Islamic Republic of Mauritania: 2022 Article IV Consultation and Request for 42-Month Arrangements under the Extended Credit Facility and the Extended Fund Facility-Press Release; Staff Report; and Statement by the Executive Director for the Islamic Republic of Mauritania

INTERNATIONAL MONETARY FUND

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ISLAMIC REPUBLIC OF MAURITANIA

February 2023

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

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

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

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

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PRESS RELEASE

PR23/15

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

FOR IMMEDIATE RELEASE

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mauritania: Selected Economic indicators, 2021–23

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

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

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

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

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

December 20, 2022

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

EXECUTIVE SUMMARY

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

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

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

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

Approved By
Taline Koranchelian and Boileau Loko

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

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