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Report on the Economic Situation in Mauritania

Leveraging the private sector to drive economic transformation and job creation

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1 Table of Contents

Foreword

The Mauritania Economic Update (MEU) is a periodic publication of the World Bank that highlights recent economic trends and discusses development issues relevant to the country. The MEU builds on existing World Bank analytical reports to present current economic and social issues. The MEU is intended for the general public and serves as a vehicle to launch a factual debate on economic choices among key national stakeholders, including policymakers and citizens.

This fifth edition of the MEU is composed of two parts. The first section provides an account of the economic situation in 2021 and the economic outlook for 2022-24, along with an overview of risks and challenges and some policy options. The second section discusses the potential and constraints for the private sector to support economic transformation and job creation.

This report was prepared by a multisectoral team at the World Bank led by Felix Oppong. Chapter 1 was written by Felix Oppong, Urbain Thierry Yogo, Maria Elkhdari, and Djibril Ndoye. Chapter 2 was written by Cristina Navarrete Moreno, Sarah Zekri, Aarti Reddy, Teslem Zein, and Graciella Miralles Murciego. Marcio Cruz, Kyung Min Lee, Antonio Soares Martins Neto, and Santiago Reyes Ortega provided substantial support for the implementation of the Firm-level Adoption of Technology survey, including inputs and analytical guidance for Chapter 2. The team thanks Edouard Al-Dahdah, Ernest Sergenti, Daniel Reyes, and Olivia-Kelly Lonkeu for their comments and feedback. The teams also thanks peer reviewers Vincent Palmade, Zeljko Bogetic and Stefka Slavova. The team is grateful to Loana Billeux and Khadijetou Cisse for their support during the preparation and dissemination of the report. The team would like to express its appreciation to the Mauritanian authorities for their support, particularly the Ministry of Economic Affairs and Promotion of Productive Sectors, the Ministry of Finance, and the Central Bank of Mauritania.

The report was prepared under the general direction of Nathan Belete, Cristina Santos, Theo Thomas, and Consolate Rusagara. The team thanks Micky Ananth and Theresa Bampoe for their administrative support.

Macroeconomic projections are as of May 2022. Historical data is as of December 2021.

Information about the World Bank, its activities in Mauritania, and electronic copies of this publication are available through this link: www.worldbank.org/en/country/mauritania

List of Figures

List of Tables

List of Boxes

List of Abbreviations

AFESD	Arab Fund for Economic and Social Development
BCM	Banque centrale de Mauritanie (Central Bank of Mauritania)
CAR	Capital Adequacy Ratio
DPO	Development Policy Operation
DSA	Debt Sustainability Assessment
DSSI	Debt Service Suspension Initiative
ENESI	National Survey of Employment and the Informal Sector in Mauritania
FAT	Firm-Level Adoption of Technology survey
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GTA	Great Turtle/Ahmeyim
ICT	Information and Communications Technology
IMF	International Monetary Fund
JET	Jobs and Economic Transformation
LCR	Liquidity Coverage Ratio
MEU	Mauritania Economic Update
MSME	Micro, Small and Medium Enterprise
NPL	Non-Performing Loan
NFNCPRS	National Food and Nutrition Crisis Prevention and Response System
PROPEP	Presidential Priority Program
SCAPP	Stratégie de Croissance Accélérée et de Prospérité Partagée (Strategy for Accelerated Growth and Shared Prosperity)
SDR	Special Drawing Right
SME	Small and Medium Enterprise
SNIM	Société Nationale Industrielle et Minière
SOE	State-Owned Enterprise
UN	United Nations
UN-GSDSTF	UN Global Survey on Digital and Sustainable Trade Facilitation
Y/Y	Year-on-Year

Executive Summary

Mauritania needs to rely on private sector development to accelerate the diversification of its economy and promote strong, sustainable and inclusive growth.

This fifth report on Mauritania's economic situation is in line with the development objectives defined in the Strategy for Accelerated Growth and Shared Prosperity (SCAPP) and provides an analysis of the constraints and opportunities of the private sector as an engine of economic transformation and job creation. The first part of the report analyzes recent economic developments and the outlook for 2022-24, while highlighting some risk factors, including the resurgence of COVID-19 and the fallout from the conflict in Ukraine. The second part examines the main drivers and obstacles to private sector development. Finally, the report proposes policy options for promoting sustainable and inclusive growth to reduce poverty and promote shared prosperity. The report uses macroeconomic data available from the government as of end-May 2022 and incorporates an initial assessment of the impact of the conflict in Ukraine.

The state of the economy

The recovery in economic activity was strong in 2021 but below its historical average and growth potential.

Growth is estimated to have rebounded to 2.4 percent (-0.3 percent per capita) in 2021, following a contraction of 0.9 percent in 2020 (-3.6 percent per capita), fueled by an increase in private consumption and investment, as well as an improved performance of the services sector due in part to the easing of containment measures. Growth was affected by lower gold production from the Taziast mine, but this was partially offset by increased artisanal gold and iron production, which responded positively to higher world commodity prices. The negative impact of the pandemic on human, economic, and social activities decreased significantly in 2021, reflecting the resumption of growth and the effectiveness of the mitigation measures implemented by the government. The number of people falling into extreme poverty has decreased to an estimated 7,200 from 38,000 in 2020.

Inflation continued its upward trend throughout 2021 and in the first quarter of 2022, catalyzed by a rebound in demand, continued supply constraints related to COVID-19, and higher commodity prices due to the conflict in Ukraine.

Headline inflation increased from 1.4 percent year-on-year (y/y) in October 2020 to 8.2 percent (y/y) in April 2022, mainly due to higher food prices. Average annual inflation rose from 2.4 percent in 2020 to 3.5 percent in 2021, driven by higher food prices, contributing 2.9 percentage points to the index in 2021. The government's response to the pandemic helped to lower prices for health services, decreasing by 5.5 percentage points between 2020 and 2021.

In 2021, monetary policy focused on ensuring exchange rate stability through intervention in the foreign exchange market.

The authorities continued to maintain a narrow band with the U.S. dollar as reforms to increase exchange rate flexibility, deepen the interbank foreign exchange market, and implement an alternative monetary policy framework were delayed due to the pandemic. The exchange rate appreciated by 3 percent year-on-year against the U.S. dollar in 2021.[1] The Central Bank of Mauritania (BCM) provided foreign exchange on the official market for current account transactions in early 2021, while maintaining adequate reserves.

[1] The BCM operates a managed exchange rate regime but plans to introduce regular competitive auctions and greater exchange rate flexibility in the foreign exchange market.

The fiscal position remained in surplus in 2021, thanks to strong mining and tax revenues.

The overall fiscal balance registered a surplus of 2.1 percent of gross domestic product (GDP) in 2021, at the same level of 2020. Total expenditures increased to 18.2 percent of GDP in 2021, up from 19.1 percent of GDP in 2020, supported by stronger domestically financed capital spending and higher current transfers. However, budget execution reached only 85 percent of the supplemental budget, reflecting under-execution of spending on goods and services, transfers, and implementation challenges with domestically financed capital spending. Total revenue increased from 20.3 percent of GDP in 2020 to 21.2 percent in 2021, driven by higher direct taxes, especially those on goods and services, and taxes on international trade, which reflect improved economic activity and stronger domestic demand. Non-tax revenues rose on the back of high dividend payments by state-owned enterprises (SOEs) resulting from higher international prices. Grants increased slightly from 2 percent of GDP in 2020 to 2.1 percent in 2021

The debt-to-GDP ratio decreased in 2021 due to the resumption of growth and a surplus fiscal balance.

Total public debt to GDP fell from 55.8 percent in 2020 to 51.7 percent in 2021. Most of Mauritania's public debt is concessional, with interest payments accounting for just 3.7 percent of total revenue in 2021. However, with 85 percent of public debt denominated in foreign currency, the vulnerability of the debt profile to exchange rate volatility remains high. In August 2021, Mauritania reached a final agreement with Kuwait regarding the restructuring of a long-standing passive debt estimated at 12.4 percent of GDP at the end of 2020. The agreement includes: (i) the cancellation of 95 percent of the accumulated interest due; and (ii) the spreading out of the repayment of the principal over 20 years, including a 2two-year grace period, with an interest rate of 0.5 percent. The joint World Bank–International Monetary Fund (IMF) Debt Sustainability Assessment (DSA), conducted in December 2021, concluded that Mauritania's debt is sustainable but remains at high risk of external debt distress. However, the debt restructuring agreement with the Kingdom of Saudi Arabia announced in April 2022, which converts a US$300 million non-concessional deposit at the Central Bank into a concessional loan, is expected to improve the debt sustainability risk assessment from high to moderate.

In the **medium term, growth is expected to average 5.8 percent due to an expansion of the extractive and services sectors.**

Economic growth is expected to continue to recover in 2022 to 4.5 percent, driven by stronger output in the extractive sector, successful vaccine rollouts, and increased public sector investment. The extractive and service sectors will remain the main contributors to growth, assuming a strong increase in mining output between 2022 and 2025. The services sector will continue to show a strong recovery, growing by 5.8 percent in 2022, driven by further expansion in the transportation sector and gross and retail trade. Fiscal policy is expected to ease in the medium term, driven by increased capital spending, but the debt-to-GDP ratio is expected to trend downward, supported by a gradual increase in nominal GDP. Debt policy is expected to remain focused on the use of concessional financing and the lengthening of the debt profile to ensure that the risk of external distress stabilizes at a moderate level over the medium term.

The macroeconomic outlook is subject to uncertainties and risks that could adversely

A more protracted COVID-19 pandemic, continued conflict in Ukraine, and volatile commodity prices could result in lower economic activity, lower incomes, lower external reserves, catalyze inflationary pressures, and increase poverty. In addition, insufficient or slow implementation of business environment reforms could jeopardize non-extractive growth prospects. In

affect growth and other aggregates.

addition, although construction of the first phase of the Grand Tortue - Ahmeyim (GTA) offshore gas project is underway, the second and third phases could experience delays, slowing foreign direct investment (FDI) inflows and negatively affecting medium-term growth and fiscal prospects. Regional insecurity risks in the Sahel remain a concern, which, if they materialize, could have a negative impact on the economy and lead to increased military spending. Mauritania is also exposed to recurrent cycles of drought that impact agricultural production and household incomes.

Private sector-led growth is essential to reduce poverty through job creation while ensuring medium- and long-term fiscal sustainability.

