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ISLAMIC REPUBLIC OF MAURITANIA

JOINT WORLD BANK-IMF DEBT SUSTAINABILITY ANALYSIS

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ISLAMIC REPUBLIC OF MAURITANIA JOINT BANK-FUND DEBT SUSTAINABILITY ANALYSIS	
Risk of external debt distress	Moderate
Overall risk of debt distress	Moderate
Granularity in the risk rating	Some space to absorb shocks
Application of judgment	No

Mauritania's risk of external debt distress has been reduced from high to moderate, reflecting the reduced present value of debt-to-GDP following the renegotiation of a large loan from Saudi Arabia and an upward revision in the GDP statistics. Mauritania is assessed as having 'some space' to absorb shocks. All external debt indicators now remain below their thresholds during the whole projection period, as does the present value of public debt-to-GDP. The overall risk of debt distress is assessed to be moderate. The PV of public debt-to-GDP ratio remains below the benchmark under the baseline but breaches under the commodity price shock scenario. External and public debt therefore continue to be assessed as sustainable, supported by the significant fiscal buffer maintained by the government at end-October 2022. Mauritania is assessed as having a medium debt-carrying capacity, in line with the previous DSA. This assessment is subject to downside risks. Further delays in the start of gas exploitation from GTA as well as adverse price fluctuations in commodity markets could lower fiscal revenue, increase external financing needs, and worsen the medium-term debt profile. Security concerns in the Sahel region and a more protracted Russia's invasion of Ukraine present additional risks through their respective impacts on economic stability and food prices. Upside risks include the potential phases 2 and 3 of the GTA gas project, and better than expected terms of trade developments. The DSA highlights the need to adopt a prudent borrowing strategy that avoids non-concessional debt to keep debt service contained, relying instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity.[1]

PUBLIC DEBT COVERAGE

1. **The DSA covers central government and public agencies, government guaranteed debt of state-owned enterprises (SOE), and the central bank (BCM).** As in previous DSAs, public and publicly guaranteed (PPG) debt excludes non-guaranteed debt of the national mining company SNIM, classified as private external debt (SNIM has one publicly guaranteed loan with FADES which is included).[2] While PPG debt now excludes borrowing by the state-owned oil company SMH to finance Mauritania's participation in the Grand Tortue/Ahmeyim (GTA) offshore gas project, a change from the previous DSA,[3] the DSA includes this loan as a contingent liability.[4] Consistent with previous DSAs, external debt is defined on a residency basis.

Text Table 1. Mauritania: Coverage of Public Sector Debt

	Subsectors of the public sector	Sub-sectors covered
1	Central government	X
2	State and local government	
3	Other elements in the general government	
4	o/w: Social security fund	
5	o/w: Extra budgetary funds (EBFs)	
6	Guarantees (to other entities in the public and private sector, including to SOEs)	X
7	Central bank (borrowed on behalf of the government)	X
8	Non-guaranteed SOE debt	

2. **Following the resolution of the longstanding passive debt in arrears owed to Kuwait since the 1970s, the newly renegotiated debt has been incorporated in this DSA from 2021 onward.** The authorities announced in August 2021 a final agreement with Kuwait regarding the restructuring of this debt.[5] About 95 percent of the accumulated interest due was canceled, with the remaining 5 percent partially offset by shares in Mauritel (6 percent ownership) provided to Kuwait and otherwise yet to be

[1] Mauritania's Composite Indicator is estimated at 2.8 and is based on the October 2022 WEO update and 2021 WB CPIA; the debt carrying capacity remains medium.

[2] Although SNIM is majority-owned by the government with over three-quarters of total equity, the company operates on a commercial basis, poses limited fiscal risk, and can borrow without a government guarantee. It has managerial independence, including over sales and employment policies, does not receive subsidies from the government, and pays dividends. In addition, the company's annual reports, audited accounts, and financial statements are published following international standards. Nevertheless, SNIM debt represents a contingent liability for the government as a majority shareholder and hence the associated risk is captured through stress tests.

[3] The previous DSA was published in September 2020 as an annex to the fifth review of the IMF Extended Credit Facility arrangement.

[4] This debt is not guaranteed by the government and features a limited recourse clause which restricts SMH liability to the revenues and shares of the project itself, even in the case that the investment is not completed, or the revenues are otherwise zero. The contingent liability treatment reflects the possibility that the government may wish to inject financing to support the project in the case of lower than expected revenues, but this would not be a legal responsibility.

[5] The passive pre-HIPC debt, estimated by the Mauritanian authorities at 12.4 percent of GDP at end-2020, was owed to the Kuwait Investment Authority (KIA) since the 1970s. The creditor party had not actively sought debt service payments. Negotiations were ongoing between the authorities and Kuwait to achieve debt relief on at least comparable terms to, or better than, the 2002 HIPC Initiative operation. Previous DSAs assumed full debt relief in the first projection year.

defined 'investment opportunities' in Mauritania. The original principal—US$82.7 million—will be repaid over 20 years including a 2-year grace period, with a 0.5 percent interest rate. This debt is now added to PPG debt from 2021 onward, while the past stock is set at zero given the absence of any impact from the passive debt on macroeconomic and debt developments at the time. Mauritania has two remaining cases relating to longstanding arrears (neither of them included in the DSA). The first was disbursed by OAPEC over 1974-1976 totaling a stock of US$7.2 million but is now managed by FADES. The Mauritanian authorities sent a request in 2017 to FADES for a cancellation consistent with HIPC but are yet to receive a response. The second, lent by Brazil in 1973 for the construction of a road, has been the subject of renegotiations since 1985. The Mauritanian authorities confirm that the full debt cancellation has been agreed by the Brazilian authorities under the Paris Club framework and are currently awaiting a formal letter of confirmation.

3. **Non-guaranteed SOE debt as well as risks from Public-Private Partnerships (PPPs) are captured as contingent liabilities.** Available data suggests that the general stock of non-guaranteed SOE debt is sizable but adequately captured by the default contingent liability stress test (2 percent of GDP, excluding SNIM). Added to this value is 2.9 percent of GDP (US$295.7 million) for the GTA project loan to SMH (projected disbursed value to end-2022), and SNIM's debt (0.4 percent of GDP), giving a SOE debt shock totaling 5.3 percent of GDP. As SNIM and SMH are the only SOEs that have been able to borrow without government guarantee, most non-guaranteed SOE debt consists of supplier credits and arrears, debt to other public entities, and tax arrears. More granular information would be needed to fully identify the terms of the SOE debt so that it can be included in public debt and covered in the DSA. The World Bank is assisting the government in identifying and quantifying fiscal risks from SOEs' non-guaranteed debt. In July 2022, the government published its first Fiscal Risk Assessment Report (FY23 PPA[6]) and is committed to publishing a debt bulletin with detailed information on the stock and terms of SOE debt (FY23 PPA). The contingent liability associated with PPPs corresponds to 3.7 percent of GDP, which represents 35 percent of the PPP stock.[7] Risks from financial markets are set at the minimum value of 5 percent of GDP, the average cost of a financial crisis in LICs.

Text Table 2. Mauritania: Magnitude of the Contingent Liability Stress Test

		Default	Used for the analysis	Reasons for deviations from the default settings
1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
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	5.3	Default value (2 percent of GDP) plus SNIM debt (about 0.4 percent of GDP) and GTA debt (2.9 percent of GDP).
4	PPP	35 percent of PPP stock	3.7	Mauritania's PPPs are valued at about 10.7 percent of GDP.
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		14.0	

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%.

4. **The authorities reported no outstanding non-guaranteed external debt for other parts of the general government (state and local governments).** Although general government entities and public enterprises could issue local bonds and borrow from abroad, they do not have the capacity to borrow externally without a government guarantee (SNIM and SMH being the exceptions). No reporting system is in place for these debts, and hence the Ministry of Finance and BCM debt databases only cover central

[6] Performance and Policy Action (PPA) under the IDA Sustainable Development Finance Policy (SDFP)

[7] From World Bank PPP database: https://ppi.worldbank.org/en/snapshots/country/mauritania.

government, SNIM and BCM debt. As an illustration, the SMH loan is not recorded in the debt database of the Ministry of Finance nor in that of the BCM. Nevertheless, the authorities are confident that any incurrence of external debt outside the central government would come to the BCM's attention, as it would involve a capital account transaction which requires BCM approval and documentary justification.

5. Staff continues to encourage the authorities to build technical capacity, improve data coverage and further develop future investment planning to minimize risks. This includes expanding the coverage of public debt, by adopting formal processes for reporting domestic and external debts of state and local governments, other general government, and all SOEs. The authorities are also encouraged to improve the capacity to monitor fiscal risks, expand the recording and monitoring coverage progressively (beginning with the larger public enterprises other than SNIM) and include short-term debts of SOEs. In particular, the debt of SMH to finance its capital participation in the GTA gas project, as well as future borrowing, should be recorded and monitored in the authorities' debt database. Improving the realism and detail of the public investment plan, and lengthening its time horizon, would support the authorities in assessing the optimal financing mix to achieve their investment goals and reduce associated risks.

