Islamic Republic of Mauritania: Selected Issues and Statistical Appendix

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INTERNATIONAL MONETARY FUND

ISLAMIC REPUBLIC OF MAURITANIA

Selected Issues and Statistical Appendix

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Contents   Page

I. MANAGING OIL WEALTH[1]

Mauritania is expected to become an oil producer in 2006 and is preparing to face new challenges arising in the context of managing potentially substantial oil revenues. Based on the experience of selected oil-exporting countries, this chapter provides an overview of these challenges and typical policy responses, and presents two long-term macroeconomic scenarios under different oil price and recoverable reserves assumptions.

A. Introduction

1.   **Mauritania can benefit substantially from the forthcoming oil production.** If skillfully managed, oil revenue will help the country accelerate its modernization, durably reduce poverty, and spread the benefits to future generations, well beyond the time at which the known oil resources are expected to be exhausted (in about 20 years). This will require proper handling of challenges facing most oil-exporting countries posed by the volatility, uncertainty, and possibly short-lived nature of oil revenues. Mauritania also faces the risk that the easing of financial constraints will reduce the broad-based commitment to its reforms program and detract it from achieving sustainable development and poverty reduction. The authorities can address these challenges and mitigate this risk by putting in place an efficient and transparent framework for the management of oil wealth before production begins.

2.   This chapter **discusses the challenges of managing the expected oil revenues and policy options**, based largely on lessons that can be drawn from the experience of other oil-exporting countries. Many countries successfully used their nonrenewable resources to modernize their economies and improve their peoples' welfare. Other countries' experience shows that, if these resources are not adequately managed, high dependence on oil revenues may become an impediment to long-term growth, because of macroeconomic and institutional factors. The policy options that are discussed in this chapter focus on: (a) the institutional framework and the policies that ensure a transparent collection and use of oil revenue, and a sound financial asset management; and (b) the macroeconomic policies that ensure stability, preserve competitiveness, and promote growth.

3.   The remainder of this chapter is organized as follows: Section B describes the nascent hydrocarbon sector in Mauritania. Section C attempts to identify the key economic management issues in oil-exporting countries through a discussion of relevant economic theory and a review of country experiences. Section D discusses coordinated policy responses and fiscal policy options in oil exporting countries. Section E discusses the key lessons from the experience with oil funds. Section F addresses the relevant transparency and governance issues. Section G presents medium- to long-term scenarios for Mauritania under different oil price and recoverable reserves assumptions. Section H concludes by outlining sound principles for oil wealth management in Mauritania.

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[1] Prepared by Garbis Iradian (ext. 36281), Jean Le Dem (ext. 39716), and Jaroslaw Wieczorek (ext. 37338).

B. The Hydrocarbon Sector in Mauritania

4.   **Mauritania will become an oil exporter in 2006 for about 20 years**. Successful exploration and appraisal drilling programs carried out offshore in the past few years, have established Mauritania as a new and potentially significant hydrocarbon producer. Mauritania's discovered hydrocarbon reserves are so far estimated at 400–600 million barrels of crude oil and 1–2 trillion cubic feet of gas. On a per capita basis, Mauritania's estimated oil reserves are close to that of Chad, Nigeria, or Yemen, but much lower than in the Republic of Congo, Angola, Equatorial Guinea, or Azerbaijan (Table 1).

Table 1. Proven Crude Oil Reserves and Average Daily Production
in Selected Countries

Country	Oil reserves		Average daily production in 1000s of barrels	Population in millions (2003)	Per capita oil reserves (in barrels)
	millions of barrels	number of years			
Mauritania	600	19	85	2.9	207
Chad	2,100	29	200	9.5	221
Equatorial Guinea	1,600	18	247	1.0	1,600
Angola	5,412	17	874	11.0	493
Republic of Congo	7,300	69	290	3.0	2,433
Nigeria	35,000	43	2,223	137.3	255
Yemen	4,000	28	390	20.0	200
Oman	5,506	16	964	2.9	1,899
Azerbaijan	7,000	47	410	7.8	897
Kazakhstan	9,000	22	1,100	14.9	604
Russia	48,573	19	7,014	143.8	338
Saudi Arabia	261,900	84	8,528	25.8	10,151
Iraq	115,000	133	2,377	25.4	4,528
Kuwait	101,500	151	1,838	2.3	44,912
Iran	125,800	91	3,775	67.5	1,864
Libya	39,000	75	1,427	3.0	13,000

Sources: Organization of Petroleum Exporting Countries (OPEC), 2003 Annual
Statistical Bulletin; and various IMF staff reports.

5.   The bulk of **discovered hydrocarbon reserves** is located in five offshore fields:

- **Chinguetti**, discovered in 2001, will be Mauritania's first producing oil field (Figure 1).[2] Development drilling has already started and effective production is expected during the second quarter of 2006. The first phase of the field development is expected to cost about US$600 million; the second phase (to be completed in 2008) a further US$150 million. The field is estimated to contain about 120 million barrels of recoverable oil,[3] sufficient to support a production initially peaking at 75,000 barrels/day and gradually declining over eight years. Chinguetti has been declared commercially viable in June 2004;

- **Banda,** field discovered in 2002, is expected to hold up to 100 million barrels of recoverable oil and to contain significant amounts of gas, up to one trillion cubic feet. Further appraisal work on the Banda gas discovery is continuing with a development decision possible by 2007;

- **Pelican** discovered in 2003, is estimated to contain around one trillion cubic feet of gas;

- **Tiof** discovered in 2003, could contain about 280 million barrels of recoverable oil;

- **Tevet** discovered in 2004, could contain 40–100 million barrels of recoverable oil.

6.   Offshore oil and gas exploration and development activities have been conducted by several consortia, amongst which the one led by Woodside (Australia) is the main operator.[4] Offshore exploration and exploitation permits have been negotiated with Mauritania according to a production sharing contract (PSC) model, whose main parameters are detailed in Box 1.

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[2] The field will be developed through sub-sea wells tied back to a floating production storage and offloading system.

[3] A central estimate with 50 percent probability.

[4] Woodside has interests ranging from 37.5 percent to 53.8 percent in the four production sharing contracts in which it is the main partner. Other foreign partners include Hardman Resources (Australia), British Gas, Premier Oil (UK), and Roc Oil (Australia).

Figure 1. 2004–05 Mauritanian Drilling Program: Location of Initial Exploration and Appraisal Wells
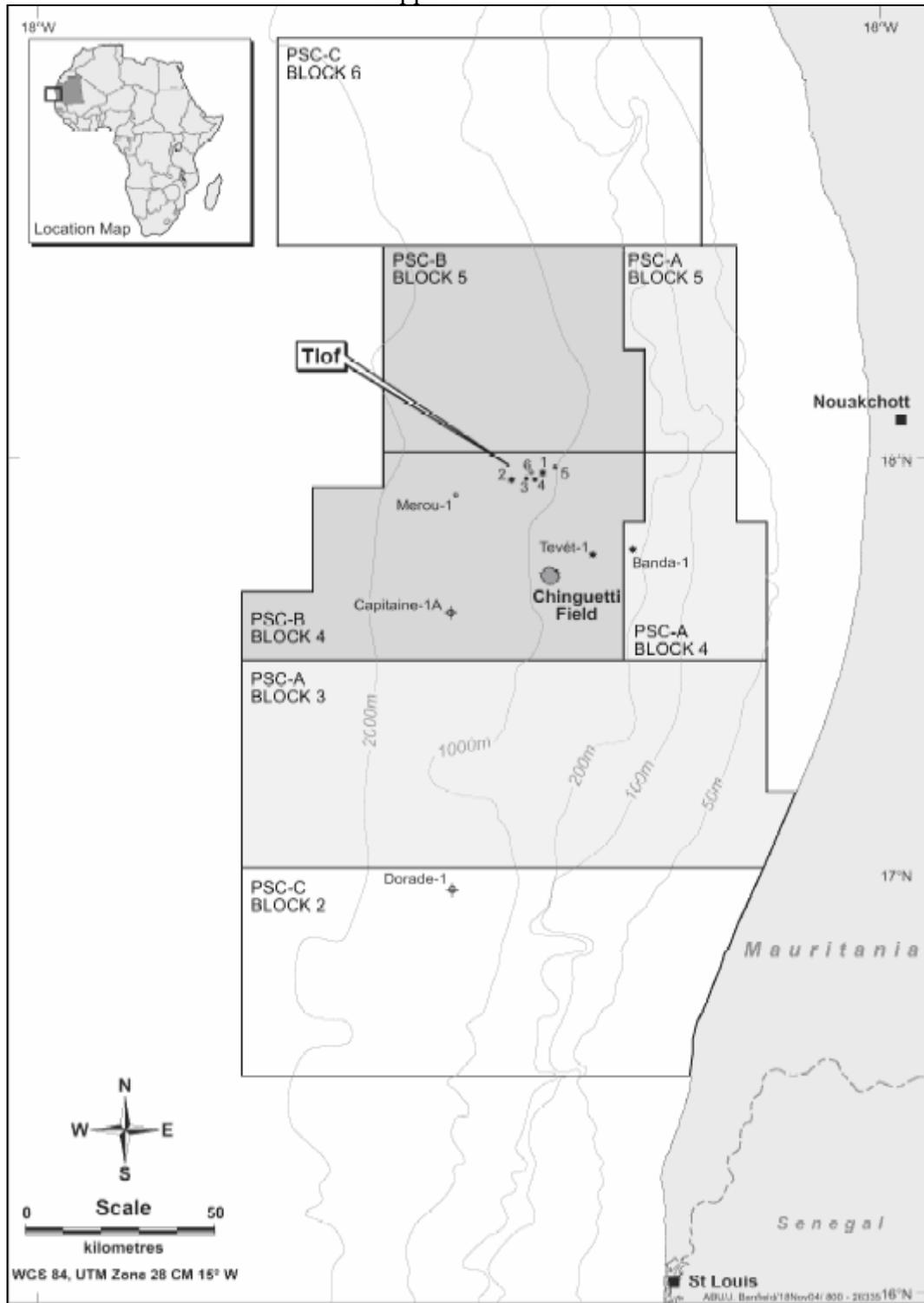
Source: Woodside.

Box 1. Legal Framework for Offshore Petroleum Exploration and Production Activities: the Production Sharing Contract (PSC) Model[5]

The general principles defining the legal and fiscal regime of petroleum exploration and production, including production sharing between the State and oil companies, were established in a 1988 Ordinance (88-151). All individual production sharing contracts are based on a uniform model elaborated in 1994 and are consistent with the general mining code and applicable tax legislation.

According to the PSC model, up to 50 percent of production in the **shallow water** areas (less than 300 meters) and up to 60 percent in the **deep water** areas (more than 300 meters) can be channeled towards cost recovery, the remaining 'profit' oil is then shared with the government. Depending on the level of production, the participating companies are entitled to 50–60 percent and 50–70 percent of the profit oil in shallow and deep water areas respectively. The contractor's net profits are subject to a profit tax of 40 percent in shallow water and 25 percent in deep water areas. In each case, the contractor is also committed to pay a series of (relatively small) production bonuses. The PSC model provisions for **gas** production are broadly the same as for deep water oil production.

The **government** does not participate in exploration; however, in the event of a commercial discovery it has the option to participate in a field's development—the government can take a stake of 12 or 16 percent, depending upon the project's projected peak production level.[6] From the effective date the government must pay its share of development costs and reimburse 150 percent of (pro rata) sunk exploration costs. The exclusive production authorization runs for 25 years and development activities must commence within six months from the approval.

A number of PSCs has been signed for exploration/production areas located in eight Mauritania's offshore blocks. The Woodside-led consortium signed PSCs covering areas A, B, and C within Blocks 2–6 (Figure 1). Most significant **oil discoveries** to date (Chinguetti, Tiof, and Tevet) are located in deep water areas covered by PSC-B, and a promising **gas and oil discovery** (Banda) was made within the shallow water area covered by PSC-A. Dana-led consortium signed PSCs covering Blocks 1, 7, and 8 located south and north of Blocks 2–6 and made a major **gas discovery** (Pelican) in Block 7 (north of Block 6).

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[5] Based on information made available by the Ministry of Mines and Industry, Deutsche Bank publication: Oil and Gas Exploration, August 24, 2004, and other mostly public domain sources.

[6] The government has exercised this option in the case of Chinguetti field and financed it through Sterling Energy, a UK company.

C. Country Experience and Economic Theory in Managing Natural Resources

7.   **Empirical research suggests that a majority of countries with large natural resource wealth lags behind comparable countries in terms of real GDP growth** (see for instance Sachs and Warner 2001). This finding holds independently of trends in commodity prices, climatic variables, or other growth impediments. It applies not only to oil-dependent countries like Cameroon, Congo, Nigeria, and Venezuela, but also to producers of other minerals, such as Zambia (copper). These countries have become increasingly reliant on natural resources over time as indicated by the steadily growing share of oil, gas, or other commodities in their exports. Compared with countries of similar per capita income, many oil-producing countries, notably in sub-Saharan Africa, performed disappointingly also from a social development perspective. For instance, in spite of their natural resource wealth, the Human Development Index reached by some oil-exporting countries is close to or below the average for sub-Saharan Africa (Table 2). The 'oil curse' is not a fatality, however, as evidenced by the high long-term growth of Indonesia, Botswana, Malaysia, and Australia, and their decreasing dependence on natural resources.

8.   Several studies have analyzed possible reasons why abundance of oil or other natural resources can turn into a curse (Karl, 1999). The origins of the **'oil curse'** are threefold: (a) the Dutch disease; (b) poor fiscal policies in coping with volatile oil revenues, raising sustainability issues; and (c) negative effects of 'rent-seeking' behavior–exacerbated by the dominance of extractive industries–on institutions, governance, and political processes.[7]

9.   **The Dutch disease** theory has been developed in the 1980s to describe the possible deindustrialization in the aftermath of a natural resource discovery. The discovery may trigger a boom that raises the real effective exchange rate of the country (either through increases in domestic prices and costs or through an appreciation of the domestic currency on the foreign exchange market), making manufacturing goods (or other tradable goods) less profitable, and leading to the absolute or relative decline of the industries producing them.[8] When the boom ends and revenues from natural resource disappear, these weakened industries are not able to generate alternative fiscal and foreign exchange revenues, leaving no choice but economically painful and politically difficult adjustments.

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[7] A brief overview of the literature and empirical evidence on the oil curse can be found in Hausmann and Rigobon (2002).

[8] The Dutch disease can be described in a theoretical economy with three goods: oil, other tradable goods and nontradable goods. The oil boom increases real incomes and hence aggregate demand. Demand pressure does not affect prices of international-marketed tradable goods, but it increases the price of nontradable goods which is set in the domestic market. Faced with higher factor prices, the tradable goods sector becomes less profitable and looses international competitiveness. The Dutch disease manifests itself in the resulting reallocation of resources away from the tradable goods sector to the nontraded goods sector.

Table 2. UNDP Development Index in Selected Developing Countries

	1975	1985	1990	1995	2002	Percent change 1990–2002
Mauritania	0.34	0.38	0.39	0.42	0.47	20
Resource-Rich Developing Countries						
Good performers						
Oman	0.49	0.64	0.70	0.73	0.77	11
Iran	0.57	0.61	0.65	0.69	0.73	13
Algeria	0.50	0.60	0.64	0.66	0.70	10
Indonesia	0.47	0.58	0.62	0.66	0.69	11
Yemen	...	...	0.39	0.44	0.48	23
Poor performers						
Cameroon	0.42	0.50	0.52	0.51	0.50	-3
Republic of Congo	0.45	0.54	0.53	0.53	0.49	-7
Nigeria	0.32	0.40	0.43	0.46	0.47	8
Zambia	0.47	0.49	0.47	0.42	0.39	-17
Congo, Dem. Rep.	0.41	0.43	0.41	0.38	0.37	-12
Other Developing Countries						
Tunisia	0.52	0.62	0.66	0.70	0.75	14
Egypt	0.44	0.54	0.58	0.61	0.65	13
Morocco	0.43	0.51	0.54	0.57	0.62	14
Ghana	0.44	0.48	0.51	0.53	0.57	11
Senegal	0.32	0.36	0.38	0.40	0.44	14
Benin	0.29	0.35	0.36	0.38	0.42	18
Sub-Saharan African countries	...	...	...	...	0.47	...
Low-Income countries	...	...	...	...	0.56	...

Source: UNDP, 2004 Human Development Report.

10. **Fluctuations in oil revenue can induce macroeconomic volatility and reduce investment and growth.** This process typically originates in pro-cyclical spending policies, which destabilize aggregate demand and exacerbate uncertainty. Also, large swings in expenditure reduce its quality and efficiency, in part because of institutional and social constraints on the retrenchment of most current spending programs once they are put in place. Failure to utilize natural resource revenues to reduce budgets deficits over the medium term is common and often accompanied by a tendency to spend inefficiently. In several oil-exporting countries (Algeria, Nigeria, Republic of Congo, and Venezuela), budget deficits widened and external borrowing continued to rise during the oil booms of the 1970s and 1980s. Later, these countries found it difficult to reverse the unsustainable expenditure growth. The windfall associated with the natural resource can also sideline the need to restructure the underdeveloped or overgrown but inefficient sectors. Subsidies to these sectors, which were easy to finance during the boom, became a drag on the budget when revenues from the booming industry declined (Gylfason, 2001).

11. **Oil revenue flows, highly concentrated in a few institutions and often controlled by a small number of individuals, create incentives and opportunities for rent-seeking, giving rise to diversion of funds, waste of resources, and suboptimal growth.[9]** The risk of corruption is significant in countries where property rights are not well protected, the judiciary system is inefficient, and law enforcement is lax (Leite and Weidmann, 1999). Poor oil revenue management can also contribute to violent conflicts and undermine human development.

D. Fiscal and Other Economic Policy Issues in New Oil-Exporting Countries[10]

12. **Fiscal policy is the key instrument in addressing macroeconomic challenges facing new oil-exporting countries.** Sound fiscal policy would target sustainable balances, while limiting spending volatility and coping with Dutch disease. Appropriate coordination with monetary and exchange rate policies would be needed, while fiscal rules (although difficult to design) and medium-term expenditure frameworks can help.

Fiscal sustainability issues

13. A standard fiscal sustainability criterion, which targets the primary fiscal deficit that keeps public debt-to-GDP ratio constant, is of limited relevance for oil-exporting countries. Its application would lead to large spending swings and could result in an explosive debt dynamic or painful adjustment after the oil resource is exhausted. This consideration is particularly relevant for Mauritania, where the horizon for oil reserves depletion may not exceed 20 years.

14. Sustainability in natural resource-rich countries should be assessed on the basis of **government net wealth**. This approach is appropriately wider in scope than the debt-based fiscal sustainability analysis, and since it allows for inter-generational equity considerations, it can serve national objectives of preserving the value of oil wealth over time and across generations. The focus on wealth preservation also allows for decoupling the oil extracting decision from immediate fiscal policy considerations. The decision as to whether and when to extract oil becomes essentially a matter of portfolio choice between classes of assets, and is expected to be guided mostly by return comparisons. For instance, favorable oil price trends may lead a government to convert oil wealth into financial assets, irrespective of its desired fiscal policy stance or momentary financing requirements.

15. By analogy with households' permanent income theory, a fiscal policy that keeps **government wealth** constant over time requires that the level of "spending" be limited to the expected **permanent income** originating from government wealth. Adjusted to an oil-

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[9] Bardhon (1997) argues that corruption leads to static (efficiency), and dynamic (investment and growth) losses.

