



TECHNICAL ASSISTANCE REPORT

ISLAMIC REPUBLIC OF MAURITANIA

Technical Assistance Project on Public Debt
Projections and Analysis: Scoping Mission

SEPTEMBER 2024

Prepared By

Marie Pierre Aquino Coste, Naomitsu Yashiro, and Oumar Dissou

Authoring Department:

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Table of Contents

ACRONYMS AND ABBREVIATIONS	4
PREFACE	5
SECTION I. BACKGROUND INFORMATION	7
A. Mauritania's Macro-Fiscal Context	7
B. The Authorities' Technical Assistance Request	8
SECTION II. VIRTUAL PRELIMINARY TRAINING	9
SECTION III. SCOPING MISSION FINDINGS AND CONCLUSIONS	10
A. Introduction	10
F. Inter-Agency Cooperation	13
SECTION IV. PROPOSED ACTION PLAN	14
A. Introduction	14
B. Main Objectives and Timetable for Implementation of the Action Plan	14
C. Core Team and Technical Assistance Methods	15
D. Proposed Tool for the Technical Assistance	15
E. Risks and Mitigation Measures	16
APPENDICES	17
Appendix A: Preliminary Action Plan	17
Appendix B: The Results Framework	19
Appendix C: The Core Team	21
Appendix D: Agenda	21

ACRONYMS AND ABBREVIATIONS

BCM	<i>La Banque Centrale de la Mauritanie</i> [The Central Bank of Mauritania]
CD	Capacity Development
CNDP	<i>Comité National de la Dette Publique</i> [National Public Debt Committee]
DDT	Public Debt Dynamics Tool
DDTx	The Public Debt Dynamics Tool (an online course offered by the IMF and EDx)
DDT GFN	Tool for projecting public debt dynamics and gross financing needs
DSF	Debt Sustainability Analysis
FAD	Fiscal Affairs Department
LIC-DSF	Debt Sustainability Framework for Low-Income Countries
ICD	Institute for Capacity Development
IMF	International Monetary Fund
MF	<i>Ministère des Finances</i> [Ministry of Finance]
MEDD	<i>Ministère d'Économie et du Développement Durable</i> [Ministry of Economy and Sustainable Development]
MCM	Monetary and Capital Markets Department
ND DDT	Natural Disaster Module of the Tool for Projecting Public Debt Dynamics
SPR	Strategy, Policy, and Review Department
TA	Technical Assistance
TC	Technical Committee
WB	The World Bank

PREFACE

An evaluation and training technical assistance (TA) mission visited Nouakchott, Mauritania, from January 8 to 19, 2024, to take stock of status and capacity building needs in public debt projection at the Ministry of Finance (MF), the Ministry of Economy and Sustainable Development (MEDD) and the Central Bank of Mauritania (BCM). In particular, the mission reviewed the public debt projection frameworks and policy analysis tools currently used by the MF, MEDD and BCM, with the aim of strengthening public debt projection and analysis capacities.

The mission team comprised Ms. Marie-Pierre Aquino Coste (mission chief), Mr. Naomitsu Yashiro (senior economist) and Mr. Oumar Dissou (debt management advisor at AFRITAC West). The mission worked mainly with members of the Technical Committee supporting the National Committee on Public Debt (CNDP).

The mission met with Mr. Mohamed Salem Nany, Director General of Financing and Economic Cooperation (MEDD), Mr. Fall Khayar, Director General of Budget (MF), Mr. Bouna Kerkoub, Director General of Studies and Monetary Stabilization (BCM), Mr. Mohamed Lemine Memoune, Director General of Capital Markets (BCM), Mr. Idrissa Niang, Director of External Debt (MF).

The diagnosis is based on information available at the time of the visit in January 2024. The report's conclusions and recommendations represent the views and assessment of the IMF mission team and do not necessarily reflect those of the authorities. The mission presented its main recommendations and conclusions to senior officials of the MF, MEDD and BCM, including Mr. Saadbouh Regad, Acting Secretary General; Mr. Yahya Sadvi H'meity, Director General of the Treasury and Public Accounting and reached agreement *ad referendum* on an action plan to implement the TA project and a results-based results framework to assess the progress that will be made. The final TA report will take account of the authorities' comments.

The mission team would like to express its sincere thanks to the authorities for their warm welcome and constructive discussions. The team would also like to thank the MF for its excellent organization and logistical support throughout the mission, in particular Mr. Niang Idrissa, Director of External Debt, and Mr. Houcein Mejdoub, Deputy Director of External Debt, for their outstanding assistance.

The mission benefited from excellent administrative support from Ms. Irela Alemán Casco (ICDMF), and outstanding technical support from Ms. María Sofía Anastasio (ICDMF) and Ms. Rebeca Hassan (ICDIP). The mission also benefited from the invaluable support of the IMF Resident Representative, Ms. Anta Ndoye, and her office staff.

SUMMARY

In response to a request from Mauritania's Ministry of Finance (MF), a TA mission visited Nouakchott from January 8 to 19, 2024 to assess the authorities' capacity to project public debt and the capacity development needs of the institutions involved in the public debt projection task and to strengthen their capabilities.

