IMF Country Reports 20/274

Islamic Republic of Mauritania: Fifth Review Under the Extended Credit Facility Arrangement, and Request for Augmentation of Access-Press Release; Staff Report; and Statement by the Executive Director for the Islamic Republic of Mauritania

INTERNATIONAL MONETARY FUND

IMF Country Report No. 20/274

ISLAMIC REPUBLIC OF MAURITANIA

September 2020

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR AUGMENTATION OF ACCESS—PRESS RELEASE; STAFF REPORT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR THE ISLAMIC REPUBLIC OF MAURITANIA

In the context of the Fifth Review Under the Extended Credit Facility Arrangement, and Request for Augmentation of Access, the following documents have been released and are included in this package:

- A **Press Release** including a statement by the Chair of the Executive Board.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on September 2, 2020, following discussions that ended on August 5, 2020, with the officials of the Islamic Republic of Mauritania on economic developments and policies underpinning the IMF arrangement under the Extended Credit Facility. Based on information available at the time of these discussions, the staff report was completed on August 26, 2020.
- A **Debt Sustainability Analysis** prepared by the staffs of the IMF and the World Bank.
- 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

PR20/291

IMF Executive Board Completes Fifth Review Under the Extended Credit Facility Arrangement for the Islamic Republic of Mauritania, Approves Augmentation and US$52 Million Disbursement

- *The COVID-19 pandemic continues to impose severe health, social, and economic hardships in Mauritania, with a 3.2 percent contraction of output expected in 2020.*
- *The authorities have responded swiftly to the shock with measures to contain the pandemic and alleviate its economic fallout. They are prioritizing health spending and targeted support to the most vulnerable households and sectors in the economy.*
- *The IMF's support will provide additional resources to mitigate the pandemic's socio-economic impact and continue with institutional reforms to foster an inclusive recovery.*

Washington, DC – September 2, 2020. Today, the Executive Board of the International Monetary Fund (IMF) completed the fifth review under the three-year Extended Credit Facility (ECF) arrangement for the Islamic Republic of Mauritania. The arrangement was approved on December 6, 2017 with total access of SDR 115.92 million (about US$164 million at current exchange rates), or 90 percent of Mauritania's quota (see Press Release No. 17/468). In completing today's review, the Board also approved the authorities' request for an augmentation of access of SDR 20.24 million (about US$28.7 million or 15.7 percent of quota) to address higher-than-anticipated financing needs stemming from the COVID-19 pandemic. The augmentation brings total access under the ECF arrangement to SDR 136.16 million (about US$193 million or 105.7 percent of quota). The completion of this review allows Mauritania to draw SDR 36.80 million (about US$52.2 million or 28.6 percent of quota).

Earlier this year, the authorities had requested emergency support under the IMF's Rapid Credit Facility (RCF) to help address Mauritania's urgent balance of payments need due to the COVID-19 pandemic. On April 23, 2020, the IMF's Executive Board approved the disbursement of SDR 95.680 million (about US$130 million at the time or 74.3 percent of quota), thereby providing space to increase spending on health services and social protection programs and helping to catalyze additional donor support (Press Release No. 20/186).

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

"The COVID-19 pandemic continues to impose severe human, economic, and social hardships in Mauritania. Economic activity has slowed down sharply and the outlook has weakened. The overall budget deficit could widen significantly, giving rise to large balance of payments and fiscal financing needs. Risks are tilted to the downside given risks of a more protracted global and domestic COVID-19 outbreak.

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“Despite the difficult environment, performance under the ECF-supported program has been strong. The authorities are implementing prudent economic policies and advancing with reforms, albeit with some delays, to ensure macroeconomic stability, foster an inclusive recovery, and reduce inequalities and poverty. Their swift response to contain and mitigate the effects of the pandemic is welcome. Prioritizing health spending and targeted support to the most vulnerable households and sectors of the economy should continue. The temporary loosening of the policy stance is justified and implementation of the national COVID-19 response plan should proceed expeditiously within the 2020 supplementary budget. The central bank has eased monetary conditions and should continue to monitor banking sector soundness. The authorities are committed to full transparency and reporting of resources deployed for the emergency response and to publishing procurement contracts, auditing crisis-mitigation spending as soon as possible, and publishing those results.

“The authorities’ continued commitment to the medium-term objectives of the economic reform program supported by the ECF arrangement is welcome. The program aims at creating fiscal space by mobilizing domestic revenues and strengthening public financial management with a view to increasing priority spending on education, health, social protection, and infrastructure while maintaining prudent borrowing policies. The authorities should return to primary budget surpluses as soon as conditions normalize to ensure debt sustainability, given the high risk of debt distress.

“The IMF’s continued financial assistance, along with other financing from the international community, will help Mauritania respond effectively to the COVID-19 crisis by providing space to increase spending on health services and social protection programs. Further external support will be needed to close prospective financing needs next year.”

Mauritania: Selected Economic indicators, 2017–21

Poverty rate: 31 percent (2014) | Quota: SDR 128.8 million
Population: 4.4 million (2018) | Main exports: iron ore, fish, gold

	2017	2018	2019	2020	2021
			Est.	Proj.	
	(Annual change in percent; unless otherwise indicated)				
National accounts and prices					
Real GDP	3.5	2.1	5.9	-3.2	2.0
Real extractive GDP	-6.2	-9.5	27.2	-2.7	2.3
Real non-extractive GDP	4.7	3.5	3.6	-3.3	2.0
GDP deflator	3.7	1.8	4.7	5.5	4.1
Consumer prices (period average)	2.3	3.1	2.3	3.9	4.5
	(In percent of nonextractive GDP; unless otherwise indicated)				
Central government operations					
Revenues and grants	22.8	25.0	24.3	20.7	22.0
Nonextractive	20.0	21.0	20.5	18.6	20.0
Taxes	14.1	15.5	14.9	12.7	14.7
Extractive	2.0	3.5	1.9	1.5	1.6
Grants	0.8	0.5	1.9	0.6	0.4
Expenditure and net lending	22.9	22.3	21.8	25.2	23.0
Current	14.0	14.3	13.7	16.7	14.3
Capital	8.8	8.1	8.1	8.5	8.7
Primary balance (excl. grants)	0.2	3.5	1.7	-3.6	0.0
Overall balance (in percent of GDP)	0.0	2.5	2.1	-3.8	-0.8
Public sector debt (in percent of GDP) 1/ 2/	55.1	61.4	58.1	65.8	66.1
	(Annual change in percent; unless otherwise indicated)				
Money and Credit					
Broad money	13.7	13.8	11.8	2.1	7.8
Credit to the private sector	7.5	19.4	12.9	4.3	10.0
Balance of Payments					
Current account balance (in percent of GDP)	-10.0	-13.8	-10.6	-17.3	-18.5
Excl. externally financed extractive capital imports	-5.0	-8.6	-3.6	-12.2	-12.6
Gross official reserves (in millions of US$, eop) 3/	849	918	1,135	1,135	1,134
In months of prospective non-extractive imports	4.6	4.4	5.3	5.1	5.0
External public debt (in millions of US$) 2/	3,573	3,614	3,710	4,164	4,282
In percent of GDP	52.7	51.3	48.8	56.1	56.7
Real effective exchange rate	-2.1	-0.3	1.6	…	…
Memorandum items:					
Nominal GDP (in millions of US$)	6,784	7,048	7,600	7,428	7,554
Price of iron ore (US$/Ton)	71.1	70.1	93.6	77.0	75.0

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

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

August 26, 2020

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND REQUEST FOR AUGMENTATION OF ACCESS

EXECUTIVE SUMMARY

Recent developments. The COVID-19 pandemic continues to impose severe social and economic hardships in Mauritania, with a sharp contraction of output expected in 2020. The authorities have responded swiftly to the shock with measures to contain the pandemic and alleviate its fallout. They are prioritizing health spending and targeted support to the most vulnerable households and sectors in the economy. Nevertheless, conditions have weakened since the emergency disbursement under the Rapid Credit Facility in April 2020 (SDR 95.68 million, about US$130 million or 74.3 percent of quota) and wider external and fiscal financing gaps are projected.

ECF arrangement. The authorities remain committed to the program, which supports prudent policies and institutional reforms. Conditionality has been adapted and streamlined in response to the challenging environment while maintaining the momentum for reforms set in motion during the first two years of the ECF. In particular, the foreign exchange market reform had to be interrupted due to capacity constraints during the pandemic but will resume as a priority once the crisis subsides. New structural benchmarks crystalize the authorities' commitments on targeted social transfers and transparent use of emergency funds.

Fifth review and augmentation. Staff supports completion of the fifth review under the ECF arrangement. Program targets were met and the authorities are maintaining the course on policy and reform implementation according to the revised framework which accounts for the COVID-19 pandemic. Higher financing needs and a strong track record justify an augmentation of access by SDR 20.24 million (about $28 million or 15.7 percent of quota) bringing the current tranche to SDR 36.80 million (about $51 million or 28.6 percent of quota) and total annual access under the PRGT to 115.7 percent of quota. The IMF's support will provide additional resources to mitigate the pandemic's socio-economic impact and support institutional reforms to foster an inclusive recovery.

Approved By
Taline Koranchelian and Bjoern Rother

Discussions took place remotely during July 28–August 5, 2020 with Central Bank Governor Cheikh El Kebir Moulaye Taher, Minister of Finance Mohamed-Lemine Dhehby, and Minister of Economy and Industry Abdel Aziz Dahi. The team comprised Eric Mottu (head), Jean van Houtte, Mariam El Hamiani Khatat, Joseph Karangwa (all MCD), Babacar Sarr (FAD), and Eric Pondi Endengle (SPR). Messrs. Mohamed-Lemine Raghani and Mohamed Sidi Bouna (both OED) attended policy meetings. Those discussions built on an earlier visit to Nouakchott during February 27–March 11 which also met with President Mohamed Cheikh Ghazouani, Prime Minister Ismaïl Bedda Cheikh Sidiya, and other senior officials, private sector and trade union representatives, and development partners. That mission also comprised Imen Ben Mohamed and Farid Talishli (both MCD). Ms. Maaloum Braham and Ms. Abdulkarim provided research assistance; Ms. Cruz, Ms. Calaycay, and Mr. Kane provided administrative support.

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TABLES

APPENDIX

CONTEXT

1. **The Board approved a disbursement of SDR 95.680 million (about 74.3 percent of quota) under the Rapid Credit Facility (RCF) on April 23.**[1] The COVID-19 pandemic is having a dramatic human, economic, and social impact on Mauritania. Growth is expected to turn negative this year, with severe hardships for the population. The pandemic has given rise to urgent balance of payments and fiscal financing needs. The RCF disbursement provided space to increase spending on health services and social protection programs in the face of falling domestic revenues. It covered about one-third of the projected financing gap and helped catalyze donor support.

2. **The existing three-year arrangement under the Extended Credit Facility (ECF) covering 2017–20 expires on December 5 with two remaining reviews to be completed.** The fifth review mission that concluded in early March—prior to the deterioration in economic conditions due to the pandemic—found that the program was broadly on track, despite some delays with structural reforms.[2] However, after the mission's return, priority was given to the emergency financing under the RCF, given the magnitude of the shock and the urgency of the financing needs. Nevertheless, the authorities consistently affirmed their commitment to the reform objectives of the ECF and are now requesting completion of the fifth review to help them maintain policy sustainability. They also expressed interest in a successor arrangement.

3. **The government resigned in early August and a new government was formed with three-quarters of former ministers re-appointed.** A judicial inquiry is ongoing into allegations of misappropriation of public resources during the former president's tenure. The authorities have assured staff of full policy continuity.

RECENT DEVELOPMENTS

4. **Since April, the pandemic has expanded dramatically but new COVID-19 cases have started declining after a strong surge in May–August.** The past four months saw a sharp rise in COVID-19 cases from 9 to over 6,900 cumulatively, with 158 deaths.

5. **To prevent the spread of the coronavirus, the authorities have maintained strict measures to limit the movement of people, adopted a national response plan, and started providing social assistance.**

- In February, the authorities launched—in consultation with the WHO and other development partners—a prevention and response plan, which includes health/security checks, preparation of hospitals, and securing medicines and healthcare equipment. In March, they suspended all commercial flights, closed border crossings (except for essential goods), imposed a strict nightly

[1] IMF Country Report No. 20/140.

[2] IMF Press Release No. 20/87.

curfew, closed schools and universities, banned large gatherings, and closed non-essential businesses. Subsequently, they closed all stores and banned inter-regional travel. The authorities also started engaging in sizable additional outlays for security and logistics to enforce the containment measures and secure borders, and to procure food and other essential goods.

- A special social assistance fund (open to private funding, with all spending on-budget) was established to procure urgent medical supplies and support vulnerable households; the authorities also waived taxes on some essential goods and SMEs.

- To mitigate the sanitary, social, and economic impact, the authorities adopted in May a comprehensive national COVID-19 response plan covering 2020–21, prepared with support from international development partners and UN agencies. The plan envisages outlays of $644 million (8.5 percent of GDP) for health-related prevention and response measures, support for agricultural production, constitution of stocks of essential foodstuffs, direct support for vulnerable households and SMEs, and credit lines and guarantees for businesses. Due to capacity constraints and confinement measures, many of the plan's measures remain unspecified or at an early stage of development and are not expected to be implemented fully this year.

Mauritania: National COVID-19 Response Plan, 2020–21

	MRU billion	US$ million	Percent of GDP
Sanitary Response	**2.10**	**55.6**	**0.7**
National Preparedness and Health Response Plan	2.10	55.6	0.7
Social and Economic Response	**22.20**	**588.4**	**7.8**
Planning and coordination	0.08	2.3	0.0
Impact mitigation	5.40	143.1	1.9
Food security and stocks	4.23	112.2	1.5
Support to agricultural and fish production	1.17	30.9	0.4
Economic and social support, resilience and recovery	16.51	437.8	5.8
Generalized support to formal and informal sectors	0.33	8.8	0.1
Food and cash to vulnerable households	6.47	171.4	2.3
of which: Food distribution and cash transfers	2.31	61.3	0.8
Rural food stocks	2.22	58.8	0.8
Small and medium-sized enterprises	0.82	21.7	0.3
Affected productive sectors	8.90	235.9	3.1
of which: Fund for informal businesses	3.00	79.5	1.1
Credit lines for businesses	3.70	98.1	1.3
Guarantee fund to support bank credit	2.00	53.0	0.7
Security	0.20	5.3	0.1
Total	**24.29**	**644.0**	**8.5**

Sources: Mauritanian authorities; and staff estimates.

6. **In May, the authorities adopted a supplementary 2020 budget envisaging a primary deficit of 5 percent of NEGDP (excluding grants), accommodating about half of the national response plan.** The supplementary budget anticipated revenue losses of over 7 percent relative to the initial budget (including tax revenues lower by 21 percent) and primary expenditure increases of 20 percent, even accounting for across-the-board cuts on nonpriority current spending. It only incorporated the spending and tax relief measures envisaged under the national COVID-19 response plan that were ready to be implemented (5.3 percent of NEGDP).[3] The resources devoted to the sanitary response (0.5 percent of GDP) are comparable to peer countries.

[3] Mainly the sanitary response measures, food and cash transfers to households, measures to support agriculture and fishing, tax reductions on essential goods and for affected SMEs, food stocks in rural areas, and the guarantee fund to support bank credit.

7. The lockdown affected budget execution and revenues considerably. Tax revenues dropped by 16 percent in Q2 2020 relative to the previous year, while total expenditure was lower by 10 percent. This was in part compensated by higher dividends from state-owned enterprises reflecting last year's strong profits, especially for the mining company. As a result, and given the surplus achieved in Q1, the first half of the year yielded a comfortable primary budget surplus of 2.6 percent of NEGDP (excluding grants). However, performance in the second half of the year is expected to be significantly worse due to the slowdown in economic activity affecting indirect taxes, the non-recurrence of the income tax and dividend receipts, and the ramping up of social transfers and public investment as the administration reopens.

8. Few high frequency indicators are available for Q2 2020, including with respect to trade developments. So far, gross international reserves have held up at $1,320 million at end-June, up by $185 million in H1 following disbursements by the Fund and other donors. Broad money accelerated to 14 percent y-o-y in May amidst strong demand for cash, while credit growth decelerated to 10 percent. Inflation remained contained at a low 2 percent y-o-y in July. Earlier in March, the central bank (BCM) released some liquidity by reducing the reserve requirement ratio from 7 percent to 5 percent.[4] In July, the BCM uncovered an internal embezzlement of foreign currency bills resulting in the loss of $1.6 million; it vowed to step up its internal controls.[5]

9. To bolster the treasury position, the BCM on-lent the domestic currency equivalent of the $300 million (4 percent of GDP) deposited by Saudi Arabia at the BCM in 2015 to the treasury. The authorities indicated to staff that this was a precautionary measure and that they would only use these funds as a last resort to fill budgetary financing gaps, as it would put pressure on FX reserves.[6]

OUTLOOK AND RISKS

10. On the basis of these new developments and the authorities' updated budget plans, the outlook has deteriorated somewhat relative to the April RCF.

- The ***economy*** is now expected to contract more than previously projected—by 3.2 percent in 2020—and to rebound more slowly in 2021. While international commodity markets for Mauritania's exports (iron ore, gold) have held up well, the fishing sector has suffered from lower global demand. Transportation and services were severely hit by the lockdowns and agriculture was impacted by the drought in the Sahel. Nevertheless, construction was supported by public spending despite delays in implementation of infrastructure projects. The offshore gas field project Grand Tortue-Ahmeyim (GTA) is being delayed by a year to 2023. The outlook was

[4] It also reduced its policy rate from 6.5 percent to 5 percent but the latter move had limited impact given the lack of functioning monetary refinancing instruments.

[5] This discovery has no impact on the observance of performance criteria under this arrangement.

[6] Public debt figures are not affected since the deposit was already included. The non-concessional loan carries a 3 percent interest rate and is repayable over 2021–25. The authorities are discussing a possible rescheduling.

boosted, though, by an agreement with a foreign gold mining company to expand operations in the country.

- The ***external position*** will likely be severely affected through lower commodity and fish exports in volume despite the remarkable resilience of global iron ore prices thus far. The projected external financing gap for 2020 was revised upward by $26 million to $394 million (5.3 percent of GDP, 1.8 month of non-extractive imports) relative to the April RCF. Gross reserves are expected to drop in H2 along with lower exports and the resumption of essential imports, stabilizing by year-end at their end-2019 level, around the estimated adequate level of 5 months of imports.

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

	2019	2020			2021			2022	2023
		4th Rev.	RCF	Proj.	4th Rev.	RCF	Proj.	Proj.	
National accounts and prices 1/	(Annual change in percent)								
Real GDP	5.9	6.3	-2.0	-3.2	6.4	4.2	2.0	4.2	6.1
Real extractive GDP	27.2	10.2	-1.4	-2.7	8.9	9.1	2.3	6.7	16.4
Real non-extractive GDP	3.6	5.8	-2.1	-3.3	6.1	3.3	2.0	3.7	4.0
Consumer prices (end of period)	2.7	4.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
Central government operations	(in percent of nonextractive GDP, unless otherwise indicated)								
Revenues and grants	24.3	29.9	21.6	20.7	29.9	22.7	22.0	22.6	23.2
Nonextractive	20.5	26.8	19.4	18.6	26.9	20.6	20.0	20.3	20.4
Taxes	14.9	20.8	13.8	12.7	20.9	15.5	14.7	14.9	15.0
Extractive	1.9	2.2	1.6	1.5	2.3	1.6	1.6	1.9	2.4
Expenditure and net lending	21.8	29.5	25.6	25.2	29.7	23.5	23.0	22.8	23.3
Of which: Current	13.7	18.9	17.9	16.7	18.2	15.0	14.3	13.9	13.9
Capital	8.3	10.6	7.7	8.5	11.5	8.5	8.7	8.8	9.3
Primary balance (excl. grants)	1.7	1.1	-3.2	-3.6	1.1	0.0	0.0	0.7	0.8
Overall balance (in percent of GDP)	2.1	0.3	-3.4	-3.8	0.1	-0.7	-0.8	-0.2	-0.1
Public sector debt (in percent of GDP)	58.1	78.9	67.8	65.8	76.1	68.0	66.1	64.9	62.0
External sector									
Current account balance (in percent of GDP)	-10.6	-20.7	-17.3	-17.3	-15.4	-17.4	-18.5	-14.5	-6.6
Excl. externally financed extractive capital imports	-3.6	-11.5	-12.1	-12.2	-9.2	-11.6	-12.6	-9.6	-5.2
Gross official reserves (in millions of US$, eop)	1,135	1,181	1,136	1,135	1,254	1,123	1,134	1,164	1,159
In months of prospective non-extractive imports	5.3	5.6	5.2	5.1	5.6	5.0	5.0	4.9	5.0
External public debt (in millions of US$)	3,710	3,913	4,269	4,164	4,033	4,387	4,282	4,361	4,412
In percent of GDP	48.8	66.2	57.6	56.1	64.1	57.3	56.7	55.1	52.0

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

1/ New rebased GDP series, higher by 35 percent in 2018, published by the authorities in April 2020 (IMF Country Report No. 20/140, Box 1).

- The ***primary budget balance*** is projected to deteriorate by about 4.6 percentage points to 3.6 percent of NEGDP (excluding grants)—by about 0.4 percentage points more than expected in the RCF but less than anticipated by the authorities on account of expected under-execution of spending plans due to administrative capacity constraints. Based on the supplementary budget, staff projects additional crisis-related spending limited to about \$220 million (3.4 percent of NEGDP) and tax revenue losses of about 3.5 percent of NEGP, compensated by cuts in non-priority spending, gains on the domestic fuel price differential and private contributions, and expected under-execution (text table).

Mauritania: Impact of the Pandemic on the 2020 Budget

	Billions MRU	Percent of NEGDP
Revenue impact of the crisis before policy action	**-8.4**	**-3.5**
Tax and non-tax revenue shortfall	-8.4	-3.5
Revenue measures	**0.1**	**0.0**
Tax relief measures	-4.4	-1.9
Tax administration measures	0.3	0.1
Oil price differential windfall	1.9	0.8
Contributions from private individuals and companies	2.3	1.0
Emergency expenditure	**8.2**	**3.4**
Sanitary response to the pandemic	1.2	0.5
Transfers to households / social programs	5.0	2.1
Priority social and agricultural support	2.0	0.8
Solidarity fund	1.5	0.6
Food security	1.5	0.6
Support to businesses and SMEs	2.0	0.8
Husbandry support	0.5	0.2
Subsidies to businesses and SMEs	1.5	0.6
Expenditure cuts and under-execution	**-5.5**	**-2.3**
Expenditure cuts and budgetary reallocations	-3.0	-1.3
Expected under-execution	-2.5	-1.0
Overall impact on the primary balance (excl. grants)	**-11.1**	**-4.6**

Source: Mauritanian authorities; and IMF staff estimates.

- As a result of the larger budget deficit and tighter-than-projected liquidity conditions which preclude significant domestic financing, the projected ***fiscal financing gap*** increased relative to the RCF by about \$71 million to \$394 million (5.3 percent of GDP).

11. International donors have pledged financial support totaling \$191 million, broadly as anticipated in April. The World Bank provided a \$70 million grant under a development program operation[7] while France provided \$2.5 million; the EU has pledged \$12 million and the AfDB \$10 million in budget grants. Saudi Arabia, China, Kuwait, Paris Club creditors, and the Arab Fund for Economic and Social Development have confirmed participation in the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club, which would provide \$96 million (1.3 percent of GDP) in debt service suspension this year. Several donors have provided grants instead of the loans assumed at the time of the RCF, reducing projected external public debt.

[7] The operation, which seeks to help protect lives and support the recovery, focuses on procuring medical equipment; strengthening governance on the use of COVID-19 resources, including tracking the spending of resources and a transparent institutional mechanism (based on the social register) for social protection; publishing a public debt bulletin to improve debt transparency; and setting up a guarantee fund to support SMEs.

Text Table 2. Mauritania: Financing, 2020

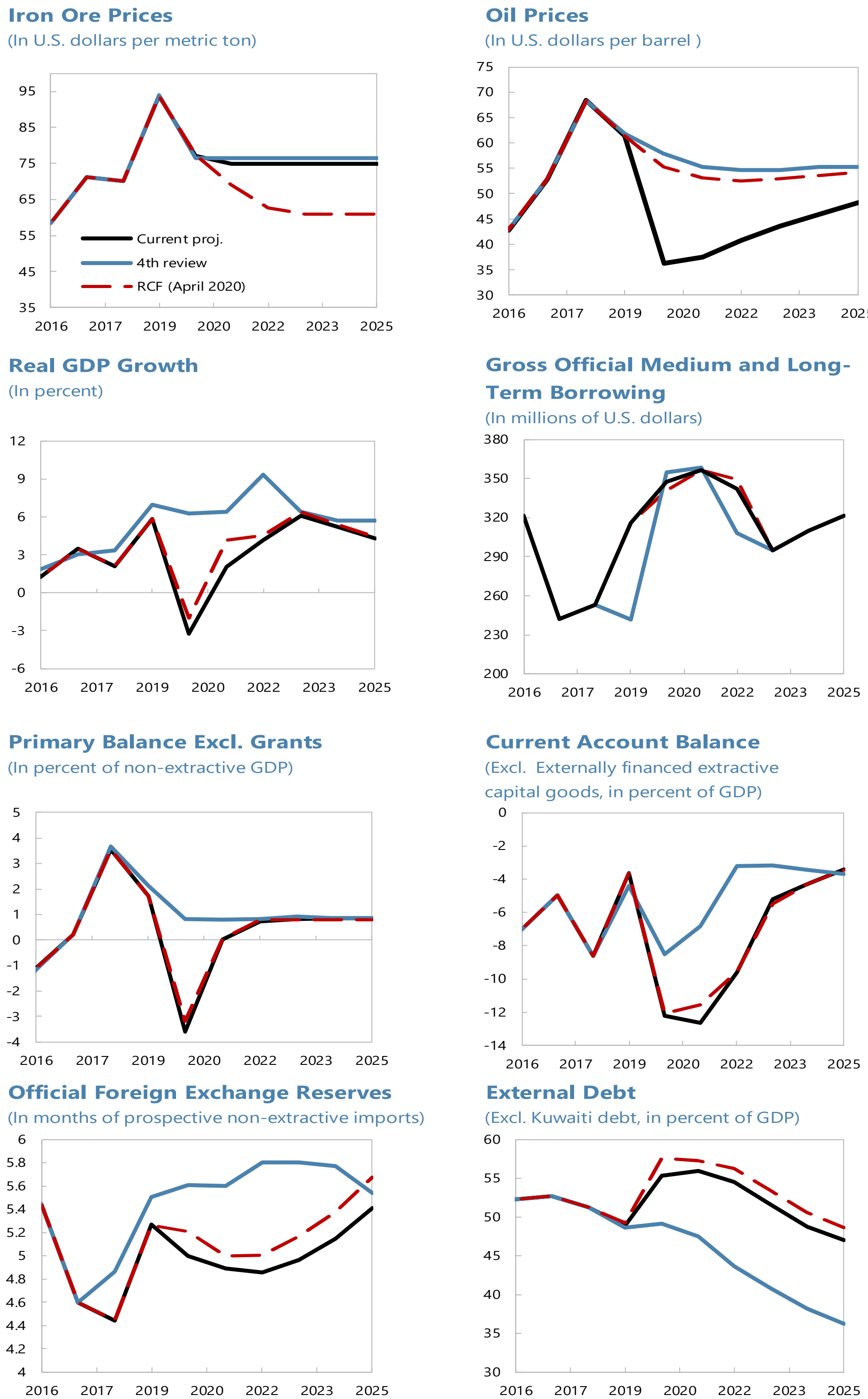
Balance of Payments	April RCF			Revised projections		
		US$ million	*percent of GDP*		*US$ million*	*percent of GDP*
Balance of payments deficit		346	4.7		371	5.0
Other financing needs (BCM)		22	0.3		23	0.3
Total financing needs		368	5.0		394	5.3
Drawdown of official reserves		0	0.0		0	0.0
Debt service suspension initiative (DSSI)		0	0.0		96	1.3
IMF financing		175	2.4		203	2.7
RCF		130	1.8		130	1.7
ECF (prospective)		45	0.6		73	1.0
Of which: Augmentation		...	...		28	0.4
Expected official grants 1/		...	...		95	1.3
Residual financing gap		193	2.6		0	0.0
Central Government	*MRU billion*	*US$ million*	*percent of GDP*	*MRU billion*	*US$ million*	*percent of GDP*
Overall deficit	9.6	250	3.4	10.8	281	3.8
Domestic financing (net)	0.3	8	0.1	-1.3	-34	-0.5
External borrowing (baseline, net)	-3.1	-81	-1.1	-3.1	-80	-1.1
Disbursments (projects)	4.2	110	1.5	4.2	110	1.5
Amortization	-7.3	-191	-2.6	-7.3	-190	-2.6
Financing gap	12.4	323	4.3	15.1	394	5.3
Debt service suspension initiative (DSSI)	0.0	0	0.0	3.7	96	1.3
IMF financing	5.0	130	1.7	7.8	203	2.7
RCF	5.0	130	1.7	5.0	130	1.7
ECF (prospective)	0.0	0	0.0	2.8	73	1.0
Expected official grants 1/	0.0	0	0.0	3.7	95	1.3
Residual financing gap	7.4	193	2.6	0.0	0	0.0

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

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

12. **Risks to the outlook continue to be tilted to the downside (Table 10).** The rise in COVID-19 cases heightens the risk of a stronger and longer-than-expected pandemic, which would result in significant human and socio-economic setbacks. This could result in lower activity in 2020–21, lower fiscal revenues, slower delivery of public and social services, higher public debt, pressure on the exchange rate and reserves, and a rise in poverty. Further delays in project execution for the extractive industries sector (and notably the GTA project) due to a worsened global environment could also affect the outlook. Security risks in the Sahel continue to be a concern. The authorities' contingency measures to mitigate adverse effects include mobilizing additional donor financing, cutting non-priority expenditure, and drawing down the national hydrocarbon fund and the Saudi deposit; however, the latter two would risk reducing FX reserve buffers below prudent levels and leave the country exposed in case of future shocks.

Figure 1. Mauritania: Program Scenarios, 2016–25



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

POLICY DISCUSSIONS

13. There was broad agreement that the ECF-supported program will help Mauritania cope with the short-term effects of the COVID-19 pandemic. Staff and the authorities discussed the immediate policy priorities, namely (i) focusing on essential containment measures and support for health systems; (ii) shielding affected people and firms with adequate, timely, and targeted fiscal and financial sectors measures; and (iii) reducing stress to the financial system. Two new structural benchmarks (SBs) related to social protection and transparency of emergency spending are macro-critical and support an effective response to the pandemic.

14. At the same time, continuation of the program will help maintain the reform momentum and support economic stabilization and the recovery in the medium term. The authorities reiterated their full commitment to their economic reform program, which aims at creating fiscal space by mobilizing domestic revenues and strengthening public financial management with a view to increasing priority spending on education, health, social protection, and infrastructure while maintaining prudent borrowing policies to preserve debt sustainability. The program will support the resumption of work on critical social reforms and infrastructure projects (such as expansion of social safety nets, reforms to public education, and energy, irrigation, and road projects) and other planned structural reforms, consistent with the authorities' implementation capacity. This will help during the subsequent stabilization and recovery phases by minimizing the scarring effects of the crisis on human and physical capital.

A. Fiscal and Social Policies

Fiscal Stance

15. Given the magnitude of the shock, accommodating a wider fiscal deficit is inevitable, provided it remains temporary and enough financing is mobilized. There was agreement on the need to continue to execute counter-cyclical, well-designed public investment projects to support growth both in the short and the medium terms, as well as baseline social spending (primary healthcare and education to avoid scarring effects on the youth and the poor) and increased social protection spending. At the same time, to maintain macroeconomic stability in the face of lower domestic revenues, staff and the authorities discussed the need to avoid introducing new spending programs and widening the deficit beyond the revised program targets unless domestic resources and/or additional donor grants can be mobilized. The authorities will develop contingency plans to identify spending that can be cut without jeopardizing the effectiveness of core policies if the fiscal position deteriorates further than anticipated. Staff cautioned against drawing on the limited resources of the national hydrocarbon revenue fund (currently about $74 million, 1 percent of GDP) or the Saudi deposit ($300 million, or one-quarter of GIR) to finance the deficit so as to preserve much-needed FX reserve buffers.

16. The authorities expressed a firm commitment to medium-term fiscal and debt sustainability by returning to primary surpluses as conditions normalize. This would start with a

balanced primary budget (excluding grants) in 2021 and development of a basic medium-term fiscal framework (MTFF).

Short-Term Expenditure Policy

17. Discussions focused on policies to address the human, economic, and social fallout from the pandemic. There was agreement to proceed with the implementation of the urgent and priority elements of the COVID-19 response plan by allocating sufficient resources for critical healthcare, emergency services, and social protection as per the supplementary 2020 budget.

- The authorities are scaling up the targeted cash transfer scheme to the poor and vulnerable from 34,000 households in March to a target of 55,000 households by end-October (new structural benchmark, SB), 70,000 households by end-2020 and 100,000 by end-2021 (representing close to 700,000 people). This should be achieved by expanding both the social registry of vulnerable households and the cash transfer program to cover the whole territory, with support from the World Bank.[8] A temporary scheme also provided emergency food aid and cash support to over 200,000 households in July on the basis of the social registry and other local lists of vulnerable households.

- To support affected economic sectors, including informal activities, the authorities are setting up, with donor support, a credit guarantee fund for businesses and SMEs by early 2021.

- Given limited fiscal space and high debt, the authorities have created room for emergency and social needs by cutting non-essential spending. In this regard, the supplementary 2020 budget cut goods and services appropriations across the board by about 10 percent and plans for national food stockpiling have been postponed.

Public Financial Management, Governance, Transparency, and Accountability

18. The authorities reiterated their commitment to the transparent use of COVID-19-related resources. The institutional framework was strengthened by the establishment of a national commission chaired by the finance minister and comprising representatives from parliament, the private sector, and civil society. The commission oversees the coordination, planning, and execution of the emergency response and is tasked with informing the public regularly on the status of COVID-19- related spending; it reports to an inter-ministerial committee chaired by the Prime Minister.