[10] Sections D and E draw heavily on Barnett and Ossowski, 2002.

exporting country context, the permanent income approach would impose a limit on the **nonoil primary deficit**.[11]

16.   Uncertainties about the future oil prices and production call for **precautionary savings** in addition to what would fiscal sustainability require. In particular, low-income countries need relatively high precautionary savings because their access to international capital markets is limited and hedging is unavailable or costly. Changes in oil price projections are usually amplified in oil government wealth calculations, in part because the design of PSCs, such as the ones used in Mauritania, makes the bulk of government oil revenues dependant on the residual profit oil (Box 1). Sharp drops in oil prices may even lead to the obsolescence of the oil reserves that were previously considered commercially viable. When price-driven fluctuations in government oil wealth are large, the determination of sustainable nonoil primary deficits may change dramatically between two consecutive fiscal years, limiting the operational significance of a purely wealth-based approach. A cautious response to this challenge would be to base long-term fiscal policy on the assumption that oil price fluctuations may in the future render the oil wealth value equal to zero, a solution that Norway has adopted for the management of its oil revenue.

17.   In practice, the oil wealth preservation principle may be difficult to apply, given its various interpretations (depending on the definition of a country's wealth and capital) and the impact of expected physical and human capital accumulation on long-term growth. A more operational version of sustainability would consist in **allocating public spending over time with a view to saving enough oil revenue to avoid large fiscal tightening in the post-oil period.** A spectrum of fiscal policy (nonoil revenue and expenditure) paths may be consistent with such long-term "smoothing". In countries such as Mauritania, where lowering tax pressure would be considered inappropriate, oil revenues would be used to raise expenditures from the pre-oil level. The optimal spending path—the profile of which may vary—will depend on analytical (e.g., the assessed or supposed impact of public spending on growth) and socio-political considerations, as well as implementation capacity constraints.

18.   Arguments **in favor of frontloading expenditures in low-income countries** stress: (a) the need to support the objective of quickly alleviating poverty; (b) the view that **social marginal returns** on public capital spending are potentially high; and (c) the likelihood that **development assistance** on concessional terms may become unavailable in the later stages of the oil boom (Mauritania could graduate from IDA by 2010).

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[11] The permanent income approach, while not generally relevant given the difficulty of measuring government wealth, can be made operational in an oil-producing country context by restricting the government wealth definition to the net present value of expected oil revenues plus the value of financial assets already accumulated, net of government debt. With this definition, keeping government wealth constant would impose a limit on government (non interest) spending net of nonoil revenue (the **nonoil primary deficit**) equal to the revenue corresponding to the expected interest income on government wealth.

19.	Arguments **against expenditure frontloading** emphasize; (a) **capacity constraints** on the management of rapidly expanding expenditures, which may compromise their efficiency; (b) the need to build up **precautionary savings** in the initial stages of the oil boom (as oil reserves decline, uncertainty about the value of the remaining oil wealth drops); and (c) the need to protect the budget against the possible accumulation of **contingent liabilities**, including pension liabilities, whose future costs are also subject to a large degree of uncertainty.

20.	Additional factors may influence the design of a sustainable long-term fiscal policy for Mauritania. Sustainability could be based on a broader definition of government wealth, which would encompass not only expected revenues from extractive industries (hydrocarbon, gold, copper, and iron ore), but also expected revenues from two other categories of "quasi-exhaustible" resources: **external assistance**, especially grants, which are expected to decline with Mauritania's increasing prospects for graduating from IDA, and **fishing**, which may not sustain a steady share of revenue in the future. The expected decline of these wealth components would favor a more conservative fiscal policy stance (see section G).

21.	Overall, absorptive capacity permitting, **some degree of expenditure frontloading is justified in Mauritania** on developmental and social grounds. Nonetheless, if international oil prices stay at their present level, government savings could also build up rapidly so as to reach predetermined objectives. These objectives should be carefully crafted so that oil price drops can be smoothly absorbed and public spending can be maintained in the post-oil era.

Short-term fiscal and macroeconomic coordination issues

22.	**Short-term considerations** cannot be ignored in the design of appropriate fiscal policy for oil-exporting countries. Care should be taken that fiscal policy does not generate additional macroeconomic instability and public spending volatility. Both considerations militate in favor of decoupling government spending from oil price fluctuations and strengthen the need for focusing on the **nonoil balance**. Unlike the overall fiscal balance, the nonoil budget balance is immune to temporary oil revenue fluctuations, and therefore better gauges the fiscal policy stance.

23.	**Macroeconomic volatility** (including real exchange rate fluctuations) is damaging to investment and growth, especially when it derives from fiscal and monetary conditions. Large changes in public spending entail costs of adjusting to domestic demand and real exchange rate instability and increased risk for investment. In Mauritania, where the economy is not yet well-diversified, with two commodities accounting for most export and government revenues, fiscal policy can be strongly pro-cyclical if booms in these sectors trigger increases in government spending because of the higher revenue they generate. The emergent oil sector may exacerbate this feature, which underscores the need to smooth the fiscal impulse over time (particularly the spending on nontradable goods). As oil-exporting country experience often shows, spending levels should be cautiously adjusted to sharp rise of oil incomes, irrespective of sustainability considerations (Gelb and Associates, 1988).

24.   **Public spending volatility** reduces the quality and efficiency of public spending (as the 2003–04 fiscal expansion episode in Mauritania seems to indicate). A hasty undertaking of large-scale public spending programs may exceed the government's planning, implementation, and management capacities, and also put fiscal sustainability at risk—if subsequent drop in oil prices warrant deep spending cuts, they may be difficult to implement.

25.   **Asset management and monetary policy.** Special attention needs to be devoted to the management of government assets (or debt). No direct macroeconomic impact is to be expected from the savings of government oil revenue abroad. However, the accumulation of government deposits in the banking sector (or the reduction of government's domestic debt) may have an expansionary impact similar to that of government spending, through reduction in domestic interest rates, especially if capital mobility remains limited. Monetary policy should aim at offsetting the interest rate effect and containing inflationary pressures. Monetary tightening may also be needed to offset the private demand response to oil price fluctuations (including pro-cyclical investment and real or perceived wealth effects).

26.   **Dutch disease and exchange rate policy.** Many oil-exporting countries maintain fixed exchange rate regimes, which may be appropriate if most oil revenues accrue to the government and sound fiscal and asset management policies adequately insulate the economy from the vagaries of world oil prices (Box 2). However, when some degree of real exchange rate appreciation is unavoidable, depending mostly on the expected increase in government (direct and indirect) spending on nontradables, a more flexible exchange rate regime may be more appropriate. Coupled with adequate sterilization, it would allow for a nominal exchange rate appreciation, therefore preventing the real exchange appreciation to take effect through higher domestic inflation.

27.   Finally, oil booms may trigger a wave of **private capital inflows** as confidence in the local currency rises. Since Mauritania until recently experienced episodes of large capital outflows, the reversal is likely when remaining economic uncertainties will be dissipated. In countries with quasi-fixed exchange rate regime and little developed financial systems, sterilization policies may be inefficient, leaving the policymakers with only one instrument, fiscal policy, to maintain macroeconomic stability, which raises the issue of compatibility between the short-term macro-management and the country's long-term fiscal objectives.

> **Box 2. Exchange Rate Policy and Monetary Policy Responses to Oil Booms**
>
> **Many oil-exporting countries maintain fixed exchange rate regimes**. Most oil-producing countries in the Middle East have pegged their currencies to the U.S. dollar or a basket of currencies, leaving no room for adjustment in case of oil price shocks. Norway also pursues exchange rate stability but at the same time promotes negotiated wage flexibility to better absorb oil price shocks.
>
> **Oil booms usually lead to some degree of real exchange rate appreciation**, depending on the fiscal stance. Under a floating exchange rate regime, the conversion of petro-dollars into local currency may lead to a nominal exchange rate appreciation. Under a fixed exchange rate, unsterilized sales of petro-dollars would increase the money stock, eventually leading to a price increase. Under both exchange rate regimes, the exchange rate would thus appreciate in real terms and the prices of imported goods relative to the prices of domestically produced goods would fall.
>
> **The key challenge for the central bank will be to strike a balance between price stability and nominal appreciation.** Some amount of sterilized intervention may be appropriate both to slow the rate of real exchange rate appreciation and provide more time for the traded goods sector to adjust and for foreign exchange reserves to be replenished. Sterilization may, however, crowd out the private sector, hence the need for coordination with fiscal policy.

Fiscal rules

28.   **Fiscal rules may be useful to promote transparent public choices and help insulate fiscal policy from political pressures, although they cannot substitute for transparent and sustainable long-term fiscal policy.** Moreover, their credibility in restricting discretionary spending rests on strong governance and democratic institutions. A fiscal rule is typically defined as a permanent constraint on fiscal policy (Kopits and Symansky, 1998). Successful fiscal rules, however, incorporate contingency mechanisms that allow for some accommodation of exogenous shocks, to which Mauritania is particularly exposed.

29.   **Several oil-exporting countries use a balanced budget rule under smoothed oil price assumptions.** Under such rule, surpluses would be accumulated during periods of higher oil prices and/or production, and deficits accommodated during periods of lower oil prices and/or production. The rule helps smooth public spending over time (provided that revisions to oil price assumptions are also smoothed) and can be easily monitored and understood by the public, but does not necessary lead to fiscal sustainability. Even if oil price assumptions are deliberately conservative (as it is the case in Kazakhstan and Republic of

Congo)[12] and thereby ensure that the government can generate savings, fiscal sustainability (even as defined in ¶17) may or may not be achieved.

30.   **Fiscal rules, if any, should be based on the nonoil primary balance**, as explained above. Strict sustainability consideration implies that the size of the nonoil primary deficit should be limited to the expected permanent income (PI) from oil wealth,[13] effectively smoothing government spending over time. However, the PI rule does not fully prevent fiscal policy volatility that would be caused by frequent revisions in oil wealth projections (depending on world oil price and oil production assumptions).

31.   The choice of limiting further fiscal volatility and accumulating higher precautionary savings requires the **bird-in-hand (BIH) rule**, a stricter version of the PI rule, which limits the nonoil primary deficit to the expected revenue from existing government assets excluding the part of oil wealth that has not yet been converted into financial assets. The BIH rule eliminates volatility from changes in oil price expectations; only changes in the (projected) rate of return on financial assets may affect the fiscal policy stance.

32.   **Medium-term expenditure frameworks (MTEF)** are helpful instruments to ensure smooth and efficient government spending, especially in new oil-exporting countries such as Mauritania, which are exposed to strong pressures for immediate spending of highly volatile revenues. MTEFs provide governments with opportunities to analyze thoroughly the composition of their spending plans to ensure that these stay within the country's absorption capacity limits, and to secure enough spending for capital projects. Investment in infrastructure and human capital accumulation can support private sector development and the competitiveness of the nonoil sector, and therefore help offset the negative effects of an appreciated real exchange rate.

E. Oil Funds

33.   **Oil funds are a salient feature of oil producing countries.** Several country examples are listed in Box 3, including Kazakhstan's National Fund and Norway's State Petroleum Fund (two savings and stabilization funds). The experience with oil funds has been mixed: they contributed (marginally) to the improvement in fiscal policy conduct or higher savings in some cases (Davies et. al., 2001), but often resulted in the fragmentation of fiscal policy and asset management. The case for oil funds mostly rests on political economy arguments.

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[12] In the latter case, the 2005 balanced budget was prepared under the assumption of an oil price per barrel at US$4 below the WEO price.

[13] Government wealth can be kept constant in real or per capita terms, or as a constant share of GDP, implying different spending targets.

Box 3. Selected Examples of Oil Funds

In **Azerbaijan** the State Oil Fund (SOFAZ) was established in 1999 as an extrabudgetary savings fund. Asset management regulations require that financial assets be kept offshore in highly rated banks, but a portion is also invested in local investment projects. A conservative expenditure policy over the years has ensured a steady growth of savings in the fund.

The National Fund of the Republic of **Kazakhstan** (NFRK) was created in 2001 as both a stabilization and savings (off-budget) fund. Kazakhstan deposits excess revenue (resulting from applying generally conservative budget reference prices) to the fund; revenue shortfalls can also be compensated by transfers from the fund. The NFRK is domiciled in the National Bank of Kazakhstan, which is responsible for managing its assets on behalf of the government.

Oil wealth in **Norway** is managed through the State Petroleum Fund (SPF), a savings fund established in 1990. The SPF is **integrated in the budget** and incorporates a BIH rule that is designed to preserve oil wealth for future generations in per capita terms. The government's net oil income flows directly into the SPF, from which an annual transfer is made to the treasury to meet the nonoil deficit in the budget. The nonoil deficit is limited by law and cannot exceed the projected SPF income. SFP funds are invested in low-risk foreign securities, sovereign or similar.

In **Sudan,** the Oil-Revenue Savings Account (OSA) was established in 2002 at the Central Bank of Sudan as a savings and stabilization fund, and integrated into the medium-term budget framework in 2003. The nonoil deficit set in the budget is covered with oil revenue projected at a (conservative) oil price.

Issues in designing oil funds

34.   **The typical rationale for establishing an oil fund is to set aside a portion of oil revenue for specific purposes or provide visibility and credibility to the implementation of a fiscal rule.** In countries where pressing social and infrastructure needs compete with savings objectives, a savings fund provides an explicit mechanism in support of a long-term financial strategy (Bartsch et al. 2004). Oil funds are also often viewed as a strategy to deter political interest groups from making claims on the resources and pressing for pro-cyclical fiscal policy. However, this strategy is not always successful: oil funds have sometimes led to dual budget systems or extrabudgetary spending procedures that have been particularly susceptible to governance problems. Also, since money is fungible, a government could be making contributions to the savings or stabilization funds but still be borrowing elsewhere to avoid expenditure cuts; in this case, oil receipts are not saved but merely mortgaged.

35.   **Oil funds cannot substitute for good fiscal policy and oil revenue can be well managed without formal funds.** Countries can build up large financial savings, keep expenditure insulated from oil price swings, and implement a long-term prudent fiscal policy within a general budget framework. In particular, the budget process can address oil price risks without a formal stabilization fund, by building a cushion of government liquidity and introducing explicit contingencies.

36.   **Oil funds do not require to be separate institutions.** These could be financing funds where the balance reflects the government saving of its oil wealth. Oil funds should be coherently integrated into the budget process, operating as government accounts. Integrated funds allow greater coherence in budgetary planning and more effective expenditure control than separate funds. Specifically, integrated funds enhance transparency by ensuring that the oversight applied to the budget is equally applied to the use of oil funds' resources.

37.   **Oil funds should be established by law.** Their operating procedures, including rules for transfers to and from the budget, the authority under which they are set up, their internal and external oversight (including audits) should be specified and approved by the parliament. Oil fund rules governing accumulation and withdrawal should however incorporate some flexibility for the sake of fiscal management. Inflows and outflows rules can easily be overwhelmed by market price changes, as the experience shows, many oil funds' collapsed under the prolonged drop in oil prices of the 1980s.

Implications for Mauritania

38.   **The Mauritanian authorities intend to save a portion of oil revenue into three funds: a stabilization fund, a savings fund, and a development assistance fund.** The stabilization fund aims to smooth fluctuations in the oil-related resources available to the budget and would also be mobilized in case of natural disasters. The savings fund would build assets for future generations and would be used to finance public spending after oil production ends. The development assistance fund would be used to help other nations' development, but it will be operational only if the production of oil is sufficiently high. Details on how resources will be moved in and out of these funds are not yet available, although the authorities insist that specific arrangements will reflect the priorities set up in the PRSP and will be in line with the MTEF.

39.   **Mauritania's objectives could be attained with a single financing fund.** The envisaged multiple funds system may add complexity and rigidity for uncertain gain. Considerations for sustainability, absorption capacity, and implementation should determine each year the appropriate fiscal policy, with all remaining balances to be transferred to (or out of) the fund. Concerns regarding the transparency, legal status, and management efficiency could be addressed by delegating to the BCM the responsibility of the fund's asset management, under parliamentary oversight and—where appropriate—with the use of international asset managers.

F. Transparency and Governance

40.   **Transparency and accountability are essential components of a sound oil revenue management.** The high concentration of oil revenues and their large share in total budget revenues will make their use prone to corruption and rent seeking. A democratic debate on fiscal policy and spending priorities enables safeguards against corruption and the waste of public resources. It should lead to the establishment of a properly-designed institutional framework for oil wealth management, which is key for good governance. Experience shows that the institutional framework needed to guarantee transparency should be comprehensive, and include appropriate safeguards concerning the transparency of the activities of any government-owned national oil company.

41.   **There are well-established practices ensuring that the management of oil revenues (including oil fund operations) remains transparent and accountable.[14]**All oil-revenue related operations should be subject to disclosure procedures, based on explicit guidelines, and free from political interference. Accountability is best ensured by regular audits, which should be submitted to parliament. Consistently with international standards of transparency regarding the supervision and audit of revenue management, all audit reports should be published.

42.   Mauritania's adhesion to the **Extractive Industry Transparency Initiative (EITI)**, an initiative launched in 2002 by the United Kingdom and supported by several bilateral donors and international institutions (including the Fund and the World Bank) would be a significant step toward the establishment of oil revenue transparency. Several natural resource-exporting developing countries, including Azerbaijan, Ghana, the Kyrgyz Republic, and Nigeria are already working on implementing the EITI proposals.[15]

G. Medium- to Long-Term Scenarios for Mauritania

43.   **The opportunities opening up before Mauritania in the wake of oil discoveries can be illustrated with the use of macroeconomic scenarios.** The two (baseline and low-case) scenarios presented here derive from principles and trade-offs discussed in Section D.[16] The frontloading of expenditure in both scenarios reflects the overriding need to deal with developmental challenges. Gradual rather than rapid augmentation of public expenditure over the medium term reflects the presence of widely acknowledged absorption capacity limits and enables the build-up of savings from the beginning. The additional spending is principally directed toward physical and human capital accumulation (mainly in the form of

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[14] For a full discussion see: "Draft Guide on Resource Revenue Transparency", IMF, December 15, 2004.

[15] The EITI's website is www.eitransparency.org.

[16] The scenarios represent a hybrid approach and do not result from application of a single rule; research in this direction is envisaged.

outlays on public infrastructure) to set the stage for sustainable private sector growth. The emphasis on savings—and the extent to which oil revenues allow for a sustainable shift in the primary balance once oil production has ended—varies depending on the expected revenues. The main difference between the two scenarios consists in the estimated present value of Mauritania's oil wealth, which depends on oil price and reserve assumptions. In the baseline (high) case, oil revenues are sufficient to target a significant permanent primary deficit to be financed from the revenue on accumulated assets. In the low-case, oil revenues are expected to be insufficient to sustain an equally high level of savings without compromising development needs, as a result, asset accumulation is limited to a precautionary cushion. In both cases, sustainability is demonstrated by the absence of a downward adjustment in the after-oil period. Both scenarios take into account growth spillovers and a certain degree of real exchange rate appreciation (Dutch disease) entailed by spending of oil receipts.

44.   **Given the intended technology to be used in the extraction of offshore oil reserves, the recoverable oil is assumed to be depleted by 2025.** Under the **baseline scenario**, oil wealth is estimated at about US$6.0 billion (equivalent to 4 times the 2004 GDP) implying a permanent income of about US$300 million per annum. This estimate is based on the following key assumptions: (a) recoverable oil reserves of about 600 millions barrels; (b) international oil prices broadly in line with projections under the World Economic Outlook, as of February 2005 (US$46 per barrel in 2006); (c) a discount rate of 5 percent; (d) average extraction costs of US$10 per barrel; and (e) production levels rising from roughly 21 million barrels in 2006 to about 52 million barrels by 2010 and declining gradually thereafter until oil is depleted (Table 3). Under the low-case scenario, only oil reserves of Chinguetti and Tiof about (420 million barrels) are taken into account and world oil prices are kept at US$25 per barrel in real terms (i.e., at constant 2005 prices).