Despite an average growth rate of 3.7 percent over the past decade, growth has not been inclusive. Neither the traditional subsistence economy, based on livestock, agriculture, and petty trade, nor the export-oriented economy, based on the country's abundant natural resources, has been able to create more and better jobs to meet growing demand. Mauritania's degree of success in reducing poverty and achieving growth will inherently depend on its ability to facilitate economic transformation, broaden the economic base beyond public and extractive sector growth, mitigate uncertainties, and share the positive impacts of economic growth with the majority of citizens. Over-reliance on natural resources has left the economy undiversified and vulnerable to global shocks, such as the shocks of COVID-19 and the Ukrainian conflict. A well-developed and competitive private sector is essential for job creation and poverty reduction, especially if the government partners with the private sector to make traditional public investments, thereby channeling rents from the extractive sector into other productive sectors of the economy. This would create the resilience needed to mitigate global uncertainties through commodity exports and create more jobs.

Developing the private sector for structural transformation that creates jobs.

Mauritania's private sector is small, constrained by the size of the firms and a predominantly informal sector.

Most firms in Mauritania are small, mostly informal, and concentrated in trade and services. The country is characterized by high levels of informality among mostly self-employed and salaried jobs (84 percent of all employment). The formal private sector remains relatively small compared to peer countries (2021). The rate of firm creation and the share of formal enterprises that pay taxes are low considering the country's lower middle-income status. According to tax authority data (2019), there are about 30,000 active formal firms in the country, but only about 1,400 (4.7 percent) are registered in the tax payment system and pay taxes. Among the latter, most formal firms are concentrated in Nouakchott (almost 90 percent), are young (almost 60 percent are 6–10 years old), small (50 percent have less than 5 employees and 70 percent have less than 10 employees) and operate in general trade and services (respectively 53 percent and 33 percent).

The development of large-scale formal enterprises in sectors other than mining and fishing is essential to stimulate job creation and income generation.

In 2020, about 57 percent of Mauritania's population (15-64) was in the working class and needed well-paying jobs[2] to support their livelihoods. Most private formal jobs are provided by few large companies, especially in the extractive sectors and fisheries. With minimal value added to exports, the country is unable to generate the needed private sector jobs in agriculture, textiles, and leather processing. Revenue generation is primarily driven by trade and other services (60 percent) and mining (20 percent). The latter has recently experienced significant growth due to artisanal gold mining activities. Female participation in the private formal workforce and management is also limited.

[2] World Bank data, population ages 15–64 (% of total population) https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=MR

The development of the private sector, particularly SMEs, is also hampered by low technology adoption and use.

In the formal private sector, challenges to growth include lack of access to finance, inadequate access to information about technological opportunities, and low levels of innovation and technology adoption. Technology adoption among SMEs remained low in 2021, especially with regards to use of technology to aid general business functions, such as sales, sourcing, quality control, and marketing. However, technology adoption for the purposes of performing business functions, such as administration, processing payments, and production planning, is relatively widespread though usage remains limited. Adoption and use of technology is lower in smaller firms compared to larger firms with more than 10 employees.

Improving the quality of jobs through technology adoption remains a key issue that government must address in parallel with inclusive growth reforms.

Gains from economic transformation are seen when labor and resources are shifted from low-productivity activities to higher-productivity activities. Better quality jobs would increase household income and living standards to reduce poverty and redistribute gains from the extractive sectors. To improve the quality of jobs, greater emphasis must be placed on human capital development to create greater flexibility of movement between firms and sectors. By adopting better technologies and improving their capabilities, workers remaining in existing firms could also benefit from productivity growth within the firm. The lack of economic transformation in Mauritania is due in part to low investment in human capital and social protection, as well as a failure to mobilize private sector support for development.

Insufficient access to finance for SMEs remains structural and deep-rooted in Mauritania.

Limited access to finance is due to an imperfect credit infrastructure system,[3] which makes it difficult for financial intermediaries to assess the creditworthiness of SMEs. Similarly, the private sector is constrained by a weak legal and judicial environment and poor contract enforcement. Access to finance is difficult for the large informal economy, which lacks reliable financial and fiscal accounts, making it difficult for banks to assess the risk of providing financing. Finally, the lack of credit delegation and the different decision-making processes between large and small firms increase the cost and time required to obtain credit. These structural constraints continue to prevent timely, less costly, and long-term financing of SME projects.

Constraints on private sector access to finance hinder inclusive growth and productivity.

Bank loans and lines of credit are the main sources of private sector financing in Mauritania. According to the World Bank's 2022 Firm-Level Adoption of Technology (FAT) survey, only 15 percent of firms reported having a loan in recent years, while 12 percent reported needing a loan to expand production but not having access to it. Constraints to accessing finance mostly affect small businesses, which could grow faster if supported by an appropriate policy environment. In 2018, BCM noted that SMEs received only 12 percent of business loans, while large firms received 88 percent. SMEs that report needing a loan refrain from approaching banks due to a lack of collateral and appropriate business accounting information.

Recommendations and policy options for strengthening macroeconomic stability and boosting the private sector

[3] The credit registry is separate from the credit bureau functions, which are managed by the BCM.

The following key policy measures can be considered.

Pursue fiscal sustainability, with a focus on improving non-extractive revenues collection by widening the tax base to include groups or firms that escape taxation due to informality and tax exemptions. The large informal sector and formal enterprises that are not paying taxes could be reached by strengthening tax administration to be more effective in the collection of revenue, making e-filing compulsory for large and medium taxpayers, and promoting electronic and mobile payments that provide secondary tax information data for tax audits. In addition, the government should regularly monitor and publish annually tax exemptions granted to businesses in order to minimize these expenses over time.

Focus on achieving economic transformation and quality jobs by facilitating the adoption and use of technology by businesses. To achieve this, the government must implement reforms that enable partnership with the private sector, mainstream the culture of technology adoption and use, and continuous development of skills in information and communication technology (ICT) literacy and technology adoption by businesses. In the short term, the government could support projects that integrate technology into businesses, automate business processes, and influence peer companies to adopt these technologies. In the medium term, the government could support digital technology outreach programs that promote greater awareness of the types and potential uses of technologies and the adoption of digital technologies, particularly those applied to general business functions such as business administration, production planning, e-commerce, digital payments, and quality control.

Strengthen access to finance for SMEs while reforming competition policy that would allow firms to expand their output, growth, and productivity. The government needs a strategy to reduce the high level of non-performing loans (NPLs) in the banking sector to enable them to provide financing to SMEs that are perceived as high risk. The government could operationalize the World Bank-supported SME Credit Guarantee Fund through the Emergency Development Policy Operation (DPO). The government could also support SMEs by creating a comprehensive credit registry and providing small businesses with skills training, such as bookkeeping, accounting, auditing and monitoring frameworks. In addition, the Government could support the development of specialized institutions, such as leasing or factoring companies and credit institutions specializing in lending to SMEs and local start-ups.

Create a data warehouse system that collects, monitors, and publishes real-time and reliable information about businesses. The data warehouse of business triangulates business data, such as their imports, loans, purchases, and profits, which could be an asset to tax officials. It would reduce information asymmetries, show state recognition of business, reduce risks of lending to such business, and make private sector data easily accessible. In the medium term, it would provide an incentive for businesses to file their financial statements in the commercial register and reduce the compliance costs of enforcing the Tax Code.

ملخص تنفيذي

1. تعول موريتانيا على تنمية القطاع الخاص لتسريع تنوع اقتصادها وترقية نمو قوي ومستدام وشامل. ينسجم هذا التقرير الخامس حول الوضعية الاقتصادية لموريتانيا مع أهداف التنمية المحددة في إطار إستراتيجية النمو المتسارع والرفاه المشترك ويقترح تحليلا لإكراهات وفرص القطاع الخاص كمحرك للتحول الاقتصادي وخلق الوظائف. ويحلل الجزء الأول من التقرير التطورات الاقتصادية الحديثة والآفاق بالنسبة ل 2022 – 2024، مع إبراز بعض عوامل المخاطر، خاصة عودة ظهور حالات كوفيد – 19 وتأثيرات النزاع في أوكرانيا. ويدرس الجزء الثاني محركات وعوائق تطوير القطاع الخاص. ويقترح التقرير في الأخير خيارات سياسة لترقية نمو مستدام وشامل من أجل تقليص الفقر وترقية رفاه مشترك.

ويستخدم التقرير بيانات الاقتصاد الكلي المتوفرة لدى الحكومة في نهاية مايو 2022 ويدمج تقييما أول لتأثير النزاع في أوكرانيا.

وضعية الاقتصاد

2. كان الانتعاش الاقتصادي قويا في 2021. وحسب التقديرات، فقد ارتفع النمو إلى 2,4% (-0,3% رأس لـ كل ذ مو) في 2021، بعد انكماش بنسبة 0,9% في 2020 (-3,6 % رأس لـ كل ذ مو)، يغذيه ارتفاع في الاستهلاك الخصوصي والاستثمار وكذا أداء أفضل لقطاع الخدمات ناجم جزئيا عن تخفيف إجراءات الحجر. وتأثر النمو بهبوط إنتاج ذهب منجم تازيازت، رغم أن هذا الاذ خ فاض تم تعويضه جزئيا بزيادة الإنتاج التقليدي للذهب والحديد الذي تفاعل إيجابيا مع صعود الأسعار العالمية للمواد الأساسية. وتراجع التأثير السلبي للجائحة بشكل ملموس على النشاطات البشرية والاقتصادية والاجتماعية في 2021، عاكسا انتعاش النمو وفعالية إجراءات التخفيف المنفذة من طرف الحكومة. وانخفض عدد الأشخاص الذين نزلوا إلى الفقر المدقع ويقدر ب 7200 مقابل 38000 في 2020.

3. **واصل التضخم اتجاهه في الصعود على طول 2021 والفصل الأول من 2022، محفزا من طرف انتعاش الطلب وتواصل إكراهات التموين المرتبطة بكوفيد – 19 وارتفاع أسعار المواد الأساسية بسبب النزاع في أوكرانيا.** وارتفع التضخم العام من 1,4% على أساس سنوي في أكتوبر 2020 إلى 8,2% في إبريل 2022، أساسا بسبب ارتفاع أسعار المواد الغذائية. وارتفع متوسط التضخم السنوي من 2,4% في 2020 إلى 3,5% في 2021 تحت تأثير ارتفاع أسعار المواد الغذائية، ما ساهم ب 2,9 نقاط نسبة مئوية في المؤشر في 2021. وساهمت استجابة الحكومة للجائحة في هبوط أسعار الخدمات الصحية، حيث انخفضت ب 5,5 نقاط نسبة مئوية بين 2020 و2021.

4. **في 2021، ركزت السياسة النقدية على ضمان استقرار سعر الصرف من خلال تدخلات في سوق الصرف.** استمرت السلطات في الحفاظ على هامش تقلب ضيق مع الدولار الأمريكي، لأن الإصلاحات الرامية إلى زيادة مرونة سعر الصرف وتعميق سوق الصرف بين البنوك وتنفيذ إطار سياسة نقدية آخر تأخرت بسبب الجائحة. وارتفع سعر الصرف بنسبة 3% على أساس سنوي مقارنة بالدولار الأمريكي

بين 2020 و2021. لقد وفر [4]البنك المركزي الموريتاني عملات صعبة في السوق الرسمية لمعاملات الحساب الجاري في بداية 2021 مع الاحتفاظ باحتياطات الأجـ نـ بي الـ نـ قد مناسبة.

