2 percent band against the US dollar for more than 6 months. Accordingly, the de facto ER arrangement has been reclassified as a stabilized arrangement. The BCM introduced an electronic interbank FX trading platform in December 2023 to allow for greater volumes of FX to be traded between banks directly while also supporting greater ER flexibility. The BCM intervenes occasionally to maintain the ER movement within a +/-5 percent band while remaining within the bounds of an intervention budget that determines the maximum allowable FX intervention compatible with the NIR target under the program. A summary statement of auction results is published on the BCM website. The previous exchange restriction arising from the insufficient foreign exchange (FX) availability at the fixing sessions (auctions) organized by the BCM for those transactions which are required to be submitted to the auctions, has been addressed with the introduction of the interbank FX trading platform and the flexibilization of the ER.

Mauritania has accepted the obligations under Article VIII, Sections 2 (a), 3, and 4 of the IMF's Articles of Agreement. Mauritania maintains two MCPs arising from (i) impermissible spreads between the weighted average rate of the BCM FX auctions and the prevailing market rates on February 6, 2024, and (ii) impermissible spreads between the reference exchange rates used for the BCM's transactions with the government/other public entities and the prevailing market rates on February 1, 2024. Going forward, the BCM's FX auctions will be reduced and gradually discontinued as the interbank market matures. Further, the authorities have already modified the mechanism used for setting the reference FX rate for government transactions in a manner that would minimize the materialization of impermissible spreads[8]. The authorities are dedicated to maintaining an exchange

[8] The government's FX transactions (in USD and EUR) on any given day would only be conducted in the afternoons using the BCM's FX reference rate set at 12:30pm that same day, thus avoiding the use of two exchange rates on the same day (morning and afternoon rates).

system free of MCPs and restrictions on the making of payments and transfers for current international transactions.

Article IV Consultation

The last Article IV consultation was concluded by the Executive Board on January 25, 2023 (IMF ESB/19/100).

November 2024 Technical Assistance (past two years)

Legal

Governance diagnostic assessment	September 2023
Implementing recommendations from governance diagnostic	February 2024
Finalization of draft public enterprises law	April 2024
Anti-corruption agency and asset declaration	September 2024

Monetary and ER policy

Public debt management – Domestic market development	November 2022
Public debt management – domestic issuance calendar formulation	January 2023
Risk based supervision and regulatory issues	January 2023
Strengthening monetary and ER policy implementation	March 2023
Annual rating of banks and licensing issues	May 2023
Liquidity Management and forecasting	July 2023
Public debt management - Developing and implementing the Treasury securities issue schedule	September 2023
Public debt management – Domestic market development	September 2023
Governance and regulatory issues	September 2023
Rating of private claims	October 2023
Implementation of reforms on FX regime and communication	November 2023
Off-site methodologies	December 2023
Debt dynamics tool	January 2024
National committee on public debt	January 2024
Prudential ratios examination methodologies	June 2024
Public debt management - Improving primary market functioning and investor relations practices	June 2024

Fiscal policy

Customs Risk Management System	January 2023
Monitoring of customs commitments and processing of customs debt	February 2023
General tax diagnostic	March 2023
Strengthening macroeconomic and budgetary framework practices	April 2023
Implementing fixed asset accounting	April 2024

Increase the sustainability of the pensions system	May 2023
Strengthening macroeconomic and budgetary framework practices	May 2023
Operationalizing the macroeconomic framework tool	June 2023
C-PIMA	June 2023
DGI IT modernization plan	August 2023
Petroleum revenue forecasting	September 2023
Accrual accounting	November 2023
Customs Risk Management System	December 2023
Monitoring of customs commitments and processing of customs debt	March 2024
Management and recovery of tax arrears	April 2024
Accrual accounting	April 2024
Water subsidy reform	April 2024

Statistics

Improving and updating in the Industrial Production Index	December 2022
Balance of payments statistics	April 2023
Improving and developing of the national accounts	June 2023
Expand GFS coverage	July 2023
Improving and developing of the national accounts	September 2023
Refinement of the TOFE in accordance GFSM 2014	February 2024
Improve compilation of MFS	February 2024
Improving the quality and consistency between annual national accounts and quarterly national accounts	May 2024

Resident Representative

Mr. Younes Zouhar is the IMF's Resident Representative in Mauritania since August 2024.