45.   **The medium- to long-term economic outlook under the baseline scenario is appreciably favorable.** Oil production is projected to peak at some 150,000 barrels per day around 2010. The booming exports and government revenues are expected to almost triple the per capita income in 20 years. Real GDP is projected to grow by an annual average of 12 percent in 2006–10 driven mainly by growth in oil production, but also by the expansion of other mining activities. Thereafter, average nonoil GDP growth rate is projected at 4 percent per annum in real terms, given the assumption that further structural reforms will bolster productivity.

46.   **Under the baseline scenario, Mauritania is expected to accumulate sizable foreign assets** (Figure 2). Fiscal policy is assumed to be geared toward increasing budgetary expenditures so as to accelerate investment in physical infrastructure and human capital, while simultaneously building up financial assets that will allow the country to sustain a higher level of public expenditures after the oil reserves are exhausted. Poverty-reducing programs are expected to be frontloaded with a view to accelerating the achievement of Mauritania's PRSP goals. The resulting sharp increase in per capita primary spending in constant terms (rising from US$181 in 2006 to US$285 in 2010) is reflected in the widening of the nonoil deficit through 2010 (Figure 3). **Fiscal sustainability is ensured under the**

Table 3. Mauritania: Two Oil Scenarios and Implications on Main Macroeconomic Indicators

	Illustrative Projections								
	2006	2007	2008	2009	2010	2015	2020	2024	2025
BASELINE SCENARIO									
Oil production (in million barrels) 1/	20.9	23.1	39.4	43.5	52.4	36.1	21.7	6.2	0.0
World oil price (US$ per barrel) 2/	42.8	40.0	38.8	38.0	37.8	42.2	47.2	51.6	52.7
Real GDP (percentage change)	26.7	7.7	14.4	7.1	7.8	1.1	3.0	2.4	2.7
Nonoil real GDP (percentage change) 3/	12.8	7.6	7.6	8.0	5.5	3.9	4.0	4.0	4.0
Per capita primary expenditure									
in current U.S. dollars	184	208	239	273	314	328	339	354	358
in constant U.S. dollars	181	200	225	252	285	269	252	243	241
GNP Per capita GDP in U.S. dollars	941	993	1,122	1,197	1,429	1,396	1,482	1,544	1,553
(In millions of U.S. dollars, unless otherwise indicated)									
Budget revenue from oil	199	201	508	528	550	723	456	124	0.0
Exports of oil	895	926	1,528	1,652	1,977	1,523	1,023	320	0.0
Net financial assets of the government	-341	-256	51	270	463	2,365	3,774	4,183	4,094
(In percent of nonoil GDP)									
Interest on net government assets	-2.3	-1.9	-1.4	-0.8	-0.1	1.9	2.7	2.5	2.4
Budget revenue from oil	9.0	8.3	19.2	18.1	17.3	17.2	8.3	1.8	0.0
Primary expenditure	25.4	26.8	28.9	30.7	30.8	28.1	25.6	24.0	23.7
Primary nonoil balance	-1.7	-4.4	-7.4	-10.7	-11.8	-9.2	-5.6	-3.1	-2.5
Overall fiscal balance	5.0	2.0	10.4	6.6	5.3	9.9	5.3	1.2	-0.1
LOW CASE SCENARIO									
Oil production (in million barrels) 4/	20.9	23.1	36.5	32.0	38.0	21.6	13.1	3.7	0.0
World oil price (US$ per barrel) 5/	25.9	26.5	27.1	27.7	28.3	31.7	35.5	38.8	39.7
Real GDP (percentage change)	23.9	6.4	10.7	1.4	6.6	0.9	2.3	2.3	2.4
Nonoil real GDP (percentage change) 3/	10.9	6.0	4.8	5.6	4.8	3.2	3.0	3.0	3.0
Per capita primary expenditure									
In current U.S. dollars	178	187	193	203	229	238	248	264	271
In constant U.S. dollars	175	180	182	188	207	195	184	182	182
GNP per capita GDP in U.S. dollars	836	888	991	977	1,140	1,164	1,198	1,252	1,267
(In millions of U.S. dollars, unless otherwise indicated)									
Budget revenue from oil	126	137	225	205	253	166	147	38	0.0
Exports of oil	543	614	990	885	1,076	684	465	145	0.0
Net financial assets of the government	-412	-359	-234	-177	-95	13	43	131	126
(In percent of nonoil GDP)									
Budget revenue from oil	5.8	5.8	9.0	7.7	8.7	4.4	3.1	0.7	0.0
Primary expenditure	25.0	24.9	24.8	25.0	24.7	22.7	21.7	21.4	21.5
Primary nonoil balance	-1.7	-3.0	-3.5	-5.0	-5.7	-4.0	-1.4	0.3	0.6
Overall fiscal balance	1.7	0.7	3.7	1.2	2.0	-0.3	1.0	0.5	0.2

Sources: Mauritanian authorities and staff projections.
1/ Assuming recoverable reserves of 600 million barrels.
2/ February 2005 World Economic Outlook assumptions.
3/ Including expected production of copper and gold.
4/ Assuming recoverable reserves of 420 million barrels.
5/ Based on a constant 2005 price of US$25 per barrel.

Figure 2. Mauritania: Oil Revenues, Financial Assets, and Expenditure

Revenues from Oil (in constant U.S. dollars)

Low Case scenario
Baseline Scenario

Net Financial Assets of Government (Baseline Scenario)

In millions of dollars (LHS)
In percent of nonoil GDP (RHS)

Per Capita Primary Expenditure (in constant U.S. dollars)

Low Case scenario
Baseline Scenario
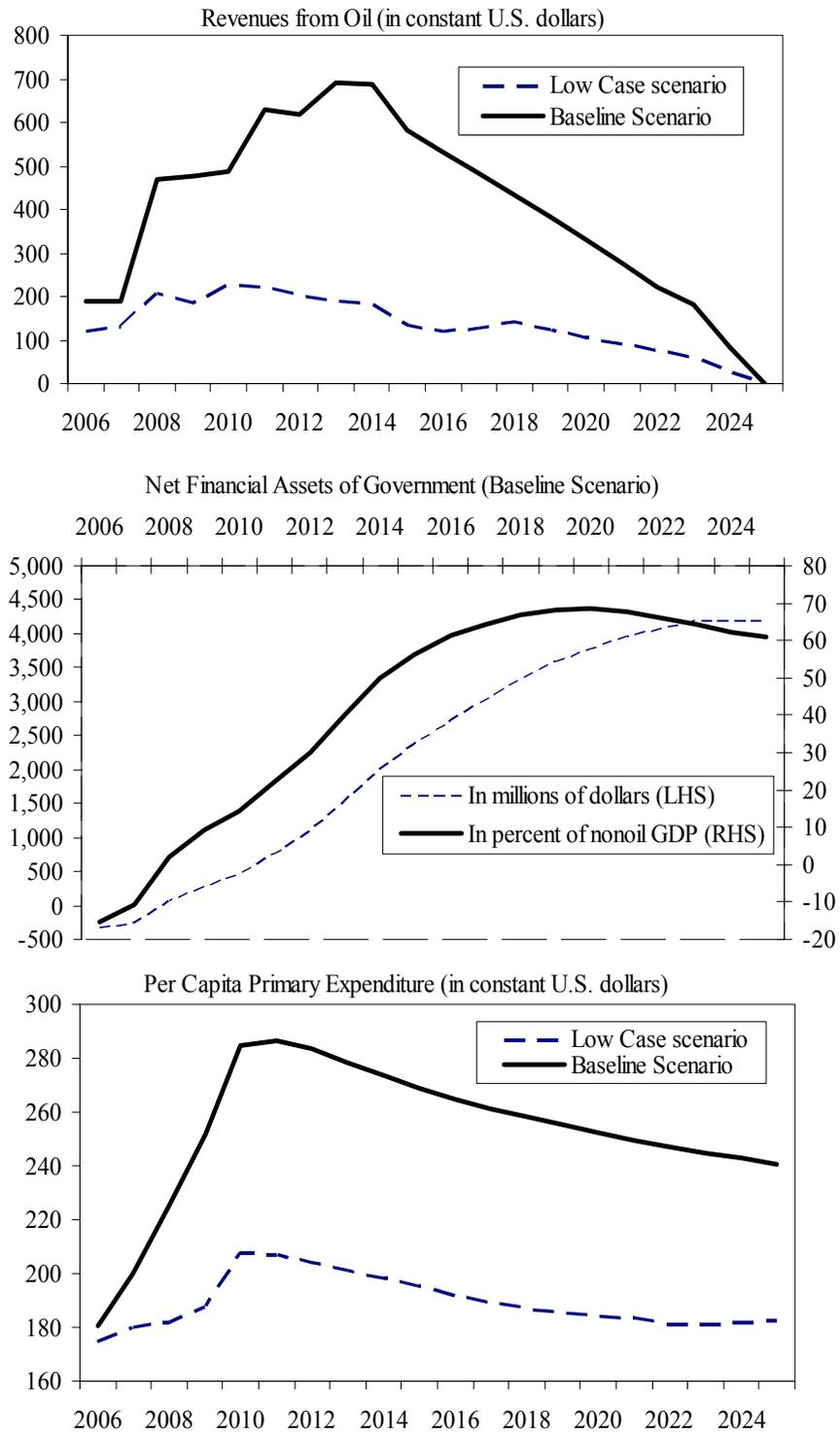
Source: IMF staff projections.

Figure 3. Mauritania: Baseline Scenario Fiscal Projections

Revenue and Expenditure (in percent of nonoil GDP)

Fiscal Balances (in percent of nonoil GDP)
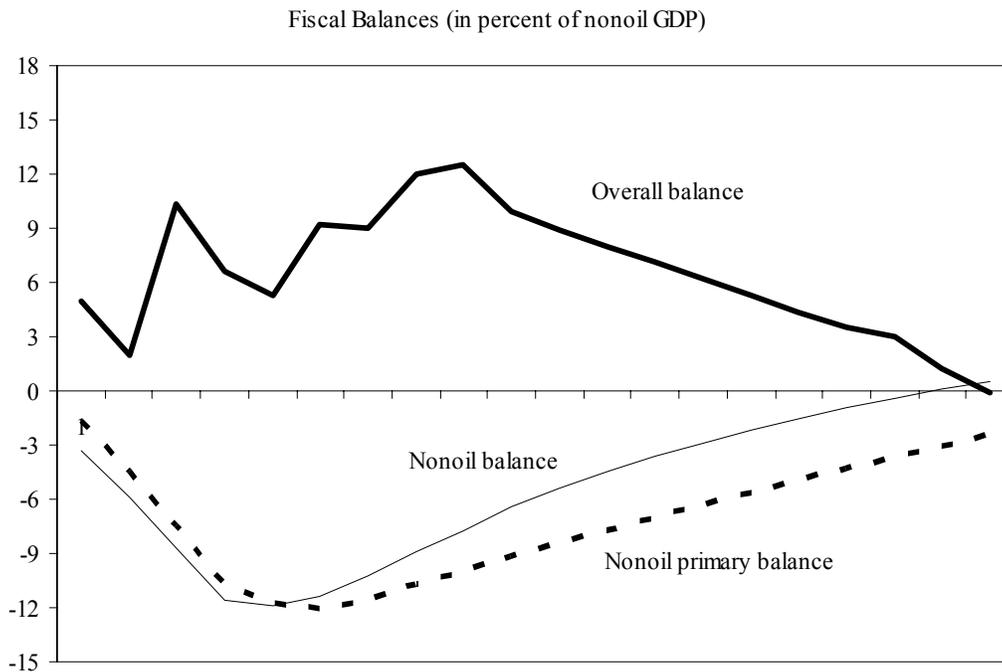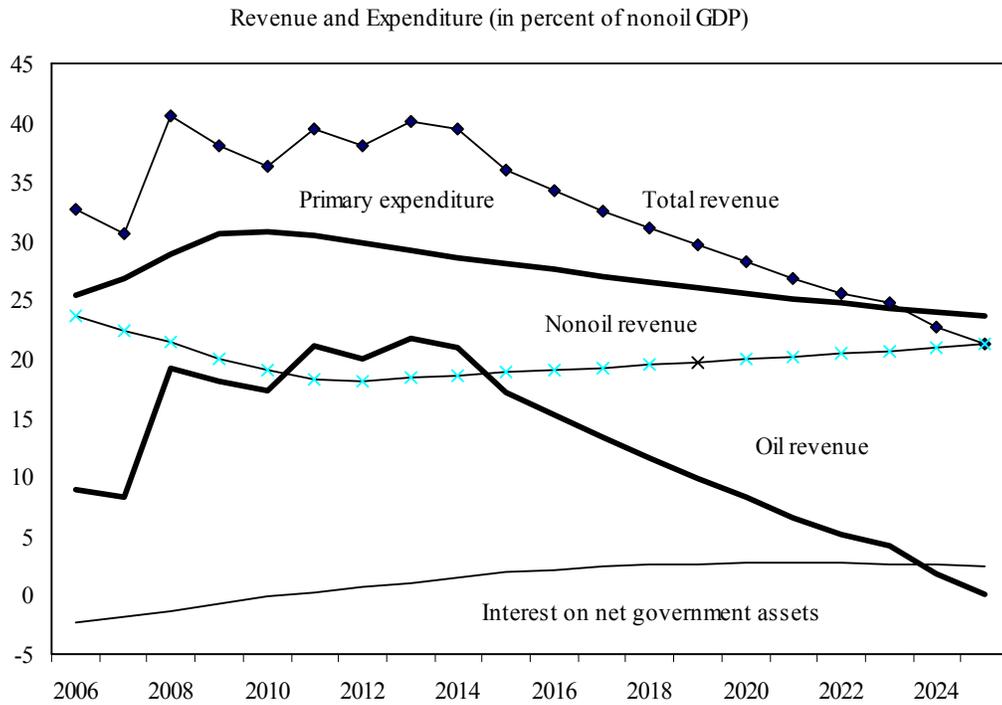
Source: IMF staff projections.

baseline scenario provided that nonoil primary balance remains below 2.5 percent of nonoil GDP after the depletion of oil in 2024.

47.   **In the low-case scenario, with oil wealth (and permanent income) assumed to be two-thirds of that in the baseline scenario, there is less room for expansionary fiscal policy.** Per capita primary fiscal spending, in constant U.S. dollar terms, is projected to rise somewhat less significantly than in the baseline scenario (from US$175 in 2006 to US$207 in 2010) and then gradually reverse to its initial level by 2025. As a result, the nonoil real GDP is projected to grow by about 3 percent a year as compared with 4 percent under the baseline scenario. A nonoil primary deficit of 3 to 5 percent of nonoil GDP could be sustained in the period 2007–15, but would need to be gradually eliminated by 2025. At the same time, priority accorded to Mauritania's development objectives significantly limits the opportunity to accumulate foreign assets.

48.   **Both scenarios feature some degree of Dutch disease, the "gravity" of which varies depending on the size of the fiscal impulse.** Average real effective exchange rate appreciates by 2–3 percent per annum in the baseline scenario and to a somewhat lesser degree in the low-case scenario.

H. Summary and Conclusions

49.   Starting in 2006, Mauritania is expected to benefit from a significant oil revenue windfall. At the same time, it faces steep challenges in managing the oil wealth so as to ensure the development of the nonoil sector and avoid the misuse of oil revenues. In order to realize the full potential inherent in the "oil promise," Mauritania's policies should be guided by the following principles:

- **Fiscal policy formulation** should rely on the **nonoil primary balance** concept to deal properly with volatility and sustainability issues.

- **The frontloading of public expenditure in the oil era,** while justified on developmental grounds, should be consistent with absorption capacity limits and reasonable precautionary and long-term savings objectives.

- **The management of oil savings** needs to be transparent, fully integrated with the budget, and governed by sound principles. Mauritania's precautionary and long-term savings objectives can be achieved with a single financing fund.

- **Some degree of Dutch disease is unavoidable**. Appropriate government asset management (abroad), pro-growth public spending, and structural policies can offset its impact on competitiveness, while increased exchange rate flexibility will help contain inflationary pressures.

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II. POVERTY REDUCTION: TRENDS AND PROSPECTS[17]

Despite substantial economic progress over the last 15 years, poverty in Mauritania is still very high. Health and other social indicators show improvement but the provision of basic services and public infrastructure remain deficient. A simple analysis suggests that if the rapid growth projected in Chapter I is realized, Mauritania could in principle achieve most of Millennium Development Goals (MDGs) by 2015 by fostering pro-poor growth, channeling enough public resources to the social sectors, and strengthening institutional capacity.

A. Introduction

1.   This chapter reviews the evolution of poverty and other social developments since 1990, explores the links between poverty, growth and income equality over the last decade, and discusses Mauritania's performance in the social sectors, mostly education and health. In December 2000, the Mauritanian authorities published their first Poverty Reduction Strategy Paper (PRSP), which was prepared in a broad participatory manner and laid out a comprehensive three-year program for sustaining high economic growth and directing public resources towards fighting poverty. While data on income poverty are not yet available for 2004, recent data on social indicators are used in a preliminary assessment of progress achieved under Mauritania's poverty reduction program. This chapter also explores Mauritania's prospects for reaching the MDGs by 2015 under the long-term scenarios presented in Chapter I.

B. Developments in Poverty and International Comparisons

2.   **The incidence of poverty in Mauritania decreased significantly in the 1990s, although somewhat less so in the second half of the decade.** The share of the population living below the poverty line decreased by about 10 percentage points, from 56.6 percent in 1990 to 50 percent in 1996 and 46.7 percent in 2000 (Figure 1).[18] Similar trends were observed for other poverty indicators such as the poverty gap (or "depth of poverty") and the squared poverty gap (or "severity of poverty") (Figure 2).[19] Based on comparable measures in selected low-income countries, the incidence of poverty is lower in Mauritania than in Madagascar and Zambia, but higher than in Armenia, Ghana, Senegal, and Uganda (Table 1).

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[17] Prepared by Garbis Iradian (ext. 36281), with substantial inputs from Nicola Pontara and Hawa Wague-Cisse (both World Bank).

[18] This measure of poverty uses the World Bank's poverty headcount definition, i.e., the percentage of population living on less than US$1 a day at 1993 prices, adjusted for purchasing power parity.

[19] The poverty gap indicates how far below the poverty line poor households are on average; and the severity of poverty captures inequality among the poor. The definition of the poverty indicators can be found on the World Bank external website.

Figure 1. Poverty Incidence

Figure 2. Depth and Severity of Poverty
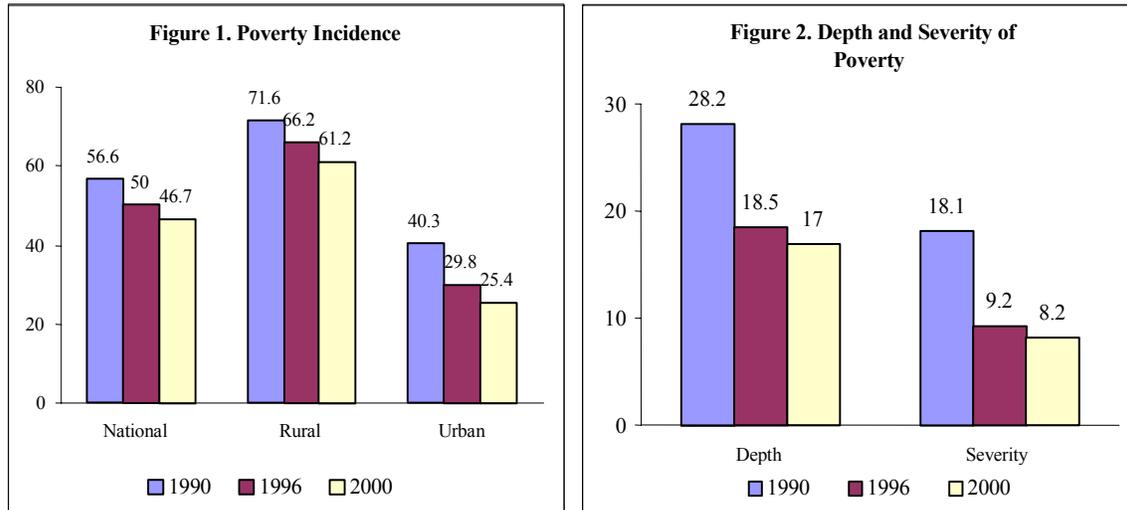
Source: World Bank.