The National Committee on Public Debt (CNDP) in Mauritania is an inter-agency group made up of six directors general from different departments of the MF, the Ministry of Economy and Sustainable Development (MEDD), and the Central Bank of Mauritania (BCM) involved in debt management. It is responsible for coordinating the formulation and implementation of debt management policy, advising the Minister of Finance on debt sustainability and restructuring, and facilitating information sharing between institutions. The CNDP, supported by a technical committee, is also responsible for publishing debt statistics and producing public debt projections and debt sustainability analysis.

The mission analyzed the development capacity requirements for public debt projections, considering the staffing constraints of the CNDP Technical Committee. The mission identified that the CNDP and its Technical Committee, although playing an important role in the elaboration of debt policy, does not have the tools to produce coherent public debt projections, nor an appropriate framework to make macroeconomic projections, to assess the macroeconomic impact of debt policy and to serve as a basis for the necessary dialogue with other institutions in charge of macroeconomic policy.

Considering the current capacities of the institutions constituting the CNDP technical committee (MF, MEDD and BCM), their expressed capacity development needs and roles within the committee, the mission reached an "ad referendum" agreement with the authorities on a technical assistance plan accompanied by a results-based results framework. Implementation of the plan will enable the authorities to make public debt projections using ICD's Public Debt Dynamics Tool (DDT). The mission appreciated the commitment made by the institutions involved, including the establishment of a core team led by Mr. Niang Idrissa, Director of External Debt, MF.

The technical assistance project includes initial training on public debt projections to enhance the technical skills of the team to use the DDT, adapted to the needs of the Mauritanian economy, under the guidance of the ICD staff. The expected outcomes and result indicators are summarized in the results framework (Annex B). The action plan (Annex A) envisages a program of two missions, combining remote and in-person training, and frequent virtual engagements between missions over a one-year period. It includes the operationalization of the DDT and the design of customized shocks that reflect the nature of the Mauritanian economy, as well as the institutionalization of public debt projections, for example, in the form of a public debt report attached to the budget. The program is expected to be completed in December 2024.

SECTION I. BACKGROUND INFORMATION

A. Mauritania's Macro-Fiscal Context

1. Mauritania, a low-income country, is highly exposed to fluctuations in commodity prices and natural disasters, which have a significant impact on its economic and social stability. The country's vulnerability was recently exacerbated by the Russian-Ukrainian war, which led to a surge in food prices and food insecurity for 20% of the population. This situation, coupled with rising international food and energy prices and falling iron ore prices, has resulted in a widening trade deficit, and falling foreign exchange reserves in 2022. In addition, Mauritania is increasingly affected by frequent and severe climate-related natural disasters, posing challenges to its stability and economic growth while requiring substantial adaptation measures. The government's response to these external and climatic shocks has led to a deterioration in the fiscal balance and an increase in fiscal risks due to heavy dependence on extractive revenues. In response to these challenges, Mauritania obtained an Extended Credit Facility and Extended Fund Facility of \$86.9 million from the International Monetary Fund's (IMF) in February 2022 to support a program aimed at maintaining macroeconomic stability and improving fiscal and monetary policy frameworks. One of the main objectives of this program is to improve medium-term fiscal policy to ensure fiscal sustainability. In addition, in December 2023, Mauritania acceded to the Resilience and Sustainability Facility (RSF), obtaining \$258.21 million to finance investments in climate change adaptation and the promotion of green transformation.

2. Boosted by the recovery of the extractive sector, Mauritania's economy is on the road to recovery. Real GDP growth in 2023 is likely to have slowed to around 4%, following a significant rise to 6.4% in 2022, due to the normalization of activity in the extractive sector and the delayed impact of tighter global monetary policy. By September 2023, inflation had fallen to 3% year-on-year, from a peak of 12.7% in October 2022. Thanks to the stabilization of international food and energy prices, the current account deficit narrowed in 2023, and foreign currency liquidity reserves stabilized at 6.4 months of non-extractive imports. Economic growth is expected to remain strong thanks to increased iron ore production and the commissioning of the new offshore gas station in 2024. This should boost extractive industry revenues and economic activity. However, the economy faces risks, including geopolitical tensions that could lead to trade shocks, natural disasters, and delays in natural gas extraction at the Greater Tortue Ahmeyim (GTA) station. Politically, Mauritania is stable, with presidential elections scheduled for June 2024.

3. Mauritania's risk of debt distress has improved from "high" to "moderate", mainly due to the renegotiation of the US\$300 million loan from Saudi Arabia on concessional terms. Public debt is currently estimated at around 47% of GDP and is set to decline thanks to improved fiscal performance in 2023. The Mauritanian authorities are committed to further reducing the risk of debt distress and have reactivated the National Committee on Public Debt (CNDP) in 2022. To strengthen the Committee's capacities, they have requested IMF technical assistance for capacity building in public debt projections, which could help them improve dialogue with the Fund under the program, especially as they do not have the capacity or data to produce their own Debt Sustainability Analysis (DSF). In addition, the authorities

are also benefiting from IMF technical assistance to produce a robust medium-term debt management strategy and a medium-term fiscal framework.