- The authorities also reconfirmed that all resources (including the social assistance fund) were channeled through the budget and concurred with the need to publish procurement contracts and to audit crisis mitigation spending as soon as possible and to publish the results. They established dedicated budget lines to facilitate tracking of funds through the existing IT system

[8] Expansion of the coverage of the social registry is underway, aimed at covering 200,000 households and facilitating better targeting of transfers using established poverty criteria.

to ensure that budgetary resources deployed for the emergency response flow through these budget lines and are recorded accordingly in the accounts (new SB).

- The authorities also agreed to publish the full text of procurement contracts related to crisis mitigation on the ministry of finance's website, with details including the names of the awarded companies and their beneficial owners, the specific nature of the goods or services procured and their price per unit, and ex-post validation of delivery. They will consider expanding those transparency measures to all procurement next year.

- Finally, the authorities will request that the Court of accounts regularly audit crisis-mitigation spending and publish results online by September 2021.

19. The authorities will seek to implement the recommendations from the Public Investment Management Assessment (PIMA), completed in January 2020, as capacity under the pandemic allows. Key reform areas identified include adopting multi-year budgeting for public investment, including maintenance; strengthening project appraisal and selection; and improving the procurement process. These reforms will be key to prioritizing growth-enhancing infrastructure projects and their timely implementation in coming years. The authorities will prioritize implementation of medium-term expenditure frameworks (MTEF) for 2021-23 in at least three of the most important ministries in terms of public investment; and use the MTEF to match investment expenditure with subsequent maintenance expenditure.

20. The authorities have requested a Governance Diagnostic mission from the Fund to help them identify areas for development and strengthen their governance and anti-corruption strategy.

Domestic Revenue Mobilization

21. The authorities reiterated their commitment to continue administrative efforts and reforms to broaden the tax base and improve tax compliance. Greater tax revenue mobilization will be key to restoring fiscal space in the medium term, given the large spending needs. In the short term, the authorities intend to encourage large taxpayers to file and pay online and on time; consider making online filing mandatory and introducing a self-assessment system starting with large taxpayers. They will step up desk audits in replacement of field audits and continue implementing a compliance risk management function for large and medium taxpayers. They will continue to seek contributions from the rich segments of the population and businesses as a solidarity measure (already $17.8 million were collected, covering about 26 percent of the needs of the special social assistance fund). In the medium term, they intend to accelerate work on digitalized online payments of taxes and custom duties, as well as payments through banks, mobile phones or other electronic means, to support tax compliance and social assistance payments during the pandemic and beyond.

Debt Management and Transparency

22. There was agreement on the need to strengthen compilation and disclosure of external public sector debt to improve coverage and transparency. With support from the World Bank,

the authorities will publish annually a public debt bulletin with information on loan details (interest, maturity, and amount) by public sector borrowing entities (as per GFSM 2014), debt service profile, exchange rate fluctuations, and risk indicators.

B. Monetary, Exchange Rate, and Financial Sector Policies

23. The monetary policy stance has been broadly appropriate. The reduction in reserve requirements in March alleviated mounting liquidity pressures while the policy rate remained positive in real terms despite being lowered by 150 basis points. Under the ECF-supported program, the BCM has been gradually reforming its monetary and exchange rate policy framework, with Fund technical assistance. Nevertheless, the collateral eligible for monetary operations, currently limited to government securities, is scarce and plans to extend it to bank credits have yet to be operationalized; this limits banks' de facto access to standard liquidity injection operations (Figure 6). Moreover, the absence of active liquidity management and an interbank market reduces the effectiveness of the interest rate instrument. Before the pandemic, the BCM had provided emergency liquidity assistance to two banks, but in limited volumes.

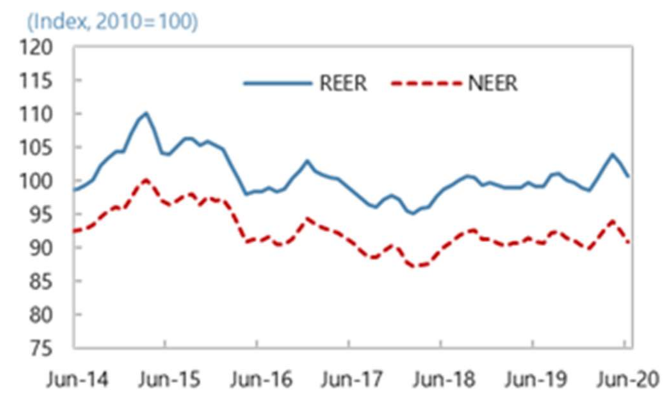
24. The BCM has continued to strengthen the prudential and supervisory framework for banks. Under the program, the central bank tightened regulatory standards for capital adequacy and liquidity, applicable from January 2020, and banks were required to raise their minimum capital by two-thirds; 13 out of 18 banks have complied so far and the remaining cases are being addressed. The BCM improved banks' governance by strengthening the terms of reference of banks' external auditors and mandated their pre-certification (SB for December 2019). The BCM also instructed banks to transfer fully provisioned NPLs out of their balance sheets after five years (SB for March 2020) and adopted a new set of regulatory sanctions applicable to banks, with a view to modernizing the supervisory framework and making it more effective (SB for June 2020). Before the end of the year, it will require every bank to establish credit, audit, and risk committees and will tighten the selection criteria for board members, in line with the new banking law, to mitigate conflicts of interest.

25. There was broad agreement to continue to conduct prudent, data-dependent monetary policy aimed at addressing liquidity pressure while closely monitoring banking sector soundness and exchange rate and inflation developments. The BCM stands ready to provide emergency liquidity assistance to solvent banks and the authorities are considering options to provide targeted support for households and SMEs facing loan servicing problems, including through a credit guarantee scheme currently prepared with the World Bank by early 2021 (in this regard, staff recommended that guarantees be provided by the government rather than the central bank). Staff welcomed the close monitoring of bank developments and discouraged the BCM from relaxing prudential requirements, loan classification, and provisioning rules. The BCM should subject banks with limited buffers or already non-compliant to targeted measures, including submitting credible capital restoration plans with restrictions on dividend distributions, while allowing banks with sufficient capital and liquidity buffers to use those to absorb credit losses. It should also proceed

with reforms of the collateral framework to address structural impediments for monetary policy transmission, despite delays due to the pandemic.

26. The authorities saw limited scope to using the exchange rate in the current circumstances. Staff acknowledged that while some exchange rate flexibility might help absorb the shock in the medium term, in the short term it would further depress domestic demand through its impact on food prices while providing limited short-term stimulus given the lack of immediately available non-extractive export potential. Furthermore, it may pose risks to financial stability given the short net open FX positions that have emerged in some banks due to the drop in fishing exports; in this regard, the BCM should enforce full compliance with limits on net open FX positions after the COVID-19 shock. The 2019 Article IV found that the real exchange rate continued to be somewhat overvalued, but with considerable uncertainty; the REER has remained broadly stable since then. Under the circumstances, there was agreement that in the short term, the BCM should continue to act as the main supplier of FX in the official market while calibrating its interventions to preserve FX reserves.

Real and Nominal Effective Exchange Rate



Sources: Mauritanian authorities; and IMF staff calculations.

27. Staff encouraged the BCM to continue on its course to adopting International Financial Reporting Standards (IFRS)—an outstanding recommendation from the 2018 safeguards assessment. The BCM prepared and published IFRS *pro forma* FY 2019 financial statements in June 2020 (SB). The next step will be to implement a new information and accounting system by end-2020 which would allow finalizing the transition to IFRS in 2021 (MEFP ¶19).

PROGRAM AND OTHER ISSUES

28. Performance under the program was strong. All program targets for the current (fifth) review were met. In particular, all end-December 2019 performance criteria (PCs)—relevant for the fifth review—were met (MEFP Table 1);[9] all four end-December 2019 SBs were met or implemented with delay as the draft law on bank loan recovery was only sent to parliament in July 2020; and all four end-March 2020 SBs were met or implemented with delay (MEFP Table 2). Regarding targets relevant for the next (sixth) review, the two June 2020 SBs were met and preliminary data suggest that all end-June PCs will likely be met.

[9] The Board approved the authorities' request for a waiver for the non-observance in August 2019 of the continuous PC on non-concessional borrowing in December 2019 (IMF Press Release No. 19/453).

29. Forward-looking indicative targets were recalibrated in line with the updated macroeconomic framework, while structural conditionality was streamlined. Given the likely deterioration in external and fiscal balances in H2 2020, new September 2020 indicative targets and informal end-2020 quantitative targets were set to guide the authorities' policies during the second half of the year and ensure that program objectives are met, including an increase in the floor for social spending.[10] The zero non-concessional borrowing PC remains in place to prevent contracting expensive debt given the high risk of debt distress. Several of the SBs initially planned for October can no longer be achieved due to administrative capacity constraints and priorities during the pandemic and were replaced by new benchmarks:

- In the fiscal area, there was agreement to drop the SBs on (i) program budgeting (October 2020), as work has been suspended and will more likely take place in 2021 and (ii) tax audits (September 2020) given limited scope for onsite controls even though desk audits will continue.

- At the same time, two new SBs were set on (i) establishing dedicated budget lines to ensure that budgetary resources deployed for the emergency response are clearly accounted for (September 2020) and (ii) scaling up the targeted cash transfer scheme from 34,000 households in March to 55,000 poor and vulnerable households (October 2020).

- The work program seeking to establish an interbank FX market—and ultimately to introduce regular competitive FX auctions and discontinue ad hoc interventions—was put on hold as the BCM confined most of its staff and foreign experts were unable to travel. Consequently, the four relevant SBs were streamlined into a single intermediary step, namely finalizing the terms of reference for procurement of the FX interbank market platform with AfDB financing and procurement rules (SB for September 2020). The authorities remain firmly committed to finalizing the FX market reforms in 2021.

30. The authorities requested a front-loaded augmentation of access under the ECF of SDR 20.24 million (about 15.7 percent of quota, or $28 million), to address higher-than-anticipated financing needs. Completion of the fifth review would allow a disbursement of SDR 36.8 million (28.6 percent of quota, $51 million). Staff found the augmentation to be justified by the external and budget financing needs due to larger deficits and lower expected donor financing, the strength of the program, the capacity to repay and outstanding credit, and a strong track record. Added to the access already foreseen under the ECF, the augmentation would bring annual access under the PRGT to 115.7 percent of quota[11] and total access under the three-year ECF to 105.7 percent. Overall, the Fund would cover about 48 percent of the projected financing gap this year, the same share as envisaged at the time of the RCF in April.

[10] Formal end-2020 cannot be set since they fall beyond the duration of the three-year arrangement.

[11] Including the April RCF disbursement (74.3 percent of quota), the two prospective ECF disbursements (25.7 percent in total), and the prospective ECF augmentation (15.7 percent). Access over a 36-month period would not exceed the high access threshold of 180 percent of quota and outstanding credit would peak at 193.7 percent of quota.

31. The authorities asked for the remaining ECF disbursements to be on-lent to the treasury to cover the budgetary needs generated by the pandemic. Updated projections suggest a larger fiscal financing gap, and frontloading is needed to address the urgent need to ramp up social and public health spending, which the domestic banking system is not expected to be able to cover without crowding out private sector credit. To allow the ECF disbursements to finance the budget, a memorandum of understanding was signed between the Ministry of Finance and the BCM on their respective responsibilities for servicing financial obligations to the Fund. The authorities have committed to undergoing a safeguards assessment update to be completed before Board approval of any subsequent arrangement and to provide staff with the necessary audit reports and authorize the external auditors of the BCM to hold discussions with staff; the last safeguards assessment was completed in May 2018.

32. Capacity to repay the Fund remains adequate and the program is fully financed this year, but financing needs will continue to be large in the years ahead. Credit outstanding to the Fund would peak at SDR 249.5 million in 2020 (31 percent of gross international reserves, 4.6 percent of GDP) while debt service to the Fund would remain manageable, peaking at 1.9 percent of exports (4.2 percent of GIR) in 2026 (Table 7). However, a more prolonged pandemic or the materialization of some of the risks identified would strain capacity to repay. The program is fully financed this year by already disbursed or expected donor financing,[12] but additional external financing will need to be identified to cover potential gaps in 2021. Despite a high risk of debt distress, public debt is sustainable (see separate DSA report). However, the high overall debt service in 2021–25—particularly the repayment of the Saudi deposit which will absorb 0.9 percent of GDP annually—is a source of high risk of debt distress which will place considerable strains on external stability.

STAFF APPRAISAL

33. The COVID-19 pandemic is having a dramatic human, economic and social impact on Mauritania. The short-term economic outlook has weakened owing to the sharp deterioration in global economic conditions and the impact of containment measures. While the outlook is subject to considerable uncertainty, the economy is projected to contract by 3.2 percent this year, causing severe hardships for the population, while the overall budget deficit could widen to close to 4 percent of GDP, giving rise to large balance of payments and fiscal financing needs. Risks are tilted to the downside given the uncertainty around a more protracted global and domestic COVID-19 outbreak, which could cause a much steeper economic decline this year, possibly continuing into next year, and a more gradual recovery thereafter.

34. Staff welcomes the authorities' swift response to contain and mitigate the effects of the pandemic. Prioritizing health spending and targeted support to the most vulnerable households and sectors in the economy is appropriate and should continue. Implementation of the national COVID-19 response plan should proceed expeditiously as per the 2020 supplementary budget, with

[12] With grants expected from the World Bank, EU, AfDB, France, and other as well as debt service suspension under the DSSI.

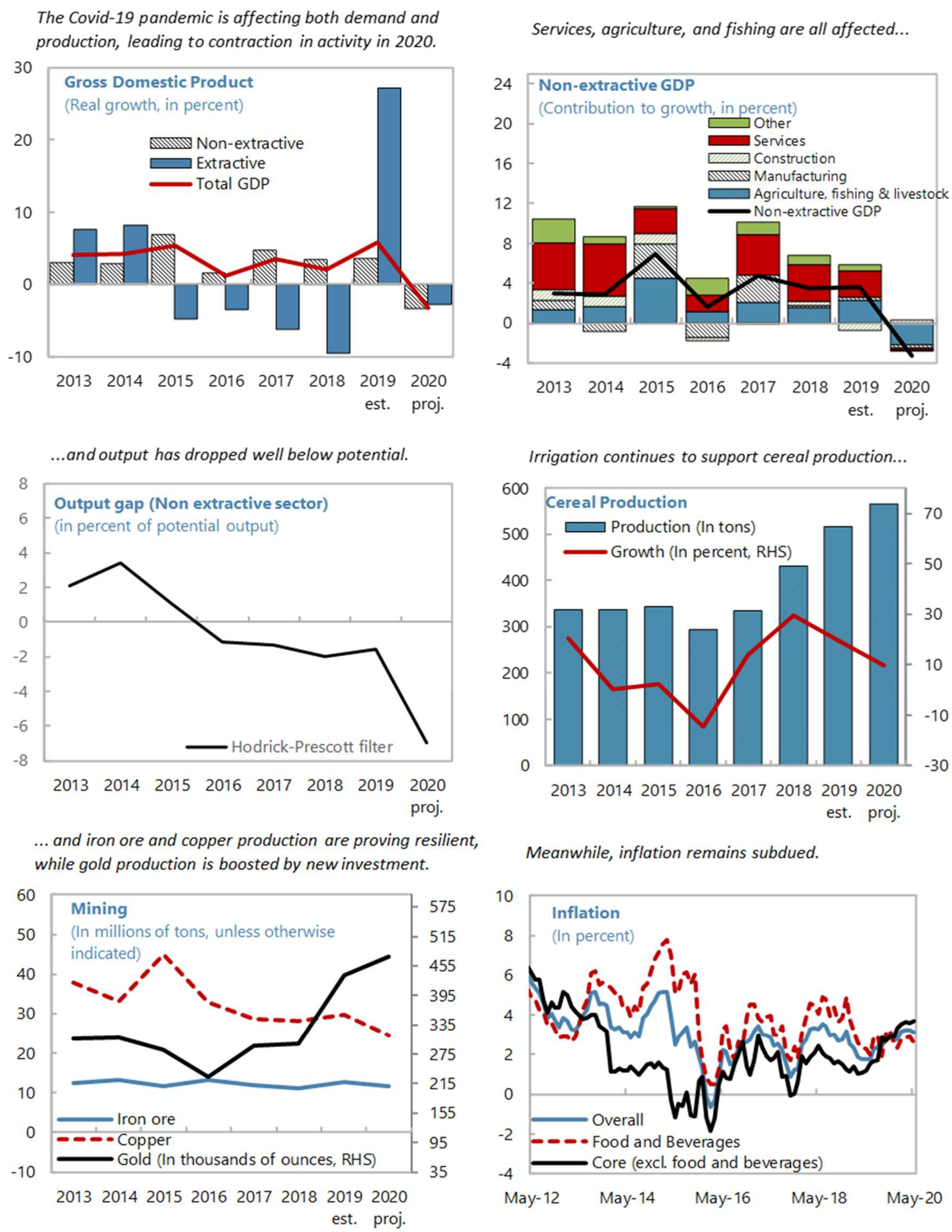
a view to effectively mitigate the impact of the shock. The temporary loosening of the policy stance is justified. Careful monitoring of banking sector developments is needed to ensure financial stability. If the crisis deepens, the authorities may need to scale up their response, ensuring timely, temporary, and targeted measures to safeguard fairness and public finances. Staff welcomes the authorities' commitment to channel all crisis-related spending through the budget and to track, account for, and report in a transparency manner on the use of emergency resources, as well as to audit crisis mitigation spending as soon as possible and publish the results.

35. Staff welcomes the authorities' continued commitment to the objectives of the medium-term economic reform program supported by the ECF arrangement. The program aims at creating fiscal space by mobilizing domestic revenues and strengthening public financial management with a view to increasing priority spending on education, health, social protection, and infrastructure while maintaining prudent borrowing policies to preserve debt sustainability. Program conditionality has been adapted and streamlined in response to the challenging environment while maintaining the momentum for reforms set in motion during the first two years of the program. While it is regrettable that the foreign exchange market reform was interrupted due to capacity constraints during the pandemic, the authorities' commitment to resume reforms as a priority once the crisis subsides. New structural benchmarks crystalize the authorities' commitments on targeted social transfers and transparent use of emergency funds.

36. The authorities' commitment to medium-term fiscal and debt sustainability by returning to primary surpluses as conditions normalize is welcome. The updated DSA confirms that debt remains sustainable even under the new, more negative outlook, but the external and overall risk of debt distress remains high. The significant grants, concessional financing, and debt service suspension provided by the international community are critical to closing the financing gaps this year and helping Mauritania respond effectively to the COVID-19 crisis. Further external support will be needed to close prospective financing gaps in 2021. The authorities are encouraged to seek additional grants and concessional resources from development partners to address fiscal pressures, maintain buffers, and safeguard debt sustainability. While the proceeds of the deposit from Saudi Arabia at the BCM were on-lent to the government in 2020, it will be important that they only be used as a last resort in the context of the COVID-19 crisis.

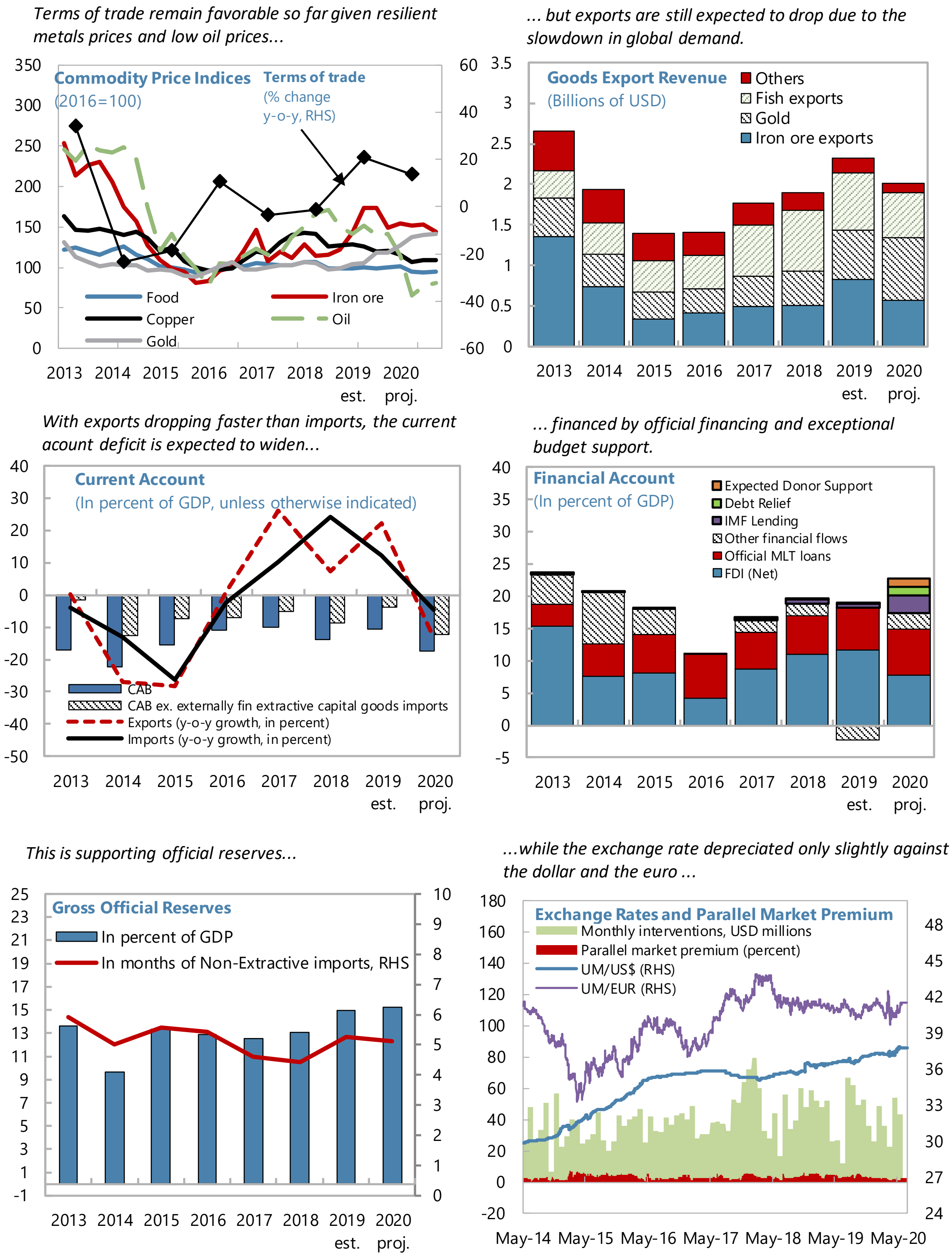
37. Program performance has been strong; staff supports the completion of the fifth review under the ECF arrangement and the authorities' request for augmentation of access. Program objectives have been broadly met and the authorities are staying the course on policy and reform implementation, despite some delays given the circumstances under the pandemic. Access is justified by the large and urgent balance of payments needs arising from the severe impact of the pandemic, the authorities' existing and prospective policies to address this external shock, and their strong track record which will mitigate risks for the Fund. Given the large fiscal financing needs, staff supports the request that the remaining ECF disbursements be made in the form of budget support. The attached Letter of Intent and Memorandum of Economic and Financial Policies set out appropriate policies to continue and reinforce the program's objectives, adapted to the new circumstances of the COVID-19 pandemic.

Figure 2. Mauritania: Real Sector Developments, 2013–20



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

Figure 3. Mauritania: External Sector Developments, 2013–20

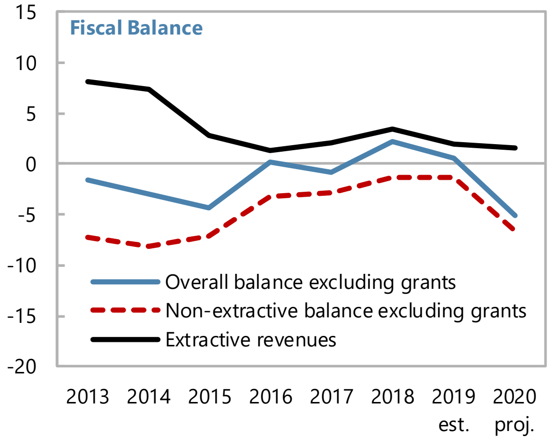


Sources: Mauritanian authorities; and IMF staff estimates. and projections.

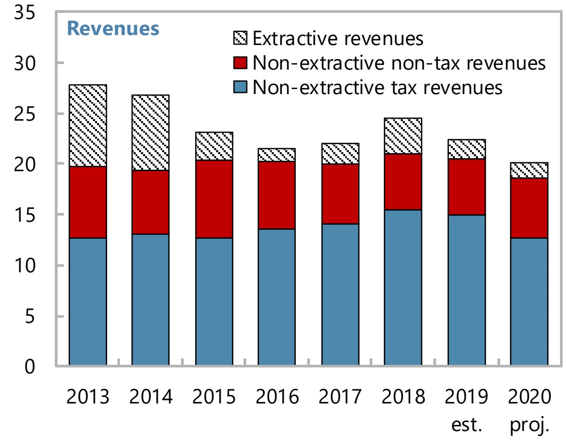
Figure 4. Mauritania: Fiscal Sector Developments, 2013–20

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

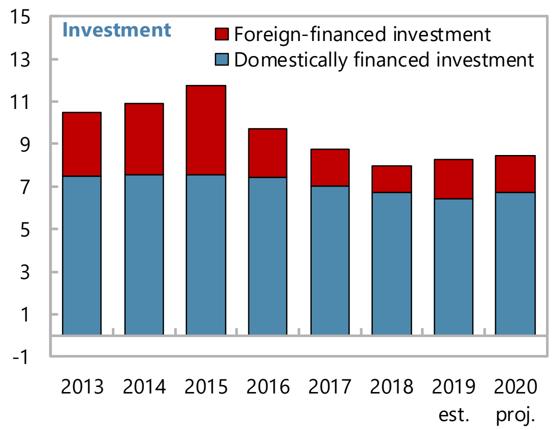
The Covid-19 pandemic is causing a sharp deterioration in fiscal balances.



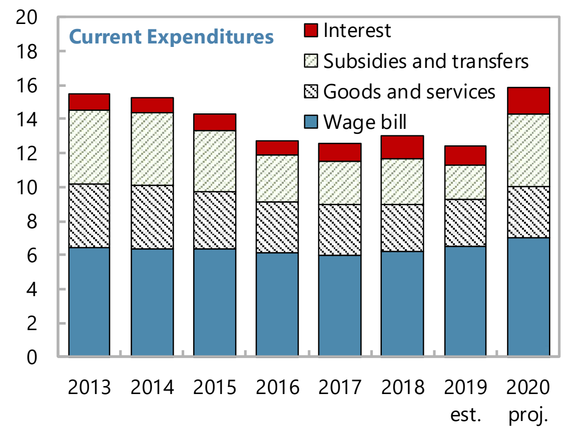
The economic contraction is mainly affeccting non-extractive tax revenues...



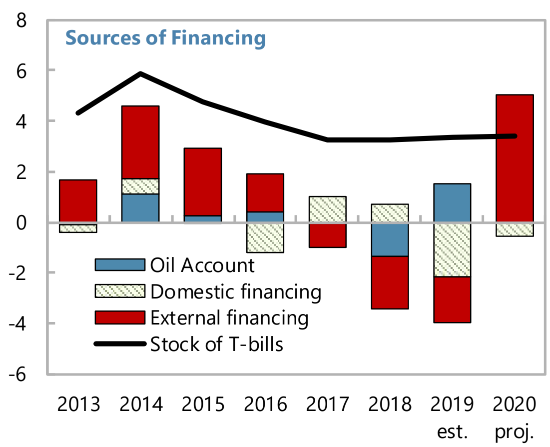
...while public investment, including emergency programs, is expected to be protected in 2020.



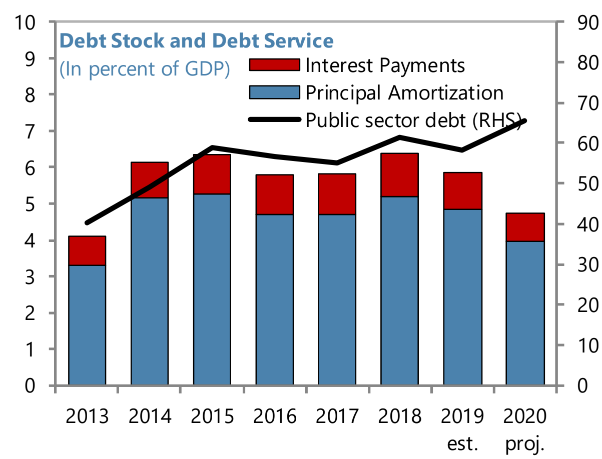
The emergency response is also leading to higher current spending on health and social protection.



The fiscal deficit is pushing up financing needs...



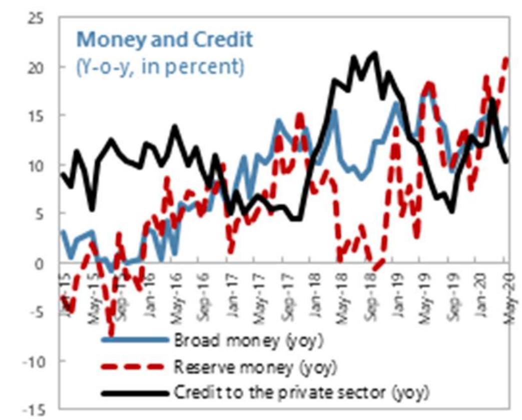
... while public debt service is reduced by the DSSI.



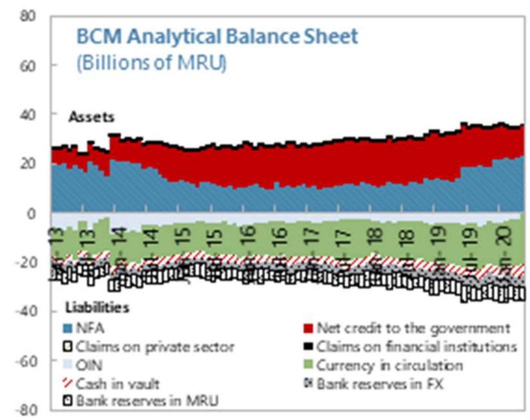
Sources: Mauritanian authorities; and IMF staff estimates and projections.

Figure 5. Mauritania: Monetary Sector Indicators, 2013–20

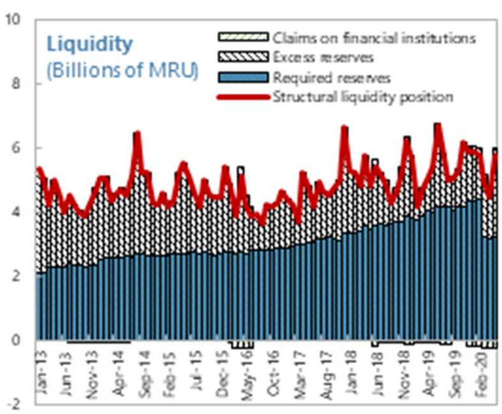
Broad money and credit growth remained strong…



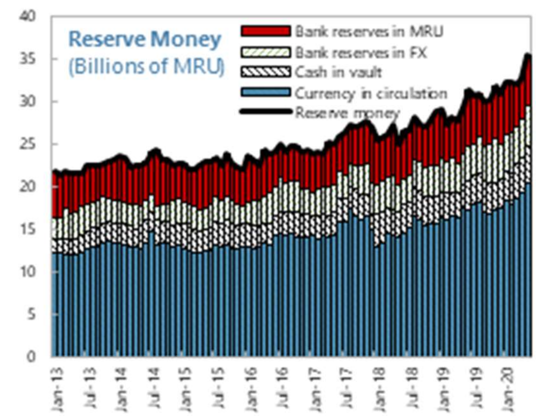
…despite the relatively stable central bank balance sheet…



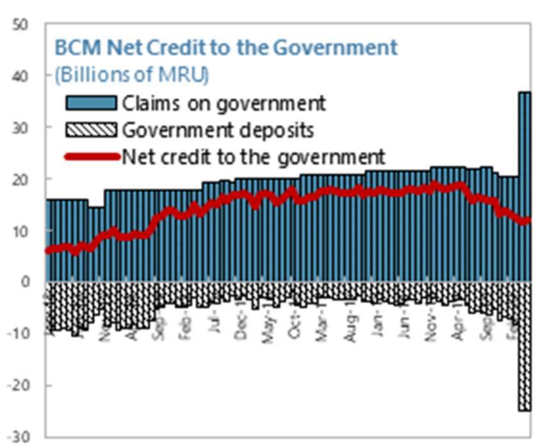
…and a liquidity contraction in March-April…



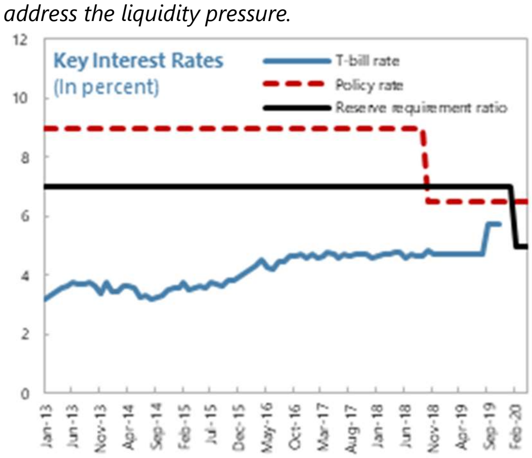
…mainly triggered by an acceleration of the currency in circulation



…while the net claims on government stabilized.



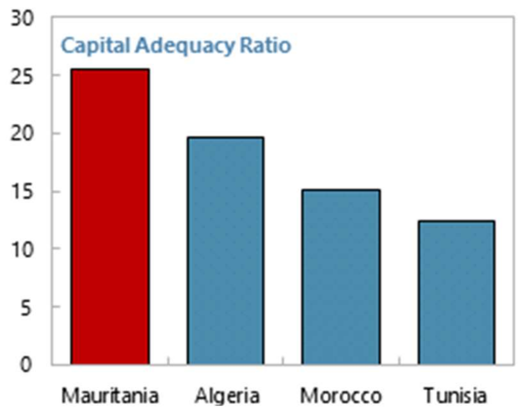
The BCM decreased the reserve requirement ratio to address the liquidity pressure.