3.   **Given Mauritania's growth record in the last decade, poverty reduction could have been somewhat larger.** Relating the percentage change in poverty incidence with the percentage change in real per capita GDP between 1990 and 2000, suggests a partial growth elasticity of poverty of -0.8 (i.e., a one percent increase in real per capita income lowers the incidence of poverty in Mauritania by 0.8 percent). This partial elasticity of poverty, with respect to growth in Mauritania, is significantly below that of selected low-income countries, including Ghana and Uganda (Table 1), and even farther below the average of -1.1 that was obtained through an econometric estimate on a panel of 70 developing and transition economies (Iradian, 2005).

4.   **The sizable increase in income inequality held back poverty reduction in the 1990s.** The related Gini coefficient increased from 0.34 to 0.39 between 1990 and 2000. The estimated effects on poverty of real growth in households' consumption and changes in inequality over the period 1996–2000 suggest that about 30 percent of the poverty-reducing effect of average consumption growth was eroded by greater inequality (Table 2). In other words, had the increase in consumption been distributed across households in proportion to consumption levels observed in 1996 (i.e., had all households gained in the same proportion), the poverty head count would have declined by 4.8 percentage points rather than by 3.3 percentage points. Even though the overall inequality in Mauritania is still slightly lower than the average for selected African countries (Table 3), due to a lower growth performance and larger increase in inequality in the 1990s, poverty fell twice less rapidly in Mauritania than in, for instance, Uganda.

Table 1. Poverty, Inequality, and Growth in Selected Countries

Country (period)	Poverty (Percent of population)		Inequality 2/ (Gini Index)		Cumulative per capita growth	Growth elasticity of poverty
	1st Year	2nd Year	1st Year	2nd Year		
Mauritania (1990, 2000)	**56.6**	**46.7**	**0.34**	**0.39**	**23.1**	**-0.76**
Madagascar (1979, 2001)	49.3	69.5	46.9	47.5	-39.6	-1.03
Zambia (1990, 1998)	58.6	72.9	48.3	52.6	-18.4	-1.33
Ghana (1992, 1999)	50.8	42.6	38.9	36.0	16.8	-0.96
Uganda (1992, 2000)	56.0	35.0	39.2	40.5	36.0	-1.04
Egypt (1990, 2000)	25.0	16.7	34.0	34.4	24.5	-1.36
Armenia (1996, 2003)	54.7	32.0	44.0	33.0	51.8	-0.80
Azerbaijan (1995, 2002)	61.6	49.0	45.0	36.5	35.7	-0.57
Kyrgyz Rep.(1996, 2003)	68.1	41.0	40.5	31.0	26.6	-1.50
India (1988, 2000)	46.3	34.7	31.2	32.5	45.6	-0.55
Thailand (1985, 1996)	27.0	3.0	47.4	43.4	79.2	-1.12
South Korea (1975, 1990)	20.0	7.4	38.0	33.6	96.0	-0.66
China (1990, 2001)	33.0	16.6	34.6	44.7	91.3	-0.54
Indonesia (1980, 1993)	29.0	14.8	35.6	31.7	58.5	-0.84
Malaysia (1980, 1995)	32.5	9.3	49.1	45.6	67.5	-1.06
Vietnam (1993, 2002)	50.9	28.9	35.7	36.4	39.6	-1.09
Average	45.0	32.5	38.0	36.2	39.6	-0.95

Sources: Mauritanian authorities, World Bank data base, and selected countries' PRSPs and IMF staff reports.
1/ Inequality figures are based on expenditure Gini-coefficient, except for Malaysia and South Korea.

Table 2. Growth and Inequality Effects (1996–2000)
(In percentage points)

Level	Change in Poverty	Growth effect	Inequality effect	Residual
National	-3.3	-4.8	1.3	0.2
Urban	-3.0	-4.3	1.4	-0.1
Rural	-6.1	-10.9	1.9	2.9

Source: World Bank.

Table 3. Poverty and Inequality in Selected African Countries

Country	Poverty Incidence	Inequality (Gini index)	GNP per capita PPP (US$)
Mauritania (2000)	**46.7**	**39.0**	**1,616**
Cameroon (2001)	40.2	44.6	2,220
Egypt (2000)	16.7	34.4	3,519
Ethiopia (2000)	44.2	41.0	557
Ghana (1998)	39.5	36.0	1,780
Madagascar (2001)	69.5	47.5	1,102
Mali (2001)	63.8	49.4	824
Senegal (2001)	54.9	42.6	2,082
Uganda (2000)	35.0	40.5	1,230
Zambia (1998)	72.9	52.6	915
Average	**48.3**	**42.8**	**1,585**

Sources: World Bank data base, and selected countries' PRSPs and IMF staff reports.

5.   **Poverty reduction was smaller in rural areas, where the incidence of poverty remains very high.** Rural poverty decreased from 71.6 percent in 1990 to 61.2 percent in 2000, while urban poverty decreased from 40.3 percent in 1990 to 25.4 percent in 2000. The relatively weak outcome in the rural areas reflects mostly a low growth in agricultural output, although rural emigration attenuated this effect. The contribution of agriculture to GDP growth was less than one percent per year in the 1990s, reflecting weather conditions but also limited public investment in the main producing region, the Senegal river valley.[20] In contrast, the contribution of services to GDP growth was about 3 percentage points per year in the same period. Surprisingly, the large poverty reduction that urban areas experienced on average did not touch the capital city, Nouakchott, where the incidence of poverty increased from 21 percent in 1996 to 22 percent in 2002, with a peak at 25.1 percent in 2000.

6.   **Poverty increase in Nouakchott and its decline in other cities could be explained by the heavy migration toward the capital.** Nouakchott currently hosts about 35 percent of the country's population, from about 30 percent in 1990 which negatively affected living conditions in the capital city and its surroundings. In other urban areas, a considerable improvement in living standards has been observed during the same period, which, in addition to the population outflow, could also be attributed to government efforts to improve urban living conditions, including through the expansion of the electricity network and improvements in water systems and transport infrastructure.

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[20] Between 1996 and 2000 poverty increased amongst households engaged in agricultural activities, notably in the Senegal river valley.

C. Poverty Perceptions

7.   **Poverty perceptions captured in several household surveys do not confirm the statistically observed reduction in poverty in the 1990s.** The subjective welfare gains may not be as large as suggested by the objective consumption-based poverty trends. Specifically:

- According to a 2001 survey of households' standards of living, about 40 percent of (poor and nonpoor) household heads believed that poverty had not changed much since 1996. Household heads who thought that poverty had actually increased were almost as numerous as those who thought the opposite. However, most household heads were confident that poverty would stabilize or decrease over the following five years, possibly reflecting their perceptions of a favorable economic outlook.

- According to the preliminary results of a questionnaire on welfare indicators, which forms part of the ongoing 2004 household survey, most of household heads thought that their economic situation in 2004 was worse than in 2001 (44 percent) or identical (34 percent). The full results of the household survey (expected for June 2005) will provide an update on objective poverty trends and subjective perceptions in the last five years.

D. Social Indicators

8.   **The most recent education and, to a lesser extent, health and other social indicators show improvement, over the last 15 years** (Table 4).

- **There has been a major improvement in education indicators**. With primary school enrollment rising from 46 percent in 1990 to 96 percent in 2004, the MDG of universal primary education has almost been reached, including for the 10 percent of children who live in remote areas and/or in extremely difficult circumstances. Progress in enrollment at the secondary school level is significant, but enrollment at the tertiary level decreased as a result of deliberate policies to regulate student flows. With regard to gender equality, Mauritania has made remarkable progress in facilitating access to primary and secondary education for all children and the related MDG is within reach. However, retention rates during the last year of primary education have been deteriorating continuously since 2000.

Table 4. Mauritania: Selected Social Indicators

	1990	1996	2000	2002	2003	2004	PRSP Targets 2015 Document Jul 2003	2015 MDGs	Sub-Saharan Africa 1/
Poverty Indicators					(In percent of population)				
Overall poverty incidence	57	50	47	...	...	...	20	28	47
Incidence of poverty in Nouakchott	36	21	25	22	...	...	...	...	...
Prevalence of child malnutrition	48	23	32	...	...	30	13	24	...
Availability of public services									
Access to improved water source	...	...	50	...	...	54	60	...	58
Access to electricity	...	...	18	...	...	20	...	...	...
Education indicators					(In percent of relevant age group)				
Gross primary enrollment ratio	46	82	88	88	90	96	100	100	87
Gross lower-secondary enrollment ratio	15	18	25	26	26	...	...	...	...
					(In percent)				
Share of girls in total primary enrollment	42	46	48	49	49	49	50	50	...
					(In percent of students enrolled in first grade)				
Retention rate at the entrance of the 5th grade	...	...	55	48	47	...	100	...	48
					(In percent of people 15 years old and above)				
Adult literacy rate	...	58	57	...	...	59	95	95	63
Health indicators					(Per 1,000 live births)				
Child mortality (under five years old)	137	122	123	...	...	...	72	46	174
Infant mortality rate	...	81	...	74	...	...	72	40	103
					(Per 100,000 live births)				
Maternal mortality rate	...	...	747	...	...	...	...	...	917
					(In percent of ages 15–24)				
HIV prevalence rate	...	...	0.5	0.6	...	...	<1	<1	6.7
					(In percent of pregnant women)				
Access to maternal health	...	...	65	...	...	80	...	...	44
					(In percent)				
Child vaccination rate	...	30	40	70	82	93	...	75	56

Source: Mauritanian authorities; and World Bank 2004 World Development Indicators.

- **Despite a somewhat disappointing health policy record,** Mauritania still compares favorably with sub-Saharan Africa as a whole; however, some indicators arouse serious concerns. While child vaccination improved significantly in recent years, infant mortality rate remains high. According to a recent survey, child mortality has roughly remained constant since 1994, in spite of higher vaccination rates. The reduction of maternal mortality remains also a challenge. At 747 deaths per 100,000 live births, maternal mortality rate is under the average of sub-Saharan Africa, but significantly above the average of some neighboring countries, such as Senegal, Niger, and Mali. The fertility index has decreased from 6 children per woman in 1990 to 4.6 children per woman in 2003. Chronic malnutrition remains a serious problem particularly in rural areas, notably among children and pregnant women. Infectious diseases, particularly malaria and tuberculosis, remain a major public health problem.

E. Public Expenditures in Social Sectors and the Use of HIPC Resources

9.   **Social expenditures as a whole increased substantially with the implementation of Mauritania's 2001–04 PRSP.[21]** Budgetary social spending increased to 9 percent of GDP on average in 2001–04 from about 6 percent of GDP on average in the 1990s.[22]

10.   **Education and, to a lesser degree, health significantly benefited from public spending increases in Mauritania in recent years.** As a percentage of GDP, spending on education increased steadily from 4.1 percent in 2000 to 6.5 percent in 2003. In real terms, the average annual growth rate of public spending allocated to education was 8.4 percent during 2000–2003, with per capita public spending amounting to US$25 in 2003, compared to less than US$15 in 2000. Between 1998–2003, primary education increasingly benefited from recurrent budget allocations, while allocations for tertiary education, and vocational training decreased significantly. The share of expenditure allotted for secondary education remained fairly constant. Health expenditures accounted for 2.7 percent of GDP and US$9.3 per capita in 2002, against 1.9 percent of GDP and US$7.5 in 1998, respectively. Budget allocation increased further, but low absorptive capacity in the health sector limited the actual spending. Shifting spending towards primary health care and services in rural and remote areas has started.

11.   **Nonetheless, only half of the HIPC resources have been spent to date.** HIPC resources increased from UM 4.5 billion (US$18.8 million) in 2000 to UM 17.4 billion (US$64.9 million) in 2003. Projects in health, water, and energy sectors have benefited from substantial increases in the allocation of HIPC funds, but less so infrastructure, rural development, or multisectoral projects. Overall, the sectoral allocation of HIPC resources seems to be coherent with the priorities indicated in the PRSP, except for rural development, which continues to receive low amounts of HIPC financing.

12.   **The regional distribution of expenditures financed by HIPC resources did not match the geographical distribution of poverty.** Comparing the contribution to total poverty with the allocation of HIPC expenditure in 2003 at the regional (Wilaya) level shows that the use of HIPC resources did not target regions that contribute most to the incidence of poverty in Mauritania (including Trarza, Guidimagha and Gorgol) (Figure 3).

13.   **While the size of public education and health services increased in recent years as a result of higher public spending, the quality of social service delivery remains poor**. In the education system, the level of internal efficiency is low, with a high number of unfinished schools, an inefficient deployment of teachers across regions and within schools,

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[21] Data on a subset of social expenditures that specifically target poverty reduction are not available.

[22] If the reported costs of an emergency plan to alleviate the impact of the 2002 drought on rural population and other off-budget social spending are included, social spending reached about 14 percent of GDP in 2003–04.

and deficiencies in the content and quality of education. Health service utilization rates in Mauritania improved in recent years but remain low: 23 percent of the population must still travel more than five kilometers to reach a health center or a health post, while 10 percent must cover more than ten kilometers to reach the nearest health facility. The quality of health care provided by public health care facilities continues to be poor as reflected in low attendance rates and high unit costs.

Figure 3. Contribution to Poverty and HIPC Expenditure by Wilaya (2003)
(In percent)
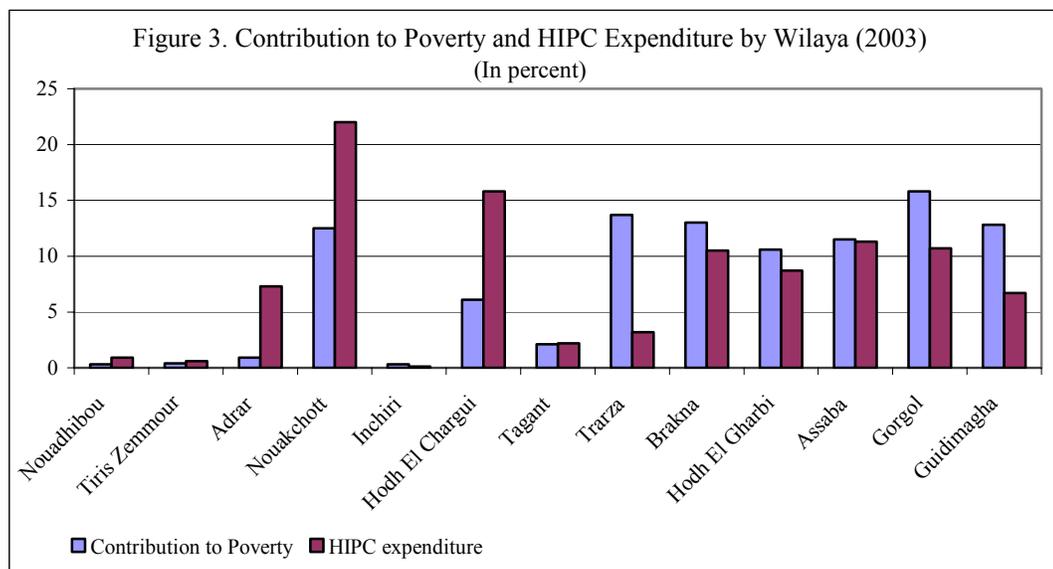
Source: World Bank.

F. Expected Performance with Respect to MDG Targets

14.   **The advent of oil production in 2006 offers Mauritania a unique opportunity to realize its ambitious PRSP objectives and achieve most of the 2015 MDGs, provided that oil revenue is transparently and efficiently managed, rise in income inequality is kept under control, and public spending appropriately targets the poor.** Table 5 shows the projected incidence of poverty under constant and growing inequality assumptions and different per capita growth rates. The incidence of poverty would decrease from 46.7 percent in 2000 to 32.5 percent in 2015, above the MDG of 28.3 percent, if inequality increases along past trends and per capita nonoil GDP growth can be maintained at 3.5 percent a year on average between 2000 and 2015, as in the baseline scenario of Chapter I. With an average nonoil per capita growth of 2.5 percent as in the low-case scenario of Chapter I, poverty incidence is projected to decrease only to 38.3 percent by 2015.[23]

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[23] The analysis disregards the poverty impact of transfers of oil revenue to focus only on the durable income component represented by nonoil GDP.

Table 5. Mauritania: Projections of Poverty Incidence Under Different Inequality
and Growth Rate Assumptions
(In percent of the population)

| | Assumption I (Increasing Inequality) 1/ | | | | | | Assumption II (Constant Inequality) 2/ | | | | |
| | Per Capita Growth Rates | | | | | Gini | Per Capita Growth Rates | | | | |
	2.0	2.5	3.0	3.5	4.0	index	2.0	2.5	3.0	3.5	4.0
2005	44.9	43.9	42.9	42.0	41.0	0.408	42.8	41.8	40.9	39.9	38.9
2010	43.1	41.1	39.2	37.2	35.3	0.425	38.9	37.0	35.0	33.1	31.1
2015	41.2	38.3	35.4	32.5	29.5	0.443	35.0	32.1	29.2	26.2	23.3

Source: IMF staff calculations based on estimated growth of poverty of -1.1 and inequality
elasticity of poverty of 1.40 (see Iradian, 2005).
1/ Inequality increases further from 0.39 in 2000 to 0.44 by 2015.
2/ Inequality remains constant at 0.39 through 2015.

15.   **If pro-poor policies stem a further growth in inequality, Mauritania can reach a much lower poverty incidence in 2015.** Under assumption II, poverty incidence could be reduced to 26.2 percent if average annual nonoil per capita growth is 3.5 percent, and to 32.1 percent if average annual nonoil per capita growth is 2.5 percent (as in the low-case scenario of Chapter I). Pro-poor policies would include: (a) appropriate macroeconomic policies, in particular to contain Dutch disease; (b) a substantial increase in per capita government spending in constant U.S. dollar terms (the baseline scenario envisages about 60 percent increase over 2005–15); and (c) appropriate sectoral policies that foster a broad-based growth (in particular in agriculture), increased investments in infrastructure, better access to bank credit for small and medium-size enterprises, reliable provision of water, and an efficient transport and communications network.

16.   **Other MDGs are also within reach if government spending priorities posted in the 2001–03 budgets are maintained.** According to the World Bank estimates, reaching the 2015 MDGs will require over the next ten years a social spending increase of 35 percent in real terms compared to the expenditure budgeted for 2001–04. Table 6 shows that this can be achieved under both scenarios. Improvement in the delivery of health and education services to the poor will require the substantial building of human capital and strengthening of institutional capacities.

Table 6. Mauritania: Budgetary Social Spending—Long-Term Projections

| | 2001–04 | 2005–15 | |
	Actual	Baseline scenario	Low-case scenario
Social spending			
In percent of nonoil GDP	9.0	8.7	7.6
In constant 2004 US$ millions	117	240	191
Percent change compared to 2001–04	...	105	63
Nonoil real GDP growth (percentage change)	4.4	5.7	4.6

Sources: Mauritanian authorities for 2001–04; and staff projections for 2005–15.