B. The Authorities' Technical Assistance Request

4. The Ministry of Finance (MF) requested ICD's technical assistance to strengthen the CNDP's public debt projection and analysis capacity. The motivation for the request was improving communication within the institutions involved in formulating and monitoring the country's debt policy. Following the MF's written request, an ICD team met virtually with the Director of External Debt, Mr. Niang Idrissa on September 15, 2023, to respond to the specific request to form an inter-agency team of officials for the preparation of public debt projections using the Public Debt Dynamics Tool (DDT) that would pave the way for the authorities to conduct their own debt sustainability analysis. It was agreed that a mission would travel to Nouakchott to assess the CNDP's needs and provide a face-to-face workshop on public debt projections and analysis.

5. Initial meetings with staff from the MF, the Ministry of Economy and Sustainable Development (MEDD), and the Central Bank of Mauritania (BCM) helped develop a questionnaire to assess and identify relevant staff and institutions for meetings during the assessment mission.

A first virtual coordination meeting with Mr. Niang Idrissa took place between October 4 and 6, 2023 to align the needs and objectives of the technical assistance (TA) project. During this meeting, it was decided that the core team, made up of members from various institutions, would undergo online training on the public debt projection tool DDTx (Projecting public debt – Public Debt Dynamics Tool), available in French on the EdX platform. On November 8, 2023, a virtual scoping meeting was organized between the IMF team and Mr. Niang Idrissa with the Managing Directors of the MF, MEDD and BCM. The aim was to gain a better understanding of current public debt projection practices in Mauritania, assess the working team's capacity, secure the support of all stakeholders and discuss a preliminary action plan for the coming months. A detailed questionnaire was shared in November 2023. This questionnaire was drawn up on the basis of lessons learned from the assessment meetings, contacts with the IMF's Middle East and Central Asia Department (MCD) and previous IMF technical assistance. A subsequent meeting was held in December 2023 to clarify the responses received from the questionnaire. The information gathered at these preliminary meetings and the responses to the questionnaire informed the action plan of the project.

6. The mission team also collaborated intensively with other IMF departments currently working on surveillance and technical assistance to Mauritania. The mission held meetings with the SPR economist for Mauritania, Mr. Benjamin Kett, to discuss the country's capacity-building needs, and with the AFRITAC West Macro-Fiscal Advisor in the IMF's Fiscal Affairs Department (FAD), Mr. Djoret Biaka, who is currently providing technical assistance on the medium-term budget framework and the medium-term macroeconomic framework. Mr. Oumar Dissou, Debt Management Advisor at AFRITAC West (Monetary and Capital Markets Department, MCM), who is assisting the authorities in the formulation of the medium-term debt strategy, joined the mission.

SECTION II. VIRTUAL PRELIMINARY TRAINING

7. A working group made up of officials from the MF, MEDD and BCM was set up to participate in this technical assistance project. In initial virtual meetings with the Director of External Debt, Mr. Niang Idrissa, twelve officials from three MF directorates, three MEDD officials, six BCM officials and two members of academia were invited to participate. The majority of participants selected for this technical assistance project attend the work of the CNDP Technical Committee.

8. During several virtual scoping discussions, the authorities highlighted how this TA could significantly improve the projection and analysis of public debt. The MF's External Debt Department does not currently produce public debt projections. The absence of a medium-term budget framework, a medium-term debt strategy and a comprehensive medium-term macroeconomic framework, combined with data availability and capacity constraints, prevent the use of the Debt Sustainability Framework for Low Income Countries (LIC DSF) to project public debt or carry out a debt sustainability assessment. Capacity limitations were also identified in other areas of public administration, resulting in communication barriers and hampering discussions in the context of IMF program. The authorities also stressed the need to develop sustainable capacity, given the high turnover of staff.

9. Given the current limitations of preparing a full debt sustainability analysis using the LIC DSF, it was agreed with the authorities to develop public debt projection and analysis capacities in the various institutions supporting the CNDP using the DDT tool. The simplicity of the DDT tool, and the consistency between the DDT and LIC DSF projections if given the same assumptions, could enable rapid development of the capacity of the various institutions supporting the CNDP. The DDT tool can also be modified to produce the projection of gross financing needs, which could contribute to authorities' capacity in making a more effective use of the Analytical Tool of the Medium-term Debt Management Strategy. In addition, because of its comprehensive documentation, including an online course on the DDT, the implementation of the DDT would facilitate the training of new staff, leading to sustainable capacity building.

10. Participants were invited to take part in the online training prior to the face-to-face mission. Participants were encouraged to register for the online DDT course hosted on EDx (DDTx) and to review all the risk and alternative scenarios incorporated in the DDT. This enabled asynchronous capacity building despite the busy schedule of Mauritanian officials prior to the face-to-face mission. The mission team and IMF staff at headquarters assisted with the registration process, and those who completed the online course satisfactorily received physical certificates.

11. In addition, weekly virtual meetings were organized to monitor the progress of staff enrolled in the DDTx course. The mission team held weekly meetings with participants throughout the asynchronous online training to assess their progress and answer their questions. Additional documents, including the DDT technical note and manual, the full derivation of the debt dynamics equation and the derivation of factors contributing to debt variations, were also made available to participants by the mission team prior to the face-to-face mission.

