INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

Joint World Bank-IMF Debt Sustainability Analysis

September 2020

Prepared Jointly by the staffs of the International Development Association (IDA)

and the International Monetary Fund (IMF)

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

Islamic Republic of Mauritania: Joint Bank-Fund Debt Sustainability Analysis	
Risk of external debt distress:	High
Overall risk of debt distress:	High
Granularity in the risk rating:	Sustainable
Application of judgment:	No

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

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

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

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

PUBLIC DEBT COVERAGE

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

Mauritania: Coverage of Public Sector Debt

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

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

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

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

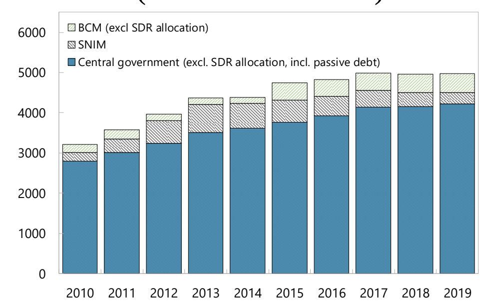
2. Public debt not explicitly covered in the DSA includes domestic non-guaranteed debt of SOEs, which amounts to 17.3 percent of GDP in 2018, excluding SNIM. Two-thirds of this debt is owed by SOMELEC (the state-owned electricity utility) and the rest by other SOEs. About half of this total debt is short-term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

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

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

DEBT DEVELOPMENTS

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



Sources: Mauritanian authorities; and IMF staff estimates

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

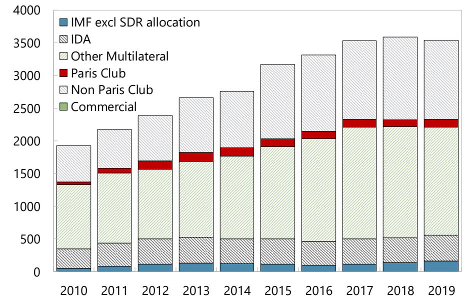
External PPG debt in percent of GDP continued its downward trend in 2019 due to a slowdown in project loan disbursement for public investment and high amortization payments. As a result of the GDP rebasing, external public debt-to-GDP (excluding the passive debt to Kuwait) is lower by about 18 percentage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

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

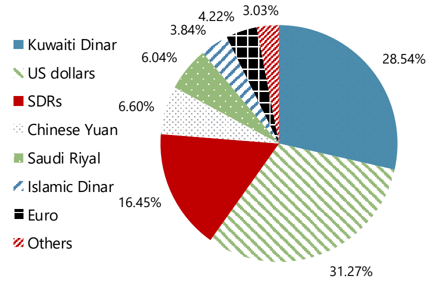
[6] In Table 1 of this DSA, the figures for PPG external debt in percent of GDP are different from those reported in this paragraph and text table and in Tables 1 and 2 of the staff report for the Fourth Review under the External Credit Facility (ECF) arrangement. The difference stems from different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

Mauritania: External Debt

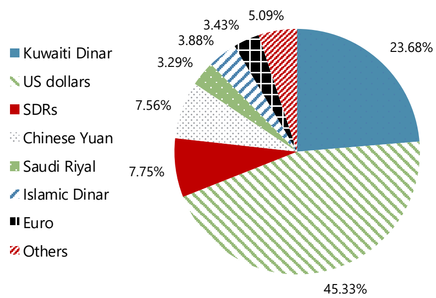
PPG External Debt by Creditor, 2010–19
(In millions of USD)



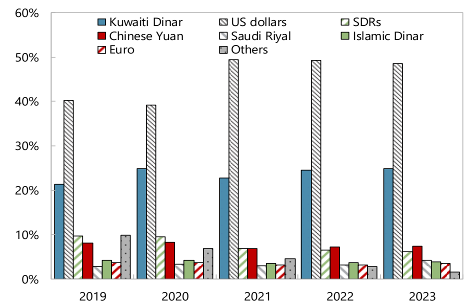
PPG External Debt by Currency, 2019
(In percent of total)



PPG External Debt Service by Currency, 2009–23
(Average; In percent of total)



PPG External Debt Service by Currency, 2019-23
(In percent of total)



Sources: Mauritanian authorities; and IMF staff estimates.