5. **ظلت وضعية الميزانية في فائض في 2021 بفضل إيرادات معدنية وضريبية قوية**. وسجل رصيد الميزانية العام فائضا قدره 2,1% من إجمالي الناتج المحلي في 2021، عند المستوى نفسه في 2020. وزادت النفقات الإجمالية لتبلغ 18,2% من إجمالي الناتج المحلي في 2021 مقابل 19,1% في 2020 بفضل زيادة نفقات الاستثمار الممولة من الموارد الذاتية والتحويلات الجارية. ومع ذلك، لم يبلغ التنفيذ إلا 85% من الميزانية المراجعة بسبب نقص تنفيذ النفقات من السلع والخدمات والتحويلات وكذا مصاعب تنفيذ مشاريع الاستثمار. وزادت الإيرادات الإجمالية فارتفعت من 20,3% من إجمالي الناتج المحلي في 2020 إلى 21,2% في 2021 تحت تأثير ارتفاع الضرائب المباشرة، خاصة الضرائب على السلع والخدمات والرسوم على التجارة الدولية، ما يعكس تحسن النشاط الاقتصادي وتعزيز الطلب الداخلي. وزادت الإيرادات غير الضريبية بسبب المدفوعات المرتفعة للأرباح من طرف المؤسسات والشركات العمومية الناجمة عن ارتفاع الأسعار العالمية. وزادت الإعانات بشكل طفيف فارتفعت من 2% من إجمالي الناتج المحلي في 2020 إلى 2,1% في 2021.

6. **تراجعت نسبة الدين من إجمالي الناتج المحلي في 2021 بسبب انتعاش النمو والفائض في رصيد الميزانية**. لقد انخفضت نسبة الدين العام الإجمالي من إجمالي الناتج المحلي فهبطت من 55,8% في 2020 إلى 51,7% في 2021. ويمثل الجزء الأكبر من الدين العام الموريتاني دينا ميسرا، حيث أن مدفوعات الفائدة لا تمثل سوى 3,7% من الإيرادات الإجمالية في 2021. ومع ذلك، ونظرا لكون 85% من الدين العام مقوم بالعملات الصعبة الأجنبية، فإن تأثر شكل الدين بتقلبات أسعار الصرف يظل كبيرا. وفي أغسطس 2021، أبرمت موريتانيا اتفاقا نهائيا مع الكويت يتعلق بإعادة هيكلة دينيقدر ب 12,4% من إجمالي الناتج المحلي في نهاية 2020. ويتضمن الاتفاق: (1) إلغاء 95% من الفوائد المتراكمة؛ و(2) إعادة جدولة تسديد الأصل على 20 سنة، بما في ذلك فترة سماح من سنتين، مع نسبة فائدة قدرها 0,5%. وقد خلص التقييم المشترك من طرف البنك الدولي وصندوق النقد الدولي لقدرة تحمل الدين المنجز في ديسمبر 2021 إلى أن موريتانيا قادرة على تحمل دينها ولكنها تظل معرضة لمخاطر مرتفعة لتراكم المديونية الخارجية. ومع ذلك، من المتوقع أن يؤدي اتفاق إعادة هيكلة الدين مع المملكة العربية السعودية المعلن عنه في ابريل 2022 والذي يحول وديعة غير ميسرة ل 300 مليون دولار أمريكي في البنك المركزي إلى قرض ميسر إلى تحسين تقييم مخاطر القدرة على تحمل الدين التي ستنتقل من مرتفعة إلى متوسطة.

7. **على المدى المتوسط، ينتظر أن يستقر النمو عند متوسط 5,8% بسبب توسع في قطاع الاستخراج والخدمات**. ومن المتوقع أن يواصل النمو الاقتصادي انتعاشه في 2022 ليبلغ 4,5% بفضل تعزيز إنتاج القطاع الاستخراجي ونجاح نشر اللقاحات وزيادة استثمارات القطاع العام. وسيظل قطاع الاستخراج وقطاع الخدمات المساهمين الرئيسيين في النمو في ظل فرضية زيادة كبيرة للإنتاج المعدني بين 2022 و2025. وسيواصل قطاع الخدمات إظهار انتعاش جيد، مع نمو قدره 5,8% في 2022 بفضل توسع جديد لقطاع النقل ولتجارة الجملة والتقسيط. ومن المتوقع أن تشهد السياسة الميزانية مرونة على المدى المتوسط تحت تأثير ارتفاع نفقات الاستثمار، ولكن نسبة الدين من إجمالي الناتج المحلي

[4]يطبق البنك المركزي نظام صرف مسير ولكنه ينص على إدخال مناقصات تنافسية منتظمة ومرونة أكبر لسعر الصرف في سوق الصرف.

ستسلك اتجاها نحو الهبوط يدعمه تزايد تدريجي لإجمالي الناتج المحلي الاسمي. ومن المنتظر أن تظل سياسة الدين مركزة على اللجوء إلى تمويلات ميسرة وتمديد شكل الدين من أجل ضمان استقرار مخاطر ضائقة خارجية عند مستوى متوسط على المدى المتوسط.

8. **تخضع الآفاق الاقتصادية لشكوك ومخاطر قد تؤثر سلبا على النمو وعلى مؤشرات أخرى**. وقد تؤدي جائحة كوفيد – 19 أكثر طولا واستمرار للنزاع في أوكرانيا وتقلب أسعار المواد الأساسية إلى هبوط في النشاطات الاقتصادية والإيرادات والاحتياطات الخارجية وتحفيز ضغوط تضخمية وزيادة الفقر. وفضلا عن هذا، قد يؤدي تنفيذ ناقص أو بطيء لإصلاحات مناخ الأعمال إلى تعريض آفاق النمو غير الاستخراجي إلى الخطر. وإلى جانب هذا، ورغم أن بناء المرحلة الأولى من مشروع الغاز ا الـ مـ سالبحري "غران تورتي – آحميم (GTA)" هو قيد التنفيذ، فقد تشهد المرحلتان الثانية والثالثة بعض التأخر، ما قد يبطئ دخول الاستثمارات المباشرة الأجنبية ويؤثر سلبا على النمو وعلى آفاق الميزانية على المدى المتوسط. وتظل مخاطر انعدام الأمن الإقليمي في الساحل محل اهتمام، لأن هذه المخاطر، إذا تجسدت، قد يكون لها أثر سلبي على الاقتصاد وتقود إلى زيادة في النفقات العسكرية. كما أن موريتانيا معرضة لدورات متكررة من الجفاف تؤثر على الإنتاج الزراعي وإيرادات الأسر.

9. **نمو يحفزه القطاع الخاص أساسي لتقليص الفقر من خلال خلق الوظائف مع ضمان ميزانية مستقرة على المدى المتوسط والطويل**. رغم متوسط معدل نمو قدره 3,7% خلال العقد الأخير، إلا أن النمو لم يكن شاملا. فلا اقتصاد سبل العيش التقليدي المعتمد على التنمية الحيوانية والزراعة والتجارة الصغيرة ولا الاقتصاد الموجه نحو التصدير والمعتمد على الموارد الطبيعية الوافرة للبلد لم يتمكنا من خلق وظائف أكبر عددا وأكثر جودة لتلبية الطلب المتزايد. وستعتمد درجة نجاح موريتانيا في مجال تقليص الفقر والنمو بشكل جوهري على تسهيل التحول الاقتصادي وتوسيع القاعدة الاقتصادية إلى أبعد من نمو القطاعين العام والاستخراجي وتخفيف الشكوك وتقاسم الآثار الإيجابية للنمو الاقتصادي مع غالبية المواطنين. إن الاعتماد المفرط على الموارد الطبيعية جعل الاقتصاد قليل التنوع وعرضة للصدمات العالمية مثل صدمتي كوفيد – 19 والنزاع في أوكرانيا. ويعد وجود قطاع خاص متطور وتنافسي أمرا أساسيا لخلق الوظائف وتقليص الفقر، خاصة إذا اشتركت الحكومة مع القطاع الخاص لتحقيق استثمارات عامة تقليدية، موجهة إيرادات القطاع الاستخراجي نحو قطاعات إنتاجية أخرى من الاقتصاد. وقد يسمح هذا بخلق الصمود الضروري لتخفيف الشكوك العالمية بفضل صادرات المواد الأساسية وخلق المزيد من الوظائف.

تطوير القطاع الخاص من أجل تحول هيكلي خلاق للوظائف

10. **القطاع الخاص الموريتاني حجمه متواضع، يعيقه حجم المؤسسات وقطاع غير مصنف طاغ**. إن معظم المؤسسات في موريتانيا ذات حجم صغير، وهي أساسا غير مصنفة ويتركز نشاطها على قطاعي التجارة والخدمات. ويتميز البلد بمستويات عالية من عدم التصنيف في الوظائف المستقلة والمأجورة أساسا (84% من إجمالي الوظائف). فمعدل إنشاء مؤسسات وحصة المؤسسات المصنفة التي تدفع ضرائب ضعيفان نظرا لوضع الدخل المتوسط الأدنى في البلد. وبحسب بيانات الإدارة الضريبية (2019)، هناك نحو 30000 مؤسسة مصنفة نشطة في البلد، لكن فقط نحو 1400 (4,7%) مسجلة في نظام دفع الضرائب وتدفع ضرائب. ومن بين هذه الأخيرة، تركز معظم المؤسسات المصنفة نشاطها في نواكشوط (قرابة 90%)، وحديثة النشأة (قرابة 60% عمرها ما بين 6 و 10 سنوات)، وصغيرة الحجم

(50% لديها أقل من 5 عمال و70% لديها أقل من 10 عمال)، وتعمل في التجارة العامة والخدمات (على التوالي 53% و33%).

11. **تطوير مؤسسات مصنفة كبيرة الحجم في القطاعات الأخرى غير القطاع الاستخراجي والصيد أمر أساسي لتحفيز خلق الوظائف وإدرار الدخل.** في 2020، كان حوالي 57% من السكان الموريتانيين (15 – 64 سنة) من ضمن الطبقة العاملة وكانوا يحتاجون وظائف ذات تعوض جيد لتأمين وسائل عيشهم. وتوفر بعض كبريات المؤسسات معظم الوظائف الحرة المصنفة، خاصة في قطاعي الاستخراج والصيد. وبما أن القيمة المضافة للصادرات ضعيفة، فليس البلد قادرا على خلق الوظائف الحرة الضرورية في الزراعة والمنسوجات ومعالجة الجلود. وتدر الإيرادات أساسا من طرف التجارة والخدمات الأخرى (60%) وكذا من طرف الاستغلال المعدني (20%). وقد شهد هذا القطاع الأخير مؤخرا نموا مهما بفضل نشاطات الاستغلال التقليدي للذهب. وتعد مشاركة النساء محدودة في اليد العاملة وفي التسيير في القطاع الخاص المصنف.

