

SU/21/30

March 3, 2021

The Acting Chair’s Summing Up
Islamic Republic of Mauritania—Sixth Review Under the Extended Credit Facility
Arrangement and Request for Waiver of Nonobservance of a Performance Criterion
Executive Board Meeting 21/23
March 3, 2021

Directors commended Mauritania’s strong performance under the ECF-supported program and welcomed the authorities’ continued commitment to its objectives, despite delays. The pandemic has imposed severe human and social hardships, as the economy contracted in 2020 and the crisis generated additional financing needs. Directors welcomed the authorities’ determined response to the pandemic and the sizable financing provided by international partners, including debt service suspension. These, together with high commodity exports, have placed Mauritania in a stronger position to support the recovery. Directors emphasized the highly uncertain outlook, which remains dependent on volatile commodity markets, with sizable downside risks, including related to regional security and in case of new waves of the pandemic.

Directors welcomed the authorities’ response to contain and mitigate the impact of the pandemic. The expansionary budget is justified this year to boost the recovery and longer-term inclusive growth, and could be supported by the external financing saved from last year. Directors considered that prioritizing health and education spending, targeted support to the most vulnerable households, and infrastructure spending is appropriate to support livelihoods and limit post-pandemic scarring. They welcomed the channeling of crisis-related spending through the budget, transparent reporting on the use of emergency resources, and publication of the names and legal owners of companies awarded emergency contracts. Directors welcomed the authorities’ commitment to auditing emergency spending as soon as possible and strengthening disclosure requirements on beneficial ownership. They called for continued prudent monetary policy, advancing foreign exchange market reforms, and careful monitoring of banking sector developments, particularly the high level of non-performing loans.

In the context of massive developmental needs—including to achieve the Sustainable Development Goals—Directors supported the authorities’ policies aimed at creating fiscal space to increase priority spending on education, health, social protection, and infrastructure by mobilizing domestic revenues and strengthening public financial management. Given the high risk of debt distress, they encouraged the authorities to seek further grants and concessional resources to finance their development plans, maintain buffers, and safeguard debt sustainability.

Directors welcomed the authorities' continued commitment to the objectives of the economic reform program supported by the just concluded 2017–21 ECF arrangement. Despite delays, performance has been strong and the program has helped to support growth, improve fiscal balances and stabilize debt, increase foreign exchange reserves, and implement important institutional reforms in the fiscal, monetary, and financial sector policy areas. However, considerable challenges remain. In this regard, Directors noted the authorities' interest in a successor arrangement, which could address the unfinished reform agenda, while integrating capacity development priorities.