Mauritania: External Debt, 2013–19

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

Source: Mauritanian authorities.

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

MACROECONOMIC PROJECTIONS

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

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

Mauritania: Macroeconomic Assumptions, 2018–40

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

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

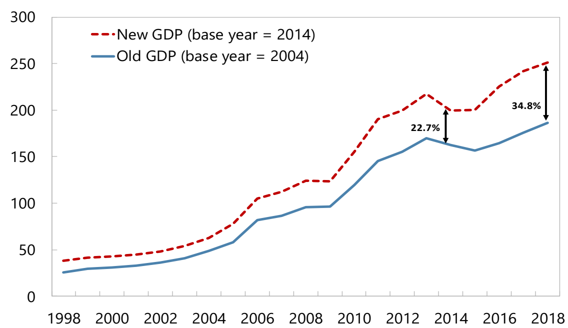
7. **The medium-term current account deficit is consistently larger than in the November 2019 DSA, owing to the delay in the start of GTA production, and lower global demand for Mauritanian exports.** Annual swings largely reflect extractive sector capital imports (particularly related to the GTA project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

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

Box 1. Revised National Accounts

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

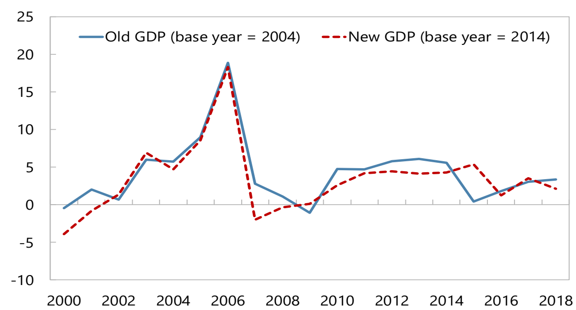
Rebasing of Nominal GDP



Sources: Mauritanian authorities.

(In MRU billion)

Real GDP Growth



Sources: Mauritanian authorities.

(In percent)

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

Contribution to Nominal GDP Revaluation, 2014
(In percent)

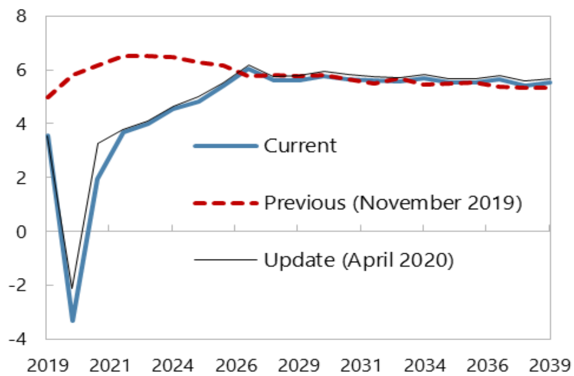
	Contribution
SNA 2008 updgrade	2.7
Improved data coverage in formal activities	3.3
Improved data coverage in non-farm informal activities	18.1
Methodological changes	-1.4
Total revaluation	**22.7**

Sources: Mauritanian authorities.

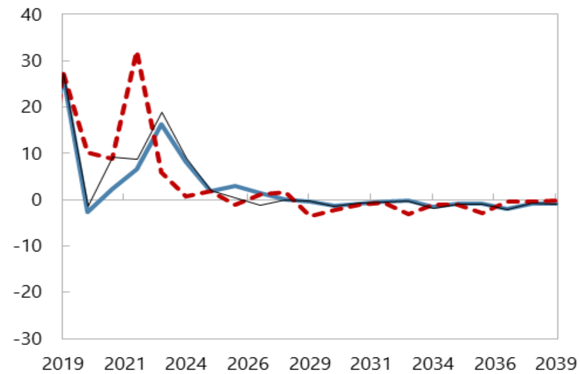
[8] In the framework, a preliminary assumption is made that half of the government revenues from the GTA project is saved in the existing hydrocarbon fund and half is used to increase public investment; at the same time the share of externally financed investment declines. At this time, the authorities have not decided on a policy framework for using the GTA revenues.

