INTERNATIONAL DEVELOPMENT ASSOCIATION
AND
INTERNATIONAL MONETARY FUND

MAURITANIA

Decision Point Document under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative

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and the International Monetary Fund[1]

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ABBREVIATIONS AND ACRONYMS

BCM	Central Bank of Mauritania
CNROP	National Oceanographic Research Center
DSA	Debt Sustainability Analysis
HIPC	Heavily Indebted Poor Countries
NVP	Net Present Value
OPT	State Mail and Telecommunication Company
PRSP	Poverty Reduction Strategy Paper
SONELEC	State Walter and Electricity Company
SNIM	State Iron Ore Company

I. INTRODUCTION

1. On February 5, 1999, the Executive Boards of IDA and the IMF discussed the preliminary document on the Heavily Indebted Poor Countries (HIPC) Initiative for Mauritania (IDA/SecM98-660, 1/11/99, and EBS/99/3, 1/8/99). Executive Directors of IDA and the IMF agreed that Mauritania should be eligible for assistance under the Initiative, in view of its high level of indebtedness, its vulnerability to exogenous shocks, its track record of reforms, and its status as an PRGF-eligible and IDA-only country.

2. During the discussion of the preliminary document, Directors agreed that Mauritania could reach the decision point at the time of the approval of the new three-year PRGF arrangement, which was then under negotiation. On July 21, 1999, the Boards of IDA and the IMF reviewed a Medium Term Economic and Financial Policy Framework Paper for the period 1999–2002 and the IMF Board approved a new arrangement under the PRGF.[2] However, in light of the proposals at the Cologne summit to strengthen the HIPC Initiative framework, and the expectation that an enhanced HIPC Initiative would be endorsed at the time of the Annual Meetings, the staffs of the Bank and the Fund proposed a deferral of the presentation of the final HIPC decision point document for Mauritania until after the Boards of the Bank and the Fund took their decision on the enhanced HIPC.[3] The staffs indicated that they would propose that Mauritania's track record for the second stage should start on the date of the approval of the new PRGF by the IMF Board. Directors broadly supported the staffs' proposal.[4]

3. Section II presents an overview and an assessment of Mauritania's adjustment record up to early 1999. Section III is forward-looking and outlines the macroeconomic, structural and social objectives of the medium-term program. Section IV spells out the specific measures that will need to be implemented before Mauritania reaches its completion point under the enhanced HIPC framework. Section V updates the debt sustainability analysis and discusses the debt-sustainability targets; it then reports on the assistance needed to bring the NPV of Mauritania's external debt to the target level under the enhanced Initiative and finally examines the issue of burden sharing and the possible profile of assistance. Section VI concludes the document. A draft decision for consideration by the Executive Board will be issued as a supplement to this paper.

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[2] See documents EBS/99/120, 7/9/99; EBD/99/85, 7/12/99 and IDA/SecM99-485, 7/12/99.

[3] See Mauritania- Information note on the Decision Point under the HIPC Initiative (EBD/99/88, 7/14/99 and IDA/SecM99-444, 7/14/99).

[4] See IMF Press Release 99/32, 7/21/99.

II. BACKGROUND AND TRACK RECORD

A. Adjustment Record

4. Mauritania has been implementing since 1985 a comprehensive program of economic stabilization and structural reforms, and registered considerable progress in this regard. The program was supported by the Fund, through successive credit facilities and technical assistance, and by IDA through structural adjustment and project lending (see Appendices I and II). The first program supported by an ESAF arrangement started in 1989 and was interrupted in 1990–91 due to pressures following the 1989 Mauritania-Senegal war and the eruption of the Gulf crisis in 1991. A new three-year ESAF arrangement was approved in late 1992, at a time when the country was also advancing in its process of political democratization. After its successful completion, a new ESAF arrangement was approved in 1995. Over the six consecutive program years, Mauritania continuously sustained its adjustment efforts (Table 1), except for two episodes of fiscal and monetary slippage in late 1995 and early 1996, which required some corrective actions, causing a small delay in the execution of the program.[5] All available funds were fully disbursed by the end of the 1995–98 ESAF arrangement, in July 1998. A slow down in reforms implementation and deteriorating macroeconomic conditions caused delays in concluding negotiations with the Fund and the Bank on a new program.[6] The fourth ESAF arrangement covering an additional period of three years was eventually approved by the Executive Board on July 21, 1999.

5. IDA supported Mauritania's reform effort through a series of financial and technical assistance operations beginning with a structural adjustment credit in 1987, followed by three sectoral adjustment credits in agriculture, public enterprise reform, and private sector development. At present IDA has 13 operations under supervision, including the quick disbursing Public Resource Management Credit. Disbursement for IDA operations over the period January1987–September 1999 totaled US$356 millions. The African Development Bank, the European Union and other multilateral and bilateral donors have also supported Mauritania's stabilization and adjustment efforts.

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[5]During the six program years, Mauritania requested 15 waivers of performance criteria under the applicable arrangements. Details are reported in Appendix I and Table 1.

[6]In the first half of 1998 the macroeconomic situation deteriorated and structural reform efforts slowed down. In July 1998, the authorities managed to adopt a package of measures aimed at reestablishing stable macro-economic fundamentals, including fiscal tightening, an increase in interest rates and a depreciation of the exchange rate. Only by the end of the year, the authorities were also able to commit to a wide-ranging medium-term program of structural reforms, which was finalized in early 1999. This permitted to conclude negotiations for the new program in April 1999.

B. Macroeconomic Performance

6. Over 1993–98, **macroeconomic performance** improved steadily, with an average annual real growth rate of 4.7 percent, a substantial improvement relative to the average growth rate of 0.8 percent of 1990–92, when no program was in place. Only in 1997 did the real GDP growth rate decelerate to less than 4 percent, mostly on account of a negative performance in the fisheries sector (Tables 2 and 3). The average annual inflation rate declined to 6.2 percent during 1993–98 (compared to 7.2 percent in 1990–92).[7] The current account deficit (excluding official transfers) also narrowed on average to about 10.5 percent of GDP in 1993–98, compared to 17.6 in 1990–92.[8] Official reserves increased to the equivalent of 4.6 months of imports of goods and non-factor services by end of 1998.

7. Key factors underlying Mauritania's progress over this period were (i) a realignment of relative prices, prompted by a 45 percent devaluation of the exchange rate at the onset of the 1992 program (October 1992); (ii) the containment of domestic demand through strong fiscal consolidation and tight monetary policy, together with structural reforms as discussed below; (iii) substantial debt relief resulting from two concessional Paris Club reschedulings in 1993 and 1995; (iv) increased availability of foreign financing on concessional terms; and (v) more favorable terms of trade since 1994.

8. Considerable **fiscal consolidation** was achieved under the two ESAF-supported programs ending in 1998. After a one-off deterioration due to the large budgetary cost of a bank restructuring operation (about 7 percent of GDP) in 1993, the fiscal balance improved steadily and eventually turned into surplus after 1995. The surplus mainly reflected the surge in fishing royalties after a new fishing agreement with the EU, and the decision to sterilize a sizable share of that transfer.[9] Domestic tax revenue increased as a result of a reform of indirect taxation (with the introduction of the VAT in 1995), and some improvements in tax administration, partially offsetting the 2 percentage points of GDP decline in revenue from international trade taxes, following tariff reforms in 1997–98. Wage bill containment and declining defense expenditures in real terms led to a steady reduction in non-interest current expenditures. Despite fiscal consolidation, the programs allowed for an increase in social sector expenditures (Box 1). Fiscal retrenchment, coupled with sizable amounts of foreign financing, led to a large buildup of government deposits in the banking system.

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[7] Excluding the inflationary peak of 1998, due to a substantial devaluation, the average inflation would have been 5.8 percent.

[8] Including official transfers, the current account deficit narrowed on average from 9.7 to 2.3 percent of GDP between the two sub-periods.

[9] The fiscal surplus peaked at 5.3 percent of GDP in 1996, decreasing to 4.2 percent in 1997, and 2.1 percent in 1998. In 1998, fishing royalties represented about 80 percent of nontax revenues compared with about 40 percent in 1995.

Box 1. Mauritania: Selected Government Expenditure

(In percentage of)

	1990–92		1993–98	
	GDP	Total Expenditure	GDP	Total Expenditure
Defense	3.6	12.5	2.6	9.7
Social expenditure	5.8	20.9	7.3	28.0
Education	4.4	16.0	5.1	19.5
Health	1.3	4.6	1.7	6.5
Poverty Reduction	0.1	0.3	0.5	2.0

Sources: Mauritanian authorities.

9. **Exchange rate policy** was less successful over the program period. In several instances, the central bank intervention policy limiting the sale of foreign exchange and applying non-market rates resulted in an overvalued exchange rate. This policy exacerbated the demand for foreign exchange, dampened private sector confidence and limited the development of a well-functioning interbank foreign exchange market, which was also hindered by the non-competitive behavior of commercial banks. As a result, in certain periods, large divergences emerged between the official and the parallel market exchange rates,[10] which eventually had to be followed by a depreciation.

C. Structural Reforms

10. Concomitantly with macroeconomic adjustment, the Mauritanian authorities pursued a wide-ranging program of structural reforms since 1992, with mixed results. The reforms aimed at increasing growth by encouraging mobilization of additional resources and enhancing production efficiency, while alleviating poverty. While progress was registered, much remains to be done.

11. **Economic management.** The reform program aimed at improving domestic resource mobilization, public expenditure allocation, and organizational structures and administrative procedures of key ministries. In this respect, in addition to adopting VAT and tariff reform,[11]

[10]The parallel market is a market for cash transactions operated by foreign exchange bureau.

[11]The liberalization of the trade regime started in 1997 with the elimination of the licensing system and the abolition of all import and export monopolies, except for frozen high value species in the fisheries sector. The number of tariffs and other international trade taxes have been reduced from 33 in 1996 to 5 in 1998, and the combined maximum tariff rate to 30 percent from 180 percent.

the government strengthened tax audits and custom administration and improved public expenditure management. Progress was made in decentralizing education, health and municipal services.

12. **Foreign exchange market/system.** Despite several attempts at reforming the system, the functioning of the foreign exchange market remained a weak element of the 1993–98 programs. Notwithstanding important reforms, implemented in 1995 and including: (i) the elimination of the requirement of prior approval by the central bank for most current account transactions; (ii) the creation of an interbank foreign exchange market; and (iii) the licensing of more than 40 foreign exchange bureaus, deficiencies in the functioning of the market remained and liberalization proceeded at a slow pace. Reform efforts picked up at end-1998, with the elimination of foreign exchange surrender requirements for fish export proceeds, the lowering of the surrender requirement of the national iron-ore company (SNIM) export proceeds from 100 to 85 percent, and the commitment by the BCM to sell all foreign exchange demanded at the selling official rate.

13. **Banking System**. The Central Bank moved towards market-based instruments of liquidity management, with the introduction of treasury bills auctions and the creation of an interbank market. The government divested its shareholding in virtually all commercial banks, following the restructuring of their assets. Banking supervision was strengthened and prudential regulations and supervisory procedures in line with international best practice were adopted. However, the oligopolistic structure of the banking system is still an obstacle to the development of new economic activities.

14. **Public Enterprises**. Restructuring efforts started in the early 1990s and included: (i) a reform of the legal and institutional framework; (ii) a financial restructuring of key enterprises, including the national mining company SNIM, and the water and electricity company, SONELEC; (iii) and the divestiture and elimination of a large number of state monopolies. As a result, the majority of subsidies and cross-debts were eliminated and about two thirds of public enterprises were liquidated or privatized. However, the deteriorating financial situation of the state air carrier was only addressed in late 1998, and inefficient public monopolies continued to require budgetary support or high user charges.

15. **Private Sector Development**. Policies designed to encourage private sector development were directed at encouraging private investment mainly through improving the regulatory framework and restructuring the financial sector. Key measures included the establishment of the one-stop window for business licenses and the abolition of most state monopolies and of restrictions to private sector investment in previously reserved sectors, such as mining.

16. **Rural development**. Efforts in this area focused on promoting efficiency and diversification in agricultural production, particularly in underprivileged areas. The government implemented a land-tenure program, established a countrywide cooperative credit system and decentralized the provision of rural services. Several important steps were taken to liberalize

the rice sector, such as the privatization of rice mills. Despite a substantial increase in cereal production, the sector remains vulnerable to adverse climatic conditions and its development is hampered by poor infrastructure.

17. **Fisheries**. Despite a major crisis in 1990–91, a partially successful reform of the fisheries sector was only initiated in 1994, when the government adopted a comprehensive development policy, whose main objective was to preserve the resource base and ensure efficient exploitation through market-related mechanisms (license fees and access rights) instead of the pre-existing export tax. The government also reduced its involvement in the sector, by selling some of its joint ventures and reducing its participation in the main export company (SMCP). However, resource management and surveillance remained weak, and the National Oceanographic Research Center (CNROP), the agency in charge of assessing resources and setting appropriate fishing limits, lacked sufficient resources. In mid-1998, the government, in agreement with donors, adopted a new strategy, calling for an evaluation of the existing system and providing increased resources for research and surveillance.

D. Social Policies

18. Social development and poverty reduction have been an integral part of the government's economic program. Important reforms in education, health care, and initiatives aimed at reducing poverty were undertaken during 1992–98. Despite fiscal constraints, the government increased spending in social sectors and managed to improve the quality and effectiveness of its social expenditure program. As a result most social indicators improved (Box 2).

19. **Poverty reduction**. Between 1990 and 1996, it is estimated that the incidence of poverty as a whole fell from 57 to 50 percent, with the biggest drop registered in the Nouakchott area.[12] Almost all gains came from economic growth and the resultant increase in income and expenditure. Outside urban areas, gains appear to have benefited most the Senegal River valley region, where agricultural yields were particularly high and several reform measures in the agricultural sector were already implemented. Nonetheless, poverty is still deep and widespread, particularly in the resource poor rural regions (Box 3).

20. **Education**. Since 1992, Mauritania has engaged in a significant effort to increase the level of education and skills of its people, particularly women. The government completed one IDA-financed education project, while two operations are currently being implemented (see below). Between 1990 and 1996: (i) total gross primary school enrollment increased from 48 to 86 percent and from 41 to 81 percent for girls;[13] (ii) enrollment in secondary education rose

[12]Poor defined as spending less than US$370 per year.

[13]Mauritania's girls' enrollment ratio for 1998, (83 percent—compared to 89 percent for boys) represents the best outcome in the group of Francophone African countries.

Box 2. Mauritania: Social Indicators 1990-96

	1990		1996 1/		
	Mauritania	Average for Sub-Saharan Africa	Mauritania	Average for Sub-Saharan Africa	HIPCs
GNP per Capita (in U.S. dollars) 2/	490	520	470	500	283
Life expetancy (years)	51	51	53	52	52
Infant mortality (per 1,000 live births)	105	100	94	90	94
Illitteracy (in percent of population aged 15 and higher)	66	53	62	43	44
Gross primary enrollment (in percent of school-age population)	48	73	86	75	66
Male	56	80	90	82	...
Female	41	65	81	67	...

Sources: World Bank, World Development Report and World Bank Development Indicators, 1998; and staff estimates.

1/ 1996 or latest available statistics.
2/ Over 1990-1996, the real GNP per capita in Mauritania increased by 8.1 percent in Ouguiya terms. However, the depreciation of the national currency vis-à-vis the U.S. dollar resulted in a drop in the GNP per capita in dollar terms.

Box 3. Mauritania: Profile of Poverty

- **Causes of poverty**: Very few comprehensive studies have been conducted in Mauritania about the nature of poverty in the country. However, the five household surveys undertaken between 1987 and 1996 provide a more detailed poverty map than it has ever been possible in the past. Although Mauritania's per capita GNP is relatively high compared to other countries in the region, human development indicators remain low, pointing to significant poverty among certain groups (Mauritania ranked 135th in terms of real GDP per capita but 149th out of 174 countries on the UNDP Human Development Index). In the early 90s, the country was subject to a number of adverse exogenous shocks, which seem to have contributed to poverty among certain groups. In addition, Mauritania's economic structure and its unique geographic and socioeconomic characteristics distinguish poverty in the country in a number of ways from that of other African countries.

Where are the poor?

		Percentage of poor	Indicator of Poverty depth
National	1990	56.6	28.2
	1996	50.0	18.2
Nouakchott	1990	36.1	13.2
	1996	20.6	4.6
Autres villes	1990	44.5	17.9
	1996	37.8	12.2
Rural Fleuve	1990	73.8	39.2
	1996	60.2	21.9
Rural Autres	1990	69.3	38.7
	1996	71.7	28.7

- **What does poor mean**: The 1994 Poverty Assessment of Mauritania defines the absolute level of poverty, based on calorific consumption requirements and non-food expenditures. In 1990, this line was established at UM 32,800 per adult, per year, as compared to the average per capita expenditure of UM 36,160 for the population as a whole. In 1996, the absolute poverty line adjusted for inflation was set at an annual expenditure equivalent of UM 53,840, as compared to the mean per capita expenditure for the entire population of UM 69,325. In 1996, the estimated mean per capita expenditure was UM 35,000 for the lowest urban quintile and UM 18,000 for the lowest rural quintile.

- **Who are the poor:** Poverty in Mauritania is most severe among agricultural households in the resource poor rural regions, where rainfall is very low and irrigated agriculture is not possible on any significant scale. In 1996, these households alone represented about 28.7% of the poor in the country as a whole. Populations of the spontaneous urban settlements and the unemployed (in both the rural and the urban areas) constitute the other vulnerable groups. In the rural-river zone, the incidence of poverty is higher among households which are in wage employment than among those in agricultural self-employment. This is an important point of contrast with other rural zones, partially reflecting the consequences of relatively high rainfall and/or the possibility of irrigated agriculture.

- **Some interesting aspects in the poverty profile:** (i) female headed households appear to be better off irrespective of regions and household locations, with an incidence of poverty systematically lower than the national and male-only estimates; (ii) in terms of education, the poor have lower literacy rates with 26 percent in the lowest rural quintile, compared with a national average of 42 percent and a rate of 44 percent in the lowest urban quintile. Furthermore, net primary school enrollment rates in the lowest rural quintile are also significantly lower than the national average, with 22 percent and 20 percent for boys and girls respectively, compared with a national average of 43 percent. In urban areas, net primary enrollment rates in the lowest quintile are 48 percent for boys and 49 percent for girls.

- **Inequality**: the overall measure of inequality estimated by the Gini coefficient is 33.8 percent (1995). A regional analysis of the distribution of household per capita expenditure shows that inequality is higher in "*Autres villes*" (Urban centers other than Nouakchott) at 36.3 percent, but lower in "*Fleuve*" (31 percent). The magnitude of the estimated measure of inequality associated with "*Autres villes*" can be attributed to a less homogeneous population, as the stratum includes Northern cities with high per capita expenditure and southern cities with much lower levels of per capita expenditure.

by 56 percent, with girls reaching 41 percent of the total; (iii) students in technical education doubled from 800 to 1,680, with girls representing about one-third of the total; and (iv) higher education at the University of Nouakchott increased by 71 percent, with girls accounting for 13.2 percent of the total. This effort was supported by an increase in education expenditure from 4.2 percent of GDP in 1990 to 4.8 percent in 1996. However, while access rate to primary schooling (Grade 1) has greatly improved, the retention rate remains relatively low, with about one-third of students not reaching Grade 5. In addition, disparities across schools in terms of both resources per pupil and average student learning remain very large.

21. **Health, population and nutrition**. Health conditions in Mauritania have been greatly influenced by the country's vast mostly desert and sparsely populated territory, rapid population growth and urbanization, prevalent poverty, and social inequities. The health situation of the population during the 1980s was critical, with high levels of mortality due to infectious diseases and acute conditions. Public health services were inadequate in terms of accessibility and quality of care, and drugs were in short supply. Private sector health services were underdeveloped and concentrated in Nouakchott and Nouadhibou, the two largest cities.