DEBT BACKGROUND

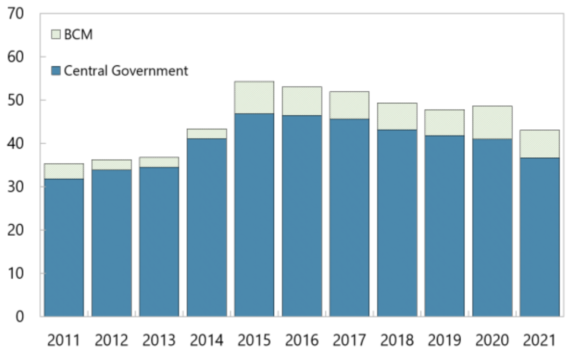
6. PPG external debt in percent of GDP declined in 2021. The PPG external debt-to-GDP recorded a steady decline from 2015 to 2019, after a sharp increase in 2015 as Saudi Arabia loaned US$300 million to the BCM to help Mauritania cope with the risks related to the 2014-15 terms-of-trade shock. In 2020, however, the ratio increased, reflecting financing to help Mauritania mitigate the impact of the Covid-19 pandemic. IMF financing rose from 2.0 to 3.9 percent of GDP between 2019 and 2020 on the back of the RCF emergency financing and two disbursements under the ECF arrangement. In 2021, PPG external debt declined from 48.6 to 40.4 percent of GDP, driven by high nominal GDP growth (15.3 percent) in 2021 and lower-than-expected external disbursements related to the public investment program (PIP).[8] Likewise, non-PPG external debt declined, from 6.4 to 2.2 percent of GDP between 2020 and 2021, as SNIM repaid in advance the debt that had been contracted to finance one of its major projects. Therefore, total external debt, which includes SNIM's non-guaranteed and commercial bank debts, declined from 55.0 percent of GDP in 2020 to 42.6 percent of GDP in 2021.

7. Public domestic debt remains low. Domestic debt, which had significantly increased in 2018 when the government formally recognized a debt of about 6.0 percent of GDP toward the BCM, decreased from 2020 to 2021 from 7.3 to 6.1 percent of GDP (again largely due to the increase in nominal GDP). The domestic financing market remains shallow, with no issuance of medium- to long-term domestic bonds.

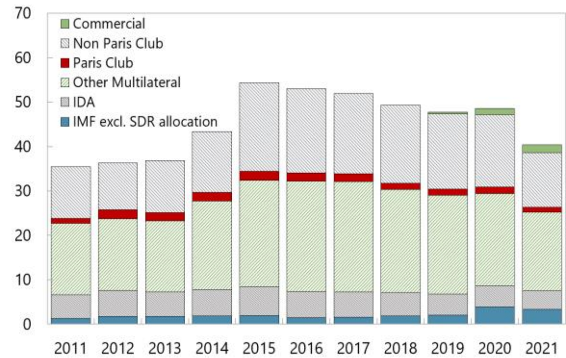
[8] The PIP is mostly financed by grants, concessional and semi-concessional external loans. In 2021, external loans associated with the PIP amounted to US$137.9 million, which represented a project completion rate of 46.5 percent.

Text Figure 1. Mauritania: PPG External Debt, 2011-21

PPG External Debt by Debtor
(In percent of GDP)



PPG External Debt by Creditor
(Percent of GDP)



Sources: Mauritanian authorities and IMF staff estimates

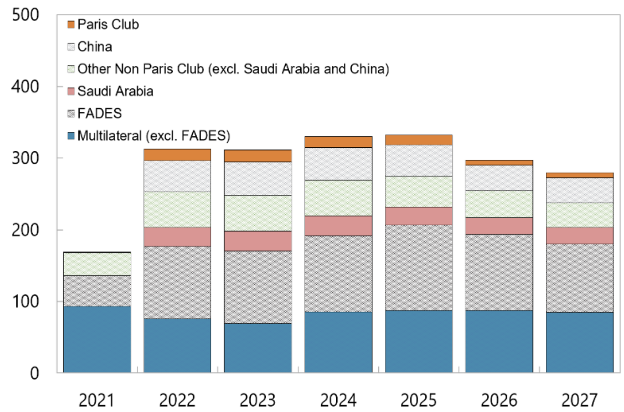
8. Official non-Paris Club bilateral and multilateral creditors other than IMF and IDA represented about 74 percent of PPG external debt at end-2021. The primary sources of new government borrowing were non-Paris Club bilateral creditors and multilateral Arab funds which accounted, as in previous years, for the largest share of PPG external debt in 2021. As of end-2021, the top two creditors were the Arab Fund for Economic and Social Development (FADES) and Saudi Arabia, representing 29.9 and 16.3 percent of Mauritania's PPG external debt respectively.

9. In 2022 a US$300 million loan from the Saudi Arabian government (Saudi Development Fund, SDF) was successfully renegotiated from non-concessional to concessional terms (see ¶6). This renegotiation significantly reduced the present value of the loan and associated debt service, as the repayment period was increased to 20 years and the interest rate reduced to 1%. This renegotiation also passed liability for the loan from the Central Bank to Central Government.

10. Mauritania benefited from debt service suspension from the G20's Debt Service Suspension Initiative (DSSI) and from the Arab Fund for Economic and Social Development (FADES). The debt service suspension allowed the country to benefit from about US$96 million in exceptional financing between May and December 2020 (US$54 million from the DSSI and US$41 million from FADES). Mauritania also benefited from a second DSSI extension until end-2021 after the successful initial extension expired in June 2021. Meanwhile, the 1-year agreement with FADES expired in June 2021. Staff's estimates indicate that Mauritania received exceptional financing of about US$120 million in 2021 from debt service suspension, of which US$78 million came from the DSSI and US$42 million from FADES.

11. Debt service is projected to rise significantly in 2022 and over the medium term. Based on the debt stock as of end-2021, debt service is expected to nearly double from 1.7 to 3.1 percent of GDP between 2021 and 2022, staying at approximately this level until 2024. This reflects the resumption from 2022 onwards of debt service suspended under the DSSI, and increases in debt service to IDA and FADES. However, despite this projected nominal increase, debt service ratios are not expected to soar vis-à-vis values observed before the COVID-19 pandemic. For example, debt service payments amounted to 3.5 percent of GDP in 2019.

Text Figure 2. Mauritania: External Debt Service, 2021-27
(In Millions USD, based on end-2021 debt outstanding)



Source: Mauritanian authorities and IMF staff estimates

Text Table 3. Mauritania: External Debt, 2017-21

	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
	(In millions of USD)					(In percent of GDP)				
External debt	4,313	4,249	4,373	4,687	4,241	62.6	58.0	55.2	55.0	42.6
Public and publicly guaranteed (PPG) external debt	**3,573**	**3,616**	**3,782**	**4,139**	**4,018**	**51.9**	**49.4**	**47.7**	**48.6**	**40.4**
Bilateral creditors	1,363	1,395	1,458	1,515	1,330	19.8	19.0	18.4	17.8	13.4
Paris Club	120	105	113	122	113	1.7	1.4	1.4	1.4	1.1
Of which: France	85	76	89	96	89	1.2	1.0	1.1	1.1	0.9
Spain	31	26	22	23	21	0.4	0.4	0.3	0.3	0.2
Non Paris Club	1,243	1,290	1,345	1,393	1,217	18.1	17.6	17.0	16.3	12.2
Of which: China	347	325	322	337	343	5.0	4.4	4.1	4.0	3.4
Kuwait 1/	176	176	187	191	-	2.6	2.4	2.4	2.2	-
Saudi Arabia 2/	549	590	611	644	656	8.0	8.0	7.7	7.6	6.6
Multilateral creditors	2,210	2,222	2,297	2,509	2,511	32.1	30.3	29.0	29.4	25.2
Of which: Islamic Development Bank (IDB)	395	376	368	359	339	5.7	5.1	4.6	4.2	3.4
International Development Association (IDA)	389	383	377	402	415	5.6	5.2	4.8	4.7	4.2
International Monetary Fund (IMF, excl. SDRs)	111	137	160	336	335	1.6	1.9	2.0	3.9	3.4
Arab Monetary Fund (AMF)	149	101	62	35	10	2.2	1.4	0.8	0.4	0.1
Arab Fund for Economic and Social Development (FADES)	951	1,011	1,125	1,163	1,203	13.8	13.8	14.2	13.6	12.1
Commercial creditors	-	-	27	116	178	-	-	0.3	1.4	1.8
Non-PPG external debt (by debtor)	**740**	**633**	**591**	**548**	**223**	**10.8**	**8.6**	**7.5**	**6.4**	**2.2**
SNIM	415	347	300	238	38	6.0	4.7	3.8	2.8	0.4
Commercial banks	325	286	292	310	185	4.7	3.9	3.7	3.6	1.9
Memorandum items:										
Domestic debt	198	628	628	619	605	2.9	8.6	7.9	7.3	6.1
Nominal GDP (US dollars, end of period)	6,886	7,327	7,922	8,525	9,953	100	100	100	100	100

Source: Mauritanian authorities.

1/ Excluding the passive debt owed to the Kuwait Investment Authority (KIA) until 2020.

2/ Including loan to the central bank.

DEBT PROJECTIONS

12. Financing assumptions build on latest available information. The DSA reflects the future financing of the public investment plan (PIP), based on the authorities' projections and taking into account potential challenges in execution. The prospective PIP-related external loans, estimated at around US$235.8 million in 2022, keep the same weight distribution between multilateral and bilateral creditors as of end-2021. Moreover, the baseline includes IMF's prospective disbursements under the program (about SDR 64.4 million, 50 percent of quota) as well as the World Bank's projected disbursements (US$101.9 million on average over 2022-29, and US$81.0 million thereafter), with financing terms reflective of Mauritania's transition to an IDA gap country in July 2021 and including all lending instruments.[9] Domestic financing is projected to shift from short-term to long-term borrowing, reflecting the Government's goal to develop a perennial local bond market and associated yield curve. The DSA assumes that domestic financing will arise mostly from one- to seven-year bonds with a smaller portion in longer maturities. The existing Central Bank loan to the government of MRU 18 billion is assumed to remain constant with no new debt undertaken and no principle payments made.