SECTION III. SCOPING MISSION FINDINGS AND CONCLUSIONS

A. Introduction

12. The design of the project and the action plan were based on the findings of the scoping mission and the pre-scoping virtual engagements. A 10-day scoping and training mission was completed on January 19, 2024. The information gathered from questionnaires and discussions and feedback with the authorities (see Appendix D for the scoping mission agenda) was used to draw up the draft action plan. This section summarizes the mission's main findings and additional contributions.

13. The needs assessment focused on the public debt projection and policy formulation process of the administrative structures that make up the CNDP, namely the MF, the MEDD and the BCM. To assess the needs and capacities of the institutions involved in the public debt projection and policy formulation process, the mission met with senior executives and technical staff of the Directorate General of Budget and the Directorate General of Treasury (both MF structures), the Directorate General of Financing and Economic Cooperation and the Directorate General of Development Strategy and Policies (both MEDD) and the Directorate General of Monetary Studies and Stabilization and the Directorate General of Financial Stability and Financing of the BCM. Two student researchers from the University of Nouakchott also took part in the work. To complete the assessment of the CNDP's public debt projection and analytical capacity, the mission also met with most of the members in charge of preparing the debt sustainability analysis and debt management strategy, including senior officials from the MF, MEDD and BCM.

B. The Role of the CNDP in Public Debt Projections

14. The CNDP, reactivated in 2022, is an inter-agency committee comprised of six directors general from the MF, MEDD, and BCM involved in debt management. The CNDP oversees a variety of responsibilities, including coordinating the formulation of debt management policy, advising the Minister of Finance on debt sustainability, and devising a debt management strategy to maintain sustainable debt levels in the medium and long term. It also handles debt restructuring and facilitates information sharing between all institutions. The Committee can address operational issues with implications for strategic concerns, for instance, by advising on the terms and conditions of new loans and formulating a renegotiation policy with detailed assumptions, such as debt rescheduling and conversions. Additionally, the CNDP is responsible for projecting medium-term macroeconomic and budgetary developments, with underlying assumptions, and for assessing the feasibility of these policies in the wider macroeconomic context.

15. The CNDP is supported by a Technical Committee (TC) headed by the Director of External Debt. The TC supporting the CNDP is responsible for preparing public debt projections and producing the debt sustainability analysis. Specifically, the TC oversees the preparation of the medium-term public debt management strategy (MTDS), the annual financing plan, the debt sustainability analysis report, and the

development of the public securities market. It also advises the CNDP on debt ceilings, the terms and conditions of new external financing proposals, guarantee requests, and debt restructuring or renegotiation. Additionally, it is responsible for disseminating information on public debt and preparing the CNDP's operating budget. If necessary, the TC may convene extraordinary sessions of the CNDP.

C. Responsibilities and Outcomes of the TA

16. The main beneficiary of the TA is the TC supporting the CNDP. Currently, the TC does not have the skills to project public debt in a consistent manner. Nor does it have the capacity to conduct a public debt sustainability analysis using the LIC DSF framework. Aware of this limitation, the authorities are looking to use the DDT tool to project debt dynamics, as an intermediate step towards a full debt sustainability assessment at a later stage. The aim of this technical assistance project is not only to strengthen their capacity to draw up public debt projections, but also to train a multidisciplinary team capable of carrying out in-depth analyses and contributing to the sustainability of this task.

17. The TA project builds capacity in all the main responsible institutions. By strengthening the capacity of the TC supporting the CNDP, the TA benefits the CNDP as well as the three agencies that make up the CNDP: the MF, the MEDD and the BCM.

The Ministry of Finance (MF)

18. The MF's External Debt Department is responsible for coordinating external debt projections, debt service payments, and the production of the MTDS and LIC DSF. It is also responsible for producing analyses of debt dynamics and debt evolution factors. To project interest expenses, the Debt Management and Analysis System (DMFAS) calculates future interest payments on existing debt; interest payments on new debt are not currently projected. It does not currently have the capacity to project public debt or produce debt sustainability analysis.

19. The MF's Budget Directorate coordinates the medium-term budgetary framework. It coordinates projections of public revenues, current and capital expenditure, and the extractive and non-extractive primary balance. To project tax revenues, unit elasticities are used, while to project current expenditure, a satellite model is used in which public wages are adjusted by around 5% by ministry, category, and number of employees. For capital expenditure, the public investment program is monitored to establish an annual project execution profile.

20. The MF's Treasury Department is responsible for managing the domestic component of the annual financing plan. The weight of domestic debt in total debt has only been around 5%. Domestic debt instruments currently consist of government securities. With the support of the Central Bank, the Treasury Department prepares the annual issuance schedule on the basis of domestic financing requirements. Issues are currently limited to 4-, 13- and 26-week Treasury bills. With the support of AFRITAC West's debt management advisor, the authorities aim to lengthen the yield curve by introducing 2-year Treasury bonds into the government securities issuance program in 2024.

The Ministry of Economy and Sustainable Development (MEDD)

21. The MEDD is responsible for producing the medium-term macroeconomic framework. Currently, MEDD does not have an operational tool for this analysis. The ministry has been working with

AFRITAC West's Macro-Budget Analysis Advisor since 2019 to develop a simplified IMF Financial Programming and Policies (FPP)-style model based on 4-sector accounting, but the model has not been operational (see paragraph 24). In December 2023, MEDD submitted a request to ICD for technical assistance in developing a more comprehensive and effective macroeconomic framework. This technical assistance will enable the Mauritanian authorities to prepare sound macroeconomic forecasts, which will be essential for public debt projections. The TA for the macroeconomic framework is scheduled to start towards the end of 2024.