Figure 1. Mauritania: Macroeconomic Projections, 2019–39

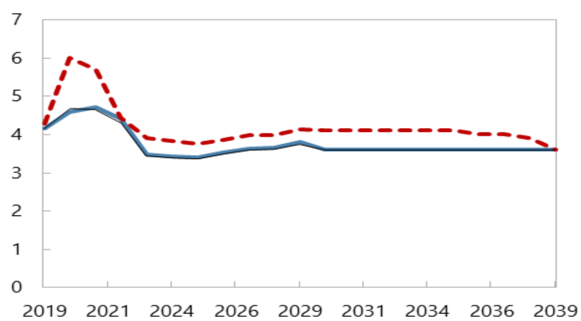
Real Non-Extractive GDP Growth
(Percent change)



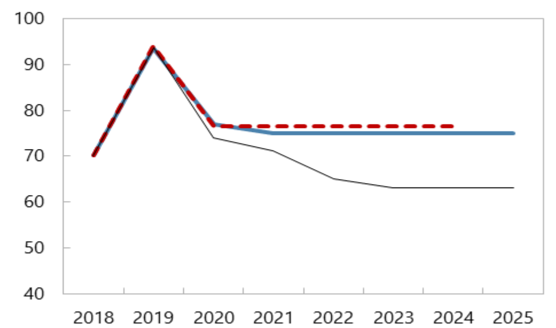
Real Extractive GDP Growth
(Percent change)



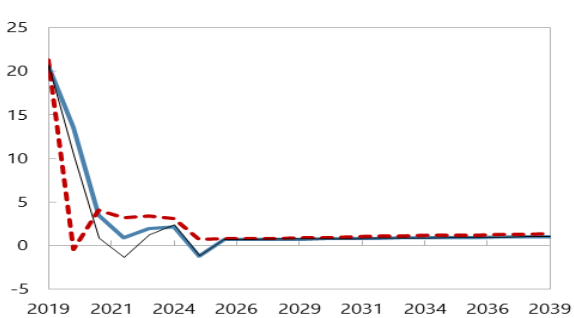
Projected New Debt Disbursements
(In percent of GDP)



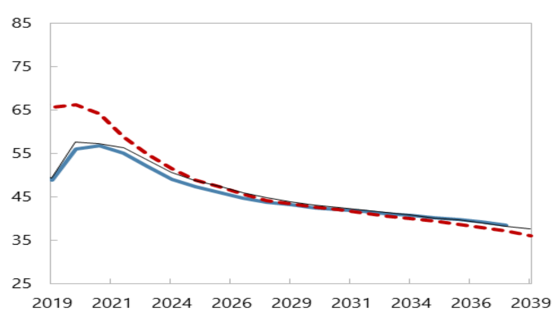
Price of Iron Ore
(US$/Ton)



Terms of Trade
(Percent change)



PPG External Debt 1/
(In percent of GDP)



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

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

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

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

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

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

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

years (before the onset of large fiscal GTA-related revenues) as in the last DSA. The higher projected growth post-2021, when compared with the previous five years, is expected to be driven by factors other than public investment, including higher productivity growth, structural reforms, an expansion in iron ore and gold production, and increased private investment, in part linked to the development of the GTA project.