13. External debt disbursements are expected to average 3.7% percent of GDP over the medium-term. Disbursements are projected to reach 4.7% percent of GDP in 2023 before declining to a stable 3.2% from 2027 onwards, reflecting the end of IMF financing and the publicly guaranteed SNIM loan—no investment decision has yet been made regarding GTA Phases 2 and 3 (and hence these Phases are not included in projections). Over the long term, structural reforms would lower the need for external loans through a crowding in of private investment and FDI.

MACROECONOMIC ASSUMPTIONS

14. Economic activity is recovering amid rising inflation. Growth reached 2.4 percent in 2021 (from a 0.9 percent contraction in 2020), mainly driven by the non-extractive sector (6.3 percent) with activity in services rebounding following the 2020 recession.[10] The drought had a severe impact on agriculture in 2021 and the first half of 2022. This, combined with rising international commodity prices amid the escalation of the Russia's invasion of Ukraine, led to an increase in food insecurity. Inflation accelerated to 12.7 percent y-o-y in October, reflecting surging food and oil prices and a monetary expansion in 2021.

15. International commodity price movements have worsened the external position. The current account (CA) deficit widened to 5.3 percent of GDP in the first half of 2022 relative to 3.2 percent of GDP in the same period of 2021 (latest available data). According to staff estimates, increases in imported food and energy prices and decreasing iron ore prices led to a further widening of the trade deficit Q3 2022. By

[9] As an IDA status country, Mauritania will receive 100 percent of its IDA financing in blend terms. However, in IDA20 (FY23-FY25), 24 percent of this amount will be provided through Shorter Maturity Loans.

[10] The authorities revised up growth for 2017-20, with real GDP contracting by 0.9 percent in 2020 after the revision (against 1.8 percent before the revision).

end-October, international reserves declined from 7.3 months at end-2021 to 5.5 months of prospective non-extractive imports (US$1.6 billion), still above the adequacy threshold of 5.2 months.

16. **Fiscal policy became expansionary in response to rising international energy prices and food import prices.** A revised budget law was adopted in July 2022 with a projected overall fiscal deficit of 4.4 percent of GDP and a non-extractive primary deficit of 8.7 percent of GDP in 2022, reflecting increased expenditure through transfers and subsidies as well as a scaling up of public investment and security. In July, the authorities also substantially reduced fuel subsidies with a 30 percent fuel price increase. As of end September 2022, the primary fiscal deficit (excluding grants) reached 2.2 percent of GDP.

17. **Credit growth accelerated in 2022 following the monetary expansion implemented in 2021.** Credit growth reached 19.7 percent in October 2022 from 8.4 percent in end-2021. Broad money growth decreased to 4.7 percent in October 2022 (20.4 percent in December 2021) due to the decrease of currency in circulation after the start of mobile banking transactions as well as the reduction in international reserves. Bank reserves also contracted in the first half of 2022, as BCM increased its FX sales, but the trend started to reverse in July.

Text Table 4. Mauritania: Macroeconomic Assumptions 2021-41

	2021	2022	2023	2024	2025	2026	2027	2028-32	2033-41
Real GDP growth									
Current DSA	2.4	5.3	4.3	5.7	6.6	3.9	5.1	2.7	3.7
Previous DSA	2.0	4.2	6.1	5.2	4.3	5.0	5.2	4.7	4.8
Real GDP growth (Non-extractive)									
Current DSA	6.3	2.1	3.3	4.4	4.7	4.8	5.0	4.4	4.2
Previous DSA	-3.3	2.0	3.7	4.0	4.5	4.8	5.4	5.7	5.6
Nominal GDP (millions of US$)									
Current DSA	9,892	10,314	10,507	11,021	11,541	11,953	12,456	13,268	18,329
Previous DSA	7,554	7,915	8,477	9,021	9,436	9,883	10,425	11,526	17,208
Inflation (EoP)									
Current DSA	5.7	11.0	9.0	6.0	5.0	4.0	4.0	4.0	4.0
Previous DSA	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Exports, goods & services (percent of GDP)									
Current DSA	33.2	38.5	36.0	38.0	39.2	37.9	36.2	32.5	25.3
Previous DSA	32.3	32.8	35.1	34.9	34.6	34.2	33.4	31.5	25.4
Current account balance (percent of GDP)									
Current DSA	-7.9	-17.3	-11.4	-5.9	-6.1	-6.1	-5.7	-6.3	-4.9
Previous DSA	-18.5	-14.5	-6.6	-5.0	-4.3	-4.1	-3.3	-3.5	-3.5
Revenue and grants (percent of GDP)									
Current DSA	21.3	24.0	22.0	21.8	21.9	22.0	22.5	22.3	21.7
Previous DSA	18.4	18.8	18.9	19.0	18.9	19.1	19.2	19.5	20.8
Primary fiscal balance (percent of GDP)									
Current DSA	2.9	-0.5	-1.8	-1.0	-0.3	0.3	1.3	1.2	0.5
Previous DSA	0.4	1.0	1.0	1.0	1.1	0.9	0.9	0.9	1.5
Expenditure (percent of GDP)									
Current DSA	18.2	19.2	25.4	24.6	23.6	22.9	22.5	22.2	22.3
Previous DSA	19.3	16.1	16.2	16.7	16.4	16.0	16.2	16.9	19.1
Price of iron ore (US$/ton)									
Current DSA	158.2	121.0	101.5	95.7	90.0	90.0	85.0	85.0	85.0
Previous DSA	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
Price of gold (US$/ounce)									
Current DSA	1,800	1,820	1,816	1,875	1,930	1,960	1,989	1,989	1,989
Previous DSA	1,966	1,990	2,011	2,029	2,050	2,043	2,043	2,043	2,043

Sources: Mauritanian authorities and staff calculations

18. The outlook remains broadly positive despite the challenging global environment (see Text-Table 1).

- **In the short-term (2022)**:
  - Growth is expected to accelerate to 5.3 percent, up from 4.2 percent in the previous DSA, mainly driven by the recovery of the extractive sector (17.0 percent) and significant expansion in the agriculture and fishing sectors. Non-extractive growth should slow down to 2.1 percent, down from 3.7% in the previous DSA, as high inflation is expected to affect consumption and the construction sector, which heavily relies on imported inputs.
  - Inflation is projected to stabilize at around 11 percent (end-of-period 2022) following the recent monetary contraction, significantly higher than in the previous DSA (4 percent).
  - The CA deficit is expected to widen to 17.3 percent of GDP in 2022 (from 7.9 percent in 2021, and 14.5 in the previous DSA) under the effect of increasing imported food and energy prices and the decreasing iron ore price.
  - A drawdown from the treasury account (around 3 percent of NEGDP) should finance a 2.1 percent of NEGDP primary fiscal deficit (excluding grants), down from a surplus of 0.8 percent in the previous DSA.[11] Extractives taxes and dividends explain a boost in revenues in 2022, while expenditures increased relative to the previous DSA due to food and energy subsidies following international price increase, alongside an increase in public investment execution.
- **In the medium term (2023–27) and beyond**:
  - A projected drop in iron ore prices weakens overall growth in 2023, while non-extractive growth is expected to reach 5 percent in 2027, in line with the previous DSA, before dropping to an average 2.7 percent during 2028-2032 (reflecting a drop off in planned gold production) and bouncing back to an underlying steady state of 3.7 percent in the long-run supported by higher private investment. Regarding extractive growth, the start of the GTA project was pushed back to 2024 (from 2023 in the previous DSA), iron ore volumes are projected to expand more rapidly up to 2027, and update gold production projections have been integrated seeing a steep decline from 2028 onwards as the main mine comes to the end of its lifetime.
  - A normalization of global prices is projected to improve the current account deficit in 2023. Gas and gold exports will likely help improve the CA and international reserves could, with the support of IMF financing, reach 5.5 months of non-extractive imports over 2027, also in line with the previous DSA.
  - Revenues are projected to weaken in 2023 as global commodity prices normalize. In the medium term, revenue from the Grand Tortue/Ahmeyim (GTA) offshore gas project are expected to provide

[11] A record dividend of MRU 12.3 billion (3.4 percent of GDP) from the state-owned mining company SNIM offsets some of the increase in expenditure and reduces the financing needs.

additional fiscal space of 0.5 percent of GDP from 2024 onwards and help raise social and infrastructure spending while maintaining sustainable primary balances. Structural reforms are also expected to accelerate with support from a Fund arrangement. Expenditure is projected to remain higher than under the previous DSA due to a step increase in public investment execution, an increase in security costs related to the Malian border, and SOE weaknesses.

19. The LIC-DSF realism tools confirm the credibility of the baseline scenario but highlight risks (Figures 3 and 4). The projected debt-creating flows are slightly higher than the historical dynamics as the current account and FDI are now expected to contribute positively to debt accumulation, in line with the near-term deterioration of the terms of trade as well as the decline in FDI that will occur after the completion of GTA Phase 1. The unexplained change in debt is expected to be high relative to LIC counterparts, on the back of a combination of factors related to the 2018 GDP rebasing and the renegotiation of the passive debt owed to Kuwait (see paragraph 9).[12] These factors and the upward revision of the nominal GDP figures in 2017-20 explain the discrepancy in the 2016-21 debt-to-GDP ratios between the current and the previous DSA. The projected fiscal adjustment suggests a large fiscal easing relative to the primary surplus in 2021 which resulted from weak public spending capacity and significant COVID-related inflows. However, 2022 and 2023 are projected to see larger primary deficits as spending execution increased and high international prices drove significant subsidies. A reducing primary balance is projected from 2024 onwards in line with the fiscal measures that are expected to be implemented during the program period and fiscal adjustments realized among peer countries.[13] Baseline growth is in line with a fiscal impulse projection assuming a reasonable multiplier of 0.6 linked to favorable prospects regarding mining, which would boost investment and consumption. Finally, relative to the previous DSA, the baseline anticipates a similar contribution of public investment to growth over the next five years, but projects higher private investment partly due to the implementation of reforms and the rebasing of GDP.