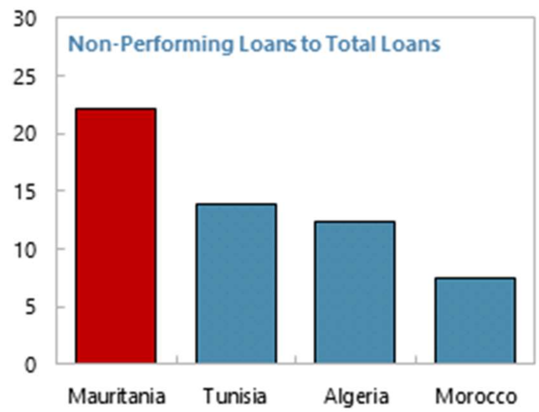
Sources: Mauritanian authorities and IMF staff calculations.

Figure 6. Mauritania: Financial Sector Indicators

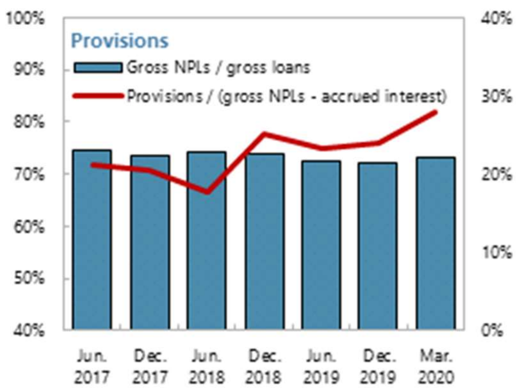
System-wide capital adequacy is high but there are differences across banks.



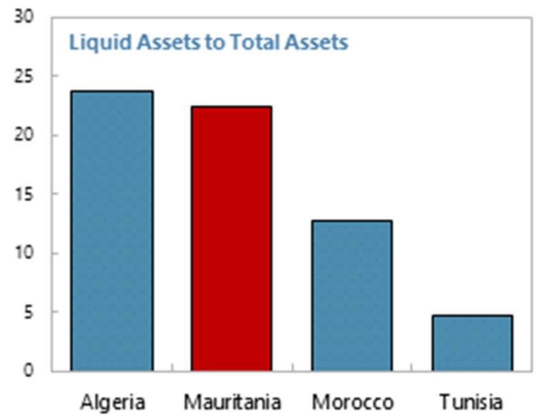
Asset quality is weaker than peers…



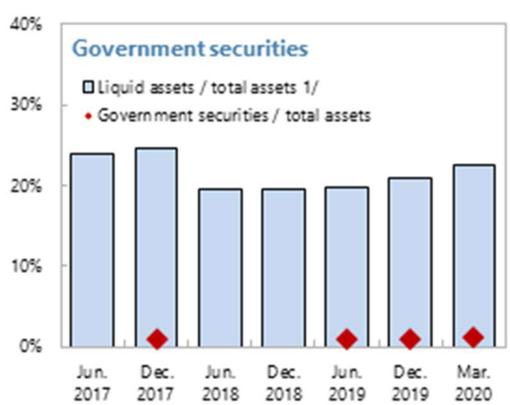
…but provisions strengthening.



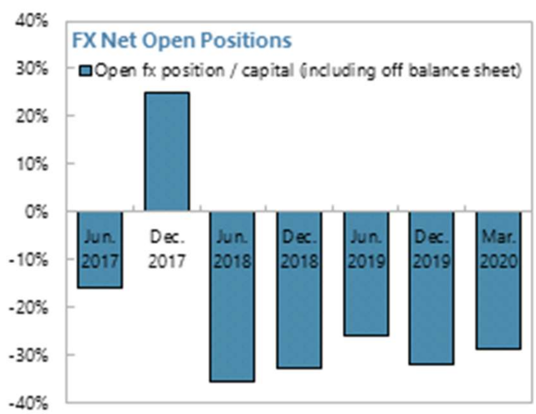
Liquid assets are comfortable, due to the level of bank reserves…



…but banks' holdings of government securities are low and collateral scarce…

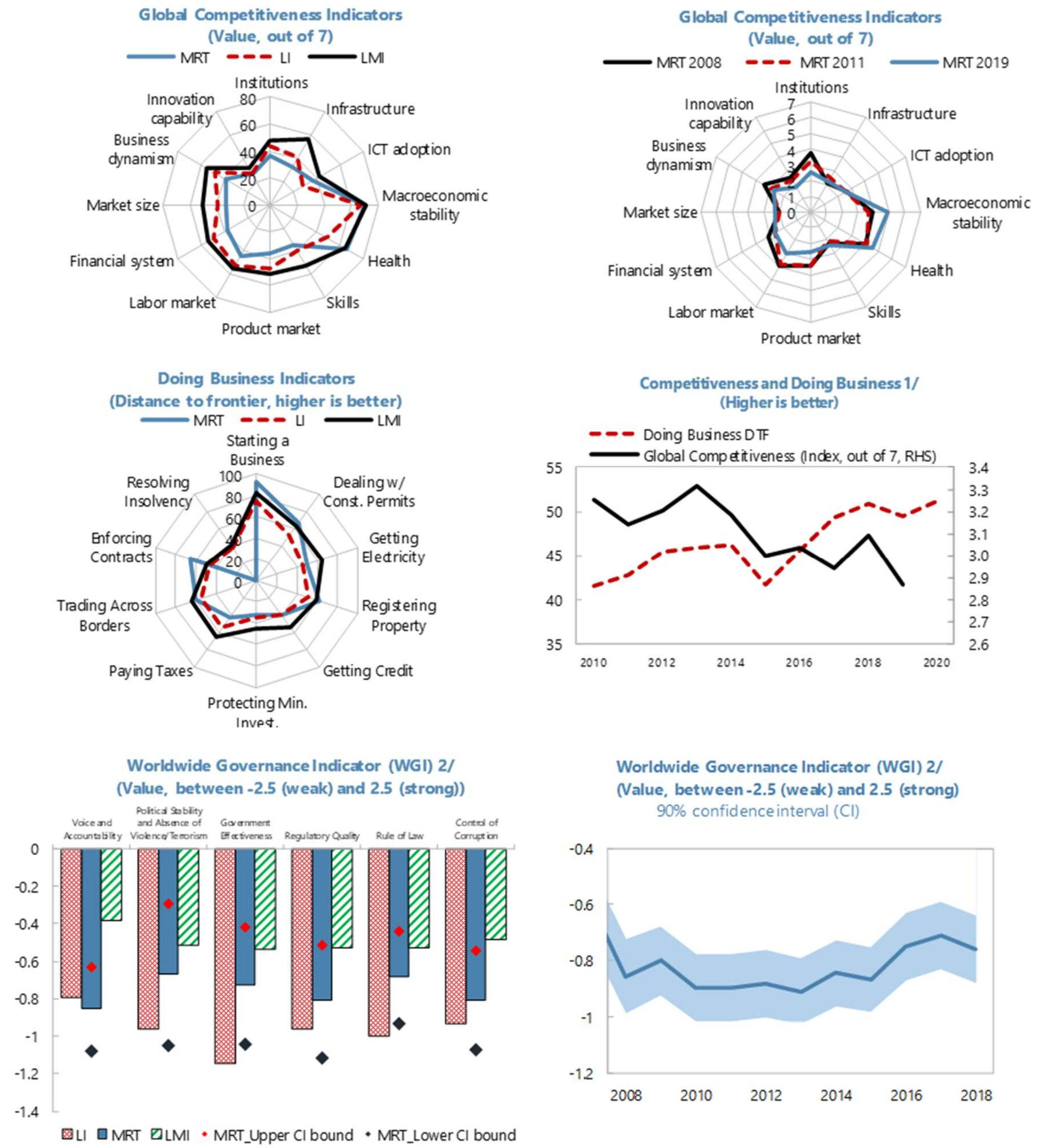


…and banks' short FX net open positions large.



Sources: national authorities and IMF staff calculations.
Notes: ratios follow national standards, and observations are in: March 2020 for Mauritania, 2017 for Algeria, June 2019 for Morocco, and September 2019 for Tunisia.
1 / Liquid assets in Mauritania: cash, reserves, and treasury bills.

Figure 7. Mauritania: Business and Governance Indicators, 2008–20



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

Table 1. Mauritania: Macroeconomic Framework, 2016–25

Poverty rate: 31 percent (2014)
Population: 4.4 million (2018)

Quota: SDR 128.8 million
Main exports: iron ore, fish, gold - mainly to China and EU

	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025
				Est.	4th Rev.	RCF	Proj.			Proj.		
					(Annual change in percent; unless otherwise indicated)							
National accounts and prices 1/												
Real GDP	1.3	3.5	2.1	5.9	6.3	-2.0	-3.2	2.0	4.2	6.1	5.2	4.3
Real extractive GDP	-3.4	-6.2	-9.5	27.2	10.2	-1.4	-2.7	2.3	6.7	16.4	8.2	1.9
Real non-extractive GDP	1.6	4.7	3.5	3.6	5.8	-2.1	-3.3	2.0	3.7	4.0	4.5	4.8
Real GDP per capita	-1.1	1.2	-0.2	3.6	4.1	-4.2	-5.4	-0.2	1.9	3.9	3.0	2.1
Iron ore production (million tons)	13.3	11.8	11.1	12.7	14.5	12.0	11.7	12.0	13.1	13.2	13.1	13.5
GDP deflator	11.2	3.7	1.8	4.7	2.9	4.1	5.5	4.1	3.5	3.2	3.3	2.5
Nominal GDP	12.6	7.3	4.0	10.9	9.4	2.0	2.1	6.2	7.8	9.5	8.7	6.8
Consumer prices (period average)	1.5	2.3	3.1	2.3	3.4	3.9	3.9	4.5	4.0	4.0	4.0	4.0
Consumer prices (end of period)	2.8	1.2	3.2	2.7	4.0	5.0	5.0	4.0	4.0	4.0	4.0	4.0
					(In percent of GDP)							
Savings and Investment												
Gross investment	26.0	28.3	26.8	44.9	50.2	41.4	42.0	43.8	41.2	34.9	32.0	32.0
Gross national savings	28.2	31.0	29.4	34.3	29.5	24.1	24.7	25.3	26.7	28.3	27.0	27.8
Saving - Investment balance	2.2	2.8	2.5	-10.6	-20.7	-17.3	-17.3	-18.5	-14.5	-6.6	-5.0	-4.3
					(In percent of nonextractive GDP; unless otherwise indicated)							
Central government operations												
Revenues and grants	23.1	22.8	25.0	24.3	29.9	21.6	20.7	22.0	22.6	23.2	23.4	23.3
Nonextractive	20.2	20.0	21.0	20.5	26.8	19.4	18.6	20.0	20.3	20.4	20.3	20.4
Taxes	13.6	14.1	15.5	14.9	20.8	13.8	12.7	14.7	14.9	15.0	15.1	15.1
Extractive	1.3	2.0	3.5	1.9	2.2	1.6	1.5	1.6	1.9	2.4	2.7	2.6
Grants	1.6	0.8	0.5	1.9	0.9	0.6	0.6	0.4	0.4	0.4	0.4	0.4
Expenditure and net lending	23.5	22.9	22.3	21.8	29.5	25.6	25.2	23.0	22.8	23.3	23.5	23.4
Of which: Current	13.8	14.0	14.3	13.7	18.9	17.9	16.7	14.3	13.9	13.9	13.9	13.7
Capital	9.7	8.7	8.0	8.3	10.6	7.7	8.5	8.7	8.8	9.3	9.6	9.7
Primary balance (excl. grants)	-1.1	0.2	3.5	1.7	1.1	-3.2	-3.6	0.0	0.7	0.8	0.9	0.9
Non-extractive primary balance (excl. grants)	-2.4	-1.8	0.1	-0.2	-1.1	-4.8	-5.1	-1.6	-1.1	-1.6	-1.9	-1.7
Overall balance (in percent of GDP)	-0.4	0.0	2.5	2.1	0.3	-3.4	-3.8	-0.8	-0.2	-0.1	-0.1	0.0
Public sector debt (in percent of GDP) 2/	72.3	69.6	75.8	71.4	96.2	81.5	79.5	79.5	77.6	73.9	70.4	67.4
Public sector debt (in percent of GDP) 2/ 3/	56.6	55.1	61.4	58.1	78.9	67.8	65.8	66.1	64.9	62.0	59.2	57.2
					(Annual change in percent; unless otherwise indicated)							
Money												
Broad money	7.1	13.7	13.8	11.8	11.4	3.0	2.1	7.8	9.0	8.2	8.8	9.1
Credit to the private sector	8.1	7.5	19.4	12.9	12.3	5.1	4.3	10.0	11.4	10.8	11.3	12.2
External sector												
Exports of goods, f.o.b.	0.9	26.1	7.3	22.3	4.0	-12.2	-13.4	10.1	6.6	15.7	5.9	3.5
Imports of goods, f.o.b.	-2.5	10.2	24.2	12.3	15.9	-4.0	-4.7	4.2	-1.0	-4.8	0.4	2.0
Terms of trade	10.7	-3.5	-1.2	20.7	-0.5	10.3	13.5	3.4	0.9	1.9	2.1	-1.2
Real effective exchange rate	-5.7	-1.7	-0.3	1.6	...	...	...	...	...	...	...	...
Current account balance (in percent of GDP)	-11.0	-10.0	-13.8	-10.6	-20.7	-17.3	-17.3	-18.5	-14.5	-6.6	-5.0	-4.3
Excl. externally financed extractive capital imports	-7.0	-5.0	-8.6	-3.6	-11.5	-12.1	-12.2	-12.6	-9.6	-5.2	-4.3	-3.4
Gross official reserves (in millions of US$, eop) 4/	824	849	918	1,135	1,181	1,136	1,135	1,134	1,164	1,159	1,205	1,341
In months of prospective non-extractive imports	5.4	4.6	4.4	5.3	5.6	5.2	5.1	5.0	4.9	5.0	5.1	5.4
External public debt (in millions of US$)	4,348	4,567	4,608	4,704	4,907	5,263	5,158	5,276	5,355	5,406	5,419	5,459
In percent of GDP	67.8	67.3	65.4	61.9	83.0	71.0	69.4	69.8	67.7	63.8	60.1	57.8
External public debt (in millions of US$) 3/	3,355	3,573	3,614	3,710	3,913	4,269	4,164	4,282	4,361	4,412	4,426	4,465
In percent of GDP	52.3	52.7	51.3	48.8	66.2	57.6	56.1	56.7	55.1	52.0	49.1	47.3
Memorandum items:												
Nominal GDP (in billions of MRU) 1/	225.5	241.9	251.5	278.9	228.4	284.4	284.8	302.4	326.1	357.0	388.2	414.7
Nominal non-extractive GDP (in billions of MRU) 1/	200.0	216.2	227.0	237.0	194.4	240.9	238.9	252.9	271.2	291.0	314.4	336.9
Nominal GDP (in millions of US$) 1/	6,414	6,784	7,048	7,600	5,912	7,417	7,428	7,554	7,915	8,477	9,021	9,436
Nominal GDP (US$, annual change in percent)	3.8	5.8	3.9	7.8	4.8	-2.4	-2.3	1.7	4.8	7.1	6.4	4.6
Exchange rate (MRU/US$)	35.2	35.7	35.7	36.7	...	...	...	...	...	...	...	...
Price of oil (US$/barrel)	42.8	52.8	68.3	61.4	57.9	35.6	36.2	37.5	40.8	43.6	46.0	48.2
Price of iron ore (US$/Ton)	58.6	71.1	70.1	93.6	76.4	74.0	77.0	75.0	75.0	75.0	75.0	75.0
Price of gold (US$/Ounce)	1,248	1,257	1,269	1,392	1,531	1,640	1,699	1,767	1,780	1,803	1,822	1,840

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

1/ New rebased GDP series, higher by 35 percent in 2018, published by the authorities in April 2020 (IMF Country Report No. 20/140, Box 1).

2/ Including government debt to the central bank recognized in 2018.

3/ Excluding passive debt to Kuwait under negotiation.

4/ Excluding the hydrocarbon revenue fund.

Table 2. Mauritania: Balance of Payments, 2016–25
(In millions of U.S. dollars, unless otherwise indicated)

	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025
				Est.	4th Rev.	RCF	Proj.			Proj.		
Current account balance	-707	-681	-976	-805	-1,222	-1,287	-1,285	-1,399	-1,146	-557	-451	-405
Excl. externally financed extractive capital imports	-451	-337	-606	-277	-678	-897	-908	-954	-763	-442	-384	-322
Trade balance	-499	-327	-706	-605	-542	-770	-776	-692	-515	-7	145	193
Exports, fob	1,401	1,767	1,895	2,318	2,395	2,035	2,008	2,211	2,357	2,727	2,888	2,990
Of which: Iron ore	418	496	508	831	691	556	564	563	615	619	615	633
Hydrocarbons	87	65	11	0	0	0	0	0	0	326	504	502
Copper	138	139	148	145	118	99	106	84	55	38	0	0
Gold	289	370	420	596	723	772	780	859	925	941	905	927
Fish	421	625	750	712	763	569	550	652	678	681	710	738
Imports, fob	-1,900	-2,094	-2,601	-2,923	-2,937	-2,805	-2,784	-2,903	-2,872	-2,734	-2,743	-2,797
Of which: Food	-334	-391	-495	-484	-480	-590	-580	-552	-527	-541	-514	-500
Petroleum	-355	-445	-624	-585	-585	-396	-416	-485	-518	-539	-555	-580
Capital goods	-538	-523	-558	-825	-790	-714	-651	-725	-637	-344	-280	-282
Services and income (net)	-452	-623	-471	-550	-869	-650	-642	-842	-772	-700	-741	-745
Services (net)	-335	-526	-432	-459	-914	-640	-625	-825	-798	-722	-603	-680
Credit	270	230	250	319	180	219	219	228	237	246	257	280
Debit	-605	-756	-682	-778	-1,094	-860	-845	-1,053	-1,034	-968	-861	-960
Income (net)	-117	-97	-38	-91	45	-9	-16	-17	26	22	-138	-65
Credit	59	71	80	86	172	154	156	161	160	164	168	182
Debit	-176	-168	-119	-177	-127	-164	-172	-178	-134	-142	-306	-246
Current transfers (net)	245	269	202	349	188	133	133	135	141	150	146	148
Private unrequited transfers (net)	75	93	97	109	119	52	52	65	68	71	66	69
Official grants	170	175	104	240	69	81	81	70	73	80	80	79
Capital and financial account	492	806	1,008	864	1,275	941	914	1,394	1,292	681	655	659
Capital account	8	11	19	24	0	0	0	0	0	0	0	0
Financial account	483	795	989	840	1,275	941	914	1,394	1,292	681	655	659
Foreign direct investment (net)	271	588	772	884	937	594	580	1,120	1,071	620	427	493
Official medium- and long-term loans	205	89	83	125	164	157	151	151	152	98	125	121
Disbursements	322	242	253	316	355	348	341	356	349	295	310	321
Of whch: GTA gas project	0	0	0	27	131	124	117	96	64	0	0	0
Amortization	117	153	169	191	191	191	189	205	198	197	185	200
SNIM medium- and long-term loans	-60	-63	-63	-64	51	51	43	-15	-2	-43	17	25
Other financial flows	68	180	196	-105	123	139	139	137	72	7	86	20
Errors and omissions	135	-82	159	25	0	0	0	0	0	0	0	0
Overall balance	-80	43	191	84	52	-346	-371	-5	146	124	204	254
Financing	80	-43	-191	-83	-52	153	276	-75	-146	-124	-204	-254
Net foreign assets	80	-49	-195	-88	-52	153	180	-75	-112	-90	-170	-254
Central bank (net)	-21	-8	-57	-198	-52	153	180	-75	-105	-66	-133	-219
Assets (negative=accumulation of reserves)	-2	-26	-70	-219	-76	0	0	1	-30	5	-46	-137
Liabilities	-19	17	13	21	23	153	180	-76	-75	-72	-87	-82
Use of Fund resources	0	23	47	46	46	175	203	0	0	0	0	0
ECF (prospective)	0	23	47	46	46	45	73	0	0	0	0	0
RCF	…	…	…	…	…	130	130	0	0	0	0	0
Other	-19	-6	-34	-24	-23	-22	-23	-76	-75	-72	-87	-82
Commercial banks (net)	77	-18	-44	25	0	0	0	0	0	0	0	0
Hydrocarbon revenue fund (net)	24	-22	-93	85	0	0	0	0	-8	-24	-37	-35
Exceptional financing (HIPC debt relief, DSSI)	0	5	4	5	0	0	96	0	-34	-34	-34	0
Expected official grants 1/	0	0	0	0	0	0	95	0	0	0	0	0
Residual financing gap	0	0	0	0	0	193	0	80	0	0	0	0
Memorandum items:												
Current account balance (in percent of GDP)	-11.0	-10.0	-13.8	-10.6	-20.7	-17.3	-17.3	-18.5	-14.5	-6.6	-5.0	-4.3
Excl. externally financed extractive capital imports	-7.0	-5.0	-8.6	-3.6	-11.5	-12.1	-12.2	-12.6	-9.6	-5.2	-4.3	-3.4
Trade balance (in percent of GDP)	-7.8	-4.8	-10.0	-8.0	-9.2	-10.4	-10.5	-9.2	-6.5	-0.1	1.6	2.0
Total external financing requirements (in percent of GDP)	13.8	13.2	17.2	14.0	24.9	20.7	20.7	22.0	17.6	9.4	7.1	6.4
External public debt (in millions of US$)	4,348	4,567	4,608	4,704	4,907	5,263	5,158	5,276	5,355	5,406	5,419	5,459
(in percent GDP)	67.8	67.3	65.4	61.9	83.0	71.0	69.4	69.8	67.7	63.8	60.1	57.8
External public debt service (millions of US$)	161	204	275	276	283	275	186	354	381	383	387	366
(in percent of revenue)	13.2	15.3	17.6	19.1	19.4	20.8	14.8	25.9	26.2	24.4	23.0	20.8
SNIM contribution to BOP (in millions of US$)	102	210	173	390	353	309	310	303	378	374	413	450
Gross official reserves (in millions of US$)	824	849	918	1,135	1,181	1,136	1,135	1,134	1,164	1,159	1,205	1,341
(in months of imports excluding extractive industries)	5.4	4.6	4.4	5.3	5.6	5.2	5.1	5.0	4.9	5.0	5.1	5.4
Hydrocarbon revenue fund	53	75	168	74	76	74	74	74	81	105	143	177
Nominal GDP (in millions of US$)	6,414	6,784	7,048	7,600	5,912	7,417	7,428	7,554	7,915	8,477	9,021	9,436

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

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

Table 3a. Mauritania: Central Government Operations, 2016–25

(In billions of MRU, unless otherwise indicated)

	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025
				Est.	4th Rev.	RCF	Proj.			Proj.		
Revenues and grants	46.1	49.3	56.8	57.5	58.2	52.1	49.5	55.7	61.2	67.4	73.6	78.6
Revenues	43.0	47.6	55.6	53.1	56.4	50.7	48.1	54.7	60.0	66.2	72.4	77.4
Nonextractive	40.5	43.3	47.7	48.5	52.1	46.8	44.4	50.7	54.9	59.2	63.9	68.7
Tax	27.2	30.5	35.2	35.4	40.5	33.2	30.3	37.2	40.5	43.7	47.6	51.0
Nontax	13.3	12.8	12.5	13.1	11.7	13.6	14.0	13.5	14.4	15.5	16.3	17.7
Extractive	2.5	4.3	7.9	4.6	4.3	3.9	3.7	4.1	5.1	7.0	8.5	8.7
Oil and gas	1.1	1.9	6.3	1.8	1.0	1.0	1.0	1.0	1.8	3.3	4.6	4.5
of which gas	...	...	...	0.0	0.0	0.0	0.0	0.0	0.6	2.1	3.3	3.1
Mining	1.4	2.5	1.6	2.8	3.3	2.9	2.7	3.1	3.3	3.7	3.9	4.2
Grants	3.1	1.7	1.2	4.4	1.7	1.4	1.4	1.0	1.1	1.2	1.2	1.2
Of which: Projects	0.6	0.6	1.0	1.8	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	47.0	49.4	50.6	51.6	57.4	61.7	60.2	58.1	61.7	67.8	74.0	78.8
Current	27.6	30.4	32.4	32.4	36.8	43.1	40.0	36.2	37.8	40.5	43.8	46.0
Compensation of employees	12.3	13.0	14.0	15.4	16.7	16.7	16.7	17.9	19.2	20.6	22.3	23.9
Goods and services	5.9	6.4	6.4	6.6	8.1	7.5	7.2	7.2	6.9	7.4	8.2	8.7
Subsidies and transfers 1/	5.6	5.5	6.0	4.8	6.2	13.4	10.2	5.6	5.7	6.1	6.6	6.6
Of which: Emergency program, incl. COVID-19	1.6	1.6	2.2	2.0	2.1	9.9	10.0	1.4	1.4	1.5	1.7	1.7
Energy subsidies	0.2	0.4	0.8	0.8	0.8	0.9	0.0	1.1	1.1	1.2	1.3	1.3
Arrears repayments	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	1.7	2.2	3.1	2.6	3.1	3.3	3.6	3.4	3.7	4.0	4.3	4.3
External (before DSSI)	1.3	1.8	2.6	2.2	2.2	2.3	2.3	2.1	2.3	2.4	2.6	2.4
Domestic	0.4	0.5	0.4	0.5	0.9	1.0	1.3	1.3	1.4	1.6	1.7	1.9
Special accounts	0.9	1.5	1.1	1.4	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Common reserves	1.1	1.1	1.2	1.4	2.0	1.5	1.5	1.4	1.5	1.6	1.8	1.9
Others	0.1	0.6	0.6	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	19.4	18.9	18.1	19.7	20.7	18.6	20.3	21.9	23.9	27.2	30.2	32.8
Foreign-financed	4.5	3.8	2.8	4.5	4.2	4.2	4.2	4.5	5.3	7.2	8.1	8.8
Domestically financed, incl. COVID-19	14.9	15.1	15.3	15.2	16.5	14.4	16.1	17.4	18.6	20.0	22.0	24.0
Net lending	0.0	0.2	0.2	-0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	-2.2	0.4	8.0	4.1	2.1	-7.7	-8.5	0.1	2.0	2.4	2.7	2.9
Primary balance (excl. grants, prog. def.) 2/	...	...	6.5	3.9	2.1	-7.7	-8.2	...	...	...	...	...
Primary balance	0.9	2.2	9.3	8.5	3.8	-6.3	-7.1	1.1	3.2	3.6	3.9	4.1
Overal balance (excl. grants)	-4.0	-1.8	5.0	1.5	-1.0	-11.0	-12.2	-3.4	-1.7	-1.5	-1.6	-1.4
Overall balance	-0.9	-0.1	6.2	5.9	0.7	-9.6	-10.8	-2.3	-0.5	-0.4	-0.4	-0.2
Financing	0.9	0.1	-6.2	-5.9	-0.7	9.6	10.8	2.3	0.5	0.4	0.4	0.2
Domestic	-2.4	2.2	1.6	-5.1	2.8	0.3	-1.3	2.9	4.7	3.5	3.4	1.7
Banking system	-1.6	1.4	0.1	-4.2	1.4	0.9	0.1	1.9	2.6	1.7	1.7	0.8
Treasury account	-1.0	2.2	0.8	-5.3	0.0	0.0	-11.5	3.4	3.0	2.5	2.6	2.6
Central bank	0.0	0.0	-0.6	0.0	...	0.0	11.5	-2.4	-2.5	-2.5	-2.6	-2.6
Commercial banks	-0.6	-0.8	-0.1	1.1	1.4	0.9	0.1	0.9	2.1	1.7	1.7	0.8
Nonbanks	-0.7	1.3	0.4	0.1	1.4	0.9	0.1	0.9	2.1	1.7	1.7	0.8
Domestic arrears	0.0	0.2	0.1	1.4	0.0	-1.4	-1.4	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	-0.1	-0.6	1.0	-2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	3.8	-2.2	-7.7	-0.8	-3.6	9.3	12.0	-0.5	-4.2	-3.1	-3.0	-1.5
Hydrocarbon revenue fund (net)	0.9	-0.1	-3.1	3.5	0.0	0.0	0.0	0.0	-0.3	-1.0	-1.6	-1.5
Oil and gas revenue	-1.1	-1.9	-6.3	-1.8	-1.0	-1.0	-1.0	-1.0	-1.8	-3.3	-4.6	-4.5
Transfer to the budget	1.9	1.8	3.1	5.3	1.0	1.0	1.0	1.0	1.4	2.2	3.0	3.0
Other external financing	3.0	-2.1	-4.6	-4.4	-3.6	9.3	12.0	-0.5	-3.8	-2.1	-1.4	0.1
Borrowing (net)	2.8	-1.7	-4.3	-4.1	-3.6	-3.1	-3.1	-3.7	-2.4	-0.7	0.1	0.1
Disbursements	6.3	3.2	2.0	2.8	3.8	4.2	4.2	4.5	5.3	7.2	8.1	8.8
Amortization	-3.6	-4.8	-6.3	-6.9	-7.4	-7.3	-7.3	-8.2	-7.7	-7.9	-8.1	-8.7
Exceptional financing - debt relief (HIPC, DSSI)	0.3	0.0	0.2	0.3	0.0	0	3.7	0.0	-1.4	-1.4	-1.5	0.0
IMF (RCF)	0.0	0.0	0.0	0.0	...	5.0	5.0	0.0	0.0	0.0	0.0	0.0
IMF (ECF, prospective)	0.0	0.0	0.0	0.0	...	...	2.8	0.0	0.0	0.0	0.0	0.0
Expected official grants 3/	0.0	0.0	0.0	0.0	...	0.0	3.7	0.0	0.0	0.0	0.0	0.0
Residual financing gap	...	...	...	...	...	7.4	0.0	3.2	0.0	0.0	0.0	0.0
Errors and omissions	-0.6	0.1	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memorandum items:												
Real growth rate of public expenditure (percent)	-9.9	2.8	-0.3	-0.3	8.3	15.0	12.4	-7.7	2.2	5.6	5.0	2.4
Current (percent)	-6.3	7.4	8.0	-2.1	7.4	28.1	18.9	-13.5	0.5	3.1	4.0	0.9
Capital (percent)	-13.2	-4.6	-12.0	6.3	14.7	-8.9	-0.8	3.5	4.9	9.4	6.6	4.5
Non-extractive primary balance (excl. grants)	-4.7	-3.9	0.2	-0.5	-2.2	-11.6	-12.2	-4.0	-3.1	-4.5	-5.8	-5.8
Non-extractive primary balance	-1.6	-2.2	1.4	3.9	-0.5	-10.2	-10.8	-3.0	-1.9	-3.4	-4.6	-4.6
Basic budget balance (excl. grants) 4/	0.5	2.0	7.8	5.9	3.2	-6.8	-8.0	1.1	3.6	5.7	6.5	7.4
Social spending	8.7	9.1	8.8	9.6	11.9	14.5	14.5	12.4	14.4	16.5	19.0	21.8
Poverty-reducing expenditure	18.7	19.4	18.5	...	28.5	32.0	32.0	29.2	32.7	36.5	41.0	45.7

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

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

2/ Adjusted for half of additional/shortfall in extractive revenue.

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

4/ Overall balance excluding foreign-financed investment expenditure.