22. In 1991, the Government adopted a Health Sector Policy and a Health Sector Development Program (HSDP). This latter document was updated in 1998. Simultaneously with this process and after consultation with a variety of stakeholders, a Population Policy and a Population Action Plan were also adopted. The main thrusts of the Health Sector Policy were: (a) development of primary health services (and especially of outreach services, and first referral hospitals); (b) emphasis on cost effective interventions such as prevention activities and early detection schemes; (c) decentralization of the decision making process; (d) set up of cost-recovery mechanism for drugs and services; and, (e) reconsideration of the role of private health providers and especially NGOs. Further to these policy reforms, health sector operations have gradually improved: (i) the budget allocation for recurrent expenditures for the health sectors has been increased by 0.5 percentage point annually, attaining 7 percent of the total public budget for recurrent expenditure in 1998; (ii) in 1998, the number of functioning primary health facilities reached 210, and the accessibility to care was estimated at 65 percent; (iii) all 12 wilayas were provided with decently staffed and equipped hospitals; and (iv) cost-recovery system has been generalized to all primary health services. Notwithstanding this progress, at the end of 1998, health service indicators were still unsatisfactory, and characterized by low utilization rate and limited coverage of the population.[14] Health status of the population also continued to be critical: life expectancy at birth remained at about 52 years; maternal mortality and infant mortality rates[15] were high (800 per 100,000 live births

[14]For example only 60 percent of hospitals beds were occupied, outpatient utilization rates were low at around 0.2 contacts per inhabitant per year, only 35 percent of women received antenatal care and immunizations covered no more than 60 percent of children.

[15]The rate for maternal mortality refers to the 1990–97 average, while the infant mortality rate is for 1997.

and 92 per 1000 live births, respectively); malnutrition affected about 30 percent of children; and modern contraception was estimated to be used by only about 2.5 percent of women, while the HIV prevalence rates continued to rise sharply.

E. Recent Economic Developments

23. **Program implementation**. A satisfactory macroeconomic framework was maintained during the first nine months of 1999. The evolution of monetary aggregates up to September remained close to projections and end-September benchmarks for the floor on net foreign assets and the ceiling on net domestic assets of the central bank were met. The average inflation rate for the twelve months declined from 8.1 percent in January to 5.6 in September, and foreign exchange reserves of the central bank reached US$231.5 million at end-September 1999, higher than initially projected. Budget execution was somewhat less satisfactory, with the September fiscal benchmark being missed by UM 1.2 billions. In September, a staff team was in Nouakchott to discuss the preparation of the 2000 budget. At that time, budgetary data available up to August indicated the need to contain expenditure in light of a significant shortfall in non-tax[16] and domestic tax revenue. Following a discussion with the staff, the authorities agreed to strictly control expenditure and strengthen tax collection efforts during the last quarter of the year; these actions should allow the authorities to comply with the end-December performance criteria on the overall fiscal balance. On the structural front, the execution of measures included in the PFP matrix is proceeding according to the calendar. The invitation of bids and the evaluation of the proposals for the privatization of Air Mauritanie was completed in August; and an estimate of the budgetary impact of separating the postal and telecommunications functions of OPT was included in the 2000 draft budget. In addition, in October, the government has approved a detailed plan for the reform of the tax system and administration, in line with recommendations from FAD and the World Bank.[17] Moreover, to enhance the responsiveness of the exchange rate to market indication and reduce the existing spread between the interbank and the parallel market rates, the central bank has recently started to operate biweekly buying and selling sessions of cash foreign exchange directly to foreign exchange bureaus.[18]

[16] At the end of July, the country received the EU fishing royalty payment for 1999. This transfer is denominated in Euro and was budgeted, in November 1998, on the basis of the ECU/US dollar exchange rate at that time. The country exchange rate policy of a managed float is biased towards following the evolution of the US dollar. At the end of July 1999, the U.S. dollar had reached its most appreciated level with respect to the Euro. Therefore, when the transfer was received and exchanged into domestic currency it fell short by UM 700 millions (0.3 percent of GDP), with respect to the budgeted amount.

[17] The adoption of the action plan for tax reforms has triggered the disbursement by IDA of SDR 2.7 million, under the Public Resource Management Credit.

[18] Foreign exchange cash operations essentially include travel and import operations of limited amounts. The main providers of foreign exchange in this market are foreign exchange bureaus, which generally have only limited access to the interbank market for foreign exchange.

24. **The 2000 draft budget**. In September, a staff team discussed with the authorities the 2000 draft budget, in order to ensure that it respects the authorities' commitments under the program, and that it is supportive of a stable macroeconomic environment. Revenue is projected to decline from 27.7 to 26.1 percent of GDP due to the expected decline in custom revenue[19] and SNIM's dividend payment.[20] Expenditure is projected to decline from 25.6 to 24.9 percent of GDP. However, consistent with the changes in the HIPC Initiative, the draft budget for 2000 doubles the share of budgetary resources allocated to well-targeted poverty reduction programs, as well as substantial increases in health and education expenditure, in line with the medium term social objectives of the PFP.[21] The government has only moderately raised budgetary allocations for the investment program, thus taking into account its still limited capacity to implement investment projects. In contrast, emphasis was placed on providing adequate allocations for maintenance and operations of existing projects. Larger social and basic infrastructure expenditures, in a context of declining revenues are made possible on the one hand by significant reductions in interest, military and enterprise restructuring expenditure totaling 1.3 percent of GDP and, on the other hand, by a one percentage point of GDP reduction in the overall surplus. The decline of the surplus is consistent with macroeconomic stability and is supported by important external financing.

III. Policy Reforms and Conditionality

25. The new three-year PRGF arrangement from the Fund[22] supports a program of policy reforms, covering the period 1999–2002. The authorities' medium term strategy was outlined in the updated policy framework paper (EBD/99/85, 7/12/99, IDA/SecM99-485, 7/12/99). Over the medium term, key objectives of the program are to raise growth rates, achieve external viability and improve social conditions, with particular focus on poverty reduction.

A. Macroeconomic Policies

26. The objectives for the program period are to: (i) raise annual real GDP growth to above 5 percent, (or about 2 percent annual growth in real per capita income); (ii) lower annual inflation to around 2.5 percent; (iii) reduce the external current account deficit

[19] The decline in custom revenue results from the implementation of the last phase of the tariff reform.

[20] In 1999, SNIM paid an exceptional dividend to the state, amounting to almost 2 percent of GDP. In 2000, SNIM's dividend payment is projected at around 0.3 percent of GDP.

[21] A World Bank team assessed the consistency of budgeted social expenditure with the objectives included in the PFP, as well as the quality of additional projects included in the poverty reduction program.

[22] The start of the arrangement was preceded by the execution of important structural measures in different domains, which were considered prior actions for the approval of the arrangement. Details are reported in Attachment 2, Table 1 of EBS/99/120, 7/9/99.

(excluding official transfers) to about 10 percent of GDP; and (iv) increase official foreign exchange reserves to the equivalent of about 5–6 months of imports (Table 3).[23] The authorities are committed to maintaining a stable macroeconomic environment, with prudent fiscal and monetary policies and a transparent management of exchange rate policy. In addition, a vigorous implementation of structural reform, resulting in an improved legal and economic environment for private sector activities, and an ambitious privatization program supported by financial and technical assistance from IDA should further stimulate private sector-led growth.

27. **Fiscal Policy**. Establishing the conditions for an expansion of private sector activity in non-traditional sectors requires important efforts towards improving the country's infra-structure and the quality of human capital. Therefore, budgetary allocations for public investment and social expenditure are to grow over time. Also, consistent with the poverty reduction objectives of the HIPC initiative, expenditures on poverty reduction projects are expected to increase substantially over the medium term. Over time, resources devoted to poverty reduction actions could increase further, due to the additional resources which should be made available through HIPC debt relief (Box 4). The program calls for larger investment in basic infrastructure and higher social expenditure, despite of an expected decline in budgetary revenue over the program period.[24] This would be possible through a projected decline in the budget surplus[25] from 2.1 percent of GDP in 1999 to 0.7 percent in 2002 (see Table 3). The significant amount of external assistance expected would ensure that the reduction in the surplus is consistent with macroeconomic stability.

28. **Monetary policy** will be geared towards the achievements of the inflation and external reserve objectives, with the central bank relying increasingly on indirect instruments of monetary policy to manage liquidity. New monetary instruments such as the repo and reverse repo facility will be introduced in early 2000, allowing for more rapid reactions to changes in liquidity conditions. Real interest rates on auctioned treasury bills at around 12 percent are high at present, and there is room for some lowering over the medium term.[26] The decline

[23] Historical figures for GDP and National Accounts have been corrected to take into account some data revisions by the authorities and the reclassification of some government expenditures, grants and transfers. As a consequence, macroframework components both for past and projection years are somewhat different than in past documents.

[24] Revenues are expected to decline due to the trade reform (to be completed in 2000) and a programmed reduction in fishing so as to protect the resource. Actions to broaden the tax base and the elimination of exemptions (particularly for VAT) would partially offset the losses.

[25] The fiscal surplus results from the policy decision of sterilizing a sizeable part of the European Union fishing royalties, as this revenue is related to a natural resource. Excluding the EU fishing revenues, the overall fiscal balance is projected to show a deficit of 3.8 percent of GDP in 1999.

[26] High interest rates on treasury bill can be explained by the lack of competition in the banking system and from a concentration of available liquidity in one or two banks. In addition, the oligopolistic nature of Mauritania's banking system is at the basis of the very large spread between deposit and lending rates, with the first kept at around 10 percent, while the second oscillate around 30 percent.

Box 4. Mauritania: Total Expenditure for Health, Education, Poverty Reduction and Debt Service, 1996–2002

				Projections			
	1996	1997	1998	1999	2000	2001	2002
	(In millions of U.S. dollars)						
Total social sectors spending 1/	79.5	80.4	74.7	84.6	96.5	110.9	120.7
Health	19.2	18.4	17.4	19.3	20.8	24.4	27.4
Education	53.0	56.5	49.6	50.3	56.2	60.1	65.2
Poverty Reduction	7.3	5.5	7.7	15.0	19.5	26.4	28.1
Debts service paid	124.6	91.0	87.8	...	...	...	...
Debt service due	159.4	154.0	131.8	134.5	131.9	126.6	126.7
Debt service due after traditional debt relief 2/	...	...	...	97.8	108.8	105.2	108.1
Debt service due after HIPC assistance 3/	...	...	...	…	87.4	79.9	58.3
	(in percent of GDP)						
Total social sectors spending	7.1	7.3	7.4	8.5	9.3	10.1	10.2
Health	1.7	1.7	1.7	1.9	2.0	2.2	2.3
Education	4.8	5.1	4.9	5.1	5.4	5.4	5.5
Poverty Reduction	0.7	0.5	0.8	1.5	1.9	2.4	2.4
Debts service paid	11.2	8.3	8.7	...	...	...	...
Debt service due	14.3	14.0	13.1	13.6	12.8	11.5	10.7
Debt service due after traditional debt relief 2/	...	...	...	9.9	10.5	9.5	9.1
Debt service due after HIPC assistance 3/	...	...	...	…	8.5	7.2	4.9
Memorandum item:							
GDP (in millions of U.S. dollars)	1,115	1,100	1,007	991	1,033	1,103	1,182

Sources: Mauritanian authorities and staff estimates .

1/ These amounts would be raised in the years 2001 and 2002, if additional effective poverty reduction actions were to be identified and if non HIPC related international aid flows are maintained at pre-HIPC level.

2/ It assumes debt relief under Naples terms at end-1998.

3/ The additional resources liberated by enhanced HIPC Initiative assistance will allow an increase in social expenditure in the future. Otherwise, the expected decline in fiscal revenue (due to the full effect of the tariff reform and a possible decline in fishing revenue linked to improved fisheries resources management) would have necessitated a significant reduction in total budgetary expenditures in order to maintain a fiscal stance consistent with macroeconomic stability. The amount of debt relief shown may overstate the actual additional cash available , as it includes relief on previously not serviced debt.

should not threaten Central Bank objectives, while supporting the expansion of private sector activity.

29. **Exchange rate policy**. The authorities are committed to maintain their policy of a managed float, with the objective of preserving export competitiveness and pursuing their foreign reserves objective, and are ready to make any required adjustments to the nominal rate. The interbank foreign exchange market is being strengthened, to render the float more responsive to market conditions and limit the spread between the official and the parallel market rates.

B. Structural Reforms

30. During the discussion on the preliminary HIPC paper, Executive Directors stressed the need to deepen structural reforms, particularly in the areas of fiscal reform, private sector development, and public enterprise reform.[27]

31. **Foreign exchange market**. Measures to make the exchange rate more responsive to market conditions include the elimination, by June 2001, of the obligation for all exporters (including SNIM) to surrender their proceeds.[28] Thus, increasing amounts of foreign exchange will be intermediated through the interbank market. Moreover, the authorities have eliminated most remaining restrictions on payments and transfers for current international transactions, and Mauritania has accepted the obligations of article VIII, sections 2, 3, and 4 with effect from July 19, 1999.[29] In addition, the authorities are committed to keeping the spread between the interbank and the parallel market exchange rates for cash transactions below 10 percent, by supplying sufficient foreign exchange to the cash and interbank markets, and by taking into account both rates when determining the official rate. A monitoring system has been put in place.

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[27] A number of important structural measures, which constituted prior actions for the approval of the new arrangement, were promptly implemented. See EBS/99/120, 7/9/99 Attachment 2, Table 1. A detailed description of the structural measures included in the program is contained in EBD/99/85, 7/12/99 and IDA/SecM99-485, 7/12/99.

[28] See Policy Framework Paper matrix, Annex 1 in EBD/99/85, 7/12/99, and IDA/SecM99-485, 7/12/99.

[29] At the time Mauritania accepted Article VIII, it maintained a multiple currency practice (MCP) arising from the lack of a mechanism to prevent the spread between the official rate and the rates charged by commercial banks from exceeding 2 percent. This MCP was approved by the Board until the earlier of end-December 1999 or the conclusion of the next Article IV consultation. In accepting Article VIII, the authorities committed that upon the expiration of the approval of the MCP, they would begin to either (i) set the official rate daily on the basis of the rates prevailing in the interbank market on the preceding day, or (ii) adjust the official rate on any day that it diverges from the interbank rates by more than 2 percent, even if this is before the standard weekly period of setting the official rate.

32. **Budget management and fiscal reform.** An important component of the reforms is the reduction of the size of government, its restructuring, and the improvement of its organizational structure and administrative procedures. Non-core government activities are to be devolved to the private sector, while the government will focus on regulatory activity and on increasing the provision of key public services. The authorities have recently adopted an action plan for the modernization of tax structure and administration, with the support of Fund and Bank technical and financial assistance. The reforms are aimed at enlarging the tax base, eliminating exemptions, simplifying procedures, and improving tax administration. An overhaul of direct taxation (corporate and personal income) is envisaged to start in 2000. Moreover, the last phase of the tariff reform will be implemented in 2000, so as to harmonize Mauritania's tariff structure with that of the West African Economic and Monetary Union countries.

33. **Civil Service Reform and Governance**. The government plans to strengthen its administrative capacity and raise the quality of government decision-making by reorganizing the civil service and improving transparency. The ongoing civil service reform will allow for performance-based evaluation and merit-based recruitment and will include a clear definition of rights and obligations of civil servants. Increased transparency in government decisions will result from the revision of the procurement code,[30] which will streamline and render more transparent procedures pertaining to the award, supervision and payments of contractors.

34. **Public Enterprises Reform and Privatization.[31]** A far-reaching privatization program aims to increase the quality and delivery of public utilities, improve the supply, and reduce production costs. To this end, the government will (i) liquidate a loss making mineral company; (ii) increase private sector participation in a large import-export company; and (iii) privatize four other public enterprises and open up to the private sector the capital and management of another six. The government is also restructuring the Food Security Committee (CSA) by redefining its functions and increasing the transparency of its financial operations, in line with the agreement with the EU. Moreover, following the separation between the water and electricity activities of the national utility company (SONELEC), the reform in the **power sector** will entail the abolition of the public service monopoly and encourage competition among new private providers. The reform of the **telecommunications sector** will be completed by end-2000, when the telecommunications wing of the Office des Postes et Télécommunications (OPT) will be sold to a strategic partner. The government has already adopted a legal framework for the sector and separated the post and telecommunications services in December 1999. It will also grant, by March 2000, a license for cellular services to a private operator. As for **Air-Mauritanie**, the process towards its full privatization is proceeding with some delay and is expected to be completed by April 2000.

[30]See PFP matrix, Annex II of EBD/99/85, 7/12/99 and IDA/SecM99-485, 7/12/99.

[31]Details on the reforms of public utilities and on the privatization program are included in sections E 2 and 3 of the matrix and in Annex III of EBD/99/85, 7/12/99 and IDA/SecM99-485, 7/12/99.

35. **Banking system reform**. To increase confidence in the banking system, promote competition and deepen financial intermediation, the program calls for the strict enforcement of prudential regulations under the 1995 Banking Law. In light of the oligopolistic structure of the banking system, and close links between banks and commercial groups, particular attention will be devoted to the monitoring of the risk concentration ratios.[32] The central bank will continue to strengthen its supervisory capacity and extend it to non-bank financial institutions, as well as introduce regulations on internal monitoring of banks and on supervision of savings cooperatives.

36. **The Regulatory Framework and Private Sector Development**. The government will continue its ongoing dialogue on sectoral policy reform with private operators. This dialogue will underpin the proposed reforms of the regulatory framework for: (a) telecommunications; (b) postal services; (c) water and energy; and (d) air-transportation. The Chamber of Commerce will gain autonomy through a law to be enacted by end-1999. In September, the government, with FIAS support, organized a seminar to discuss with enterprises and union representatives administrative and environmental constraints the private sector faces when operating in Mauritania. The discussion, which was open and constructive, was followed by the joint elaboration of a detailed action plan aimed at eliminating most of the identified constraints over the medium term.

37. **Judicial Reform**. Improving transparency and efficiency of the judicial system is key for promoting economic interactions. The judicial reform will focus on ensuring the independence and the public accessibility of the judiciary. To enhance effectiveness, judges will be provided with improved training and resources. The authorities are committed to reduce pending cases by half by end-2000.

38. **Price liberalization**. Measures include the completion of a study on the appropriate structure of petroleum product prices and the implementation of a new price setting mechanism in 2000. Retail prices will be revised monthly, reflecting changes in international prices. The expected revision of intermediaries' margins should encourage greater competition in the sale of petroleum products, with beneficial effects on fuels and electricity prices.

39. **Rural Sector**. The Government, with IDA and donors assistance and the active participation of stakeholders has recently developed a comprehensive rural development strategy that aims to improve food security and reduce poverty through (i) the promotion of

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[32] In light of the concentrate structure of Mauritania's banking system and economy, commercial banks are encountering significant difficulties in adapting their portfolios to the new limits on risk concentration for a single borrower and for a group of connected borrowers. The central bank, in agreement with Fund staff, has therefore established a transitory regulation, which will allow commercial banks to comply by June 2003 with the limits fixed by the Banking law. The regulation fixes a calendar with six intermediate targets (every six months starting in June 2000) for reducing the risk ratio on a single borrower from 50 to 10 percent (intermediate targets 40, 35, 30, 25, 20 and 15 percent) and the risk ratio on a group of connected borrowers from 80 to 25 percent (intermediate targets 70, 62.5, 55, 47.5, 40, and 32.5 percent).

competitive diversified agricultural production; and (ii) the protection of the environment. A key instrument of this strategy is the Bank-supported Integrated Development Program for Irrigated Agriculture (PDIAIM), which aims to increase rural value added, income, and employment in the Senegal river valley through the rehabilitation of irrigated schemes, provision of basic rural infrastructure, and support to producer groups. To level the playing field, the government has accelerated the liberalization of the rice sub-sector by removing marketing subsidies on domestic rice and eliminating state intervention in establishing prices paid to producers. It will also strengthen UNCACEM lending operations so that it becomes a viable financial institution for the agricultural sector.

40. **Fisheries Sector**. The government remains committed to the implementation of its 1998 reform program. Increased private sector involvement will be encouraged with the aim of raising investment, value added and exports. The government will undertake a re-examination of the current licensing and fee system with donors' support, while continuing to seek to protect Mauritania's fishing resources through intensified surveillance.