COUNTRY CLASSIFICATION AND STRESS TESTS

20. Mauritania's debt carrying capacity continues to be assessed as medium. The new Composite Indicator (CI)—calculated using the October 2022 World Economic Outlook, the 2021 World Bank CPIA, and staff's baseline projections—is estimated at 2.8, which corresponds to a medium CI score and indicates a second consecutive signal of medium debt-carrying capacity. The country therefore continues to be assessed to have medium debt carrying capacity, which corresponds to the classification Mauritania had under in the last DSA.[14] This reflects better-than-expected BOP outcomes, the favorable

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[12] In the previous DSAs, the cancelation of the passive debt was assumed to be effective only in the first projection year. The rebasing increased nominal GDP by 35% in 2018.

[13] Fiscal measures include rationalizing untargeted subsidies, strengthening efforts to raise non-extractive revenues (improving revenue administration and reducing tax exemptions), and anchoring fiscal policy on a medium-term fiscal framework (including a fiscal anchor based on a debt ceiling).

[14] A downgrade caused by the adverse impact of the COVID-19 shock occurred in October 2020. The suddenness of the pandemic affected the data used for estimating Composite Indicators and precluded the estimation of the CI scores in April 2020. A decision was made later that year to set the April-2020 CI scores to the October-2020 values and to consider any upgrade/downgrade signal as definitive at that time. Mauritania was downgraded to weak debt carrying capacity following the CI signal to weak recorded after the October-2020 WEO update.

outlook regarding commodity markets, and good growth prospects. Text table 6 presents the resulting applicable thresholds used for the debt sustainability analysis.

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

Text Table 5. Mauritania: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.382	1.30	47%
Real growth rate (in percent)	2.719	4.665	0.13	5%
Import coverage of reserves (in percent)	4.052	33.370	1.35	49%
Import coverage of reserves^2 (in percent)	-3.990	11.136	-0.44	-16%
Remittances (in percent)	2.022	1.442	0.03	1%
World economic growth (in percent)	13.520	2.898	0.39	14%
CI Score			2.758	100%
CI rating			Medium	

Text Table 6. Mauritania: Applicable Debt Thresholds

APPLICABLE	
EXTERNAL debt burden thresholds	
PV of debt in % of	
Exports	180
GDP	40
Debt service in % of	
Exports	15
Revenue	18

APPLICABLE	
TOTAL public debt benchmark	
PV of total public debt in percent of GDP	55

22. **Default values were used for the standardized stress tests and for the commodity price tailored test** (see text Table 3). The other tailored test—the combined contingent liability stress test—uses the same value as in the previous DSA for all but one category, SOE debt. The DSA reverts to the default value for the non-guaranteed SOE debt shock (2 percent of GDP, with SNIM excluded), to which SNIM debt (0.4 percent of GDP at end-2021) is added since the company represents a contingent liability for the government as a majority shareholder, along with the GTA-related debt held by SMH (2.9 percent of GDP). This brings the overall SOE's debt shock to 5.3 percent of GDP, down from the 17 percent used in the last DSA. The reevaluation is supported by the fact that, except for SNIM and SMH, SOEs do not have the

capacity to borrow externally without government guarantee (see paragraph 10) and capacity regarding local indebtedness is limited. Moreover, the Ministry of Finance's debt plan, which is implemented through the public investment plan, includes debt that is contracted on behalf of SOEs. As in the previous DSA, the PPP shock remains consistent with the advent of the Nouakchott harbor public-private partnership.

DEBT SUSTAINABILITY ASSESSMENT

EXTERNAL DEBT SUSTAINABILITY

23. Mauritania is evaluated at moderate risk of external debt distress (an improvement from the high-risk evaluation in the previous DSA). Under the baseline scenario, none of the four debt burden indicators breach their indicative thresholds (Table 2 and Figure 1) but all four breach the thresholds under the most extreme shock scenarios. . This change is largely due to the renegotiation of the Saudi Arabian US$300 million loan from non-concessional to concessional terms, which reduced both the PV of debt-to-GDP and debt service-to-revenue indicators. External debt is assessed to be sustainable based on this assessment, and supported by a significant buffer held at the treasury projected at 8 percent of GDP at end-2022.

24. Under stress tests, all four debt indicators breach their thresholds. A one-time depreciation shock is the most extreme shock for debt service-to-revenue, while a shock on exports is the most extreme shock for the remainging three external debt indicators.[15] Only the shock scenario for the debt service-to-revenue ratio sees a drop back below the threshold before the end of the projection period.

25. With the moderate rating, Mauritania is assessed as having 'some space' to absorb shocks for all of the external indicators by the end of the projection period.. Figure 5 presents the additional qualification of the moderate category for each of the external debt indicators. The PV of debt-to-GDP remains in the 'some space' category throughtout the projection period, while both the PV of debt-to-exports and the debt service-to-exports ratios change from 'substantial space' to 'some space' over time. The debt service-to-revenue indicator spends the majority of the projection period in the some space category, while marginally crossing the threshold into substantial space in 2027 and 2028.

PUBLIC DEBT SUSTAINABILITY

26. Mauritania is evaluated at moderate risk of public debt distress (an improvement from high risk in the previous DSA). Under the baseline scenario, the PV of debt-to-GDP ratio remains under its indicative threshold, however, the most extreme shock—commodity price—leads to breaches from 2027 onwards on the back of the risks associated with fluctuations in commodity markets. A shock on commodity prices is the most extreme scenario for both the overall solvency indicators (PV of debt-to-GDP ratio and PV of debt-to-revenue-ratio) and the overall liquidity indicator (debt service-to-revenue ratio). The dynamics of the debt-service-to-revenue ratio continue to be driven by the servicing of the interest and principal suspended under the DSSI. As in the previous DSAs, public debt and debt service dynamics are

[15] The commodity price shock captures the impact of a sudden one standard deviation decline in the export prices of various fuel and non-fuel commodities, as relevant (informed by commodity price distributions).

driven by external debt, as public domestic debt is low. Public debt is also assessed to be sustainable on the basis of this assessment and the significant buffer held at the treasury.

RISK RATING AND VULNERABILITIES

27. Mauritania's debt is assessed to be sustainable with a moderate risk of external and overall public debt distress. Furthermore, a granular assessment of the moderate risk rating shows that Mauritania has some space to absorb shocks (Figure 5).

28. The rating is vulnerable to various downside risks. Key downside risks include a persistence of the Russia's invasion of Ukraine, which could further impact food prices, further delays regarding the beginning of GTA gas exploitation, subdued iron ore and gold productions, fluctuations in iron ore, gold and oil prices, and security risks in the Sahel region. Risks related to exports are particularly important, as Mauritania's exports are driven by mining activities. Moreover, climate-related disasters (especially droughts) will continue to pose major risks for agriculture and livestock.

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

- **The general SDR allocation has provided additional reserve assets.** Mauritania received a SDR123.4 million allocation in 2021, which has reduced the country's long-term need for reserve assets by providing additional reserve buffers to the central bank. The Mauritanian authorities on-lent the allocation to the treasury as domestic financing. The terms of this on-lending indicate that the government is responsible for the SDR-related interest payments, with MRU equivalents directly debited from the treasury account. As of October-2022, this financing contributes to the remaining unused buffer for the central government, providing additional space for the government response to the pandemic and increased prices due to the Russia's invasion of Ukraine.

- **The funds needed to cover for the repayment of the Saudi Arabian loan are still available.** While ownership of the US$300 million liability has been passed from the BCM to the central government in April 2022, these assets continue to be part of international reserves and are readily available to cover debt service threshold breaches.