Table 3b. Mauritania: Central Government Operations, 2016–25

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

	2016	2017	2018	2019	2020			2021	2022	2023	2024	2025
				Est.	4th Rev. 5/	RCF	Proj.			Proj.		
Revenues and grants	23.1	22.8	25.0	24.3	22.2	21.6	20.7	22.0	22.6	23.2	23.4	23.3
Revenues	21.5	22.0	24.5	22.4	21.5	21.1	20.1	21.6	22.1	22.8	23.0	23.0
Nonextractive	20.2	20.0	21.0	20.5	19.9	19.4	18.6	20.0	20.3	20.4	20.3	20.4
Tax	13.6	14.1	15.5	14.9	15.4	13.8	12.7	14.7	14.9	15.0	15.1	15.1
Nontax	6.6	5.9	5.5	5.5	4.4	5.7	5.9	5.3	5.3	5.3	5.2	5.3
Extractive	1.3	2.0	3.5	1.9	1.6	1.6	1.5	1.6	1.9	2.4	2.7	2.6
Oil and gas	0.5	0.9	2.8	0.8	0.4	0.4	0.4	0.4	0.6	1.1	1.5	1.3
of which gas	…	…	…	0.0	0.0	0.0	0.0	0.0	0.2	0.7	1.0	0.9
Mining	0.7	1.1	0.7	1.2	1.3	1.2	1.1	1.2	1.2	1.3	1.3	1.2
Grants	1.6	0.8	0.5	1.9	0.7	0.6	0.6	0.4	0.4	0.4	0.4	0.4
Of which: Projects	0.3	0.3	0.4	0.8	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Expenditure and net lending	23.5	22.9	22.3	21.8	21.9	25.6	25.2	23.0	22.8	23.3	23.5	23.4
Current	13.8	14.0	14.3	13.7	14.0	17.9	16.7	14.3	13.9	13.9	13.9	13.7
Compensation of employees	6.2	6.0	6.2	6.5	6.4	6.9	7.0	7.1	7.1	7.1	7.1	7.1
Goods and services	2.9	3.0	2.8	2.8	3.1	3.1	3.0	2.8	2.6	2.6	2.6	2.6
Subsidies and transfers 1/	2.8	2.5	2.6	2.0	2.4	5.6	4.3	2.2	2.1	2.1	2.1	1.9
Of which: Emergency program, incl. COVID-19	0.8	0.7	0.9	0.8	0.8	4.1	4.2	0.6	0.5	0.5	0.6	0.5
Energy subsidies	0.1	0.2	0.3	0.3	0.3	0.4	0.0	0.4	0.4	0.4	0.4	0.4
Arrears repayments	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest	0.9	1.0	1.3	1.1	1.2	1.4	1.5	1.4	1.4	1.4	1.4	1.3
External (before DSSI)	0.7	0.8	1.2	0.9	0.8	0.9	1.0	0.8	0.9	0.8	0.8	0.7
Domestic	0.2	0.2	0.2	0.2	0.3	0.4	0.6	0.5	0.5	0.5	0.5	0.6
Special accounts	0.5	0.7	0.5	0.6	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.2
Common reserves	0.6	0.5	0.5	0.6	0.8	0.6	0.6	0.5	0.5	0.6	0.6	0.6
Others	0.0	0.3	0.3	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital	9.7	8.7	8.0	8.3	7.9	7.7	8.5	8.7	8.8	9.3	9.6	9.7
Foreign-financed	2.2	1.7	1.2	1.9	1.6	1.7	1.8	1.8	1.9	2.5	2.6	2.6
Domestically financed, incl. COVID-19	7.5	7.0	6.7	6.4	6.3	6.0	6.7	6.9	6.9	6.9	7.0	7.1
Net lending	0.0	0.1	0.1	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Primary balance (excl. grants)	-1.1	0.2	3.5	1.7	0.8	-3.2	-3.6	0.0	0.7	0.8	0.9	0.9
Primary balance (excl. grants, prog. def.) 2/	…	…	2.9	1.6	0.8	-3.2	-3.5	…	…	…	…	…
Primary balance	0.4	1.0	4.1	3.6	1.5	-2.6	-3.0	0.4	1.2	1.2	1.2	1.2
Overal balance (excl. grants)	-2.0	-0.8	2.2	0.6	-0.4	-4.6	-5.1	-1.3	-0.6	-0.5	-0.5	-0.4
Overall balance	-0.4	0.0	2.7	2.5	0.3	-4.0	-4.5	-0.9	-0.2	-0.1	-0.1	-0.1
Financing	0.4	0.0	-2.7	-2.5	-0.3	4.0	4.5	0.9	0.2	0.1	0.1	0.1
Domestic	-1.2	1.0	0.7	-2.2	1.1	0.1	-0.6	1.1	1.7	1.2	1.1	0.5
Banking system	-0.8	0.6	0.0	-1.8	0.5	0.4	0.0	0.8	1.0	0.6	0.5	0.2
Treasury account	-0.5	1.0	0.4	-2.3	0.0	0.0	-4.8	1.3	1.1	0.9	0.8	0.8
Central bank	0.0	0.0	-0.9	0.0	…	0.0	4.8	-1.0	-0.9	-0.9	-0.8	-0.8
Commercial banks	-0.3	-0.4	-0.1	0.5	0.5	0.4	0.0	0.4	0.8	0.6	0.5	0.2
Nonbanks	-0.4	0.6	0.2	0.0	0.5	0.4	0.0	0.4	0.8	0.6	0.5	0.2
Domestic arrears	0.0	0.1	0.1	0.6	0.0	-0.6	-0.6	0.0	0.0	0.0	0.0	0.0
Other deposits accounts	0.0	-0.3	0.5	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
External	1.9	-1.0	-3.4	-0.3	-1.4	3.9	5.0	-0.2	-1.5	-1.1	-1.0	-0.4
Hydrocarbon revenue fund (net)	0.4	-0.1	-1.4	1.5	0.0	0.0	0.0	0.0	-0.1	-0.4	-0.5	-0.5
Oil and gas revenue	-0.5	-0.9	-2.8	-0.8	-0.4	-0.4	-0.4	-0.4	-0.6	-1.1	-1.5	-1.3
Transfer to the budget	1.0	0.8	1.4	2.2	0.4	0.4	0.4	0.4	0.5	0.8	0.9	0.9
Other	1.5	-1.0	-2.0	-1.8	-1.4	3.9	5.0	-0.2	-1.4	-0.7	-0.4	0.0
Borrowing (net)	1.4	-0.8	-1.9	-1.7	-1.4	-1.3	-1.3	-1.5	-0.9	-0.2	0.0	0.0
Disbursements	3.2	1.5	0.9	1.2	1.5	1.7	1.8	1.8	1.9	2.5	2.6	2.6
Amortization	-1.8	-2.2	-2.8	-2.9	-2.8	-3.0	-3.1	-3.2	-2.8	-2.7	-2.6	-2.6
Exceptional financing - debt relief (HIPC, DSSI)	0.1	0.0	0.1	0.1	0.0	0.0	1.5	0.0	-0.5	-0.5	-0.5	0.0
IMF (RCF)	0.0	0.0	0.0	0.0	…	2.1	2.1	0.0	0.0	0.0	0.0	0.0
IMF (ECF, prospective)	0.0	0.0	0.0	0.0	…	…	1.2	0.0	0.0	0.0	0.0	0.0
Expected official grants 3/	0.0	0.0	0.0	0.0	…	0.0	1.5	0.0	0.0	0.0	0.0	0.0
Residual financing gap	…	…	…	…	…	3.1	0.0	1.3	0.0	0.0	0.0	0.0
Errors and omissions	-0.3	0.0	-0.1	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)	-2.4	-1.8	0.1	-0.2	-0.8	-4.8	-5.1	-1.6	-1.1	-1.6	-1.9	-1.7
Non-extractive primary balance	-0.8	-1.0	0.6	1.7	-0.2	-4.2	-4.5	-1.2	-0.7	-1.2	-1.5	-1.4
Overall balance (in percent of GDP)	-0.4	0.0	2.5	2.1	0.3	-3.4	-3.8	-0.8	-0.2	-0.1	-0.1	0.0
Basic budget balance (excl. grants) 4/	0.2	0.9	3.4	2.5	1.2	-2.8	-3.3	0.4	1.3	1.9	2.1	2.2
Social spending	4.4	4.2	3.9	4.1	4.5	6.0	6.1	4.9	5.3	5.7	6.1	6.5
Poverty-reducing expenditure	9.4	9.0	8.2	…	10.9	13.3	13.4	11.5	12.1	12.5	13.0	13.6

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

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

2/ Adjusted for half of additional/shortfall in extractive revenue.

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

4/ Overall balance excluding foreign-financed investment expenditure.

5/ Using rebased GDP.

Table 4. Mauritania: Monetary Survey, 2016–22

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

	2016	2017	2018	2019	2020			2021	2022
				Est.	4th Rev.	RCF	Proj.	Proj.	
Monetary survey									
Net foreign assets	6.1	7.0	10.0	18.5	19.4	13.5	12.4	15.9	20.6
Net domestic assets	48.7	55.4	61.0	60.9	70.8	68.2	68.7	71.5	74.6
Net domestic credit	69.3	74.9	86.7	89.7	100.3	94.4	92.9	102.7	115.1
Net credit to the government	16.9	18.6	19.6	13.9	16.7	14.7	14.0	15.9	18.5
Credit to the economy	52.4	56.3	67.1	75.8	83.6	79.6	79.0	86.8	96.7
Other items net	-20.6	-19.6	-25.7	-28.8	-29.5	-26.2	-24.3	-31.2	-40.6
Broad money (M2)	54.8	62.4	71.0	79.4	90.2	81.7	81.0	87.4	95.2
Monetary authorities									
Net foreign assets	11.5	11.7	13.8	21.6	23.6	16.8	15.7	19.3	24.1
Net domestic assets	12.7	15.3	15.1	9.4	12.5	15.0	15.8	14.5	12.6
Net domestic credit	16.3	18.2	19.5	13.7	14.7	13.3	13.3	9.2	9.7
Net credit to the government	15.9	17.8	19.0	13.1	14.9	13.1	13.1	14.1	14.6
Other items net	-3.6	-2.9	-4.5	-4.3	-2.2	1.8	2.6	5.3	2.8
Reserve money	24.3	27.0	28.8	31.0	36.0	31.8	31.5	33.8	36.7
Currency in circulation	14.1	14.9	15.6	17.4	19.8	18.0	17.8	19.2	20.9
Reserves of banks	10.1	12.1	13.2	13.5	16.2	13.8	13.7	14.6	15.8
Of which : Banks deposits in FX	2.9	3.6	3.8	4.0	4.6	4.1	4.0	4.3	4.6
Commercial banks									
Net foreign assets	-5.4	-4.7	-3.8	-3.1	-4.1	-3.3	-3.3	-3.4	-3.5
Net domestic credit	53.0	56.8	67.3	76.2	85.0	80.9	79.4	88.2	100.1
Net credit to the government	1.0	0.8	0.5	0.8	1.8	1.6	0.8	1.8	3.9
Credit to the private sector	52.0	55.9	66.8	75.4	83.2	79.3	78.6	86.5	96.3
Other items net	-17.1	-16.7	-21.2	-24.7	-26.7	-27.7	-26.6	-31.3	-38.2
				(Annual change in percent)					
Monetary survey									
Net foreign assets	-21.8	14.1	42.1	85.6	17.8	-27.2	-33.0	28.3	29.9
Net domestic assets	12.3	13.7	10.2	-0.3	9.8	12.1	12.8	4.1	4.3
Net domestic credit	3.6	8.1	15.7	3.4	11.7	5.2	3.6	10.5	12.1
Net credit to the government	-8.1	10.0	5.3	-28.9	9.2	6.1	0.4	13.8	16.3
Credit to the economy	8.0	7.5	19.2	12.9	12.2	5.1	4.2	10.0	11.3
Other items net	12.6	5.2	-31.2	-12.3	-16.6	9.3	15.7	-28.6	29.8
Broad money (M2)	7.1	13.7	13.8	11.8	11.4	3.0	2.1	7.8	9.0
Monetary authorities									
Net foreign assets	12.5	1.6	17.6	57.0	15.4	-22.5	-27.5	23.2	25.0
Net domestic assets	7.8	20.1	-1.5	-37.9	3.4	60.6	69.2	-8.2	-13.3
Net domestic credit	-5.4	11.4	7.4	-29.8	-3.0	-3.3	-3.3	-30.2	5.4
Net credit to the government	-5.3	11.7	7.2	-31.1	0.0	0.0	0.0	7.6	3.5
Reserve money	9.9	11.3	6.8	7.4	11.0	2.6	1.7	7.4	8.5
Commercial banks									
Net foreign assets	-125.0	12.8	19.0	18.1	-5.3	-5.3	-5.3	-3.6	2.4
Net domestic credit	6.7	7.0	18.6	13.2	14.1	6.2	4.3	11.1	13.5
Net credit to the government	-37.4	-18.1	-36.3	48.4	408.3	109.7	7.2	111.6	119.3
Credit to the private sector	8.1	7.5	19.4	12.9	12.3	5.1	4.3	10.0	11.4
Memorandum items:									
Broad money (M2) to GDP (in percent) 1/	24.3	25.8	28.2	28.5	29.3	28.7	28.5	28.9	29.2
Velocity of broad money (to non-extractive GDP) 1/	3.6	3.5	3.2	3.0	2.9	2.9	2.9	2.9	2.8
Credit to the private sector (percent of non-extractive GDP) 1/	26.0	25.9	29.4	31.8	31.7	32.9	32.9	34.2	35.5
Net foreign assets of banks (in millions of U.S. dollars)	-150.7	-132.6	-104.4	-83.3	-104.4	-83.3	-83.3	-83.3	-83.3

Sources: Mauritanian authorities; and IMF staff estimates and projections.
1/ Using rebased GDP.

Table 5. Mauritania: Banking Soundness Indicators, 2010–19

(In percent, unless otherwise indicated)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Balance sheet										
Assets / GDP	31.1	30.9	32.5	35.2	42.5	43.2	45.6	52.5	55.6	54.1
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
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
Government securities / total assets	18.8	11.1	11.2	5.8	5.8	2.0	2.0	1.0	0.6	0.9
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
Gross NPLs / gross loans	45.3	39.2	25.7	20.4	23.0	30.0	25.5	22.4	22.6	21.5
Of which: accrued interest on NPLs / gross loans	11.6	11.5	8.3	7.1	10.1	5.1	7.2	6.0	...	...
Of which: legacy NPLs (pre-2010) / gross loans	16.7	13.7	13.8	12.8	9.7	9.7	9.7	...	...	...
Of which: new NPLs / gross loans	17.0	14.1	3.6	0.5	0.4	0.4	0.6	...	...	...
Provisions / (gross NPLs - accrued interest)	30.0	31.2	53.1	52.9	52.5	78.5	63.0	70.7	77.8	76.1
Provisions / loans 360+ days in arrears	87.7	90.7	88.0	88.8	87.0	93.0	58.0	72.3	...	...
Deposits / total assets	59.3	60.9	59.1	57.8	61.0	60.8	59.0	60.2	55.6	63.2
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
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
Capital adequacy ratio	34.0	35.2	29.2	32.4	28.1	23.1	23.7	22.2	24.7	25.3
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
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
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
Profitability and liquidity										
Return on assets	0.4	1.2	1.4	1.2	1.2	0.7	...	...	...	...
Return on equity	2.7	6.0	8.4	6.4	6.6	5.1	...	...	...	...
Liquid assets / total assets 1/	29.5	29.7	29.8	24.0	23.5	21.4	17.0	24.6	19.6	20.9
Memorandum items:										
Share of assets held by three largest banks	53.7	50.7	45.4	42.3	45.7	42.0	41.0	38.8	...	...
Number of banks	10	12	12	15	15	16	16	17	17	18

Sources: Mauritanian authorities; and IMF staff.

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

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

(In millions of U.S. dollars)

		2016	2017	2018	2019	2020			2021	2022
					Est.	4th Rev.	RCF	Proj.	Proj.	
Total Requirements		**-1,051**	**-1,035**	**-1,354**	**-1,325**	**-1,564**	**-1,641**	**-1,572**	**-1,808**	**-1,564**
Current account deficit, excl. grants		-877	-856	-1,080	-1,046	-1,291	-1,368	-1,366	-1,469	-1,219
External public debt amortization 1/		-175	-179	-274	-279	-273	-273	-206	-339	-345
Of which: Saudi Arabia		-5	-8	-8	-9	…	…	…	…	…
Arab Monetary Fund		0	-18	-46	-38	…	…	-28	-23	-8
Arab Fund for Economic and Social Dev.		-35	-37	-45	-47	…	…	-54	-63	-67
Islamic Development Bank		-10	-11	-30	-22	…	…	-22	-25	-25
China		-18	-19	-18	-24	…	…	…	…	…
IMF		-10	-15	-19	-21	…	…	-20	-14	-9
Total Sources		**1,051**	**1,035**	**1,354**	**1,325**	**1,519**	**1,273**	**1,178**	**1,728**	**1,564**
Foreign direct investment and capital inflows (net)		280	599	792	908	937	594	580	1,120	1,071
Official grants (baseline)		170	175	104	240	69	81	81	70	73
Of which: European Union		11	11	…	13	…	…	12	…	…
World Bank		26	26	15	34	…	…	35	…	…
AfDB	..	10	10	…	3	…	…	…	…	…
United Arab Emirates	..	40	…	2	…	…	…	…	…	…
Official loan disbursements (excluding IMF)		322	242	253	289	224	224	224	260	285
Of which: Arab Monetary Fund		100	…	…	…	…	…	…	…	…
Arab Fund for Economic and Social Dev.		81	122	110	164	…	…	…	…	…
Islamic Development Bank		51	25	14	7	…	…	…	…	…
China		39	7	11	…	…	…	…	…	…
India		…	9	53	39	…	…	…	…	…
Saudi Arabia	..	…	26	49	35	…	…	…	…	…
IMF disbursements		…	23	47	46	…	…	…	…	…
Other flows 2/		258	43	321	-24	365	374	292	277	172
Drawdown of official reserves (negative = accumulation)		-2	-26	-70	-219	-76	0	0	1	-30
Drawdown of oil account (negative = accumulation)		24	-22	-93	85	0	0	0	0	-8
Financing gap	..	…	…	…	…	**46**	**368**	**394**	**80**	**0**
Debt service suspension initiative (DSSI)						**n.a.**	**n.a.**	**96**	**0**	**0**
IMF financing	..	…	…	…	…	**46**	**175**	**203**	**0**	**0**
RCF						n.a.	130	130	0	0
ECF (prospective)	..	…	…	…	…	46	45	73	0	0
Of which: Augmentation		…	…	…	…	…	…	28	0	0
Expected official grants 3/	..	…	…	…	…	**0**	**0**	**95**	**0**	**0**
Residual financing gap						…	**193**	**0**	**80**	**0**

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

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

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

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

Table 7. Mauritania: Capacity to Repay the Fund, 2020–34

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Payments to the Fund based on existing credit															
Principal (in million of SDRs)	5.52	9.94	6.62	6.07	11.59	26.13	35.70	35.70	30.73	24.10	9.57	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.01	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Payments to the Fund based on existing and prospective credit															
Principal (in million of SDRs)	5.52	9.94	6.62	6.07	11.59	26.13	46.37	46.37	41.40	34.78	20.24	0.00	0.00	0.00	0.00
Charges and interest (in million of SDRs)	0.01	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04	0.04
Total payments to the Fund based on existing and prospective credit															
In millions of SDRs	5.53	9.98	6.66	6.11	11.63	26.17	46.41	46.41	41.44	34.82	20.28	0.04	0.04	0.04	0.04
In millions of US$	7.56	13.67	9.13	8.39	16.00	36.11	64.04	64.04	57.18	48.05	27.99	0.06	0.06	0.06	0.06
In percent of exports of goods and services	0.34	0.56	0.35	0.28	0.51	1.10	1.89	1.84	1.61	1.33	0.76	0.00	0.00	0.00	0.00
In percent of debt service	4.09	3.88	2.40	2.20	4.15	9.90	18.73	18.32	16.67	13.85	8.00	0.02	0.02	0.02	0.01
In percent of GDP	0.10	0.18	0.12	0.10	0.18	0.38	0.65	0.61	0.52	0.42	0.23	0.00	0.00	0.00	0.00
In percent of Gross International Reserves	0.67	1.21	0.78	0.72	1.33	2.69	4.22	3.62	2.82	2.07	1.07	0.00	0.00	0.00	0.00
In percent of quota	4.29	7.75	5.17	4.74	9.03	20.32	36.03	36.03	32.17	27.03	15.75	0.03	0.03	0.03	0.03
Outstanding Fund credit															
In millions of SDRs	249.5	239.6	232.9	226.9	215.3	189.2	142.8	96.4	55.0	20.2	0.0	0.0	0.0	0.0	0.0
In millions of US$	340.9	328.1	319.4	311.5	296.3	261.0	197.0	133.1	75.9	27.9	0.0	0.0	0.0	0.0	0.0
In percent of exports of goods and services	15.3	13.5	12.3	10.5	9.4	8.0	5.8	3.8	2.1	0.8	0.0	0.0	0.0	0.0	0.0
In percent of debt service	184.4	93.0	84.0	81.6	76.8	71.5	57.6	38.1	22.1	8.1	0.0	0.0	0.0	0.0	0.0
In percent of GDP	4.6	4.3	4.0	3.7	3.3	2.8	2.0	1.3	0.7	0.2	0.0	0.0	0.0	0.0	0.0
In percent of gross international reserves	30.0	28.9	27.4	26.9	24.6	19.5	13.0	7.5	3.7	1.2	0.0	0.0	0.0	0.0	0.0
In percent of quota	193.7	186.0	180.9	176.1	167.1	146.9	110.9	74.9	42.7	15.7	0.0	0.0	0.0	0.0	0.0
Net use of Fund credit (in millions of SDRs)	47.8	-9.9	-6.6	-6.1	-11.6	-26.1	-46.4	-46.4	-41.4	-34.8	-20.2	0.0	0.0	0.0	0.0
Disbursements	53.4	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	0.0
Repayments	5.5	9.9	6.6	6.1	11.6	26.1	46.4	46.4	41.4	34.8	20.2	0.0	0.0	0.0	0.0
Memorandum items:															
Exports of goods and services (in millions of US$)	2,227	2,439	2,594	2,973	3,145	3,270	3,384	3,486	3,558	3,622	3,680	3,751	3,837	3,913	3,994
Debt service (in millions of US$)	185	353	380	382	386	365	342	350	343	347	350	308	342	352	374
Nominal GDP (in millions of US$)	7,428	7,554	7,915	8,477	9,021	9,436	9,883	10,425	10,942	11,490	12,073	12,698	13,383	14,113	14,889
Gross international reserves (in millions of US$)	1,135	1,134	1,164	1,159	1,205	1,341	1,518	1,767	2,027	2,322	2,625	2,991	3,363	3,787	4,223
Quota (millions of SDRs)	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8	128.8

Sources: IMF staff estimates and projections.

Table 8. Mauritania: Access and Phasing Under the Three-Year ECF Arrangement, 2017–20

Availability	Amount		Conditions
	Millions of SDR	Percent of Quota 1/	
December 6, 2017	16.560	12.857	Approval of the arrangement (*drawn*).
March 31, 2018	16.560	12.857	Completion of the first review (relevant PCs for end-December 2017). *Drawn*
September 30, 2018	16.560	12.857	Completion of the second review (relevant PCs for end-June 2018). *Drawn*
March 31, 2019	16.560	12.857	Completion of the third review (relevant PCs for end-December 2018). *Drawn*
September 30, 2019	16.560	12.857	Completion of the fourth review (relevant PCs for end-June 2019). *Drawn*
March 31, 2020	36.800 2/	28.571	Completion of the fifth review (relevant PCs for end-December 2019).
September 30, 2020	16.560	12.857	Completion of the sixth (final) review (relevant PCs for end-June 2020).
Total	136.160	105.714	

Source: IMF staff calculations.

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

2/ Including an augmentation of SDR 20.24 million (about 15.714 percent of quota).

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

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

	Stock	Debt service							Stock	Debt service						
	2019	May-Dec	2020	2021	2022	2023	2024	2025	2019	May-Dec	2020	2021	2022	2023	2024	2025
	In millions of USD								In percent of GDP							
Public and Publicly Guaranteed (PPG) External Debt 1/	**3,710.1**	**185.4**	**282.2**	**339.0**	**318.6**	**308.8**	**306.5**	**302.3**	**48.8**	**2.5**	**3.8**	**4.5**	**4.0**	**3.6**	**3.4**	**3.2**
Multilateral	2,271.1	115.2	179.4	174.3	156.1	147.9	149.9	153.6	29.9	1.6	2.4	2.3	2.0	1.7	1.7	1.6
Arab Fund for Economic and Social Development (FADES) 2/	1,118.5	41.3	78.5	84.2	85.9	83.7	84.5	87.0	14.7	0.6	1.1	1.1	1.1	1.0	0.9	0.9
Islamic Development Bank (IsDB)	357.6	23.3	29.8	30.2	29.6	32.1	31.1	31.4	4.7	0.3	0.4	0.4	0.4	0.4	0.3	0.3
International Development Association (IDA)	377.1	7.2	10.4	11.4	13.1	13.3	14.5	15.8	5.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2
International Monetary Fund (IMF) 3/	160.0	16.7	19.8	13.8	9.2	6.1	9.2	9.2	2.1	0.2	0.3	0.2	0.1	0.1	0.1	0.1
African Development Bank (AfDB) 4/	95.9	1.3	2.5	2.6	2.9	3.1	3.6	3.7	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Arab Monetary Fund (AMF)	61.6	18.7	29.5	23.7	7.9	2.6	0.0	0.0	0.8	0.3	0.4	0.3	0.1	0.0	0.0	0.0
International Fund for Agricultural Development (IFAD)	58.6	2.5	3.0	3.1	3.1	3.1	3.0	3.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Organization of the Petroleum Exporting Countries (OPEC)	25.3	3.6	4.6	3.9	3.0	2.5	2.5	2.0	0.3	0.0	0.1	0.1	0.0	0.0	0.0	0.0
European Investment Bank (EIB)	9.2	0.7	1.4	1.4	1.4	1.4	1.4	1.4	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Organization of Arab Petroleum Exporting Countries (OAPEP)	7.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	1,412.0	70.1	101.0	163.0	160.9	159.4	155.3	147.5	18.6	0.9	1.4	2.2	2.0	1.9	1.7	1.6
Paris Club	93.5	7.8	10.1	10.3	10.2	10.9	9.6	8.1	1.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1
France	69.3	4.2	6.0	6.1	6.1	6.9	6.8	6.7	0.9	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Spain	21.6	3.5	4.0	4.0	4.0	3.9	2.7	1.2	0.3	0.0	0.1	0.1	0.0	0.0	0.0	0.0
Germany	2.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non Paris Club	1,318.5	62.3	90.9	152.7	150.7	148.5	145.6	139.4	17.3	0.8	1.2	2.0	1.9	1.8	1.6	1.5
China	322.1	14.8	29.9	31.7	33.4	32.8	32.2	31.7	4.2	0.2	0.4	0.4	0.4	0.4	0.4	0.3
Saudi Arabia	584.6	18.5	23.2	83.0	81.2	82.2	80.4	78.6	7.7	0.2	0.3	1.1	1.0	1.0	0.9	0.8
India	107.4	8.6	8.6	9.8	9.5	9.1	8.8	8.4	1.4	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Kuwait 5/	187.2	11.5	16.1	15.1	13.6	11.3	11.2	11.0	2.5	0.2	0.2	0.2	0.2	0.1	0.1	0.1
Iraq	48.5	2.5	2.5	2.5	2.4	2.4	2.4	2.4	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Libya	46.6	4.2	8.5	8.5	8.5	8.5	8.5	4.2	0.6	0.1	0.1	0.1	0.1	0.1	0.1	0.0
Other 6/	22.1	2.2	2.2	2.2	2.2	2.2	2.2	3.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial (BP, Kosmos Energy)	27.0	0.0	1.8	1.6	1.5	1.4	1.3	1.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
State-Owned Mining Company (SNIM) Debt	**306.0**	**41.9**	**81.0**	**68.5**	**63.9**	**52.1**	**45.1**	**7.1**	**4.0**	**0.6**	**1.1**	**0.9**	**0.8**	**0.6**	**0.5**	**0.1**
Multilateral	205.2	25.9	48.5	39.7	38.2	36.9	35.8	7.1	2.7	0.3	0.7	0.5	0.5	0.4	0.4	0.1
African Development Bank (AfDB)	89.5	12.2	22.7	18.1	17.5	16.9	16.5	0.0	1.2	0.2	0.3	0.2	0.2	0.2	0.2	0.0
European Investment Bank (EIB)	56.3	7.7	13.7	10.8	10.3	9.9	9.4	0.0	0.7	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Islamic Development Bank (IsDB)	52.9	5.9	12.0	10.7	10.3	9.9	9.7	6.9	0.7	0.1	0.2	0.1	0.1	0.1	0.1	0.1
Arab Fund for Economic and Social Development (FADES)	6.5	0.0	0.1	0.0	0.0	0.1	0.2	0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bilateral	100.8	16.0	32.5	28.8	25.7	15.2	9.3	0.0	1.3	0.2	0.4	0.4	0.3	0.2	0.1	0.0
Paris Club	100.8	16.0	32.5	28.8	25.7	15.2	9.3	0.0	1.3	0.2	0.4	0.4	0.3	0.2	0.1	0.0
Germany	53.9	10.0	20.2	17.7	15.8	5.6	0.0	0.0	0.7	0.1	0.3	0.2	0.2	0.1	0.0	0.0
France	46.9	6.0	12.3	11.1	10.0	9.6	9.3	0.0	0.6	0.1	0.2	0.1	0.1	0.1	0.1	0.0
Memorandum items																
Passive debt to Kuwait Investment Authority (KIA)	994.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi deposit at the central bank (stock and debt service)	300.0	9.0	9.0	68.6	66.8	65.0	63.2	61.4	3.9	0.1	0.1	0.9	0.8	0.8	0.7	0.7
Nominal GDP 7/	7,600	7428	7428	7554	7915	8477	9021	9436	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Mauritanian authorities and IMF staff estimates.

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

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

3/ Excluding SDR allocations.

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

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

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

7/ May-Dec 2020 GDP is fixed at the 2020 level to allow comparisons with 2020 figures.

Table 10. Mauritania: Risk Assessment Matrix 1/

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

1/ The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path (the scenario most likely to materialize in the view of IMF staff). The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. Conjectural risks are especially relevant over shorter horizons (up to 2 years) given the current baseline. Structural risks (omitted from this streamlined version) remain salient over shorter and longer horizons (up to 3 years).

Appendix I. Letter of Intent

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

Nouakchott, August 25, 2020

Madame Kristalina Georgieva
Managing Director
International Monetary Fund
Washington DC

Madame Managing Director,

The COVID-19 pandemic is causing a massive and unprecedented impact on the population and the economy of Mauritania. It affects human lives, people's health and their livelihoods, and threatens to destroy the social and economic fabric of our country. In consultation with WHO and other United Nations agencies, we have taken important steps to contain the spread of the pandemic and to mitigate its impact. We imposed containment measures and suspended non-core business activities, which had a dramatic effect on the economy.

In order to mitigate the consequences of this scourge, which are added to those of the drought, we have adopted a national multisectoral response plan to the pandemic which revolves around five pillars: (i) health; (ii) planning, coordination and monitoring; (iii) measures to mitigate the socio-economic impact of the pandemic; (iv) measures in favor of resilience, economic recovery and access to basic services and (v) security and prevention aspects. We also adopted a supplementary budget for 2020 providing for emergency spending to respond to the pandemic. Thus, we have increased our spending on health and related public services, extended social protection for the most deprived, introduced support measures for households and small businesses and supported national production.

Nevertheless, the economic impact of the pandemic is turning out to be more severe than expected a few months ago. We estimate that the economy will contract by around 3% (compared to 2% previously estimated, and in stark contrast to the pre-crisis GDP growth projection of over 6%) and that the recovery could be limited to around 2% in 2021. Financing requirements will be $385 million this year and $80 million in 2021. We thank the International Monetary Fund for its emergency funding under the Rapid Credit Facility in the amount of SDR 95,680 million (about $130 million) last April.

Despite the considerable impact of the pandemic on the population and the economy, the medium-term economic and social program, supported by the IMF since 2017, continued to be implemented. This program aims to consolidate macroeconomic stability; promote strong, durable, and inclusive

growth; develop human capital and access to basic social services; reduce poverty; and improve all dimensions of governance.

We remain committed to the overarching goal of the Strategy for Accelerated Growth and Shared Prosperity (SCAPP) covering 2016–30, which constitutes a flexible intervention framework allowing us to integrate the main challenges posed by the multifaceted crisis caused by the COVID-19 pandemic. Our economic policies aim to: (a) continue with fiscal consolidation and reinforcing debt sustainability at a gradual pace favorable to the recovery of growth; (b) mobilize public revenue by expanding the tax base and modernizing tax administration procedures, and prioritize public investment; (c) modernize and strengthen monetary policy to better manage bank liquidity; (d) strengthen bank supervision and regulation and the financial infrastructure to ensure the stability of the financial system and expand credit to the private sector; (e) reform the foreign exchange market to introduce greater exchange rate flexibility; (f) increase the fiscal space for social spending, especially in education, health, and social protection to consolidate progress in poverty reduction; and (g) continue reforms to improve the business environment and economic governance and to fight corruption, with a view to supporting private sector development and economic diversification.

In the immediate term, our policies aim to allocate enough resources to critical spending on health, economic resilience, emergency services, economic resilience, and social protection. We will carry out all expenditures through regular budget procedures and ensure that all resources devoted to emergency response are tracked, accounted for, and reported in a transparent manner. To avoid the misuse of resources, we will carefully monitor emergency spending and publish on the website of the Ministry of Finance the full text of the public procurement contracts related to crisis mitigation, the names of contracting companies and their beneficial owners, the nature of the goods and services and their price per unit, as well as the ex post validation of delivery. We will ask the Court of Accounts to audit emergency spending and publish the results of those audits by September 2021. We will accelerate the deployment of the social transfer program targeting vulnerable households and expand existing food aid programs. We will re-prioritize non-essential current and investment spending as needed to increase priority health and social spending. We will continue our ongoing efforts to broaden the coverage of public debt, with the support of donors' technical assistance. We will not contract new non-concessional loans beyond the envelope allowed under the current arrangement. Finally, to anchor this year's fiscal expansion within a medium-term fiscal framework that preserves debt sustainability, we will prepare a plan to unwind the temporary measures and return to a primary budget surplus once the crisis abates.

All the performance criteria and three out four structural benchmarks for December 2019 under the three-year arrangement under the Extended Credit Facility approved by the IMF Board on December 6, 2017 were met, while the fourth was implemented with delay in July 2020. The four structural benchmarks for March 2020 were met or implemented with a short delay. The two structural benchmarks slated for June 2020 pertaining to the sixth review have also already been met.

Accordingly, we request (i) the completion of the fifth program review; (ii) an increase in IMF financial support by an amount of SDR 20.24 million, or about 15.7% of our quota, to meet the urgent balance of payments need caused by the pandemic, bringing the total amount of the three-year arrangement

under the ECF to 136.16 million SDRs; and (iii) the disbursement of a new tranche of SDR 36.80 million. We request that the funds be disbursed as budget support. In this regard, the Ministry of Finance and BCM have signed a memorandum of understanding on their respective responsibilities for servicing financial obligations to the IMF. With the support of other development partners, including through the Debt Service Suspension Initiative supported by the G-20 and Paris Club, this disbursement will help fill the projected financing needs of the balance of payments and the budget in 2020. We are convinced that the IMF's support will play a catalytic role in mobilizing additional financing from our partners.

The next and last semiannual review will be conducted on or after September 30, 2020, based on the quantitative performance criteria and structural benchmarks as described in the attached Memorandum of Economic and Financial Policies (MEFP) and the Technical Memorandum of Understanding (TMU). We will continue to provide the IMF with all the data and information required to monitor implementation of the measures and achievement of the objectives in accordance with the TMU. In line with the IMF's safeguards policy, we commit to undergoing a safeguards assessment update to be completed before IMF Board approval of any subsequent arrangement; providing IMF staff with the necessary audit reports; and authorizing the BCM's external auditors to hold discussions with IMF staff.

We believe that the policies described in the attached MEFP are appropriate to achieve the program objectives, but we will take any additional measures that become necessary for this purpose. We will consult the IMF on the adoption of such measures, and prior to any revision of the policies set forth in the MEFP, in accordance with the Fund's policies on such consultations. We consent to the publication of this letter and its attachments and the related staff report.

Very truly yours,

/s/

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

/s/

Mr. Mohamed-Lemine Dhehby
Minister of Finance

/s/

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

Attachments (2):

1. Memorandum of Economic and Financial Policies
2. Technical Memorandum of Understanding

Attachment I. Memorandum of Economic and Financial Policies

Introduction

1. This memorandum describes Mauritania's Fund-supported economic and financial program under the Extended Credit Facility (ECF) for the period 2017-2020. The program aims to preserve macroeconomic stability, consolidate the bases for sustained, inclusive growth, and reduce poverty in accordance with the Strategy for Accelerated Growth and Shared Prosperity (SCAPP).

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

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

A. Economic Environment and Reforms: Developments in 2018–19

3. Growth reached 2.1 percent in 2018 (new preliminary estimate of the National Statistics Office on the basis of the rebased national accounts), supported by a 3.5 percent growth of non-extractive sectors, with a significant expansion of irrigated farming areas which compensated for the rainfall deficit, and growth in construction and services. Inflation accelerated only slightly to an annual average of 3.1 percent due to price increases for imported foodstuffs, compensated by a relatively stable exchange rate and administered fuel prices at the pump.