12. **كما أن تطوير القطاع الخاص، وخاصة المؤسسات الصغرى والمتوسطة، يعرقله ضعف تبني واستخدام التقنيات.** في القطاع الخاص المصنف، تتضمن التحديات في وجه النمو نقص الولوج إلى التمويل والولوج غير الملائم إلى المعلومة حول الفرص التقنية والمستويات الضعيفة للابتكار وتبني التقنيات. لقد ظل تبني التقنيات من طرف المؤسسات الصغرى والمتوسطة ضعيفا في 2021، وخاصة فيما يتعلق باستخدام التقنيات لدعم الوظائف التجارية الرئيسية مثل المبيعات والتموين ومراقبة الجودة والتسويق. ومع ذلك، يعتبر تبني التقنيات لأغراض تنفيذ وظائف مثل الإدارة ومعالجة المدفوعات وتخطيط الإنتاج منتشرا نسبيا رغم أن الاستخدام يظل محدودا. ويعد تبني واستخدام التقنيات أكثر ضعفا في المؤسسات الصغيرة مقارنة بالمؤسسات الكبيرة التي تضم أكثر من 10 عمال.

13. **يظل تحسين جودة الوظائف من خلال تبني التقنيات مسألة أساسية يتعين على الحكومة معالجتها موازاة مع إصلاحات النمو الشامل.** تبرز فوائد التحول الاقتصادي عندما تنتقل اليد العاملة والموارد من نشاطات ضعيفة الإنتاجية إلى نشاطات أكثر إنتاجية. فقد تسمح وظائف ذات جودة أعلى بزيادة دخل ومستوى معيشة الأسر من أجل تقليص الفقر وإعادة توزيع الفوائد المترتبة من القطاعات الاستخراجية. ومن أجل تحسين جودة الوظائف، يجب التركيز بشكل أكبر على تنمية رأس المال البشري بهدف خلق مرونة أكبر للتحرك بين المؤسسات والقطاعات. فبتبني تقنيات أفضل وتحسين قدراتهم، قد يتمكن العمال الباقون في المؤسسات الموجودة أيضا من الاستفادة من نمو الإنتاجية داخل المؤسسة. ويمكن تفسير غياب التحول الاقتصادي في موريتانيا جزئيا بالاستثمارات الضعيفة في رأس المال البشري والحماية الاجتماعية وكذا عدم القدرة على حشد دعم القطاع الخاص من أجل التنمية.

14. **يشكل الولوج الناقص للمؤسسات الصغرى والمتوسطة إلى التمويل إكراها هيكليا في موريتانيا.** يكمن سبب الولوج المحدود إلى التمويل في نظام بنى تحتية للقرض ناقص[5] يزيد صعوبة تقييم مصداقية المؤسسات الصغرى والمتوسطة من طرف الوسطاء الماليين. كما أن القطاع الخاص مقيد بمناخ قانوني وقضائي ضعيف وبتنفيذ ضعيف للعقود. ويعد الولوج إلى التمويل أمرا صعبا بالنسبة للاقتصاد غير المصنف الواسع الذي لا يتوفر على حسابات مالية وضريبية موثوقة، ما يصعب على البنوك تقييم مخاطر منح التمويل. وفي الأخير، يزيد غياب تفويض الائتمان ومختلف عمليات القرار بين المؤسسات

[5] سجل القرض منفصل عن وظائف مكتب القرض التي يسيرها البنك المركزي الموريتاني.

الكبرى والصغرى التكلفة والوقت الكافي للحصول على قرض. وتواصل هذه الإكراهات الهيكلية الحيلولة دون قرض ملائم وأقل كلفة وعلى المدى الطويل لمشاريع المؤسسات الصغرى والمتوسطة:

15. **تعيق إكراهات ولوج القطاع الخاص إلى التمويل النمو الشامل والإنتاجية**. القروض المصرفية وخطوط الائتمان هي مصادر التمويل الرئيسية للقطاع الخاص في موريتانيا. فبحسب دراسة لاع تماد ال شركة مس توى ع لى ال تكنولوجيا - Firm-Level Adoption of Technology (FAT) - للبنك الدولي في 2022، فقط 15% من المؤسسات صرحت بحصولها على قرض خلال السنوات الأخيرة في حين صرحت 12% بأنها كانت تحتاج إلى قرض لزيادة إنتاجها دون أن تحصل عليه. وتؤثر إكراهات الولوج إلى التمويل بشكل خاص المؤسسات الصغرى التي كان بإمكانها التطور بشكل أسرع لو أنها حصلت على الدعم من طرف مناخ سياسي ملائم. وفي 2018، سجل البنك المركزي الموريتاني أن المؤسسات الصغرى والمتوسطة التي تصرح بحاجتها إلى قرض تمتنع عن التوجه إلى البنوك بسبب نقص في الضمانات والمعلومات المحاسبية التجارية الملائمة.

توصيات وخيارات سياسة لتعزيز استقرار الاقتصاد الكلي وتنشيط القطاع الخاص

16. **البحث عن الاستدامة الميزانية من خلال التركيز على تحسين تحصيل الإيرادات غير الاستخراجية عن طريق توسيع الوعاء الضريبي ليشمل المجموعات أو المؤسسات التي تتهرب من الضريبة بسبب عدم التصنيف والإعفاءات الضريبية**. ويمكن بلوغ القطاع غير المصنف الواسع والمؤسسات المصنفة التي لا تدفع ضرائب من خلال تعزيز الإدارة الضريبية حتى تكون أكثر فعالية في جمع الإيرادات وجعل التصريح الالكتروني إلزاميا لدافعي الضرائب الكبار والمتوسطين وترقية الدفع الالكتروني والمتنقل وتوفير بيانات معلومات ضريبية ثانوية لمصالح الرقابة الضريبية. وفضلا عن هذا، يجب على الحكومة القيام بمتابعة منتظمة ونشر الإعفاءات الضريبية الممنوحة للمؤسسات في كل سنة من أجل تقليل هذه النفقات في الوقت.

17. **التركيز على إنجاز التحول الاقتصادي والوظائف ذات الجودة من خلال تسهيل تبني واستخدام التقنيات من طرف المؤسسات**. ومن أجل هذا، يجب على الحكومة تنفيذ إصلاحات تسمح بشراكة مع القطاع الخاص ودمج ثقافة تبني واستخدام التقنيات وكذا التطوير المستمر للكفاءات في التحكم في تقنيات الإعلام والاتصال وتبني التقنيات من طرف المؤسسات. وعلى المدى القصير، يمكن للحكومة دعم مشاريع تدمج التقنيات في المؤسسات وتؤتمت العمليات التجارية وتؤثر على المؤسسات النظيرة لكي تتبنى هذه التقنيات. وعلى المدى المتوسط، يمكن للحكومة أن تدعم برامج التعريف بالتقنيات الرقمية التي تشجع توعية أكبر حول أنواع التقنيات واستخداماتها المحتملة وتبني التقنيات الرقمية، خاصة تلك المطبقة على الوظائف العامة للمؤسسات مثل إدارة الأعمال وتخطيط الإنتاج والتجارة الالكترونية والدفع الرقمي ومراقبة الجودة.

18. **تعزيز الولوج إلى التمويل بالنسبة للمؤسسات الصغرى والمتوسطة مع إصلاح سياسة المنافسة التي قد تسمح للمؤسسات بتطوير إنتاجها ونموها وإنتاجيتها**. فالحكومة بحاجة إلى إستراتيجية قادرة على تخفيض المستوى المرتفع من القروض المتعثرة في القطاع المصرفي للسماح للبنوك بمنح تمويلات للمؤسسات الصغرى والمتوسطة التي ينظر إليها على أنها ذات مخاطر مرتفعة. ويمكن للحكومة تفعيل صندوق ضمان القرض للمؤسسات الصغرى والمتوسطة الذي يدعمه البنك الدولي بواسطة عملية سياسة التنمية للطوارئ. ويمكن للحكومة أيضا أن تدعم المؤسسات الصغرى

والمتوسطة من خلال إنشاء سجل متكامل للقروض وتوفير تكوينات مؤهلة للمؤسسات الصغرى مثل ضبط السجلات والمحاسبة والتدقيق وأطر المتابعة. وإلى جانب هذا، يمكن للحكومة أن تدعم تطور مؤسسات متخصصة مثل شركات للقرض-إيجار أو للتخصيم ومؤسسات قرض متخصصة في القروض للمؤسسات الصغرى والمتوسطة وللمقاولات المحلية حديثة النشأة.

19. إنشاء نظام لحفظ البيانات يجمع ويراقب وينشر معلومات موثوقة ومحينة حول المؤسسات.
يقيس حفظ بيانات المؤسسات البيانات مثل الواردات والقروض والمشتريات والأرباح، وهو ما يمكن أن يشكل رصيدا لوكلاء الضرائب. وسيسمح هذا بتقليص عدم تناسق المعلومة وإظهار الاعتراف بالمؤسسات من طرف الدولة وتقليل مخاطر القرض لهذه المؤسسات وتسهيل الولوج إلى بيانات القطاع الخاص. وعلى المدى المتوسط، سيشجع هذا أيضا المؤسسات على إيداع حساباتها السنوية في السجل التجاري ويخفض تكاليف الامتثال المرتبطة بتطبيق المدونة العامة للضرائب.

Chapter 1 – Recent Economic Developments and Outlook

1.1 While economic activity remains below pre-COVID-19 levels, growth rebounded in 2021, supported by stronger demand and improved activity in the tertiary sector.

Growth returned to positive territory (+2.4 percent) in 2021, thanks to the relaxation of stringent containment measures and strong performance of the tertiary sector.

Growth is estimated to have recovered to 2.4 percent (-0.3 percent in per capita terms) from a 0.9 percent contraction in 2020 (-3.6 percent in per capita terms). However, the recovery was modest compared to averages for regional peers (4.7), structural peers (7.1), aspirational peers (5.8), the world (5.5), and Sub-Saharan Africa (3.5).[6] In addition, growth in 2021 remained significantly lower than potential (5.3 percent) and the 2019 growth rate (5.8 percent). Growth was also driven by the stronger responsiveness to higher commodities prices on some extractives, especially iron ore and copper (Figure 1).

On the demand side, growth was supported by a rebound of private investments and higher public consumption and investments.