BANK-FUND COLLABORATION

Joint Management Action Plan of the World Bank and IMF (As of November 12, 2024)		
Title	**Products**	**Expected delivery**
A. Mutual Information on Relevant Work Programs		
Bank Work Program (Next 12 months)	- Systemic Country Diagnostic and Country Partnership Framework - Mauritania Economic Update - Mauritania Country Economic Memorandum - Youth Employment Project - Country Policy and Institutional Assessment (CPIA) - Social Safety Net Project II - Mauritania Tax Revenue Mobilization Advisory Services and Analytics - Technical Assistance in Macro-Modelling to the CBM	April 2025 April 2025 April 2025 Ongoing Ongoing Ongoing Ongoing June 2025
Fund Work Program (Next 12 months)	**Macroeconomic policy analysis and advice** Board consideration of the Article IV consultation, the third review of the ECF/EFF and the second review of the RSF Fourth review of the ECF/EFF and the third review of the RSF **Technical Assistance** *Through FAD's TA program:* (i) Strengthening tax and customs administration processes (taxpayer registry, taxpayer filing, compliance risk management, tax arrears collection, post-release controls, structural organization), (ii) reviewing the tax system, tax expenditure and investment incentive regime, (iii) strengthening public financial management, including, through climate budget tagging and incorporation of climate considerations into public investment management, (iv) rationalizing current spending and improving spending efficiency, (v) strengthening fiscal resilience to climate change. *Through regular MCM TA missions:* (vi) Reform of the collateral framework, (vii) Deepening the government securities market,	December 2024 March 2025 2024-2025

Joint Management Action Plan of the World Bank and IMF (Concluded) (As of November 12, 2024)		
Title	**Products**	**Expected delivery**
	(viii) Improving macroprudential supervisory methodologies and compliance, (ix) Strengthening the liquidity forecasting framework, (x) Improving the functioning of the interbank FX market. *Through frequent missions by AFRITAC West or a new resident advisor and in collaboration with functional departments:* (xi) Planning, budgeting, and execution of social spending and public investment projects, (xii) Macroeconomic management: setting up new institutions and a framework to manage upcoming gas revenues, setting up a macro framework and improving the coordination among entities involved in the compilation of data for the macro framework, (xiii) Debt management: Supporting the implementation of a medium-term debt management strategy, including the coordination among entities involved in debt management, debt sustainability analysis, improving investor relations, (xiv) Improvement of statistical data (real sector, public finance, monetary and financial data). Priority should be given to delivering TA through the support of a resident advisor in monetary and ER issues, followed by macro-fiscal issues and lastly macro-coordination issues.	
B. Requests for Work Program Inputs		
Fund Requests to Bank	- Periodic update on activities and capacity development - Reports, macroeconomic and financial data to be shared regularly - For the ECF/EFF, collaboration on SB on the codification of indirect tax exemptions - For the RSF, collaboration on RM5 and RM10	Ongoing
Bank Requests to Fund	- Fund staff to participate in review of key analytical work - Periodic update on activities and capacity development - Regular sharing of macroeconomic and financial data	Ongoing
C. Agreement on Joint Products and Missions		
Joint Products (Next 12 months)	Debt sustainability analysis	October 2025

Statement by Mr. Ouattara Wautabouna, Executive Director for Mauritania and Ms. Fatimetou Yahya, Advisor to Executive Director
December 18, 2024

On behalf of our Mauritanian authorities, we would like to express our gratitude to the IMF Executive Board and Management for their continued support. The authorities highly appreciate staff's candid and constructive discussions as well as their invaluable technical support, which have all been essential as Mauritania pursues its ambitious reform agenda. Discussions under the 2024 Article IV consultation provided valuable insights, analyses and accompanying recommendations on key topics for the Mauritanian development agenda. Our authorities broadly share the thrust of the staff's assessment and policy recommendations.

Recent Economic Developments and Outlook

Mauritania has demonstrated resilience amid external and domestic challenges, supported by strong economic management and a robust reform agenda. In 2023, real GDP growth reached 6.5 percent, backed by stronger than expected non-extractive growth despite a slowdown in fisheries and agriculture. Economic growth is expected to moderate to 4.6 percent in 2024, reflecting a contraction in the extractive sector, offset by robust non-extractive growth notably strong agricultural and fisheries output and continued expansion in the financial sector. Inflation is projected at 3 percent at end-2024, after having increased slightly to 2.5 percent (y-o-y) in October 2024, mainly due to higher food prices.

Fiscal performance was maintained in 2024, building on the progress achieved in 2023. The authorities remain on their fiscal consolidation path with the non-extractive primary deficit expected to narrow from 5.2 percent of GDP in 2023 to 3.7 percent in 2024, supported by stronger-than-anticipated revenue mobilization efforts. Public debt is also projected to continue its downward trend, declining from 46.4 percent of GDP in 2023 to 44.3 percent in 2024. Budget execution remained aligned with program objectives, prioritizing capital spending and increased allocations for social spending to protect the most vulnerable, in line with the authorities' development priorities.