4. Growth accelerated in 2019 and is estimated to have reached 5.9 percent, driven by a rebound in extractive sectors (more than 27 percent) following the expansion of capacity in the iron ore and gold sectors, and a 3.6 percent growth in non-extractive sectors such as agriculture, telecommunications, transportation and , fishing (despite delays in the commercialization of the fishing production). Inflation remained under control at a low level (2.3 percent on an annual average in 2019) reflecting international prices of basic commodities and a stable exchange rate.

5. The substantial fiscal rebalancing efforts and reforms begun in 2016 continued and led to a significant improvement in the overall fiscal position in 2018 and 2019. The increase in revenue supported by the economic recovery, increased tax collection, and offshore exploration licenses, as well as continued budgetary discipline and slower-than-expected execution of externally financed

investment expenditure led to an exceptionally high primary surplus (excluding interest and grants) of 3.5 percent of non-extractive gross domestic product (NEGDP) in 2018, against 0.2 percent of NEGDP in 2017. Building on that solid basis, and despite the absence of exceptional revenues from exploration licenses and better execution of externally financed investment spending, the primary balance reached 1.7 percent of NEGDP in 2019 (against a program target of 0.7 percent of NEGDP). Nonetheless, we have seen a decline in some tax revenues from the non-extractive sectors, offset by rising revenues from the extractive sector. We continued to control current spending while increasing priority social spending. The two supplementary budgets during the year were motivated by unforeseen additional expenditure (including for infrastructure, transfers to public enterprises to regularize payment arrears vis-à-vis SOMELEC, and the reorganization of several ministries) and by exceptional drawings on the FNRH for a total amount of 2.2 percent of NEGDP; the program's fiscal objectives were achieved, however, thanks to a reduction in some expenditure.

6. Terms of trade improved significantly in 2019 owing to a rise in iron ore and gold prices, while oil prices declined. Production of iron ore and gold also increased. Consequently, commodity exports increased strongly in 2019 and the external current account balance (excluding externally financed capital imports of extractive sectors) is estimated to have significantly declined to 3.6 percent of GDP, against 8.6 percent of GDP in 2018. These developments, as well as gold purchases by the BCM from artisanal gold mining and drawings on the National Hydrocarbon Resource Fund (FNRH), contributed to a sharp increase in official reserves to $1,136 million (5.6 months of non-extractive imports) at end-December 2019, against $918 million (4.8 months of non-extractive imports) at end-December 2018 (and $824 million at end-2016).

B. Short- and Medium-Term Outlook

7. Despite this good performance, Mauritania's short-term prospects are clouded by the COVID-19 crisis which has weighed on the outlook for the world economy since December 2019. As early as March, the government has, in consultation with the WHO, taken measures to strengthen prevention and the health system, in particular health checks, hospital preparation, and the supply of drugs and medical equipment. The government has taken drastic measures to contain the spread of the virus such as (i) the suspension of all scheduled passenger flights; (ii) closure of land borders (except for the movement of goods); (iii) the imposition of a nighttime curfew; (iv) closure of schools and universities; (v) suspension of non-essential economic activities; and (vi) ban on large gatherings. We have only started lifting these measures since July 2020.

8. The direct and indirect effects of the COVID-19 crisis will have a considerable negative impact on the economic and financial situation of the country in 2020, with effects that will continue into 2021. The deterioration of the international economic environment will cause a decline in exports and foreign investment. Measures taken to curb the spread of the virus will induce an economic contraction estimated at more than 3 percent in 2020. The balance of payments will deteriorate significantly, with external financing needs estimated at around US$394 million (5.3 percent of GDP) in 2020. The budget will post a primary deficit excluding grants of 3.6 percent of NEGDP caused by major measures to fight the COVID-19 pandemic and mitigate the socio-economic effects of the measures taken to contain it, in particular: (i) purchases of drugs and medical equipment and

supplies; (ii) constitution of food stocks; (iii) various aids to poor households, including the payment by the government of the electricity and water bills of these households; (iv) tax breaks for basic necessities; (v) other expenses related to the fight against COVID-19, including business assistance and security expenses. The budget will also suffer from significant revenue shortfalls due to the decline in economic activity.

9. The situation is expected to begin to improve in 2021, provided the pandemic is contained by the end of 2020. The macroeconomic framework agreed with the IMF staff projects growth rates for non-extractive sectors of 2 percent in 2021 (2 percent also for the economy as a whole), rising to about up to about 4 percent from 2023. Growth will be sustained by the anticipated performance in agriculture, fisheries, manufacturing industries, construction, and services driven by public and private investment and structural reforms. Inflation will remain moderate, averaging around 4 percent in 2021–23, thanks to disciplined monetary policy. The situation of public finances is expected to improve gradually on the back of an increase in revenues after the resumption of economic activities as well as to the gradual reduction of emergency measures. Thus, the primary fiscal position (excluding grants) is expected to balance in 2021 before reverting to a surplus of 0.7–0.8 percent of NEGDP in 2022-23. Finally, the current account deficit (excluding externally financed extractive capital imports) should narrow gradually in the medium term below 5 percent of GDP, reflecting increased exports, an adjustment of domestic demand, improved competitiveness, fiscal consolidation, and development of the offshore gas field Grand Tortue/Ahmeyim (GTA), which will significantly improve the economic and financial outlook upon the start of production expected in 2023.

C. Economic Program for 2020–21

Objectives

10. The government's priority in 2020 is to contain the COVID-19 pandemic, respond to its economic and social impact and prepare a recovery plan. To that end, the government has prepared a comprehensive pandemic response plan which includes the actions to be implemented for the health response to the pandemic and the response to its socio-economic impact. This latter component includes measures aimed at mitigating the socio-economic impact and those aimed at economic resilience and recovery, including support for vulnerable households as well as small and medium-sized enterprises so that they can retain their employees and preserve their production capacity to be ready to resume activities as soon as the pandemic is brought under control. The total cost of the recovery plan is estimated at $300 million, which the government intends to finance mainly with support from development partners in the form of grants and concessional loans.

11. The government will continue to implement the first phase of the SCAPP—the 2016–20 Priority Action Plan (PAP)— to lay the foundation for faster, stronger, and equitably distributed economic growth in an environment of sound governance, social justice, and sustainable development. Our ultimate objective is to transform our economy into a diversified economy that can withstand exogenous shocks. We will assess the results of the PAP by the end of 2020 in order to prepare the new PAP covering the period 2021-25 in 2021. The support of the ECF program will

enable us to pursue appropriate monetary and fiscal policies and implement ambitious structural reforms to correct macroeconomic imbalances in order to support the economic recovery and ensure the medium-term sustainability of our economic policies. In this perspective, our policies in 2020–21 will aim, in particular, to (a) reach growth of over 2 percent in 2021, (b) contain inflation at 4 percent in the medium term, (c) reduce the current account deficit (excluding externally financed extractive capital imports) to less than 5 percent of GDP in the medium term, (d) reduce external public debt to less than 50 percent of GDP in the medium term (excluding Kuwaiti and GTA project-related debt) while maintaining a high level of concessionality to ensure its sustainability, and (e) maintain international reserves to at least 5 months of imports excluding extractive industries to respond to exogenous shocks. We will continue to monitor closely the risks posed by the COVID-19 on the world economy and on domestic activity and will take additional measures if necessary.

Monetary and Exchange Policy

12. We will continue to put in place a modern framework for a more flexible and proactive monetary and exchange policy during the program period. With support from the IMF staff, our objective is to anchor inflation expectations by targeting monetary aggregates while strengthening the role of the exchange rate in absorbing shocks. In parallel, we will continue to develop the prerequisites for an interest rate-based monetary policy.

Strategic Framework for the Monetary Policy

13. Our monetary policy will focus more on its primary mission, which is price stability. In a transitional phase, we will adopt the growth rate of the money supply (M2) as an intermediate target. We will pursue a flexible monetary base target as the operational objective. We will also initiate the necessary reforms to help develop activity on the interbank market and aim for the emergence of a short-term (daily or weekly) interbank interest rate indicator. We will continue to cautiously use the reserve requirement ratio as an instrument for managing bank liquidity, reducing (increasing) it in the event of a structural tightening (increase) in liquidity.

14. We strengthened the BCM's autonomy by adopting a new law establishing the BCM charter in July 2018. The law modernizes the BCM institutional structures and incorporates IMF staff recommendations for governance, internal and external audit, publication of financial statements, and accounting standards. The new BCM bodies were established: the Audit Committee in 2018 and the Prudential, Resolution, and Financial Stability Board in July 2019. The Sharia-Compliance Committee was set up in December 2019. The new convention between the BCM and the government on the consolidation of past government debt towards the central bank, with a repayment schedule, was ratified by parliament in January 2019; and payments for 2018 and 2019 were made at end-2019.

Operational Framework for Monetary Policy and Liquidity Management

15. The BCM will continue to develop its operational framework for monetary policy. It introduced new instruments for liquidity management with various maturities, particularly permanent

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

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

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

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

19. To increase the transparency of the BCM financial position and harmonize its accounting system with international standards, the BCM published a quantification of its 2017 accounts based in the International Financial Reporting Standards (IFRS) in December 2018, and it prepared the 2018 financial statements of the BCM *pro forma* in accordance with the IFRS international accounting standards (structural benchmark September 2019); it published those statements in March 2020. The BCM also arranged for the verification of the program's quantitative performance criteria for December 2019 by external auditors and will do the same for the June 2020 criteria. It prepared and published its *pro forma* 2019 financial statements according to IFRS in June 2020 (structural benchmark). In order to prepare for the adoption of the IFRS accounting standards in 2021, the BCM

is working with its partners to establish a new information system and a new accounting framework by end-2020.

Exchange Policy

20. The exchange policy will be geared toward modernizing the foreign exchange market to improve its functioning, enhance access to foreign exchange, and introduce greater flexibility in the exchange rate so as to enhance its role in absorbing exogenous shocks and preserving external equilibrium while limiting exchange rate volatility.

21. The objective of the reform is to establish a system of competitive, multiple-price auctions that would limit the interventions of the BCM in the foreign exchange market and save BCM foreign currency holdings, unify the foreign exchange market, and develop the interbank market. In parallel, we will continue to monitor the strict application of exchange regulations and prudential standards relating to foreign exchange positions.

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

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

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

- Once the interbank foreign exchange market is established in 2021, we will take necessary measures to support the development of activity on the foreign exchange market, introduce a system of regular foreign exchange auctions, and will cease to intervene on the foreign exchange market, except in case of excessive volatility (former structural benchmark October 2020).

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

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

Fiscal Policies

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

24. The economic shock induced by COVID-19 for the world and Mauritania has affected our 2020 budget. The emergency response measures to the pandemic and its socioeconomic effects, as well as the drop in tax revenue, could lead to a primary deficit (excluding grants and interest payments) of 3.6 percent of NEGDP, in contrast with the surplus of 0.8 percent of NEGDP envisaged in the initial 2020 budget adopted by Parliament in December 2019. Our interventions related to COVID-19 are sizable and have required additional spending that have only partially been compensated by a downward revision of appropriations foreseen under the initial budget.

- Social expenditures in education, health and social protection, as well as supplemental crisis-related expenditure to strengthen the health system, support to the neediest, and support to small businesses will be increased; they will only be partly compensated by savings on administrative expenses of the government. We will ensure that at least 70,000 vulnerable households benefit from cash transfers by the end of the year.

- We will also ensure that capital expenditure for priority infrastructure is maintained, so as to support economic activity and lay the ground for the recovery. At the same time, we will reprioritize current expenditure and non-essential investment spending as needed to increase priority social and health expenditure.

- Finally, to anchor this year's fiscal expansion in a medium-term fiscal framework that preserves debt sustainability, we will prepare a plan to unwind the temporary measures and return to a primary budget surplus when the crisis subsides.

25. During the program and with help from our development partners, we will strengthen our fiscal policy framework to take into account the potential increase in government revenues from the extractive industries, particularly those expected from the GTA gas project. This framework will help to inform the choices for allocating these revenues, design fiscal rules that account for the volatility and finite nature of non-renewable resources, and to ensure good governance and transparency.

Tax Policy and Administration

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

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

- *Expansion and monitoring of the tax base*. We will first protect the tax base by ensuring the integrity of the register of taxpayers through regular updates of the central file and by limiting the number of inactive taxpayer identification numbers (NIFs). We will continue to strengthen risk management in terms of taxpayer compliance, beginning with a better control over the taxpayers register. The register was audited to eliminate duplicate entries, clean up the number of temporary taxpayer identification numbers, identify taxpayers that are managed effectively, are dormant or not registered, and monitor compliance with the tax system; the DGI implements the procedure to update the register on a regular basis. These actions, as well as a systematic sharing of names of the largest suppliers of each taxpayer, are being implemented strictly and regularly in 2019. A new risk management unit was created at end-2019, which analyzes and uses the available information to take appropriate measures to expand the tax base, in particular by seeking to identify unregistered or wrongly classified large and medium-size businesses. We are purchasing an IT platform that allows real-time cross-checks of taxpayer transactions between the different revenue collection services to limit fraud, under-declaration, and payment delays.

- *Improvement of taxpayer timely filing and payment rates*. We launched vigorous measures to monitor taxpayers, especially for large and medium-size businesses subject to VAT and profit tax, to ensure that taxpayers declare and pay their taxes on a timely basis, which is facilitated by an online filing system since March 2019. Our objective is to achieve a timely filing rate of at least 85–90 percent for large businesses and 65–75 percent for medium-size businesses by end-2020, as well as a timely payment rate of at least 50 percent by end-2020. We established internal DGI

performance targets in April 2019 regarding the timely payment rates for large and medium-size businesses in 2019 (structural benchmark for March 2019) to guide and measure the effectiveness of our taxpayer monitoring actions. We formally introduced internal indicative performance targets for 2020 regarding the timely filing rate of at least 85 percent for large businesses and at least 65 percent for medium-size businesses, as well as internal indicative targets for timely payment rates (structural benchmark March 2020).

- *Strengthening of taxpayer audits by the DGI*. We continue to increase the number of on-site taxpayer audits with a view to improving tax compliance. We exceeded our objective of conducting at least 15 general audits and 40 targeted audits of large and medium-size businesses in 2019 (structural benchmark for December 2019) and our objective is to achieve the same number in 2020 (of which at least 13 general audits and 35 targeted audits between January and September 2020) by reallocating DGI resources, improving auditor training, and providing auditors with appropriate analytic tools and procedures. To facilitate cross-checks, the online declaration system includes since January 2020 a module to provide the list of the largest suppliers. We also recruited 70 new staff of the DGI in 2019 who will receive a two-year training before taking their post and contribute to strengthening tax controls. Twenty staff out of 70 have already integrated the DGI for training centered on large businesses.

- *Elimination of certain tax loopholes*. With support from the World Bank, we compiled a list of tax exemptions in effect and estimated the cost of the foregone taxes. We will continue to evaluate the relevance and social cost with a view to eliminating tax exemptions deemed ineffective, in particular those unrelated to special schemes (such as the mining code). The 2021 budget will start eliminating some exemptions. The estimated tax expenditures were presented in an appendix to the budget laws since 2018 and this will be done again for 2021.

- *Improved collection of arrears*. We seek to improve the management and collection rate of tax arrears. We completed an inventory of tax arrears, identified recoverable arrears, and set up settlement plans that have already improved tax collections. The DGI’s Directorate of Public Entities (DEP), the Directorate of Financial Supervision (DTF) and the DGTCP will strengthen their monitoring of collection efforts with respect to public corporations with a view to better tracking the latter’s tax arrears. We will continue to focus our collection efforts on large and medium-size businesses and the most recent arrears, and will accelerate the write-off of unrecoverable arrears.

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

- *Improved DGD inspection and valuation mechanisms*. We are currently putting in place a program to strengthen customs inspection and valuation mechanisms for the DGD. We strengthened customs units and their capacity to effectively manage the national valuation bureau (BNV) and took appropriate measures to operationalize this tool, including the preparation of a BNV procedures guide. With technical assistance from the IMF, the DGD introduced several tools

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

Public Expenditure Management

28. The new organic budget law (LOLF), approved by the National Assembly in May 2018 and promulgated in October 2018, will considerably improve public financial management by unifying the government budget, promoting the introduction of program budgeting, capping the public debt, and improving budget formulation in a multiyear framework.

- We have already introduced elements of the reform in the 2017–19 budget, such as the inclusion of externally financed capital expenditure and a presentation of tax expenditure in a budget annex.

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

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

- Parliament adopted the laws on the final accounts of the 2013-15 budgets in May 2018, those for 2016–17 in January 2019; and the one for 2018 in January 2020. The Court of Accounts submitted to parliament its observations and recommendations on these laws on final accounts. We will submit the law on the final accounts of the 2019 budget before September 2020, in time to inform the consideration of the draft 2021 budget.

- We are finalizing a *Public Expenditure and Financial Accountability* (PEFA) assessment of our public expenditure management and accountability framework, with the assistance from the international PEFA secretariat.

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

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

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

- To avoid the misuse of resources, we will carefully monitor emergency spending and we will publish on the website of the Ministry of Finance the full text of the public procurement contracts related to crisis mitigation, the names of the contracting companies and their beneficial owners, the nature of the goods and services and their price per unit, and the ex post certificates of delivery. We will consider expanding those transparency measures to all procurement next year.

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

30. Our objective is to continue rationalizing current expenditure within a framework of budgetary efficiency. The reforms aimed to control budget risks by executing all government revenue and expenditure through a single channel, capturing the full amount of the wage bill, aligning public entities' budget cycles to improve cash flow management, limiting extra budgetary spending, and facilitating the consolidation of public finance statistics.

- *Wage bill*. To control the impact of salaries on the government budget and capture all components of the general government wage bill, we have included employees of all administrative public entities (EPA) in the 2017 supplementary budget, and we have included non-permanent staff in the 2018 and 2019 budgets. We now control the wage bill and are strengthening our management of wages and salaries through the roll-out of the RATEB payroll system across all ministries; this system is available online and allows for the deconcentration of the management of the wage bill.

- *Public consumption expenditure*. We will continue rationalizing public consumption expenditure and strictly limit nonpriority spending. In the context of the 2017–19 budgets and civil service reform, we have already reduced ill-targeted subsidies and rationalized goods and services

consumption. At the same time, we have reapportioned some capital expenditures as current expenditures to better reflect their true nature. The resulting fiscal space is reallocated to social spending or increased investment in strategic sectors.

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

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

- In this context, we prepared a manual of procedures to improve the preparation and follow-up of project execution and set up a committee to assess and schedule public investment projects (*Comité d'analyse et de programmation de l'investissement public*—CAPIP) which is operational.

- We implemented a new automated application, the Integrated Public Investment Management System (SIGIP), which supports all phases of capital project management (from contract signature to disbursement). This new system, which analyzes the projects' life cycle, enables us to assess and prioritize investments to program in the PIP. It also allows us to systematically monitor disbursements of external debt and strengthen the external debt management framework.

- Based on this new framework, we regularly prepare the moving triennial PIP which forms the basis for selecting priority projects in line with the action plan of the SCAPP.

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

32. To continue investing in infrastructure while containing the growth of public spending and to support private sector development, we adopted a new law on public-private partnerships (PPP) in February 2017 as well as its implementation texts. A portfolio of projects eligible for this mode of

contracting was adopted by the inter-ministerial committee in charge of PPPs. We will proceed cautiously, however, to minimize contingent risks for public finances.

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

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

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

34. To improve fiscal transparency, we will modernize the presentation of budget statistics and the government fiscal reporting table (TOFE) in accordance with the international standards of the *2001/2014 Government Finance Statistics Manual*. To do so, we intend to form a committee charged with leading the work to produce public finance statistics (GFS committee) by end-2020. We will also gradually expand the scope of coverage to include subnational jurisdictions and EPAs by end-2021, and thereafter to all public corporations and entities.

Public Enterprises and public entities

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

External Debt and Public Debt

36. To avoid excessive and costly borrowing, we will avoid non-concessional loans and will finance our investments through grants and concessional loans at the pace compatible with debt sustainability and within the limit of the ceiling indicated for reference in Table 1. However, in view of limited access to concessional resources, we contracted a limited amount of non-concessional external loans on an exceptional basis, subject to the ceiling indicated in Table 1, for two priority projects identified in our economic development program for which concessional financing is not available, and for Mauritania's participation in the first phase of the GTA offshore gas project. Our ongoing dialogue with IMF staff, including consultations prior to the approval of new loans, will help us to strengthen our strategy for reducing our medium-term debt levels.

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

38. In parallel, we finalized in September 2018 the establishment of a gateway interface between the SYGADE-SIGIP-RACHAD software applications for institutions involved in debt servicing (the Debt Directorate, Budget Directorate, DGTCP, DGIPCE, and the BCM) that will be used to keep track of external debt disbursements and debt service payments. What remains now is to strengthen the real-time monitoring, by the DGTCP and the Debt Directorate, of the programming and execution of the debt service by the BCM. This monitoring will be achieved by linking the SYGADE interface between the DGTCP, the Debt Directorate, and the BCM, which will be done by September 2020. This interface will strengthen debt management capacity through the systematic monitoring of external debt disbursements (SYGADE-SIGIP) and will make sure debt service payment transactions are included in the automated chain of expenditure system (SYGADE-RACHAD).

Financial Sector Policy

39. Our roadmap for the financial sector is based on the recommendations of the Financial Sector Assessment Program (FSAP) to preserve financial stability and deepen the financial markets. We will continue our efforts to implement risk-based bank supervision. To this end, our actions will

be structured around continued improvement of the regulatory framework, strict enforcement of the framework, and improved quality of statistics.

40. We improved considerably the regulatory framework and adapted it to international standards by adopting a new law on credit institutions (banking law) in July 2018. The law aligns prudential standards on the principles of Basel II and III and strengthens the crisis management mechanism by establishing a new framework for bank resolution and depositor protection. It expands the scope of bank supervision to include insurance companies and the CDD, strengthens the legal force of BCM decisions by strictly framing the conditions for appealing its decision before the courts, and establishes a general regulatory framework for Islamic banks.

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

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

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

44. With respect to liquidity, we established an emergency refinancing facility in March 2018 that can be used to provide liquidity to banks experiencing temporary cash flow pressures in exchange

for collateral. This mechanism was activated twice so far to alleviate temporary liquidity constraints, and the BCM is working with the two banks to identify sustainable solutions.

45. During this difficult period caused by the COVID-19 pandemic, the BCM will discuss with commercial banks options to help individuals and firms faced with difficulties in servicing their loans. Among possible options are the possibility to push back payment deadlines without incurring penalties or restructuring certain debts while complying with prudential standards. Moreover, the government will grant, if necessary, well-targeted and time-bound direct loans and partial guarantees to firms to help them preserve jobs and their production capacity.

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

47. The BCM strengthened its supervisory capacity and focuses its supervision on a comprehensive analysis of banking risks. In the context of the annual supervision program, the BCM has strengthened the on-site inspections which cover anti-money laundering and countering the financing of terrorism (AML-CFT), control of foreign currency transfer and surrender operations, general control of bank activities, and compliance with foreign exchange positions. It also stepped up offsite surveillance and conducts systematic analyses of banks' financial position. To further strengthen the analytical and inspection capacities of bank supervision, the BCM has recruited 12 agents.

48. The BCM monitors compliance with prudential standards and sanctions noncompliant banks. With technical assistance from the IMF, it has reinforced and modernized sanctions to make them more effective and deterrent, through a new instruction on administrative sanctions by June 2020 (structural benchmark). The BCM has also raised the target of the deposit guarantee fund to MRU 1 billion over five years, following the increase in the minimum capital. In view of the limited size of the Mauritanian market, the new banking law tightened conditions for licensing new banks, which should encourage mergers among existing banks.

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

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

51. We launched a project to modernize the financial infrastructure and payments system based on a new law adopted in July 2018. A modern payments system (large-value transfers, check clearing system, interbank money market operations) will represent a lever for development of the financial system and the economy as a whole by promoting larger and faster trade while strengthening financial stability and enhancing the security of financial transactions. This payment system was to be completed by September 2020 but will be delayed until next year due to the pandemic. We are also developing automatic payment instruments and the regulatory framework for mobile banking to reduce cash in the economy and promote financial inclusion for the poorest.

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

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

- *Reform of the microfinance sector*. We implemented consolidation measures in the microfinance promotion agency (PROCAPEC) to reduce costs and withdraw from the sector.

- *Promotion of Islamic finance*. In view of the potential of this segment to better accommodate activity in the sector, the BCM will adopt implementation regulations specific to Islamic banks with technical assistance from the IMF.

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

partners; the fund could provide partial guarantees for bank credit to SMEs to improve access to finance and contribute to job creation.

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

Social Policies and Anti-Poverty Measures

54. To increase the effectiveness of our social spending, our social programs are now better targeted to protect the most vulnerable households. After reducing the poverty rate by 11 percentage points between 2008 and 2014, we began deployment of a targeted social support system with assistance from the World Bank on the basis of a single social registry (SR) of vulnerable households which is expected to cover the entire national territory, so as to facilitate better targeting of transfers to the most vulnerable.

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

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

- A number of programs such as the "Tekavoul" program of targeted and conditional social transfers already use the SR for their support to the most vulnerable households. Tekavoul covered around 34,000 households (more than 225,000 persons) by end-March 2020, thanks in part to World Bank financing. This program has been strengthened by domestic resources and achieved a coverage of 42,600 households by end-July.

- Our objective is to increase the coverage and amounts of social assistance, including by providing financial assistance to 55,000 vulnerable households by end-October 2020 (new structural benchmark) and 70,000 by end-2020, to then reach full national coverage of 100,000 households by end-2021. To that end, the central team for Tekavoul will be strengthened. We plan to increase the amount of social transfers in stages over the period 2022-24. We have mobilized the necessary resources from our development partners to finance these social safety nets.

- Taazour also took charge of the temporary social support program in the context of the COVID-19 response plan. By end-July, nearly 206,000 households had received food aid and a one-off money stipend on the basis of the SR, pre-existing lists for the cities of Nouakchott and

Nouadhibou, and lists compiled by the local authorities, providing support for a total of approximately 1.5 million people.

56. Our program provides for an increase in social spending (including education with the exception of tertiary education, health, and social protection). We have set a target of MRU 9.60 billion in 2019 (relative to MRU 8.8 billion in 2018) and MRU 14.5 billion in 2020. We exceeded our objective in 2019 by executing MRU 9.65 billion in social spending. We will strive to reach our objective in 2020 through the action of Taazour, by raising budget execution in the priority social sectors, and by rolling out budget resources allocated for the COVID-19 response plan.

Governance, Business Environment, and the Fight Against Corruption

57. We have significantly improved the business environment over the last few years, even though much progress remains to be achieved. While we gained 28 ranks in four years in the "Doing Business" rankings of the World Bank by 2018, we lost four places in the 2019 rankings, reaching the 152nd rank out of 190 countries. We did however improve by one point our score in Transparency International's indicator on the perception of corruption.

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

59. The Mauritanian authorities are convinced of the need to give new impetus to the implementation of the strategy to fight corruption adopted in December 2010 which includes fostering transparency, the rule of law, and institutional reforms. An anti-corruption law was adopted in April 2016, which defines the criminal acts and related sanctions and created a specialized court; implementation decrees were adopted that same year. Now, the tripartite committee (government, private sector, and civil society) charged with following up on the implementation of the strategy, created in 2014, will be operationalized; its members will be appointed by decree by September 2020 and it will be provided with the necessary resources to produce its first report on implementation of the strategy as well as a specific action plan for the period 2021-23 by end-2020.

60. We have also asked the staff of the IMF to undertake a Governance Diagnostic assessment in 2021. This will allow us to review our system with a view to adapting it to the numerous challenges our country faces regarding economic governance, including in areas such as budget management, the management of mining and gas resources, the fight against corruption, and risks pertaining to

money laundering and the financing of terrorism. The report will include an action plan aimed at strengthening and accelerating the implementation of economic good governance and the fight against corruption.

61. We have progressed in implementing the three corrective measures recommended by the board of the Extractive Industries Transparency Initiative (EITI) during the second validation meeting in February 2019. These measures pertain to the disclosure of license allocations and a license register; clarification and publication of the relations between the state and public enterprises in the sector; and conducting a study of the impact of EITI. The National Committee of EITI has published its annual report for 2019. We also received assurances from the operators of the GTA gas project that they will comply with all norms of the EITI.

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

63. To improve transparency and efficiency of public investment, public procurement procedures were reformed in 2017, with assistance from the World Bank, to separate the functions of contracting, oversight, and regulation to increase the transparency of procurement management. This led to the consolidation of the four decrees implementing the law into a single text, and the adaptation of regulations to conform to the law. However, the new implementation decrees did not result in the expected effects on the streamlining of procedures, and we will undertake an audit of the public procurement framework before end-2020. Furthermore, to improve public expenditure management, the new organic budget law recently approved by parliament in 2018 provides for unification of the government's budget, promotes program budgeting, establishes a ceiling on public debt, and improves budget formulation in a multi-year framework. Its implementation started in 2019 through adoption of implementation decrees on the budgetary process and accounting standards. We will also implement the recommendations stemming from the PIMA prepared in early-2020 to strengthen the sound management of public investments and from the PEFA to strengthen the management of public spending.

64. The government strengthened the authority and operations of the Court of Accounts through a new organic law. The necessary decrees to operationalize this law will be adopted shortly and will strengthen the human resources and technical means of the Court of audit to allow it to fulfill its mandate. The court has, among others, completed the assessment of the laws on the final budget accounts up to 2018 and shared those with Parliament to support its budget analyses. Moreover, all of its annual reports covering 2006-18 were fully published at end-2019. Its report for 2019 will be transmitted to parliament by September 2020. The government will revitalize the other institutions charged with audit and control such as the Government Inspector General, the Inspector General of Finance, and the internal ministerial inspection units.

65. The government also plans to review during 2020 the 2007 law on financial transparency in public affairs—which establishes the mandatory declaration of assets for high state officials—based

on best international practices. The law will be strengthened, including by defining the applicable sanctions in case of non-declaration or false declaration; broadening the scope of individuals subject to declaration; clarifying the verification processes; ensuring the financial and administrative independence of the commission on financial transparency in public affairs; and mandating publication of periodic activity reports. Moreover, this commission will be provided with the means to fulfill its mission, including the verification of the asset declarations and regular publication of its reports.

Economic Statistics

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

D. Program Monitoring

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

68. Program implementation will be evaluated semiannually by the IMF's Executive Board based on performance criteria and quantitative indicators and structural benchmarks (Tables 1 and 2). The next and last review of the program will be completed on or after September 30, 2020 based on the performance criteria and quantitative indicators at end-June 2020 (Table 1) and relevant structural benchmarks (Table 2). Those criteria and quantitative benchmarks are defined in the Technical Memorandum of Understanding (TMU), as well as adjusters in case of contingencies.

Table 1. Mauritania: Performance Criteria and Quantitative Benchmarks for 2019–20
(cumulative changes) 1/

	End-Jun 2019				End-Dec 2019				End-Mar 2020	End-Jun 2020	End-Sep 2020	End-Dec 2020
	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Performance Criteria	Adjusted Performance Criteria	Actual	Status	Indicative Targets	Performance Criteria	Proposed Indicative Targets	Proposed Indicative Targets
Quantitative Performance Criteria												
Change in net international reserves of the BCM (floor); in million of U.S. dollars	31.5	72.0	103.7	Met	63.0	160.5	180.2	Met	19.4	20.3	-101.5	-182.6
Change in net domestic assets of the BCM (ceiling); in billions of ouguiyas (MRU)	0.90	-0.55	-1.50	Met	0.84	-2.66	-4.69	Met	0.5	1.35	1.51	7.23
Primary balance excluding grants; in billions of ouguiyas (MRU) 2/	1.66	1.57	3.67	Met	1.70	1.92	4.10	Met	0.82	1.88	-4.50	-8.50
Contracting or guaranteeing of new medium- and long-term nonconcessional external debt with maturities of one year or more by the government, BCM, or state-owned enterprises, excluding non-guaranteed debt of SNIM (continuous ceiling); in millions of U.S. dollars 3/ 4/	0.0	103 307	18.0 304.5	Met	0.0	103.0 307.0	104.55 304.5	Not Met 7/	0.0	0.0	0.0	0.0
Contracting or guaranteeing of new nonconcessional external debt with an original maturity of less than one year by the government, BCM, or state-owned enterprises, excluding non-guaranteed debt of SNIM (continuous ceiling); in millions of U.S. dollars 3/	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0
New external payment arrears (continuous ceiling) 5/	0.0		0.0	Met	0.0		0.0	Met	0.0	0.0	0.0	0.0
Indicative Targets												
Poverty-reducing expenditure; in billions of ouguiyas (MRU) 6/	12.16		8.70	Not Met	...				...	...	...	...
Social spending; in billions of ouguiyas (MRU)	...		...		9.60		9.65	Met	2.1	5.4	10.0	14.50
Contracting or guaranteeing of new medium- and long-term concessional external debt with maturities of one year or more by the government, BCM, or state-owned enterprises, excluding non-guaranteed debt of SNIM (continuous ceiling) 3/	200		87.5	Met	400		259.3	Met	400	450	450	450
Adjustement Factors (in millions of U.S. dollars)												
Net international assistance	-107.9		-129.2		-192.2		-157.7		-36.3	-104.9	12.7	38.2
Cumulative disbursements of official loans and grants in foreign currency	14.6		0.0		43.8		92.9		9.3	18.5	99.0	132.0
Cumulative amounts of external cash debt service payments	-122.5		-129.2		-236.0		-250.6		-45.5	-123.4	-86.3	-93.8
FNRH contribution to the budget	64.2		126.0		82.4		146.0		10.9	21.8	20.9	26.1
European Union fishing compensation fee	0.0		0.0		77.1		76.6		0.0	0.0	0.0	65.4
Extractive revenues, in billions of ouguiya (MRU)	2.84		2.65		4.13		4.60		1.8	3.2	3.0	3.7
Memorandum items:												
Program exchange rate (MRU/USD)	35.85		35.85		35.85		35.85		35.85	35.85	35.85	35.85

1/ For definitions, see Technical Memorandum of Understanding. Quantitative targets correspond to cumulative changes from the beginning of the relevant year, unless otherwise indicated.
2/ Adjusted by half of the difference between recorded and projected extractive industry budgetary revenues.
3/ Cumulative limit from November 1, 2017 for loans approved by the Council of Ministers.
4/ Adjusted upward, up to $103 million, exclusively for the following two projects: additional financing for the Boulenoir wind farm project, and financing for the Nouakchott fishing port project (development hub at PK28). And adjusted upward, up to $307 million, exclusively for the Grande Tortue/Ahmeyim offshore gas project.
5/ Excluding arrears subject to rescheduling.
6/ Narrowed to social spending (education, health, and social protection) from December 2019 onward.
7/ Breached as of August 22, 2019, with actual contracting of $104.55 million under the first sub-ceiling; waiver granted by the IMF's Executive Board on December 11, 2019.