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Table 1. Mauritania: Gross Domestic Product at Current Prices, 1998–2004 1/

	1998	1999	2000	2001	2002	2003	2004
	(In millions of ouguiyas; unless otherwise specified)						
Rural sector	43,184	45,057	46,208	47,623	50,739	59,351	61,948
Agriculture	11,477	11,146	9,516	8,860	9,490	13,276	12,095
Livestock	31,707	33,911	36,692	38,763	41,249	46,075	49,853
Mining	30,819	29,943	36,493	31,676	33,133	36,181	47,542
Manufacturing	27,132	38,110	37,893	36,564	36,367	39,585	45,271
Fishing	9,661	11,858	12,899	14,463	13,927	14,880	17,008
Other manufacturing	17,471	26,252	24,994	22,101	22,439	24,705	28,263
Construction and public works	10,658	12,681	16,399	20,945	25,168	30,152	41,700
Transports and telecommunications	9,420	9,138	10,490	15,606	17,813	19,719	22,105
Commerce, restaurants, hotels	26,293	26,233	28,126	31,622	33,521	37,075	42,413
Services	17,460	19,575	22,905	29,987	35,444	39,236	45,004
Public administration	32,449	37,164	41,426	46,170	49,502	66,828	72,308
GDP (at factor cost)	197,415	217,901	239,941	260,194	281,687	328,127	378,291
Indirect taxes less subsidies	16,175	17,948	18,304	20,495	21,681	24,391	28,196
GDP (at market prices)	213,590	235,849	258,245	280,688	303,368	352,519	406,487
Old series	185,262	202,015	221,751	247,155	268,481	308,435	357,384
Difference	28,328	33,834	36,494	33,533	34,887	44,084	49,103
	(Shares of GDP; in percent of GDP)						
Rural sector	20.2	19.1	17.9	17.0	16.7	16.8	15.2
Agriculture	5.4	4.7	3.7	3.2	3.1	3.8	3.0
Livestock	14.8	14.4	14.2	13.8	13.6	13.1	12.3
Mining	14.4	12.7	14.1	11.3	10.9	10.3	11.7
Manufacturing	12.7	16.2	14.7	13.0	12.0	11.2	11.1
Fishing	4.5	5.0	5.0	5.2	4.6	4.2	4.2
Other manufacturing	8.2	11.1	9.7	7.9	7.4	7.0	7.0
Construction and public works	5.0	5.4	6.4	7.5	8.3	8.6	10.3
Transports and telecommunications	4.4	3.9	4.1	5.6	5.9	5.6	5.4
Commerce, restaurants, hotels	12.3	11.1	10.9	11.3	11.0	10.5	10.4
Services	8.2	8.3	8.9	10.7	11.7	11.1	11.1
Public administration	15.2	15.8	16.0	16.4	16.3	19.0	17.8
GDP (at factor cost)	92.4	92.4	92.9	92.7	92.9	93.1	93.1
Indirect taxes less subsidies	7.6	7.6	7.1	7.3	7.1	6.9	6.9
GDP (at market prices)	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Mauritanian authorities.
1/ The 1998 and 1999 figures are final and preliminary thereafter.

Table 2. Mauritania: Gross Domestic Product by Sector
of Origin at Constant 1998 Prices, 1998–2004 1/

	1998	1999	2000	2001	2002	2003	2004
	(In millions of ouguiyas)						
Rural sector	43,184	44,472	44,251	42,587	41,167	43,855	42,425
Agriculture	11,477	11,737	10,305	9,048	7,293	9,473	6,840
Livestock	31,707	32,735	33,946	33,539	33,874	34,382	35,586
Mining	30,819	29,055	30,014	26,862	24,848	26,413	27,311
Manufacturing	27,132	34,378	40,725	39,298	38,618	39,890	47,815
Fishing	9,661	11,258	19,616	21,014	20,315	20,288	26,410
Other manufacturing	17,471	23,120	21,109	18,284	18,303	19,602	21,405
Construction and public works	10,658	12,527	15,709	18,976	21,747	25,031	29,086
Transports and telecommunications	9,420	9,306	11,177	12,719	16,471	17,262	18,453
Commerce, restaurants, hotels	26,293	25,921	26,906	28,897	29,475	31,008	32,496
Services	17,460	18,865	19,921	24,862	26,205	27,908	29,331
Public administration	32,449	36,522	38,458	40,573	42,642	44,774	46,565
GDP (at factor cost)	197,415	211,046	227,160	234,774	241,171	256,140	273,482
Indirect taxes less subsidies	16,175	19,256	18,467	19,815	19,319	20,981	22,659
GDP (at market prices)	213,590	230,302	245,627	254,589	260,491	277,121	296,141
Annual growth rate (in percent)	…	7.8	6.7	3.6	2.3	6.4	6.9
	(Shares of GDP; in percent)						
Rural sector	20.2	19.3	18.0	16.7	15.8	15.8	14.3
Agriculture	5.4	5.1	4.2	3.6	2.8	3.4	2.3
Livestock	14.8	14.2	13.8	13.2	13.0	12.4	12.0
Mining	14.4	12.6	12.2	10.6	9.5	9.5	9.2
Manufacturing	12.7	14.9	16.6	15.4	14.8	14.4	16.1
Fishing	4.5	4.9	8.0	8.3	7.8	7.3	8.9
Other manufacturing	8.2	10.0	8.6	7.2	7.0	7.1	7.2
Construction and public works	5.0	5.4	6.4	7.5	8.3	9.0	9.8
Transports and telecommunications	4.4	4.0	4.6	5.0	6.3	6.2	6.2
Commerce, restaurants, hotels	12.3	11.3	11.0	11.4	11.3	11.2	11.0
Services	8.2	8.2	8.1	9.8	10.1	10.1	9.9
Public administration	15.2	15.9	15.7	15.9	16.4	16.2	15.7
GDP (at factor cost)	92.4	91.6	92.5	92.2	92.6	92.4	92.3
Indirect taxes less subsidies	7.6	8.4	7.5	7.8	7.4	7.6	7.7
GDP (at market prices)	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Mauritanian authorities.
1/ The 1998 and 1999 figures are final and preliminary thereafter.

Table 3. Mauritania: Growth of Output by Sector, 1999–2004
(At constant 1998 prices)

	1999	2000	2001	2002	2003	2004
			(In percent)			
Rural sector	3.0	-0.5	-3.8	-3.3	6.5	-3.3
Agriculture	2.3	-12.2	-12.2	-19.4	29.9	-27.8
Livestock	3.2	3.7	-1.2	1.0	1.5	3.5
Mining	-5.7	3.3	-10.5	-7.5	6.3	3.4
Manufacturing	26.7	18.5	-3.5	-1.7	3.3	19.9
Fishing	16.5	8.8	12.1	-3.7	-8.2	4.6
Other manufacturing	32.3	-8.7	-13.4	0.1	7.1	9.2
Construction and public works	17.5	25.4	20.8	14.6	15.1	16.2
Transports and telecommunications	-1.2	20.1	13.8	29.5	4.8	6.9
Commerce, restaurants, hotels	-1.4	3.8	7.4	2.0	5.2	4.8
Services	8.0	5.6	24.8	5.4	6.5	5.1
Public administration	12.6	5.3	5.5	5.1	5.0	4.0
GDP (at factor cost)	6.9	7.6	3.4	2.7	6.2	6.8
Indirect taxes less subsidies	19.0	-4.1	7.3	-2.5	8.6	8.0
GDP (at market prices)	7.8	6.7	3.6	2.3	6.4	6.9
			Contribution to growth (in percent)			
Rural Sector	0.6	-0.1	-0.7	-0.6	1.0	-0.5
Mining	-0.8	0.4	-1.3	-0.8	0.6	0.3
Oil	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	3.4	2.8	-0.6	-0.3	0.5	2.9
Construction and Public Works	0.9	1.4	1.3	1.1	1.3	1.5
Services 1/	0.4	1.7	3.4	2.2	1.5	1.5
Public Administration	1.9	0.8	0.9	0.8	0.8	0.6
Indirect taxes less subsidies	1.4	-0.3	0.5	-0.2	0.6	0.6

Source: Mauritanian authorities.

Table 4. Mauritania: Area Cultivated and Production of Selected Crops,
1998/99–2004/05 1/

	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	Est. 2004/05
	(In thousands of hectares)						
Area cultivated							
Total cereals	175.6	223.2	207.2	194.5	109.3	212.5	191.4
Millet and sorghum	144.5	194.6	174.1	174.3	82.9	166.4	169.5
Paddy rice	25.1	21.8	18.0	13.0	19.4	21.0	16.0
Maize, wheat, and barley	6.0	6.8	15.1	7.2	7.0	25.1	5.9
Cowpeas, vegetables, and other	36.7	46.6	37.7	39.5	25.5	28.5	28.5
Dates	4.5	5.0	4.5	8.0	8.0	8.0	8.0
	(In thousands of metric tons)						
Production							
Total cereals	194.2	192.8	178.5	124.8	115.8	181.2	102.9
Millet and sorghum	85.2	101.2	88.7	57.7	26.9	83.8	44.9
Paddy rice	101.9	86.5	76.2	58.8	85.3	78.9	56.0
Maize, wheat, and barley	7.1	5.1	13.7	8.3	3.6	18.5	2.0
Cowpeas, vegetables, and other	61.8	70.0	68.1	53	52.5	55.0	55.0
Dates	18	20.0	18.0	22.0	22.0	22.0	22.0

Source: Ministry of Rural Development and the Environment (MDRE).
1/ Crop season is from October through January.

Table 5. Mauritania: Supply of Cereals, 1998–2004

(In thousands of metric tons)

	1998	1999	2000	2001	2002	2003	Est. 2004
Production 1/	139.6	191.2	194.6	179.9	120.4	142.5	109.5
Imports	71.3	209.7	269.8	247.7	259.1	355.3	264.7
Rice (SONIMEX)	16.9	28.0	29.1	9.5	15.2	0.0	12.4
Flour (private sector)	22.8	181.7	240.6	238.2	243.9	355.3	251.7
Other (private sector)	31.6	0.0	0.0	0.0	0.0	0.0	0.6
Food aid	13.3	27.7	20.9	22.7	34.3	74.1	31.1
Total supply	224.2	428.7	485.3	450.3	413.8	571.9	405.3
Per capita supply (in kilograms)	145.3	147.0	162.0	154.8	134.2	175.6	112.5

Sources: Commission of Food Security (CSA); Ministry of Rural Development and the Environment (MDRE); and Customs Directorate (DGD).
1/ Including stocks.

Table 6. Mauritania: Estimated Size of Livestock Herds,
Controlled Slaughtering, and Average Prices, 1998–2004

	1998	1999	2000	2001	2002	Est. 2003	Est. 2004
			(In thousand of heads)				
Livestock herds 1/							
Cattle	1,448	1,497	1,550	1,620	1,676	1,315	1,354
Sheep and goats	11,960	12,558	13,384	13,775	14,045	14,329	15,900
Camels	1,206	1,230	1,278	1,329	1,381	1,323	1,350
Controlled slaughtering							
Cattle	52.0	58.8	61	64	67	68	69
Sheep and goats	140.2	158.4	167	171	181	187	193
Camels	43.0	48.6	50	52	53	55	57
			(In ouguiyas per head)				
Cattle	26,342	29,350	38,500	39,848	41,242	39,863	40,318
Sheep	5,500	7,000	7,280	8,450	8,511	8,080	8,347
Goats	3,576	6,578	6,841	7,125	7,129	7,032	7,095
Camels	46,207	52,386	62,350	64,532	66,791	64,558	65,294

Source: Ministry of Rural Development and the Environment (MDRE).
1/ Stock at year-end.

Table 7. Mauritania: Estimated Fish Catch, 1998–2004

(In thousands of metric tons)

	1998	1999	2000	2001	2002	2003	2004 Jan–Nov
Artisanal fishing	18,043	14,527	19,456	22,139	26,131	23,899	28,179
Traditional	9,653	7,586	11,364	12,933	16,660	15,237	17,966
Modern	8,390	6,941	8,092	9,206	9,471	8,662	10,213
Industrial fishing	641,111	490,211	525,469	620,146	646,512	615,174	725,351
Demersal (deep-sea) fish	26,735	20,471	19,320	26,414	20,414	36,106	20,834
Pelagic (surface) fish	534,264	419,880	458,093	544,837	602,565	532,714	678,200
Other	80,112	49,860	48,056	48,895	23,533	46,354	26,317
Total	659,154	504,738	544,925	642,285	672,643	639,073	753,530

Sources: Fisheries Resources Research and Management Department (DEARH); and Customs
Directorate (DGD).

Table 8. Mauritania: Composition of Fish Exports, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Jan–Oct
(In thousand of metric tons)							
Volume							
Pelagic	135.2	154.5	148.6	89.4	54.3	54.5	30.2
Demersal (deep-sea)	14.2	12.8	15.5	20.6	17.5	14.1	11.8
Cephalopod	18.7	27.1	26.6	31.0	20.4	19.4	17.9
Fish meal	12.3	12.7	11.4	8.9	6.2	5.6	3.1
Other	8.8	6.2	8.9	9.5	9.0	6.6	3.4
Total	189.2	213.2	211.1	159.3	107.4	100.3	66.3
(In millions of ouguiyas)							
Value							
Pelagic	8,163	10,418	11,108	7,108	4,732	4,571	2,544
Demersal (deep-sea)	2,967	3,011	4,404	4,883	4,756	3,141	2,710
Cephalopod	12,972	16,954	16,635	20,637	19,825	24,519	23,315
Fish meal	922	1,056	1,081	884	670	593	326
Other	1,075	1,115	2,218	2,828	2,941	2,541	1,582
Total	26,099	32,554	35,445	36,340	32,924	35,365	30,478

Sources: Fisheries Resources Research and Management Department (DEARH); and Customs
Directorate (DGD).

Table 9. Mauritania: Iron Ore—Production, Exports, and Stocks, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Jan-Sep
(In thousand metric tons)							
Production	11,373	10,401	11,345	10,302	9,553	10,153	8,396
Exports	11,402	11,042	11,069	10,093	10,460	9,627	8,347
Changes in stocks	-29	-641	276	209	-907	526	49
Stocks (end of period)	2,010	1,369	1,645	1,854	947	1,473	1,522
(In percent change)							
Production	-2.8	-8.5	9.1	-9.2	-7.3	6.3	-17.3
Exports	-1.8	-3.2	0.2	-8.8	3.6	-8.0	-13.3

Source: National Industrial and Mining Company (SNIM).

Table 10. Mauritania: SNIM—Operating Accounts, 1998–2004

(In millions of ouguiyas)

	1998	1999	2000	2001	2002	2003	2004 Jan–Sep
Total revenue	44,951	42,819	54,330	57,177	44,759	48,860	51,348
Sales (in millions of metric tons)	11.4	11.0	11.1	10.1	10	10.2	8.4
Total expenses	32,670	35,772	44,976	50,472	43,750	48,163	38,012
Cost of goods sold	15,484	16,154	20,649	22,965	22,129	24,491	18,541
Personnel expenses	4,415	5,378	5,207	5,349	5,241	5,384	4,545
Financial expenses	5,280	2,913	2,786	77	208	6,435	1,572
Depreciation and other provisioning	7,224	7,934	11,413	15,739	12,287	7,566	9,955
Taxes	95	436	393	621	119	119	92
Other expenses	172	2,958	4,528	5,721	3,766	4,168	3,307
Operating profits (+)/losses (-)	12,281	7,047	9,354	6,705	1,009	697	13,336

Source: National Industrial and Mining Company (SNIM).

Table 11. Mauritania: SNIM—Balance Sheet, 1998–2004

(In millions of ouguiyas; end of period)

	1998	1999	2000	2001	2002	2003	2004 Jan-Sep
Assets	100,476	101,402	100,905	99,936	107,311	114,462	121,520
Cash in banks	15,638	13,661	16,791	15,110	15,964	6,432	9,624
Receivables	5,818	6,381	11,509	9,546	11,256	9,205	11,047
Inventories	10,063	9,061	10,903	14,507	11,661	15,343	15,673
Fixed assets	32,225	37,522	56,991	59,115	68,425	83,475	85,171
Fixed capital formation expenses	7,600	7,232	...	...	...	...	...
Uncalled capital	...	...	...	...	...	...	...
Other	29,133	27,545	4,711	1,658	5.0	6.8	4.9
Liabilities and equity	100,477	99,134	100,905	99,936	107,311	114,462	121,520
Short-term debt	4,953	4,464	16,423	16,465	22,546	25,164	23,519
Long-term debt	53,780	53,261	47,667	47,315	52,405	59,426	59,486
Equity	29,045	32,452	32,309	34,521	35,571	33,098	29,472
Losses (-) or profits (+) 1/	8,362	3,789	4,506	1,635	-3,211	-3,227	9,043
Other	4,337	5,168	...	...	...	...	...

Source: National Industrial and Mining Company (SNIM).
1/ Figures are equivalent to operating profits reported in Table 15 less special transfers to the government.

Table 12. Mauritania: Public Utility Rates, 1998–2004

	1998	1999	2000	2001	2002	2003	2004 Jan–Nov
			(In ouguiyas per kilowatt hour)				
Electricity							
Medium voltage (industry)							
One hook-up	17.6	20.2	23.8	23.8	23.8	23.2	23.2
Two hook-ups	10.4	11.9	14.9	14.9	14.9	14.9	14.9
Low voltage							
Private	24.6	27.6	31.7	31.7	31.7	31.7	31.7
Public lighting	27.0	31.0	35.7	35.7	37.1	37.1	37.1
Other	27.0	31.0	35.7	35.7	35.7	35.7	35.7
			(In ouguiyas per cubic meter)				
Water							
Private							
Tranche 1	77.9	85.0	93.5	93.5	93.5	93.5	93.5
Tranche 2	154.4	168.4	185.2	185.2	185.2	185.2	185.2
Tranche 3	194.0	211.7	232.9	232.9	232.9	232.9	232.9
Industry and government	161.7	176.4	193.6	193.6	193.6	193.6	193.6
Public fountains	77.9	77.9	85.7	85.7	85.7	85.7	85.7

Source: National Water and Electricity Company (SONELEC).

Table 13. Mauritania: Consumption of Petroleum Products, 1998–2004

(In thousands of metric tons)

	1998	1999	2000	2001	2002	2003	2004 Jan–Nov
Ordinary gasoline	36.7	33.8	26.0	22.3	24.3	26.9	25.7
Super gasoline	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fuel oil	85.2	89.4	83.7	78.7	80.1	76.1	74.1
Kerosene	17.6	18.1	19.9	18.7	20.1	22.8	20.8
Lighting oil	…	0.8	0.3	0.2	1.3	0.8	1.2
Gas oil	197.5	213.5	224.8	246.8	277.4	289.2	285.4
Fishing fleet	60.4	59.7	57.7	59.7	61.2	62.8	58.4
Industrial	57.0	57.0	54.6	56.0	56.0	58.6	55.0
Artisanal	3.4	2.7	3.1	3.7	5.2	4.2	3.3
Transportation	67.0	92.6	99.7	107.6	136.8	158.0	157.4
SONELEC	12.1	12.4	16.4	30.9	31.5	18.3	22.9
SNIM	50.3	48.8	51.1	48.6	47.9	50.1	46.8
Other	7.7	…	…	…	…	…	…
Butane	17.0	17.4	17.4	18.1	18.5	23.1	24.0

Source: Ministry of Water and Energy, Directorate of Energy.

Table 14. Mauritania: Unit Prices of Petroleum Products, 2001–04

(Prices per liter; unless otherwise specified)

	2001					2002				2003				2004		
	9-Jan	20-Mar	27-Jun	26-Aug	8-Nov	27-Jan	3-Mar	28-May	1-Sep	16-Jan	3-Apr	7-Aug	19-Oct	3-Feb	6-May	25-Aug
Regular gasoline	173.1	173.1	171.1	167.0	152.5	149.8	137.5	144.6	141.5	131.9	145.7	137.7	135.7	135.7	150.7	212.8
Lighting oil	108.2	108.2	107.2	101.6	90.0	83.9	83.9	83.9	85.1	100.2	102.4	100.9	100.9	100.9	100.9	161.0
Gas oil																
Transportation	119.1	119.1	118.1	113.1	105.1	100.5	97.0	100.2	101.4	112.8	118.8	110.8	106.8	106.8	120.2	156.2
Butane (bottle of 12.5 kg)	1500	1660	1660	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560	1560

Source: Ministry of Water and Energy, Directorate of Energy.