C. A Roadmap to Poverty Reduction and Social Development

41. Growth oriented macroeconomic adjustment is a necessary but not a sufficient condition to reduce poverty. As emphasized by the new HIPC framework, a strategy for poverty reduction must be an integral component of the overall policy framework. The current program, as detailed in the matrix in Appendix III, represents the initial thinking on poverty and constitutes an excellent basis for the development of a well-articulated and fully participatory Poverty Reduction Strategy Paper (PRSP). The authorities are committed to get civil society rapidly and fully involved in the process of developing and implementing the country's Poverty Reduction Strategy (see Box 5). In view of this objective, they are organizing meetings and round tables with local communities representatives, representatives of the poor, NGOs and other grass-root organizations. The meetings are aimed at receiving feed-back on ongoing projects and soliciting suggestions directly from stakeholders on priorities to be addressed and new actions to be undertaken in order to reduce poverty. Civil society will also be involved in monitoring effects and outcomes of the poverty reduction strategy, thus making it fully transparent to public scrutiny. The government remains strongly committed to finalize the PRSP by end-2000 (see section on completion point below; and Appendix IV).

42. While policies for the promotion of economic growth should ultimately lead to **long-run poverty reduction**, the authorities are taking immediate steps to alleviate poverty by redirecting public expenditure toward priority social sectors. To centralize efforts, the *Commissariat aux droits de l'homme, lutte contre la pauvreté et à la reinsertion* was created

Box 5. Mauritania: Poverty Reduction Strategy

In 1998, The Government of Mauritania established a *Commissariat aux droits de l'homme, à la lutte contre la pauvreté et à l'insertion* whose mandate is to conceive, promote and coordinate national policies in the areas of human rights, poverty reduction and social integration, in consultation with concerned ministries. In terms of poverty alleviation efforts, the Commissariat has two broad areas of responsibilities: poverty analysis and monitoring, as well as design and implementation of priority targeted action programs aimed at meeting basic needs of the poorest. It has worked in close consultation with NGOs, regional elected representatives, local administrations, as well as the ONS (*Office national de la statistique*) and other relevant institutions. In November 1999, the Government also established a *Comité Interministériel de lutte contre la pauvreté,* chaired by the Prime Minister, to coordinate Government actions on poverty reduction.

At the Consultative Group Meeting in March 1998, the Government presented its Poverty Reduction Strategy for the period 1998-2001. The Government is well aware that understanding the dynamics of poverty will require availability of quality and relevant baseline data. In that respect, five household surveys were conducted between 1987-1995, and two poverty profiles were produced in 1987/88 and 1995/96. While these surveys have allowed for adequate compiling of relevant economic and social statistical information, they must now be updated. Moreover, additional analytical work is needed to deepen the understanding of determinants of poverty and to design and evaluate strategic axes of poverty reduction. A population census and a demographic and health survey will be launched soon, as well as a new household expenditure survey (to be financed out of the national budget). This quantitative information will be complemented by a comprehensive qualitative poverty assessment carried out in a participative way and involving various segments of society.

Finally, the Mauritanian authorities have launched the preparation of a broad-based fully participatory poverty reduction strategy (PRS) to be presented to the Bank and Fund Boards by end-2000. They are committed to engage civil society in the preparation process and, in that context, the Government organized in December 1999 the first in a series of round tables involving the participation of the main domestic stakeholders. The three-day round table gathered elected local and parliamentary representatives, 18 NGOs working on poverty alleviation, other civil society groups, such as trade unions and religious leaders, and the donor community. Working groups on microfinance, labor intensive public works and social development were also part of the program. Following the presentation of a set of available poverty indicators and their recent evolution, the round table launched the discussion on the PRS, its content, objectives as well as the preparation and participation process. A preliminary timetable for the preparation of the PRSP is detailed in Appendix IV.

1/ *Programme National de Lutte contre la Pauvreté 1998-2001*. This document is an update of the *Stratégie de Lutte contre la Pauvreté et du Développement à la Base, 1994-1998*.

in May 1998, and an Action Plan for the Fight against Poverty for the period 1999–2002 has been launched.[33] Its overall objective is to increase the number of Mauritanians above the poverty line, while improving their access to basic social services. The strategy is developed around three main lines: (i) **generate income for the poor** via labor-intensive public work programs, providing support for artisanal fisheries activities and greater private sector investment in economic areas directly affecting the poor such as agro-industries; (ii) **achieve human development** by increasing the share of budgetary resources in education and health sectors, with attention to efficiency considerations, and by improving access to safe drinking water and sanitation; and (iii) **enhance welfare** in general by allowing local authorities to allocate a larger share of their resources to the delivery of public services, promoting savings and loan cooperative schemes (particularly in rural areas) and strengthening the poverty-monitoring system as well as data collection through household surveys (see Box 6). However, before devolving the delivery of public services to local authorities, the government will need to put in place capacity building measures that will enable local authorities to implement these programs. As an integral element of the effort to alleviate poverty, an action plan to promote the role of women in the development process is also being implemented, encompassing the provision of informal education, skills training, and assistance in the formation of cooperative production groups, with a view to increasing women's participation in farming, livestock, and artisanal fishery activities.

43. **Education**. Notwithstanding remarkable improvements achieved in terms of access rate to schooling and quantitative growth of the education system, the government has been concerned over the low quality of national education as well as its limited efficiency and low responsiveness to the needs of the economy. In April 1999, it therefore embarked on an ambitious reform of the country's education system to meet the challenges of an increasingly globalized environment. The main objectives of the reform have been included as benchmarks of the current arrangement[34]. The reforms focus mainly on primary and secondary education and aims at the following: (a) eliminating illiteracy through primary education for all by the end of the program period, and increased adult literacy programs; and (b) improving the relevance and quality of education through: (i) lengthening of lower secondary schooling; (ii) unifying the streams based on languages of instruction, leading to a *de facto* Arabic-French bilingual system; (iii) reinforcing of English in lower secondary education; (iv) putting greater emphasis on scientific disciplines and information technology; (v) introducing a new "civil instruction" at the primary and secondary levels, separated from "Islamic studies"; and (vi) reducing disparities between regions and between boys and girls. Before the approval of

[33]The preliminary version of the program was presented to the donor's community in March 1998 at the consultative group meeting.

[34]The calendar of the education sector reform and the measures to be taken are included in the PFP matrix, section F 1. Quantitative indicators and objectives are reported in EBD/99/85, 7/12/99, and IDA/SecM99-485, 7/12/99, Annex V of the PFP.

Box 6. Mauritania: Monitoring Social Sector Reforms

Monitoring of the wide-ranging social sector program put in place by the Mauritanian authorities will be done using two sets of observable indicators: (i) a set of outcome/output indicators; and (ii) a set of input indicators. The first group of indicators will be used to monitor the efficacy of the measures incorporated in the social program. The second group will be used to monitor the implementation of these measures. Target values for these indicators are specified in the PFP Matrix. Should the attainment of the target values for the outcome indicators appear uncertain even with full implementation of the social program, target values for the input indicators would be increased and/or new measures introduced. In addition, expenditure targets would be adjusted if necessary to ensure consistency with other input indicator target levels.

In the health sector, **outcome/output indicators** include the mortality rates for infants and for children under 5, the percentage of mothers receiving postnatal care, the percentage of children immunized, the number of fully operational health facilities, and hospital utilization rates. The mortality rates will be calculated on the basis of upcoming demographic and health surveys, while the remaining indicators are available from Ministry of Health (MOH) statistics. In the education sector they include the gross enrollment rates at all levels of education, the shares of females in enrollment rates at all levels of education, and the survival rate up to the 5th grade of primary education. All of these indicators are available from Ministry of Education (MOE) statistics. Outcome/output indicators to reduce poverty include the percentage of the population below the poverty line, the malnutrition rate, the fertility rate, and the contraceptive prevalence rate. The first three of these indicators will be calculated on the basis of the above-mentioned surveys—which are, however, expensive, time-consuming, and difficult to conduct--while the last indicator is available from MOE statistics. Consequently, additional data on living standards will be collected through comprehensive qualitative and quantitative surveys on poverty levels and household living conditions, which will be conducted on a more frequent basis than the surveys.

Health sector **input indicators** include expenditure targets on recurrent health budget allocation, salaries, and primary and secondary health care, all available from the MOH. In the education sector input indicators are placed upon total education expenditures, expenditures on primary education and on maintenance, the number of classrooms added per year, the number of net additional teachers/professors, and student/teacher ratios. Expenditure data is available from the MOE budget, while the other indicators except last one are available from MOE statistics. Student/teacher ratios will be routinely monitored and reported by the MOE.

To allow for **adequate monitoring**, the "*Commissariat aux droits de l'homme, lutte contre la pauvreté et à l'insertion*" , in coordination with the ONS, is already conducting several studies related to poverty determinants including: an income and expenditure household survey; an update of the poverty profile, and the preparation of poverty maps.

the law,[35] the president undertook an information campaign in the different regions of the country, to explain the reasons for and the expected outcome of the reform. The campaign was successful in gaining support for the reform from local and religious leaders, thus raising the chance for its success. The implementation strategy has been agreed and initial changes were introduced in October 1999. The work on the rest of the reform is expected to be completed by January 2000 (technical and vocational education and overall sector management). However, additional work is required to structure the pedagogical project and develop a strategy for implementation; and more importantly, to frame the quantitative and qualitative changes into a sustainable financial framework. This will make the basis for a ten-year sector development plan, consistent with the education reform program recently adopted by the government.

44. In addition, the government is also implementing two IDA financed education projects. One is the technical and vocational education project that helps establish a coherent system of technical and vocational education that would be staffed by nationals and would be efficient and responsive to labor markets demands. The other is the general education project, whose objective is to assist the country implementing its 1995–2000 development program. An element of the second project aims at assisting communities in further improving girls'schooling. Through the efforts of a governmental team (*Le Secrétariat à la Condition Féminine(SECF)* and *Le Fond d'Appui aux Filles*), information and sensitization campaigns are undertaken, with the objective of identifying the conditions which can facilitate girls schooling in different communities. Communities can receive UM 200,000 (about US$1,000) per school as a start up fund to increase girls' enrollment. The most important factors contributing to the initial success of the project are: (i) solutions offered are adapted to the specific conditions of communities; and (ii) political, traditional, and religious leaders are being closely involved in the project.

45. **Health population and nutrition**. Notwithstanding improvements achieved in the recent past, available health status indicators still depict a gloomy situation and call for government's sustained efforts to improve health and nutrition conditions in the country.[36] In 1998, the government adopted the second HSDP, covering the period 1999–2003. A sector-wide investment IDA credit and credit from other donors are supporting the implementation of this strategy. Its main objectives constitute an integral part of the PRGF arrangement and include: (i) improvement of health services quality and extension of coverage of primary health care services in rural areas; (ii) improvement in health sector financing and performance; (iii) mitigating the effects of major public health problems, such as malaria, acute infectious disease and diarrhea; (iv) expand access to safe drinking water and sanitation in

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[35]The law was published in the official journal on April 26, 1999.

[36]Monitorable indicators and objectives for public health developments included in the program are reported in EBD/99/85, 7/12/99, and IDA/SecM99-485, 7/12/99, Annex V of the PFP.

rural areas; and (v) promote a more decentralized and efficient health services delivery system, as well as greater community involvement. Current expenditure in the health sector is set to increase from 1.7 percent of GDP in 1998 to 2.3 in 2002. Concerning water-born diseases, Mauritania has already started to address related health problems, in coordination with Senegal and Mali. Also, the execution of the population policy and action plan continues, and in 1999–2000 a population census and a demographic health survey will be conducted.

46. In addition, the Government has launched an ambitious **nutrition program,**[37] aimed at improving the nutritional status of mothers and children, promoting the physical development of children under six years of age, and increasing the income of parents. The IDA supported pilot project includes *inter alia* growth monitoring of children (0–3 years) and the provision of nutritional supplements to pregnant women and lactating mothers. In the urban areas, the program will be based on Community Nutrition Centers managed by NGOs and/or local residents of poor peri-urban districts, and in the rural areas, the program interventions will be implemented mainly through existing women's co-operatives working closely with village health workers and NGOs.

IV. THE COMPLETION POINT

47. In keeping with the proposed modifications to the HIPC Initiative,[38] Mauritania's completion point will be triggered by the successful implementation of a set of pre-defined reform measures. The majority of these are structural and social development measures, but also include indicators of macroeconomic stability established under the PRGF arrangement. They have been drawn from six key areas of reform which correspond to the objectives identified above as central to the current Bank/Fund strategy for boosting sustainable growth and reducing poverty: (i) macroeconomic stability; (ii) the foreign exchange system; (iii) tax reform and governance; (iv) privatization; (v) the banking system; and (vi) social sectors and poverty reduction. Together, these measures represent the core set of actions underpinning this strategy, and in the staff's view provide the basis to assess Mauritania's progress in pursuing structural reforms, and in implementing poverty reduction programs. The measures on which understandings have been reached by the Mauritanian authorities and World Bank and Fund staff are summarized in Box 7.

48. **Macroeconomic stability**. Under its previous ESAF-supported programs, Mauritania established a reasonably good track record of macroeconomic performance. Looking forward, Mauritania must maintain macroeconomic stability at its completion point and beyond. To that end, the PRGF-supported program must be on track and macroeconomic conditions be characterized by low inflation, an adequate reserve level, and an overall fiscal balance that,

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[37] A learning and innovation lending credit by IDA supports the nutrition program pilot project.

[38] "Modifications to the Heavily Indebted Poor Countries (HIPC) Initiative" EBS/99/138, 7/23/99 and IDA/SecM99-475, 7/23/99.

Box 7. Mauritania: Measures and Objectives to Reach the Floating Completion Point

Full implementation of the measures and satisfactory performance with respect to the objectives reported below would allow Mauritania to reach the completion point under the HIPC initiative:

A. Macroeconomic and Structural

1. Stable **macroeconomic conditions** characterized by consistent and sustainable internal and external balances, allowing for an increase in expenditures on well-targeted social and poverty reduction programs, subject to the availability of external financing and adequate domestic absorptive capacity.

2. An exchange rate policy that encourages export diversification and external competitiveness, in which the official exchange rate is fully determined by the actual rate used in the transactions of the interbank market, with the participation of exchange bureaus. This policy is to be supported by a **foreign exchange system** that is free of restrictions on payments and transfers for current international transactions, and where the spread between the interbank and the parallel market rate for cash transactions is maintained below 10 percent.

3. The implementation of tax **reform and good governance** measures, including the elimination of tax exemptions, the unification of VAT rates, the creation of the Large Tax Payers Unit and the adoption of standard bidding documents for public procurement contracts.

4. The **privatization** of Air Mauritanie and of parts of the major utility companies (OPT and SONELEC), according to the terms agreed with Bank and Fund staff.

5. Significant progress toward commercial banks full compliance with the general **prudential regulations,** as established in the 1995 Banking Law, and in particular the respect by each bank of the following ratio of risk exposure to capital: 20 percent for a single borrower and 40 percent for a group of connected borrowers.

B. Social sector and poverty reduction

1. Preparation of a **broad-based fully participatory PRSP** as part of an effectively coordinated poverty reduction strategy, Bank and Fund Board endorsement of the PRSP and track record of successful implementation for at least one year.

2. Enhancement of **economic and social conditions of the poor** in order to reduce the share of the population below the poverty line to 40 percent.

3. Improvement of access and survival rate in primary and secondary education so as to:
   - Raise gross enrollment rate of primary education to 99 percent.
   - Increase the share of girls in total primary enrollment to 49 percent.
   - Augment the gross enrollment rate of lower secondary education to 29 percent.
   - Improve the survival rate at the entrance of the 5th grade in primary education to 67 percent.

4. Improvement of health status and enlarged access to quality health care and nutrition:
   - Set up a central procurement facility for essential drugs and contraceptives
   - Increase child vaccination rate to 70 percent
   - Maintain the HIV prevalence rate at the level of 1998 (less than 1.2 percent HIV positive among blood donors).

while allowing for increased social and poverty reduction expenditures, remains consistent with non-inflationary monetary conditions. Even so, assessment of this condition will involve a degree of judgement. However, as a basis for this judgement the staff believes that the current macroeconomic projections outline a stable macroeconomic path. Thus, in the absence of significant exogenous shocks, if Mauritania were to maintain the macroeconomic performance envisaged in these projections it would be in a stable macroeconomic position at the completion point.[39]

49. **The foreign exchange market**. A priority of the current program is the establishment of a well-functioning foreign exchange market. Persistent deficiencies in its functioning in the past had resulted from a mechanism for the formation of the rate that did not reflect the real scarcity of foreign exchange, and from the exclusion of foreign exchange bureaus from an interbank market of already limited size. These hindered the emergence of a robust interbank market (though its legal infrastructure has been in place since 1995), led to the accumulation of external arrears on commercial debt, and undermined private sector confidence in the liberalization process. The current strategy is based upon further deregulation of the exchange system with a view to reducing the role of the BCM. The most important reforms, to be implemented prior to the completion point are: (i) the elimination of all restrictions on the retention of foreign exchange proceeds by all exporters, including SNIM; (ii) the establishment of a transparent mechanism for their repatriation; and (iii) the maintenance of the spread between the interbank rate and the parallel market rate for cash transactions to below 10 percent.

50. However, given the persistence of deficiencies in this market and the need for these reforms to become established, the staff believe that it is appropriate to place a general requirement directly related to the objective of the reforms, i.e. the establishment of a well-functioning foreign exchange market itself, in which the exchange rate fully reflects demand and supply conditions. The essence of such requirement is that central bank actions do not inhibit the foreign exchange market from clearing at any given exchange rate. To this end, the following condition will serve as a trigger criterion: that the official exchange rate be determined by the actual rate used in the transactions in the interbank market with the participation of the exchange bureaus.[40]

51. **Tax reform and governance**. Reducing the relative tax burden on domestic production, while at the same time eliminating exemptions, maintaining adequate levels of

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[39]The staff draws attention to the program's policy recommendation to further relax the fiscal stance vis-à-vis projections, in the event that additional high quality expenditures (particularly in the social sector) are identified, the absorptive capacity is considered adequate and sufficient external financing is available.

[40]Indicators used to assess this criterion could include, in addition to the spread between the rates prevalent in the exchange bureaus and the interbank market, emergence of arrears on private commercial debt, evidence of rationing, levels of working balances, and discussions with market participants.

fiscal revenue and increase the transparency of the operations of the administration are central components of the government's strategy to create a more supportive environment for private sector activity. Currently, Mauritania's tax base is quite narrow, places an unduly high burden on enterprises, and is weakened by the existence of significant exemptions. In addition, public procurement operations still lack transparency. To address these problems, the Bank/Fund supported program incorporates an ambitious set of reforms to the tax system, tax administration and the procurement process of which the following will serve as completion point trigger: (i) elimination of tax exemptions, including those of SNIM on VAT; (ii) application of a unified VAT rate; (iii) establishment and strengthening of a large taxpayers unit; and (iv) adoption of standard bidding documents for public procurement contracts.

52. **Privatization**. Mauritania made commendable progress under a World Bank supported program to restructure public enterprises. Nevertheless, further reform remains necessary. Several public utility companies remain inefficient, and high utility prices constitute an additional constraint on private sector development. To further reduce government involvement in economic activities that can be better performed by the private sector, the current Bank and Fund strategy includes an extensive and well-specified agenda for the privatization of key public enterprises. The completion point trigger is based upon the completion of all actions specified in Annex 3 of the PFP matrix regarding the privatization of OPT, Air Mauritanie, and SONELEC.

53. **Banking system reform.** Despite considerable reforms under previous Bank/Fund supported programs, the banking system in Mauritania remains fragile and hinders more robust levels of private sector growth. To address this issue the current program includes a further set of reforms to the sector which aim to strengthen its soundness, enhance its efficiency, and deepen financial intermediation. Although compliance with all prudential regulations included in the 1995 banking law remains the critical objective of the reform and is to be reached by June 2003, the conditions that will allow Mauritania to reach the completion point pertain to the compliance of all commercial banks with the following prudential ratios for risk concentration: (i) exposure to a group of closely related borrowers below 40 percent of a bank's capital and (ii) exposure to a single borrower below 20 percent of a bank's capital.

54. **Social sectors and poverty reduction.** To reach the completion point, the authorities will need to have prepared a broad-based and fully participatory poverty reduction strategy paper. This would possibly include a new assessment of poverty—its nature, trends and causes—but certainly an analysis of the obstacles to growth and poverty reduction. Critically, the PRSP would be developed with the broad participation of civil society by end 2000, and would spell out the medium term financing needs linked to the implementation of the strategy, which could require a revision of the current macroeconomic framework. PRSP endorsement by Bank and Fund Boards, implementation of the PRSP for at least one year and demonstrable progress towards the objectives are also conditions to reach the completion point. The PRSP will need to include a set of priorities, goals, measures and monitorable indicators. Social sector and poverty reduction objectives and measures, which will be retained as trigger for reaching the completion point, are reported in Box 7.