COUNTRY CLASSIFICATION AND STRESS TESTS

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

Mauritania: Calculation of the CI Index

Components	Coefficients (A)	10-year average values (B)	CI Score components (A*B) = (C)	Contribution of components
CPIA	0.385	3.366	1.30	46%
Real growth rate (in percent)	2.719	4.850	0.13	5%
Import coverage of reserves (in percent)	4.052	32.898	1.33	47%
Import coverage of reserves^2 (in percent)	-3.990	10.823	-0.43	-15%
Remittances (in percent)	2.022	1.747	0.04	1%
World economic growth (in percent)	13.520	3.499	0.47	17%
CI Score			2.8373	100%
CI rating			Medium	

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

Mauritania: Combined Contingent Liability Shock

1	The country's coverage of public debt	The central government, central bank, government-guaranteed debt		
		Default	Used for the analysis	Reasons for deviations from the default settings
2	Other elements of the general government not captured in 1.	0 percent of GDP	0.0	
3	SoE's debt (guaranteed and not guaranteed by the government) 1/	2 percent of GDP	17.3	The estimated value of domestic non-guaranteed debt of SOEs is estimated to be 17.3 pc of GDP, of which two thirds are owed by the national electricity utility.
4	PPP	35 percent of PPP stock	4.2	Mauritania's only PPP is valued at USD310 million (4.2 pc of GDP).
5	Financial market (the default value of 5 percent of GDP is the minimum value)	5 percent of GDP	5.0	
	Total (2+3+4+5) (in percent of GDP)		26.5	

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

DEBT SUSTAINABILITY ASSESSMENT

External Debt Sustainability

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

Public Debt Sustainability

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

RISK RATING AND VULNERABILITIES

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

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

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

16. Future assets of the GTA-funded hydrocarbon fund may constitute a mitigating factor for the assessment, as they could lower risks and improve debt sustainability. The assets that may accumulate in the hydrocarbon fund from GTA-related revenues (which are assumed in this DSA to represent half of annual GTA government revenues, see paragraph 9) could be available to meet debt service payments or to retire external debt, which would help reduce long-term vulnerabilities. These options would depend on future macro-fiscal rules adopted by the authorities on the use of GTA-related revenues and accumulated assets.

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

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

19. The authorities are encouraged to expand the coverage of public debt to minimize risks and enhance transparency. While the authorities consider that no unrecorded external debts exist and are likely to be contracted outside the current coverage of public debt, there are non-guaranteed domestic debts of SOEs. The authorities are encouraged to improve capacity to monitor fiscal risks, expand the recording and monitoring coverage progressively (beginning with the larger public enterprises other than

SNIM) and include short-term debts. In particular, the debt of SMPHM to finance its capital participation in the GTA gas project, as well as future borrowing, should be recorded and monitored in the authorities' debt database.

AUTHORITIES' VIEWS

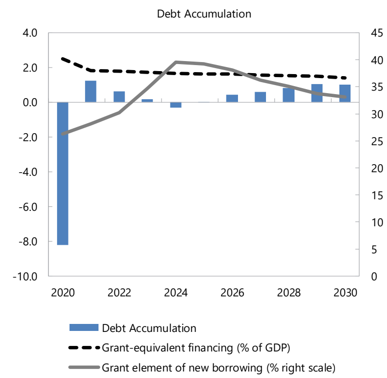
20. The authorities acknowledged the new stress on their debt situation caused by the COVID-19 pandemic and the global downturn, and reaffirmed their commitment to prudent debt policies and stronger investment management. They welcomed the financing and debt service suspension made available by the IMF,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

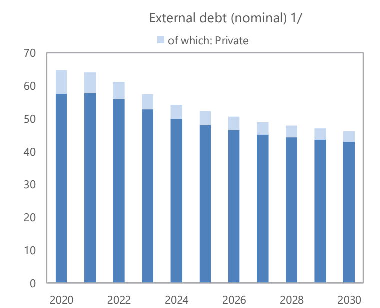
Table 1. Mauritania: External Debt Sustainability Framework, Baseline Scenario, 2017–40

(In percent of GDP, unless otherwise indicated)

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

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





Sources: Country authorities; and staff estimates and projections.

1/ Includes both public and private sector external debt.