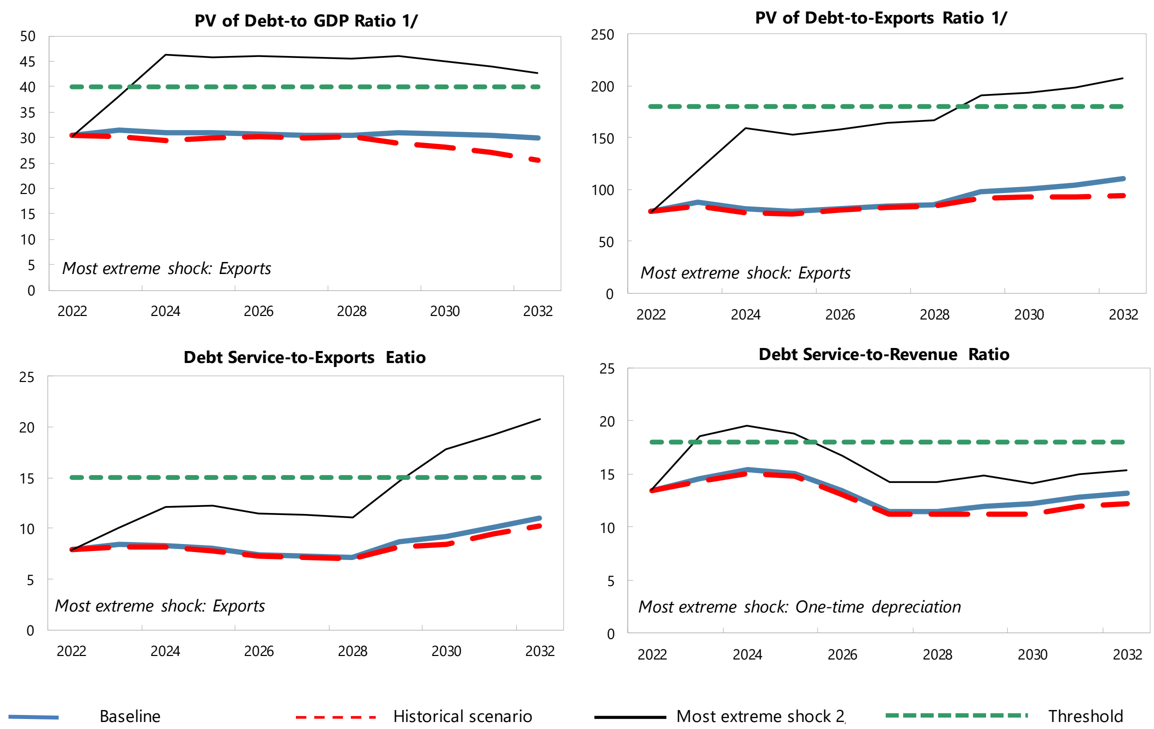
- **Future assets of the GTA-funded hydrocarbon fund could lower risks and improve debt sustainability.** The assets that may accumulate in the hydrocarbon fund from GTA-related revenues (which are assumed in this DSA to represent half of annual GTA government revenues) could be available to meet debt service payments or to retire external debt, which would help reduce long-term vulnerabilities (current baseline projections assume an accumulation of assets). These options would depend on appropriate management of these resources and future macro-fiscal rules adopted by the authorities on the use of GTA-related revenues and accumulated assets. Development of phases 2 and 3 of the project could also strengthen exports and government revenues.

30. The DSA highlights the need to follow sound economic policies within a robust debt management framework. This includes a prudent borrowing strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing taken up at a moderate pace consistent with absorptive capacity. To avoid exacerbating short-term liquidity risks, new borrowing resulting in significant short-term debt service should be avoided. The authorities should also continue their best efforts to secure grants for their multi-year response to the COVID-19 crisis and high international prices. Reducing risks of debt distress also hinges on sustaining structural reforms to promote inclusive growth and economic diversification through private sector development, improving public financial management to raise the efficiency and growth dividends of public spending, and strengthening debt management capacity. The authorities have reflected these objectives in their growth and development strategy and continue to make progress in implementing the policies needed to achieve them.

AUTHORITIES' VIEWS

31. The authorities welcomed the upgrade from high to moderate risk of debt distress and reaffirmed their commitment to prudent debt policies and stronger investment management. While they appreciated the debt service suspension made available to help manage the COVID-19 crisis, they also recognized the resulting impact on increased debt service payments from 2023-2025 which bring the external debt service-to-revenue ratio temporarily closer to the threshold (although still with a meaningful buffer). The authorities remained committed to prioritizing borrowing on concessional terms, although recognized that the sizable financing needed to recover from the pandemic and achieve their Sustainable Development Goals may not always be available on fully concessional terms.

Figure 1. Mauritania: Indicators of Public and Publicly Guaranteed External Debt Under Alternative Scenarios, 2022-32



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)	22	22
Avg. grace period	5	5

* 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.

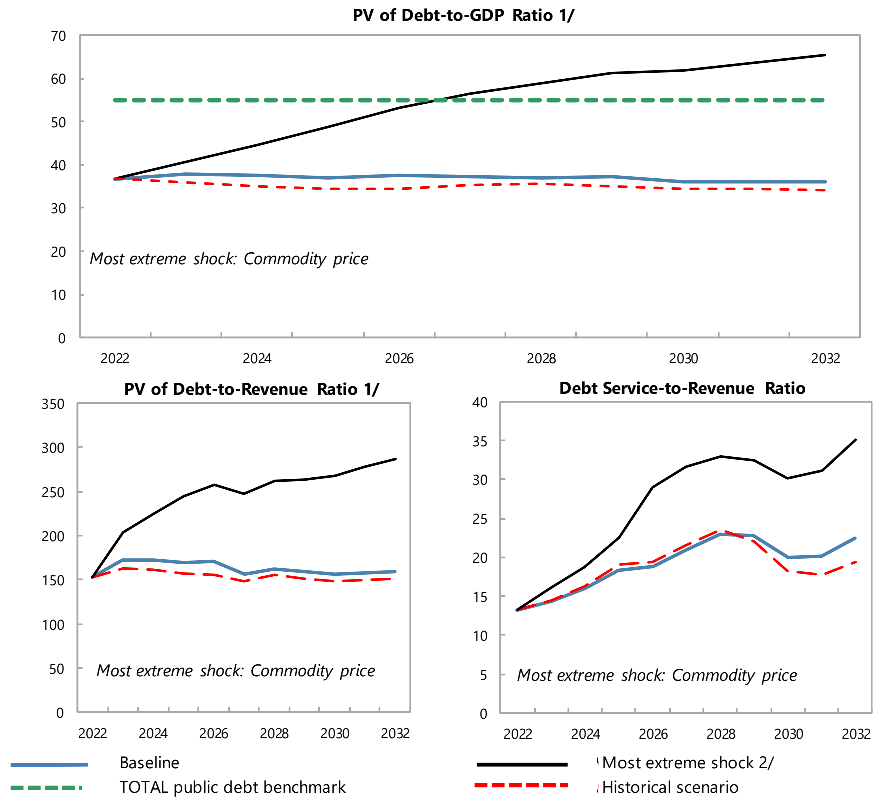
Sources: Country authorities; and staff estimates and projections.

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 2032. 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.

Figure 2. Mauritania: Indicators of Public Debt Under Alternative Scenarios, 2022–32



Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG medium and long-term	70%	70%
Domestic medium and long-term	4%	4%
Domestic short-term	26%	26%
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)	22	22
Avg. grace period	5	5
Domestic MLT debt		
Avg. real interest rate on new borrowing	3.5%	3.5%
Avg. maturity (incl. grace period)	3	3
Avg. grace period	2	2
Domestic short-term debt		
Avg. real interest rate	3.1%	3.1%

* 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.

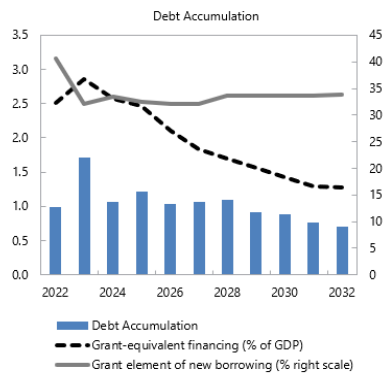
1/ Does not include passive debt to the Kuwait Investment Authority.