55. **Monitoring.** The Fund will take the lead in monitoring and assessing macroeconomic policies, as well as the implementation and fulfillment of foreign exchange market and banking system reforms. The World Bank will take the lead in monitoring the implementation and fulfillment of the privatization program, the social sector reforms and the poverty reduction strategy. Monitoring of tax reforms will be jointly done by the Fund and the World Bank.

V. DEBT SUSTAINABILITY ANALYSIS AND ASSISTANCE UNDER THE ENHANCED HIPC INITIATIVE

A. Debt Sustainability Analysis

56. The debt sustainability analysis (DSA) was prepared jointly by the Fund and Bank staffs and the Mauritanian authorities on the basis of loan-by-loan data provided by the authorities and creditors for debt outstanding at end-1998 and macroeconomic assumptions as reported in Table 4.[41] The nominal debt data have been reconciled with all creditors' data in early 1999, and again in early 2000 with data provided by the Paris Club Secretariat.[42] The NPV of debt to exports ratio is measured using the backward looking three year average of exports of goods and nonfactor services, while the debt service ratio is measured in relation to current-year exports. The NPV of debt to revenue ratio is based on a conversion of central government revenue at the end-of-period exchange rate.[43] The exchange and interest rates used for the calculation of the debt data are provided in Table 5.

57. **Debt stock.** At end-1998, the total external public debt stock of Mauritania amounted to US$2.1 billion in nominal terms (Table 6 and Chart 1), including US$331 million in arrears. The present value of this debt stock is estimated at US$1.6 billion or 356 percent of exports, equaling 597 percent of revenues and 160 percent of GDP. Almost 45 percent of the end-1998 debt stock in NPV terms is held by multilateral creditors, the remainder is divided between Paris Club bilateral creditors (24 percent) and non-Paris Club bilateral creditors (31 percent) with no commercial creditors involved. Details of the breakdown by creditor of the end-1998 debt stock are provided in Box 8 and Table 6.

[41] See Appendix V for issues concerning Mauritania's external debt management.

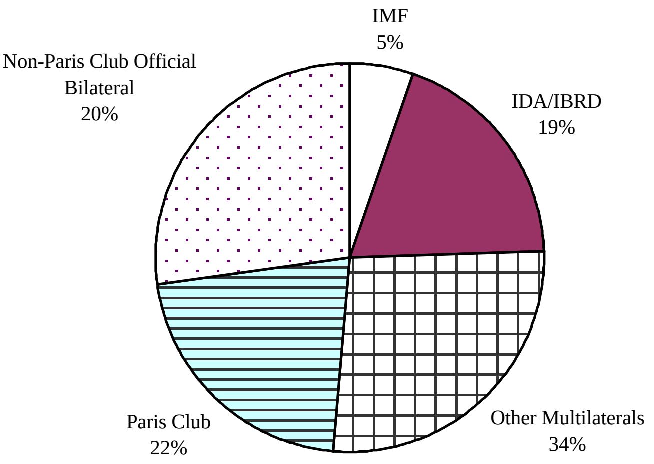
[42] The reconciliation is currently still in process (January 2000).

[43] The estimates are therefore provisional as aspects of this methodology are currently being reviewed by the Fund and the World Bank staffs in the context of the agreed enhancements to the HIPC initiative Any proposed changes in the methodology will be discussed in a HIPC Initiative costings update.

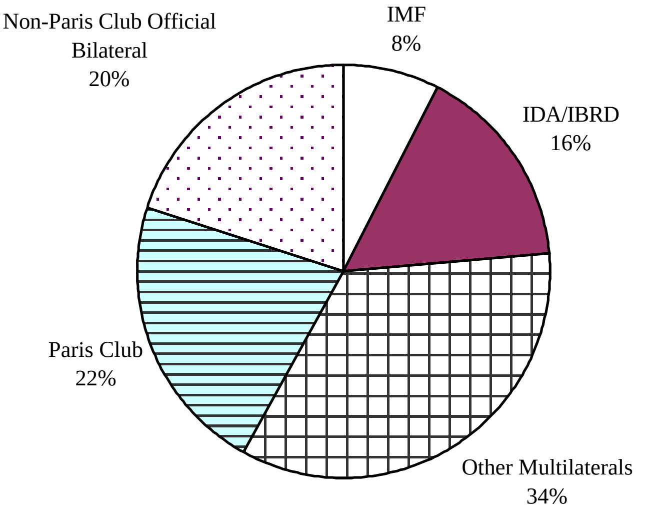
CHART 1: MAURITANIA

Stock of Debt At End 1998

NOMINAL



NPV
After Full Use of Traditional Debt Relief Mechanisms



Source: Mauritanian authorities and staff estimates.

Box 8. Mauritania: Breakdown by Creditor of the End-1998 Debt Stock in NPV Terms

In NPV terms, about 45 percent of public and publicly guaranteed debt outstanding and disbursed at end-1998 is owed to multilateral creditors and about 55 percent to bilateral creditors. The end-1998 stock of debt in NPV terms of US$1,615 million does not include any commercial debt.[1]

IDA/IBRD is the largest single creditor with a share of 12.4 percent in the total and of 27.7 percent in the multilateral debt. The African Development Bank Group accounts of 20.2 percent of multilateral debt while the IMF accounts for 13 percent. The remainder is distributed between the Arab Fund for Economic and Social Development (AFEDS, 17.7 percent of multilateral debt), the European Investment Bank (EIB, 8.4 percent), the Islamic Development Bank (IsDB, 4.3 percent), the Arab Monetary Fund (AMF, 3.3 percent), the International Fund for Agricultural Development (IFAD, 2.9 percent) and the OPEC Fund for International Development.

Regarding the distribution of bilateral debt, 24 percent of total debt was held by Paris Club creditors and 31 percent by non-Paris Club bilateral creditors. Of the Paris Club debt, 67 percent is pre-cut-off date of which 57.75 percentage points are non-ODA debt. While the share of non-Paris Club bilateral creditors pre-cut-off date debt is higher at 94.5 percent, the share of pre-cut-off non-ODA debt is lower at 28.1 percent.

[1] Almost all commercial debt was taken care of in a debt buyback operation which the Mauritanian authorities completed in 1996 with assistance from the IDA Debt Reduction Facility and bilateral donors.

58. **Passive Debt.** Mauritania has a number of loans considered to be “passive debt”, for which the authorities understand that creditors have de facto waived debt service.[44] Since the last DSA in January 1999, passive creditors were asked to advise the Mauritanian authorities whether they wish their claims to be considered active by end-March 1999. Two creditors have claimed their previously passive debts and these have been included in the calculations.[45]

59. **Paris Club Reschedulings.** Mauritania has benefited from six Paris Club rescheduling agreements in 1985, 1986, 1987, 1989, 1993 and 1995. The last rescheduling was a flow rescheduling on Naples terms, with an extension of the consolidation period to July 1998. With the approval of the last PRGF program in July 1999, Mauritania would have been eligible to ask for another concessional flow rescheduling to cover the program period until July 2002. However, in anticipation of a likely decision point in the latter part of 1999 and in light of the ongoing enhancement of the HIPC Initiative, Paris Club creditors agreed to consider Mauritania after it has reached its decision point.

[44] See EBS/99/3, 1/8/99 and IDA/SecM98-660, 1/11/99, Box 5 on “Passive Debt”

[45] All “passive debt” was excluded from the baseline scenario of the June 1997 DSA (EBS/97/120, 7/17/97 and IDA/SecM97-581) and of the January 1999 DSA (EBS/99/3, 1/8/99 and IDA/SecM98-660). Unclaimed passive debt has been excluded from the current calculation.

60. **Debt Targets**. As endorsed by the Interim and Development Committees in September 1999, the debt targets under the enhanced HIPC Initiative are set to 150 percent for the ratio of net present value of debt-to-exports and 250 percent for the ratio of NPV of debt-to-revenues under the fiscal criterion.[46] Mauritania would qualify under both criteria; however, the fiscal criterion is relevant, as an NPV of debt reduction to 150 percent of exports would not render the required reduction of the NPV of debt to revenue ratio to 250 percent.

61. **Baseline Assumptions.** The baseline scenario for the balance of payments and the debt outlook assumes sound economic and financial policies, implementation of the previously outlined structural reforms and marked increases in social spending, particularly in the field of health, education and poverty alleviation. The projection also assumes favorable climatic conditions and the absence of shocks regarding the evolution of fish and iron ore prices; another critical element is the availability of official external financing. The key assumptions underlying the projection are summarized in Box 9 and the projection is presented in Table 7.

62. **Balance of Payments.** Based on the assumptions in Box 9, the current account (including official transfers) is forecast to deteriorate from a deficit of 0.1 percent of GDP in 1998 to a deficit of almost 3 percent at the end of the projection period.[47] This partly reflects the relative decline in official transfers, stemming from both, the declining importance of official transfers for the economy due to increased export income, and the expected erosion of fishing license receipts. Excluding official transfers, the current account deficit is projected to improve significantly by 4.5 percentage points of GDP from 11.2 percent in 1998 to 6.7 percent in 2017. The capital account is also expected to improve substantially over the projection period, reflecting the assumed debt relief and significant inflows of external grants and concessional loans on IDA terms to finance the economy's investment budget. However, even after the full application of traditional debt relief mechanisms, a financing gap would remain throughout the projection period. The import cover of gross official reserves would decline gradually from 5.4 months in 1999 to 4.4 months in 2017.

Debt Indicators. The baseline projection assumes a hypothetical stock of debt operation on Naples terms with Paris Club creditors at end 1998 on all eligible debt, with at least comparable treatment by Non-Paris Club creditors. Based on the assumptions outlined above and after the full application of traditional debt relief mechanisms, Mauritania's external debt ratios would gradually improve but still remain at unsustainable levels through most of the projection period. The NPV of debt-to-exports ratio would decline from 294 percent in 1999

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[46] Mauritania also meets the side conditions of the fiscal criterion, which are a ratio of 30 percent for exports-to-GDP and of 15 percent for revenues-to-GDP

[47]The exceptional improvement in the current account estimated for 1999 is considered to be temporary as it reflects the weakness of import demand resulting from the devaluation of the currency in the fall of 1998 and from the temporary effect of a reduction in warehouse stocks from 18 to six months.

to 140 percent in 2017, falling to the threshold level of 150 percent only in 2015 (Table 8, Chart 2). The NPV of debt-to-revenue ratio would decline from 500 percent in 1998 to 140 percent in 2017, falling below 250 percent for the first time in 2008. The debt service ratio would rise initially to 25 percent in 2000 and then gradually decline to below 10 percent as of 2013 (Table 9).

Box 9. Mauritania: Main Assumptions in the Debt Sustainability Analysis (DSA)

Growth

- The Mauritanian economy is assumed to grow at an average annual rate of 5.2 percent until 2007 and then 5.8 percent from 2008 to 2017. An increasing share of growth is expected to be driven by domestic sectors, in particular agriculture, small industries and crafts, construction and services.

- The investment-to-GDP ratio is expected to average 23 percent in the forecasting period, growing slightly from 22.7 percent in the first half to 23.3 percent in the second half. The domestic savings rate is projected to decline slightly from 21.7 percent of GDP to 20.4 percent, respectively.

Exports and Imports

- The volume of exports and export prices are assumed to grow at an average of 2.8 percent and 1.1 percent over the projection period. Exports are expected to be also supported by the growth of non-traditional exports. A steady increase in service receipts from tourism is also built into the forecast.

- Import volume is assumed to grow at an average of 4 percent through 2017, driven by higher investment needs. Import prices are forecast to grow at an average of 0.8 percent, respectively, in line with the Fund's World Economic Outlook (WEO) and the Bank's commodity division.

Capital Account

- Direct investment is forecast to increase from an average of US$ 5.5 million in the first half of the projection period to US$ 11.6 million in the second half.

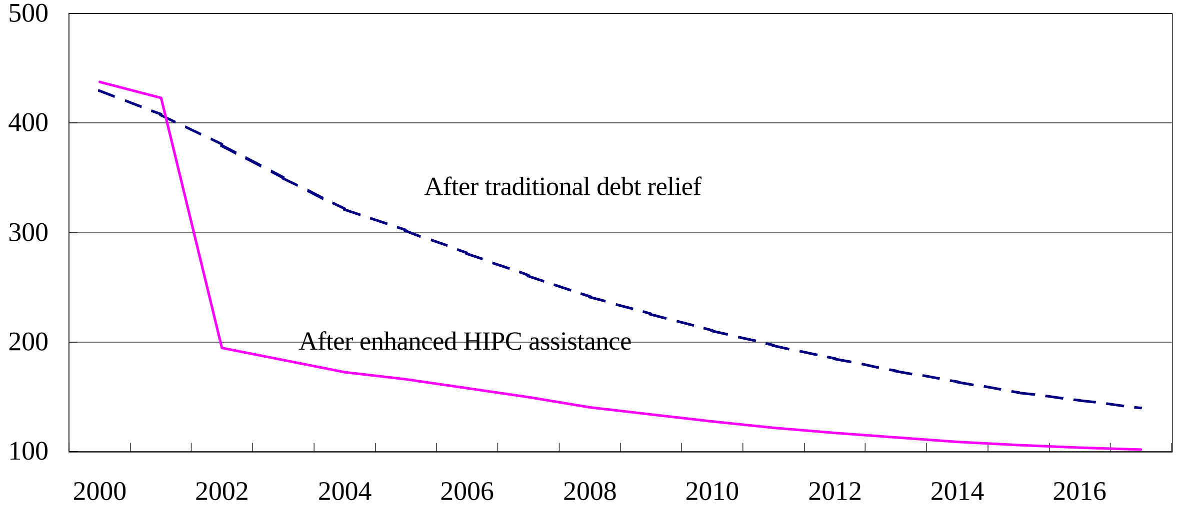
B. Assistance under the Enhanced HIPC Initiative

Required Assistance

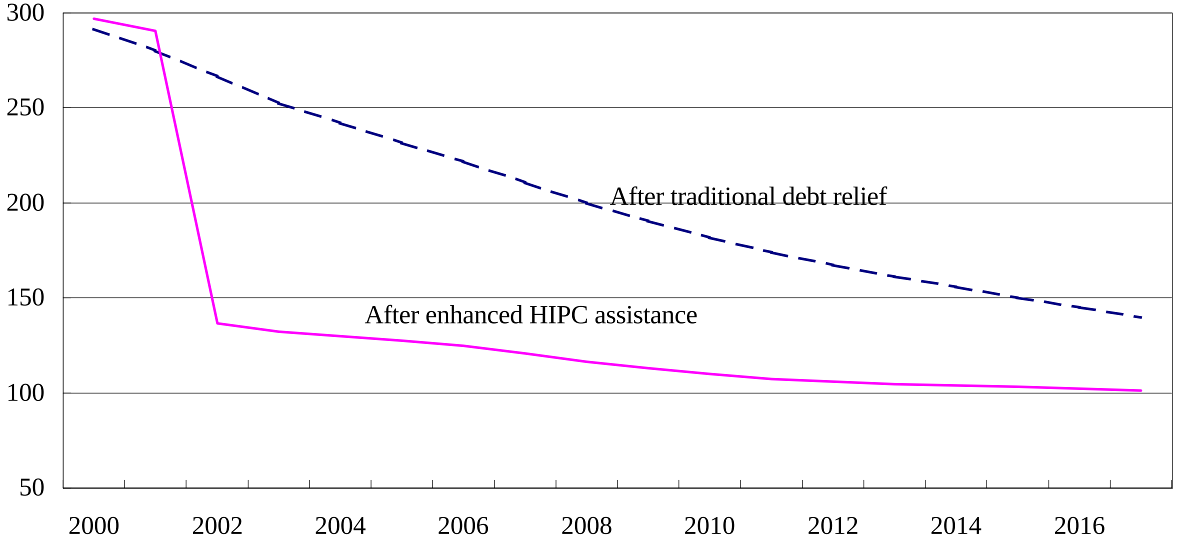
63. Reflecting the recent changes to the HIPC initiative methodology, the amount of assistance under the HIPC initiative has been calculated at the decision point, which is

CHART 2: MAURITANIA

NPV of Debt to Revenue Ratio after Traditional Debt Relief
and Enhanced HIPC Assistance



NPV of Debt to Exports Ratio after Traditional Debt Relief
and Enhanced HIPC Assistance



Source: Mauritanian authorities and staff estimates.

assumed to be early 2000, and based on end-1998 data.[48] The breakdown of total assistance between bilateral and multilateral creditor groups is also based on the decision point, and a proportional burdensharing is assumed according to the NPV-of-debt shares at end-1998. The same applies for the breakdown of total multilaterals' assistance, employing their individual end-1998 NPV shares in the total multilaterals' NPV multiplied with the total amount of multilateral assistance required at the decision point. The breakdown of assistance between Paris Club and Non-Paris Club bilateral creditors is based on their respective shares in overall exposure after full application of traditional debt relief mechanisms at the decision point.

64. Table 10 presents the required assistance under the export and the fiscal criterion, respectively: in NPV terms, assistance of US$563 million would be required under the export criterion whereas a total of US$622 million in debt relief is necessary to bring Mauritania's external debt to a sustainable level as defined under the fiscal/openness criteria. Preliminary calculations by the staff indicate that bilateral creditors are unlikely to reach their required share of assistance with an NPV reduction of up to 90 percent of eligible debt. For Paris Club creditors, delivery of the required assistance would necessitate a debt reduction by 105 percent of eligible debt, which could only be achieved by granting additional relief on ODA loans and/or on post-cutoff date debt.

Delivery of assistance

65. **Assumptions.** In the following assessment for illustrative purposes of debt sustainability after assistance under the enhanced HIPC initiative, the following assumptions and calculations were made regarding the delivery of assistance and interim assistance.[49]

- The floating completion point is assumed to be in July 2002, coinciding with the expiration of the current PRGF program.

- For **Paris Club** bilateral creditors, a flow rescheduling on Cologne terms is assumed from January 2000 to July 2002. The cash flow relief as well as the NPV relief resulting from the difference between this flow rescheduling on Cologne terms and an otherwise identical flow rescheduling on Naples terms is accounted for as interim relief. The remaining amount of required assistance is then delivered through a stock of debt operation at the completion point.

- For **Non-Paris Club bilateral creditors** the calculation was identical to the one for the Paris Club: a flow rescheduling on Cologne terms is assumed from January

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[48] For the purpose of comparison, a table on the status of other HIPC country cases is reported in Appendix VI.

[49] Both the assumptions and the resulting debt projections for Mauritania after enhanced HIPC assistance are provisional as a number of issues, in particular regarding the delivery of (interim) assistance of many multilateral institutions, have not yet been finalized

2000 to July 2002. The cash flow relief as well as the NPV relief resulting from the difference between this flow rescheduling on Cologne terms and an otherwise identical flow rescheduling on Naples terms is accounted for as interim relief. The remaining amount of required assistance is then delivered through a stock of debt operation at the completion point.

- For **Multilaterals**, as mentioned above, both the total amount of assistance required and the individual shares are calculated at the decision point.

- The **IMF** is assumed to deliver (interim) assistance from 2000 onwards. In the absence of a comprehensive Poverty Reduction Strategy Paper (PRSP) indicating the need for a certain delivery profile, the intertemporal distribution of assistance is suggested to be more or less linear: (i) one approach is to deliver a fixed portion of the total amount of assistance per year (between 10-20 percent) until the total amount of required assistance is delivered. While this has the advantage of equal assistance payments per year derived from a simple and transparent rule, it does not render the desired smoothing of Mauritania's debt service to the Fund; and (ii) another approach is to fix assistance as a constant share of debt service due until the total amount of assistance is delivered. While also providing a simple and transparent rule, this approach has the additional advantage of linking the amount of assistance to the actual debt service due and thus smoothing the debt service profile. Staff would thus recommend the adoption of the latter approach. In the case of Mauritania, however, it would lead to some backloading of delivery in absolute terms. Staff thus suggests the following slightly modified delivery profile: a ratio of 57 percent[50] of debt service through the interim period and the peak of Mauritania's debt service obligations to the Fund in 2002/2003, a ratio of 54 percent from then to 2006 and the remaining amount of principal and interest accrued, amounting to 28 percent under the current interest rate assumption, would then be delivered in 2007 (Table 11).