Table 15. Mauritania: Consumer Price Index for Nouakchott, January 2004–February 2005 1/

Base period: April 2002–March 2003

	Foodstuffs	Clothing	Lodging	Furniture	Health	Transport	Leisure Culture	Education	Hotels Restaurants	Services and other	Overall Index
Weights	54.4	5.9	13.7	6.3	1.5	10.3	1.6	0.6	1.8	4.1	100.0
	(Annual average)										
2004	118.0	117.8	113.5	121.5	109.2	103.1	104.4	105.6	109.9	84.3	114.1
	(Monthly average)										
2004											
January	108.0	109.0	108.0	105.5	102.5	100.5	102.6	105.5	108.8	83.1	106.0
February	109.0	112.9	107.4	114.9	106.4	100.6	102.6	105.6	109.3	83.2	107.3
March	111.6	112.6	109.2	117.2	107.4	100.6	102.6	103.9	109.4	84.0	109.1
April	112.6	115.9	110.9	117.4	108.4	100.6	102.6	103.7	109.5	84.1	110.1
May	113.8	115.1	111.4	116.4	107.0	101.9	102.4	103.6	107.2	83.4	110.8
June	116.0	116.8	112.9	119.8	108.5	101.9	103.4	103.6	107.6	83.5	112.6
July	117.7	118.6	115.5	124.0	110.0	102.7	105.8	104.3	107.6	84.3	114.4
August	121.8	120.5	115.5	123.7	109.8	102.7	105.8	104.3	107.6	84.3	116.7
September	122.5	120.8	117.0	128.5	111.2	106.4	105.9	106.1	108.1	84.3	118.0
October	126.3	120.9	117.4	128.5	111.3	106.4	105.9	106.7	108.1	84.4	120.2
November	127.6	125.1	118.0	130.7	113.6	106.4	106.2	110.1	117.6	85.8	121.6
December	128.5	125.9	118.2	131.0	114.1	106.4	106.5	110.1	117.6	87.2	122.3
2005											
January	131.5	130.2	116.9	132.4	123.8	106.7	105.9	109.2	121.6	91.2	124.5
February	132.4	128.3	117.0	132.7	124.4	106.8	110.5	112.4	124.2	91.9	125.0

Source: National Statistical Office (ONS).

1/ A new index based on the 2001 household survey and expanded consumption basket.

Table 16. Mauritania: Evolution of Minimum Wages and Salaries, 1998–2004

	1998	1999	2000	2001	2002	2003	2004
				(In ouguiyas)			
Private sector (hourly wages)							
SMIG 1/	42.83	42.83	42.83	42.83	42.83	42.83	42.83
SMAG 2/	42.83	42.83	42.83	42.83	42.83	42.83	42.83
Public sector (civil servants' monthly salary)							
Category A1	20,932	21,350	23,485	25,455	27,464	32,682	38,565
Category A2	19,535	19,925	21,918	23,856	25,833	30,742	36,275
Category B	22,559	23,687	26,056	28,077	30,139	35,865	42,321
Category C	15,756	16,071	17,678	19,532	21,422	25,492	30,081
Category D	13,969	14,249	15,674	17,487	19,337	23,011	27,153
Category E (teachers)							
Assistant teachers	19,413	19,801	21,781	23,717	25,691	30,572	36,075
Teachers	24,718	25,212	27,733	29,788	31,883	37,941	44,771
Assistant professors	31,490	32,120	35,332	37,539	39,789	47,349	55,872
				(In U.S. dollars)			
Private sector (hourly wages)							
SMIG 1/	0.23	0.20	0.18	0.17	0.16	0.16	0.16
SMAG 2/	0.23	0.20	0.18	0.17	0.16	0.16	0.16
Public sector (civil servants' monthly salary)							
Category A1	111	102	98	100	101	144	145
Category A2	103	95	91	93	95	135	137
Category B	119	113	109	110	111	158	160
Category C	83	77	74	76	79	112	113
Category D	74	68	65	68	71	101	102
Category E (teachers)							
Assistant teachers	103	95	91	93	95	135	136
Teachers	131	120	116	117	117	167	169
Assistant professors	167	153	147	147	146	208	211

Source: Ministry of Finance, Directorate of Budget.
1/ Guaranteed minimum industrial wage.
2/ Guaranteed minimum agricultural wage.

Table 17. Mauritania: Public Investment Program and its Financing by Sector, 1998–2004

(In millions of ouguiyas)

	1998	1999	2000	2001	2002	2003	Est 2004
Rural development	4,121	4,388	4,552	5,232	6,148	6,899	6,096
Industrial development	1,714	2,820	2,154	3,826	3,726	3,608	2,285
SNIM	1,356	2,434	500	26	457	529	162
Infrastructure	5,148	4,204	6,728	8,312	10,942	13,748	5,449
Human resources	3,107	2,960	3,492	3,847	6,453	5,242	2,586
Institutional development	845	486	1,774	1,091	1,107	2,031	561
Multisectorial projects 1/	…	678	2,155	4,162	5,010	6,070	825
Total investment	16,290	17,969	21,355	26,497	33,843	38,127	17,965
State	9,537	9,988	12,962	19,201	27,423	32,431	13,195
SONADER	1,580	1,925	1,438	1,884	1,119	2,179	2,276
Parastatals	3,817	3,622	6,455	5,386	4,844	2,987	2,332
SNIM	1,356	2,434	500	26	457	529	162
Financing	16,290	17,969	21,355	26,497	33,843	38,127	17,965
Government	9,537	9,988	12,962	19,201	27,423	32,431	13,195
Domestic resources	3,739	2,946	5,127	10,594	14,908	18,482	...
Grants	1,703	1,930	2,465	2,418	2,899	3,533	2,574
Loans	4,094	5,111	5,370	6,189	9,616	10,417	10,621
SONADER	1,580	1,925	1,438	1,884	1,119	2,179	2,276
Domestic resources	140	147	333	307	188	431	...
Grants	398	671	624	391	204	17	291
Loans	1,043	1,107	481	1,186	726	1,731	1,985
Parastatals	3,817	3,622	6,455	5,386	4,844	2,987	2,332
Domestic resources	2,122	1,338	2,958	945	1,398	2,227	...
Grants	788	771	1,121	1,469	1,302	79	763
Loans	907	1,512	2,377	2,971	2,144	681	1,569
SNIM	1,356	2,434	500	26	457	529	162
Savings	…	…	…	…	...	...	...
Grants	…	2,335	450	26	456	529	162
Loans	1,356	99	50	0	1	0	0
Memorandum items:							
External financing	10,289	13,537	12,938	14,651	17,349	16,987	17,965
Grants	2,889	5,707	4,660	4,304	4,862	4,158	3,790
Loans	7,400	7,830	8,278	10,346	12,487	12,829	14,175

Source: Ministry of Economic Affairs and Development.

1/ Included in the consolidated investment budget (BCI) since 1999.

Table 18. Mauritania: Consolidated Government Operations, 1998–2004 1/

	1998	1999	2000	2001	2002	2003	2004
	(In billions of ouguiyas)						
Revenue and grants	53.8	61.2	60.7	59.9	112.0	98.9	113.7
Tax revenue	29.5	31.6	33.3	36.4	38.7	43.5	57.6
Nontax revenue	21.6	24.4	22.5	10.9	57.4	41.5	45.6
Grants 1/	2.7	5.2	4.9	12.6	15.9	13.8	10.5
Of which: multilateral HIPC assistance	...	...	...	8.5	11.6	8.7	7.7
Expenditures and net lending 2/	47.1	51.7	67.8	65.6	84.5	213.5	196.7
Current expenditures	33.1	36.3	39.1	42.6	52.6	127.3	122.4
Wages and salaries	9.1	9.6	11.0	12.2	13.0	14.0	15.2
Goods and services	10.7	12.4	13.0	14.7	22.0	37.6	44.4
Transfers and subsidies	2.7	3.0	3.6	4.0	4.4	24.8	15.2
Military expenditures	3.9	4.1	4.2	4.4	4.9	42.8	36.7
Interest on public debt	6.6	7.2	7.4	7.2	8.3	8.1	10.9
Capital expenditures and net lending	13.8	15.1	28.7	23.1	32.0	56.1	67.3
Fixed capital formation	10.8	11.6	16.9	20.5	29.0	50.3	66.4
Domestically-financed	4.6	4.4	8.8	11.8	16.5	36.3	53.4
Foreign-financed	6.2	7.2	8.1	8.6	12.5	14.0	13.0
Restructuring and net lending	3.0	3.5	11.8	2.6	2.9	5.9	1.0
Unidentified	...	...	...	...	...	30.0	7.0
Overall balance excluding grants	4.0	4.3	-12.0	-18.3	11.6	-128.4	-93.5
Overall balance including grants	6.7	9.5	-7.2	-5.7	27.4	-114.6	-83.0
Financing	-6.7	-9.5	7.2	5.7	-27.4	114.6	83.0
Foreign (net)	-6.0	-5.3	-0.2	-3.1	-1.1	-2.5	-3.9
Drawings	5.6	7.6	13.3	10.8	14.2	12.4	10.5
Budgetary support	1.5	2.4	7.9	4.6	4.6	1.9	0.0
Projects	4.1	5.2	5.4	6.2	9.6	10.5	10.5
Amortization due	-11.6	-12.9	-13.5	-13.9	-15.3	-14.9	-14.4
Domestic (net)	-8.1	-13.5	-19.4	-3.4	-37.0	103.3	68.5
Banking system	-11.2	-11.0	-18.2	-2.9	-36.9	103.2	68.3
Other	3.0	-2.5	-1.2	-0.5	-0.1	0.1	0.2
Exceptional financing	7.4	9.3	10.8	8.5	10.7	13.8	14.1
Change in domestic arrears 3/	...	...	...	...	...	...	7.0
Mauritel op. and other privatization revenue	...	...	16.0	3.7	...	...	...
Other (incl. float and errors and omissions)	...	...	...	...	...	...	-2.7
Memorandum items:							
Extrabudgetary expenditure	...	...	...	...	...	115.6	90.6
HIPC assistance (including all exceptional financing)	...	...	11.9	17.0	22.3	22.4	20.9
Social expenditure (current and capital)	12.7	14.0	16.7	20.2	28.5	56.7	47.6
Of which: health and education	12.7	14.0	13.7	16.1	22.6	32.6	35.7

Sources: Mauritanian authorities; and Fund staff estimates.
1/ Including multilateral HIPC grants starting in 2001.
2/ Reportedly on a commitment basis—subject to qualifications mentioned in Box 2 of the Staff Report.
3/ Staff estimate; includes the extra budgetary expenditure (in 2004), for which the spending
authorization was issued ex post.

Table 19. Mauritania: Consolidated Government Operations, 1998–2004 1/

	1998	1999	2000	2001	2002	2003	2004
	(In percent of GDP)						
Revenue and grants	25.2	25.9	23.5	21.3	36.9	28.0	28.0
Tax revenue	13.8	13.4	12.9	13.0	12.7	12.3	14.2
Nontax revenue	10.1	10.3	8.7	3.9	18.9	11.8	11.2
Grants 1/	1.3	2.2	1.9	4.5	5.2	3.9	2.6
Of which: multilateral HIPC assistance	...	...	...	3.0	3.8	2.5	1.9
Expenditures and net lending 2/	22.1	21.9	26.3	23.4	27.9	60.6	48.4
Current expenditures	15.5	15.4	15.2	15.2	17.3	36.1	30.1
Wages and salaries	4.3	4.1	4.2	4.4	4.3	4.0	3.7
Goods and services	5.0	5.3	5.0	5.2	7.2	10.7	10.9
Transfers and subsidies	1.3	1.3	1.4	1.4	1.5	7.0	3.7
Military expenditures	1.8	1.7	1.6	1.6	1.6	12.1	9.0
Interest on public debt	3.1	3.0	2.9	2.6	2.7	2.3	2.7
Capital expenditures and net lending	6.4	6.4	11.1	8.2	10.5	15.9	16.6
Fixed capital formation	5.0	4.9	6.5	7.3	9.6	14.3	16.3
Domestically-financed	2.2	1.8	3.4	4.2	5.4	10.3	13.1
Foreign-financed	2.9	3.1	3.1	3.1	4.1	4.0	3.2
Restructuring and net lending	1.4	1.5	4.6	0.9	1.0	1.7	0.2
Unidentified	...	...	...	...	...	8.5	1.7
Overall balance excluding grants	1.9	1.8	-4.7	-6.5	3.8	-36.4	-23.0
Overall balance including grants	3.2	4.0	-2.8	-2.0	9.0	-32.5	-20.4
Financing	-3.2	-4.0	2.8	2.0	-9.0	32.5	20.4
Foreign (net)	-2.8	-2.2	-0.1	-1.1	-0.4	-0.7	-1.0
Drawings	2.6	3.2	5.1	3.8	4.7	3.5	2.6
Budgetary support	0.7	1.0	3.0	1.6	1.5	0.5	0.0
Projects	1.9	2.2	2.1	2.2	3.2	3.0	2.6
Amortization due	-5.4	-5.5	-5.2	-4.9	-5.0	-4.2	-3.5
Domestic (net)	-3.8	-5.7	-7.5	-1.2	-12.2	29.3	16.8
Banking system	-5.2	-4.7	-7.1	-1.0	-12.2	29.3	16.8
Other	1.4	-1.1	-0.5	-0.2	0.0	0.0	0.0
Exceptional financing	3.5	3.9	4.2	3.0	3.5	3.9	3.5
Change in domestic arrears 3/	…	…	…	…	...	...	1.7
Mauritel op. and other privatization revenue	…	…	6.2	1.3	...	...	...
Other (incl. float and errors and omissions)	…	…	…	…	...	...	-0.7
Memorandum items:							
Extrabudgetary expenditure	...	...	...	...	...	32.8	22.3
HIPC assistance (including all exceptional financing)	...	...	4.6	6.1	7.4	6.4	5.1
Social expenditure (current and capital)	5.9	5.9	6.5	7.2	9.4	16.1	11.7
Of which : health and education	5.9	5.9	5.3	5.7	7.4	9.3	8.8

Sources: Mauritanian authorities; and Fund staff estimates.
1/ Including multilateral HIPC grants starting in 2001.
2/ Reportedly on a commitment basis—subject to qualifications mentioned in Box 2 of the Staff Report.
3/ Staff estimate; includes the extra budgetary expenditure (in 2004), for which the spending authorization
was issued ex post.

Table 20. Mauritania: Consolidated Government Revenue, 1998–2004

(In billions of ouguiyas)

	1998	1999	2000	2001	2002	2003	2004
Total revenue	51.1	56.0	55.8	47.3	96.1	85.0	103.2
Tax revenue	29.5	31.6	33.3	36.4	38.7	43.5	57.6
Tax on income and profits	9.1	9.9	10.6	11.3	12.1	11.7	15.7
Tax on business profits	4.1	4.5	4.8	5.0	5.4	6.3	8.7
Tax on wages and salaries	4.6	4.9	5.3	5.9	6.2	5.0	6.3
General income tax	0.2	0.3	0.3	0.3	0.4	0.3	0.3
Other	0.2	0.2	0.2	0.1	0.2	0.2	0.3
Employers' payroll tax	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Taxes on property	0.3	0.4	0.5	0.5	0.5	0.4	0.7
Taxes on goods and services	14.3	15.8	16.5	18.2	19.5	24.2	30.1
VAT	6.1	6.9	7.8	9.3	10.4	16.0	20.7
Turnover taxes	4.2	4.3	4.8	4.3	4.3	3.3	2.9
Tax on petroleum products	2.2	2.6	2.1	2.6	2.6	2.6	2.8
Other excises	1.5	1.6	1.4	1.5	1.7	1.6	2.8
Other	0.3	0.3	0.4	0.5	0.5	0.7	0.9
Taxes on international trade	5.6	5.4	5.5	6.1	6.3	6.8	10.6
Import taxes	5.6	5.4	5.5	6.1	6.3	6.8	10.6
Other taxes and duties	0.2	0.2	0.3	0.2	0.2	0.3	0.4
Nontax revenue	21.6	24.4	22.5	10.9	57.4	41.5	45.6
Fishing royalties and penalties	17.4	16.1	16.4	5.3	51.8	32.9	38.2
Revenue from public enterprises	0.3	5.0	4.1	1.6	2.2	2.1	0.8
Revenue from capital	1.1	0.5	1.6	2.4	2.3	1.6	5.4
Other 1/	2.8	2.7	0.4	1.6	1.2	5.0	1.2

Sources: Mauritanian authorities; and Fund staff estimates.

1/ Including special accounts

Table 21. Mauritania: Consolidated Government Revenue, 1998–2004

	1998	1999	2000	2001	2002	2003	2004
(In percent of GDP)							
Total revenue	23.9	23.7	21.6	16.9	31.7	24.1	25.4
Tax revenue	13.8	13.4	12.9	13.0	12.7	12.3	14.2
Tax on income and profits	4.3	4.2	4.1	4.0	4.0	3.3	3.9
Other direct taxes	0.2	0.2	0.2	0.2	0.2	0.1	0.2
Taxes on goods and services	6.7	6.7	6.4	6.5	6.4	6.9	7.4
Taxes on international trade	2.6	2.3	2.1	2.2	2.1	1.9	2.6
Other tax revenue	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Nontax revenue	10.1	10.3	8.7	3.9	18.9	11.8	11.2
Fishing licenses and royalties	8.1	6.8	6.4	1.9	17.1	9.3	9.4
Other nontax revenue	2.0	3.5	2.3	2.0	1.9	2.4	1.8
(In percent of total revenue)							
Tax revenue	57.8	56.5	59.7	76.9	40.2	51.2	55.8
Tax on income and profits	17.8	17.6	19.1	23.8	12.6	13.8	15.2
Other direct taxes	0.8	0.7	0.9	1.2	0.6	0.6	0.8
Taxes on goods and services	28.0	28.2	29.5	38.5	20.3	28.5	29.1
Taxes on international trade	10.9	9.7	9.8	12.9	6.5	8.0	10.3
Other tax revenue	0.3	0.3	0.5	0.5	0.2	0.3	0.3
Nontax revenue	42.2	43.5	40.3	23.1	59.8	48.8	44.2
Fishing royalties and penalties	34.0	28.8	29.4	11.1	53.9	38.7	37.1
Other nontax revenue	8.2	14.8	10.9	12.0	5.9	10.1	7.1
(In percent of tax revenue)							
Tax on income and profits	30.8	31.2	31.9	31.0	31.3	27.0	27.3
Other direct taxes	1.3	1.3	1.5	1.6	1.4	1.2	1.4
Taxes on goods and services	48.5	49.9	49.4	50.0	50.5	55.6	52.2
Taxes on international trade	18.8	17.2	16.4	16.8	16.2	15.6	18.4
Other tax revenue	0.6	0.5	0.8	0.6	0.6	0.7	0.6

Sources: Mauritanian authorities; and Fund staff estimates.

Table 22. Mauritania: Commercial Banks

(As of end-December 2004)

Name of Bank	Year Established	Shareholders		Subscribed Capital (UM millions)	Number of Branches
Banque Al Wava Mauritanienne Islamique (BAMIS)	1985	Group El Baraka Private Mauritanians	15% 85%	2,000	2
Banque de l'Habitat de Mauritanie (BADH)	1997	Private Mauritanians Government agencies (SNIM) Other banks	50% 27% 23%	1,500	6
Banque Mauritanienne pour le Commerce International (BMCI)	1974	Private Mauritanians	100%	3,000	21
Banque Nationale de Mauritanie (BNM)	1989	Private Mauritanians	100%	2,500	13
Chinguetti Bank	1972	Mauritanian Government Foreign Bank of Libya	49% 51%	3,500	2
Générale de Banque de Mauritanie (GBM)	1995	Private Mauritanians Belgolaise SFI	65% 30% 5%	7,000	2
Banque du Commerce et de l'Industrie (BCI)	1999	Private Mauritanians Private Foreigners	73% 27%	2,040	6
BACIM	2002	Private Mauritanians	100%	1,000	5

Source: Central Bank of Mauritania.

