



# ISLAMIC REPUBLIC OF MAURITANIA

December 20, 2022

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

Prepared By

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

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## RELATIONS WITH THE FUND

(As of November 30, 2022)

**Membership Status:** Joined September 10, 1963; Article VIII

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

<b>SDR Department:</b>	<b>SDR Million</b>	<b>Percent of Allocation</b>
Net cumulative allocation	185.11	100.00
Holdings	2.49	1.35

<b>Outstanding Purchases and Loans:</b>	<b>SDR Million</b>	<b>Percent of Quota</b>
	95.68	74.29
ECF Arrangements	139.47	108.29

### **Latest Financial Arrangements:**

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

### **Outright Loans:**

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

### **Projected Payments to Fund <sup>2</sup>**

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

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

<sup>1</sup> Formerly PRGF.

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

**Implementation of HIPC Initiative:**

I. Commitment of HIPC assistance	Enhanced Framework
Decision point date <sup>3</sup>	February 2000
Assistance committed by all creditors (US\$ million) <sup>4</sup>	622.00
<i>Of which:</i> IMF assistance (US\$ million)	46.76
(SDR equivalent in millions)	34.80
Completion point date <sup>5</sup>	June 2002
II. Disbursement of IMF assistance (SDR Million)	
Assistance disbursed to the member	34.80
Interim assistance <sup>6</sup>	16.88
Completion point balance	17.92
Additional disbursement of interest income <sup>7</sup>	3.63
Total disbursements	38.43

**Implementation of Multilateral Debt Relief Initiative (MDRI):**

I. MDRI-eligible debt (SDR Million) <sup>8</sup>	32.91
Financed by: MDRI Trust	30.23
Remaining HIPC resources	2.68

**II. Debt Relief by Facility (SDR Million)**

<b><u>Delivery Date</u></b>	<b><u>Eligible Debt</u></b>		
	<b><u>GRA</u></b>	<b><u>PRGT</u></b>	<b><u>Total</u></b>
June 2006	N/A	32.91	32.91

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

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

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

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

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

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

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

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

**Safeguards Assessments**

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

**AML/CFT**

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

**Exchange Arrangements**

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

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

#### **Article IV Consultation**

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

#### **November 2022 Technical Assistance (past two years)**

##### ***Legal***

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

##### ***Monetary and exchange rate policy***

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

##### ***Fiscal policy***

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

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

### **Statistics**

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

### **Resident Representative**

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

# BANK-FUND COLLABORATION

<b>Joint Management Action Plan of the World Bank and IMF</b> (As of November 15, 2022)		
<b>Title</b>	<b>Products</b>	<b>Expected delivery</b>
<b>A. Mutual Information on Relevant Work Programs</b>		
<b>Bank Work Program</b> (Next 12 months)	<ul style="list-style-type: none"> <li>- Systemic Country Diagnostic</li> <li>- Mauritania Economic Update</li> <li>- Mauritania Infrastructure Sector Assessment Program</li> <li>- Mauritania Risk and Resilience Assessment</li> <li>- Mauritania Human Capital Assessment</li> <li>- Youth Employment Project</li> <li>- Public Sector Governance Project (unclusing AF)</li> <li>- Technical Assistance on Country Policy and Institutional Assessment (CPIA)</li> </ul> Social Safety Net Project II	April 2023 May 2023 December 2022 June 2023 June 2023 Ongoing Ongoing June 2023? Ongoing
<b>Fund Work Program</b> (Next 12 months)	<p><b>Macroeconomic policy analysis and advice</b></p> <p>Article IV consultation and Board consideration of ECF/EFF</p> <p>Macroeconomic update</p> <p>First review of ECF/EFF</p> <p><b>Technical Assistance</b></p> <p><i>Frequent missions by AFRITAC West or a new resident advisor to provide TA on:</i></p> <p>(i) planning, budgeting, and execution of social spending and public investment projects,</p> <p>(ii) operationalizing the new organic budget law, including through the implementation of a fiscal anchor and a medium-term expenditure framework</p> <p><i>Through FAD's three-year TA program:</i></p> <p>(iii) Strengthening tax and customs administration processes (taxpayer registry, taxpayer filing, compliance risk management, tax arrears collection, post-release controls),</p> <p>(iv) reviewing the tax expenditure and investment incentive regime.</p> <p><i>Possibly through a new resident advisor and/or regular MCM TA missions:</i></p> <p>(v) Reform of the collateral framework;</p> <p>(vi) Deepening the government securities market;</p> <p>(vii) Strengthening the liquidity forecasting framework;</p> <p>(viii) Implementing the technical platform and regulations on the interbank FX market.</p>	January 2023 March 2023 September 2023  2022-23

Joint Management Action Plan of the World Bank and IMF (As of November 15, 2022)		
	<p><i>Through regular AFRITAC West missions:</i> (ix) Strengthening bank asset quality, (x) Supervision and regulation to support implementation of new Basel-compatible regulations introduced in 2019;</p> <p><i>Through frequent missions by AFRITAC West or a new resident advisor:</i> (xi) Following up on the 2022 Governance Diagnostic with LEG and FAD to strengthen anti-corruption and rule of law frameworks; (xii) Macroeconomic management: setting up new institutions and a framework to manage upcoming gas revenues, setting up a macroframework and improving the coordination among entities involved in the compilation of data for the macroframework. (xiii) debt management: Supporting the implementation of a medium-term debt management strategy, including the coordination among entities involved in debt management; (xiv) improvement of statistical data (real sector, public finance).</p> <p>Priority should be given to delivering TA through the support of a resident advisor in monetary and exchange rate issues, followed by macro-fiscal issues and lastly macro-coordination issues.</p>	
B. Requests for Work Program Inputs		
Fund Requests to Bank	<ul style="list-style-type: none"><li>- Periodic update on activities</li><li>- Reports, macroeconomic and financial data to be shared regularly</li><li>- Fund staff to participate in review of key analytical work</li></ul>	Ongoing
Bank Requests to Fund		Ongoing
C. Agreement on Joint Products and Missions		
Joint Products (Next 12 months)	Debt sustainability analysis	Jan 2023



# STATISTICAL ISSUES

(As of December 7, 2022)

## I. Assessment of Data Adequacy for Surveillance

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

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

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

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

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

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

## II. Data Standards and Quality

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

**Mauritania: Table of Common Indicators Required for Surveillance**  
(As of November 2022)

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

<sup>1</sup>Includes reserve assets pledged or otherwise encumbered as well as net derivative positions.

<sup>2</sup>Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup>Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup>The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup>Including currency and maturity composition.

<sup>6</sup>Daily (D), Weekly (W), Monthly (M), Quarterly (Q), Annually (A), Irregular (I), Not Available (NA).