- **IDA IDA** is also assumed to deliver (interim) assistance from 2000 onward and to cover 65 percent of debt service due to it from 2000 until the required NPV reduction is achieved around 2019. The interim assistance thus delivered would amount to 12 percent of total Bank assistance in NPV terms (Table 12).

- **Other Multilaterals** are assumed not to deliver interim assistance, but to provide assistance from the completion point onward with reductions ranging between 57–

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[50] In 2002, the ratio is lower at 54 percent of debt service due as otherwise annual disbursements would exceed the maximum of 20 percent of the total amount of assistance per year.

100 percent of debt service due to them over the entire maturity of debt outstanding so that the required NPV reduction is achieved.[51]

Debt sustainability after enhanced HIPC assistance

66. **Debt indicators.** In addition to the debt relief under the enhanced HIPC Initiative assistance, the projection of external debt indicators also reflects the stagnation in Mauritania's three-year export average (due to overfishing and technical problems in the mining sector), the relatively strong growth of central government revenue from 1998 to 2002, the accumulation of new debt to finance substantial investments into physical and social infrastructure and the assumed interim relief delivered by the Fund and the Bank. The simulation shows that the targets are achieved, with the NPV of debt-to-exports ratio falling to 136 percent and the NPV of debt-to-revenue ratio to 195 percent at the assumed 2002 completion point. The NPV of debt-to-exports ratio is projected to decline steadily from 274 percent[52] in 1998 to 101 percent at the end of the projection period (Table 8). The NPV-of-debt to revenue ratio would decline from 500 percent[52] in 1998 to 102 percent in 2017. The debt service ratio would be reduced from 34 percent in 1998 to 20 percent in 2000, falling further to 10 percent in 2003 and leveling in at slightly below 5 percent as of 2013 (Table 13 and Chart 3).

67. **Sensitivity Analysis.** The balance of payments projections for Mauritania are, however, subject to substantial uncertainties, notably with regard to the following factors: (i) export volumes and prices for fish and iron ore; (ii) the conditions for external financing; and (iii) the inflow of official transfers. In this respect the conclusions of the sensitivity analysis which was presented in the last DSA[53] remain broadly unchanged. The strongest impact would result from a decline in the volume of fish exports: assuming a 5 percent drop would raise the average of the NPV-of-debt to exports ratio over the projection period by 29 percentage points over the baseline to 186 percent, and would increase the debt service ratio by 1.2 percentage points, respectively. Strong but not quite as pronounced would be the impact of a deterioration in external financing conditions (interest rates rising from 0.75 percent to 3 percent, maturities declining from 40 to 20 years), which would add about 14 percentage points to the baseline average of NPV of debt-to-exports ratio and 0.5 percentage points to the debt service ratio. Finally, if official transfers were to be on average 15 percent lower over the projection period than in the baseline scenario, this would add

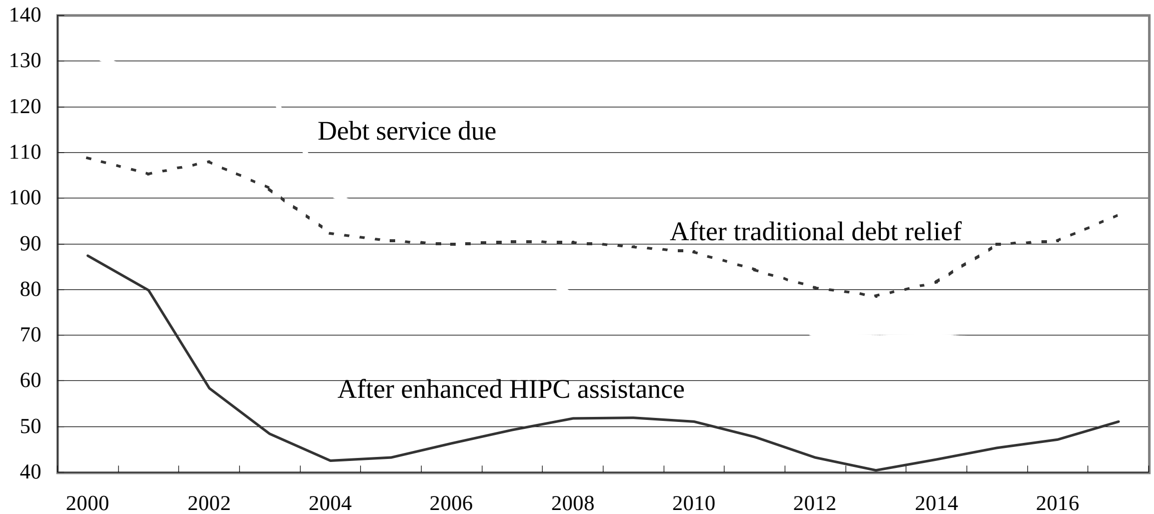
[51]The ratio of assistance relative to debt service due of other multilaterals varies considerably, reflecting large differences in the maturity profile of the debt held by the various institutions. On average, the reduction factor amounts to 78 percent of debt service due to them.

[52] After traditional debt relief.

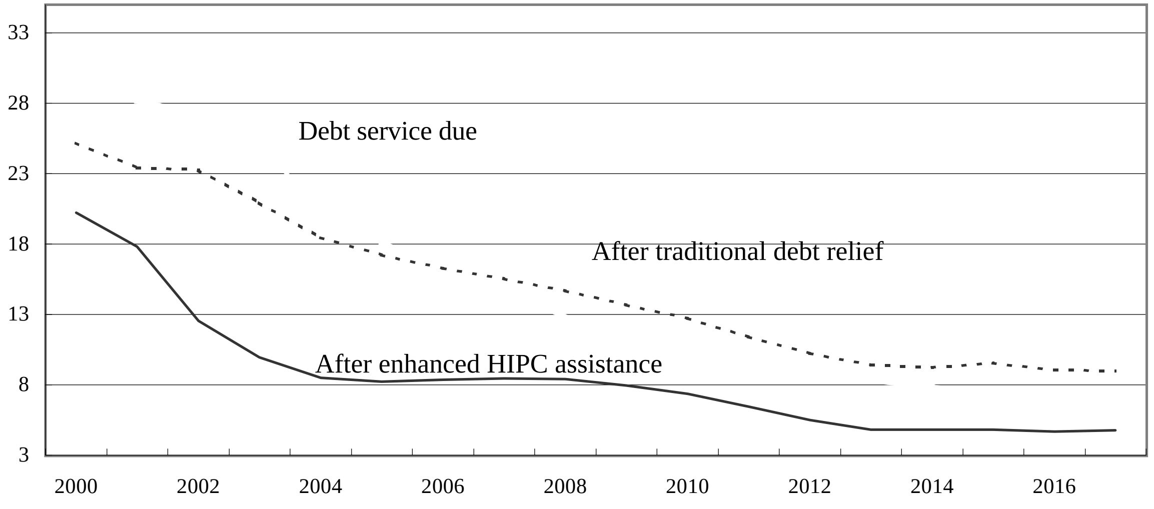
[53]See EBS/99/3, 1/8/99 and IDA/SecM98-660, 1/11/99.

CHART 3: MAURITANIA

Debt Service Before and After Rescheduling
(In million of US Dollars)



Debt Service Before and After Rescheduling
(In percent of exports)



Source: Mauritanian authorities and staff estimates.

2 percentage points to the average NPV-of-debt to exports ratio over the projection period and would leave the debt service ratio unchanged.

VI. Conclusions

68. Although Mauritania's economic and social situation has improved significantly over the 1992–99 adjustment period, its economy remains fragile and living conditions for half of the population are still of extreme poverty. The additional debt relief, which would become available under the Initiative, would free up resources to support the authorities' efforts towards reforms and poverty reduction that would significantly improve the standard of living of the Mauritanian population. Executive Directors agreed that Mauritania should be eligible for assistance under the Initiative, and the staff concurs with this assessment and considers that the reforms and progress underway are fully consistent with the spirit of the enhanced HIPC Initiative and merits the additional support.

69. The staff believes that the set of measures that the authorities have agreed to implement in order to reach the completion point, constitute a critical mass of reforms and improvements in the delivery of social services that could take Mauritania on a path of sustainable economic and social development. However, the staff also notes that progress towards debt sustainability and poverty reduction can be endangered by exogenous shocks and it is highly dependent on the continuation of substantial financial assistance from the donors community. In addition, the delivery of substantial interim relief would allow for a prompt reallocation of debt service charges towards social and poverty reduction expenditure and would put Mauritania more rapidly on a sustainable path.

Table 1. Mauritania: Observance of Quantitative and Structural Performance Criteria

	Test dates				
	Mar. 93	Mar. 94	Mar. 95	June 96	Sep. 97
Quantitative					
1. Net domestic assets	Met	Not met	Met	Not met	Not met
2. Net bank credit to the government	Met	Met	Not met	Not met	Met
3. Credit to the housing bank	. . .	. . .	. . .	Met	Met
4. Government total expenditure and net lending	. . .	. . .	. . .	. . .	Met
5. Government wage bill	Not met	Met	Met	Met	Met
6. Overall balance of consolidated government operations	Met	Met	Not met	Met	Met
7. Treasury checks to be encashed	Met	. . .	. . .	. . .	. . .
8. External payments arrears on public debt	Not met	Not met	Not met	Not met	Not met
9. Increase in short-term debt of commercial banks	Met	Met	Met	Met	Met
10. Non concessional external loans contracted or guaranteed by the government	Met	Met	Met	Met	Met
11. Net foreign liabilities of the central bank	. . .	. . .	Met	Not met	. . .
12. Floor on net international reserves of the central bank	. . .	. . .	. . .	. . .	Met
13. Floor on gross international reserves of the central bank	. . .	. . .	. . .	. . .	Met
Structural					
1. Extension of import authorization auction to all imports	Met	. . .	. . .	. . .	. . .
2. No renewal of importer/exporter cards for operator having delinquent accounts with commercial banks as of Dec. 31, 1992	Met	. . .	. . .	. . .	. . .
3. Elimination of limits imposed by the central banks on acquisition and transfers of foreign exchange by residents through the free market for transactions on invisible	Met	. . .	. . .	. . .	. . .
4. Submission to the IMF of a draft outline on the value-added tax	Met	. . .	. . .	. . .	. . .
5. Preparation of monthly statements of Treasury accounts beginning for September 93 with a delay not exceeding 3 months	. . .	Met	. . .	. . .	. . .
6. Implementation of periodic Treasury bill auctions	. . .	Met	. . .	. . .	. . .
7. Complete privatization of the insurance company	. . .	. . .	Not met	. . .	. . .
8. Strict application of the awarding of access rights to boats for cephalopod and demersal and the quarterly publication of information on access rights awarded	. . .	. . .	Met	. . .	. . .
9. Strict application of prudential ratios pertaining to capital adequacy and loan provisioning by commercial banks	. . .	. . .	Met	. . .	. . .
10. Announcement of the medium-term strategy and the details of the initial phase of the trade reform 1/	. . .	. . .	. . .	Not met	. . .
11. Preparation of final version of texts transferring the tax collection function from the Treasury to the General Directorate of Taxation for incorporation in the 1998 budget law	. . .	. . .	. . .	. . .	Met

Sources: Various staff reports.

1/ It was implemented in October 1996.

Table 2. Mauritania: ESAF-supported Programs and Actual Macroeconomic Developments, 1992–98 1/

(In percent of GDP; unless otherwise specified)

Indicators	1992 2/	1993 3/	1994 4/	1995 5/	1996 6/	1997 7/	1998 7/
Real GDP (percentage change)							
Program	2.4	3.5	4.3	4.3	4.7	4.9	5.1
Revised program	...	3.3	4.1	4.3	4.7	4.5	6.0
Outcome	1.7	5.5	4.6	4.7	5.5	3.1	4.6
CPI inflation (percent, period average)							
Program	8.1	13.9	3.2	3.0	3.5	5.0	4.6
Revised program	...	11.5	3.7	5.0	4.8	5.0	5.0
Outcome	10.1	9.3	4.1	6.5	4.7	4.5	8.0
International reserves (months of imports)							
Program	1.1	1.7	1.9	2.1	3.1	4.4	5.1
Revised program	...	1.7	1.4	2.1	4.5	4.4	5.1
Outcome	1.2	1.0	1.0	1.7	2.8	4.7	4.4
Current account (including official transfers)							
Program	-10.7	-3.9	-1.9	1.5	1.4	1.2	0.5
Revised program	...	-5.2	-1.8	3.2	1.9	-2.1	-8.0
Outcome	-8.8	-9.9	0.7	-4.1	-0.8	2.0	-0.1
Gross investment							
Program	22.7	19.4	18.1	16.9	18.4	16.1	17.7
Revised program	...	25.4	17.5	16.6	18.4	19.4	27.2
Outcome	19.3	22.0	14.5	16.0	18.6	17.7	20.0
Gross national saving							
Program	12.0	15.5	16.2	18.4	19.8	17.3	19.2
Revised program	...	20.2	15.7	19.8	20.3	17.3	21.4
Outcome	10.5	12.1	15.2	11.9	17.8	19.6	19.9
Government revenue							
Program	19.8	24.2	25.3	25.8	25.2	27.4	27.0
Revised program	...	25.8	25.6	25.6	30.1	27.5	27.1
Outcome	19.5	25.7	23.2	24.0	29.2	26.8	26.9
Government expenditure and net lending							
Program	25.5	26.7	28.6	26.5	24.4	23.3	23.0
Revised program	...	36.7	28.0	25.9	24.3	22.9	23.7
Outcome	24.9	36.8	27.7	24.8	24.0	22.7	24.7
Government primary balance							
Program	-0.5	-1.6	-0.2	2.5	4.0	7.1	6.6
Revised program	...	-7.2	0.6	2.8	9.0	7.5	6.6
Outcome	-2.4	-6.9	-1.6	2.4	8.4	7.1	5.6
Government overall balance							
Program	-5.7	-2.5	-3.3	-0.7	0.8	4.1	4.0
Revised program	...	-10.9	-2.4	-0.4	5.8	4.5	3.4
Outcome	-5.4	-11.1	-4.5	-0.8	5.2	4.2	2.1

Sources: Mauritanian Authorities; and Fund Staff estimates.

1/ Program figures refer to the negotiations for the corresponding annual arrangement; revised program figures refer to the mid-term review.
2/ Program as shown in EBS/92/180.
3/ Program as shown in EBS/92/180; revised program as shown in EBS/93/105.
4/ Program as shown in EBS/93/208; revises program as shown in EBS/94/140.
5/ Program as shown in EBS/95/2 correction 1; revised program as shown in EBS/95/127.
6/ Program as shown in EBS/96/60 correction 1; revised program as shown in EBS/96/171.
7/ Program as shown in EBS/97/120; revised program as shown in EBS/97/217.

Table 3. Mauritania: Selected Economic and Financial Indicators, 1996–2002 1/

	1996	1997	1998	1999 Prog. 2/	1999 Proj.	2000	2001	2002
						Projection		
	(Annual percentage changes; unless otherwise noted)							
National income and prices								
GDP at constant prices	5.5	3.1	4.6	4.1	4.9	4.5	4.9	5.1
GDP deflator	6.2	5.9	9.0	3.9	3.8	3.0	3.1	2.3
Consumer price index (period average)	4.7	4.5	8.0	4.0	4.0	3.5	3.0	2.5
External sector								
Exports, f.o.b. (in U.S. dollars)	1.1	-14.7	-10.6	1.4	0.2	4.6	2.8	2.7
Imports, c.i.f. (in U.S. dollars)	1.9	-11.8	0.7	2.4	-3.0	10.1	2.6	3.4
Export volume	1.6	-15.8	-0.2	9.3	9.3	0.7	1.0	1.8
Import volume	2.7	-3.8	5.7	0.4	-2.3	8.3	0.4	1.0
Terms of trade	3.0	10.4	-6.0	-9.0	-7.7	2.3	-0.4	-1.5
Nominal effective exchange rate 3/	-1.0	-4.4	-21.2	...	...	...	...	...
Real effective exchange rate 3/	0.9	-1.0	-16.4	...	...	...	...	...
Money and credit								
Net domestic assets 4/	-56.8	-27.6	-6.2	-21.2	-22.5	-3.8	...	...
Domestic credit 4/	-45.4	-32.7	-32.3	-18.8	-17.4	-0.2	...	...
Credit to the government 4/	-60.6	-44.5	-41.8	-42.3	-42.8	-26.1	...	...
Credit to the economy 4/	15.3	11.8	9.5	23.5	25.4	26.0	...	...
Money and quasi-money 4/	-5.1	8.0	4.1	3.5	4.4	9.9	...	...
Velocity of money	5.9	6.5	6.9	7.1	7.1	7.1	...	...
Interest rate 5/	8-10	8-10	10-11	10-11	10-11	...	...	...
	(In percent of GDP)							
Investment and savings								
Investment	18.6	17.7	20.0	22.4	21.6	23.7	22.7	22.6
Government	6.1	5.6	5.6	4.9	6.1	6.2	6.3	6.3
Others (including PEs)	12.5	12.1	14.4	17.5	15.6	17.5	16.4	16.3
National saving	17.8	19.6	19.9	23.3	22.7	23.3	22.1	21.7
Government	13.7	10.8	9.5	8.4	11.3	9.2	9.1	9.1
Other (including PEs)	4.1	8.8	10.4	14.9	11.3	14.0	13.0	12.6
Consolidated government operations								
Revenue, excluding grants	29.2	26.8	26.9	28.5	27.7	26.1	25.2	24.9
Expenditure and net lending	24.0	22.7	24.7	26.4	25.6	24.9	24.5	24.2
Overall surplus or deficit (-) 6/	5.2	4.2	2.1	2.2	2.1	1.2	0.8	0.7
Primary balance (deficit -) 6/	8.4	7.1	5.6	5.7	5.6	4.4	3.7	3.4
	(In percent of GDP)							
External sector								
Current account balance								
Excluding official transfers	-12.9	-9.0	-11.2	-11.2	-9.3	-11.5	-10.8	-10.4
Including official transfers	-0.8	2.0	-0.1	0.9	1.0	-0.4	-0.6	-1.0
Debt outstanding	224.6	247.2	230.8	...	...	...	...	...
Debt service ratio before debt relief 7/	30.9	37.0	33.8	33.6	32.7	30.5	28.2	27.3
Debt service ratio after debt relief 7/ 8/	22.3	29.4	31.5	...	23.8	25.2	23.4	23.3
Gross official reserves (in months of imports of GNFS)	2.8	4.7	4.4	5.3	5.4	5.3	5.4	5.5
Memorandum items:								
Ouguiya/US$ exchange rate (period average)	137.2	151.9	189.0	205.4	209.2	216.0	...	...
Exports, f.o.b. (in millions of U.S. dollars)	484.3	413.0	369.4	374.6	370.3	387.3	398.3	409.0
Imports, c.i.f. (in millions of U.S. dollars)	437.9	386.3	389.0	398.3	377.2	415.2	426.0	440.5
Current account balance excluding official transfers (in millions of U.S. dollars)	-143.9	-98.8	-113.2	-109.4	-92.6	-119.3	-118.8	-122.4
Nominal GDP (in billions of ouguiyas)	153.0	167.0	190.4	203.1	207.4	223.2	241.5	259.8

Sources: Data provided by the Mauritanian authorities; and Fund staff estimates and projections.

1/ Figures for investment and saving and current account balances have been modified due to the revision of imports and the reclassification of some external transfers and some cathegories of government expenditure.
2/ As shown in EBS/99/120, 07/09/99.
3/ Based on the Information Notice System (INS). A decrease in the index implies a depreciation.
4/ Annual changes in percent of broad money at the beginning of the period.
5/ Interest rates on savings deposits of 12 months.
6/ Excluding grants.
7/ In percent of exports of goods and services, as defined in IMF Balance of Payments Manual, 5th edition, 1993.
8/ As resulting from rescheduling from Paris Club creditors and comparable treatment from non-Paris Club bilateral creditors.