Mauritania's external position continues to improve. The current account deficit, which narrowed to 8.8 percent of GDP in 2023 from 12.1 percent in 2022, is expected to decline further to 7.7 percent by end-2024. International reserves remained robust, covering approximately 6.4 months of non-extractive imports, and should remain stable throughout 2024, reflecting the authorities' prudent reserve management.

The economic outlook remains broadly positive but not without risks. An expected temporary decline in gold and iron ore production will likely slow down growth in 2025 and 2026. However, growth prospects are projected to remain strong over the medium term, peaking at 6.5 percent in 2028, when gas production under the GTA project becomes fully operational, and stabilizing thereafter. Nonetheless, risks to the outlook remain including those related to global trade disruptions, fluctuating commodity prices, climate-related shocks, and a deterioration of the security crisis in the Sahel, with high associated costs to mitigate regional security risks and host refugee communities.

Program Performance

Performance under the ECF-EFF program has been strong. All end-June 2024 Quantitative Performance Criteria (QPCs) were met as well as all but three structural benchmarks (SBs). The SBs met include the reform of indirect tax exemptions, publication of financial reporting on SNIM, the national mining company, and the expansion of the social safety net cash transfer program.

The requested modification of SBs will help strengthen program objectives and support their successful implementation. The authorities requested to re-formulate and move the SB on the consumption tax from 2024 to 2025 to ensure adequate integration of IMF TA recommendations and allow time to approve the new excise tax by Parliament in the 2025 Supplementary budget law. Similarly, the SB on banking supervision has also been re-formulated to focus on ensuring compliance with core capital requirements and adequately addressing non-compliant institutions while minimizing associated risks. Finally, the authorities have proposed re-formulating the SB on the Central Bank claims on the government to improve the terms of the 2018 convention, including a repayment plan supported by the issuance of 10-year treasury bonds, asset transfers, and revised interest terms. The new law on public enterprises (SB for end-September 2024) was also finalized and submitted to Parliament.

Program performance under the RSF has been strong with all reform measures (RMs) met. Supported by a Technical Coordination Committee (TCC) that ensures effective oversight and coordination, the authorities implemented the amendment of the decree regulating the selection and planning of public investment to embed climate considerations in all stages of public investment; an inter-ministerial agreement strengthening collaboration between the Ministry of Environment and the Ministry of Water to improve management of water resource; as well as the introduction of a climate shock component, *Tekavoul Choc* supported by the World Bank, in the Government’s cash transfer programs to vulnerable and affected households.

Progress is well underway to meet the upcoming RMs for the next review. The authorities have included a climate contribution in the 2025 Finance Law (RM VII), introducing a USD 10 tax per ton of CO2 on petroleum products, with plans to increase it to $50 by 2030 while exempting butane gas to mitigate the effects on vulnerable households. This will also be accompanied by efforts for a cleaner energy mix, with an initial focus on the mining sector, targeting annual 5 percent increases in the renewable energy share of companies until 2030. Moreover, under RM VI, efforts to further refine fossil fuel pricing mechanisms are progressing well, with the planned introduction of a new automatically adjusted price structure while smoothing pump prices and increasing the independence of the National Hydrocarbons Commission to adequately regulate prices.

Policy Priorities for the Medium Term

Fiscal Policy and Reforms

The authorities remain committed to their prudent fiscal policies underpinned by the medium-term fiscal framework (MTFF). The MTFF aims to strengthen fiscal and debt sustainability and limit dependency on volatile extractive resources. Through the implementation of a fiscal anchor, the non-extractive primary deficit (NEPD) is expected to reach 3.5 percent of GDP in 2025, while debt should continue on a downward trend.

The authorities' fiscal consolidation will be supported by increased revenue mobilization efforts and spending efficiency. Measures to raise tax revenue will include the introduction of the new climate contribution, reforming the taxation of vehicles, as well as improving collection of taxes due from SOEs, and actions to broaden the tax base. Building on the Tax Expenditure Assessment, the operationalized Tax Policy Unit (TPU), in coordination with the tax administration, will focus their medium-term action plan on simplifying the tax system for greater efficiency, strengthening tax compliance, limiting special regimes and tax incentives, increasing non-extractive tax revenue mobilization, and implementing VAT reforms, with extensive technical support from the Fund. On the expenditure side, the authorities continue to prioritize capital expenditure to address important investment needs, while furthering prioritization efforts, improving the targeting and coverage of social support, and rationalizing current expenditures which will gradually be contained from 16.4 percent of GDP in 2023 to 13.5 percent by 2029.

