

# **IMF Executive Board Completes Fourth Review Under Mauritania's Extended Credit Facility Arrangement and Approves US\$16.78 Million Disbursement**

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The Executive Board of the International Monetary Fund (IMF) completed today the fourth review of the economic performance of the Islamic Republic of Mauritania under the program supported by a three-year Extended Credit Facility arrangement.

Completion of the review makes SDR 11.04 million (about US\$16.78 million) available to the Islamic Republic of Mauritania. This would bring total disbursements under the arrangement to SDR 55.2 million (about US\$83.89 million).

The Executive Board approved a three-year arrangement for Mauritania in March 2010 for an amount equivalent to SDR 77.28 million (about 120 percent of the country's quota in the IMF, (see [Press Release No. 10/89](#)).

Executive Directors noted the progress made by the authorities on their reform objectives under the ECF-supported program despite a severe drought and difficult economic conditions.

In completing the review, the IMF's board also approved the authorities' request for waivers of nonobservance and modification of performance criteria.

Following the Executive Board's discussion, Ms. Nemat Shafik, Deputy Managing Director and Acting Chair, stated:

"Mauritania's performance under the ECF-supported program was strong in 2011. Sound policies contributed to the accumulation of significant fiscal and external buffers, which helped the economy withstand a severe drought, a slowdown in external demand, and high international fuel and food prices. However, progress in tackling unemployment and poverty has been limited, and the economy remains vulnerable to external shocks due to its dependency on commodity exports.

"In the short run, Mauritania's main challenge is to maintain macroeconomic stability. In this regard, the introduction of a new short-term T-bill maturity to absorb excess liquidity in the banking sector will help guard against inflation. The modest loosening of the fiscal stance in 2012 to meet drought-relief needs is appropriate, although these additional expenditures should be phased out once the drought is over to ensure fiscal sustainability.

"The authorities' determination to consolidate the fiscal position over the medium term is commendable. Replacing universal price subsidies with well-targeted social safety nets is a key component of this strategy. To further reduce vulnerabilities, fiscal policy should be delinked from volatile commodity prices, notably by creating a well-managed mining fund. In addition, efforts aimed at improving non-mining tax collection and seeking new revenue from the natural resource sector should be sustained, while protecting Mauritania as a destination for foreign investors.

"Structural reforms to create employment, reduce poverty, and diversify the economy away from commodity exports remain crucial. The implementation of the new investment code and the one-stop shop are useful first steps toward improving the business climate. Remaining governance problems should also be tackled, notably through the systematic application of the new procurement code."

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