Private investment is estimated to have increased by 37.5 percent supported by higher credit growth (12.6 percent at the end of 2021), the relaxation of stringent pandemic measures, progress in vaccination worldwide (Figure 6), and the decrease in COVID-19 cases (Figure 7). Public investment grew by 52.2 percent, driven by the implementation of the government priority program[7] to boost the recovery[8]. Also, government consumption rose by 31.1 percent, reflecting the higher purchase of goods and services and higher transfers.

On the supply side, growth was driven by stronger activity in the tertiary sector.

The extractive sector contracted by 14.5 percent as gold and copper productions decreased by 55.4 percent and 34.4 percent respectively, hampered by a fire at Tasiast gold mine in June 2021. The non-extractive sector grew by 2.6 percent, mainly reflecting stronger activity in the tertiary sector, which expanded by 6.4 percent in 2021 compared to a contraction of 0.3 percent in 2020 (Figure 2 and Figure 3). This rebound was mainly driven by increased activity at Mauritania's ports and airport partly reflecting the reopening of borders in September 2020 (Figure 4). However, significant challenges remain.

Several constraints hinder the agriculture sector from strongly contributing to economic growth.

Among these constraints are insufficient supply of quality inputs, inadequate use of agricultural machinery, lack of financing systems and agricultural insurance, and weaknesses in the provision of extension and supervision services to farmers. Also, the sector suffers from downstream weaknesses, such as the nonavailability of storage and preservation facilities and efficient transportation networks and weak marketing of agricultural products. Without government policy interventions that address land tenure challenges confronting the private sector, attracting large players to invest in the sector, and institutional reforms to facilitate financing, insurance, and supervision, the agriculture sector is unlikely to improve its contribution to growth in the short to medium term. Deliberate measures are needed to support adaptation and resilience of the sector against volatile climatic shocks.

Similarly, the fishery sector remains non-inclusive and a

Fishing represents a small fraction of employment and growth prospects are mainly onshore (services and processing). Prior to the emergence of COVID-19,

[6] Regional peers are Algeria, Morocco, and Tunisia. Structural peers are Benin, Nicaragua, and Senegal. Aspirational peers are Laos and Moldova.
[7] The government's Priority Program (PROPEP) was adopted in September 2020 to support the recovery and boost long-term inclusive growth by focusing on new spending in social sectors (education, health, and housing) and social transfers, infrastructure, support to agriculture and fishing, aid to businesses, and environmental interventions totaling US$670 million over 2021–23. The largest priority sectors are education (US$113 million), the fishing industry (US$109 million), and urban mobility (US$83 million).
[8] The recovery program adopted in September 2020 focused on social sectors, infrastructure, support to agriculture and fishing, aid to businesses, and environmental interventions. The plan, whose total cost was estimated at about US$670 million (7 percent of GDP), centered on strengthening the role of the private sector as an engine for inclusive growth and developing digital infrastructure for better service delivery.

relatively small employer in 2021.

the fisheries sector contributed about one-third of goods exports. Real output of fishery is estimated to have declined in 2021 relative to 2018–19. There are a few downstream engagements in processing but nonexistent upstream activities to provide inputs to the sector. One of the main axes of the sector strategy (2020-24) highlights challenges affecting the development of fishing activities and value chains. The sector could be more inclusive by strengthening the marketing of Mauritanian products and improving their value on world markets. This could be achieved by modernizing landing and processing infrastructures and improving acquisition of export certification. Overall, the government could implement a strategy to strengthen the training of workers in the sector, to enable them to add value to their products.

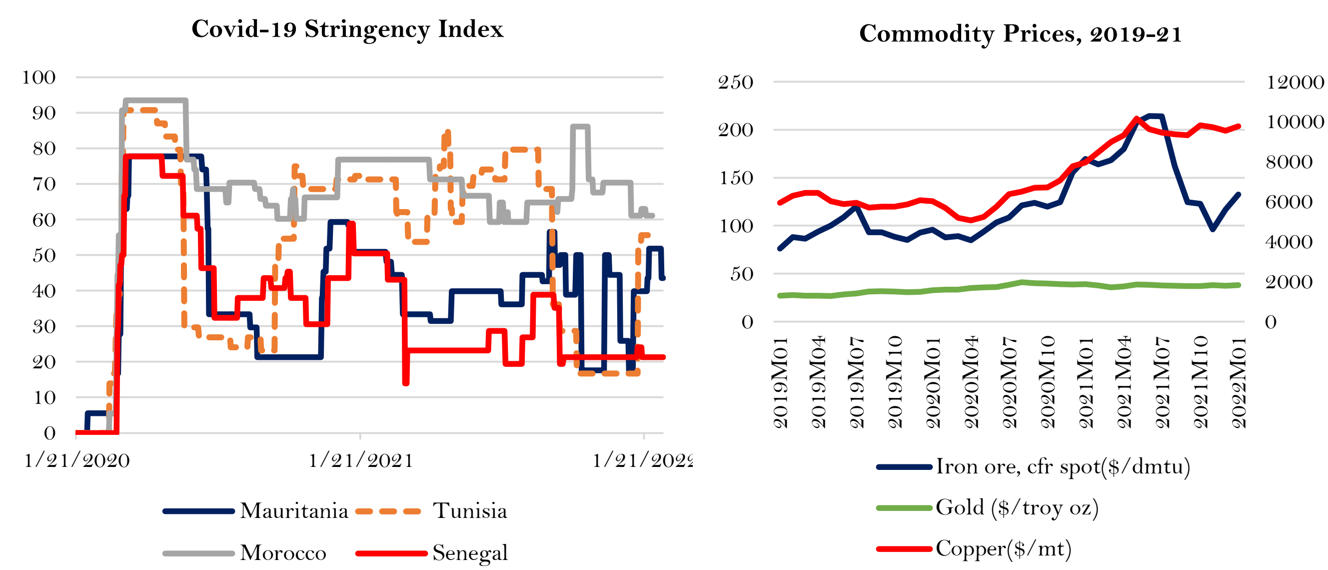
Irrespective of the sector, economic activity remains significantly below its pre-pandemic level.

While about 90 percent of port traffic has been restored, air traffic in 2021 represents only 45 percent of the level observed in 2019. The growth of the primary sector (including agriculture and fishing) was negative (-3.6 percent), from a very low base (-4.0 percent in 2020), owing to a continuous decline in fishing production. In 2021, total fish (caught) declined by 38 percent and 30.9 percent compared to the same period in 2019 and 2020 respectively (Figure 5).

The strength of the recovery was significantly restrained by COVID-19 flare-ups due to the emergence of variants.

The number of daily COVID-19 cases increased by about 54 percent between 2020 and 2021, driven by the surge of infections related to the Delta and omicron variants. However, the number of deaths dropped by half due to a significant acceleration of the vaccination campaign. The vaccination rollout started in late March 2021 but accelerated quickly. As of May 12, 2022, 24.4 percent of the eligible population had received two doses (Figure 6). Vaccination rates are higher than the average for Africa (16.7 percent), but still far from the government target of 65 percent of the population being fully vaccinated by mid-2022.

Figure 1. Growth recovery mainly due to the relaxation of containment measures and higher commodity prices



Source: Our World in data (2022) and the World Bank Commodity Markets.

Figure 2. Industry and services supported growth on the supply side

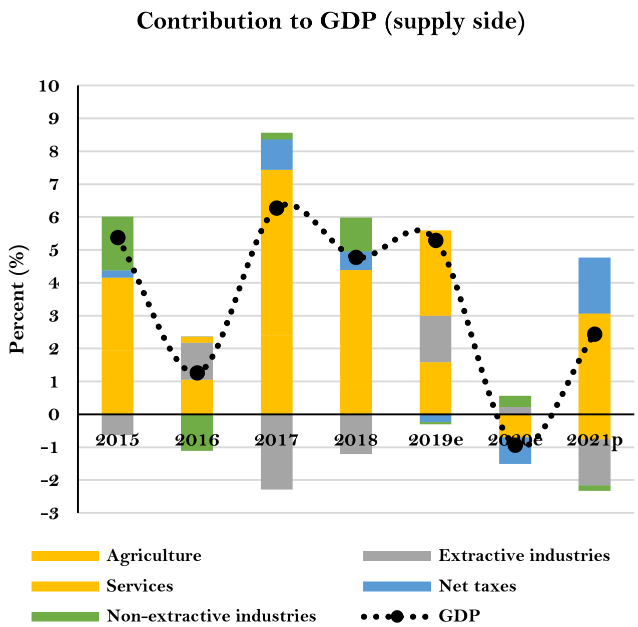
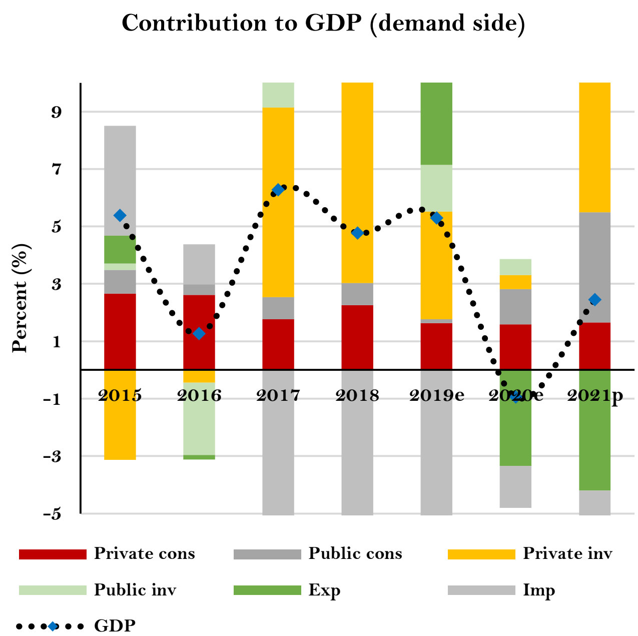
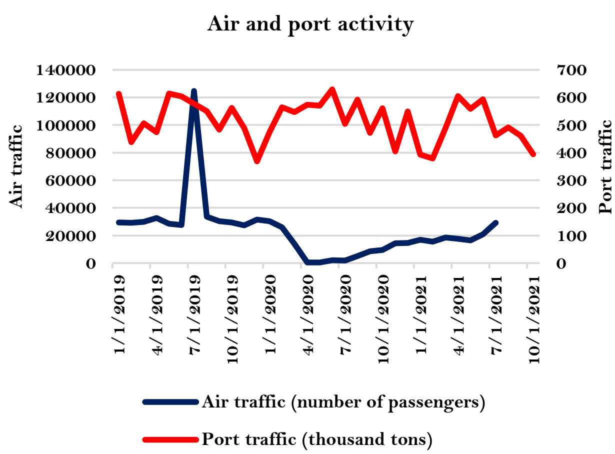


Figure 3. Private investment drives growth on demand side



Source: Macro Poverty Outlook, the World Bank (2022).