Table 2a. Mauritania: Prior Action and Structural Benchmarks 2018–19 (Third and Fourth Reviews)

Measure	Date	Objectives	Status
Prior action: Submit the 2019 budget law consistent with the program's budget targets to parliament	Fourth ECF review by the IMF Executive Board (met)	Maintain macroeconomic stability and strengthen debt sustainability	
Exchange policy			
Introduce two-way wholesale auctions on the foreign exchange market; and raise the threshold for the requirement to go through the foreign exchange market to US$300,000	December 2018	Deepen the exchange market and allow greater exchange rate flexibility	Met
Establish the regulatory framework for the interbank foreign exchange market	June 2019	Deepen the foreign exchange market	Not met, first postponed to October 2020, now dropped
Monetary policy			
Establish an interest rate corridor for the new BCM deposit and refinancing facilities	December 2018	Improve the effectiveness of monetary policy instruments	Met
Financial sector policy			
Publish a quantification of the BCM's 2017 financial statements in accordance with IFRS accounting standards	December 2018	Harmonize central bank financial reports with international standards	Met
Establish the credit information bureau	February 2019	Improve access to bank credit	Met
Adopt a directive on the calculation of banks' net weighted assets and liquidity ratios in accordance with Basel III	April 2019	Tighten the capital and liquidity requirements applicable to banks and strengthen the solvency of the banking system	Met
Finalize the national risk assessment with respect to AML-CFT, accompanied by an action plan, and submit them to the Council of ministers	April 2019	Strengthen the framework to combat money laundering and terrorism financing	Met
Apply concentration limits on banks' net positions toward related entities	July 2019	Strengthen banks' soundness and improve bank governance	Met
Prepare pro forma BCM financial statements for 2018 in accordance with IFRS international accounting standards	September 2019	Increase the transparency of the central bank's accounts	Met

Table 2a. Mauritania: Prior Action and Structural Benchmarks 2018–19 (concluded) (Third and Fourth Reviews)

Measure	Date	Objectives	Status
Fiscal policy			
Finalize the decree establishing new procedures to modernize the issuance of Treasury bills based on technical assistance from the IMF	December 2018	Support cost-effective financing of the government, monetary policy, and development of financial markets	Met
Adopt the new rules for issuing Treasury bills	March 2019		Implemented with delay in April 2019
Establish indicative internal performance objectives for the DGI regarding timely payment rates of large and medium-size businesses in 2019	March 2019	Improve tax revenue mobilization and tax equity, and reduce tax arrears	Implemented with delay in April 2019
Strengthen post-clearance inspections by establishing a supervision committee, restructuring and strengthening the directorate of investigations, and revising the regulatory framework	June 2019	Strengthen the customs administration to mobilize revenue and facilitate trade	Implemented with delay in August 2019
Adopt implementation decrees under the new organic budget law (decrees on the general budget management and public accounting regulations and decree on budget governance)	June 2019	Strengthen budget formulation, institutions, and governance in public financial management to support efficient spending and fiscal consolidation	Implemented with delay in July 2019
Submit the draft laws on the General Tax Code and the corporate tax to the Council of ministers	August 2019 (deferred from December 2018)	Improve tax revenue mobilization and tax equity, reduce informality and tax fraud	Met

Table 2b. Mauritania: Structural Benchmarks 2019–20 (Fifth and Sixth Reviews)			
Measure	**Date**	**Objectives**	
Monetary and exchange policy			
Authorize the internal clearing of foreign exchange transactions between customers in the same bank; and eliminate the obligation to go through the official foreign exchange market	December 2019	Deepen the exchange market and allow greater exchange rate flexibility	Met
Calculate the daily reference exchange rate as the weighted average of actually settled rates on the official market	March 2020	Improve transparency of the official foreign exchange market and allow greater exchange rate flexibility	Met
Prepare and publish *pro forma* BCM financial statements for 2019 in accordance with IFRS international accounting standards	June 2020	Increase the transparency of the central bank's accounts	Met
Establish the regulatory framework for the interbank foreign exchange market	September 2020 (postponed from June 2019)	Deepen the foreign exchange market	Dropped
Implement the integrated technical platform for the interbank foreign exchange market	September 2020 (postponed from December 2019)	Deepen the foreign exchange market	Dropped
Implement the integrated technical platform for monetary policy operations	September 2020 (postponed from December 2019)	Improve the effectiveness of the new monetary policy framework	Dropped
Introduce regular foreign exchange auctions and cease foreign exchange interventions, except in case of excessive volatility	October 2020	Deepen the foreign exchange market and allow greater exchange rate flexibility	Dropped
Finalize the terms of reference for procurement of the FX interbank market platform	September 2020	Deepen the foreign exchange market	New
Financial sector policy			
Submit a revised law on loan recovery to parliament	December 2019	Strengthen the banking system and improve the business environment	Implemented with delay in July 2020
Adopt an instruction strengthening the supervision of auditors tasked with certifying banks' financial statements	December 2019	Strengthen bank supervision as well as the stability and governance of the banking system	Met

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

Measure	Date	Objectives	
Adopt an instruction aimed at taking provisioned nonperforming loans out of banks' balance sheets after five years	March 2020	Strengthen the stability of the banking system and improve governance	Met
Adopt an instruction on administrative sanctions applicable to banks	June 2020	Strengthen bank supervision as well as the stability and governance of the banking system	Met
Fiscal policy			
Conduct at least 15 general tax audits and 40 targeted audits of large and medium-size businesses by the DGI in 2019	December 2019	Improve tax revenue mobilization and tax equity, and reduce tax arrears	Met
Establish indicative internal performance targets for the DGI regarding the timely filing and payment rates for large and medium-size businesses in 2020	March 2020	Improve tax revenue mobilization and tax equity, and reduce tax arrears	Met
Digitalize customs exemptions and update the ASYCUDA system to better monitor and control exemptions and accelerate treatment of customs data	March 2020	Strengthen customs administration to mobilize revenues and facilitate trade	Implemented with delay in July 2020
Conduct at least 13 general audits and 35 targeted audits of large and medium-size businesses by the DGI from January to September 2020	September 2020	Improve tax revenue mobilization and tax equity, and reduce tax arrears	Dropped
Present the budget according to a program structure in the annex to the 2021 budget	October 2020	Improve budget formulation, clarify budget orientations, and increase spending efficiency	Dropped
Establish dedicated budget lines for emergency response spending and ensure that all those budgetary resources, including external grants, flow through these lines	September 2020	Facilitate tracking of funds through the existing IT system RACHAD; and account transparently for COVID-19 response spending	New
Provide cash transfers to 55,000 vulnerable households (up from 34,000 at end-March 2020)	October 2020	Strengthen social safety nets and reduce inequalities and poverty	New

Attachment II. Technical Memorandum of Understanding

1. This Technical Memorandum of Understanding describes the quantitative and structural assessment criteria established to monitor the program supported by the Fund's Extended Credit Facility and described in the Memorandum of Economic and Financial Policies (MEFP), Tables 1 and 2. It also specifies the content and periodicity of the data that must be forwarded to Fund staff for program monitoring purposes. Under this memorandum, the government is defined as the central government exclusively.

2. The quantitative targets are defined as ceilings and floors set on cumulative changes between the reference periods described in Table 1 of the MEFP and the end of the month covered, unless otherwise indicated.

A. Definitions

3. **Net international reserves (NIR) of the Central Bank of Mauritania (BCM)** are defined as the difference between the reserve assets of the BCM (i.e., the external assets that are readily available to, and controlled by, the BCM, as per the 6th edition of the IMF *Balance of Payments Manual*), minus the BCM's foreign exchange liabilities to residents and nonresidents (including letters of credit and guarantees issued by the BCM, but excluding resident foreign exchange deposits that are payable in local currency). Monetary gold holdings will be evaluated at the gold price in effect on June 30, 2017 (US$1,242.3 per oz.), and the U.S. dollar value of the reserve assets (other than gold) and foreign exchange liabilities will be calculated using the program exchange rates, namely, the June 30, 2017 rates for exchange of the U.S. dollar against the ouguiya ($1 = MRO 358.5), the SDR ($1.39 = SDR 1), the euro ($1.14 = 1 euro), and other currencies published in the IMF's database *International Financial Statistics* (*IFS*).

4. **Net domestic assets (NDA) of the BCM** are defined as reserve money minus net foreign assets (NFA) of the BCM. Reserve money comprises: (a) currency in circulation (currency outside banks plus the commercial banks' cash in vaults); and (b) deposits of commercial banks at the BCM. NFA are defined as the gross foreign assets of the BCM, including external assets not included in the reserve assets, minus all foreign liabilities of the BCM (i.e., NDA = reserve money—NFA, based on the BCM balance sheet). NFA excludes assets held as participation in the capital of the Arab Monetary Fund and will be measured at the program exchange rates described in paragraph 3.

5. **The primary fiscal balance excluding grants** is defined, for program monitoring purposes, as the overall balance, apart from grants, of the central government, excluding interest due on public debt. This balance is equal to government revenue (excluding grants) minus government expenditure (excluding interest due on public debt). The primary fiscal balance will be measured on the basis of Treasury data. Revenue is defined in accordance with the *Government Finance Statistics Manual (GFSM 2001)*. It will be monitored on a cash basis (*revenue taken by the Treasury*). Expenditure will be monitored on a commitment basis, including interest on domestic debt (paid by the Treasury or automatically debited from the Treasury's account at the BCM, including but not

limited to discounts on Treasury bills held by banks and nonbanks as well as interest due on the government's consolidated debt to the BCM).

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

7. **Poverty reducing expenditure** is estimated using the functional classification of public expenditure introduced on the basis of the recommendations in the January 2006 technical assistance mission report of the IMF Fiscal Affairs Department ("Les réformes en cours de la gestion budgétaire et financière" [Ongoing Fiscal Management Reforms], March 2006). This estimate will take into account only domestically funded expenditure under the following headings: "General public services," "Economic affairs," "Environmental protection," "Community facilities and housing," "Health," "Religious affairs, culture, and leisure," "Education," and "Social action and protection."

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

2. **For program purposes, the definition of external debt** is set out in paragraph 8(a) of the Guidelines on Public Debt Conditionality in Fund Arrangements, attached to IMF Executive Board Decision No. 15688-(14/107) adopted on December 5, 2014.[1]

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

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

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

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

iii) Leases, that is, agreements governing the provision of property that the lessee has the right to use for one or more specified period(s), generally shorter than the total expected service life of the property, while the lessor retains the title to the property. For the purposes of the guidelines, the debt is the present value (at the inception of the lease) of all lease payments expected to be made during the period of the agreement, apart from payments related to the operation, repair, or maintenance of the property.

(b) According to the above-mentioned definition, debt includes arrears, penalties, and damages awarded by the courts in the event of a default on a contractual payment obligation that represents a debt. Failure to make payment on an obligation that is not considered a debt according to this definition (e.g., payment on delivery) does not give rise to a debt.

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

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

5. **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.

6. **External debt is deemed to have been contracted or guaranteed** on the date of approval by the Council of Ministers. For program purposes, its U.S. dollar value is calculated using the average exchange rates for July 2017 as described in the *IFS* (International Financial Statistics) database of the IMF, namely, the rates of exchange of the U.S. dollar against the

SDR ($1.3955 = SDR 1) and other national currencies, namely, the euro (0.86873 euro = $1), the Kuwaiti dinar (KWD 0.302668 = $1), the Saudi rial (SR 3.75 = $1), and the pound sterling (£0.769827 = $1). From 2020, its U.S. dollar value is calculated using the average exchange rates for July 2019 as described in the *IFS* (International Financial Statistics) database of the IMF, namely the rates of exchange of the U.S. dollar against the SDR ($1.38128 = SDR 1) and other national currencies, namely, the euro (0.89139 euro = $1), the Kuwaiti dinar (KWD 0.30368 = $1), the Saudi rial (SR 3.75 = $1), and the pound sterling (£0.801916 = $1).

7. For program purposes, a loan is deemed concessional if it contains a grant element representing at least 35 percent, calculated as follows: the grant element is the difference between the present value (PV) of the loan and its face value, expressed as a percentage of the loan's face value. The PV of a loan is calculated by discounting future principal and interest payments, on the basis of a discount rate of 5 percent. Concessionality will be assessed on the basis of all aspects of the loan agreement, including maturity, grace period, repayment schedule, front-end fees, and management fees. The calculation is performed by the authorities, using the IMF model,[2] and verified by IMF staff on the basis of data provided by the authorities. For loans with a grant component of zero or less, the PV is set at an amount equal to the face value.

8. In the case of debt with a variable interest rate represented by a reference interest rate plus a fixed margin, the PV of the debt is calculated on the basis of a program reference rate plus a fixed margin (in basis points) specified in the loan agreement. The program reference rate for the US dollar six-month LIBOR is 3.23 percent and will remain unchanged until December 31, 2017. From January 1 to December 31, 2018, the benchmark rate is 3.42 percent. From January 1 to December 31, 2019, the benchmark rate is 3.31 percent. For 2019, the margin between the euro six-month LIBOR and the US dollar six-month LIBOR is -250 basis points. The margin between the yen six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the pound sterling six-month LIBOR and the US dollar six-month LIBOR is -200 basis points. For interest rates applicable to currencies other than the euro, the yen, and the pound sterling, the difference from the US dollar six-month LIBOR is -300 basis points. From January 1 to December 31, 2020, the benchmark rate is 2.39 percent. For 2020, the margin between the euro six-month LIBOR and the US dollar six-month LIBOR is -300 basis points. The margin between the yen six-month LIBOR and the US dollar six-month LIBOR is -250 basis points. The margin between the pound sterling six-month LIBOR and the US dollar six-month LIBOR is -200 basis points. For interest rates applicable to currencies other than the euro, the yen, and the pound sterling, the difference from the US dollar six-month LIBOR is -150 basis points.[3]

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

[3] The program reference rate and margins are based on the "average projected rate" for the US dollar six-month LIBOR over the period of 10 years in the fall 2017 edition of the *World Economic Outlook* (*WEO*): for 2017, the average for the period 2017-26; for 2018, the average for the period 2018–27. For 2019, the average for the period 2019–28 on the basis of the fall 2018 edition of the WEO. For 2020, the average for the period 2020–29 on the basis of the fall 2019 edition of the WEO.

9. Performance criteria on the introduction or modification of multiple currency practices. The performance criteria on the introduction or modification of multiple currency practices (MCP) will exclude the contemplated implementation or modification of the multiple price foreign exchange auction system, developed in consultation with Fund staff, which gives rise to an MCP.

B. Adjustment Factors

10. NIR and NDA targets are calculated on the basis of projections of the contribution of the National Hydrocarbon Revenue Fund (FNRH) to the budget, the amount of the European Union (EU) fishing compensation, and the volume of net international assistance. The latter is defined as the difference between: (a) the sum of the cumulative loan disbursements of official foreign currency-denominated loans and grants (budget support, excluding assistance under the Heavily Indebted Poor Countries (HIPC) Initiative and project-related loans and grants) and the impact of any debt relief obtained after June 30, 2006; and (b) the total amount of cash payments for servicing the external debt (including interest[4] paid on the BCM's foreign liabilities).

11. If the volume of net international assistance or the FNRH's contribution to the budget or the amount of EU fishing compensation falls short of the amounts projected in Table 1, the NIR floor will be lowered, and the NDA ceiling will be raised by an amount equivalent to the difference between the recorded and projected amounts. For its part, the NDA ceiling will be converted into ouguiya at the programmed exchange rates. The lowering of the NIR floor will be limited to US$70 million. The raising of the NDA ceiling will be limited to the ouguiya equivalent of US$70 million, at the programmed exchange rates. If the volume of net international assistance or the FNRH's contribution to the budget or the amount of EU fishing compensation exceeds the amounts indicated in Table 1, the NIR floor will be raised, and the NDA ceiling will be lowered by an amount equivalent to the difference between the recorded and projected amounts.

12. The floor pertaining to the primary fiscal balance excluding grants will be adjusted symmetrically upwards (respectively, downwards) by an amount equivalent to the excess (respectively, shortfall) of disbursements of the EU fishing compensation relative to the amounts projected in Table 1.

13. The floor relating to the primary fiscal balance excluding grants will also be adjusted symmetrically upwards or downwards by an amount equivalent to 50 percent of the difference between the actual budgetary extractive revenues and those projected in Table 1. Extractive budgetary revenues are defined as the mining and hydrocarbon tax and non-tax revenues included in the TOFE. Extractive tax revenues correspond to TOFE headings denominated "SNIM VAT", "SNIM single tax" and hydrocarbon tax revenues (BIC, ITS, other). Non-tax extractive revenues correspond

[4] Until the first review of the program (quantitative targets for June 2018 and before), principal amortization payments were also included. However, because these principal payments affect both assets and liabilities of the BCM, they are neutral on NIR et hence should not be part of adjustment factors. Hence, these principal payments are excluded from the definition of the adjustment factors from the second program review onward (quantitative targets for December 2018 and following).

to dividends paid by SNIM, to mining revenues (cadastral revenues, operating revenues, and other mining revenues); and non-tax revenue from hydrocarbons (bonuses, royalties, capital income, profit oil, etc.).

14. The ceiling on nonconcessional external debt contracted or guaranteed will be adjusted upward up to US$ 103 million exclusively for the following two projects: the complementary financing for the wind power station project in Boulenoir, and the financing for the fishing port project of Nouakchott (development pole at PK28). It will also be adjusted by up to US$307 million exclusively for Mauritania's participation in the Grande Tortue/Ahmeyim offshore gas project. This limit is cumulative from November 1, 2017.

C. IMF Reporting Requirements

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 four (4) weeks after the end of each month;

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

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

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

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

- Monthly external debt data within a period of 30 days after the end of the month under consideration, following the monthly meeting of the technical committee on debt, the minutes of which will be attached. The information required consists of: the external debt file; external debt service of the BCM, the government, and the SNIM, including any changes in arrears and in rescheduling operations; the amount of debt service that became payable and the portion of it

paid in cash; the HIPC relief granted by the multilateral and bilateral creditors; and the amount of HIPC relief provided to Mauritania in the form of grants;

- The quarterly balance of payments and the annual data on the stock of external debt (broken down by creditor, debtor, and currency denomination), within a period of 45 days after the end of each quarter, or year;
- Quarterly statistics on the autonomous factors and on foreign exchange market operations, within a period of 10 days after the end of the month;
- Quarterly statistics on the required reserves and the current account balance, by bank, within a period of 10 days after the end of the month;
- Quarterly data on lending and borrowing rates, by bank, as well as the liquidity ratios;
- Quarterly data on capital-debt ratios and on claims, classified by bank and consolidated, within a period of 45 days after the end of the reference period.

Ministries of Economy and Finance

- The Treasury's cash and liquidity management plan, updated by the technical committee on fiscal and monetary policy coordination, will be forwarded on a monthly basis with the minutes of weekly meetings;
- Monthly data from the Treasury on budget operations: revenue (including FNRH transfers), expenditure and financing, data on the special accounts operations, execution of the domestically funded portion of the capital budget (capital expenditure, purchases of goods and services, and wages included in this budget), and monthly reports on revenue collected by the Directorates of Taxes and Customs. This information will be provided within a period of two (2) weeks after the end of each month;
- Monthly data, reconciled between the Treasury and the Budget Office, on the execution of expenditure on wages, including a breakdown of the indicator-based balance and civil service reviews of wages authorized for payment and of those in the process of being validated for payment for diplomatic missions, military personnel, the gendarmerie, the national guard, and public institutions;
- Monthly reports on the execution of externally funded capital expenditure, based on the summary statement of the consolidated capital budget, as well as on the external grants and loans received or contracted by the government, its agencies, and public enterprises, classified by donor or creditor and by disbursement currency. This information will be provided within a period of two (2) weeks after the end of each month;
- A monthly list of new medium-term and long-term foreign borrowings contracted or guaranteed by the government, with indications, for each loan, of: the creditor, the borrower,

the amount, and the currency denomination, as well as the maturity and grace period, interest rate, and fees. This list should also cover loans under negotiation. Data on new external debt will be provided within a period of two (2) weeks;

- Monthly reports on the production of oil and other hydrocarbons and the related financial flows, including data on oil sales and the breakdown of oil revenue among the various partners, within a period of one (1) month after the end of each month;
- Annual balance sheets, audited or certified by a statutory auditor, for the public enterprises and autonomous public institutions;
- Quarterly data on the operations of enterprises in the oil sector and on those in the mining sector.

National Statistics Office

- The monthly consumer price index, within a period of two (2) weeks after the end of each month;
- The quarterly industrial production index, within a period of 45 days after the end of each quarter;
- Quarterly memoranda on economic activity and foreign trade.

Technical Committee on Program Monitoring

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

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.

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

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

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

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

ISLAMIC REPUBLIC OF MAURITANIA

FIFTH REVIEW UNDER THE EXTENDED CREDIT FACILITY ARRANGEMENT, AND AUGMENTATION OF ACCESS—DEBT SUSTAINABILITY ANALYSIS

August 26, 2020

Approved By
Taline Koranchelian and Bjoern Rother (IMF) and Marcello Estevão (IDA)

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

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

The risk of external debt distress and the overall risk of debt distress remain high, as the NPV of public external debt to GDP continues to breach its threshold in 2020–22 under baseline projections, and the debt service-to-revenue ratio breaches its threshold in 2020–26. However, external and public debt are assessed to be sustainable as both indicators are projected to be on a steady downward trend and to fall below their respective thresholds by 2023 and 2027, respectively. The risk rating remains high despite the rebasing of national accounts by the authorities, which estimated 2018 nominal GDP to be 34.8 percent higher following upgrading to SNA 2008 and expanding the coverage of informal activities.

The macroeconomic outlook is significantly less favorable than the previous Debt Sustainability Analysis (DSA) in November 2019 due to the external shock caused by the COVID-19 pandemic and a delay in the Grand Tortue/Ahmeyim (GTA) gas project. Projected export, growth, fiscal and debt trajectories are highly uncertain and are vulnerable to a stronger impact of the pandemic, reversals in metal and oil prices, regional security developments, and climatic hazards. Risks of possible financing gaps could arise should expected donor support fall short in 2021. Prudent policies are needed, including avoiding non-concessional borrowing and relying instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity.[1]

The macroeconomic outlook and other macro-financial assumptions for this DSA are close to the ones for the DSA Update that supported the request for a disbursement under the Rapid Credit Facility (RCF) in April 2020.

[1] This DSA was prepared under the joint Fund-Bank Low-Income Country Debt Sustainability Framework and updates the previous DSA conducted in November 2019 and the DSA Update conducted in April 2020. Mauritania's Composite Indicator (CI) score, based on the October 2019 WEO and the 2018 CPIA, is 2.84 and its debt-carrying capacity remains unchanged at medium.

PUBLIC DEBT COVERAGE

1. **The coverage of public debt includes the central government and public agencies (*établissements publics à caractère administratif*), the central bank (BCM), and state-owned enterprises' (SOE) debt guaranteed by the government.** For the purpose of the DSA, public and publicly guaranteed (PPG) debt includes borrowing by the state-owned oil company SMHPM to finance Mauritania's share in the Greater Tortue/Ahmeyim (GTA) offshore gas project. The dividends to SMHPM from the project that are to be used to repay the loan are included as fiscal revenues in the DSA.[2] As in previous DSAs, PPG debt excludes non-guaranteed borrowing by the state-owned mining company SNIM, as the company is run on a commercial basis, poses limited fiscal risk, and has borrowed without government guarantee up to end-2016. SNIM's non-guaranteed external debt is classified as private external debt.[3] Public external debt includes a passive debt in arrears owed to Kuwait; the authorities are actively seeking to resolve these longstanding arrears.[4]

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] This debt is not formally guaranteed by the government. However, in staff's view it is incurred by a fully state-owned entity on behalf of the government with the full backing of the state, which is strongly involved in the GTA project (a project critical for the country's economic prospects). Moreover, the company has limited managerial independence. SMHPM therefore poses large fiscal upside and downside risks. Under the Fund-supported program, this debt is included in the external debt limits, although it benefits from an exception to the zero non-concessional borrowing limit, as the project is integral to the authorities' development program and concessional financing is not available.

[3] SNIM is majority-owned by the government with over three-quarters of total equity. The company has managerial independence including over sales and employment policies. It operates on a commercial basis, does not receive subsidies from the government, and pays dividends. It has maintained a positive operational balance over time (at least since 2014) and high liquidity. In addition, it publishes annual reports, audited accounts, and financial statements prepared by a reputable private accounting firm applying international standards. Nevertheless, SNIM debt represents a contingent liability for the central government as a majority shareholder, and the DSA uses a standard contingent liability test to illustrate the potential impact on debt sustainability.

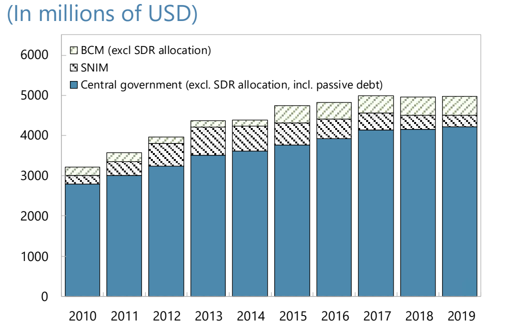
[4] A passive pre-HIPC debt, estimated at 12.8 percent of GDP in 2019, is owed to the Kuwait Investment Authority (KIA) since the 1970s. The creditor party has not actively sought debt service payments. Negotiations have been ongoing between the authorities and Kuwait to achieve debt relief on at least comparable terms to, or better than, the 2002 HIPC Initiative operation. While a memorandum of understanding was announced in April 2019 on a framework to restructure these arrears and talks are ongoing, a final agreement has yet to be reached. As in previous DSAs, this DSA assumes full debt relief in 2020.

2. **Public debt not explicitly covered in the DSA includes domestic non-guaranteed debt of SOEs, which amounts to 17.3 percent of GDP in 2018, excluding SNIM.** Two-thirds of this debt is owed by SOMELEC (the state-owned electricity utility) and the rest by other SOEs. About half of this total debt is short-term and half is medium- to long-term debt. The Direction de la Tutelle Financière (DTF), in the Ministry of Finance, monitors and records SOEs financial statements and published those only recently. Further work is needed to identify the terms of this SOE debt so that it can be included in public debt and covered in the DSA; it has nevertheless been added to the contingent liability stress test. Other potential public debt could include debts of other parts of the general government, namely state and local government, but indications point to those debts being nil and they are neither recorded nor covered in the DSA (any local debt would be in the form of short and medium-term loans from local commercial banks). The World Bank is currently assisting the government to identify and quantify fiscal risks.

3. **Staff and the authorities were not aware of any unrecorded public or publicly guaranteed external debt.** Outside of the central government and "*établissements publics à caractère administrative*", general government entities and public enterprises could, in principle, issue local bonds and borrow from abroad.[5] Any local debt would be in the form of loans from commercial banks. Any external debt would likely require a government guarantee; the SMHPM loan for the GTA gas project and SNIM being exceptions. While no reporting system is in place for these debts in the government or BCM, the authorities were confident that any contracting 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. However, the BCM's database only covers central government, SNIM and BCM debt, and the inclusion of any other debt (if contracted) is neither required nor the current practice. For example, the SMHPM GTA loan is not recorded in the BCM's database nor in that of the external debt unit in the Ministry of Finance. In any event, staff encouraged the authorities to adopt formal requirements and processes for reporting domestic and external debts of state and local government, other general government, and all SOEs.

DEBT DEVELOPMENTS

External Debt by Debtor 2010–19
(In millions of USD)



Sources: Mauritanian authorities; and IMF staff estimates

4. **This DSA incorporates the authorities' rebasing of national accounts to the base year 2014, upgrading to SNA 2008, and expanding the coverage of informal activities.** The exercise increased nominal GDP by 22.7 percent in 2014 and by 34.8 percent in 2018 (Box 1).

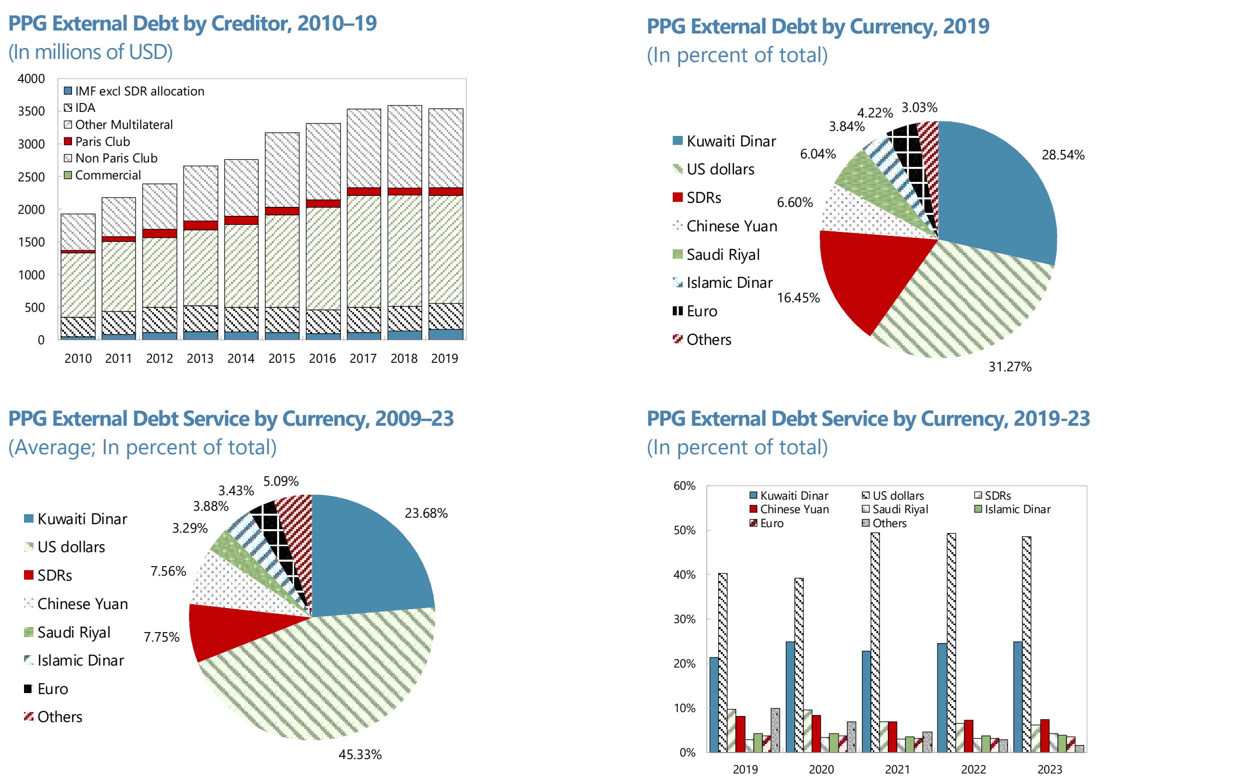
5. **External PPG debt in percent of GDP continued its downward trend in 2019 due to a slowdown in project loan disbursement for public investment and high amortization payments.** As a result of the GDP rebasing, external public debt-to-GDP (excluding the passive debt to Kuwait) is

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

lower by about 18 percentage points of GDP at end-2019 (48.8 percent against 65.6 percent previously). Using the new GDP estimates, the ratio decreased by 2.5 percentage points of GDP in 2019, from 51.3 percent in 2018.[6] While external PPG debt is largely contracted on concessional or semi-concessional terms from official creditors for development projects, the nominal increase in external debt in 2015 stemmed largely from a $300 million non-concessional deposit by Saudi Arabia at the BCM to support its foreign exchange reserves. Domestic public debt, which had increased in 2018 as the government formally recognized a debt toward the BCM equal to 6 percent of GDP, remained broadly constant in 2019 given low domestic financing needs.

6. External debt consists mainly of central government debt owed to official non-Paris Club bilateral and multilateral creditors (other than IDA and IMF). In recent years the primary source of new government borrowing has been from bilateral and multilateral Arab funds, which at end-2019 accounted for the largest share of PPG external debt. In terms of currencies, PPG external debt at end-2019 was primarily denominated in U.S. dollar, Kuwaiti dinar, and SDR. Debt denominated in U.S. dollar and currencies pegged or closely linked to the dollar account for slightly over 60 percent of PPG external debt. A similar currency distribution is also observed for projected debt service in 2020–25 stemming from outstanding end-2019 PPG external debt.

Mauritania: External Debt



Sources: Mauritanian authorities; and IMF staff estimates.