Central Bank of Mauritania (BCM)

22. The BCM produces projections of the Balance of Payments (BoP) accounts, inflation, and exchange rate assumptions. Balance of payments statistics are compiled in accordance with the IMF's Fifth Balance of Payments and International Investment Position Manual.

D. Existing Human and Material Resources

Staff Numbers, Capacity, Availability, and Turnover

23. The MF currently has twelve economists of varying academic backgrounds and experience. At present, the MF does not have a specific tool for independently producing the medium-term budget framework and is collaborating with the macro-budget analysis advisor at AFRITAC West to develop it. It also receives technical assistance on the MTDS from the Debt Management Advisor at AFRITAC West. A medium-term fiscal framework in line with IMF guidelines is being drawn up with the help of the FAD Macro-Budgetary Advisor based at AFRITAC West.

24. MEDD employs around six people to carry out macroeconomic projections and prepare the medium-term macroeconomic framework. The technical staff have not received formal training in macroeconomics and financial programming. An initial assessment of the mission revealed that MEDD staff need to strengthen their expertise in financial programming and macroeconomic diagnosis. The macroeconomic model being developed with the AFRITAC West Advisor is not fully operational, as it lacks intersectoral links and the gas sector. Nor does the model include behavioral equations. Its development was interrupted in 2020 due to COVID-19, but resumed in November 2022, with the last meeting taking place in April 2023. The MEDD is currently working to make this model operational, with a review workshop scheduled for January 2024. This model will be replaced by a more comprehensive macroeconomic framework tailored to the Mauritanian context, to be built during the TA by ICD (see paragraph 21). When the new macroeconomic framework becomes operational, it will be integrated with the DDT tool to provide more reliable assumptions for the debt projection.

25. The Central Bank of Mauritania (BCM) employs six people specifically responsible for monitoring public debt.

26. Staff turnover is high, especially at MF and MEDD. The normal rotation period for department heads is around three years. The efforts of each institution to share and disseminate among staff the knowledge of the debt projection methodology using the DDT tool are therefore important. In this respect, the mission has shared with the authorities the standard DDT tool manual and will assist them in producing their own customized DDT manual that will contain functions unique to Mauritania. The manual

should also detail the process of assembling data for projection. The number of participants to be trained should be relatively large to avoid loss of knowledge as a result of staff turnover (paragraph 39).

Hardware and Software Resources

27. All staff have access to computers and Excel licenses. The core team has no VBA experience. Licenses for econometric software packages are limited and not required for this project.

E. Data, Data Management, and Other Inputs

28. Most of the data required for the DDT projection is available. For data on internal and external public debt, the Ministry of Finance uses DMFAS. DMFAS is used to track government debt, including central government debt, guaranteed loans and on-lending loans, as well as grants. It can also be used to track private non-guaranteed external debt. To ensure the relevance of DDT projections for medium-term fiscal policies, the assumptions for the extractive primary balance and non-extractive primary balance over the medium term will be borrowed from the Medium-Term Budgetary Programming Document. Assumptions for debt amortization and interest rates on external and domestic debt will be identical to those in the MTDS. However, the absence of a macroeconomic framework for GDP and inflation projections is a challenge for obtaining a reliable debt projection over the medium term, underlining the importance of the TA on the macroeconomic framework. A reliable debt projection also requires comprehensive data on other net debt-creating flows (e.g. contingent liabilities).

29. None of the institutions concerned has a centralized macroeconomic and budgetary database. There is an ongoing project to implement a centralized database to facilitate macroeconomic projections. At present, information is exchanged by e-mail, with Excel files attached.

F. Inter-Agency Cooperation

30. Most of the operational tasks relating to macroeconomic and debt projections are carried out within the committees, thus overcoming the difficulties associated with information sharing. Carrying out operational tasks that would normally be performed within administrative structures is a consequence of the fragmentation of responsibilities for the macro-fiscal and debt policy functions. Although this inter-agency cooperation is not guaranteed by legislation, there seems to be a good spirit of cooperation between the heads of the CNDP member structures. Each data contributor shares with the other members the information required to carry out the tasks assigned to the Committee.

SECTION IV. PROPOSED ACTION PLAN

A. Introduction

31. The mission reached agreement *ad referendum* on January 18, 2024 on a preliminary action plan to develop, operate and institutionalize the public debt projection tool (DDT) tailored to the needs of the Mauritanian authorities. The action plan includes developing institutional capacity in public debt analysis and projections by helping a core group of officials from the Ministry of Finance, the Ministry of Economy and Sustainable Development and the Central Bank of Mauritania to develop, customize and operate a public debt projection tool based on the ICD's Public Debt Dynamics Tool (DDT), and to define the outputs, timetable and institutional changes needed to establish a policy analysis system based on the tool for the CNDP. This action plan was developed using the results of the needs assessment mission and the resources of the MF, MEDD and BCM discussed in the previous section. This section details the plan's objectives and planned milestones, deadlines, and modalities for achieving the results agreed in the results framework. The proposed macroeconomic projection tool and necessary adaptations are discussed, and the TA recipient team is presented. Project risks are discussed, and mitigation measures proposed.