Figure 5. Air traffic recovery



Source: Mauritanian authorities.

Figure 4. Fish production maintained a downward trend

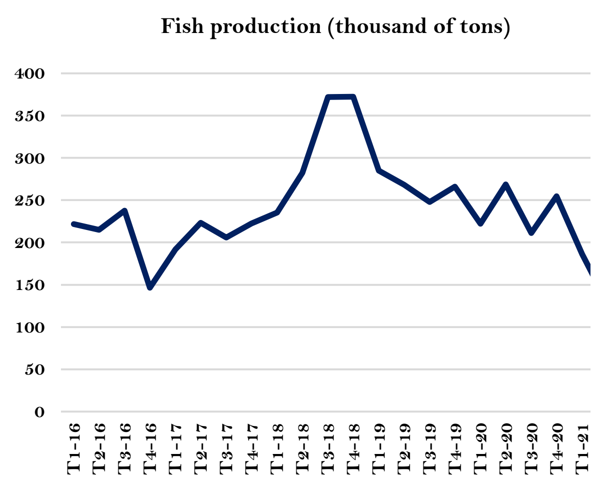


Figure 6. Increase in vaccination rate

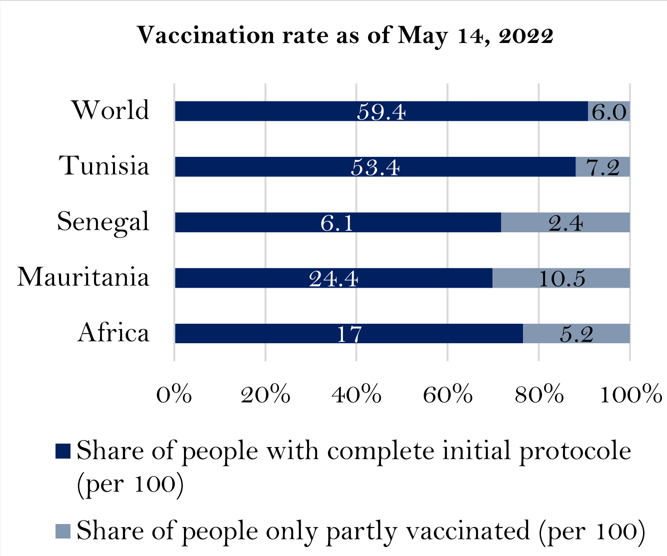
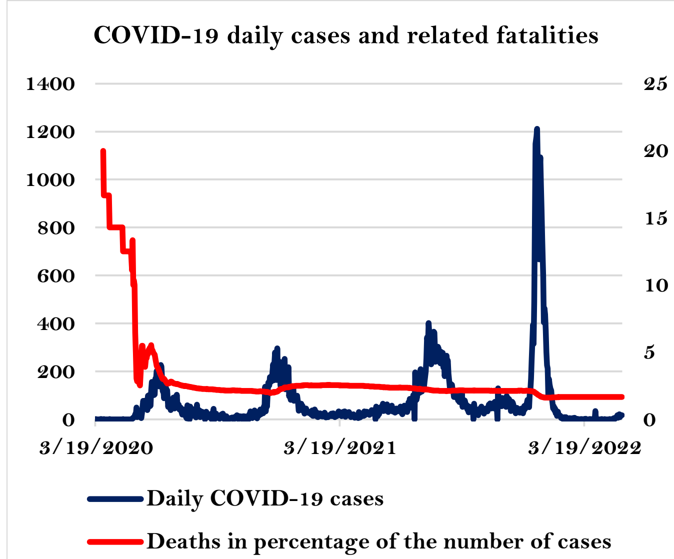


Figure 7. Significant decrease in COVID-19 cases



Source: Mauritania authorities.

1.2 Inflationary pressures intensified in 2021 due to rising food and energy prices

The exchange rate remained stable in 2021 as the authorities intervened in the foreign exchange market periodically given their substantial foreign exchange reserves.

The Mauritanian Ouguiya appreciated by 3 percent y/y against the U.S. dollar in 2021.[9] The BCM provided foreign exchange in the official market for current account operations and maintained a narrow band with the U.S. dollar to limit the pass-through effects of depreciation on inflation. The impact of the COVID-19 crisis delayed reforms to deepen the interbank foreign exchange market and implement an alternative monetary policy framework. Mauritania's external position was moderately stronger than its fundamentals, as high revenues from extractive exports and ample financing supported the external position.

Supply-side factors and expectations of higher import prices kept inflation on an upward trajectory throughout 2021.

Headline inflation rose sharply, from 1.4 percent (y/y) in October 2020 to 6 percent (y/y) in January 2022, driven mostly by higher food prices. The annual average inflation increased from 2.4 percent in 2020 to 3.5 percent, driven by food prices, which contributed 2.9 percentage points to the index in 2021. The government response to COVID-19 contributed to lower prices of health services, which fell by 5.5 percentage points between 2020 and 2021. The authorities also took several measures to mitigate inflationary pressures, including liquidity absorption operations conducted by the BCM and distribution of goods to stop hoarding practices.

Inflation imposed hardships on the poor, though fewer people dropped into lower-income brackets and higher levels of poverty in 2021.

The negative impact of the pandemic on human, economic, and social activities declined markedly in 2021, reflecting a rebound in growth and mitigation measures implemented by the government. The number of people falling into extreme poverty is estimated at 7,200 in 2021 from 38,000 in 2020. Since 2021, the government has been implementing a priority program (PROPEP) to support economic recovery and sustain growth in 2022. This program promoted the creation of inclusive jobs, preparation for gas exploration in 2024, and mitigation of the impact of climate-related shocks on the agricultural sector, especially fisheries. The agricultural sector, which employs 57 percent of the poor workers, contracted by 3.6 percent. The service sector, with growth of +2.5 percent, employs a significant proportion of the poor (42 percent). The result is

[9] The BCM operates a managed foreign exchange regime but has plans to introduce regular competitive auctions and greater exchange rate flexibility in the foreign exchange market.

a mixed evolution of poverty. International estimates based on US$1.90 and US$3.20 purchasing power parity 2011 suggest that extreme poverty and poverty headcount ratios have remained unchanged in 2021 at their respective 2020 levels of 5.8 percent and 23.8 percent.

To mitigate the impact of inflation on the poor in 2021, two key measures were taken to stabilize prices.

These measures were (i) the establishment of the Market Regulation Commission to monitor prices, and (ii) the issuance of a ministerial order setting the list of basic goods and services which are subject of price control (wheat, sugar, ultra heat-treated milk and powdered milk, edible oils, rice, medicines, electricity, water, hydrocarbons, gas, and legal fees). A toll-free number was made available to citizens to report, if necessary, the non-compliance of prices in the order by a compound or a retail store.

1.3 External pressures increased in 2021with higher energy and food imports

The balance of payments pressures increased in 2021 on the back of high energy and food imports.

The current account deficit widened from 6.7 percent of GDP in 2020 to 9.4 percent of GDP in 2021, driven by an increase in the trade deficit due to lower extractive production and higher energy and food imports prices. The current account deficit was financed by FDI in the extractive industry, increased donor financing, and a suspension of debt service through the Debt Service Suspension Initiative (DSSI). Also, Mauritania received 123.4 million of Special Drawing Rights (SDRs) (2 percent of GDP) in additional reserves as part of the IMF allocation of SDRs to support economic recovery and build resilience after the pandemic. As a result, international reserves rose from 4.8 months of imports of goods and services in 2020 to 6.9 months in 2021.

Higher export prices helped mitigate the negative impact of lower extractive production and higher energy and food imports prices on the trade balance.

Exports decreased from 30.1 percent of GDP in 2020 to 28.9 percent of GDP in 2021 as a result of a significant decline in gold and copper production due to the fire in the Tasiast mine. This was slightly offset by soaring mining prices on international markets, leading to an increase of 76 percent iron ore exports in value, Mauritania's main export, while copper exports in value increased by 15 percent (Figure 8). Fish exports registered a slight decrease of 1 percent. On the other hand, imports increased to 39.3 percent of GDP in 2021, up from 35.5 percent of GDP in 2020 (Figure 9), driven by higher petroleum and food prices as well as equipment imports for the extractive industry. The net effect was a larger trade balance deficit of about 7.2 percent of GDP in 2021 compared to 3.6 percent of GDP in 2020.

Mauritania is a price taker in the international market, and yet its exports remain relatively homogenous, largely dependent on extractives.

The share of extractive revenue in total export revenue exceeds 70 percent in 2021, with iron ore being the main export (55 percent). The export diversification index is lower in Mauritania compared to peer countries (Figure 10), reflecting a nondiversified export portfolio.[10] In the last decade, export diversification has declined in Mauritania where the export diversification index rose by more than 10 percent, increasing the country's vulnerability to global shocks on commodity markets. A lack of diversification—paired with huge increases in international transport costs faced by the country due to the pandemic and spiking oil prices resulting from the Ukraine crisis—may pose risks to the country's external position over the next couple of years. Increasing transport costs are likely to be transmitted to users through higher inflation, which will hurt the livelihood of the lower-income class.

[10] The diversification index takes values between 0 and 1. A value closer to 1 indicates greater divergence from the world pattern.

Box 1: Impact of inflation on income poverty

The year 2021 marked the second phase of the pandemic, which corresponded to a high period of inflation. At the end of 2019, inflation had started to stabilize, but the pandemic was accompanied by a reemergence of inflation in the third quarter of 2020, which continued throughout 2021. Food items have been the main driver of inflation. Some non-food expenditures also contributed to inflation, such as health and education (Figures B1.1 and Figure B1.2).

Figure B1. Quarterly evolution of Consumer Price Index

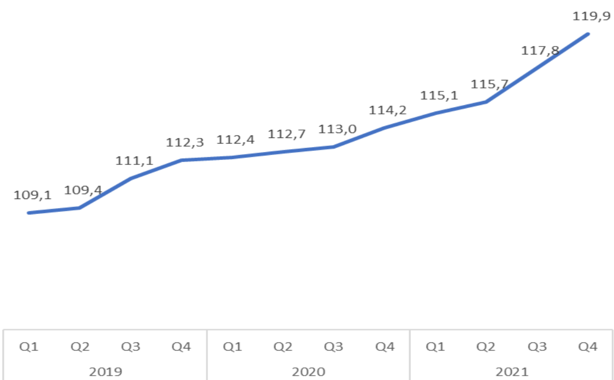
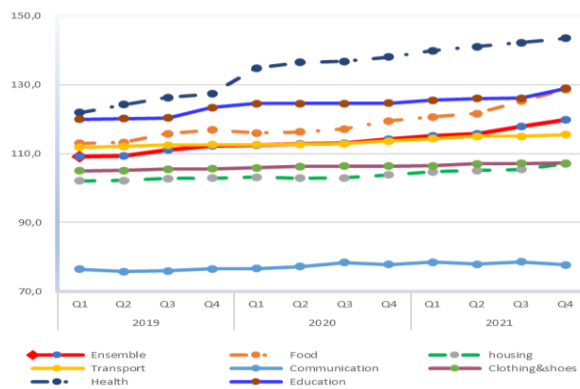


Figure B2. Quarterly evolution of Consumer Price Index by component



Source: Author's calculation using Consumer Price Index data from ANSADE.