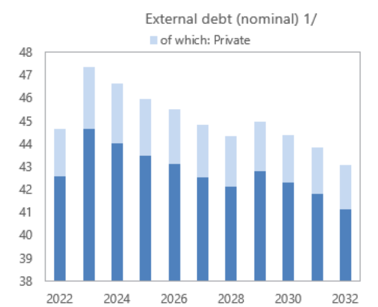
2/ The most extreme stress test is the test that yields the highest ratio in or before 2032. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 8/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
External debt (nominal) 1/	55.2	55.0	45.4	44.7	47.4	46.6	46.0	45.5	44.8	43.1	39.3	55.9	45.1
of which: public and publicly guaranteed (PPG)	47.7	48.6	43.1	42.6	44.7	44.0	43.5	43.1	42.6	41.1	38.0	46.4	42.8
Change in external debt	-2.7	-0.2	-9.6	-0.7	2.7	-0.7	-0.7	-0.4	-0.7	-0.8	0.4		
Identified net debt-creating flows	-4.9	-7.6	-9.9	5.0	1.5	0.5	-1.4	0.0	0.3	2.6	-3.3	0.4	1.5
Non-interest current account deficit	9.8	6.1	7.2	16.3	10.5	5.0	5.1	5.2	4.9	8.6	0.9	12.2	7.1
Deficit in balance of goods and services	13.0	9.4	10.6	20.9	12.9	7.4	6.8	7.4	7.1	9.0	2.4	14.9	9.4
Exports	32.6	33.2	33.2	38.5	36.0	38.0	39.2	37.9	36.2	26.8	24.0		
Imports	45.7	42.7	43.8	59.4	48.9	45.4	46.0	45.3	43.3	35.8	26.4		
Net current transfers (negative = inflow)	-3.9	-4.0	-4.2	-3.3	-2.3	-2.2	-2.2	-2.2	-2.2	-2.1	-1.9	-3.4	-2.3
of which: official	-2.7	-2.2	-2.8	-1.8	-0.8	-0.7	-0.7	-0.6	-0.6	-0.5	-0.3		
Other current account flows (negative = net inflow)	0.7	0.7	0.8	-1.3	-0.2	-0.2	0.5	0.0	0.0	1.7	0.3	0.7	0.0
Net FDI (negative = inflow)	-11.0	-10.8	-10.7	-9.9	-8.0	-2.8	-4.5	-4.4	-3.2	-5.5	-3.8	-10.7	-4.8
Endogenous debt dynamics 2/	-3.7	-2.9	-6.4	-1.4	-1.0	-1.7	-2.0	-0.8	-1.4	-0.4	-0.4		
Contribution from nominal interest rate	0.5	0.6	0.7	1.0	0.9	0.9	0.9	0.9	0.8	0.8	0.7		
Contribution from real GDP growth	-2.9	0.5	-1.2	-2.3	-1.9	-2.6	-2.9	-1.7	-2.2	-1.2	-1.1		
Contribution from price and exchange rate changes	-1.3	-4.0	-5.9	...	...	...	...	...	...	...	...		
Residual 3/	2.2	7.4	0.3	-5.7	1.2	-1.3	0.7	-0.5	-1.0	-3.4	3.7	-0.1	-1.7
of which: exceptional financing	-0.1	-1.1	8.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Sustainability indicators													
PV of PPG external debt-to-GDP ratio	...	...	30.7	30.4	31.5	31.0	30.8	30.7	30.5	29.8	27.7		
PV of PPG external debt-to-exports ratio	...	...	92.4	78.9	87.5	81.8	78.6	81.2	84.3	111.3	115.6		
PPG debt service-to-exports ratio	8.0	5.3	5.1	7.9	8.4	8.3	8.0	7.4	7.3	11.0	9.8		
PPG debt service-to-revenue ratio	14.6	9.5	8.8	13.4	14.6	15.4	15.1	13.4	11.4	13.1	10.7		
Gross external financing need (Billion of U.S. dollars)	0.5	0.3	0.2	1.2	0.8	0.8	0.6	0.6	0.7	1.1	0.1		
Key macroeconomic assumptions													
Real GDP growth (in percent)	5.4	-0.9	2.4	5.3	4.3	5.7	6.6	3.9	5.1	2.9	2.8	3.8	3.8
GDP deflator in US dollar terms (change in percent)	2.4	7.8	12.1	-1.0	-2.3	-0.7	-1.7	-0.3	-0.9	1.0	-0.2	0.4	-0.2
Effective interest rate (percent) 4/	1.0	1.1	1.5	2.2	2.1	2.0	2.1	2.0	1.9	1.9	1.8	2.0	2.0
Growth of exports of G&S (US dollar terms, in percent)	22.7	8.8	14.8	20.9	-4.8	10.6	8.1	0.0	-0.3	-3.6	1.8	2.4	2.0
Growth of imports of G&S (US dollar terms, in percent)	12.2	-0.2	18.0	41.3	-16.1	-2.6	6.2	1.9	-0.3	1.1	0.3	4.2	2.5
Grant element of new public sector borrowing (in percent)	...	...	...	40.7	32.1	33.4	32.4	32.1	32.2	33.8	34.0	...	33.8
Government revenues (excluding grants, in percent of GDP)	17.9	18.4	19.2	22.6	20.6	20.6	20.7	21.0	23.0	22.5	22.0	20.0	22.0
Aid flows (in Billion of US dollars) 5/	0.1	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.1	0.1		
Grant-equivalent financing (in percent of GDP) 6/	...	...	...	2.5	2.9	2.6	2.5	2.1	1.8	1.3	1.2	...	2.0
Grant-equivalent financing (in percent of external financing) 6/	...	...	...	62.2	47.2	48.9	46.7	47.4	45.7	37.8	36.2	...	45.5
Nominal GDP (Billion of US dollars)	8	9	10	10	11	11	12	12	12	15	22		
Nominal dollar GDP growth	7.9	6.8	14.9	4.3	1.9	4.9	4.7	3.6	4.2	4.0	2.6	4.1	3.7
Memorandum items:													
PV of external debt 7/	...	...	33.0	32.5	34.2	33.6	33.3	33.1	32.8	31.7	29.0		
In percent of exports	...	...	99.3	84.3	95.0	88.6	84.9	87.5	90.6	118.5	120.9		
Total external debt service-to-exports ratio	22.9	24.2	16.0	13.3	14.1	13.5	12.7	12.1	11.9	16.2	13.8		
PV of PPG external debt (in Billion of US dollars)			3.0	3.1	3.3	3.4	3.6	3.7	3.8	4.4	6.2		
(PVt-PVt-1)/GDPt-1 (in percent)				1.0	1.7	1.1	1.2	1.0	1.1	0.7	1.1		
Non-interest current account deficit that stabilizes debt ratio	12.4	6.3	16.8	17.0	7.8	5.7	5.8	5.7	5.6	9.4	0.5		

Definition of external/domestic debt	Residency-based
Is there a material difference between the two criteria?	No





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

3/ Includes exceptional financing (i.e., changes in arrears and debt relief) such as the projected resolution in 2020 of the debt owed to the Kuwait Investment Authority; changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.

4/ Current-year interest payments divided by previous period debt stock.

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

6/ Grant-equivalent financing includes grants provided directly to the government and through new borrowing (difference between the face value and the PV of new debt).

7/ Assumes that PV of private sector debt is equivalent to its face value.

8/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 2. Mauritania: Sensitivity Analysis for Key Indicators of Public and Publicly Guaranteed External Debt, 2022–32
(In percent)

	Projections 1/										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PV of Debt-to GDP Ratio											
Baseline	30	31	31	31	31	31	30	31	31	30	30
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	30	30	29	30	30	30	30	29	28	27	25
B. Bound Tests											
B1. Real GDP growth	30	33	35	34	34	34	34	34	34	34	33
B2. Primary balance	30	32	33	33	33	33	32	32	31	30	29
B3. Exports	30	38	**46**	**46**	**46**	**46**	**45**	**46**	**45**	**44**	**43**
B4. Other flows 3/	30	35	39	38	38	38	38	38	38	37	36
B5. Depreciation	30	**40**	36	36	36	35	35	36	36	35	35
B6. Combination of B1-B5	30	38	39	39	39	39	38	39	38	37	37
C. Tailored Tests											
C1. Combined contingent liabilities	30	38	40	40	**40**	39	39	39	38	38	37
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	30	37	**41**	**41**	**42**	**41**	**41**	**41**	40	39	37
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Threshold	40	40	40	40	40	40	40	40	40	40	40
PV of Debt-to-Exports Ratio											
Baseline	79	87	82	79	81	84	85	98	101	105	111
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	79	84	78	77	80	82	85	92	93	93	95
B. Bound Tests											
B1. Real GDP growth	79	87	82	79	81	84	85	98	101	105	111
B2. Primary balance	79	90	88	85	88	90	90	102	103	105	109
B3. Exports	79	119	159	153	158	164	167	**191**	**194**	**198**	**207**
B4. Other flows 3/	79	98	102	98	101	105	107	122	124	128	134
B5. Depreciation	79	87	74	72	74	77	78	89	92	96	103
B6. Combination of B1-B5	79	109	94	107	110	115	116	133	136	140	147
C. Tailored Tests											
C1. Combined contingent liabilities	79	106	104	101	106	109	109	124	126	130	137
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	79	128	129	120	121	122	120	136	137	139	144
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 Eatio											
Baseline	8	8	8	8	7	7	7	9	9	10	11
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	8	8	8	8	7	7	7	8	8	9	10
B. Bound Tests											
B1. Real GDP growth	8	8	8	8	7	7	7	9	9	10	11
B2. Primary balance	8	8	8	8	8	7	7	9	10	11	12
B3. Exports	8	10	12	12	12	11	11	15	**18**	**19**	**21**
B4. Other flows 3/	8	8	9	8	8	8	8	10	11	12	13
B5. Depreciation	8	8	8	8	7	7	7	8	8	9	10
B6. Combination of B1-B5	8	9	10	10	9	9	9	12	12	14	15
C. Tailored Tests											
C1. Combined contingent liabilities	8	8	9	8	8	8	8	9	10	11	12
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	11	10	10	9	9	8	11	13	14	15
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	13	15	15	15	13	11	11	12	12	13	13
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	13	14	15	15	13	11	11	11	11	12	12
B. Bound Tests											
B1. Real GDP growth	13	15	17	17	15	13	13	13	14	14	15
B2. Primary balance	13	15	15	15	14	12	12	12	13	14	14
B3. Exports	13	16	17	18	16	14	14	16	**18**	**19**	**19**
B4. Other flows 3/	13	15	16	16	14	12	12	14	15	16	16
B5. Depreciation	13	**19**	**20**	**19**	17	14	14	15	14	15	15
B6. Combination of B1-B5	13	16	17	17	15	13	13	15	15	16	16
C. Tailored Tests											
C1. Combined contingent liabilities	13	15	16	16	14	12	12	13	13	14	14
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	13	16	**18**	**19**	16	14	13	15	17	17	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

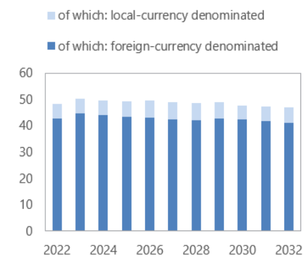
Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the threshold.
2/ Variables include real GDP growth, GDP deflator (in U.S. dollar terms), non-interest current account in percent of GDP, and non-debt creating flows.
3/ Includes official and private transfers and FDI.