Table 23. Mauritania: Monetary Survey, 1998–2004

(In millions of ouguiyas; end of period)

	1998	1999	2000	2001	2002	2003	2004
Net foreign assets	411	-479	10,151	17,303	48,480	-16,559	-68,258
Central Bank	-1,473	-2,329	7,865	15,475	46,511	-6,527	-47,048
Commercial banks	1,884	1,850	2,286	1,828	1,969	-10,032	-21,210
Net domestic assets	27,611	29,701	22,800	21,347	-6,378	102,202	194,596
Domestic credit	16,932	6,778	-809	4,281	-18,885	107,781	205,140
Claims on the government (net)	-24,015	-42,341	-60,589	-65,636	-102,428	765	81,240
Claims	27,040	21,163	19,008	16,907	17,587	73,750	94,340
Deposits	-51,055	-63,504	-79,597	-82,543	-120,015	-72,985	-13,100
Claims on the economy	40,947	49,119	59,780	69,917	83,543	107,016	123,900
Other items (net)	10,679	22,923	23,609	17,066	12,507	-5,579	-10,544
Valuation change	26,212	25,548	25,344	25,696	41,334	31,306	49,127
Other	-15,533	-2,625	-1,735	-8,630	-28,827	-36,885	-59,671
Money and quasi-money	28,022	29,222	32,951	38,650	42,102	85,643	126,338
Money	18,740	20,300	24,151	27,721	28,910	67,345	104,132
Currency outside banks and treasury	5,801	5,513	6,402	6,688	6,282	15,634	36,171
Demand deposits	12,939	14,787	17,749	21,033	22,628	51,711	67,961
Quasi-money	9,282	8,922	8,800	10,929	13,192	18,298	22,206

Source: Data provided by the Mauritanian authorities.

Table 24. Mauritania: Assets and Liabilities of the Central Bank, 1998–2004

(In millions of ouguiyas; end of period)

	1998	1999	2000	2001	2002	2003	2004
Assets	87,376	95,048	114,098	117,980	149,407	175,858	125,558
Foreign assets	41,753	43,747	57,507	67,253	99,511	50,811	9,952
Gold	671	744	781	820	837	1,064	1,285
Foreign exchange	41,618	43,619	57,379	67,125	99,370	50,677	9,923
SDRs	30	23	23	23	36	29	29
Other	105	105	105	105	105	105	0
Claims on the government	22,302	22,130	22,130	19,990	19,990	66,450	83,260
Claims on commercial banks	...	...	...	...	...	18,400	700
Other assets	23,321	29,171	34,461	30,737	29,906	40,197	31,646
Liabilities	87,376	95,048	114,098	117,980	149,407	175,858	125,558
Reserve money	8,406	8,788	9,222	9,723	10,038	30,872	69,769
Currency outside banks and treasury	5,801	5,513	6,402	6,688	6,282	15,634	36,171
(Memo: total currency in circulation)	7,054	7,118	8,097	8,433	7,871	19,809	54,769
Bankers' deposits	2,605	3,275	2,820	3,035	3,756	15,238	33,598
Foreign liabilities	44,019	46,076	49,642	51,778	52,985	57,341	57,002
Short term	23,096	23,968	24,848	27,905	30,301	27,987	23,597
of which: Use of Fund credit	22,695	23,749	24,711	27,771	30,197	27,699	23,162
Long term	20,923	22,108	24,794	23,873	22,684	29,354	33,405
Government deposits	51,300	55,512	68,516	68,413	96,974	72,985	13,127
of which: Counterpart funds	12,151	13,819	20,138	22,435	22,161	18,459	10,755
Capital account	5,161	5,594	6,339	6,912	7,181	9,026	9,102
Other liabilities	-21,510	-20,922	-19,621	-18,846	-17,771	5,634	-23,442
of which: valuation change 1/	-24,745	-24,295	-23,860	-24,263	-24,431	-30,994	-48,872
Memorandum items:							
Net foreign assets	-2,266	-2,329	7,865	15,475	46,526	-6,530	-47,050
Net credit to the government	-28,998	-33,382	-46,386	-48,423	-76,984	-6,535	70,133

Source: Central Bank of Mauritania.

1/ Assumed by the Government as of end-December 2004 but not yet reclassified.

Table 25. Mauritania: Assets and Liabilities of Commercial Banks, 1998–2004

(In millions of ouguiyas; end of period)

	1998	1999	2000	2001	2002	2003	2004
Assets	54,354	61,671	72,557	82,318	98,753	157,705	195,338
Reserves 1/	2,390	2,984	2,887	3,105	3,884	15,247	27,198
Of which: with the central bank	1,331	2,124	1,487	1,638	2,590	11,569	12,032
Foreign assets	4,962	4,964	5,450	5,022	5,224	7,574	8,326
Of which: with banks	4,813	4,799	5,194	4,759	4,940	7,226	7,864
Claims on the government	-593	-967	-3,122	-3,083	-2,403	7,288	11,035
Claims on the economy	39,835	46,942	58,486	68,939	82,634	104,471	120,605
Of which: short-term credit	32,091	36,705	45,614	51,952	63,153	91,570	100,741
Other assets	7,760	7,748	8,856	8,335	9,414	23,125	28,174
Liabilities	54,354	61,671	72,557	82,318	98,653	157,705	195,338
Demand deposits	12,467	14,787	17,749	21,033	22,628	51,556	67,961
Time deposits	9,282	8,922	8,800	10,929	13,192	18,298	22,206
Foreign liabilities	3,078	3,163	3,164	3,194	3,255	17,606	29,488
Of which: to banks	2,746	2,685	2,944	2,353	2,357	10,878	18,747
Government deposits	1,692	7,992	11,081	14,130	23,145	0	0
Capital accounts	24,203	25,169	28,636	29,923	32,358	43,191	60,857
Other liabilities	3,632	1,638	3,127	3,109	4,075	27,054	14,826
Of which: valuation change	-1,467	-1,253	-1,484	-1,433	-1,706	-1,098	-832
Memorandum items:							
Net foreign assets	1,884	1,801	2,286	1,828	1,969	-10,032	-21,162
Net credit to the government	-2,285	-8,959	-14,203	-17,213	-25,548	7,288	11,035

Source: Central Bank of Mauritania:
1/ Including cash held by the commercial banks.

Table 26. Mauritania: Foreign Assets and Liabilities of the Banking System, 1998–2004

(In millions of U.S. dollars; end of period)

	1998	1999	2000	2001	2002	2003	2004
	(In millions of U.S. dollars; end of period)						
Banking system (net)	2	-2	44	69	180	-62	-268
Assets	231	216	274	274	390	220	70
Liabilities	-229	-218	-230	-205	-209	-282	-338
Central Bank (net)	-7	-10	34	62	173	-25	-184
Assets 1/	207	194	250	255	370	191	39
Gold	3	3	3	3	3	4	5
Foreign exchange 1/	203	191	246	251	367	187	34
SDRs	0	0	0	0	0	0	0
Other	1	0	0	0	0	0	0
Liabilities	-214	-205	-216	-193	-197	-216	-223
IMF credit	-110	-106	-98	-105	-112	-104	-90
Arab Monetary Fund	-24	-22	-26	-20	-18	-13	-9
Other	-79	-77	-92	-67	-67	-99	-124
Commercial banks (net)	9	8	10	7	7	-37	-84
Assets	24	22	24	19	19	29	31
Liabilities	-15	-14	-14	-12	-12	-66	-115
Memorandum item:							
Ouguiyas/U.S. dollar (end-period)	206	225	230	264	269	266	255
	(In millions of ouguiyas; end of period)						
Banking system (net)	411	-430	10,143	18,177	48,484	-16,381	-68,498
Assets	47,508	48,704	62,951	72,267	104,724	58,490	17,878
Liabilities	-47,097	-49,134	-52,808	-54,090	-56,240	-74,871	-86,376
Central Bank (net)	-1,473	-2,336	7,866	16,349	46,515	-6,558	-47,045
Assets 1/	42,546	43,740	57,500	67,245	99,500	50,790	9,961
Gold	671	744	712	820	837	1,062	1,277
Foreign exchange 1/	41,740	42,868	56,671	66,297	98,522	49,728	8,684
SDRs	30	23	21	23	36	0	0
Other	105	105	96	105	105	0	0
Liabilities	-44,019	-46,076	-49,634	-50,896	-52,985	-57,348	-57,005
IMF credit	-22,695	-23,749	-22,527	-27,771	-30,197	-27,612	-22,986
Arab Monetary Fund	-4,989	-5,041	-5,871	-5,405	-4,747	-3,452	-2,299
Other	-16,335	-17,286	-21,236	-17,720	-18,041	-26,285	-31,721
Commercial banks (net)	1,884	1,906	2,277	1,828	1,969	-9,824	-21,454
Assets	4,962	4,964	5,451	5,022	5,224	7,700	7,917
Liabilities	-3,078	-3,058	-3,174	-3,194	-3,255	-17,523	-29,371

Source: Central Bank of Mauritania.

1/ Excludes the encumbered foreign reserves of UM 7.9 billions identified by the external audit of the 2002 balance sheet of the BCM.

Table 27. Mauritania: Selected Lending and Deposit Interest Rates, 1998–2004

(In percent per year)

	1998	1999	2000	2001	2002	2003	2004
Discount rate of the Central Bank	18	18	13	11	11	11	11
Maximum rate charged by commercial banks on credits extended to customers	28	28	23	21	21	21	21
Rate applied to demand deposits of Mauritanians residing overseas 1/	8	8	8	8	8	8	8
Minimum rate on savings	10	10	8	8	8	8	8
Treasury bill rate 2/	...	...	6.0	6.3	5.9	7.2	7.2

Source: Central Bank of Mauritania.
1/ Demand deposits of residents are not remunerated.
2/ Overall average for all maturities.

Table 28. Mauritania: Distribution of Bank Credit by Maturity and Sectors, 1998–2004

	1998	1999	2000	2001	2002	2003	2004
	(In millions of ouguiyas; end of period)						
Total	33,802	40,015	56,571	66,552	80,014	102,023	107,300
Short term	32,052	36,635	52,576	61,181	74,166	91,570	89,140
Agriculture and livestock	341	153	336	620	1,320	1,137	1,318
Fishing	8,533	9,677	12,259	13,228	14,788	14,310	13,573
Mining	9	4	0	0	9	259	1
Manufacturing	1,284	1,603	2,078	1,730	1,566	2,254	2,932
Construction	676	1,341	2,779	3,841	5,515	10,897	13,490
Transport	257	421	345	1,396	745	1,528	1,331
Services	1,695	1,434	4,570	6,612	8,888	16,455	18,181
Trade	12,750	14,854	21,548	26,810	33,373	24,176	25,875
Other	6,507	7,148	8,661	6,944	7,962	20,554	12,439
Medium term	1,750	3,380	3,995	5,371	5,848	10,453	18,160
Agriculture and livestock	0	0	197	181	71	33	69
Fishing	627	1,163	2,392	2,526	2,882	2507	2,859
Mining	0	8	2	0	1	246	317
Manufacturing	745	1,014	330	785	923	1347	1,456
Construction	0	0	65	492	272	603	553
Transport	0	74	12	47	110	259	367
Services	10	481	295	383	685	2694	7,792
Trade	94	123	206	844	800	1540	3,883
Other	274	517	496	113	104	1224	864
	(In percent of total bank credit)						
Agriculture and livestock	1.0	0.4	0.9	1.2	1.7	1.1	1.3
Fishing	27.1	27.1	25.9	23.7	22.1	16.5	15.3
Manufacturing	6.0	6.5	4.3	3.8	3.1	3.5	4.1
Construction	2.0	3.4	5.0	6.5	7.2	11.3	13.1
Transport	0.8	1.2	0.6	2.2	1.1	1.8	1.6
Services	5.0	4.8	8.6	10.5	12.0	18.8	24.2
Trade	38.0	37.4	38.5	41.6	42.7	25.2	27.7
Other	20.1	19.2	16.2	10.6	10.1	21.3	12.4
Total	100	100	100	100	100	100	100
Short term	95	92	93	92	93	90	83
Medium term	5	8	7	8	7	10	17

Source: Central Bank of Mauritania.

Table 29. Mauritania: Balance of Payments, 1998–2004
(In millions of U.S. dollars, unless otherwise indicated)

	1998	1999	2000	2001	2002	2003	2004 Est.
Trade balance	1.9	28.4	8.5	-33.7	-78.9	-349.1	-377.8
Exports	359.7	333.1	344.7	338.6	330.3	303.1	408.2
Of which : iron ore	217.0	177.1	194.1	178.5	183.8	175.3	244.2
fish	140.6	154.8	149.1	156.9	143.5	125.8	162.7
Imports, fob	-357.9	-304.7	-336.2	-372.3	-409.1	-652.2	-786.0
Of which : petroleum products	-49.5	-61.0	-99.4	-94.5	-107.6	-118.0	-145.0
oil exploration/production related imports	0.0	4.2	-9.0	-14.4	-14.3	-84.7	-109.2
Government	…	…	…	…	…	-101.4	-81.0
SNIM (petroleum products excl.)	…	…	-86.6	-77.0	-77.2	-109.1	-121.8
other	…	…	-227.7	-186.3	-210.0	-239.0	-329.0
Of which : primary food products	…	…	...	...	38.4	51.9	35.3
Services and Income (net)	-118.3	-122.5	-133.3	-164.4	-6.5	-80.3	-153.5
Services (net)	-138.7	-148.3	-152.2	-141.5	-140.9	-144.9	-238.3
Credit	36.0	30.1	34.3	40.8	51.3	52.8	42.0
Debit	-174.6	-178.4	-186.5	-182.3	-192.3	-197.7	-280.3
Of which : Oil exploration/production related payments	0.0	0.0	0.0	-31.5	-31.5	0.0	-78.0
Income (net) 1/	20.4	25.8	19.0	-22.8	134.5	64.6	84.9
Of which : Fish license payment 1/	58.9	57.2	47.5	0.0	161.6	95.6	106.8
Interest due on public debt	-40.8	-36.6	-38.3	-33.2	-36.6	-36.9	-38.9
Transfers	…	…	71.2	126.5	97.3	132.9	103.3
Private unrequited transfers (net)	55.9	42.4	35.4	47.9	30.4	45.0	47.7
Official transfers	30.3	49.3	35.8	78.6	66.9	88.0	55.6
Of which: multilateral HIPC assistance	0.0	0.0	0.0	33.4	42.2	39.9	31.1
Current account balance	-30.3	-2.3	-53.5	-71.6	12.0	-296.4	-428.0
Capital account	-47.9	-23.1	12.1	48.1	49.4	88.4	206.8
Direct investment	-0.3	15.1	40.1	64.4	57.7	101.9	201.5
Of which: related to oil exploration	0.0	5.8	11.2	50.0	50.0	95.3	187.4
Official medium- and long-term loans	-47.6	-38.2	-28.0	-16.3	-8.3	-13.4	5.3
Disbursements	42.2	48.0	75.7	58.7	69.7	71.8	80.7
Amortization	-89.8	-86.3	-83.7	-75.0	-78.1	-85.2	-75.3
Errors and omissions	52.5	6.6	19.7	-11.5	-8.5	-96.0	-43.1
Overall balance	-25.7	-18.9	-21.7	-34.9	52.8	-303.9	-264.2
Financing	25.7	18.9	21.7	34.9	-52.8	303.9	264.2
Net foreign assets	-18.8	-23.4	-46.1	-24.6	-114.9	242.7	206.1
Central bank (net)	-7.9	-24.1	-44.4	-27.6	-114.5	197.6	159.6
Assets	-2.7	-21.0	-55.4	-4.6	-115.7	179.0	152.3
Liabilities	-5.2	-3.1	11.0	-23.0	1.2	18.6	7.3
Commercial banks (net)	-10.9	0.7	-1.7	3.0	-0.4	45.1	46.5
Exceptional financing	44.5	42.2	67.9	59.5	62.1	61.2	58.1
Memorandum items:							
Current account balance (percent of GDP)							
Incl. imports related to oil and other mining exploration	-2.7	-0.2	-5.0	-6.5	1.1	-22.3	-27.9
Excl. imports related to oil and other mining exploration	-2.7	-0.6	-4.1	-2.3	5.2	-15.9	-15.7
Gross official reserves (end of period) 2/							
In millions of U.S. dollars	182.6	203.6	250.0	254.6	370.3	191.3	39.0
In months of imports 3/	4.1	5.0	5.9	5.5	5.8	2.6	0.6
Debt service-to-exports ratio (after debt relief)	23.5	21.8	23.0	12.3	11.5	10.1	9.2

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

1/ The relatively high fish license payment in 2002 reflects the late arrival of the EU fishing royalties that were expected in 2001.
2/ Including gold.
3/ Imports of goods and services for the 12 months ahead, excluding oil exploration and other mining FDI-related imports.

Table 30. Mauritania: Exports and Imports, 1998–2004

(In millions of U.S. dollars; unless otherwise specified)

	1998	1999	2000	2001	2002	2003	2004
Total exports, f.o.b.	359.7	333.1	344.7	338.6	330.3	303.1	408.2
Iron ore							
Value	217.0	177.1	194.1	178.5	183.8	175.3	244.2
Volume (millions of metric tons)	11.4	11.0	11.1	10.1	10.5	9.6	11.3
Change in percent	-2.6	-3.5	0.9	-9.0	4.0	-8.0	17.4
Unit value ($US/metric ton)	19.0	16.1	17.5	17.7	17.6	18.2	22.1
Change in percent	5.3	-15.5	9.0	0.8	-0.6	3.6	21.4
Fish							
Value	140.6	154.8	149.1	156.9	143.5	125.8	162.7
Pelagic 1/	52.0	57.1	56.4	37.3	24.2	17.9	11.0
Demersal fish	8.9	8.0	13.1	15.7	14.3	8.2	7.8
Cephalopod	72.4	78.1	70.8	92.2	95.9	92.1	138.1
Other	7.3	11.6	8.8	11.8	9.1	7.5	5.8
Volume (thousands of metric tons)	183.3	208.2	197.5	153.8	102.1	80.1	86.8
Pelagic 1/	151.8	170.5	156.8	105.4	62.6	49.0	48.8
Demersal fish	7.2	5.9	8.3	10.7	11.0	7.5	8.2
Cephalopod	19.3	26.2	27.1	32.6	24.2	19.7	26.5
Other	4.9	5.6	5.3	5.1	4.4	3.9	3.3
Unit value ($US/metric ton)							
Pelagic 1/	342	335	360	354	387	365	226
Demersal fish	1,239	1,361	1,567	1,463	1,304	1,095	950
Cephalopod	3,753	2,981	2,613	2,827	3,967	4,675	5,212
Other	1,495	2,075	1,667	2,316	2,078	1,952	1,758
Other exports	2.2	1.2	1.5	3.2	2.9	2.0	1.3
Total imports f.o.b. (customs data)	357.9	304.7	336.2	372.3	409.1	652.2	786.0
Total, excluding SNIM	257.3	210.8	249.6	295.3	331.9	543.1	664.2
Public investment program and aid 2/	42.6	20.7	33.6	25.0	21.9	18.5	20.4
Private sector	214.6	185.9	209.3	255.9	295.7	338.5	412.8
Oil exploration-related machinery and equipment	0.0	4.2	6.7	14.4	14.3	84.7	109.2
Government	...	...	...	...	...	101.4	81
SNIM (petroleum products excl.)	100.6	93.9	86.6	77.0	77.2	109.1	121.8
Memorandum items (customs data)							
Petroleum products	49.5	61.0	99.4	94.5	107.6	118	145

Sources: Mauritanian authorities.