B. Main Objectives and Timetable for Implementation of the Action Plan

32. The main objectives of the project are to (i) train Mauritanian officials to carry out public debt projections and analysis by adapting, documenting, updating, modifying and exploiting the public debt dynamics tool based on ICD's DDT; (ii) enable the TC supporting the CNDP to produce a basic public debt projection; (iii) assess the effects of policy measures on debt dynamics and take account of macroeconomic risks; (iv) customize the DDT by adding features that reflect fiscal conditions and risks relevant to Mauritania (e.g. : debt-stabilizing non-extractive primary balance, natural disaster scenarios such as drought and flood); (v) improve the fiscal policy decision-making process by ensuring that it is based on the results of the analysis, and to this end produce a debt report that provides analyses of debt dynamics under baseline and risk scenarios, illustrates the extent of uncertainty over the projection period using a "fan chart", and prepare fiscal adjustment paths to achieve a certain debt-to-GDP target.

33. The TA project is scheduled for completion in one year (see Appendix A: Project timetable). Continued commitment for around a year will be required to achieve the project's objectives. Three missions have been agreed. The provisional schedule runs from January 2024 to December 2024 (see Appendix A: Project schedule). The action plan defines the main milestones expected at each stage of the project and includes milestones between missions. The action plan will be regularly reviewed and updated. The Logical Framework provides a clear roadmap for monitoring progress towards the objective of this technical assistance project (see Appendix B). It assesses the various outcomes essential to the development and effective use of a public debt projection and analysis tool by the Mauritanian officials. It also identifies critical milestones with target dates for assessing the pace of progress.

C. Core Team and Technical Assistance Methods

34. A core team from MF, MEDD and BCM will work on adapting the public debt projection tool (DDT), with technical assistance from ICD. To ensure an effective transfer of capacity, the core team (see Appendix C) will be responsible for adapting the DDT, with technical assistance from ICD and additional training if required. The authorities have committed to allocating full-time staff time to the core team during face-to-face and virtual missions and follow-up engagements, and have agreed to allocate time, recognize the efforts and commitment of core team members to work on DDT adaptation, documentation and operation between missions to complete the tasks included in the action plan. The autonomous work and training of the core team between assignments will be essential to ensure that the objectives of the technical assistance project are achieved on schedule.

35. The authorities have set up a working team of 24 officials: MF 11, MEDD 4, BCM 7 and university 2 staff, coordinated by Mr. Niang Idrissa. The team will include ad-hoc members for certain training sessions (see Appendix 3). The mission team will transfer its knowledge to the core team to develop, operate and institutionalize the tool. The core team will engage with wider stakeholders at key stages of the tool's development, including data contributors and other sector experts.

36. The core team has already put in place planned methods for regular communication and information sharing with the ICD mission team. These methods include a list of e-mail addresses and online platforms such as Zoom and Microsoft Teams. Follow-up meetings will be scheduled and coordinated to ensure progress between missions. The ICD team has also been using the Moodle platform to share presentation and workshop materials, projection data and other relevant information with the working team. The use of Moodle will be further explored to facilitate a hybrid TA. Finally, the responsibilities and tasks of each member will be discussed, assigned, and reviewed throughout the project to ensure commitment and ownership, while taking into account the expertise of each directorate. This inter-institutional coordination at the technical level will establish a clear flow of tasks ranging from data collection from different institutions to joint debt projection, debt dynamics analyses and the drafting of a policy document, facilitating the work of the TC supporting the CNDP long after the project's completion.

37. The ICD team will use a hybrid model of face-to-face and virtual missions throughout the project. A hybrid system of face-to-face and virtual missions will be used throughout the project. In addition, MF, MEDD and BCM have agreed on the need to dedicate time, effort, and commitment to work on the public debt projection tool between missions, including periodic remote checks by the mission team, in addition to working during the deliveries detailed in the schedule. Inter-mission work and training will be essential to achieve the technical assistance objectives jointly agreed during the scoping mission.

D. Proposed Tool for the Technical Assistance

38. Recommended tool. The proposed solution - the DDT tool, adapted to the Mauritanian economy - appears at this stage to be the most appropriate tool to meet the needs of the institutions involved in this TA. Given the country's current inability to consistently produce its own debt projections, the lack of data and capacity to implement the Debt Sustainability Framework for Low-Income Countries (LIC DSF), and the absence of a comprehensive 4-sector framework for macroeconomic projections with cross-sectoral consistency, the DDT is a good stepping stone for strengthening Mauritania's capacity to produce its own

debt sustainability analysis and medium-term 4-sector macroeconomic framework, given that under the same assumptions, the DDT is able to reproduce the public debt trajectory produced by the LIC-DSF. In addition, the DDT includes the tables needed to provide the authorities with information on the main factors contributing to debt changes, and as such will lay the foundations for better communication with the IMF within the framework of the program. To facilitate the use of the DDT in the dialogue with the IMF, the core team will produce a debt projection using as assumptions the macroeconomic projections from the World Economic Outlook and compare it against the projection based on their own assumptions. This exercise will highlight how the difference in assumptions leads to discrepancies between the debt projections.