Table 4. Mauritania: Main Assumptions on Macroeconomic Framework, 1997–2017

(In percent of GDP, unless otherwise indicated)

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1998–2007	2008–2017
			Projected								Average	
Economic growth and prices												
Real GDP (percentage change)	3.1	4.6	4.9	4.5	4.9	5.1	5.3	5.7	5.7	5.7	5.2	5.8
Real GDP per capita (percentage change)	0.1	1.2	1.9	1.5	2.0	2.2	2.4	2.8	2.7	2.7	2.2	2.8
Private real per capita consumption (percentage change)	0.5	3.0	-4.3	2.0	3.5	1.9	1.5	2.0	2.9	2.7	1.7	2.6
Total real per capita consumption (percentage change)	0.0	3.6	-2.4	1.0	3.1	1.9	1.6	2.3	3.0	2.7	1.9	2.7
Consumer price index (annual percentage change, period average)	4.5	8.0	4.0	3.5	3.0	2.5	2.5	2.5	2.5	2.5	3.4	2.5
National Accounts												
Gross domestic investment	17.7	20.0	21.6	23.7	22.7	22.6	23.0	23.6	23.6	23.5	22.8	23.5
of which private	5.2	7.3	8.1	10.3	11.0	11.3	11.6	12.2	12.1	12.1	10.8	12.8
Gross national savings	19.6	19.9	22.7	23.3	22.1	21.7	21.9	21.9	21.1	20.8	21.6	20.6
Government revenue, excluding grants	26.8	26.9	27.7	26.1	25.2	24.9	24.8	24.7	24.2	23.9	25.2	23.7
Government expenditures	22.7	24.7	25.6	24.9	24.5	24.2	24.2	24.7	24.8	24.8	24.7	24.6
Overall government balance	4.2	2.1	2.1	1.2	0.8	0.7	0.6	0.1	-0.7	-0.8	0.5	-0.9
Balance of Payments												
Exports of goods and services 1/	39.6	40.6	41.5	41.8	40.7	39.3	38.4	36.7	36.0	35.5	38.6	33.7
Imports of goods and services 1/	48.7	53.4	52.1	54.4	53.1	51.6	50.5	49.1	48.5	47.9	50.8	44.4
Current account, excluding official transfers	-9.0	-11.2	-9.3	-11.5	-10.8	-10.4	-9.8	-9.9	-9.9	-9.7	-10.2	-7.9
current account, including official transfers	2.0	-0.1	1.0	-0.4	-0.6	-1.0	-1.1	-1.7	-2.5	-2.7	-1.2	-2.9
Gross official reserves (in months of imports) 2/	4.7	4.4	5.4	5.3	5.4	5.5	5.5	5.4	5.2	5.1	5.2	4.5
Export volume growth (percentage change) 3/	-15.8	-0.2	9.3	0.7	1.0	1.8	1.8	2.2	2.3	2.5	2.4	3.2
Import volume growth (percentage change) 3/	-3.8	5.7	-2.3	8.3	0.4	1.0	1.2	3.6	4.8	4.5	3.2	4.9
Terms of Trade (percentage change)	10.4	-6.0	-7.7	2.3	-0.4	-1.5	-0.9	0.8	1.1	1.2	-1.0	1.5

Sources: Mauritanian authorities; and staff estimates and projections.

1/ Exports (imports) of goods and services as defined in the IMF Balance of Payments Manual, 5th edition, 1993.
2/ Imports of goods and nonfactor services.
3/ Merchandize exports (imports)

Table 5. Mauritania: Discount Rate and Exchange Rate Assumptions

	Discount Rates 1/ 2/ (In percent per annum)	Exchange Rates 3/ (Per U.S. dollar)
Currency		
Austrian Schilling	5.28	11.75
Belgian Franc	5.59	34.57
Can. Dollar	6.25	1.53
Danish Krone	5.64	6.39
Finnish Markka	5.35	5.10
French Franc	5.36	5.62
German Mark	5.16	1.67
Italian Lira	5.58	1,653.10
Japanese Yen	2.22	115.60
Netherland Guilder	5.78	1.89
Norwegian Krone	6.54	7.60
Spanish Peseta	5.31	142.61
Swedish Krona	5.66	8.06
Swiss Franc	4.05	1.38
UK Pound	6.81	0.60
US Dollar	6.23	1.00
ECU	5.00	0.86
SDR	5.25	0.71

Sources: OECD and IMF, International Financial Statistics

1/ The discount rates used are the average Commercial Interest Reference Rates (CIRRs) for the respective currencies over the six-month period ending December 1998.

2/ For all currencies for which the CIRRs are not available, the SDR discount rate is used as the proxy.

3/ As of end-December 1998.

Table 6. Mauritania: Nominal and Net Present Value of External Debt Outstanding at End-1998 1/

	Nominal Debt			NPV of Debt			NPV of Debt after Rescheduling 2/	
	US$ million	Percent of Total	Percent of Group	US$ million	Percent of Total	Percent of Group 3/	US$ million	Percent of total
Total	2,135.5	100.0		1,615.5	100.0		1,242.8	100.0
Multilateral Institutions	1,095.2	51.3	100.0	720.9	44.6	100.0	720.9	58.0
Multilateral Institutions (excl IMF)	984.9	46.1		627.5	38.8		627.5	50.5
IMF	110.3	5.2	10.1	93.5	5.8	13.0	93.5	7.5
IDA/IBRD	412.4	19.3	37.7	199.7	12.4	27.7	199.7	16.1
Other	572.5	26.8	52.3	427.8	26.5	59.3	427.8	34.4
Of which								
IFAD	41.1	1.9	3.7	21.3	1.3	2.9	21.3	1.7
IsDB	43.9	2.1	4.0	30.9	1.9	4.3	30.9	2.5
AfDB	57.7	2.7	5.3	69.3	4.3	9.6	69.3	5.6
AfDF	165.9	7.8	15.1	76.2	4.7	10.6	76.2	6.1
EIB/EC	78.3	3.7	7.2	60.8	3.8	8.4	60.8	4.9
OPEC	20.4	1.0	1.9	18.1	1.1	2.5	18.1	1.5
AFESD	141.0	6.6	12.9	127.3	7.9	17.7	127.3	10.2
AMF	24.2	1.1	2.2	23.9	1.5	3.3	23.9	1.9
Paris Club	460.5	21.6	100.0	390.9	24.2	100.0	274.3	22.1
Post-cutoff date	163.9	7.7	35.6	129.0	8.0	33.0	129.0	10.4
Pre-cutoff date	296.6	13.9	64.4	261.9	16.2	67.0	145.3	11.7
Of which: ODA	50.3	2.4	10.9	37.0	2.3	9.5	26.8	2.2
Non-ODA	246.2	11.5	53.5	224.9	13.9	57.5	118.6	9.5
Of which:								
France	148.3	6.9	32.2	127.8	7.9	32.7	103.9	8.4
Austria	94.8	4.4	20.6	63.3	3.9	16.2	41.5	3.3
Japan	76.4	3.6	16.6	66.7	4.1	17.1	58.2	4.7
Spain	42.3	2.0	9.2	31.9	2.0	8.2	24.2	1.9
Brazil	38.2	1.8	8.3	38.9	2.4	9.9	15.2	1.2
Netherlands	36.3	1.7	7.9	41.7	2.6	10.7	19.8	1.6
United Kingdom	11.4	0.5	2.5	8.2	0.5	2.1	5.7	0.5
USA	6.6	0.3	1.4	6.1	0.4	1.6	2.2	0.2
Germany	5.9	0.3	1.3	6.0	0.4	1.5	3.2	0.3
Italy	0.4	0.0	0.1	0.4	0.0	0.1	0.4	0.0
Non-Paris Club Official Bilateral	579.8	27.2	100.0	503.6	31.2	100.0	247.6	19.9
Post-cutoff date	40.8	1.9	7.0	27.5	1.7	5.5	27.4	2.2
Pre-cutoff date	539.0	25.2	93.0	476.2	29.5	94.5	203.5	16.4
Of which: ODA	397.0	18.6	68.5	334.5	20.7	66.4	163.5	13.2
Non-ODA	142.0	6.7	24.5	141.6	8.8	28.1	40.1	3.2
Of which								
Saudi Arabia	143.7	6.7	24.8	130.9	8.1	26.0	60.7	4.9
Kuwait	130.1	6.1	22.4	124.9	7.7	24.8	52.0	4.2
China	79.0	3.7	13.6	47.1	2.9	9.3	33.5	2.7
Algeria	75.6	3.5	13.0	55.3	3.4	11.0	36.9	3.0
Irak	71.5	3.3	12.3	65.6	4.1	13.0	35.9	2.9
Cental Bank of Lybia	69.0	3.2	11.9	69.0	4.3	13.7	20.8	1.7
Abu Dhabi	10.9	0.5	1.9	10.9	0.7	2.2	7.8	0.6
Commercial	0.0	0.0		0.0	0.0		0.0	0.0

Sources:Mauritanian authorities and staff estimates.

1/ Figures are based on reconciled end-1998 data.
2/ After full use of traditional debt relief mechanisms
3/ For multilateral institutions, these shares in the NPV of total multilateral debt are applied to the total multilateral NPV reduction required at the decision point to determine each institution's amount of assistance under the Initiative.

Table 7 Mauritania: Balance of Payments, 1998–2017 1/

	1998	1999	2000	2001	2002	2003	2004	2005	2006	1998–2007	2008–2017
		Est.				Projections				Averages	
Trade balance	11.5	23.3	5.3	6.4	3.7	2.7	0.5	-5.2	-9.3	2.6	-25.2
Exports	369.4	370.3	387.3	398.3	409.0	421.6	438.9	458.8	480.5	423.9	694.1
Imports, fob	-357.9	-347.0	-381.9	-391.9	-405.3	-418.9	-438.5	-464.0	-489.8	-421.2	-719.3
Services (net)	-180.6	-167.0	-176.8	-182.1	-185.3	-189.5	-201.7	-207.9	-213.2	-192.4	-255.9
Nonfactor services 2/	-140.8	-128.1	-135.6	-143.8	-149.5	-156.2	-169.3	-176.7	-183.5	-157.4	-233.9
Of which:											
Interest payments due 2/	-40.8	-39.7	-48.4	-46.2	-44.1	-42.0	-41.5	-40.5	-39.2	-42.1	-34.2
Official transfers 3/	112.0	103.0	115.0	112.4	111.2	111.0	112.3	108.5	109.5	110.5	119.5
Current account (including official transfers)	-1.2	10.4	-4.2	-6.4	-11.3	-13.5	-23.4	-36.2	-41.8	-17.5	-71.0
Capital account	-10.5	-53.5	-47.5	-44.3	-38.8	-33.0	-3.1	-0.2	3.3	-22.1	24.6
Direct investment	-0.3	0.0	2.7	4.2	7.1	7.5	7.9	8.3	8.8	5.5	11.6
Official medium- and long-term loans	-47.6	-53.5	-50.2	-48.5	-45.9	-40.5	-11.0	-8.5	-5.5	-31.4	13.0
Overall balance	-11.7	-43.1	-51.7	-50.7	-50.0	-46.6	-26.5	-36.4	-38.5	-39.6	-46.4
Financing	11.7	-39.0	-43.0	-39.4	-42.2	-34.2	-22.3	-17.6	-13.7	-25.0	-17.7
Net foreign assets (excluding arrears)	-32.4	-36.5	-36.5	-34.4	-37.2	-34.2	-22.3	-17.6	-13.7	-27.6	-17.7
Central bank	-21.5	-37.8	-33.9	-34.4	-37.2	-34.2	-22.3	-17.6	-13.7	-26.3	-17.7
Exceptional financing	44.1	-2.5	-6.5	-5.0	-5.0	0.0	0.0	0.0	0.0	2.5	0.0
Financing gap 4/	0.0	82.1	94.7	90.1	92.3	80.8	48.8	54.1	52.1	64.7	64.1
Assumed Debt Relief 1/	0.0	51.0	44.3	41.8	40.0	37.1	26.2	25.0	25.8	31.7	27.8
New Borrowing	0.0	31.1	50.5	48.4	52.3	43.7	22.6	29.1	26.4	32.9	36.2
Memorandum items:											
Current account deficit											
Including official transfers (percent of GDP)	-0.1	1.0	-0.4	-0.6	-1.0	-1.1	-1.7	-2.5	-2.7	-1.2	-2.9
Excluding official transfers (percent of GDP)	-11.2	-9.3	-11.5	-10.8	-10.4	-9.8	-9.9	-9.9	-9.7	-10.2	-7.9
Gross Official Reserves 5/	4.4	5.4	5.3	5.4	5.5	5.5	5.4	5.2	5.1	5.2	4.5

Sources: Data provided by the Mauritanian authorities; and staff estimates and projections.

1/ After assumed Naples terms stock-of-debt operation at end 1998 from Paris Club creditors on all eligible debt and comparable treatment from other official bilateral creditors.
2/ Includes debt service on the rescheduling.
3/ Includes the fixed component of fishing royalty payments from the European Union.
4/ Assumed to be filled by debt relief extended by bilateral official creditors and concessional external assistance.
5/ In months of imports of goods and non factor services.

Table 8. Mauritania: Net Present Value of External Debt After Rescheduling, 1998–2017

	1998	1999	2000	2001	2002	2003	2004	2005	2006	1998–2007	2008–2017
After traditional debt relief 1/	Actual	Projected								Average	
1. NPV of total debt (2+5) 2/	1,242.8	1,229.0	1,218.0	1,207.5	1,196.2	1,179.9	1,171.3	1,167.9	1,166.2	1,194.4	1,265.5
2. NPV of old debt (3+4)	1,242.8	1,208.8	1,162.7	1,118.3	1,069.3	1,024.1	987.0	952.2	920.6	1,057.8	771.9
3. Official bilateral and commercial	521.9	524.6	520.1	516.8	511.5	509.3	506.6	502.6	497.8	510.4	457.6
3a. Paris Club	274.3	274.1	273.5	271.6	269.2	265.7	261.1	255.6	249.3	263.7	199.5
3b. Other official bilateral	247.6	250.5	246.6	245.3	242.3	243.7	245.5	247.1	248.5	246.7	258.1
3c. Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Multilateral	720.9	684.2	642.5	601.5	557.9	514.8	480.4	449.6	422.8	547.4	314.3
5. NPV of new debt	0.0	20.3	55.4	89.1	126.9	155.7	184.3	215.7	245.5	136.6	493.5
Memorandum items:											
Exports of goods and services 3/	408.5	411.9	432.3	448.8	464.6	487.8	500.3	525.3	552.6	481.5	822.5
Three-year export average 4/	453.1	418.5	417.6	431.0	448.6	467.1	484.2	504.5	526.1	470.4	774.9
Central government revenue 5/	248.5	279.4	283.2	296.1	314.7	337.0	364.3	387.0	414.8	337.2	718.5
NPV of debt-to-exports ratio (percent) 6/	274.3	293.7	291.7	280.1	266.7	252.6	241.9	231.5	221.7	256.5	166.5
NPV of debt-to-revenue ratio (percent)	500.2	439.9	430.1	407.8	380.2	350.1	321.5	301.8	281.1	367.3	183.6
After enhanced HIPC initiative assistance 7/											
1. NPV of total debt (2+5) 2/	1,615.4	1,570.0	1,239.4	1,251.8	612.1	618.1	628.7	642.9	655.8	949.9	821.7
2. NPV of old debt (3+4)	1,615.4	1,549.7	1,184.0	1,162.6	485.2	462.3	444.5	427.2	410.3	813.3	328.2
3. Official bilateral and commercial	894.5	862.6	572.1	576.6	274.4	261.4	251.8	241.3	229.5	438.2	157.2
3a. Paris Club	390.9	374.6	323.7	325.3	137.2	129.4	123.2	116.6	109.4	213.3	65.4
3b. Other official bilateral	503.6	488.0	248.4	251.3	137.2	132.0	128.7	124.7	120.0	224.9	91.8
3c. Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Multilateral	720.9	684.2	611.9	586.1	210.8	200.9	192.6	185.9	180.8	375.1	171.0
5. NPV of new debt 8/	0.0	20.3	55.4	89.1	126.9	155.7	184.3	215.7	245.5	136.6	493.5
Old Debt											
NPV of debt-to-exports ratio (percent) 6/	356.5	369.6	283.5	269.7	108.2	99.0	91.8	84.7	78.0	181.2	44.4
NPV of debt-to-revenue ratio (percent)	650.2	553.7	418.1	392.7	154.2	137.2	122.0	110.4	98.9	272.6	49.5
Total Debt											
NPV of debt-to-exports ratio (percent) 6/	356.5	374.4	296.8	290.4	136.4	132.3	129.8	127.4	124.7	209.0	106.8
NPV of debt-to-revenue ratio (percent)	650.2	561.0	437.7	422.8	194.5	183.4	172.6	166.1	158.1	309.6	117.2
After enhanced HIPC initiative assistance (assumed committed unconditionally) 9/											
1. NPV of total debt (2+5) 2/	621.1	604.9	603.6	605.9	612.1	618.1	628.7	642.9	655.8	626.1	821.7
2. NPV of old debt (3+4)	621.1	584.7	548.2	516.7	485.2	462.3	444.5	427.2	410.3	489.5	328.2
3. Official bilateral and commercial	260.8	264.2	267.6	271.0	274.4	261.4	251.8	241.3	229.5	254.0	157.2
3a. Paris Club	137.1	137.1	137.2	137.2	137.2	129.4	123.2	116.6	109.4	126.7	65.4
3b. Other official bilateral	123.7	127.1	130.4	133.8	137.2	132.0	128.7	124.7	120.0	127.3	91.8
3c. Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. Multilateral	360.3	320.5	280.6	245.7	210.8	200.9	192.6	185.9	180.8	235.5	171.0
5. NPV of new debt 8/	0.0	20.3	55.4	89.1	126.9	155.7	184.3	215.7	245.5	136.6	493.5
Old Debt											
NPV of debt-to-exports ratio (percent) 6/	137.1	139.7	131.3	119.9	108.2	99.0	91.8	84.7	78.0	106.1	44.4
NPV of debt-to-revenue ratio (percent)	250.0	209.3	193.6	174.5	154.2	137.2	122.0	110.4	98.9	153.8	49.5
Total Debt											
NPV of debt-to-exports ratio (percent) 6/	137.1	144.5	144.5	140.6	136.4	132.3	129.8	127.4	124.7	133.8	106.8
NPV of debt-to-revenue ratio (percent)	250.0	216.5	213.1	204.6	194.5	183.4	172.6	166.1	158.1	190.8	117.2

Sources: Mauritanian authorities; and staff estimates and projections.

1/ Assumes a stock of debt operation on Naples terms at end-December 1998, with comparable treatment from non-Paris Club bilateral creditors. Arrears on post cut-off date debt are assumed to be paid in 1999.

2/ Discounted on the basis of a six-month average of Commercial Interest Reference Rate (CIRR) for July-December 1998. The conversion of currency-specific NPVs into U.S. dollars occurs for all years at the base date exchange rate (December 1998).

3/ As defined in IMF Balance of Payments Manual, 5th edition, 1993.

4/ Backward-looking average (e.g., average over 1997–99 for exports in 1999).

5/ Converted into U.S. dollars at the end-of-period 1998 exchange rate.

6/ NPV of debt in percent of three-year average of exports of goods and services.

7/ After assumed assistance under the enhanced HIPC initiative (see paragraph 12 for detailed assumptions). Arrears on post cut-off date debt are assumed to be paid in 1999.

8/ Same as after traditional debt relief

9/ The NPV of debt shows the results of the (hypothetical) unconditional commitment of enhanced HIPC initiative assistance.