1/ Including fish meal.

2/ Including cereals and other food aid.

Table 31. Mauritania: Foreign Trade Indices, 1998–2004

(Annual percentage changes)

	1998	1999	2000	2001	2002	2003	2004
Export value ($US)	-11.8	-7.4	3.5	-2.7	-1.5	-8.2	34.7
Export volume	...	6.8	0.9	-3.4	-9.3	-13.0	19.2
Export price ($US)	...	-13.3	2.9	0.8	9.0	5.4	13.1
Import value ($US)	0.7	-14.9	10.3	10.7	9.9	59.4	20.5
Import volume	...	-13.6	21.4	12.4	3.0	33.6	8.2
Import price ($US)	...	-1.4	-9.1	-1.5	6.7	19.3	11.4
Terms of trade	...	-12.0	13.2	2.4	2.1	-11.7	1.5

Sources: Mauritanian authorities; and Fund staff estimates.

Table 32. Mauritania: Services and Transfers, 1999–2004

(In millions of U. S. dollars)

	1999	2000	2001	2002	2003	2004
Total services (net)	-122.5	-133.3	-164.4	-6.4	-80.3	-153.5
Nonfactor services (net)	-148.3	-152.2	-141.5	-140.9	-144.9	-238.3
Receipts	30.1	34.3	40.8	51.3	52.8	42.0
Transport	1.0	0.2	0.1	0.0	2.2	0.4
Travel	5.8	6.0	6.3	3.8	6.0	5.7
Fishing royalties	12.2	14.6	20.0	30.0	27.5	25.0
Government	4.8	4.4	4.8	5.5	5.2	4.9
Other services	6.3	9.1	9.6	11.9	11.9	5.9
Payments	-178.4	-186.5	-182.3	-192.3	-197.7	-280.3
Freight and insurance	-26.5	-28.8	-29.0	-37.9	-51.7	-67.7
Travel	-15.6	-12.2	-9.7	-8.1	-10.0	-10.6
Transport	-52.5	-52.8	-34.2	-28.1	-22.1	-21.8
Fishing vessel leasing	-46.7	-48.0	-28.5	-19.2	-12.4	-11.2
Other	-5.9	-4.8	-5.7	-8.9	-9.7	-10.6
Government	-26.2	-18.1	-18.3	-25.3	0.0	0.0
Other payments	-57.6	-74.6	-91.0	-92.9	-113.9	-180.2
Related to the fishing sector	-4.8	-1.7	-2.9	-1.1	-0.8	-1.0
Related to projects	-21.1	-24.1	-30.2	-34.3	-39.6	-45.0
Oil platform leasing	-11.7	-26.8	-32.2	-35.4	-32.5	-78.1
Other	-20.1	-22.0	-25.6	-22.0	-41.0	-56.1
Factor services (net)	25.8	18.9	-22.8	134.5	64.6	84.8
Receipts	62.4	57.2	10.4	171.1	101.5	123.7
Fish license payment	57.2	47.5	0.0	161.6	95.6	106.8
Interest on BCM reserves	5.2	9.7	10.4	9.5	5.9	1.4
Other	...	...	...	...	...	15.5
Payments						
Interest payments due	-36.6	-38.3	-33.2	-36.6	-36.9	-38.9
Total transfers (net)	91.8	71.2	126.5	97.3	132.9	103.3
Private transfers (net)	42.4	35.4	47.9	30.4	45.0	47.7
Receipts 1/	49.6	41.5	49.8	31.2	45.0	47.7
Payments	7.2	6.1	1.9	0.8	0.0	0.0
Public transfers (net)	49.3	35.8	78.6	66.9	88.0	55.6
Receipts	50.7	37.5	81.3	69.5	88.0	55.6
Program grants	11.4	0.0	32.7	4.9	6.4	0.0
Food aid	11.7	6.8	4.9	4.5	15.9	10.0
Technical assistance	5.1	5.1	0.0	0.0	0.0	0.0
Multilateral HIPC assistance	0.0	0.0	33.4	42.2	32.7	31.1
Other	22.5	25.7	10.3	17.9	33.0	14.5
Payments	1.4	1.8	2.7	2.6	0.0	0.0

Sources: Mauritanian authorities.

1/ Mostly transfers from Mauritanian workers abroad.

Table 33. Mauritania: External Debt Outstanding and Debt Service, 1998–2004

	1998	1999	2000	2001	2002	2003	2004
	(In millions of U.S. dollars)						
Total debt service due (including Fund)	137.1	131.0	134.0	125.5	131.0	137.1	130.5
Principal due (excluding Fund repurchases)	89.8	86.3	83.7	75.0	78.1	85.2	75.3
Interest due (excluding Fund)	39.9	34.7	38.3	32.5	36.1	36.3	38.5
Fund repurchases/loan repayments	6.9	9.3	10.9	16.5	16.2	15.1	16.3
Fund charges and interest	0.5	0.7	1.1	0.7	0.5	0.6	0.4
Disbursements of medium- and long-term loans	42.2	56.3	83.7	81.9	85.4	73.1	80.7
Project loans	35.0	36.9	43.2	41.7	52.7	64.8	80.7
Program loans	7.2	11.1	32.5	17.0	17.0	7.0	0.0
Fund purchases/loans	0.0	8.3	8.0	23.2	15.7	1.3	0.0
Debt outstanding at end of year	2,136.8	1,982.7	1,962.6	1,991.3	1,826.8	1,779.8	1,886.5
Medium- and long-term loans	2,026.6	1,884.4	1,862.1	1,884.6	1,714.1	1,683.7	1,801.6
Fund credit and loans outstanding	110.2	98.3	100.5	106.7	112.7	96.1	84.9
Memorandum Item							
Arrears on external debt at end of year	...	...	188.3	197.1	226.7	257.4	266.5
Of which: non-Paris Club creditors	...	...	188.3	197.1	226.7	257.4	266.5
Bilateral	...	...	188.3	197.1	226.7	257.4	266.5
State	...	...	70.4	79.8	96.3	114.2	118.2
Public enterprises	...	...	117.9	117.3	130.4	143.3	148.3
Multilateral	...	...	0.0	0.0	0.0	0.0	0.0
State	...	...	0.0	0.0	0.0	0.0	0.0
Public enterprises	...	...	0.0	0.0	0.0	0.0	0.0
	(In percent of exports of goods and services)						
Total debt service (after debt relief)	23.5	24.1	23.0	12.3	11.5	10.1	9.2

Sources: Mauritanian authorities; World Bank Debtor Reporting System.

Table 34. Mauritania: Medium- and Long-Term Debt, 1998–2004

(In millions of U.S. dollars; end of period)

	1998	1999	2000	2001	2002	2003	2004
Total external debt	2,136.8	1,982.7	1,962.6	1,991.3	1,826.8	1,779.8	1,886.5
Bilateral loans 2/	1,040.3	971.7	915.9	826.4	551.1	460.9	471.6
Algeria	75.6	70.3	72.2	71.0	72.0	66.4	68.3
Austria	94.8	86.5	68.1	58.6	0.0	0.0	0.0
China, P.R.	79.0	76.9	78.7	48.9	45.9	45.4	46.7
France	148.3	137.7	116.5	78.4	35.6	18.3	17.3
Germany	5.9	5.1	3.6	5.0	2.5	2.3	2.5
Japan	76.5	72.6	73.5	64.6	0.0	0.0	0.0
Netherlands	36.3	34.5	64.5	20.0	0.0	0.0	0.0
Saudi Arabia	143.8	130.7	143.2	141.5	141.7	130.9	134.7
Spain	42.2	39.1	41.3	44.0	32.9	18.5	18.8
United Arab Emirates	10.8	10.6	12.1	10.9	11.7	7.8	8.1
Others	327.1	307.8	242.2	283.5	208.7	171.3	175.2
Multilateral loans	1,096.6	1,010.9	1,046.6	1,164.9	1,275.7	1,318.9	1,414.9
African Development Bank	57.7	49.6	42.1	42.0	44.6	48.5	47.3
African Development Fund	167.3	159.8	192.8	186.1	196.9	206.6	237.9
AFESD 3/	140.9	122.6	138.1	157.2	187.5	205.5	222.2
Arab Monetary Fund	24.2	20.3	25.5	20.1	17.7	12.9	8.9
European Investment Bank	77.0	67.8	48.1	61.1	45.1	26.3	24.1
IBRD	3.9	1.9	0.0	0.0	0.0	0.0	0.0
IDA	408.5	395.0	405.2	463.0	545.0	587.2	646.6
IMF 4/	110.2	98.3	100.5	106.7	112.7	96.1	84.9
Islamic Development Bank	43.9	38.9	39.7	38.0	51.2	62.8	66.3
OPEC Special Fund	20.4	16.1	13.7	16.0	25.1	23.1	23.6
Others	42.4	40.8	40.9	66.0	49.9	50.0	53.1
			(In percent of total)				
IDA	19.1	19.9	20.6	23.3	29.8	33.0	34.3
African Development Fund and Ban	10.5	10.6	12.0	11.5	13.2	14.3	15.1
AFESD 3/	6.6	6.2	7.0	7.9	10.3	11.5	11.8
IMF 4/	5.2	5.0	5.1	5.4	6.2	5.4	4.5
Saudi Arabia	6.7	6.6	7.3	7.1	7.8	7.4	7.1
Others	51.9	51.8	47.9	44.9	32.8	28.4	27.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: World Bank Debtor Reporting System.
1/ Debt outstanding and disbursed only.
2/ Includes suppliers' credits, loans from financial institutions, export credits, and bilateral loans.
3/ Arab Fund for Economic and Social Development.
4/ Includes trust fund and use of Fund resources.

Table 35. Mauritania: Average Terms of Contracted Public External Debt, 1998–2004 1/

(In percent; unless otherwise specified)

	1998	1999	2000	2001	2002	2003	2004
Total loans							
Interest rate	0.5	1.4	1.6	1.3	1.6	0.8	2.5
Maturity (years)	39.6	32.1	28.8	31.8	20.1	24.5	25.5
Grace period (years)	10.1	8.4	8.1	7.8	7.1	12.2	6.8
Grant element	82.7	...	...	...	...	...	...
Multilateral loans							
Interest rate	0.5	1.3	1.6	1.2	1.6	0.6	2.6
Maturity (years)	39.6	32.5	28.8	34.6	20.1	26.6	26.9
Grace period (years)	10.1	8.4	8.1	8.2	7.1	9.0	7.5
Grant element	82.7	81.4	...	...	...	...	...
Bilateral loans							
Interest rate	2.3	2.2	2.0	1.5	1.5	0.8	2.1
Maturity (years)	23.5	23.5	25.0	27.0	27.0	23.5	21.7
Grace period (years)	7.6	7.6	7.4	7.3	7.3	15.0	5.0
Grant element	...	...	...	...	...	...	...
Memorandum item							
One-year U.S. dollars London interbank offered rate (LIBOR)	5.5	5.7	6.8	3.9	2.2	1.4	2.1

Sources: World Bank Debtor Reporting System; and IMF, International Financial Statistics.
1/ Based on new commitments.

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
Income Tax			
Impôts sur les Bénéfices Industriels et Commerciaux (BIC) [Tax on industrial and commercial profits]	Art. 2 (CGI): Profits earned by individuals or legal entities engaged in industrial and commercial activity on a regular basis, for their own account, and for profit.	25 percent (Budget Law 2005)	Art. 3: Cooperative companies and entities authorized under Law 67-171 of July 18, 1967 are exempt.
Impôt sur les Bénéfices Non Commerciaux (BNC) [Tax on noncommercial profits]	Art. 32: Profits derived from the practice of any noncommercial profession in Mauritania.	35 percent	None
Impôt Minimum Forfaitaire (IMF) [Minimum presumptive tax]	Art. 24 (CGI): Four percent of turnover.	100 percent deductible. (Budget Law 2002)	None
Impôt sur les Revenus Fonciers (IRF) [Tax on income from property]	Set every year on the basis of the rental income of the previous year.	Rate of 6 percent (Budget Law 2002)	Taxpayers whose annual rental income, exclusive of any other income, is UM 60,000 or less.
Impôts sur les Traitements et Salaires (ITS) [Tax on wages and salaries]	Art. 62: Income from wages, provided that the wage-earning activity is carried out in Mauritania, irrespective of whether the employers or employees are resident there. Art. 65—Overall compensation: includes benefits in kind assessed at their real value less mandatory	Progressive rates: Monthly wages (UM) — Tax rate (percent) General exemption: 10,000 Under 32,500: average rate 15 percent Over 32,500: marginal rate 40 percent	Budget Law 2005: civil service salary increases lower than UM 10,000 can be exempted from tax by a decree, which has to be ratified by Parliament at the next session.. Art. 63. The following are tax exempt: (a) Allowances for government charges;

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
	withholdings for retirement pensions and social security contributions (Art. 63).		(b) Up to a cumulative UM 10,000 per month, allowances other than housing, transportation, duty and post allowances. Allowances eligible for exemption are allowances for professional fees, which are not by way of being supplemental pay. Therefore, the following are tax exempt: (c) Disability pensions for veterans ; (d) Pensions for war victims and their successors; (e) Annuities for victims of occupational accidents; and (f) Veterans' retirement pensions. (g) Family allowances, family assistance allowance, increments on basic compensation, indemnities or pensions granted on account of certain circumstances or family expenses, are all tax exempt. (h) In-kind benefits assessed at their real value, which do not exceed 20 percent of the compensation earned, are tax exempt. When they exceed 20 percent, 40 percent of the total amount is included in the tax base.
Impôts sur les Revenus des	Taxable income includes:	10 percent	None

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
Capitaux Mobiliers (IRCM) [Tax on income from securities]	- proceeds from shares and equity interests; - advances, loans, or prepayments to shareholders; - reimbursement and amortization of shares, equity or partnership interests in preparation for dissolution or liquidation. Interest from Treasury securities	(Budget Law 2004)	
Impôt Général sur les Revenus (IGR) [General income tax]	Levied on the total income of individuals with habitual residence in Mauritania (Art. 84 of the CGI)	- Up to UM 180,000 UM: 0 percent; - From UM 180,001 to UM 380,000: 5 percent; - From UM 380,001 to UM 700,000: 10 percent; - From UM 700,001 to UM 1,350,000: 20 percent; - From UM 1,350,001 to UM 2,500,000: 30 percent; - Over UM 2,500,000: 40 percent	Salaries, wages, pensions, and annuities.
Miscellaneous Taxes			
Taxe sur les Véhicules à Moteur (T.V.) [Motor vehicle tax]	Motor vehicles registered in Mauritania (Art. 155 of the CGI)	Flat tax assessed on the basis of vehicle usage and horsepower as follows: = 4 cylinders: 10.8 5 = 7 cylinders: 15.0 8 = 11 cylinders: 19.8 12 = 16 cylinders: 27.0	Art. 156. Exempted from the tax are: - vehicles belonging to the government and local governments; - vehicles specially equipped for use by the disabled; - automobiles considered equipment for public works, except trucks; - new vehicles to be offered for sale,

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
		= 17 cylinders: 46.8	imported by licensed automobile dealers; - unusable vehicles; - vehicles whose owners are the beneficiaries of diplomatic privileges.
Taxe d'Apprentissage [Apprenticeship tax]	Art. 169 and 170 of the CGI: Compensation paid to employees of individuals or legal entities subject to the *BIC* tax.	0.60 percent	Granted upon request, to promote technical training and apprenticeship.
Indirect Taxes			
Taxe sur la Valeur Ajoutée (TVA) [Value Added Tax (VAT)]	Levied on imports, delivery of goods, and provision of services.	Rates of 0 percent and 14 percent	Exemptions: (Art. 177 Quinquiès of the CGI). - Establishment of a procedure for refunding VAT credits (Decree R-979 of 12/31/2001). Extension of refunds to capital goods imports.
Taxe sur le Chiffre d'Affaires (TCA) [Turnover tax]	Levied on operations that are not subject to the VAT.	Flat tax	None
TPS	(Art. 2002 of the CGI) - bank transactions; - financial transactions; - credit transactions; - service provision subject to the	16 percent	Premiums on funds captured by rediscounting or repurchase of public or private securities.

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
	presumptive BIC tax and not subject to VAT.		
Taxes de Consommation [Consumption taxes]	- petroleum products; - alcoholic beverages; - tobacco products; - various goods.	Various flat taxes	None
Registration and Stamps			
Droits d'Enregistrement [Registration taxes]	Applied to acts involving equity transfers or shares and to acts establishing or extending companies (Art. 296 of the CGI).	Fixed rate of 0.5 percent. Budget Law 2002. - Mergers: UM 200, 5 percent, 1 percent, 0.5 percent; - Property deeds: 9.2 percent, 6 percent, 15 percent, 5 percent - Miscellaneous acts: 12 percent, 1 percent, 8 percent; - Fixed taxes: UM 200, UM 300, and UM 1,000	- Commercial paper; - Security for goodwill; - Change-of-ownership acts in relation to companies and cooperatives.
Droits de Timbre [Stamp taxes]	Applied to different written acts and documents subject to the stamp tax.	UM 400, UM 200, and UM 100	None
Taxes Levied to the Benefit of Local Governments			
Contribution Foncière sur les	Art. 429: The tax base is the rental	8 percent	Art. 428:

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
Propriétés Bâties [Tax on improved property]	value at January 1 of the tax year of property subject to the tax on improved property.		- The property, buildings, or premises belonging to the government and local governments. - The property, buildings, or premises belonging to administrative public enterprises, when used for a public service or general utility, provided that it is nonincome generating. - The buildings used as public places of worship. - Facilities established for supplying drinking water and electrical energy. - Property used for farming or for housing animals or storing harvests. - Property belonging to foreign governments and used as the official residence of their diplomatic and consular missions accredited to the Mauritanian Government. - Property used as schools. - Property used as medical or social assistance facilities. - Straw huts.
Patente [Business license tax]	- Schedule based on actual turnover (Art. 449) - Simplified fixed tax	Simplified fixed tax ranging from UM 100,000 to UM 1,500,000 (Budget Law 2002)	Art. 447. The following are exempted from the business license tax: - Individuals, except carriers, meeting the conditions set out in Articles 7 and 29, defining the scope

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
			of application of the presumptive regime, provided that they have not opted for the simplified real profits regime of the industrial and commercial profits tax; - The government and its departments, including the food security commissioner's office; - Local governments; - Humanitarian organizations and welfare and aid organizations; - Public establishments for supplying water.
Taxe d'Habitation [Tax on housing]	Payable by wage-earners on owner-occupied housing for: - the residential space; - the space used by companies, associations, groups, and other private agencies not subject to the business license tax. (Art. 437 of the CGI).	The rate is based on the bracket. There are five brackets. Upper limit – UM 15,000 per unit (Budget Law 2001)	The following are exempt: - The government, regions, communes, and administrative public enterprises. - Ambassadors and other diplomatic staff of foreign nationality in the commune of their official residence, for that residence only, provided that the countries they represent grant the same benefits to Mauritanian ambassadors and diplomatic staff. - Humanitarian organizations and welfare and aid organizations; the personal housing of staff members of these organizations remains taxable.

Mauritania: Summary of the Tax System

(All amounts in ouguiyas)

Nature of Tax	Tax Base	Rate	Exemptions
Taxes Communales [Communal taxes]	Profession or activity practiced (Art. 465 New Budget Law 2001)	Rates vary from UM 50 to UM 6,000 (Budget Law 2001), set by the Municipal Council after deliberation.	None