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

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

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

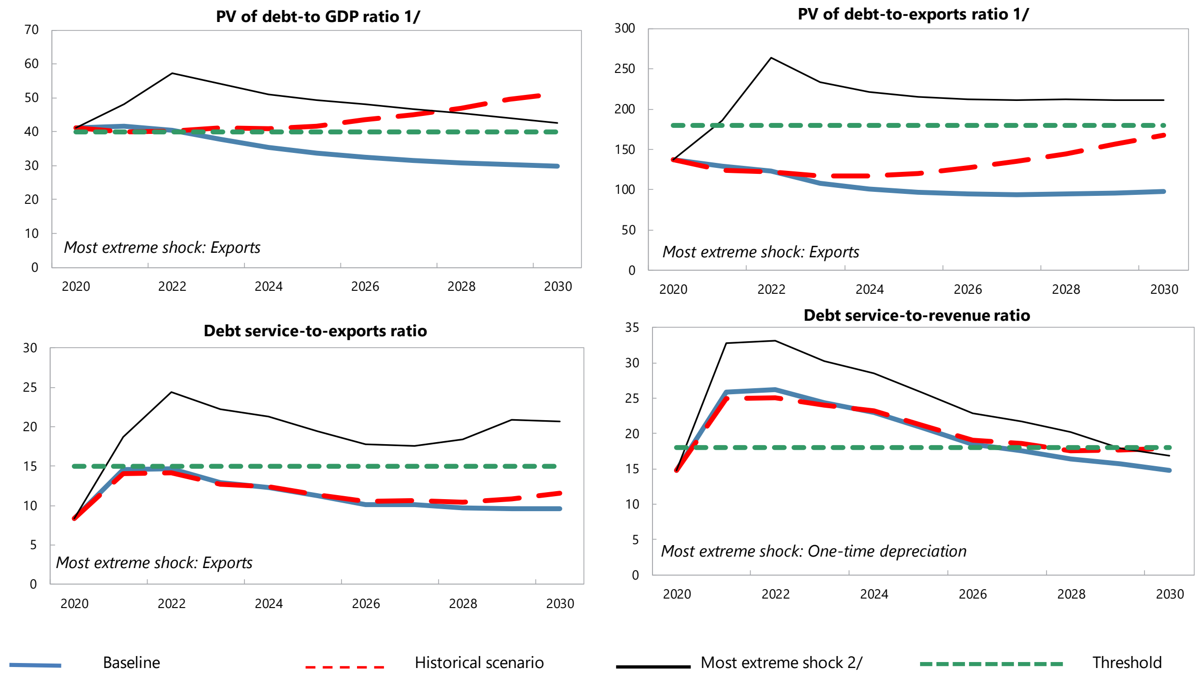
5/ Defined as grants, concessional loans, and debt relief.

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

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

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

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



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

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

Borrowing assumptions on additional financing needs resulting from the stress tests*	Default	User defined
Shares of marginal debt		
External PPG MLT debt	100%	
Terms of marginal debt		
Avg. nominal interest rate on new borrowing in USD	1.7%	1.7%
USD Discount rate	5.0%	5.0%
Avg. maturity (incl. grace period)	23	23
Avg. grace period	6	6

* Note: All the additional financing needs generated by the shocks under the stress tests are assumed to be covered by PPG external MLT debt in the external DSA. Default terms of marginal debt are based on baseline 10-year projections.

Sources: Country authorities; and staff estimates and projections.

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

2/ The most extreme stress test is the test that yields the highest ratio in or before 2030. The stress test with a one-off breach is also presented (if any), while the one-off breach is deemed away for mechanical signals. When a stress test with a one-off breach happens to be the most exterme shock even after disregarding the one-off breach, only that stress test (with a one-off breach) would be presented.