Table 9. Mauritania: External Debt Service Before and After Rescheduling, 1998-2017

	1998	1999	2000	2001	2002	2003	2004	2005	2006	1998–2007	2008–2017
	Actual 1/	Projected								Average	
	(In millions of U.S. dollars, unless otherwise indicated)										
Total debt service before debt relief	131.8	134.5	131.9	126.6	126.7	122.4	101.1	95.4	90.9	114.7	71.5
Total debt service	78.9	134.5	131.9	126.6	126.7	122.4	101.1	95.4	90.9		
Principal	51.0	98.4	98.3	95.7	98.5	96.7	77.6	73.4	70.4	82.7	60.4
Medium- and long-term on existing debt	51.0	98.4	98.3	95.7	98.5	96.7	77.6	73.4	70.4	82.7	60.4
Multilateral	42.0	55.0	59.5	58.4	60.5	59.2	49.6	45.2	40.7	50.7	27.3
Of which											
IMF	2.3	9.5	11.7	14.6	17.6	19.2	15.6	11.0	7.0	11.3	0.0
World Bank	4.5	5.3	6.3	5.5	6.1	6.7	7.2	8.2	9.1	6.9	13.1
Official bilateral	8.9	43.4	38.8	37.3	38.0	37.6	28.0	28.2	29.7	32.0	33.1
Paris Club	8.3	21.0	21.8	23.4	23.8	22.6	16.4	15.9	16.3	18.6	21.7
Of which											
ODA	0.0	2.6	2.6	2.3	2.2	1.5	1.4	1.4	1.4	1.7	1.2
Non-Paris Club	0.6	22.5	17.0	13.8	14.2	15.0	11.6	12.2	13.4	13.4	11.4
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt 2/	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	5.7		
Interest	27.9	36.2	33.6	30.9	28.2	25.7	23.5	22.0	20.5	26.8	11.1
Medium- and long-term	27.9	36.2	33.6	30.9	28.2	25.7	23.5	22.0	20.5	26.8	11.1
Multilateral	18.6	18.3	17.0	15.4	13.8	12.3	11.1	10.1	9.1	13.4	4.6
Of which											
IMF	0.4	1.0	1.0	0.9	0.8	0.7	0.6	0.6	0.5	0.7	0.1
World Bank	2.8	3.3	3.1	3.0	3.0	2.9	2.9	2.8	2.7	2.9	2.2
Official bilateral	9.3	17.8	16.6	15.5	14.4	13.3	12.5	11.9	11.4	13.4	6.5
Paris Club	9.0	14.4	13.5	12.7	11.8	10.9	10.2	9.7	9.4	11.0	5.3
Of which											
ODA	0.2	1.2	1.1	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.7
Non-Paris Club	0.3	3.5	3.1	2.9	2.6	2.4	2.3	2.2	2.0	2.3	1.2
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt/2	0.0	0.3	0.9	1.4	2.0	2.5	2.9	3.4	4.0		
Total debt service after rescheduling	78.9	97.8	108.8	105.2	108.1	102.2	92.3	90.6	90.0	96.4	87.0
Principal	51.0	61.5	73.4	71.0	75.0	70.3	61.4	60.3	60.3	64.5	59.6
Medium- and long-term on existing debt	51.0	61.5	73.4	71.0	75.0	70.3	61.4	58.4	54.7	62.7	45.4
Multilateral	42.0	55.0	59.5	58.4	60.5	59.2	49.6	45.2	40.7	50.7	27.3
Official bilateral	8.9	6.5	13.9	12.6	14.5	11.1	11.8	13.1	14.0	12.0	18.1
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	5.7	1.8	14.3
Interest	27.9	36.3	35.4	34.2	33.0	31.9	31.0	30.3	29.7	31.9	27.4
Medium- and long-term	27.9	36.0	34.5	32.8	31.1	29.5	28.1	26.9	25.7	29.7	19.0
Multilateral	18.6	18.3	17.0	15.4	13.8	12.3	11.1	10.1	9.1	13.4	4.6
Official bilateral	9.3	17.7	17.5	17.4	17.3	17.1	17.0	16.8	16.6	16.3	14.5
New debt	0.0	0.3	0.9	1.4	2.0	2.5	2.9	3.4	4.0	2.2	8.3
Memorandum item:											
Exports	408.5	411.9	432.3	448.8	464.6	487.8	500.3	525.3	552.6	481.5	822.5
Debt-service ratio before rescheduling 3/	33.8	32.7	30.5	28.2	27.3	25.1	20.2	18.2	16.4	24.7	9.1
Debt-service ratio after rescheduling 3/	20.2	23.8	25.2	23.4	23.3	20.9	18.5	17.2	16.3	20.4	10.9

Sources: Mauritanian authorities; and staff estimates and projections.

1/ 1998 figures are after the extension of the consolidation period under the 1995 Paris Club agreement to end-July 1998. Assumes a stock of debt operation on Naples terms at end-1998 and at least comparable treatment from other official bilateral creditors. Arrears on post cut-off date debt are assumed to be paid in 1999.

2/ Debt service on new debt is based on Balance of Payments after debt rescheduling

3/ Debt service in percent of current-year exports of goods and services, as defined in IMF Balance of Payments Manual, 5th edition, 1993.

Table 10. Mauritania: HIPC Initiative: Alternative Assistance Levels Under a Proportional Burden-Sharing Approach 1/

	Assuming a Decision point in 2000 *2/*							
	Total Assistance under the NPV of debt-to-exports criteria				Total Assistance under the NPV of debt-to-revenues criteria			*Memo item:*
	Total	Bilateral 3/	Multilateral		Total	Bilateral 3/	Multilateral	Required NPV debt
NPV of debt-to-exports-target (in percent)	(In millions of U.S. dollars)			NPV of debt-to-revenue-target (in percent)	(In millions of U.S. dollars)			reduction on comparable treatment on bilateral debt based on overall exposure 5/
150	563	236	327	250	622	261	361	
Common Reduction Factor at the decision point 5/			45.3				50.0	
Memorandum items:								
NPV of debt 6/	1,243	522	721	NPV of debt 6/	1,243	522	721	
3-year average of exports	453			Central Govt. Revenues	248	…	…	
Current-year exports	409	…	…	NPV of debt-to-revenues	500	…	…	
NPV of debt-to-exports 7/	274	…	…	Exports-to-GDP ratio 7/	43			
				Revenues-to-GDP ratio 7/	28			
				Average GDP	1,061			
				Paris Club Creditors		274		83
				of which pre-cod non-ODA		119		105
				Non-Paris Club Creditors		248		83
				of which pre-cod non-ODA		40		170

Sources: Mauritanian authorities and staff estimates and projections.

1/ The proportional burden sharing approach is described in "HIPC Initiative--Estimated Costs and Burden Sharing Approaches" (EBS/97/127, 7/7/97 and IDA/SEC M 97-306, 7/7/97).
2/ Applies a hypothetical stock-of-debt operation on Naples terms and appropriate comparable treatment by other official bilateral creditors at end-December 1998.
3/ Includes only official bilateral creditors as no commercial debt remains.
4/ Includes the cash flow and NPV relief effect from assuming a flow rescheduling on Cologne terms in the second stage.
5/ Each multilaterals' NPV reduction at the decision point in percent of its exposure at the decision point.
6/ Based on latest data available at the decision point after full application of traditional debt relief mechanisms.
7/ Uses the latest annual data at the decision point on the three-year average of exports of goods and nonfactor services, GDP and central government revenues, all centered on the previous year.

Table 11. Mauritania: Possible Delivery of IMF Assistance under the HIPC Initiative

(In millions of US dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery schedule of IMF assistance										
(in percent of total IMF assistance) 1/	10.8	17.7	20.0	17.6	12.0	9.0	9.2	3.0	0.0	0.0
Total obligations falling due to the IMF 2/	8.9	14.8	17.7	19.1	15.6	12.9	8.9	6.0	2.1	2.1
Principal	7.8	13.8	16.8	18.3	14.9	12.2	8.3	5.5	1.6	1.6
Interest	1.1	0.9	0.9	0.8	0.7	0.7	0.5	0.5	0.5	0.5
deposit into Mauritania's account	5.1	8.3	9.3	...	...	...	...	...	...	...
interim assistance	...	...	24.1	...	...	...	...	...	...	...
completion point assistance 3/										
IMF assistance under enhanced HIPC initiative 4/	5.1	8.4	9.6	10.9	8.4	7.0	4.8	1.7	0.0	0.0
Net debt service to IMF 5/	3.8	6.4	8.2	8.2	7.2	5.9	4.1	4.4	2.1	2.1
Share of debt service to IMF										
covered by IMF assistance (in percent) 4/	57.0	57.0	54.0	57.0	54.0	54.0	54.0	27.7	0.0	0.0
Memo items:										
Total debt service due 6/	108.8	105.2	108.1	102.2	92.3	90.6	90.0	90.4	90.4	89.4
Share of total debt service										
covered by IMF assistance (in percent) 4/	4.6	8.0	8.9	10.6	9.1	7.7	5.3	1.9	0.0	0.0
Proportion of each repayment falling due during the period to be paid by IMF assistance from the principal deposited in the account (in percent of assistance)	64.9	59.9	55.7	46.2	37.2	35.6	51.7	25.8	0.0	0.0
Debt service to IMF after IMF assistance 4/										
(in percent of exports)	0.9	1.4	1.8	1.7	1.4	1.1	0.7	0.8	0.3	0.3

Source: IMF staff estimates and projections

1/ Total IMF assistance under the HIPC Initiative is US$ 46.76 millions calculated on the basis of data available at the decision point, excluding interest earned on the escrow account and on committed but undisbursed amounts as described in footnote 3.

2/ As of December 31, 1999; obligations from existing drawings, converted from SDRs at a rate of 1.34364 US$ per SDR (2/2/00).

3/ Remaining amount of assistance to be disbursed into the account at the assumed completion point in July 2002.

4/ Includes estimated interest earnings on: (1) amounts held in the account; and (2), up to the completion point, amounts committed but not yet disbursed. It is assumed that these amounts earn a rate of return of 5.25 percent; actual interest earnings may be higher or lower. Interest accrued on (1) during a calendar year will be used toward the first repayment obligation(s) falling due in the following calendar year except in the final year, when it will be used toward payment of the final obligation(s) falling due in that year. Interest accrued on (2) during the interim period will be used toward the repayment of obligations falling due during the three years after the completion point. Although the completion point is assumed to be in July 2002, the application of this interest component is assumed to be applied beginning in 2003.

5/ Total obligations less enhanced HIPC initiative assistance.

6/ After traditional debt relief mechanisms.

Table 12. Mauritania: Possible Delivery of IDA Assistance Under the HIPC Initiative 1/

(In millions of U.S. Dollars, unless otherwise indicated)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Debt Service to IDA Before HIPC	7.42	8.50	9.08	9.58	10.03	11.03	11.86	12.47	13.31	13.41
Debt Service to IDA After HIPC	2.83	2.96	3.16	3.33	3.49	3.84	4.13	4.34	4.63	4.67
Relief in Nominal	4.59	5.54	5.92	6.25	6.54	7.19	7.73	8.13	8.68	8.74
Relief in NPV terms	4.45	5.11	5.18	5.19	5.16	5.38	5.50	5.48	5.56	5.32
Percentage Reduction in Nominal	61.91	65.20	65.20	65.20	65.20	65.20	65.20	65.20	65.20	65.20
Percentage Reduction in NPV	4.65	5.33	5.41	5.42	5.38	5.61	5.74	5.72	5.80	5.55

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt Service to IDA Before HIPC	14.25	15.07	15.38	15.67	15.86	16.12	16.57	16.67	16.63	16.46
Debt Service to IDA After HIPC	4.96	5.25	5.35	5.45	5.52	5.61	5.77	5.80	5.79	5.73
Relief in Nominal	9.29	9.83	10.03	10.22	10.34	10.51	10.80	10.87	10.84	10.73
Relief in NPV terms	5.36	5.39	5.23	5.06	4.86	4.70	4.59	4.39	4.15	3.91
Percentage Reduction in Nominal	65.20	65.20	65.20	65.20	65.20	65.20	65.20	65.20	65.20	65.20
Percentage Reduction in NPV	5.60	5.63	5.45	5.28	5.07	4.90	4.79	4.58	4.34	4.08

Source: IDA staff estimates and projections.

1/ The assistance is assumed to be delivered from February 2000-2019 covering 65.2 percent of debt service due.

Table 13. Mauritania: External Debt Service After Rescheduling, 1998–2017

	1998	1999	2000	2001	2002	2003	2004	2005	2006	1998–2007	2008–2017
	Actual	Projected								Average	
	(In millions of U.S. dollars, unless otherwise indicated)										
Total debt service after rescheduling 1/	78.9	134.0	87.4	79.9	58.3	48.5	42.5	43.3	46.3	66.8	47.3
Principal	51.0	97.7	65.1	59.5	44.6	37.0	31.4	32.3	35.3	49.2	35.2
Medium- and long-term on existing debt	51.0	97.7	65.1	59.5	44.6	37.0	31.4	30.4	29.6	47.4	22.9
Multilateral	42.0	54.3	50.2	44.6	25.3	17.1	15.2	13.4	11.7	28.4	7.7
Of which											
IMF	2.3	9.5	5.3	6.6	3.7	9.0	7.3	5.2	3.3	5.4	0.0
World Bank	4.5	5.3	3.6	1.9	2.1	2.3	2.5	2.9	3.2	3.2	4.5
Official bilateral	8.9	43.4	14.9	14.9	19.3	19.9	16.2	17.0	18.0	19.0	15.2
Paris Club	8.3	21.0	7.0	8.4	8.8	10.3	8.6	8.9	9.3	9.9	8.3
Of which											
ODA	0.0	2.6	0.0	0.0	0.9	1.2	1.0	1.0	1.1	0.9	1.1
Non-Paris Club	0.6	22.5	8.0	6.6	10.5	9.6	7.6	8.1	8.7	9.1	6.9
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	5.7	1.8	12.3
Interest	27.9	36.3	22.2	20.3	13.7	11.5	11.1	11.0	10.9	17.6	12.1
Medium- and long-term	27.9	36.0	21.5	19.1	12.1	9.6	8.9	8.4	8.0	15.9	5.4
Multilateral	18.6	18.1	13.5	11.2	6.3	3.4	3.1	2.8	2.6	8.2	1.6
Of which											
IMF	0.4	1.0	0.4	0.4	0.2	0.3	0.3	0.3	0.3	0.4	0.1
World Bank	2.8	3.3	1.2	1.0	1.0	1.0	1.0	1.0	1.0	1.4	0.8
Official bilateral	9.3	17.8	7.9	7.9	5.9	6.2	5.8	5.6	5.3	7.7	3.8
Paris Club	9.0	14.4	4.6	4.5	3.5	3.2	2.9	2.7	2.5	4.9	1.5
Of which											
ODA	0.2	1.2	0.5	0.5	0.7	1.2	1.2	1.1	1.1	0.9	1.0
Non-Paris Club	0.3	3.5	3.3	3.5	2.4	3.0	3.0	2.9	2.8	2.7	2.4
Commercial	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New debt	0.0	0.3	0.8	1.2	1.6	1.9	2.2	2.6	3.0	1.7	6.7
Total debt service before debt relief	131.8	134.5	131.9	126.6	126.7	122.4	101.1	95.4	90.9	114.7	71.5
Memorandum item:											
Exports	408.5	411.9	432.3	448.8	464.6	487.8	500.3	525.3	552.6	481.5	822.5
Debt-service ratio before rescheduling 2/	33.8	32.7	30.5	28.2	27.3	25.1	20.2	18.2	16.4	24.7	9.1
Debt-service ratio after rescheduling 2/	20.2	32.5	20.2	17.8	12.6	9.9	8.5	8.2	8.4	14.7	6.0

Sources: Mauritanian authorities; and staff estimates and projections.

1/ 1998 figures are after the extension of the consolidation period under the 1995 Paris Club agreement to end-July 1998. Assumes assistance under the enhanced HIPC initiative (see para. 66 for detailed assumptions). Arrears on post cut-off date debt are assumed to be paid in 1999.

2/ Debt service in percent of current-year exports of goods and services, as defined in IMF Balance of Payments Manual, 5th edition, 1993.

Interruptions and Waivers Under the Structural Adjustment Credits 1985-98

1. Mauritania adjustment effort has been supported by the Fund and the IDA through continued financial and technical assistance with little disruption since 1985. Funds available under three stand-by arrangements and two arrangements under the Structural Adjustment Facility (SAF) were fully disbursed between 1985 and 1987. In 1989, Mauritania entered in a new three year program supported by the Fund through an ESAF and by the IDA through sectoral credit operations. The program was interrupted before completion in 1991 because of the 1989 Mauritania-Senegal conflict and the Gulf crisis of 1991. The country experienced then declines in output, a reemergence of inflation, a banking crisis, and sharp deterioration of the external position.

2. Since late 1992, the Fund has resumed his support to Mauritania's renewed stabilization efforts with financial assistance through two successive ESAF arrangements and technical assistance in the areas of tax policy and administration, tariff reform, monetary and exchange rate policies, banking supervision, and statistics. The adjustment has been sustained, except for two minor delays that occurred in 1996[1], and the program was completed successfully in July 1998. A new arrangement followed about one year later, upon the approval by the executive board of the request of Mauritania for a new three year ESAF-arrangement July 21, 1999.

3. Under the 1992–98 ESAF supported programs, Mauritania requested and was granted a total of fifteen waivers (Table 1), five of which were related to the non-reduction of external arrears[2]. Six other waivers were related to performance criteria on monetary targets: three on net domestic assets, two on net bank credit to the government, and one on net foreign liabilities of the central bank. Two additional waivers were required for missing fiscal targets: one having to do with the government wage bill, and the other with a shortfall in the overall balance of consolidated government operations. The remaining two waivers were related to two structural benchmarks: one related to the complete privatization of an insurance company, and the other to the preparation of final version of texts transferring the tax collection function from the Treasury to the General Directorate of Taxation for incorporation in the 1998 budget law.

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[1] In the first instance, the 1996 arrangement was approved by the Executive Board after few months of delay following the adoption by the authorities in late 1995 of measures to correct the revenue shortfall. In the second instance, policy slippages in the fiscal and monetary areas in the first half of 1996 required actions and the observance of end-September benchmarks for the completion of the midterm review, which occurred with a two-month delay.

[2] These arrears resulted mostly from protracted negotiations with the non-Paris Club bilateral creditors on comparable debt-relief terms. Some others were due to delays in the provision of external assistance.

4. IDA supported Mauritania’s effort through a series of financial and technical assistance operations beginning with a structural adjustment credit 1987, followed by three sectoral adjustment credits in agriculture, public enterprise reform, and private sector development. At present, IDA has 13 operations under supervision including the quick disbursing Public Resource Management Credit. Disbursements for IDA operations over the period 1987–September 1999 totaled US$356 million.

5. The African Development Bank and the European Union as well as other multilateral and bilateral donors have also provided substantial financial and technical assistance in support of Mauritania’s stabilization and adjustment programs.

Mauritania: Reforms Supported by IDA Adjustment Credits and Waivers

Credit-Approved Date	Key Reforms Supported	Waivers of Conditions
Structural Adjustment Credit June 1987	• A growth strategy based on the fisheries and rural sectors. • A program to improve economic management. • A program to promote the private sector. • Detailed action programs in macroeconomic management, civil service and public administration, the banking sector, energy, agriculture and food policy, fisheries, and private sector promotion.	None
Agricultural Sector Adjustment/Invest. Credit February 1990	**Adjustment Component**: • Deepen and extend the liberalization of cereals marketing and price policy initiated under the SAL completed in November 1988. • Support new reforms designed to improve land tenure legislation and administration, and build institutional and financial capacity for agricultural credit. • Support improved effectiveness of the public sector, by restructuring SONADER, improving the public investment program in agriculture and increasing MDR's capacity for planning and policy analysis.	None
Public Enterprise Sector Adjustment Program January 1994	• Modification of the legal and institutional framework with the objective of eliminating state monopolies and facilitating increased private sector participation. • Program of divestiture aimed at reducing the number of Enterprises in the sector. • Financial restructuring programs for key enterprises Remaining in the sector, particularly SNIM, the iron ore mining company.	None

Mauritania: Reforms Supported by IDA Adjustment Credits and Waivers

Private Sector Development Credit December 1995	• Improve the incentive structure for private sector development. • Improve the foreign exchange and trade regime for the private sector. • Consolidate the restructuring of the banking sector and strengthen financial sector regulations. • Develop financial markets and institutions. • Develop the fisheries sector. • Develop the mining sector.	Yes (2nd tranche). Adoption of professional standards for the auditing and accounting profession. This condition was met under 3rd tranche.
Public Resource Management Credit June 1996	• Improve domestic resource mobilization by broadening and diversifying the tax base. • Improve public expenditure allocation and management by preparing a three-year rolling Public Expenditure program consistent with the macroeconomic framework and oriented toward poverty reduction.	None[1]

[1] The Public Resource Management Credit is still active. The first two tranches have been released.

