

**IMMEDIATE
ATTENTION**

EBS/09/197

CONFIDENTIAL

December 8, 2009

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Islamic Republic of Mauritania—Cancellation of an Arrangement
Under the Poverty Reduction and Growth Facility**

Attached for consideration by the Executive Directors is a paper, responding to a request from the Islamic Republic of Mauritania for the cancellation of an arrangement under the Poverty Reduction and Growth Facility. At the time of circulation of this paper to the Board, the Secretary's Department has not received a communication from the authorities of the Islamic Republic of Mauritania indicating whether or not they consent to the Fund's publication of this paper; such communication may be received after the authorities have had an opportunity to read the paper.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Tuesday, December 15, 2009**. In the absence of such a request, the draft decision that appears on page 3 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter. It is not intended to publish this paper on the Fund's external website.

Questions may be referred to Mr. Loko (ext. 37611) and Mr. Bessaha (ext. 38763) in MCD.

This document will shortly be posted on the extranet, a secure website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

**Cancellation of an Arrangement Under
the Poverty Reduction and Growth Facility**

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

Approved by Amor Tahari and Dhaneshwar Ghura

December 7, 2009

I. INTRODUCTION

1. **On December 18, 2006, the Executive Board of the Fund approved a three-year arrangement under the Poverty Reduction and Growth Facility (PRGF) for the Islamic Republic of Mauritania** in an amount equivalent to SDR 16.1 million (25 percent of quota). The authorities' program supported by the PRGF arrangement sought to consolidate the progress achieved under the Staff-Monitored Program toward macroeconomic stabilization, and aimed at sustaining rapid growth, further reducing inflation, and building up official reserves. It also set an ambitious structural reform agenda based on a new poverty reduction strategy covering 2006–10. The first, second, and third review under the PRGF arrangement were completed on April 23, 2007, November 21, 2007, and May 19, 2008.
2. **The PRGF arrangement was interrupted in October 2008 after the August 2008 military coup.** The military coup triggered a domestic political crisis and led many donors, including the World Bank, to freeze their assistance. Consistent with established Fund practice, a poll of Fund membership conducted in October 2008 revealed that members representing at least a majority of the Fund's voting power did not recognize the regime put in place after the coup as the government of Mauritania. Accordingly, while remaining a member of the Fund, without a government with which the Fund could deal, Mauritania was unable to exercise its membership rights including its rights to request financial assistance.

II. OUTLOOK

3. **The international community, including the Fund, has resumed normal relations with Mauritania after the July 2009 elections won by Mohamed Ould Abdelaziz.** An IMF mission visited Nouakchott in September 2009 to assess the macroeconomic situation, meet the new authorities, and elicit their policy intentions. Missions from other key donors have also visited Nouakchott in recent weeks. The authorities requested the cancellation of

the 2006 PRGF arrangement as of November 1, 2009 and Fund reengagement in the form of a new arrangement under the PRGF (Annex I).

4. **An IMF mission is scheduled to be in the field during December 2–17, 2009.** The mission will carry out discussions on the 2009 Article IV consultation and a program that will be supported by a new Fund arrangement. The program will cover the period 2010–12. Consistent with the medium-term challenges facing Mauritania and the PRSP goals, the policy framework for the new PRGF arrangement will aim at maintaining macroeconomic stability, restoring and sustaining strong growth over the long run, protecting the poor and accelerating the pace of progress toward the Millennium Development Goals, and reducing the country's vulnerability to external shocks.

III. PROPOSED DECISION

The following decision, which may be adopted by a majority of the votes cast, is proposed for adoption by the Executive Board:

“The Fund notes the cancellation by the Islamic Republic of Mauritania as of November 1, 2009 of its arrangement under the Poverty Reduction and Growth Facility approved by the Fund on December 18, 2006.”

Islamic Republic of Mauritania

December 6, 2009

Mr. Dominique Strauss-Kahn
Managing Director
International Monetary Fund
700 19th Street N.W.
Washington, D.C. 20431

Dear Sir:

The government of the Islamic Republic of Mauritania prepared a program of reforms supported by the International Monetary Fund (IMF) under the Poverty Reduction and Growth Facility (PRGF). It was approved by the Executive Board of the IMF on December 18, 2006. After two reviews, implementation and IMF staff monitoring of the program were interrupted by the changes that took place in our country in August 2008.

Since then, constitutional legality was restored in Mauritania following open elections. President Mohamed Ould Abdel Aziz was sworn in on August 5, 2009 and a new government was formed on August 11, 2009. We noted with pleasure the decision of the IMF to reestablish its relations with Mauritania. In order to accelerate the implementation of the program of the President of the Republic, we are pleased to inform you that the government of Mauritania intends to: (i) terminate the arrangement concluded in 2006, as of November 1, 2009, and (ii) conclude a new PRGF arrangement with the Fund as quickly as possible. The latter would be based on what was achieved under the suspended arrangement, while furthering the objectives of transparent and effective fiscal management, alleviating poverty, and stimulating growth.

Very truly yours,

/s/

Ousmane Kane
Minister of Finance

cc: MAED
GR BCM