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

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

(In percent)

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

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

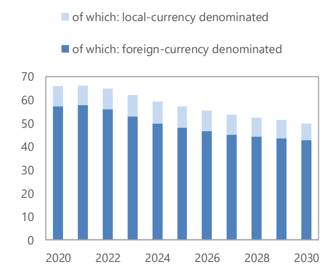
Table 3. Mauritania: Public Sector Debt Sustainability Framework, Baseline Scenario, 2017–40

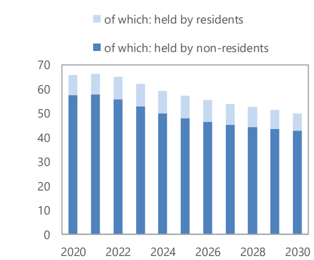
(In percent of GDP, unless otherwise indicated)

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

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

Public sector debt 1/





Sources: Country authorities; and staff estimates and projections.

1/ Coverage of debt: The central government, central bank, government-guaranteed debt, non-guaranteed SOE debt . Definition of external debt is Residency-based.

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

3/ The underlying PV of external debt-to-GDP ratio under the public DSA differs from the external DSA with the size of differences depending on exchange rates projections.

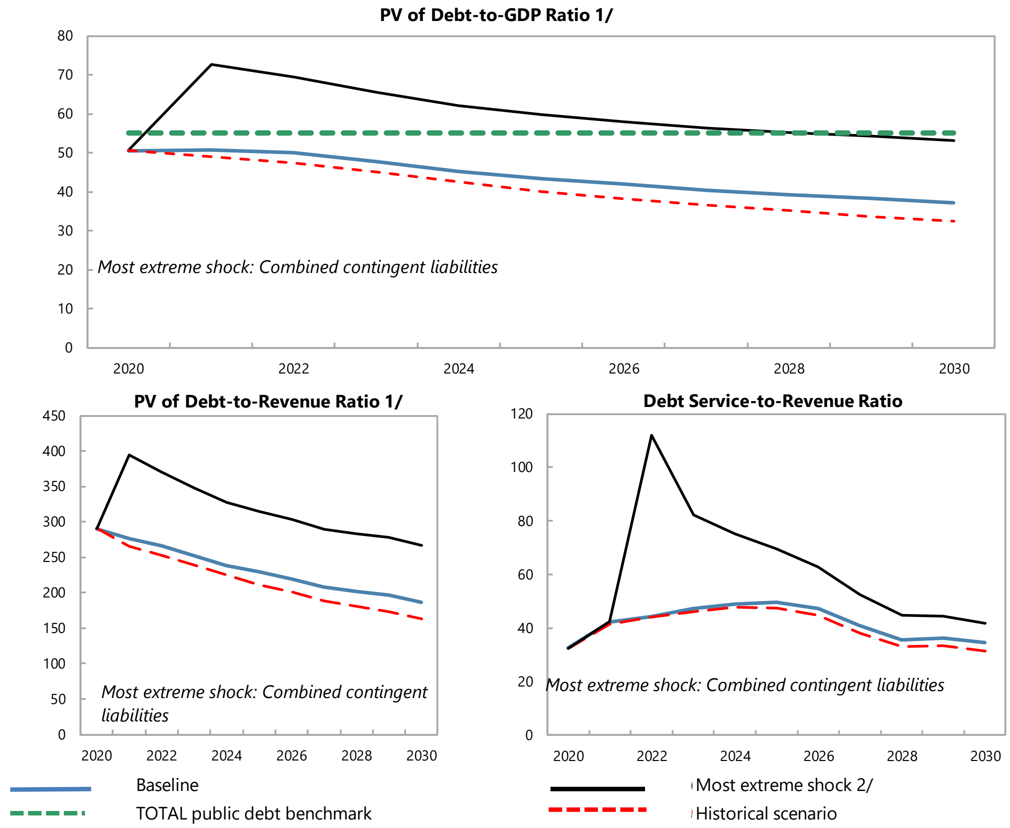
4/ Debt service is defined as the sum of interest and amortization of medium and long-term, and short-term debt.

5/ Gross financing need is defined as the primary deficit plus debt service plus the stock of short-term debt at the end of the last period and other debt creating/reducing flows.

6/ Defined as a primary deficit minus a change in the public debt-to-GDP ratio ((-): a primary surplus), which would stabilizes the debt ratio only in the year in question.