MAURITANIA: POVERTY REDUCTION STRATEGY, 1999–2001

STRATEGIC LINES	PRIORITY ACTIONS	AGENCIES/ PROGRAMS	EXPECTED RESULTS
INCOME GENERATION			
1. Raise the rate of economic growth	1. Fully implement agreed exchange rate, monetary, and fiscal policies. 2. Fully implement agreed structural/sectoral policies.	BCM MAED MEF	• Improved macroeconomic environment • Growth rates of >5 percent. • GDP per capita increased by 2 percent.
2. Improve access to finance and production factors for the poor	1. Strengthen microfinance programs. 2. Strengthen decentralized financial systems (SFD). 3. Clarify property laws to improve secured access to land ownership. 4. Facilitate access to inputs and other production factors, especially agricultural technology. 5. Increase participation of women in micro-projects.	UNCACEM COOPEC ACOPAM IDM IDPIAM	• Framework for decentralized financial services improved and more accessible for the poor • New financial products available from SFD • 20 percent increase in access of poor people to microcredit, especially women • Increased access to land and agricultural Technology for poor people • Increased crop diversification • Implementation of 20 successful micro-projects
3. Promote activities which generate income, especially self-employment, in favor of the poor	1. Increase the share of budgetary resources to well targeted poverty reduction programs. 2. Implement labor-intensive public works program especially for the poorest regions. 3. Support private sector investment in prevalently poor economic areas, especially agro-food sector. 4. Support small livestock raising and off-season crops. 5. Support artisanal fisheries development. 6. Improve job skills of young in poor areas. 7. Liaise with labor market coordination structures. 8. Rehabilitate/develop irrigated schemes. 9. Organize and enhance role of 250 rural communities.	CDHLPI MAED MRDE MPEM Willayas Local govt. RNRMP SECF CGEM AMEXTIPE IDPIAM	• 440,000 men/day jobs created • Increased income from cash crops • Increased hydro-agriculture activities around poor Villages • Reduced rural migration • Construction / rehabilitation of rural roads • Set up of a framework for labor coordination • Set up of women's job training programs • Rehabilitation of about 3,000 ha and development of about 100ha in irrigated areas • Increased production and revenues in 250 villages
4. Strengthen food productions chains where the poor are concentrated	1. Improve production, stock management and marketing of agricultural and artisanal fisheries products to promote food security 2. Support farmers and artisanal fisheries' organizations	MRDE IDPIAM RNRMP	• Increased rrigated agriculture • Increased small livestock and horticultural activity particularly women-operated • Increased number of grain silos • Increased number of small farmer and artisanal fisheries associations

STRATEGIC LINES	PRIORITY ACTIONS	AGENCIES/ PROGRAMS	EXPECTED RESULTS
HUMAN DEVELOPMENT			
5. Improve access to education and training for the poor	1. Increase the share of budgetary resources to ensure financing for the educational reform. 2. Build primary schools within 2km radius of poor villages, using multigrade teaching, if applicable, and provide them with adequate means. 3. Build vocational training centers and programs in poor areas. 4. Improve teacher training, teaching methods and working conditions. 5. Promote participation of beneficiaries in management of primary education. 6. Create social fund to which communities can apply to help retain students during the whole primary cycle of schooling.	MEN SECF	• 100 percent primary school enrollment • girls' enrollment rate increased to 46 percent • 1,440 class rooms for primary education constructed • 23 lower secondary centers built • All students in primary education with textbooks • All teachers with teachers' guide in the three main Disciplines • Retention rate for grade 1 to end of primary school reaches 80 percent
6. Increase poor people's access to quality primary health care services, essential drugs, drinking water and sanitation, and improve their nutritional status	1. Increase the recurrent health budget allocation from 7 percent to 8 percent of total current expenditure. 2. Strengthen drug procurement and distribution, including the establishment of a central drug purchasing unit set-up as a financially autonomous facility. 3. Implement the plan for institutional strengthening to build capacity in planning, budgeting, program implementation and monitoring at central and regional levels. 4. Implement cost-effective activities in the areas of reproductive health, including family planning, nutrition, maternal and child health and HIV. 5. Fight against the major contagoius diseases which affect the poor. 6. Construct health centers in poor areas, and promote participation of beneficiaries, particularly women, in management of health centers. 7. Support collaboration between modern and traditional medicine. 8. Improve availability of drinking water and sanitation.	MHSA SECF MF MAED NGOs HSIP	• Supplies of basic medicine to health centers in poor areas available • 558 new health centers equipped and operating in poor areas • Community associations, esp. women's groups involved in management of health centers • 40 percent reduction in iodine and iron deficiency-related illnesses • 30 percent reduction in rates of malnutrition • 30 percent reduction in HIV/AIDS prevalence rates amongst migrants • Substantial reduction of acute respiratory diseases and malaria • 30 percent increase in access to drinking water in rural/urban centers

STRATEGIC LINES	PRIORITY ACTIONS	AGENCIES/ PROGRAMS	EXPECTED RESULTS
	9. Establish programs promoting nutrition education.		• Reduction of incidence of water borne diseases • Two regions fully covered by nutrition programs
OTHER WELFARE DETERMINANTS			
7. Improve housing conditions of the poor	1. Promote the use of local building materials 2. Encourage private sector to build low cost homes 3. Support housing cooperatives for the poor 4. Support sanitation systems in poor urban areas	MAED MET Housing Bank	• More decent, affordable homes for the poor, built with local materials • Private sector investment in construction sector increased • Increased number of housing cooperatives in poor areas
8. Improve the economic, political, juridical, social and cultural environment in favor of the poor	1. Allocate a greater proportion of budget to basic social services 2. Dynamize private sector 3. Strengthen local collective solidarity 4. Promote grass roots communities participation in decision-making 5. Create opportunities for the poor, esp. women and children, and increase their access to justice	MJ MAED CDHLPI Willayas HIPC ESAF PRMC	• Job creation increased through private investment • Knowledge of and support for traditional forms of social solidarity increased • Opportunities for vulnerable groups (women, children, the elderly) increased
9. Coordinate the poverty reduction strategy effectively	1. Strengthen national, regional and local capacity, including ONS, to gather, process, analyze and monitor information on poverty 2. Carry out an income and expenditure household survey 3. Strengthen coordination and resource mobilization activities at all levels 4. Maintain public informed of poverty situation and policy outcomes 5. Coordinate NGOs 6. Strengthen capacity of decentralized local governments 7. Prepare with a broad-based participation of civil society a PRSP	CDHLPI MAED	• Implementation of a light, flexible monitoring mechanism • Updated and reliable information on poverty available • Preparation of geographical poverty map • Development of methods for poverty data collection and analysis • Data on poverty thresholds, incidence and depth available • Established operational framework for implementing and following up the poverty reduction plan • Mobilization of public opinion to support the fight against poverty and social exclusion • Adoption and implementation of the agreed PRSP.

Main Steps and Timetable in the Elaboration of the Poverty Reduction Strategy Paper

1999

December

- Round tables in Nouakchott on the launch of the National Poverty Reduction Strategy. Organized by the Government with the support of the World Bank. Participants included: 18 NGOs, elected local and parliamentary representatives, representatives of the main donors countries and other civil society groups, such as trade unions and religious leaders. The discussion focused on (i) available information on the current poverty situation, (ii) ongoing poverty reduction programs and, (iii) how to establish a broad–based and fully participatory process for setting up a comprehensive national strategy for poverty reduction, which will constitute the basis for the elaboration of the PRSP.

- The World Bank Vice President for the Africa Region visited Mauritania. In the occasion of a town hall meeting, he illustrated the main objectives and requirements underlying the new poverty reduction framework for Bank/Fund operations in IDA/PRGF eligible countries.

2000

February

- Regional workshop on the elaboration of PRS. Francophone Africa senior policy makers will exchange views on how to set up and implement effective participatory process for the preparation of poverty reduction strategies.

- A joint World Bank /IMF mission will (i) complete the first review of the PRGF arrangement, (ii) assess development of IDA supported operations, and (iii) make a preliminary assessment of the ongoing process for the preparation of the PRS. In this context, the mission will meet with representatives of civil society and ensure that a broad-based and fully participatory process is driving the preparation of the PRS.

March

- With the support of external experts, the *Commissariat aux droits de l'homme, à la lutte contre la pauvreté et à l'insertion* will report on the preliminary assessment of the participatory process involving local authorities and the civil society and will release a qualitative poverty profile.

April

- Initiation of the demographic and health survey by the ONS.

June

- Completion of the first round of the household survey and presentation of results to be used for the preparation of a poverty profile.

August

- The *Commissariat* will discuss with other participants in the process quantitative goals and benchmarks to be included in the PRS, and relevant indicators to be monitored during its implementation. By the end of September, a database including all relevant available indicators will be finalized and made available for public consultation.

September

- The demographic and health survey is completed and its outcome published.

- Initiation of the 2000 population census. The census results will be available in the second half of 2001 and will be used to draw a comprehensive poverty map of Mauritania.

October

- Preparation by the *Commissariat* of the first draft of the PRS, which includes cost assessment of alternative programs. The presentation of the PRS will be followed by an open discussion and appraisal of tradeoffs among different poverty reduction actions.

November

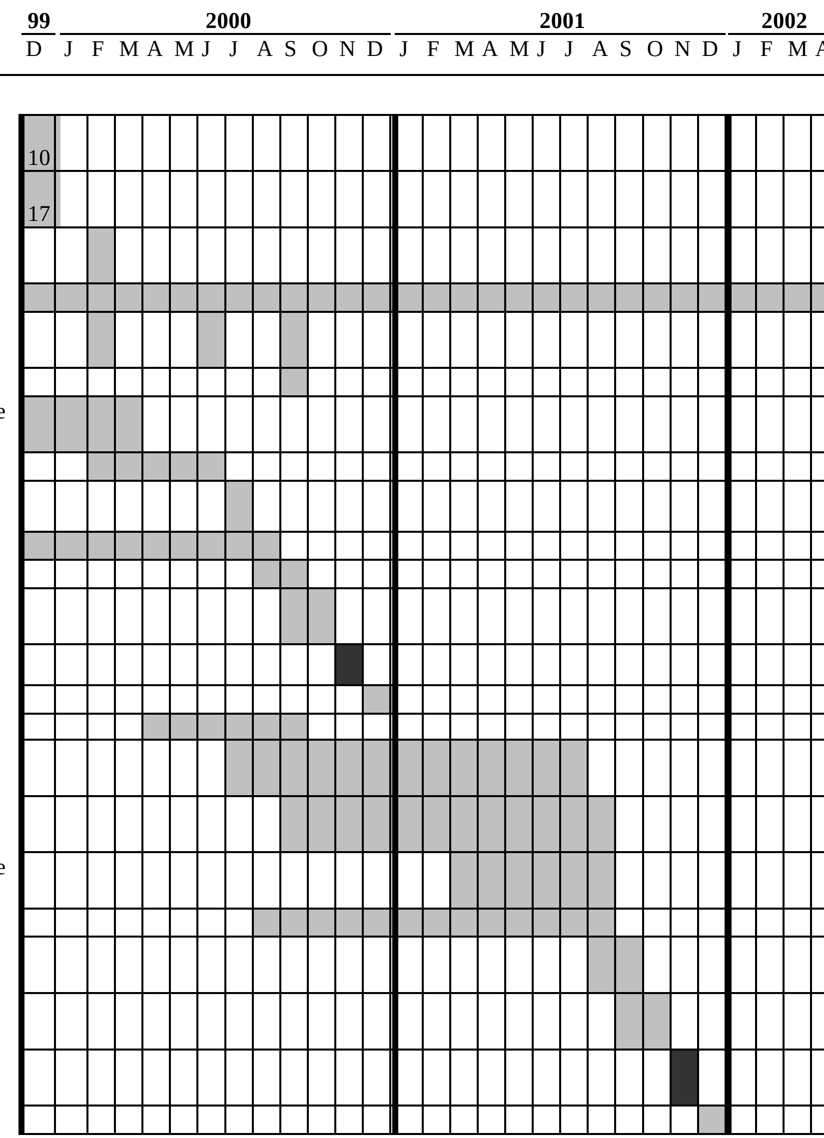
- Incorporation of comments and result of discussion and finalization of interim PRS.

December

- The first PRSP is presented to the Fund and Bank Boards and published.

Poverty Reduction Strategy Paper (PRSP) Timetable, December 1999–April 2002

	Activity	Resp.	Actors	Outputs
1	PRSP Launch Event 1/	Gvt, Commissariat	Civil society, sectors, donors,	Summary of poverty reduction activities
2	Advocacy role (VP's visit) 2/	VP, CD, RR	Civil society, sectors, donors,	Town hall meeting
3	Regional Workshop	WBI	African Senior policymakers	Ownership, learning process, coordination
4	Participatory process	Commissariat	Civil society	Issues, strategies
5	Mission 3/	WB, IMF,	WB & IMF staff, nationals	Road map, action plan, financing plan
6	Donors Meeting	WB	Donors	Note
7	Participatory assessment	Commissariat, sociologists	Regions, civil society	Qualitative poverty profile
8	Household survey, 1st round	ONS	Regions	First round results
9	Poverty profile	ONS, Commissariat	Civil society, sectors	Poverty profile
10	Sectoral analysis	Sectors	ONS, Comm.	Sectoral poverty notes
11	Indicators, goals, and benchmarks	Commissariat	Sectors	Data base
12	Draft PRSP and discussions	Commissariat	Civil society, sectors, donors, IMF, WB	Draft Interim PRS and comments
13	**First PRSP**	**Government**	**All partners**	**Update PRS**
14	WB & IMF Board presentation			
15	Demographic and health survey	ONS	Regions	DHS Report
16	Household survey, 2nd and 3rd rounds	ONS	Regions	Survey report
17	Population census	ONS	Regions	Census Report, Poverty Map
18	Participatory assessment	Commissariat, sociologists	Regions, civil society	Qualitative poverty profile
19	Sectoral analysis	Sectors	ONS, Comm.	Sectoral poverty notes
20	Updated poverty profile	ONS, Commissariat	Civil society, sectors	Updated poverty profile
21	Draft Update PRSP and discussions	Commissariat	All partners	Draft PRS and comments
22	**PRSP First comprehensive annual update**	**Government**	**All partners**	**Final PRS**
23	WB & IMF Board presentation			



Sources: World Bank and IMF Staff.

1/ Second week December 1999.
2/ December 17–19, 1999.
3/ February 8–29 (IMF-ESAF first review, Article IV); June (10-day IMF staff visit); September ((IMF-ESAF second review).

DEBT MANAGEMENT ISSUES

In Mauritania, external debt data is maintained both at the Central Bank (BCM) and at the External Debt Division (EDD) of the Ministry of Finance (MoF). The database of the BCM covers all public and publicly guaranteed debt, including its own liabilities, while the EDD records the debt of the central government. The resulting overlap in coverage and responsibilities at times creates the need for enhanced coordination between the BCM and the EDD, suggesting that some streamlining might be beneficial. The EDD uses the Debt Management and Financial Analysis System (DMFAS), a computerized debt system developed by UNCTAD and installed at the MoF in 1996. To our knowledge, a grant from the Islamic Development Bank will enable the EDD to obtain the latest version, DMFAS 5.2. In addition, at the request of the BCM, the "Debt Pro" software has been bought by Debt Relief International (DRI) and will also be installed at the EDD, and DRI will be providing training on this.

In 1990, the BCM received technical assistance in the form of a resident advisor provided by the IMF for about three years to establish and improve its capacity in debt recording (a debt inventory was conducted and loan agreements were collected) and to provided staff training in the area of debt operation. Since then, the staff of the Balance of Payments Division has made further significant improvements in debt management. The authorities and technical staff have also participated in debt management workshops conducted by DRI.

Debt management is currently undertaken by three government entities: the BCM, the MoF and the Ministry of Plan (MoP). Legally, debt management is the responsibility of the MoF as the ministry in charge of defining the country's external debt policies. The MoP is responsible for the preparation of development plans which includes project evaluation in collaboration with the technical ministries concerned, and devising investment strategies. The BCM monitors debt flows and is the agent through which external debt is serviced. However, the responsibilities of these three institutions tends to overlap. As a result, the government established in May 1998 a debt-monitoring Committee under the chairmanship of the Director of the EDD. The Committee comprises members of BCM, EDD, and MoP. Its objectives include designing a debt management strategy for the medium- and long-term and strengthening the country's analytical and monitoring functions as well as its capabilities for renegotiating debts with external creditors, including the Paris Club.

Staff **recommendations for improving the debt management capacity** include : (i) streamlining the coverage of and responsibilities for maintaining the debt databases at the BCM and the EDD, preferably with a view toward creating one unified database; (ii) a switch from a spreadsheet approach to a computerized debt management system at the BCM; (iii) a better coverage of the entire public enterprise debt portfolio at the BCM (the EDD's database does not cover all public debt); (iv) training of staff on the most up-to-date methodologies and responsibilities from debt analysis, with some staff at the BCM and EDD concentrating on debt analysis.

HIPC Initiative: Status of Country Cases under the HIPC Initiative 1/

Country (In order of expected decision point within groups)	Decision Point	Completion Point	NPV of Debt-to-Export Target (In percent)	Assistance at Completion Point (In millions of U.S. dollars, present value, at completion point)					Percentage Reduction in NPV of Debt 1/	Estimated Total Nominal Debt Service Relief (In millions of U.S. dollars)	Satisfactory Assurances from Other Creditors
				Total	Bilateral	Multilateral	IMF	World Bank			
Completion point reached											
Uganda	Apr. 97	Apr. 98	202	347	73	274	69	160	20	650	Received
Bolivia	Sep. 97	Sep. 98	225	448	157	291	29	54	13	760	Received
Guyana	Dec. 97	May 99	107 3/	256	91	165	35	27	24	410	Received
Mozambique	Apr. 98	Jun. 99	200	1,716	1,076	641	125	381	63	3,700	Received
Decision point reached and assistance committed by IMF and World Bank											
Burkina Faso	Sep. 97	Apr. 00	205	115	21	94	10	44	14	200	Being sought
Côte d'Ivoire	Mar. 98	Mar. 01	141 3/	345	163	182	23	91	6 4/	800	Being sought
Mali	Sep. 98	Dec. 99	200	128	37	90	14	44	10	250	Being sought
Total assistance provided/committed (of seven countries)				3,355	1,618	1,737	305 5/	801	20	6,770	
Preliminary HIPC document issued; targets based on majority view in preliminary discussions at IMF and World Bank Boards; assistance based on preliminary HIPC documents and subject to change											
Ethiopia	1999 6/	2002	200	636	225	411	22	214	23	1,300	...
Guinea-Bissau	2000 7/	2003	200	300	148	153	8	73	73	600	...
Mauritania	Jul. 99 8/	2002	200	271	114	157	21	43	25	550	…
Nicaragua	2000	n.a.	150	2,507	1,416	1,091	32	188	66	5,000	...
Tanzania	2000	n.a.	150	2,485	1,314	1,171	110	728	59	5,000	...
No assistance required under current Initiative											
Benin	Jul. 97	...	...	...	...	...	...	...	...	...	...
Senegal	Apr. 98	...	...	...	...	...	...	...	...	...	...

Sources: IMF and World Bank Board decisions, completion point documents, decision point documents, preliminary HIPC documents, and staff calculations.

1/ Assistance will be reassessed under the enhanced initiative for all countries except Nicaragua and Tanzania.

2/ In percent of net present value of debt at completion point, after full use of traditional debt-relief mechanisms.

3/ Eligible under fiscal/openness criteria; NPV of debt-to-exports target chosen to meet NPV of debt-to-revenue target of 280 percent, as projected at the decision point.

4/ Nonreschedulable debt to non-Paris Club official bilateral creditors and the London Club, which was already subject to a highly concessional restructuring, is excluded from the NPV of debt at the completion point in the calculation of this ratio.

5/ Equivalent to SDR 212 million.

6/ Country case is delayed due to conflict

7/ Debt situation needs to be revisited once a track record of policy implementation under the post-conflict recovery program has been established.

8/ Boards agreed that Mauritania was ready to reach the decision point in July 1999 when the new ESAF arrangement was approved by the Fund Board. The formal decision point is expected in early 2000.