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

Mauritania: External Debt, 2013–19

	2013	2014	2015	2016	2017	2018	2019	2013	2014	2015	2016	2017	2018	2019
	(In millions of USD)							(In percent of GDP)						
External debt	**4,562.9**	**4,566.1**	**4,950.7**	**5,107.5**	**5,307.8**	**5,241.0**	**5,295.3**	**62.2**	**69.0**	**80.1**	**79.6**	**78.2**	**74.4**	**69.7**
Public and publicly guaranteed (PPG) external debt	**3,675.0**	**3,766.7**	**4,202.5**	**4,348.0**	**4,567.4**	**4,608.3**	**4,704.0**	**50.1**	**56.9**	**68.0**	**67.8**	**67.3**	**65.4**	**61.9**
***Of which:* Excluding passive debt to Kuwait**	**2,674.0**	**2,769.5**	**3,208.6**	**3,354.9**	**3,573.0**	**3,614.4**	**3,710.1**	**36.5**	**41.9**	**51.9**	**52.3**	**52.7**	**51.3**	**48.8**
Bilateral creditors	1,985.7	1,994.7	2,289.3	2,313.2	2,357.0	2,363.9	2,383.9	27.1	30.2	37.0	36.1	34.7	33.5	31.4
Paris Club	136.3	123.1	119.4	115.9	119.7	105.0	93.5	1.9	1.9	1.9	1.8	1.8	1.5	1.2
Of which: France	95.5	87.0	81.4	81.6	85.1	76.3	69.3	1.3	1.3	1.3	1.3	1.3	1.1	0.9
Spain	35.8	31.7	34.3	31.1	30.9	25.9	21.6	0.5	0.5	0.6	0.5	0.5	0.4	0.3
Non Paris Club	1,849.4	1,871.6	2,169.9	2,197.2	2,237.4	2,258.9	2,290.3	25.2	28.3	35.1	34.3	33.0	32.1	30.1
Of which: China	333.4	367.3	340.4	339.3	347.1	325.3	322.1	4.5	5.6	5.5	5.3	5.1	4.6	4.2
Kuwait 1/	1,140.9	1,140.1	1,141.8	1,156.2	1,170.7	1,170.1	1,181.2	15.6	17.2	18.5	18.0	17.3	16.6	15.5
Saudi Arabia 2/	214.6	212.0	509.4	531.9	549.0	589.7	584.6	2.9	3.2	8.2	8.3	8.1	8.4	7.7
Multilateral creditors	1,689.3	1,772.1	1,913.2	2,034.8	2,210.4	2,244.4	2,293.2	23.0	26.8	30.9	31.7	32.6	31.8	30.2
Of which: Islamic Development Bank (IDB)	218.1	273.8	340.5	371.6	395.0	376.2	357.6	3.0	4.1	5.5	5.8	5.8	5.3	4.7
International Development Association (IDA)	396.6	379.5	385.6	365.6	388.5	382.6	377.1	5.4	5.7	6.2	5.7	5.7	5.4	5.0
International Monetary Fund (IMF) 3/	131.2	120.2	115.7	96.7	111.4	136.7	160.0	1.8	1.8	1.9	1.5	1.6	1.9	2.1
Arab Monetary Fund (AMF)	18.7	47.4	62.4	159.8	149.1	100.6	61.6	0.3	0.7	1.0	2.5	2.2	1.4	0.8
Arab Fund for Economic and Social Development (AFESD)	702.5	749.0	819.2	856.4	950.8	1,011.5	1,125.0	9.6	11.3	13.3	13.4	14.0	14.4	14.8
Commercial creditors	-	-	-	-	-	-	27.0							
Non-PPG debt (by debtor)	**887.9**	**799.4**	**748.3**	**759.6**	**740.4**	**632.7**	**591.3**	**12.1**	**12.1**	**12.1**	**11.8**	**10.9**	**9.0**	**7.8**
SNIM 4/	693.9	618.2	546.8	482.5	415.1	346.9	299.5	9.5	9.3	8.8	7.5	6.1	4.9	3.9
Commercial banks	194.0	181.2	201.5	277.1	325.3	285.9	291.8	2.6	2.7	3.3	4.3	4.8	4.1	3.8
Memorandum items:														
Passive debt to Kuwait Investment Authority (KIA)	1,001.0	997.2	993.9	993.1	994.4	993.9	994.0	13.7	15.1	16.1	15.5	14.7	14.1	13.1
Saudi deposit at the central bank	-	-	300.0	300.0	300.0	300.0	300.0	-	-	4.9	4.7	4.4	4.3	3.9
Domestic debt	233.1	324.7	262.2	221.6	197.8	628.3	627.9	3.2	4.9	4.2	3.5	2.9	8.9	8.3
Nominal GDP	7,331.2	6,615.5	6,181.8	6,414.1	6,783.9	7,047.7	7,599.9	-	-	-	-	-	-	-

Source: Mauritanian authorities.

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

MACROECONOMIC PROJECTIONS

7. **The macroeconomic projections in the baseline scenario are close to the ones used for the April 2020 DSA update, reflecting a sharp deterioration relative to the DSA of November 2019 due to the COVID-19 crisis; and new GDP estimates higher by 34.8 percent in 2018.** The outlook is driven by sustained non-extractive sector growth supported by the authorities' public investment program and planned structural reforms aimed at improving the business climate and diversifying the economy; gains are projected in agriculture, construction, telecom, and other services. Before 2023, short-term growth is supported by the expansion of a gold mine, robust higher iron ore production, and some limited local activity in support of GTA investment activity. The GTA offshore gas project is scheduled to start production in 2023 (one year later than originally planned), with attendant exports and fiscal revenues also starting that year. Inflation continues to be projected to average 4 percent per year.[7]

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

Mauritania: Macroeconomic Assumptions, 2018–40

	2018	2019	2020	2021	2022	2023	2024	2025	2020-30	2031-40 1/
Real GDP growth										
Current	2.1	5.9	-3.2	2.0	4.2	6.1	5.2	4.3	3.9	4.8
Update (April 2020)	2.1	5.9	-2.0	4.2	4.6	6.4	5.4	4.4	4.3	5.0
Previous (November 2019)	3.4	6.9	6.3	6.4	9.3	6.4	5.7	5.7	6.0	5.0
Nominal GDP (in millions of US$)										
Current	7,048	7,600	7,428	7,554	7,915	8,477	9,021	9,436	9,513	16,398
Update (April 2020)	7,048	7,600	7,417	7,660	7,983	8,552	9,121	9,558	9,623	16,900
Previous (November 2019)	5,227	5,641	5,912	6,296	6,967	7,525	8,101	8,570	8,508	14,303
Exports, goods & services (growth; in percent)										
Current	7.3	22.3	-13.4	10.1	6.6	15.7	5.9	3.5	3.6	2.1
Update (April 2020)	7.3	22.3	-12.2	9.2	5.1	15.6	6.5	4.4	3.3	2.1
Previous (November 2019)	7.3	21.5	4.0	7.6	15.8	5.5	-1.1	2.7	3.7	1.2
Imports, goods & services (growth; in percent)										
Current	24.2	12.3	-4.7	4.2	-1.0	-4.8	0.4	2.0	1.0	2.9
Update (April 2020)	24.2	12.3	-4.0	2.9	-0.6	-3.9	0.2	3.5	1.2	3.1
Previous (November 2019)	24.2	-2.6	15.9	-1.2	-1.2	2.0	4.8	4.7	2.8	2.1
Current account balance (in percent of GDP)										
Current	-13.8	-10.6	-17.3	-18.5	-14.5	-6.6	-5.0	-4.3	-8.0	-4.6
Update (April 2020)	-13.8	-10.6	-17.3	-17.4	-14.2	-6.8	-5.0	-4.3	-7.9	-4.6
Previous (November 2019) 2/	-13.8	-8.4	-14.6	-10.5	-4.4	-3.4	-3.8	-4.1	-5.0	-1.9
Revenue and grants (in percent of GDP)										
Current	22.6	20.6	17.4	18.4	18.8	18.9	19.0	18.9	18.9	20.6
Update (April 2020)	22.6	20.6	18.3	19.1	19.6	19.8	20.0	20.2	20.0	21.6
Previous (November 2019) 2/	22.6	19.8	18.0	17.1	16.6	16.4	16.0	15.7	15.6	12.1
Primary fiscal balance (in percent of GDP)										
Current	3.8	3.1	-2.5	0.4	1.0	1.0	1.0	1.1	0.6	1.4
Update (April 2020)	3.8	3.1	-2.2	0.4	1.0	1.0	1.0	1.0	0.6	1.2
Previous (November 2019) 2/	3.9	2.8	1.2	1.0	1.0	0.9	0.9	0.9	0.7	0.0
Price of iron ore (US$/Ton)										
Current	70.1	93.6	77.0	75.0	75.0	75.0	75.0	75.0	75.2	75.0
Update (April 2020)	70.1	93.6	74.0	71.2	65.0	63.0	63.0	63.0	64.9	63.0
Previous (November 2019)	70.1	93.9	76.4	76.4	76.4	76.4	76.4	76.4	76.4	76.4
Price of gold (US$/ounce)										
Current	1,269	1,392	1,699	1,767	1,780	1,803	1,822	1,840	1,810	1,840
Update (April 2020)	1,269	1,392	1,640	1,667	1,684	1,703	1,721	1,739	1,714	1,739
Previous (November 2019)	1,269	1,269	1,400	1,531	1,558	1,580	1,599	1,619	1,580	1,619

Sources: Mauritanian authorities; and Fund staff estimates and projections.
1/ For Previous (November 2019) : 2030-2039.
2/ As a percentage of rebased GDP projections of November 2019

8. **The medium-term current account deficit is consistently larger than in the November 2019 DSA, owing to the delay in the start of GTA production, and lower global demand for Mauritanian exports.** Annual swings largely reflect extractive sector capital imports (particularly related to the GTA project and expansion of a gold mine) financed by FDI. In the long run, rising export volumes for iron ore and gold, coupled with gas exports starting in 2023, are projected to enhance exports and reduce current account deficits.

9. **The medium-term outlook for the fiscal balance is weaker than in the November 2019 DSA, due to a primary deficit in 2020, which returns to the previously projected stable surplus after two years.** A small primary surplus is thus achieved on average over the medium term.[8]

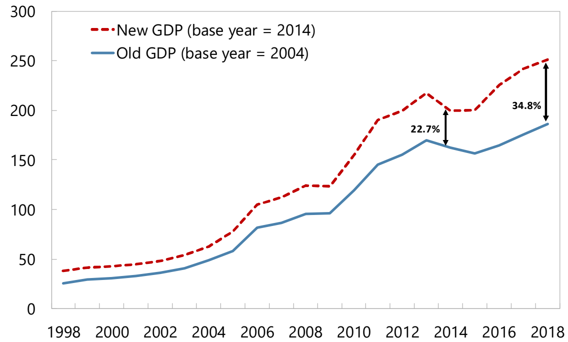
[8] In the framework, a preliminary assumption is made that half of the government revenues from the GTA project is saved in the existing hydrocarbon fund and half is used to increase public investment; at the same time the share of externally

(continued)

Box 1. Revised National Accounts

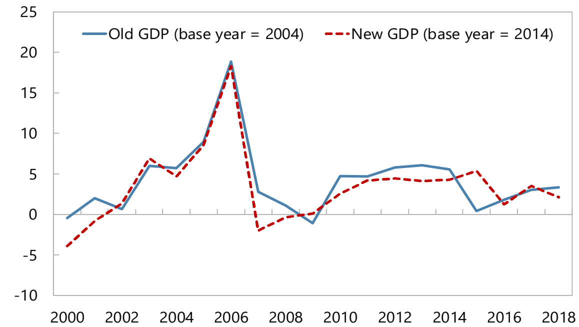
The authorities revalued 2018 nominal GDP by 35 percent following a comprehensive revision of national accounts. The rebasing exercise, which started in 2017, upgraded national accounts to SNA 2008, updated the base year from 2004 to 2014, and expanded coverage of informal activities. The results were vetted by international experts, including from the Fund and the World Bank.

Rebasing of Nominal GDP
(In MRU billion)



Sources: Mauritanian authorities.

Real GDP Growth
(In percent)



Sources: Mauritanian authorities.

The main source of the increase in GDP estimates stemmed from the expansion of coverage of informal activities by use of new surveys conducted in 2017. This expansion accounted for 80 percent of the 22.7 percent revaluation of GDP in 2014; informal activities now account for over half of estimated value-added, against 39 percent previously. Revised estimates of deflators between 2015-17 led to a further revaluation of nominal GDP by 34.8 percent in 2018.

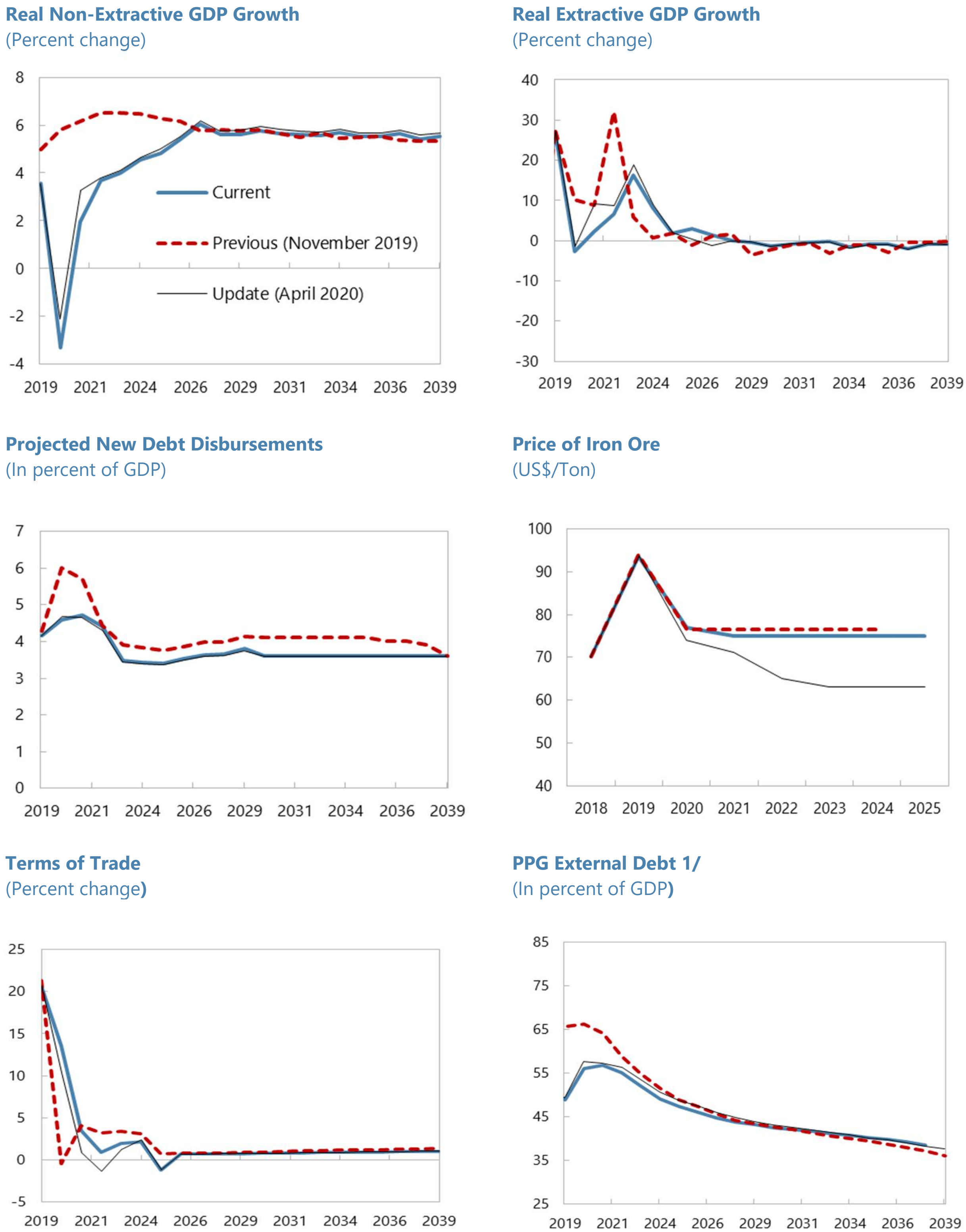
Contribution to Nominal GDP Revaluation, 2014
(In percent)

	Contribution
SNA 2008 updgrade	2.7
Improved data coverage in formal activities	3.3
Improved data coverage in non-farm informal activities	18.1
Methodological changes	-1.4
Total revaluation	**22.7**

Sources: Mauritanian authorities.

financed investment declines. At this time, the authorities have not decided on a policy framework for using the GTA revenues.

Figure 1. Mauritania: Macroeconomic Projections, 2019–39



Sources: Mauritanian authorities; and IMF staff estimates.
1/ Excluding passive debt to Kuwait.

10. External debt disbursements are broadly unchanged in 2019–22 relative to the November 2019 DSA, except for the IMF's disbursements in 2020 under the RCF and the ECF, and for the changed scaling due to the increase in nominal GDP. However, this DSA differs from the April 2020 DSA Update in two ways. First, given firm donor commitments, exceptional COVID-related financing needs are assumed to be financed by external grants rather than concessional debt, thus helping to contain external debt accumulation despite the slight deterioration in the growth outlook.[9] Second, the Debt Service Suspension Initiative (DSSI) supported by the G-20 and Paris Club has been factored in, helping to create fiscal space in 2020 by rescheduling an estimated $96 million in debt service payments over 2022-24.[10] Taking into account the existing pipeline and new borrowing plans, the uptick in disbursements starting in 2020 reflects mainly the disbursement of the GTA-related loan to SMPHM (Figure 1). Over the long run disbursements decline on average to 3.5 percent of GDP annually reflecting the onset of GTA revenues, prudent debt management, a crowding in of private investment and FDI as structural reforms take hold, and higher domestic financing. The large negative rate of external debt accumulation in 2020 (Table 1, debt accumulation chart) reflects the assumed full debt relief of the passive Kuwaiti debt. The grant element of new disbursements in 2020 is only 26.2 percent, reflecting a pipeline of previously contracted non-concessional loans (including the GTA-related loan to SMPHM). The average grant element rises thereafter to an average of 34.0 percent in 2020–30 (including non-concessional GTA financing) before decreasing to 27.6 percent in 2031–40, reflecting a shift from multilateral sources to non-Paris Club official bilateral creditors and commercial loans and changes in borrowing terms. On domestic debt, bonds with maturity greater than one year are progressively introduced beginning 2025, but reliance on domestic financing is projected to remain limited given shallow local financial markets.[11]

11. The LIC-DSF realism tools suggest that projections underpinning this DSA are reasonable (Figures 4 and 5). The decomposition of the drivers of debt dynamics reveal a different pattern to that in the November 2019 DSA. It highlights the adverse effects of the drop in commodity prices in 2014–16, which had a significant impact on the current account and growth owing to the undiversified structure of the economy and contributed to the large projection errors (unexpected changes) over the past 5 years. Looking ahead, the large increase in borrowing in 2014–16, which also contributed to the unexpected increase in the debt ratios, is not expected to recur in the context of the authorities' ECF-supported program and their strong commitment to a prudent debt management policy consistent with debt sustainability and seeking to avoid non-concessional financing. The projected return to growth after the 2020 contraction reflects in part a sustained fiscal expansion as projected by the alternative growth multiplier paths,[12] but also an increase in iron ore and gold production, as in the November 2019 DSA. The current DSA anticipates a similar contribution of public investment to growth over the next five years (before the onset of large fiscal GTA-related revenues) as in the last DSA. The higher projected growth post-2021, when compared with the previous five years, is expected to be driven by factors

[9] The World Bank approved a development policy grant of $70 million to support the authorities' response to the pandemic by helping protect the poor and most vulnerable, supporting SMEs, and publishing a debt bulletin.

[10] The authorities have requested debt service suspension from official bilateral creditors as envisaged under the DSSI. Participation in the DSSI provides a time-bound suspension of official bilateral debt service payments to IDA-eligible and least developed countries as defined by the UN, thereby providing fiscal space in the near term.

[11] The borrowing pipeline in this DSA is consistent with the zero non-concessional borrowing limit under the ECF-supported program.

[12] In the DSA, the fiscal multipliers are based on the primary balance including grants. For Mauritania, where the extractive sector provides a significant source of revenues, the fiscal multiplier would preferably be based on a non-extractive primary balance excluding grants, to capture the fiscal impulse on growth.

other than public investment, including higher productivity growth, structural reforms, an expansion in iron ore and gold production, and increased private investment, in part linked to the development of the GTA project.

COUNTRY CLASSIFICATION AND STRESS TESTS

12. Mauritania's debt-carrying capacity continues to be assessed as medium. Based on the IMF's October 2019 *World Economic Outlook* (WEO) data and the 2018 CPIA, the Composite Indicator (CI) score is 2.84, unchanged from the previous DSA in November 2019, indicating a medium debt-carrying capacity.

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	3.366	1.30	46%
Real growth rate (in percent)	2.719	4.850	0.13	5%
Import coverage of reserves (in percent)	4.052	32.898	1.33	47%
Import coverage of reserves^2 (in percent)	-3.990	10.823	-0.43	-15%
Remittances (in percent)	2.022	1.747	0.04	1%
World economic growth (in percent)	13.520	3.499	0.47	17%
CI Score			2.8373	100%
CI rating			Medium	

13. Default values were used for the standardized stress tests and one of the two tailored stress tests—namely the commodity price shock. However, the use of new values for the second tailored stress test (the combined contingent liability shock) differs relative to the November 2019 DSA due to the advent of a first PPP of significant size (the Nouakchott harbor PPP) and a new assessment of domestic non-guaranteed debt of SOEs.

Mauritania: Combined Contingent Liability Shock

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	17.3	The estimated value of domestic non-guaranteed debt of SOEs is estimated to be 17.3 pc of GDP, of which two thirds are owed by the national electricity utility.
4	PPP	35 percent of PPP stock	4.2	Mauritania's only PPP is valued at USD310 million (4.2 pc 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)		26.5	

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

DEBT SUSTAINABILITY ASSESSMENT

A. External Debt Sustainability

14. Baseline projections for two of the four debt indicators—the debt service-to-revenue ratio, and the PV of debt-to-GDP ratio—persistently breach their respective thresholds (Table 1 and Figure 2). The debt service-to-revenue indicator breaches its relevant 18 percent threshold in 2021–26 and the PV of debt-to-GDP indicator breaches its 40 percent threshold in 2020-22, despite the revaluation of GDP, although it continues to be on a declining trajectory below its threshold thereafter. The debt service-to-revenue indicator reflects the repayment over 2021–25 of the deposit from Saudi Arabia at the BCM and the impact of the DSSI: the ratio declines slightly in 2020 as debt service relief is granted, but increases significantly between 2021–26 due to high debt service payments from 2021 onward and the rescheduled 2020 debt service payments over 2022–24. The standardized stress tests show breaches of the thresholds by all the debt indicators (a one-time depreciation is the most extreme shock for debt service to revenue, and exports is the most extreme shock for the three other external debt indicators - Table 2).[13]

B. Public Debt Sustainability

15. Baseline projections suggest that the PV of total public debt, at 50.5 percent of GDP in 2020, remains below the 55 percent benchmark following the revaluation of GDP (Table 3 and Figure 3). The public debt dynamics are mostly driven by external debt given low domestic debt of only 8 percent of GDP at end-2019. The PV of debt-to-GDP ratio shows a steady decline after 2021, as does the PV of debt to revenue ratio from 2020, while the debt-service-to revenue indicator shows an increase in 2021–25 followed by a steady decline, due to the repayment of the deposit from Saudi Arabia and the rescheduling of debt service under the DSSI. The largest negative impact (most extreme shock) would stem from the tailored stress test on combined contingent liabilities for all three ratios (PV of debt-to-GDP, PV of debt-to-revenue, and debt service-to-revenue – Table 4).

RISK RATING AND VULNERABILITIES

16. Despite a slowdown in external debt disbursements in 2018–19 and the revaluation of GDP which mechanically reduced debt ratios, the risk of external and overall debt distress remains high due to threshold breaches for two debt burden indicators, namely the debt service-to-revenue ratio and PV of debt-to-GDP ratio. The high debt service is largely the legacy of the borrowing during 2014–16 to finance infrastructure and support international reserves, as well as the valuation effect of the exchange rate depreciation in 2015–16. The projected trajectory of the debt-to-GDP and the PV of debt-to-GDP ratios continue to show a clear downward trend under the current macroeconomic framework. However, the DSA projects an exit from a

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

high risk of external debt distress only in 2027 and the trajectories of the two external debt service indicators remain relatively close to their thresholds for several years beyond that, pointing to the need to monitor closely the consequences of any new borrowing on debt service. The stress tests illustrate the vulnerabilities of the debt indicators to negative shocks affecting exports, the exchange rate, and the fiscal stance (as reflected by the combined contingent liabilities test). Non-guaranteed domestic debt of SOEs represents additional contingent liabilities for the government and would further exacerbate domestic debt vulnerabilities. The DSA also indicates that the overall risk of debt distress is high because two external debt indicators breach their thresholds under the baseline. However, external and public debt are assessed to be on a sustainable path as those indicators are projected to be on a steady downward trend.

17. Future assets of the GTA-funded hydrocarbon fund may constitute a mitigating factor for the assessment, as they 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, see paragraph 9) could be available to meet debt service payments or to retire external debt, which would help reduce long-term vulnerabilities. These options would depend on future macro-fiscal rules adopted by the authorities on the use of GTA-related revenues and accumulated assets.

18. Another mitigating factor to the risk of debt distress stemming from debt service consists in the availability of funds to cover for the repayment of the Saudi deposit. While the domestic currency equivalent of the $300 million deposit at the BCM was on-lent to the government in 2020, it will be important that it only be used for bridge financing as a last resort in the context of the COVID-19 crisis. So far, these assets are part of international reserves, and are thus readily available to cover the debt service threshold breaches—although their use could lead to a deterioration in reserve adequacy.

19. The DSA highlights the need to follow sound economic policies, including a prudent borrowing strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity. To avoid exacerbating short-term liquidity risks, new borrowing resulting in significant additional short-term debt service should be avoided. The authorities should also continue their best efforts to secure grants for their multi-year response to the COVID-19 crisis, and resolve the external debt in arrears with Kuwait. 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 have made progress in implementing the policies needed to achieve them under their IMF-supported program.

20. The authorities are encouraged to expand the coverage of public debt to minimize risks and enhance transparency. While the authorities consider that no unrecorded external debts exist and are likely to be contracted outside the current coverage of public debt, there are non-guaranteed domestic debts of SOEs. The authorities are encouraged to improve 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. In particular, the debt of SMPHM 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.

AUTHORITIES' VIEWS

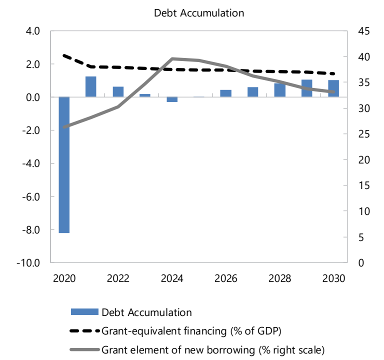
21. The authorities acknowledged the new stress on their debt situation caused by the COVID-19 pandemic and the global downturn, and reaffirmed their commitment to prudent debt policies and stronger investment management. They welcomed the financing and debt service suspension made available by the IMF, the World Bank, and other donors to help manage the dramatic impact of the COVID-19 crisis in the near term, but noted that the new debt to the IMF and the suspension of debt service payments increased debt service levels in subsequent years. They indicated ongoing discussions to reschedule the debt service on the deposit from Saudi Arabia. They deplored the delay in the GTA project given its important beneficial impact on the outlook for revenue and growth. While the authorities remained committed to avoiding new borrowing on non-concessional terms, except for the commercially run GTA project, they noted that the sizable financing needed to achieve their Sustainable Development Goals and to respond to the COVID-19 crisis may not always be available on fully concessional terms.

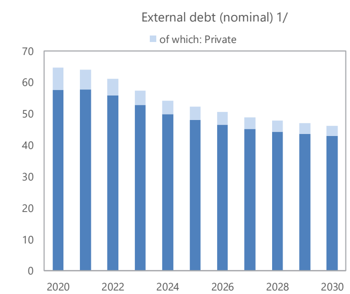
Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
External debt (nominal) 1/	77.7	75.7	70.9	64.7	64.0	61.1	57.4	54.1	52.2	46.0	39.3	70.1	54.0
of which: public and publicly guaranteed (PPG)	66.7	66.7	63.0	57.5	57.7	55.8	52.8	49.8	48.0	42.8	37.5	60.1	49.4
Change in external debt	-2.9	-2.0	-4.8	-6.2	-0.7	-2.9	-3.7	-3.3	-1.9	-0.9	-0.8		
Identified net debt-creating flows	-3.0	0.0	-6.5	11.8	2.4	-1.6	-4.2	-2.6	-3.1	-3.4	-4.0	0.1	-1.5
Non-interest current account deficit	8.5	12.3	9.2	16.1	17.1	13.0	5.1	3.6	3.1	2.5	2.4	11.7	6.4
Deficit in balance of goods and services	12.6	16.2	14.0	18.9	20.1	16.6	8.6	5.1	5.2	4.4	4.2	14.3	9.0
Exports	29.4	30.4	34.7	30.0	32.3	32.8	35.1	34.9	34.6	30.5	22.4		
Imports	42.0	46.6	48.7	48.9	52.4	49.4	43.7	40.0	39.8	34.9	26.6		
Net current transfers (negative = inflow)	-4.0	-2.9	-4.6	-1.8	-1.8	-1.8	-1.8	-1.6	-1.6	-1.3	-0.9	-3.1	-1.6
of which: official	-2.6	-1.5	-3.2	-1.1	-0.9	-0.9	-0.9	-0.9	-0.8	-0.6	-0.3		
Other current account flows (negative = net inflow)	-0.2	-1.0	-0.2	-1.0	-1.2	-1.8	-1.7	0.2	-0.5	-0.6	-0.8	0.5	-1.0
Net FDI (negative = inflow)	-8.7	-11.0	-11.6	-7.8	-14.8	-13.5	-7.3	-4.7	-5.2	-4.7	-5.4	-9.8	-7.2
Endogenous debt dynamics 2/	-2.8	-1.3	-4.1	3.5	0.2	-1.0	-2.0	-1.5	-1.0	-1.2	-1.0		
Contribution from nominal interest rate	1.6	1.6	1.4	1.2	1.5	1.5	1.5	1.3	1.2	0.9	0.8		
Contribution from real GDP growth	-2.7	-1.6	-4.1	2.3	-1.3	-2.5	-3.5	-2.8	-2.2	-2.1	-1.8		
Contribution from price and exchange rate changes	-1.7	-1.3	-1.4	...	...	...	...	...	...	...	...		
Residual 3/	0.1	-1.9	1.7	-18.0	-3.1	-1.3	0.5	-0.7	1.2	2.4	3.2	0.2	-0.8
of which: exceptional financing	-0.1	-0.1	-0.1	-1.3	0.0	0.4	0.4	0.4	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	48.4	41.1	41.7	40.4	37.8	35.3	33.7	29.8	28.0		
PV of PPG external debt-to-exports ratio	...	...	139.6	137.2	129.0	123.1	107.9	101.1	97.2	97.6	125.2		
PPG debt service-to-exports ratio	10.2	12.8	10.5	8.3	14.5	14.7	12.9	12.3	11.2	9.5	12.9		
PPG debt service-to-revenue ratio	15.3	17.6	19.1	14.8	25.9	26.2	24.4	23.0	20.8	14.8	13.5		
Gross external financing need (Billion of U.S. dollars)	0.6	0.8	0.5	1.2	0.9	0.7	0.6	0.6	0.5	0.4	0.3		
Key macroeconomic assumptions													
Real GDP growth (in percent)	3.5	2.1	5.9	-3.2	2.0	4.2	6.1	5.2	4.3	4.6	4.9	3.8	3.9
GDP deflator in US dollar terms (change in percent)	2.2	1.7	1.9	1.0	-0.3	0.6	1.0	1.1	0.3	0.5	0.9	1.5	0.5
Effective interest rate (percent) 4/	2.1	2.1	2.0	1.6	2.3	2.5	2.5	2.5	2.3	2.0	2.2	1.8	2.2
Growth of exports of G&S (US dollar terms, in percent)	19.5	7.4	22.9	-15.5	9.5	6.4	14.6	5.8	4.0	1.6	2.6	8.2	3.3
Growth of imports of G&S (US dollar terms, in percent)	13.7	15.2	12.7	-1.9	9.0	-1.2	-5.2	-2.7	4.3	-0.4	2.6	7.5	1.3
Grant element of new public sector borrowing (in percent)	...	...	...	26.2	28.1	30.2	34.6	39.5	39.3	33.1	23.1	...	34.0
Government revenues (excluding grants, in percent of GDP)	19.7	22.1	19.0	16.9	18.1	18.4	18.5	18.6	18.7	19.7	21.5	19.8	18.7
Aid flows (in Billion of US dollars) 5/	0.0	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.5	1.8	1.8	1.7	1.7	1.6	1.4	0.9	...	1.7
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	30.7	32.4	35.0	39.6	44.5	44.0	36.7	25.1	...	38.4
Nominal GDP (Billion of US dollars)	7	7	8	7	8	8	8	9	9	12	21		
Nominal dollar GDP growth	5.8	3.9	7.8	-2.3	1.7	4.8	7.1	6.4	4.6	5.1	5.8	5.3	4.3
Memorandum items:													
PV of external debt 7/	...	...	56.3	48.4	48.0	45.7	42.5	39.6	37.8	33.0	29.9		
In percent of exports	...	...	162.3	161.3	148.6	139.3	121.1	113.6	109.2	108.2	133.6		
Total external debt service-to-exports ratio	30.1	33.3	25.3	26.3	30.4	29.2	25.2	22.8	21.0	18.3	20.0		
PV of PPG external debt (in Billion of US dollars)			3.7	3.1	3.1	3.2	3.2	3.2	3.2	3.6	5.8		
(PVt-PVt-1)/GDPt-1 (in percent)				-8.2	1.2	0.6	0.2	-0.3	0.0	1.0	1.3		
Non-interest current account deficit that stabilizes debt ratio	11.4	14.2	14.0	22.3	17.8	15.9	8.8	6.9	5.0	3.4	3.2		

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

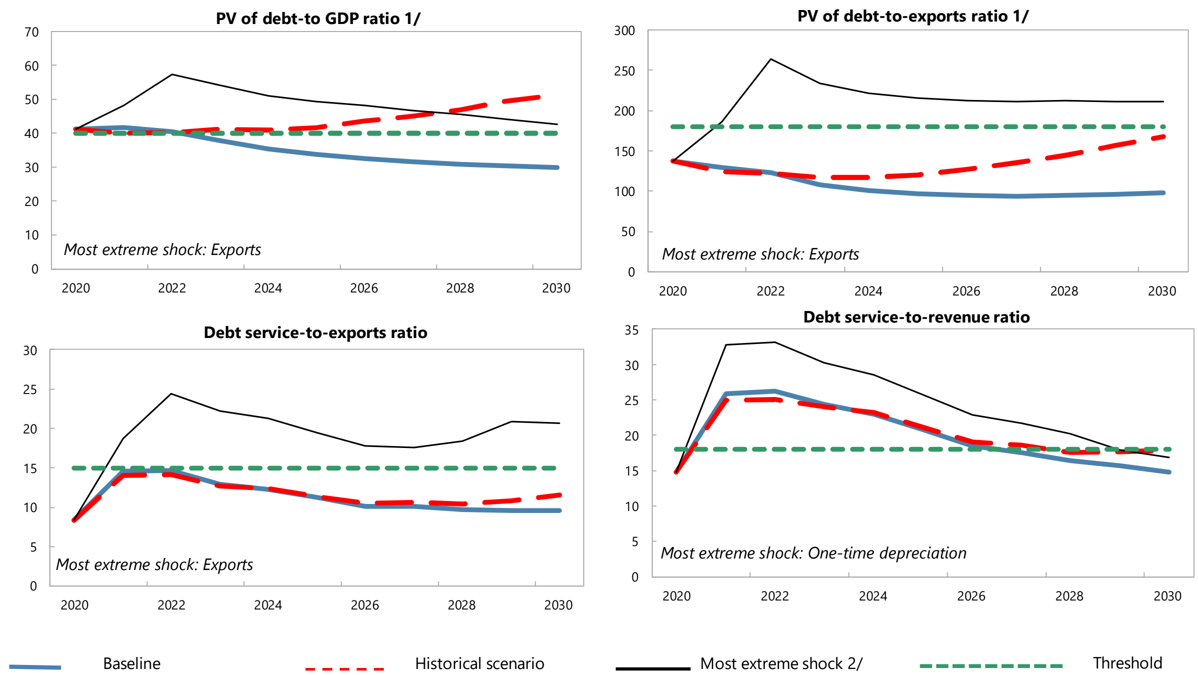
5/ Defined as grants, concessional loans, and debt relief.