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

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



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

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

Sources: Country authorities; and staff estimates and projections.

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

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

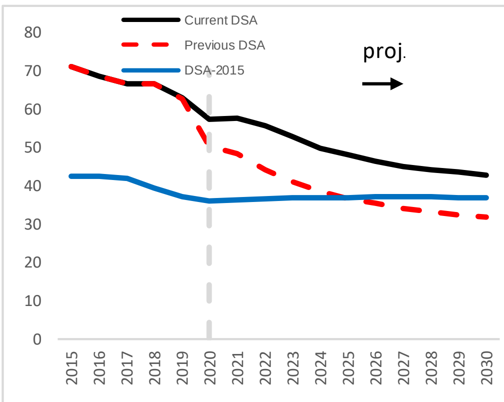
	Projections 1/										
	2020	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
					PV of Debt-to-GDP Ratio						
Baseline	51	51	50	48	45	43	42	40	39	38	37
A. Alternative Scenarios											
A1. Key variables at their historical averages in 2020-2030 2/	51	49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

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

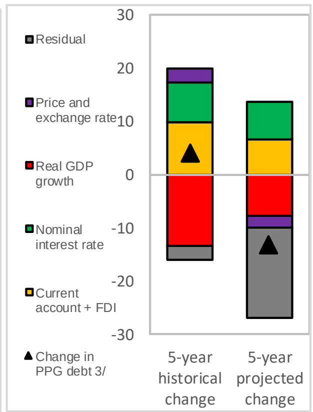
Figure 4. Mauritania: Drivers of Debt Dynamics—Baseline Scenario

External Debt

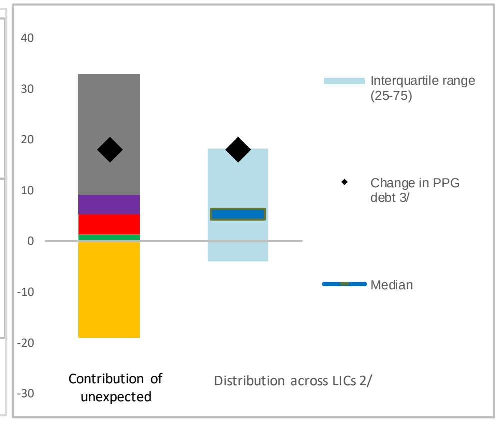
Gross Nominal PPG External Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)

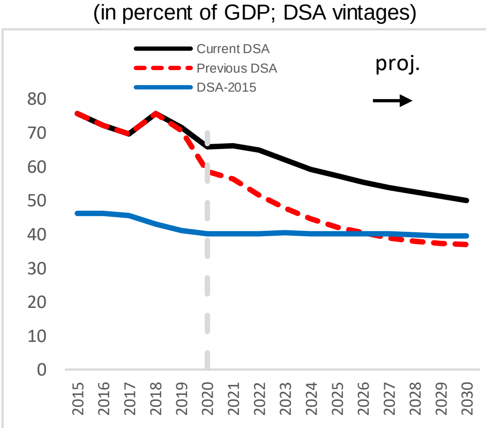


Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)

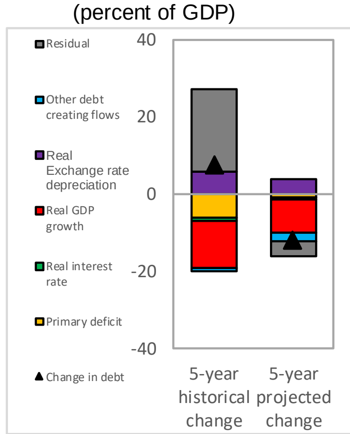


Public Debt

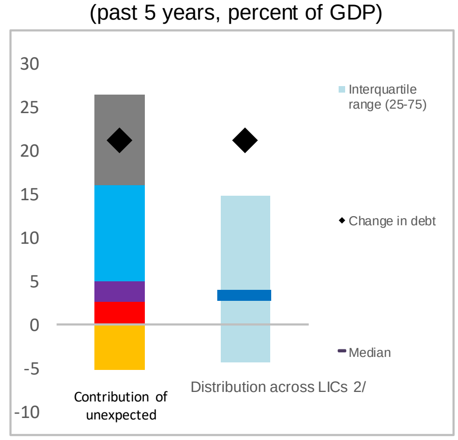
Gross Nominal Public Debt
(in percent of GDP; DSA vintages)