Efforts to enhance public financial management are laying a stronger foundation for fiscal policy objectives and long-term resilience. Ongoing and planned priorities include reforming the organizational structure of tax and customs administrations, furthering digitalization efforts for tax processes, setting up a dedicated task force charged with recovery of tax arrears, implementing programmatic budgets and performance contracts for public enterprises, and implementing the new law on SOEs after its approval by Parliament. The authorities also continue to gradually implement outstanding recommendations from the PIMA and C-PIMA assessments and integrate them to their ongoing PFM reforms. As they continue to apply their fiscal anchor, the authorities are considering options to institutionalize it, beyond the scope of the current ECF-EFF program.

Monetary Policy, Exchange Rate System, and Financial Sector Reforms

The BCM will continue refining its monetary policy instruments to support price stability and monitor excess liquidity. Inflation is expected to return to 3.0 percent by end-2024 and remain stabilized at 3-4 percent for more than 12 months. Maintaining its data-driven policy, the BCM's Monetary Policy Council therefore reduced the policy rate first in October, from 8 percent to 7.25 percent and more recently on December 4, 2024, by 50 basis points bringing the current policy rate to 6.75 percent.

Priorities will remain centered on reducing excess liquidity and deepening financial markets, including through further developing the government securities market. The BCM's efforts to limit excess liquidity have been successful with excess reserves averaging 1.6 billion MRU during the first nine months of 2024, a significant decline from 4.2 billion MRU in the same period of 2023. The BCM will continue expanding its liquidity management toolkit, including through the planned introduction of an overnight Shariah-compliant facility for Islamic banks, to complement the recent introduction of an overnight deposit facility for conventional banks. Additionally, the continued development of the T-bill market, including the issuance of securities with longer maturities of up to ten years, will leverage the government cashflow plan to mitigate rollover risks and help build a yield curve and support monetary policy effectiveness.

The authorities will continue developing the FX market, in line with their transition to a floating market-led exchange rate system. The interbank FX platform launched in December 2023 has effectively shifted foreign exchange transactions away from the Central Bank's monopoly, with most FX transactions now occurring between banks. The BCM's intervention on the market, mainly to reduce ER volatility, declined from 99 percent in 2023 to 30 percent as of October 2024. The BCM will continue to gradually reduce its role on the FX market, while remaining within the defined intervention budget, in line with the NIR objectives. In parallel, the BCM continues to closely monitor market dynamics and to perfect the regulatory and supervisory framework to ensure its proper functioning, including by relying on digital solutions and ongoing capacity-building efforts.

The authorities remain committed to strengthening banking supervision and ensuring financial stability. The BCM's supervision has been significantly strengthened and contracts have been signed with fragile banks to put in place gradual measures to avoid noncompliance with the prudential ratios. A new supervisory IT system, the Bank Supervision Application (BSA), will be deployed in 2025 and will help automate reporting and improve compliance monitoring, including through generation of prudential and early warning indicators. The Central Bank has gradually strengthened collaboration with the financial sector, through its supervisory role as well as capacity building. Ongoing work will continue including to reinforce the BCM's supervisory capabilities, and the resilience and stability of the banking sector, building on the amended banking law which has been submitted to Parliament for programming. Priorities will include strict application of financial and disciplinary penalties to banks that fail to comply with the prudential ratios, clarifying financial reporting guidelines, further limiting connected lending, mandating all banks to publish financial statements under IFRS, and improving Banks' corporate governance.

Reforms to enhance the BCM's operational independence and safeguards are advancing steadily. The transition to IFRS was completed ahead of schedule in April 2024, while the adopted amendments to the Central Bank law have strengthened its mandate, independence, and governance. The BCM has enhanced its internal audit functions and cybersecurity frameworks and is addressing vulnerabilities identified in the 2023 Safeguards Assessment. In the near term, key priorities will include completing peer reviews of fiduciary and vault operations, modernizing internal regulatory procedures to ensure the BCM's resilience and alignment with international standards, supported by the ongoing international audit of the BCM and addressing remaining safeguards recommendations to improve operational efficiency and governance. The revised convention on government claims, which will be signed by end December 2024, will also bolster the BCM's financial position.