E. Risks and Mitigation Measures

39. Risks Associated with the Project and Mitigation Strategies. This project is subject to certain risks, which can nevertheless be mitigated:

- *A potential mismatch between expectations and project objectives.* The scope of this technical assistance project is limited to public debt projections and scenario/risk analysis. Given the absence of a four-sector macroeconomic framework in Mauritania, the authorities have expressed concern about the quality of the public debt projections derived from the DDT, given a potential lack of cross-sectoral consistency in the underlying assumptions and data used. *Mitigation strategy:* The TA team shares this concern with the authorities and is working closely with the country team and the SPR economist in charge of the Area Department's macroeconomic framework, as well as with other IMF CD departments, to assess how TA on macroeconomic frameworks can take advantage of the current momentum and move towards the development and implementation of a consistent 4-sector macroeconomic framework in Mauritania.
- *Lack of staff and staff turnover.* Departments and agencies are understaffed, and staff turnover appears to be high. *Mitigation strategy:* The project timetable has been designed to take into account periods of staff activity and vacation periods. The risk of turnover will be mitigated by helping the core team to develop a DDT user manual (paragraph 26), and by expanding the core team to a larger group of staff, to ensure the sustainability of the project. The development of macroeconomic and fiscal analysis and forecasting practices capable of providing the know-how to understand, use and modify existing tools should be a priority.

APPENDICES

Appendix A: Preliminary Action Plan

Work	Delivery date	The goals
<p>The assessment and training mission</p>	<p>January 9-18, 2024</p>	<ul style="list-style-type: none"> • Review the current framework and procedures for projecting public debt. • Diagnose the technical capacities of the relevant staff at the Ministry of Finance, the Ministry of Economy, and the Central Bank of Mauritania, assess training needs, take stock of their available software and hardware, evaluate their databases and data management processes, and map the main information channels available to them to perform their duties. • Provide hands-on training on the public debt dynamics tool (DDT) to produce basic public debt projections. • Provide hands-on training on the public debt dynamics tool with gross financing needs (DDT GFN) and the natural disaster tool for DDT (ND DDT) to broaden the scope of public debt analysis to encompass debt burden indicators and climate-related risk scenarios, disasters, crucial concerns that Mauritania must address under its ECF/EFF agreement in order to produce baseline public debt projections. • Based on the above conclusions, agree ad referendum on an action plan and results framework (drafts included in Appendix I). The action plan will contain a time description of the activities required by the CNDP to develop the DDT with the assistance

		<p>of ICD, as well as the authorities' commitment to the resources allocated to the project.</p> <ul style="list-style-type: none"> • The results framework will define the objectives, expected outcomes, outcome indicators, and main stages for assessing project performance. <ul style="list-style-type: none"> • The mission will leave the authorities with an aide-mémoire (AM) containing the main conclusions and recommendations of the scoping exercise, including the agreed action plan and results framework.
Work in between missions with virtual engagements.	April to June 2024	<ul style="list-style-type: none"> ○ Cell value
The first mission	August 2024	<ul style="list-style-type: none"> • Integrate customizations and produce a report on public debt.
Work in between missions with virtual engagements	September 2024	<ul style="list-style-type: none"> • The core team will develop documentation on the proposed tool. •
The second mission	October 2024	<ul style="list-style-type: none"> • The core team will explore policy options that can be tested and integrated into policy scenarios.

Appendix B: The Results Framework

Objective:			
Develop capacity in macroeconomic forecasting and policy analysis to support policy decision making and communications - MFR			
Outcome: Analytical models and forecasting tools are developed and operational			
Annual Assessment Rating:			
Outcome Rating Date: 5/30/2023			
Outcome Indicator	Baseline Value	Target Value	Current Assessment Value
Macroeconomic Projection Tool (MPT) is developed in the form of a fiscal/debt sustainability tool, e.g. public Debt Dynamic Tool (DDT)	No	Yes	
Milestone Name	Target Completion Date	Milestone Actual Completion Date	Milestone Rating
N/A			
Outcome: Improved analytical skills, and better macroeconomic forecasting and policy analysis capacity			
Annual Assessment Rating:			
Outcome Rating Date: 10/3/2023			
Outcome Indicator	Baseline Value	Target Value	Current Assessment Value
Relevant staff have successfully completed agreed training delivered via various modalities (online, classroom courses, workshops)	0	100	
Analytical framework centered around the MPT is used to produce medium-term forecasts, scenarios as well as risk and policy analysis	To be assessed during Pre-Scoping Meetings	Core team is able to produce Debt/GDP projections by means of the DDT.	
Milestone Name	Target Completion Date	Milestone Actual Completion Date	Milestone Rating

Core team finished asynchronous training of the DDT (through EdX) with virtual follow-ups.	11/30/2023		
Core team is able to produce baseline medium term projections of the Debt/GDP path using the DDT.	1/31/2024		