Debt-creating flows
(percent of GDP)



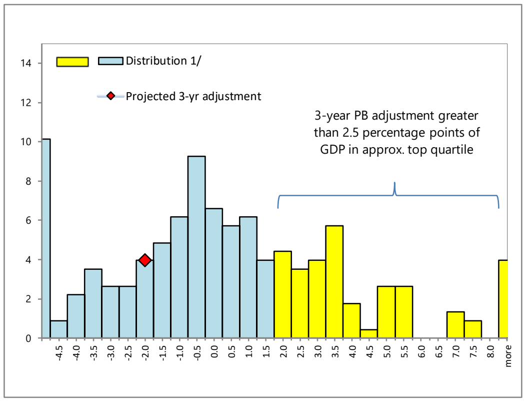
Unexpected Changes in Debt 1/
(past 5 years, percent of GDP)



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

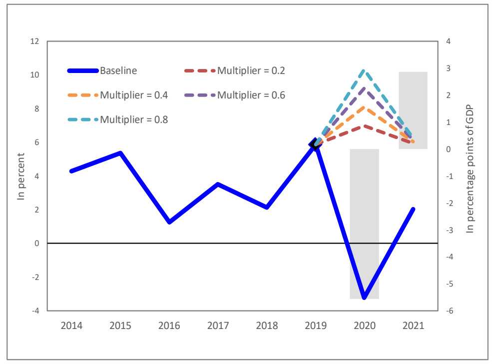
Figure 5. Mauritania: Realism Tools

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



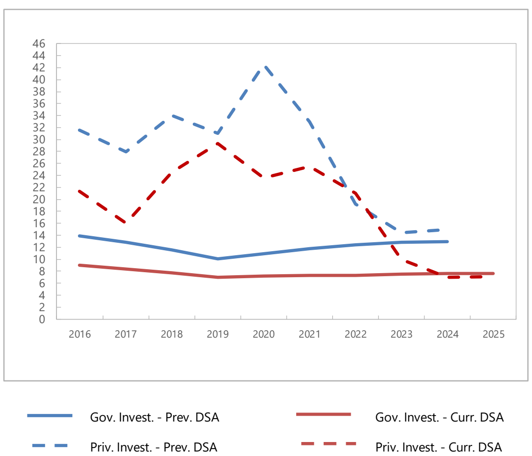
1/ Data cover Fund-supported programs for LICs (excluding emergency financing) approved since 1990. The size of 3-year adjustment from program inception is found on the horizontal axis; the percent of sample is found on the vertical axis.

Fiscal Adjustment and Possible Growth Paths 1/



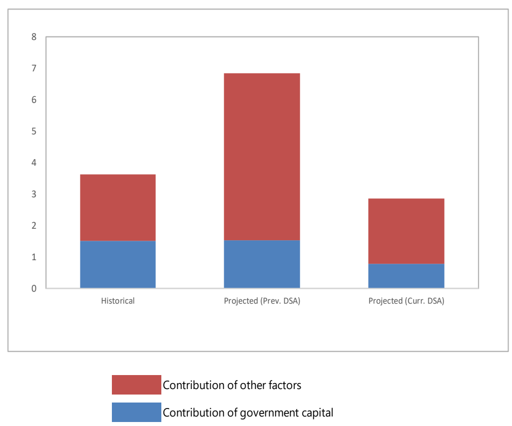
1/ Bars refer to annual projected fiscal adjustment (right-hand side scale) and lines show possible real GDP growth paths under different fiscal multipliers (left-hand side scale).

Public and Private Investment Rates
(Percent of GDP)



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

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



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