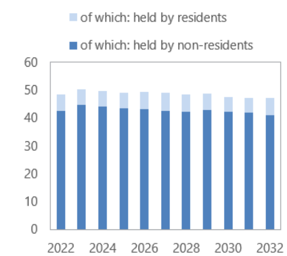
Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2019–42
(In percent of GDP, unless otherwise indicated)

	Actual			Projections								Average 7/	
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2032	2042	Historical	Projections
Public sector debt 1/	55.7	55.8	49.1	48.4	50.3	49.7	49.2	49.6	49.0	47.1	49.2	51.6	48.7
of which: external debt	47.7	48.6	43.1	42.6	44.7	44.0	43.5	43.1	42.6	41.1	38.0	46.4	42.8
Change in public sector debt	-2.2	0.2	-6.7	-0.8	1.9	-0.5	-0.5	0.4	-0.6	-0.2	0.9		
Identified debt-creating flows	-7.0	-7.2	-20.3	-3.9	-0.9	-2.0	-2.8	-2.2	-4.9	-2.8	-1.6	-4.0	-2.9
Primary deficit	-2.9	-3.1	-2.9	0.5	1.8	1.0	0.2	-0.3	-2.5	-1.4	-0.7	-1.3	-0.7
Revenue and grants	19.4	20.4	21.3	24.0	22.0	21.8	21.9	22.0	23.8	22.7	22.1	21.0	22.8
of which: grants	1.5	2.0	2.1	1.5	1.4	1.2	1.1	1.0	0.8	0.2	0.1		
Primary (noninterest) expenditure	16.6	17.3	18.4	24.6	23.8	22.8	22.1	21.7	21.3	21.3	21.5	19.8	22.0
Automatic debt dynamics	-3.9	-3.2	-7.4	-4.4	-2.7	-3.0	-3.1	-1.9	-2.4	-1.4	-1.0		
Contribution from interest rate/growth differential	-3.6	0.1	-3.4	-4.4	-2.7	-3.0	-3.1	-1.9	-2.4	-1.4	-1.0		
of which: contribution from average real interest rate	-0.6	-0.5	-2.1	-1.9	-0.8	-0.3	0.0	-0.1	0.0	-0.1	0.3		
of which: contribution from real GDP growth	-3.0	0.5	-1.3	-2.5	-2.0	-2.7	-3.1	-1.8	-2.4	-1.3	-1.3		
Contribution from real exchange rate depreciation	-0.3	-3.3	-4.0	...	...	...	...	...	...	...	...		
Other identified debt-creating flows	-0.3	-0.8	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.2	0.0
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)	-0.3	-0.8	-10.0	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Residual 2/	4.8	7.3	13.6	3.1	2.8	1.4	2.3	2.6	4.3	2.6	2.5	5.0	2.7
Sustainability indicators													
PV of public debt-to-GDP ratio 3/	...	...	36.6	36.7	38.0	37.5	37.0	37.6	37.3	36.1	39.2		
PV of public debt-to-revenue and grants ratio	...	...	171.4	152.7	172.8	171.9	169.3	170.5	156.7	158.8	176.9		
Debt service-to-revenue and grants ratio 4/	28.0	22.6	18.2	13.3	14.4	16.0	18.4	18.7	20.9	22.5	31.0		
Gross financing need 5/	2.3	0.7	-9.0	3.7	4.9	4.4	4.2	3.8	3.7	4.2	6.6		
Key macroeconomic and fiscal assumptions													
Real GDP growth (in percent)	5.4	-0.9	2.4	5.3	4.3	5.7	6.6	3.9	5.1	2.9	2.8	3.8	3.8
Average nominal interest rate on external debt (in percent)	0.0	0.0	0.9	1.7	1.6	1.6	1.8	1.7	1.6	1.7	1.7	1.1	1.7
Average real interest rate on domestic debt (in percent)	-0.7	-2.2	-8.5	2.4	0.2	-2.0	0.4	0.4	2.3	1.2	4.3	2.2	0.8
Real exchange rate depreciation (in percent, + indicates depreciation)	-0.7	-6.8	-8.6	...	...	...	...	...	...	...	...	1.9	...
Inflation rate (GDP deflator, in percent)	5.3	6.6	12.6	0.2	2.5	4.9	2.7	2.9	1.5	3.1	1.9	3.0	2.8
Growth of real primary spending (deflated by GDP deflator, in percent)	-2.2	3.5	9.0	40.7	1.0	1.4	3.2	2.0	3.1	3.4	3.0	6.0	5.7
Primary deficit that stabilizes the debt-to-GDP ratio 6/	-0.6	-3.3	3.7	1.3	-0.1	1.6	0.8	-0.7	-1.9	-1.2	-1.5	-0.1	-0.6
PV of contingent liabilities (not included in public sector debt)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		

Definition of external/domestic debt	**Residency-based**
Is there a material difference between the two criteria?	**No**

Public sector debt 1/





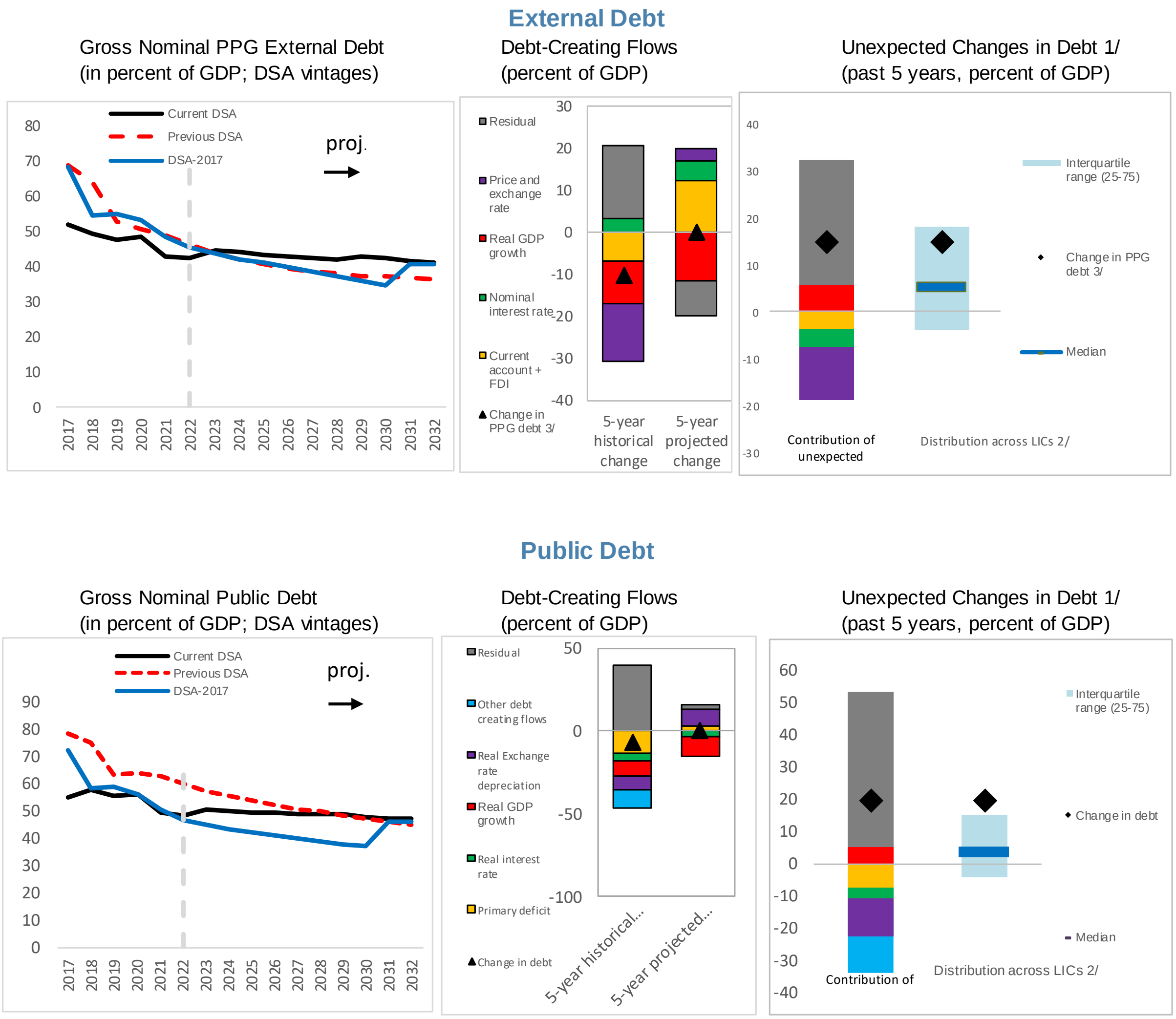
Sources: Country authorities; and staff estimates and projections.
1/ Coverage of debt: The central government, central bank, government-guaranteed debt . Definition of external debt is Residency-based.
2/ Includes exceptional financing (i.e., changes in arrears and debt relief) such as the projected resolution in 2020 of the debt owed to the Kuwait Investment Authority; changes in gross foreign assets; and valuation adjustments. For projections also includes contribution from price and exchange rate changes.
3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.
5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.
6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.
7/ Historical averages are generally derived over the past 10 years, subject to data availability, whereas projections averages are over the first year of projection and the next 10 years.