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.

Figure 2: Mauritania: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2020–30



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*		
	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
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 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

Table 2. Mauritania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2020–30

(In percent)

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of debt-to GDP ratio											
Baseline	**41**	**42**	**40**	38	35	34	33	31	31	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	**41**	40	**40**	**41**	**41**	**42**	**44**	**45**	**47**	**50**	**51**
B. Bound Tests											
B1. Real GDP growth	**41**	**43**	**42**	40	37	35	34	33	32	32	31
B2. Primary balance	**41**	**43**	**43**	**41**	39	39	38	37	37	36	36
B3. Exports	**41**	**48**	**57**	**54**	**51**	**49**	**48**	**47**	**46**	**44**	**43**
B4. Other flows 3/	**41**	**49**	**55**	**52**	**49**	**47**	**46**	**45**	**44**	**42**	**41**
B5. Depreciation	**41**	**53**	**46**	**43**	**40**	38	37	35	35	34	34
B6. Combination of B1-B5	**41**	**52**	**55**	**52**	**49**	**47**	**46**	**45**	**43**	**42**	**41**
C. Tailored Tests											
C1. Combined contingent liabilities	**41**	**51**	**54**	**53**	**52**	**52**	**52**	**51**	**50**	**50**	**50**
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	**41**	**44**	**46**	**43**	**40**	39	38	36	35	34	33
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	137	129	123	108	101	97	95	94	95	96	98
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	137	124	122	117	117	120	127	135	145	157	168
B. Bound Tests											
B1. Real GDP growth	137	129	123	108	101	97	95	94	95	96	98
B2. Primary balance	137	132	130	117	113	111	111	111	113	116	118
B3. Exports	137	**186**	**264**	**233**	**221**	**215**	**212**	**211**	**212**	**212**	**212**
B4. Other flows 3/	137	153	167	148	140	136	135	134	134	134	134
B5. Depreciation	137	129	112	98	91	87	85	84	84	86	88
B6. Combination of B1-B5	137	175	159	175	166	162	159	158	158	158	158
C. Tailored Tests											
C1. Combined contingent liabilities	137	157	164	152	150	150	151	152	155	159	163
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	137	153	152	131	122	116	112	110	110	111	112
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	180	180	180	180	180	180	180	180	180	180	180
Debt service-to-exports ratio											
Baseline	8	15	15	13	12	11	10	10	10	10	10
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	8	14	14	13	12	11	10	11	10	11	12
B. Bound Tests											
B1. Real GDP growth	8	15	15	13	12	11	10	10	10	10	10
B2. Primary balance	8	15	15	13	13	11	10	10	10	10	11
B3. Exports	8	**19**	**24**	**22**	**21**	**19**	**18**	**18**	**18**	**21**	**21**
B4. Other flows 3/	8	15	**15**	14	13	12	11	11	12	13	13
B5. Depreciation	8	15	15	13	12	11	10	10	9	9	9
B6. Combination of B1-B5	8	**16**	**19**	**17**	**16**	15	14	13	15	**16**	**16**
C. Tailored Tests											
C1. Combined contingent liabilities	8	15	**15**	14	13	12	11	11	11	11	11
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	8	**16**	**16**	14	14	12	11	11	11	11	11
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	**26**	**26**	**24**	**23**	**21**	**18**	18	16	16	15
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	15	**25**	**25**	**24**	**23**	**21**	**19**	**19**	18	18	18
B. Bound Tests											
B1. Real GDP growth	15	**26**	**27**	**25**	**24**	**22**	**19**	**18**	17	16	15
B2. Primary balance	15	**26**	**26**	**25**	**23**	**21**	**19**	**18**	17	17	16
B3. Exports	15	**27**	**29**	**28**	**26**	**24**	**21**	**20**	**21**	**23**	**21**
B4. Other flows 3/	15	**26**	**27**	**26**	**25**	**22**	**20**	**19**	**20**	**22**	**20**
B5. Depreciation	15	**33**	**33**	**30**	**29**	**26**	**23**	**22**	**20**	18	17
B6. Combination of B1-B5	15	**27**	**29**	**27**	**26**	**23**	**21**	**20**	**21**	**22**	**20**
C. Tailored Tests											
C1. Combined contingent liabilities	15	**26**	**27**	**26**	**25**	**23**	**21**	**20**	**19**	18	17
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	15	**28**	**29**	**27**	**25**	**23**	**20**	**19**	**18**	**18**	17
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	18	18	18	18	18	18	18	18	18	18	18

Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

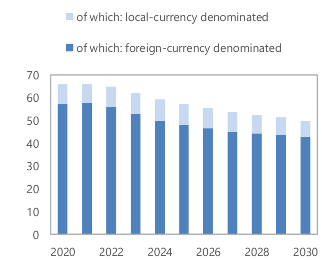
Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

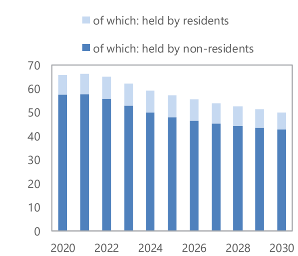
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030	2040	Historical	Projections
Public sector debt 1/	**69.6**	**75.8**	**71.4**	**65.8**	**66.1**	**64.9**	**62.0**	**59.2**	**57.2**	**49.9**	**38.7**	**65.0**	**58.0**
of which: external debt	**66.7**	**66.7**	**63.0**	**57.5**	**57.7**	**55.8**	**52.8**	**49.8**	**48.0**	**42.8**	**37.5**	**60.1**	**49.4**
Change in public sector debt	-2.6	6.1	-4.3	-5.6	0.3	-1.2	-2.9	-2.9	-2.0	-1.4	-1.2		
Identified debt-creating flows	**-5.5**	**-3.6**	**-8.0**	**2.9**	**-2.8**	**-3.7**	**-4.7**	**-4.0**	**-3.3**	**-3.3**	**-3.6**	**-3.0**	**-2.9**
Primary deficit	**-0.9**	**-3.7**	**-3.1**	**2.5**	**-0.4**	**-1.0**	**-1.0**	**-1.0**	**-1.0**	**-1.1**	**-1.8**	**-0.8**	**-0.6**
Revenue and grants	20.4	22.6	20.6	17.4	18.4	18.8	18.9	19.0	18.9	19.9	21.6	**20.5**	**19.0**
of which: grants	0.7	0.5	1.6	0.5	0.3	0.4	0.3	0.3	0.3	0.2	0.1		
Primary (noninterest) expenditure	19.5	18.9	17.6	19.9	18.1	17.8	17.9	18.0	18.0	18.8	19.8	**19.7**	**18.4**
Automatic debt dynamics	**-4.5**	**0.3**	**-4.6**	**1.7**	**-1.3**	**-2.7**	**-3.7**	**-3.0**	**-2.4**	**-2.2**	**-1.8**		
Contribution from interest rate/growth differential	-2.2	-1.7	-4.7	1.7	-1.3	-2.7	-3.7	-3.0	-2.4	-2.2	-1.8		
of which: contribution from average real interest rate	0.2	-0.2	-0.5	-0.7	0.0	-0.1	0.0	0.0	0.1	0.0	0.0		
of which: contribution from real GDP growth	-2.4	-1.4	-4.2	2.4	-1.3	-2.6	-3.7	-3.1	-2.4	-2.3	-1.9		
Contribution from real exchange rate depreciation	-2.2	2.0	0.1	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	**-0.2**	**-0.3**	**-0.3**	**-1.3**	**-1.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**-0.1**	**-0.2**
Privatization receipts (negative)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Recognition of contingent liabilities (e.g., bank recapitalization)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Debt relief (HIPC and other)	-0.2	-0.3	-0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Other debt creating or reducing flow (please specify)	0.0	0.0	0.0	-1.3	-1.1	0.0	0.0	0.0	0.0	0.0	0.0		
Residual 2/	**2.9**	**9.8**	**3.6**	**-8.5**	**3.1**	**2.5**	**1.8**	**1.2**	**1.4**	**1.9**	**2.4**	**3.4**	**1.0**
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	**...**	**...**	**57.7**	**50.5**	**50.8**	**50.0**	**47.6**	**45.2**	**43.4**	**37.2**	**29.6**		
PV of public debt-to-revenue and grants ratio	**...**	**...**	**279.9**	**290.7**	**275.8**	**266.4**	**252.4**	**238.3**	**229.1**	**186.9**	**137.1**		
Debt service-to-revenue and grants ratio 4/	**31.7**	**30.1**	**32.2**	**32.5**	**42.4**	**44.3**	**47.3**	**49.0**	**49.7**	**34.7**	**15.5**		
Gross financing need 5/	5.4	2.9	3.3	6.8	5.3	6.1	6.8	7.2	7.3	5.5	1.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	3.5	2.1	5.9	-3.2	2.0	4.2	6.1	5.2	4.3	4.6	4.9	**3.8**	**3.9**
Average nominal interest rate on external debt (in percent)	1.3	1.4	1.4	0.9	1.8	2.0	2.1	2.1	1.9	1.6	2.0	**1.1**	**1.7**
Average real interest rate on domestic debt (in percent)	2.1	2.8	-0.2	-1.2	1.4	1.8	2.0	1.8	2.7	2.9	2.4	**1.5**	**2.1**
Real exchange rate depreciation (in percent, + indicates depreciation)	-3.3	3.0	0.2	...	...	...	...	...	...	...	...	**1.2**	**...**
Inflation rate (GDP deflator, in percent)	3.7	1.8	4.7	5.5	4.1	3.5	3.2	3.3	2.5	2.5	3.0	**5.0**	**3.1**
Growth of real primary spending (deflated by GDP deflator, in percent)	0.6	-1.0	-1.7	9.5	-7.3	2.5	6.5	5.8	4.3	4.5	5.5	**4.3**	**4.5**
Primary deficit that stabilizes the debt-to-GDP ratio 6/	1.7	-9.8	1.3	8.1	-0.7	0.2	1.9	1.9	1.0	0.3	-0.6	**-2.3**	**1.4**
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE 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.

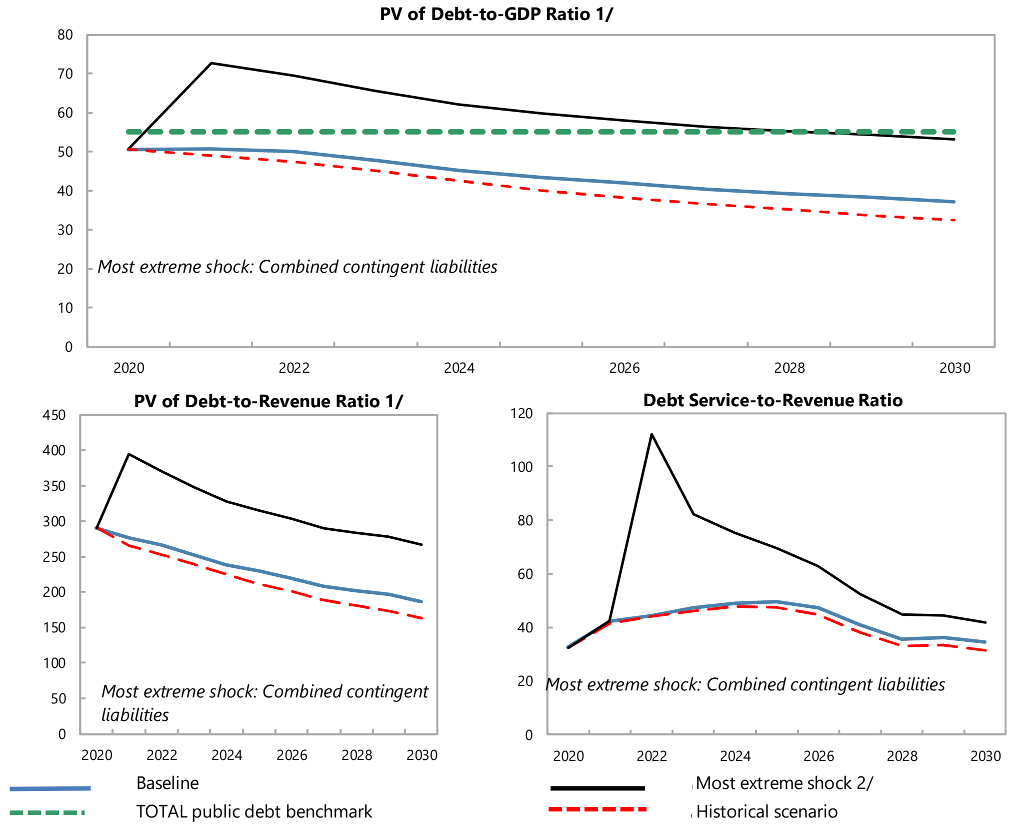
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

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.

Figure 3. Mauritania: Indicators of Public Debt Under Alternative Scenarios, 2020–30



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	50%	50%
Domestic medium and long-term	5%	5%
Domestic short-term	46%	46%
Terms of marginal debt		
External MLT debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6
Domestic MLT debt		
Avg. real interest rate on new borrowing	4.2%	4.2%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	2.8%	2.8%

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

Sources: Country authorities; and staff estimates and projections.

1/ Does not include passive debt to the Kuwait Investment Authority.
2/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 4. Mauritania: Sensitivity Analysis for Key Indicators of Public Debt, 2020–30

	Projections 1/										
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PV of Debt-to-GDP Ratio											
Baseline	51	51	50	48	45	43	42	40	39	38	37
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	51	49	47	45	43	40	38	37	35	34	32
B. Bound Tests											
B1. Real GDP growth	51	52	53	51	49	47	46	45	45	45	44
B2. Primary balance	51	52	52	50	47	45	43	42	41	40	39
B3. Exports	51	**56**	**63**	**61**	**58**	**56**	54	53	51	50	47
B4. Other flows 3/	51	**59**	**64**	**62**	**59**	**57**	**56**	54	52	50	48
B5. Depreciation	51	**60**	**57**	53	48	45	42	39	37	35	33
B6. Combination of B1-B5	51	50	48	44	41	38	36	34	34	33	32
C. Tailored Tests											
C1. Combined contingent liabilities	51	**73**	**69**	**66**	**62**	**60**	**58**	**56**	**55**	54	53
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	51	52	52	52	51	50	49	48	48	47	47
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	291	276	266	252	238	229	220	208	202	196	187
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	291	266	252	239	225	212	200	189	181	173	163
B. Bound Tests											
B1. Real GDP growth	291	283	282	269	257	250	243	234	231	229	222
B2. Primary balance	291	283	280	263	248	238	228	217	211	206	197
B3. Exports	291	303	337	321	305	296	286	272	264	253	239
B4. Other flows 3/	291	318	344	327	311	302	291	278	269	258	242
B5. Depreciation	291	326	305	280	256	238	222	204	192	181	167
B6. Combination of B1-B5	291	271	258	232	215	203	190	177	173	168	161
C. Tailored Tests											
C1. Combined contingent liabilities	291	395	370	347	327	315	304	290	284	278	267
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	291	301	297	292	279	271	261	247	244	241	234
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	32	42	44	47	49	50	47	41	36	36	35
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	32	41	44	46	48	48	45	38	33	33	32
B. Bound Tests											
B1. Real GDP growth	32	43	50	56	60	62	60	52	46	47	46
B2. Primary balance	32	42	51	58	58	58	55	47	41	41	40
B3. Exports	32	42	45	49	51	51	49	42	39	42	40
B4. Other flows 3/	32	42	45	49	51	51	49	42	40	42	40
B5. Depreciation	32	44	51	56	58	58	55	47	41	41	39
B6. Combination of B1-B5	32	41	43	46	49	50	48	41	38	39	40
C. Tailored Tests											
C1. Combined contingent liabilities	32	42	112	82	75	69	63	52	45	44	42
C2. Natural disaster	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
C3. Commodity price	32	46	48	52	61	64	62	53	47	48	47
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

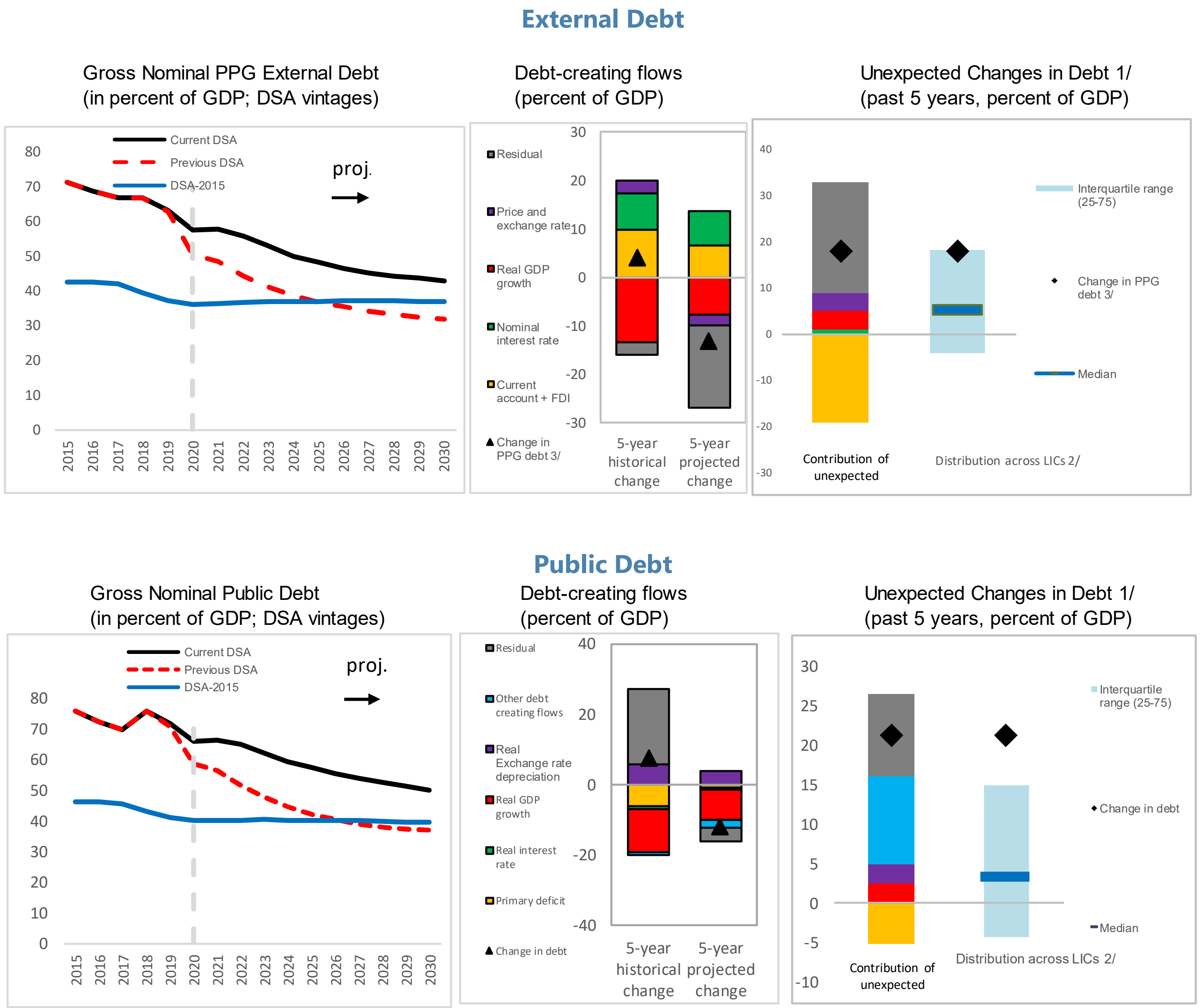
Sources: Country authorities; and staff estimates and projections.

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

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

3/ Includes official and private transfers and FDI.

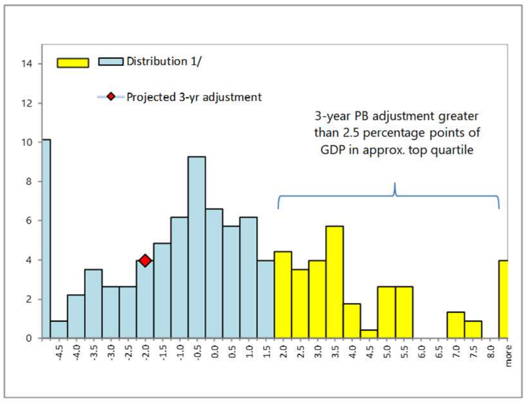
Figure 4. Mauritania: Drivers of Debt Dynamics—Baseline Scenario



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

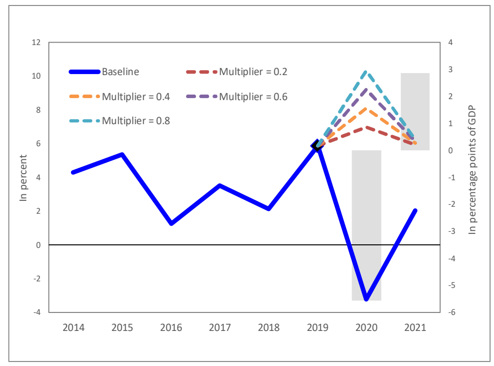
Figure 5. Mauritania: Realism Tools

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



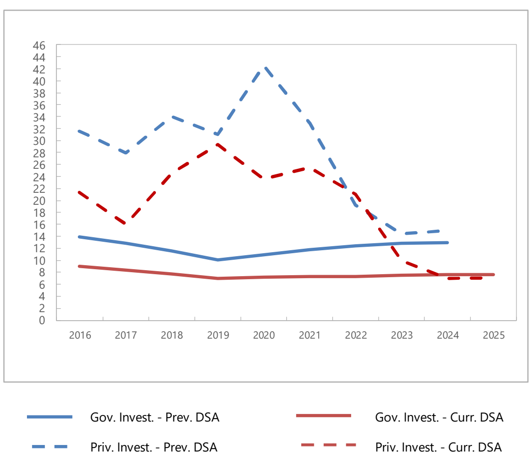
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



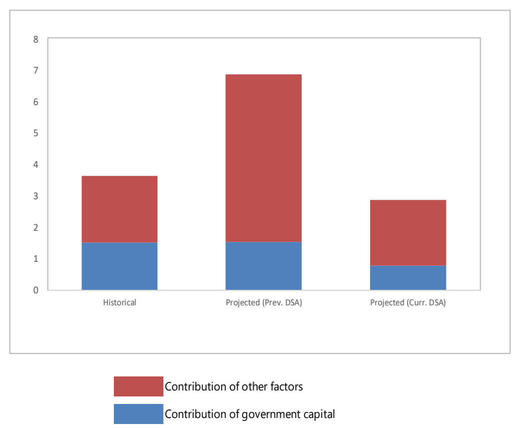
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(Percent of GDP)



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

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



Sources: Mauritania country authorities; and staff estimates and projections.

Statement by Mohamed-Lemine Raghani, Executive Director for the Islamic Republic of Mauritania, and Mohamed Sidi Bouna, Senior Advisor to Executive Director
September 2, 2020

I. Introduction

1. **The pandemic continues to have a severe socio-economic impact on Mauritania.** The number of Covid-19 cases has further increased since March. At the same time, the economic contraction is expected to be deeper in 2020 than initially anticipated in April, at the time of the approval of the Rapid Credit Facility (RCF), despite the initial steps taken in July to gradually reopen the economy. Our authorities would like to thank the Executive Board, Management, and Staff for their support during these difficult and unprecedented times. They are grateful for the timely disbursement under the RCF which provided much-needed resources to help mitigate the effects of the pandemic.

2. **Despite very difficult economic conditions, the authorities have taken the necessary actions to ensure a continuous implementation of the ECF-supported program.** Soon after the Staff mission to Nouakchott in March to assess Mauritania's performance under the fifth review, the country's outlook deteriorated significantly, requiring a recalibration of the program. The authorities would like to thank Staff for the constructive policy dialogue held under the fifth review both in Nouakchott and remotely in July and August. They welcome the Fund's assessment that Mauritania's performance under the ECF arrangement remains strong. However, the fiscal and external current account deficits in 2020 are expected to widen beyond the April projections due to the stringent containment measures and the weak global economy, thereby giving rise to additional substantial financing needs. Given the increase in balance of payments needs, the authorities request an augmentation of access under the ECF arrangement in an amount equivalent to 15.7 percent of quota. They intend to use the Fund's disbursement for budget support.

3. **Continued and enhanced support from the Fund and other partners is essential to meet Mauritania's large financing needs.** To support the economy while also containing the spread of Covid-19 and alleviating its social impact, the authorities have put in place a response and recovery plan. They have also sought debt relief under the G20 Debt Service Suspension Initiative (DSSI) which will help free up limited available domestic resources for the fight against the pandemic. They are hopeful that their continued sound performance under the ECF-supported program will help catalyze additional donor funding to close the country's financing gap and assist in the recovery efforts. The authorities intend to request a new ECF arrangement once the current program expires at the end of 2020 to address remaining macro-structural challenges.

II. Recent Economic Developments and Performance under the Program

4. **The strict lockdown combined with the sharp deterioration in global economic conditions will have a more pronounced adverse effect on the economy in 2020 than initially anticipated.** In their early response to the spread of Covid-19, the authorities acted swiftly to alleviate its socio-economic impact. They cancelled international flights and closed land borders. Schools and non-essential businesses were also shut off. As result of these stringent measures as well as the severe impact of the pandemic on the global economy, growth has been further revised downward to -3.2 percent from an estimated -2 percent in April. However, inflation has remained stable at 2 percent in July. The external current account deficit (excluding externally financed extractive capital imports) will widen to 12.2 percent of GDP due to the impact of the weakened external demand on exports and foreign direct investment. The primary budget deficit will rise to 3.6 percent of non-extractive GDP, driven by the increase in expenditures required to fight the pandemic as well as revenue shortfalls resulting from the lockdown, compared to a surplus of 0.8 percent of non-extractive GDP stated in the 2020 budget adopted by Parliament in December 2019.

5. **Mauritania's performance under the program remains strong despite a very challenging environment.** At end-December 2019, the authorities have met all performance criteria and have also implemented on time three of the four structural benchmarks. The fourth structural benchmark pertaining to the transmission to Parliament of the draft law on loan bank recovery was implemented in July 2020. Furthermore, all four structural benchmarks at end-March 2020 have been implemented.

III. Outlook and Risks

6. **The economic situation is expected to improve in 2021.** Growth is projected to recover to 2 percent next year, led by an increase in agricultural, fisheries, and manufacturing output. Inflation will remain stable at 3.9 percent on average in 2021 thanks largely to a continued prudent monetary policy. The economic recovery will in turn have a favorable impact on public finances through an increase in fiscal revenues and the gradual winding down of emergency measures. Thus, the primary fiscal deficit is anticipated to close, with the balance at zero percent of non-oil GDP in 2021. The external current account deficit (excluding externally financed extractive capital imports) will increase slightly in 2021 to 12.6 percent of GDP but will decline gradually to around 5 percent of GDP in 2023, as exports resume and domestic demand adjusts to the new environment.

7. **The outlook is subject to considerable uncertainty.** In addition to the risk of a more protracted pandemic, Mauritania could be affected by the deterioration of the security situation in the Sahel region, as well as the effects of climate change, including more frequent and intense droughts. Furthermore, weak global economic conditions and their impact on the volatility of oil prices could impact the launch of offshore gas production which has already been delayed by one year and is now expected to start in 2023.

IV. Fiscal Policy

8. **The key near-term fiscal policy objective is to ensure that adequate resources are allocated to the fight against the Covid-19 pandemic.** Accordingly, the authorities have adopted a supplementary budget that provides for an increase in health expenditures, extends social protection for the poorest, introduces measures to assist households and small enterprises, and allocates resources to encourage agricultural production. The supplementary budget has also reprioritized non-essential current and capital expenditures. The authorities are determined to ensure a transparent monitoring and reporting of emergency spending. They will publish all public procurement contracts on the website of the Ministry of Finance, including the beneficiary contractor firms and their owners. They have also put in place a national commission in charge of monitoring all the resources used in the fight against the pandemic. The commission is headed by the Minister of Finance and is composed of a wide range of stakeholders, notably parliamentarians, representatives of opposition parties and trade unions, and external partners. The committee reports to an inter-ministerial council in charge of the management and monitoring of the fight against the COVID-19 pandemic, headed by the Prime Minister. The authorities will ensure that all Covid-related expenditures are audited by the Court of Auditors *(Cour des Comptes)* and that the findings of the audit are made public by September 2021.

9. **The authorities recognize the importance of embedding this year's expansionary fiscal measures in a medium-term budgetary framework to preserve debt sustainability.** In coordination with staff, they will put in place a plan to gradually withdraw temporary fiscal measures and revert to a primary fiscal surplus over the medium-term. These efforts will be better supported through the intended new ECF arrangement.

V. Monetary, Exchange Rate, and Financial Sector Policies

10. **At the onset of the crisis, the Central Bank of Mauritania *(Banque Centrale de Mauritanie, BCM)* acted swiftly to support the economy and provide adequate liquidity to the financial system.** In particular, it has lowered its key interest rate and reduced banks' reserve requirements.

11. **The central bank will continue to strengthen its monetary policy operational framework with the technical assistance of the IMF.** To buttress the framework, it has introduced new facilities to manage liquidity and has established an interest rate corridor for the new facilities. BCM has also enhanced coordination with the Ministry of Finance on the issuance of Treasury bills to narrow the interest rate differential between BCM facilities and Treasury bills. The IMF's technical assistance has been instrumental in achieving progress in these areas and in reinforcing the central bank's capacity to forecast and monitor liquidity.

12. **The monetary authorities are determined to pursue their gradual approach to reforming the foreign exchange market.** To this end, they will continue to take the necessary steps to modernize the foreign exchange market towards greater exchange rate flexibility and enhance the role of the exchange rate as a shock absorber. However, the pandemic has affected the timeline for the establishment of an integrated technical platform for monetary policy operations and a modern interbank foreign exchange market, initially expected by end-September 2020. The authorities intend to finalize this project in 2021, subject to the availability of financing and technical experts.

13. **The close monitoring of the financial sector will continue.** The authorities reiterate their commitment to continuing to strengthen financial sector soundness and improve the regulatory framework as the crisis abates, based on the recommendations of the Financial Sector Assessment Program (FSAP). While the central bank has adopted a flexible approach to the financial system's requirement to raise minimum capital and liquidity ratios within the current Covid-19 environment, they will build on the progress achieved in recent years to accelerate efforts to bolster banks' solvency, improve their governance, and shore up the country's AML/CFT framework. In the meantime, the pandemic has caused significant financial hardship for individuals and enterprises. To alleviate the burden of loan repayments during the crisis, the central bank will discuss with commercial banks possible options for extending repayment deadlines without penalty and restructuring some of the debt owed by individuals and enterprises.

14. **The central bank is committed to aligning its accounting with international standards.** In this regard, BCM is working with international partners to ensure that the required prior infrastructure is in place to enable the adoption of International Financial Reporting Standards (IFRS) accounting norms by 2021, including a new information system. As a positive step towards that goal, the central bank has prepared and published in June 2020 its 2019 proforma financial statements on the basis of IFRS norms.

VI. Structural Reforms and Poverty Reduction

15. **The implementation of the structural reform agenda to foster higher and more inclusive growth remains a key priority.** The authorities will continue to focus their efforts on strengthening governance and improving the business climate. Accordingly, at the request of the authorities, the Fund will undertake in 2021, an assessment of the country's economic governance that will cover the areas of fiscal management, revenues from extractive industries, and the AML/CFT framework. Further improving the business environment is high on the authorities' agenda as they continue to give priority to addressing the weaknesses identified in the World Bank's Doing Business reports.

16. **The pandemic has highlighted the importance of well-designed social safety nets to provide rapid and adequate assistance to the vulnerable.** The progress achieved in recent

years in reinforcing Mauritania's social protection programs with the assistance of the World Bank, through notably the establishment of a social register of the poorest households, has enabled the authorities to step up rapidly their assistance to the neediest segments of the population affected by the pandemic. As of end-July 2020, 206,000 households that are included in the social register had received food aid and financial transfers, thereby reaching 1.5 million individuals out of a population of 4.5 million. More generally, the authorities intend to continue to increase poverty-reducing expenditures moving forward, particularly on public education and healthcare, as well as on targeted cash transfer programs such as *"Tekavoul"*. They intend to raise the number of vulnerable households that benefit from cash transfers from 34,000 in March to 70,000 by the end of the year.

VII. Conclusion

17. **Our authorities reiterate their commitment to the prudent policies and sound reforms set forth under the program and request the completion of its fifth review and an augmentation of access.** As the pandemic has severely impacted activity and given rise to significant financing needs, they call on international partners to assist in the economic recovery efforts and in bridging the country's large financing gap in view of their satisfactory performance under the ECF arrangement. They are determined to resume their prudent policies and sound reforms under the ECF arrangement as the crisis abates, with a view to reinforcing macroeconomic stability, enhancing economic resilience and fostering inclusive growth. In light of Mauritania's continued satisfactory performance under the ECF arrangement, the authorities seek Executive Directors' support for the completion of the fifth review and the approval of their request for augmentation of access.