Structural reforms to strengthen governance and support inclusive growth

The authorities will continue implementing their governance action plan to enhance transparency, accountability, and the rule of law. Following the IMF governance diagnostic, the authorities defined a first action plan with near-term priorities in close collaboration with LEG and other departments. Progress is underway to address key vulnerabilities, including through reforms to operationalize the anti-corruption agency, revamp the legal and organizational framework for declaration of assets and interests, strengthen public procurement, implement the new SOE law and improve their oversight, and reinforce public financial reporting frameworks. The State General Inspection charged with coordinating the government action plan, is finalizing the first semi-annual progress report to be published in the coming days. On AML/CFT, a risk management committee has been created within the BCM, tasked with ensuring the relevance of internal controls and its AML/CFT framework based on a risk mapping. The authorities will also continue working to improve data quality and coverage including for fiscal statistics, national accounts data and external sector statistics.

Promoting inclusive growth remains a priority, including through increasing private sector participation and expanding financial inclusion. The newly created Guarantee Fund has begun to bear fruit, with the first guarantees issued to fintech and fisheries projects along with technical support to SMEs. The revised investment code, which aims to reduce special regimes and eliminate "Points Francs" and increase Mauritania's attractiveness to investors by simplifying business procedures, should be examined by the Council of Ministers on December 18, 2024. The authorities are also advancing financial inclusion by implementing a national digital payments strategy, a regulatory sandbox, and an ESG framework to promote digital and green financing. Additionally, Parliament recently approved a new law on capital markets to help mobilize and diversify financing sources. To implement this law, the BCM will oversee the creation of the Nouakchott Stock Exchange, the Financial Markets Regulatory Authority, and the Deposit Guarantee and Settlement Fund.

Mauritania's Climate Agenda and Resilience and Sustainability Facility Program

Mauritania's climate reform agenda, supported by the RSF program, lays the groundwork to strengthen climate resilience. Key pillars aim to integrate climate in PFM, bolster social protection against climate shocks, advance decarbonization and scale up renewable energy, and improve management of scarce water resources.

The authorities will continue their work to incorporate climate considerations into public financial and investment management frameworks. Significant progress has been achieved with the revision of the regulatory framework for public investment management (PIM), ensuring climate considerations are integrated into planning, execution, and monitoring, as well as the update of the Public Investment Management Manual. A guidance note on climate budget tagging is being developed for implementation in the 2026 budget, complemented by ex-post tagging for the 2024 and 2025 budgets with IMF technical assistance.

Comprehensive reforms targeting emissions reduction and climate financing are underway. The climate contribution included in the 2025 budget law imposes a CO_2 tax of \$10 per ton on petroleum products, gradually increasing to \$50 by 2030, while protecting vulnerable households through targeted compensation mechanisms. Progress on fuel sector reforms includes steps toward an automatic pricing mechanism with smoothing components and the preparation of a decree to eliminate routine gas flaring by 2030, aligned with the country's net-zero emissions commitment for 2050.

Efforts to enhance water resource management and renewable energy are advancing, with a focus on sustainability and equity. The adoption of an inter-ministerial partnership agreement in May 2024 has strengthened cooperation in managing groundwater-dependent ecosystems and advancing environmental assessments. Efforts are progressing on schedule to achieve upcoming measures including for the reform of water tariffs to ensure financial sustainability and the creation of an independent agency for tariff oversight, supported by the *Agence Française de Développement* (AFD). In the energy sector, new decrees will require mining companies to increase renewable energy contributions by 5 percentage points annually until 2030, with compensatory investments in rural electrification for non-compliance. Additional reform priorities will aim to ensure open and fair access to SOMELEC's (national electricity company) transmission infrastructure, fostering private sector involvement in electricity generation.

The authorities are prioritizing strengthening social safety nets to address the impacts of climate shocks and ensure equitable resilience-building. Through the World Bank-supported Tekavoul Choc program, which now covers all households affected by food insecurity, the authorities have extended support to over 90,000 households impacted by droughts and food insecurity and increased their share of funding to 50 percent of the program's cost, through the FNRCAN (*Fonds National de Réponse aux Crises Alimentaires et Nutritionnelles*). Looking forward, the authorities aim to further enhance the program's targeting supported by continued work on the social registry and expand the capacity of the National Delegation for Solidarity and the Fight against Exclusion (Taazour), ensuring that social programs remain efficient in mitigating the disproportionate effects of climate risks on vulnerable communities.

Conclusion

Our Mauritanian authorities continue to demonstrate strong commitment to advance their economic and structural reforms supported by the ECF-EFF and RSF programs, and they highly appreciate the Fund's extensive technical assistance in this regard.

Given the commendable progress achieved under their Fund-supported programs amid challenging circumstances, and their steadfast commitment to reform efforts going forward, the authorities seek Executive Directors' approval of the completion of the third review under the ECF and EFF arrangements, the request for modification of quantitative performance criteria and the second review under the RSF arrangement. We would appreciate Executive Directors' favorable consideration of their request.