Appendix C: The Core Team

Institution	Name
MEDD	Didi Sid'ahmed
MEDD	Mohamed Khilil
MEF: External debt	Sarre Adama Souleymane
MEF: External debt	Mohamed Yahya Cheikh Mohamed El Mokhtar
MEF: External debt	Mohamed Abad Yah
MEF: External debt	Youssef Cheikh Sidiya
MEF: External debt	Houssein Mejdoub
MEF: External debt	Niang Idrissa
MEF: Budget	Bacar Khayar
MEF: Budget	Abidine Sid'ahmed Khouah
MEF: Budget	Moulaye Ahmed Lella
MEF: Budget	Taleb Dahmane
MEF: Treasury	Fatma Abdelkader
MEF: Treasury	Mariam Zeidane
BCM	Baham Ahmed Benane
BCM	Sarra Mohamed Cheikh Sidiya
BCM	Sidi Lemrabott
BCM	Mohamed El Yezid
BCM	El Hadj Cheikh-Abdallahi
BCM	El Hacem Teyeb
University of Nouakchott	Jemila Abdarrahmane
University of Nouakchott	Bakary Gandega

Appendix D: Agenda

TA Mission on Public Debt Projections and Analysis January 8-18, 2023 Preliminary Agenda	
Monday, January 8	
9:00 a.m. – 10:00 a.m.	<p>Opening remarks</p> <p>Mr. Niang Idrissa</p> <p>Ms. Marie Pierre Aquino Coste Economist, General Macro and Fiscal Division, ICD</p> <p>Mr. Naomitsu Yashiro Senior Economist, General Macro and Fiscal Division, ICD</p>

10:00 a.m. – 10:45 a.m.	Scoping meeting: Meeting with Mr. Fall Khayar, General Director of Budget (Ministry of Finance)
10:45 a.m. – 11:30 a.m.	Scoping meeting: Meeting with Mr. Yahya Sadvi, General Director of Treasury (Ministry of Finance)
11:30 a.m. – 12:15 a.m.	Scoping meeting: Meeting with Mr. Mohamed Salem Nany, General Director of Financing and Economic Cooperation (Ministry of Economy and Sustainable Development)
12:15 a.m. – 1:00 p.m.	Scoping meeting: Meeting with Mr. Mr. Cheikhna Beddad, General Director of Strategy and Development Policies (Ministry of Economy and Sustainable Development)
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 2:45 p.m.	Scoping meeting: Meeting with Mr. Bouna Kerkoub, General Director of Capital Markets
2:45 p.m - 3:30 p.m.	Scoping meeting: Meeting with Mme. Lemina Sidi Baba, General Director of Studies and Monetary Stabilization (Central Bank of Mauritania)
3:30 p.m. – 4:15 p.m.	Scoping meeting: Meeting with Mr. Mamadou Diawara, Director General of Financial Stability and Financing of the Economy (Central Bank of Mauritania)
4:15 p.m. – 5:00 p.m.	Scoping meeting: Meeting with Mr. Saadbouh Regad, Technical Advisor to the MF
Tuesday, January 9	
9:00 a.m. – 11:00 a.m.	Session 1: -Course objectives and structure -Dynamics of public debt and links with macroeconomic frameworks
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 1:00 p.m.	Workshop 1: - Obtaining/calculating the input data necessary for the DDT
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Wednesday, January 10	
9:00 a.m. – 11:00 a.m.	Session 2: - Projection of debt to GDP ratios
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 1:00 p.m.	Workshop 2: - The debt dynamic equation - Using the DDT to project public debt
1:00 p.m. – 2:00 p.m.	Lunch Break

2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Thursday, January 11	
9:00 a.m. – 11:00 a.m.	Session 3: - Budgetary adjustment trajectories
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 1:00 p.m.	Workshop 3: - Timing, magnitude, composition, and implementation of the budgetary adjustment - Primary/global balance stabilizing the debt - Reach a debt goal - Understand the results of the budgetary trajectory in the DDT
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Friday, January 12	
9:00 a.m. – 11:00 a.m.	Follow-up session (provisional, if necessary)
Monday, January 15	
9:00 a.m. – 11:00 a.m.	Session 4: - Realism and stress testing of the basic dynamics of public debt
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 1:00 p.m.	Workshop 4: - Different alternative scenarios and stress tests - Fan charts - Interpretation of the results of stress tests produced by DDT
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Tuesday, January 16	
09:00 a.m. – 11:00 a.m.	Session 5: - Debt sustainability indicators and debt distress risk
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 1:00 p.m.	Session 6: - Debt management
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Wednesday, January 17	
09:00 a.m. – 11:00 a.m.	Session 7: - Budget crises
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 12:00 p.m.	Session 8:

	- The tool for projecting the dynamics of public debt in the face of natural disasters (ND-DDT)
12:00 noon – 1:00 p.m.	Preparation of the public debt report
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Thursday, January 18	
9:00 a.m. – 11:00 a.m.	Session 9: - The tool for projecting the dynamics of public debt with gross financing needs (DDT-GFN)
11:00 a.m. – 11:15 a.m.	Coffee Break
11:15 a.m. – 12:00 p.m.	Preparation of the public debt report
12:00 noon – 1:00 p.m.	Final group presentation
1:00 p.m. – 2:00 p.m.	Lunch Break
2:00 p.m. – 3:00 p.m.	Tutorial (optional, if needed)
Friday, January 19	
09:00 a.m. – 10:30 a.m.	Closing meeting: - Agreement of the Action Plan <i>ad referendum</i> .