Table 4. Mauritania: Sensitivity Analysis for Key Indicators of Public Debt, 2022–32

	Projections 1/										
	2022	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
PV of Debt-to-GDP Ratio											
Baseline	37	38	38	37	38	37	37	37	36	36	36
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	37	36	35	34	34	35	36	35	34	34	34
B. Bound Tests											
B1. Real GDP growth	37	40	44	45	47	49	51	53	54	**56**	**57**
B2. Primary balance	37	40	40	40	40	40	40	40	39	39	39
B3. Exports	37	42	50	49	49	49	49	49	47	47	46
B4. Other flows 3/	37	42	45	45	45	45	45	45	43	43	42
B5. Depreciation	37	44	41	39	38	37	36	35	32	31	30
B6. Combination of B1-B5	37	38	39	37	38	37	38	40	40	40	41
C. Tailored Tests											
C1. Combined contingent liabilities	37	49	47	47	47	47	47	47	46	47	47
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	37	41	45	49	53	**56**	**59**	**61**	**62**	**64**	**65**
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	153	173	172	169	171	157	162	160	156	157	159
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	153	163	161	157	156	148	156	151	149	150	151
B. Bound Tests											
B1. Real GDP growth	153	183	201	206	214	206	222	228	233	243	252
B2. Primary balance	153	180	185	182	183	169	175	174	170	172	173
B3. Exports	153	192	227	224	224	207	213	211	204	203	202
B4. Other flows 3/	153	190	207	204	205	189	195	192	187	186	186
B5. Depreciation	153	200	191	180	175	156	156	149	140	135	131
B6. Combination of B1-B5	153	173	176	171	171	157	166	170	171	175	179
C. Tailored Tests											
C1. Combined contingent liabilities	153	222	217	213	213	197	205	204	201	203	205
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	153	203	224	244	258	247	262	263	267	278	287
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	13	14	16	18	19	21	23	23	20	20	23
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2022-2032 2/	13	14	16	19	19	22	24	22	18	18	19
B. Bound Tests											
B1. Real GDP growth	13	15	19	24	25	28	29	29	27	28	31
B2. Primary balance	13	14	18	22	20	22	22	22	20	20	22
B3. Exports	13	14	16	20	20	22	24	25	25	25	27
B4. Other flows 3/	13	14	16	19	20	22	24	25	23	23	25
B5. Depreciation	13	16	19	21	21	22	24	24	21	21	23
B6. Combination of B1-B5	13	14	16	20	19	21	23	25	24	24	26
C. Tailored Tests											
C1. Combined contingent liabilities	13	14	33	24	23	23	23	23	20	20	22
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	13	16	19	22	29	32	33	33	30	31	35
C4. Market Financing	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Sources: Country authorities; and staff estimates and projections.
1/ A bold value indicates a breach of the benchmark.
2/ Variables include real GDP growth, GDP deflator and primary deficit in percent of GDP.
3/ Includes official and private transfers and FDI.

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



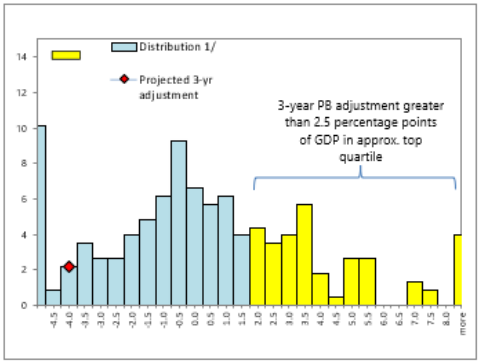
1/ Difference between anticipated and actual contributions on debt ratios.

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.

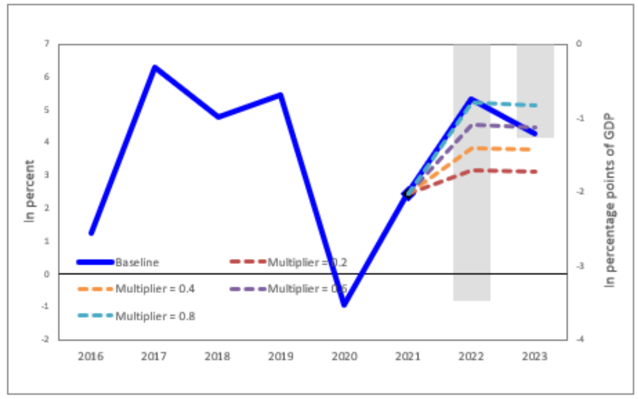
Figure 4. Mauritania: Realism Tools

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



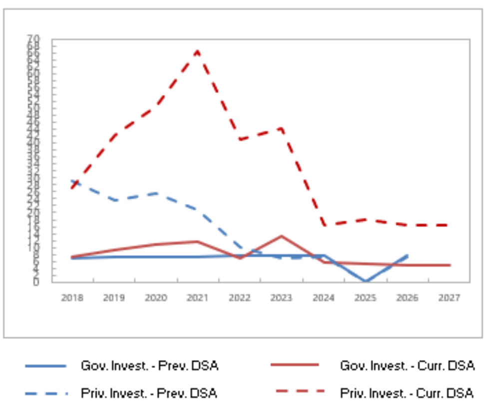
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



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

Public and Private Investment Rates 1/
(percent of GDP)



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

Contribution to Real GDP growth
(percent, 5-year average)

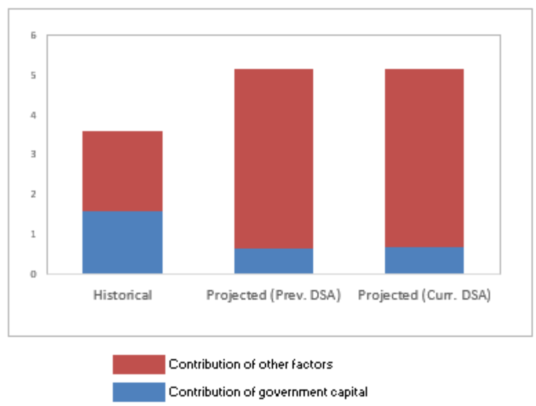
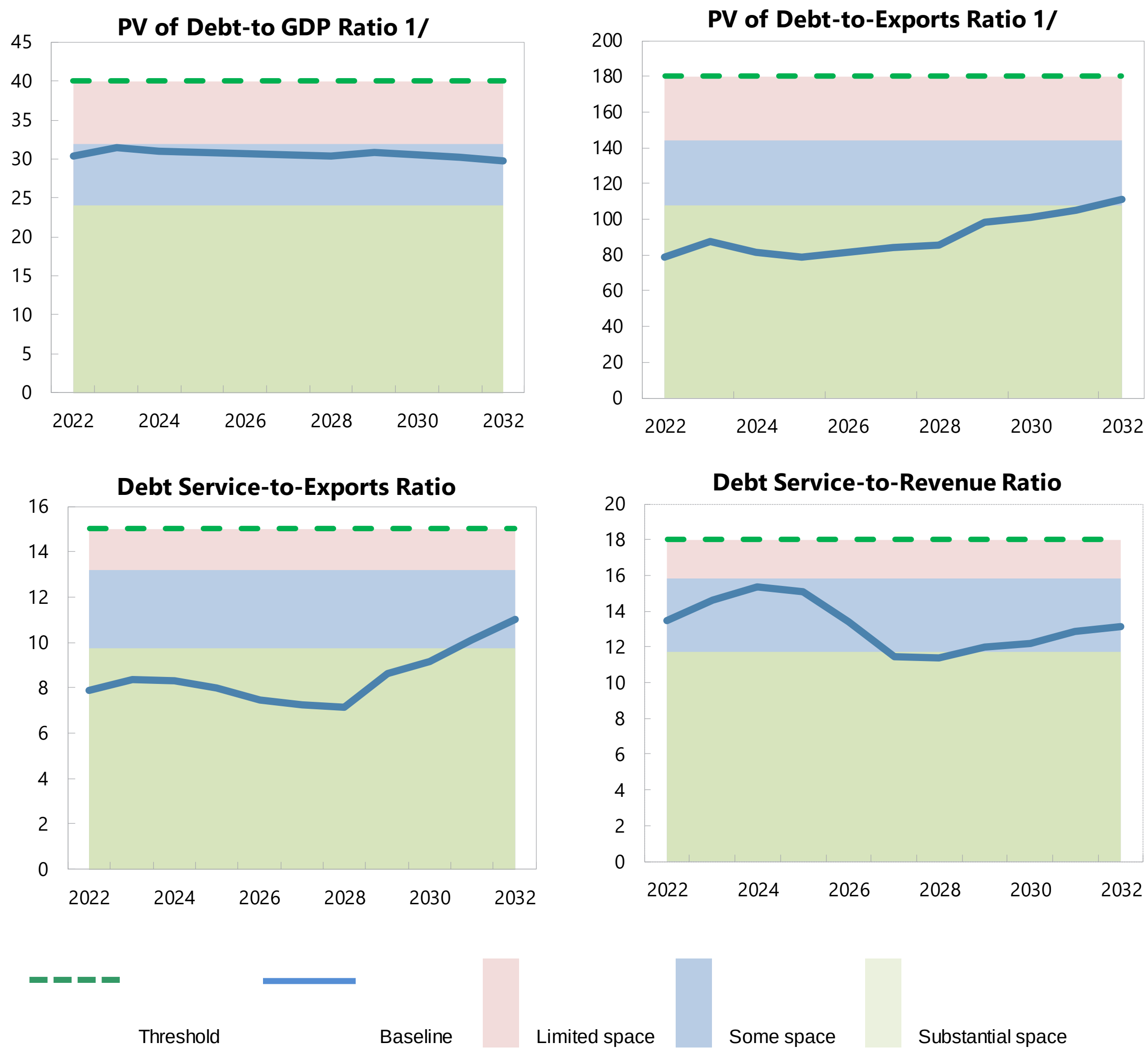


Figure 5. Mauritania: Qualification of the Moderate Category, 2022–32 1/



Sources: Country authorities; and staff estimates and projections.

1/ For the PV debt/GDP and PV debt/exports thresholds, x is 20 percent and y is 40 percent. For debt service/Exports and debt service/revenue thresholds, x is 12 percent and y is 35 percent.