Food inflation hit many households during the pandemic and increased poverty by 1 percentage point. Just over half of households (53 percent) faced rising food prices from the start of the pandemic. In July 2020, the price increase was more prevalent in rural areas, but gradually affected almost all households. In 2020 and 2021, rice, meat, oil, sugar, and pasta, which represent 41 percent of total household consumption, experienced inflation of 4 percent, 5 percent, 8.6 percent, 3.3 percent, and 1.6 percent respectively compared to their 2019 pre-COVID-19 level. This resulted in a one percentage point increase in the prevalence of poverty, from 31.8 percent to 32.8 percent if all else is equal. Rural poverty was more prevalent, increasing by 1.4 percentage points, compared to a 0.6-point increase in urban areas.

The threat of food insecurity, which is generally reflected in food price inflation, plagued households during the pandemic and risks being exacerbated by the Ukraine conflict. Rising prices translated into increased food insecurity. From 44 percent in 2019, the prevalence of food insecurity fell to 64 percent in November 2020. Despite the slight decline observed in January 2021, food insecurity affects more households than before the pandemic. The urban environment, which was relatively spared from food insecurity, saw its situation deteriorate to reach a level comparable to that of rural populations. The capital Nouakchott resisted food insecurity less well than other urban areas. In January 2021, the proportion of households experiencing severe food insecurity in Nouakchott was 22 percent, the same as in rural areas, but seven points higher than in other urban areas. The poorest populations remain the most exposed to food insecurity, though the share of affected households increased sharply among the richest (47 percent in January 2021 against 24 percent in 2019). The Ukraine conflict is pushing up global prices significantly and limiting the supply of cereals and fertilizers, as well as oil, which will exacerbate food insecurity in Mauritania and across the Sahel region over the short and medium term.

Figure B3. Households facing food increases

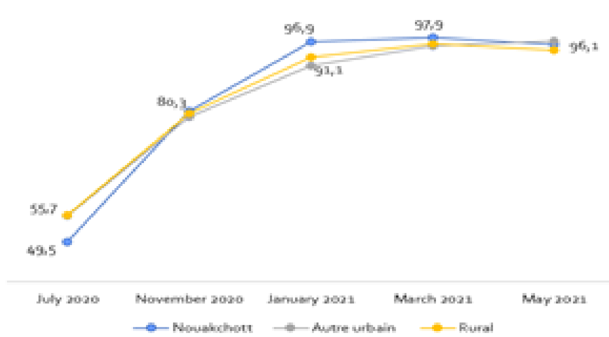
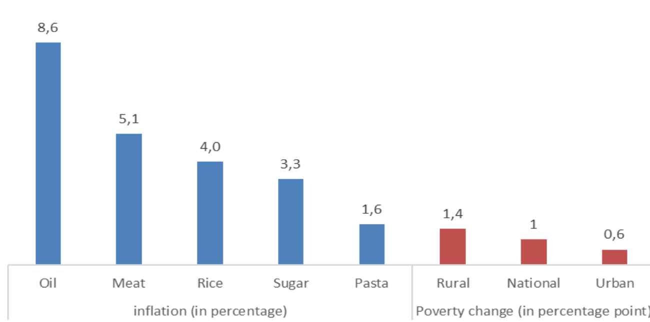


Figure B4. Food inflation and poverty changes



Source: Author's calculation using the EPCV2019 and HFS for COVID-19 impact analysis.

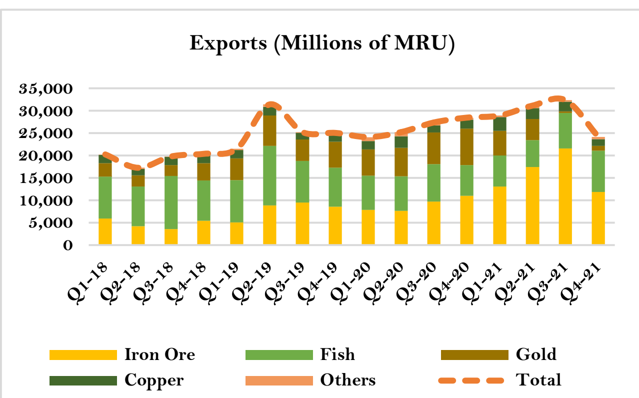
The structure of trading partners changed during the pandemic to reflect movements in international prices.

While European countries (especially Spain) were the main destination for Mauritania's fishing exports and Switzerland in the case of gold, there was an increase of exports to other regions, such as Asia and America during the pandemic (Figure 11). The share of exports to European countries decreased from 46 percent in 2020 to 31 percent in 2021, while the share to Asia increased from 42 percent to 52 percent. Increased exports to Asia were driven by exports of iron ore and copper to China, which account for 41 percent of total exports in 2021. Exports to America represent a less important share of exports. However, there was a big jump from 3 percent to 11 percent of total exports between 2020 and 2021, all driven by gold exports to Canada. These changes have not been accompanied by increasing volumes of exports but mainly reflect the increase in respective commodity prices in 2021. Trade within Africa declined by 2.5 percent within 2021, indicating the continued presence of non-tariff barriers in African countries.

Trade facilitation improved in 2021 on the back of institutional arrangements.

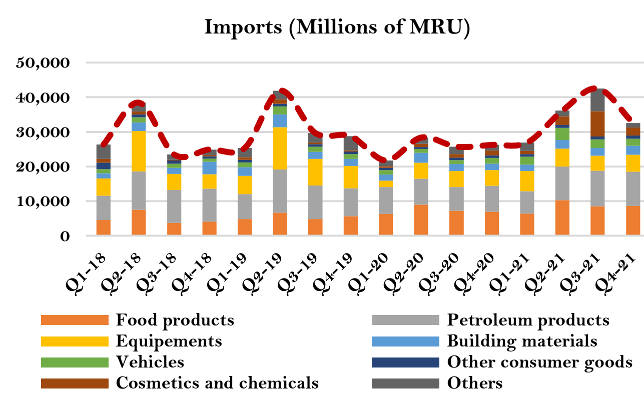
According to the United Nations Global Survey on Digital and Sustainable Trade Facilitation (UN-GSDSTF), the trade facilitation score of Mauritania increased from 24.7 percent in 2019 to 54.8 percent in 2021. This reflects significant improvement in transparency, streamlining of formalities, institutional arrangement and cooperation, and paperless trade, including cross-border. While Mauritania's score is slightly higher than the average for Sub-Saharan Africa (54.5 percent), its performance is below the average in terms of transparency, formalities and institutional arrangement, and cooperation. Some weaknesses persist, including the lack of trade-related information measures for SMEs, paperless collection of payment from a documentary letter of credit, the e-payment of custom duties and fees, and lack of electronic application for custom refunds.

Figure 8. Decrease in exports driven by lower gold and copper production



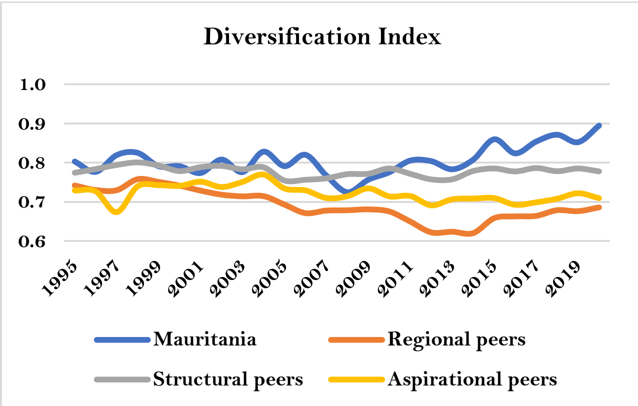
Source: ANSADE and staff calculation.

Figure 9. Increase in imports driven by higher oil and food prices



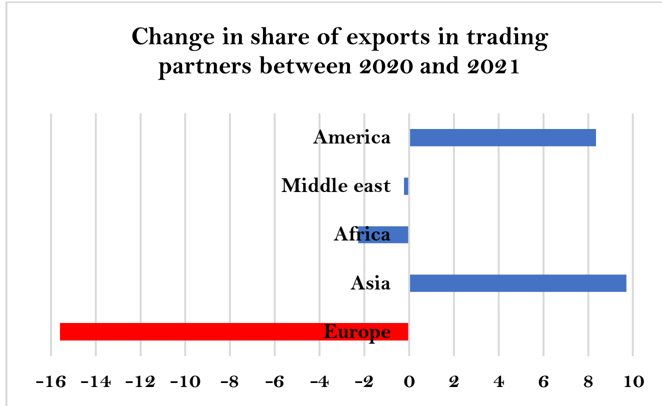
Source: ANSADE and staff calculation.

Figure 10. Export diversification declined in Mauritania over the last decade



Source: UNCTAD.

Figure 11. Pandemic and prices of international market drove the change in trading partners over the last two years



Source: National Office of Statistics ANSADE and staff calculation.

1.4 The monetary policy was supportive of economic recovery in 2021, while the banking sector suffered from the effect of the crisis on assets quality.

In 2021, the BCM adopted an accommodative monetary policy aimed at supporting the recovery.

The money supply increased from 15 percent in 2020 to 23.1 percent in 2021, due to: (i) the increase in liquidity in circulation resulting from the massive purchase of foreign exchange reserves and gold by the central bank, and (ii) the decrease in the overall effective interest rate from 12.5 percent in December 2020 to 12.1 percent in October 2021. To avoid a further increase in prices, the BCM preemptively increased reserve requirements and conducted liquidity management operations to absorb the excess liquidity.

Private sector credit growth accelerated in October 2021, nearing its pre-pandemic level.

After decelerating to 2 percent in December 2020 (y/y), down from 14 percent in December 2019, credit growth accelerated to 12.6 percent in 2021 (Figure 12). This increase reflects higher money supply and BCM efforts to support the private sector in the context of the pandemic by reducing its policy rate and the banks' reserve requirements. The uptick in credit growth was mainly driven by loans to households, fishing, retail, and tertiary sectors. However, credit growth was lower in the construction sector. The composition of credit allocated during the first 10 months of 2021 shows that the fishing sector, households, and retail and services sectors are the main beneficiaries, with 62.5 percent of total credit and with most of the credits contracted being short-term credit (64 percent of total credits) (Figure 13).

The banking sector is well capitalized, and most banks followed the new Basel III standards.

In 2020, banking regulations were strengthened to improve banks' soundness and resilience to shocks. As a result, new Basel III capital adequacy and liquidity ratios were introduced. The overall capital adequacy ratio (CAR) has remained high at 19 percent in June 2021 (19.9 percent in December 2020), 9.9 percentage points above the minimum requirement of 10 percent. Banks have a comfortable level of liquidity, with a liquidity coverage ratio (LCR) of 144.1 percent in July 2021, exceeding the Basel III requirement of 100 percent. Compliance with the new requirements is very good, with 15 out of 18 banks meeting the new CAR requirement and 17 meeting the LCR requirement.

However, banks assets quality and provisioning deteriorated in 2021.

NPLs, on a declining trend since 2010 (down from 45 percent to 21.5 percent in 2019), have steadily increased since the beginning of the pandemic, reaching 24.2 percent in June 2021 and 24.1 percent at the end of December 2021 (Figure 14). Worryingly, the pool of delinquent loans is growing faster than healthy loans. In particular, impaired loans alone account for 19 percent of gross loans and 78 percent of past due loans at the end of 2021. The increase in overall delinquencies is weakly correlated with the health crisis: at the end of December 2020, nine months after the start of the pandemic, recent delinquencies (less than one year old, that is, doubtful and pre-doubtful) were decreasing in absolute terms. On the contrary, it is the overdue receivables accumulated in fiscal years 2017, 2018, and 2019 that have rarely been resolved. These data reveal several structural weaknesses in the Mauritanian banking system: (i) lack of prudent management of a significant number of banks; (ii) poor management of contracts (poorly taken guarantees, unreliable real estate estimates) and litigations (incomplete files, slow management of claims); (iii) lack of effective risk management, both at the level of corporate officers and managers; and (iv) lack of anticipation in the supervision of the sector. In addition, although the provision coverage was good in 2019 at 76.1 percent, it declined to 68.1 percent in June 2021. Overall, the level of NPLs in Mauritania remains above its peer countries (Tunisia, Algeria, Morocco) (Figure 15), suggesting that significant efforts are still needed to protect the financial sector from portfolio impairment.[11]

Mauritania remains below its structural peers in terms of financial inclusion.

The banking rate, which measures the percentage of the adult population (aged 15 and over) holding an account in banks, postal services, national savings banks, and the Treasury, was at 16.9 percent in Mauritania in 2020 compared to 19.6 percent and 31.2 percent in Senegal and Benin, respectively (Figure 16). The gap increased over the last five years as the ratio increased only by 8 percent between 2015 and 2020 in Mauritania compared to 15 percent and 18 percent in Senegal and Benin, respectively. Looking at the "extended banking rate," which accounts for the percentage of the adult population holding an account in microfinance institutions, shows that the gap is even higher, reflecting that microfinance is not very developed in Mauritania compared to its peers. The share of accounts in microfinance institutions represents more than 60 percent of the total accounts, compared to 37.7 percent in Mauritania in 2020.

The government made important steps to address the lack of an appropriate legal and regulatory framework to expand credit to firms and boost digital financial inclusion.

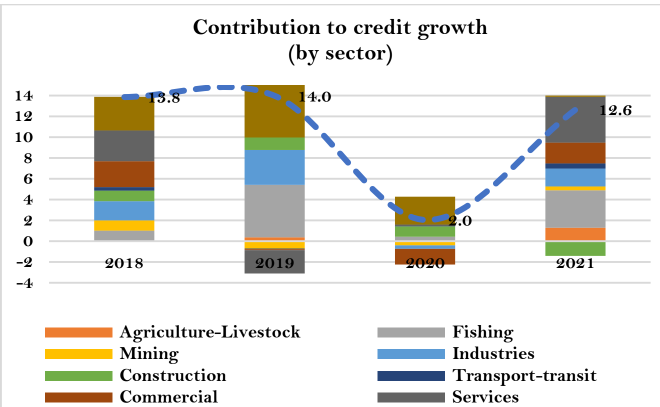
In June 2021, the Mauritanian parliament passed a new law that enabled banking and non-banking actors to offer electronic money and payment services in line with international standards currently being applied by the European Central Bank and the Central Bank of West African States. The law also included provisions for consumer protection and refers to adequate anti-money laundering FTC regulations, which were reviewed and reinforced in Mauritania. This reform also boosted financial inclusion of women by strengthening their engagement with the formal economy and improving their overall economic well-being, as was the case in other Sub-Saharan Africa countries.[12]

[11] While the 2018 law on credit institutions (banking law) aligns prudential standards on the principles of Basel II and III and strengthens the crisis management mechanism by establishing a new framework for bank resolution and depositor protection, there has been a lack of implementation of the law (regulations as well as dedicated staff and budget to address these issues), especially on financial safety nets (risk management, crisis preparedness, deposit insurance program , and so on).

[12] In Kenya, when women-headed households adopted mobile money, poverty dropped, savings increased, and they secured higher paying positions in business and retail over those in agriculture (Suri and Jack 2016).

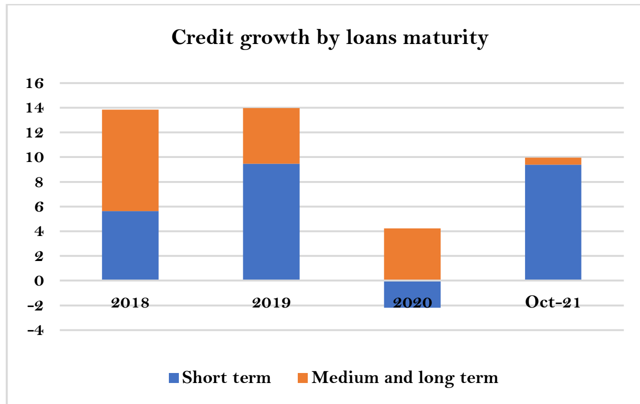
In Mauritania, financing constraints particularly affect rural households, as only 1 percent of them live near a traditional bank, compared to 22 percent in urban areas (Amendola et al 2017). Since women account for 54 percent of the rural population, digital financial reforms are expected therefore to benefit women more and allow them better access to financial services. Access to finance by firms remains limited, which is extensively discussed in the next section.

Figure 12. Credit growth accelerated in 2021, driven by the fishing and services sectors



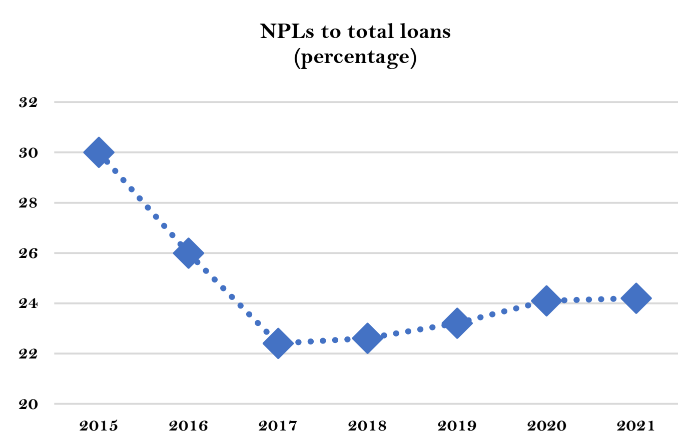
Source: BCM and staff calculation.

Figure 13. Short-term loans contributed strongly to credit growth in 2021



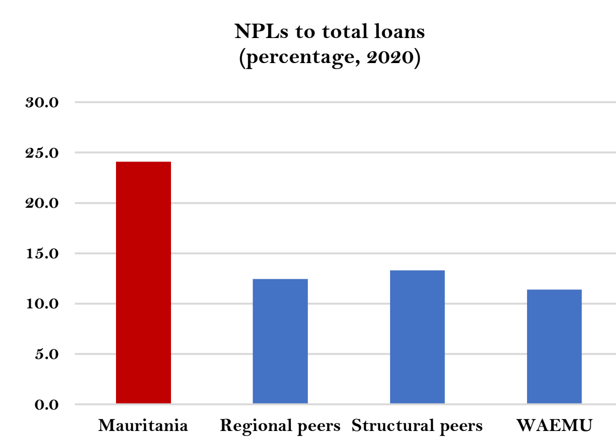
Source: BCM and staff calculation.

Figure 14. Level of non-performing loans increased since the beginning of the pandemic



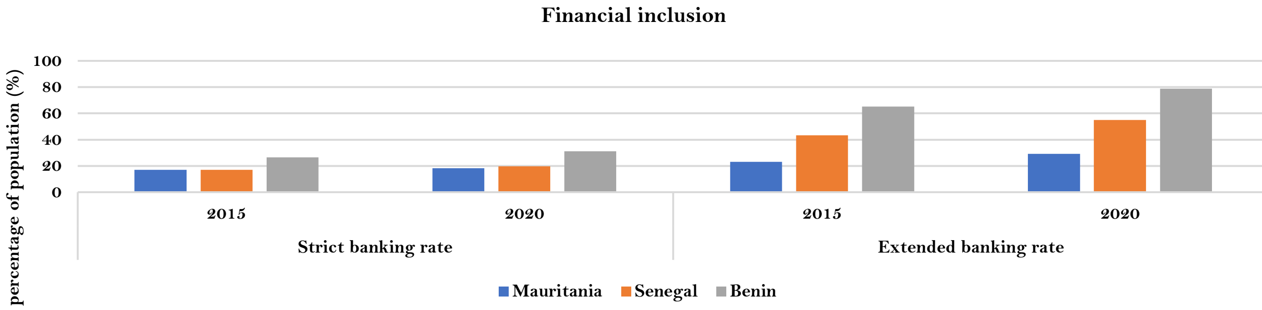
Source: BCM and staff calculation.

Figure 15. Non-performing loans are higher in Mauritania than in peer countries



Source: Article IV, IMF. Regional peers (Algeria, Morocco, Tunisia); Structural peers (Benin, Nicaragua, Senegal).

Figure 16. Mauritania remains below its structural peers in terms of financial inclusion



Source: BCM and BCEAO annual reports.

1.5 The fiscal position remained strong thanks to improved revenue collection and mining revenues, although budget execution encountered come challenges.

The fiscal position remained in surplus in 2021.

Mauritania entered the COVID-19 crisis with solid fiscal space to respond to the shock, having achieved primary budget surpluses (excluding grants) over the last years (Figure 17). Despite the negative effects of the pandemic, the primary fiscal balance (excluding grants) remained in surplus at 1.1 percent of GDP in 2020, and at 0.8 percent of GDP in 2021.

The fiscal surplus was driven by an increase in mining and tax revenues.

Total revenue rose from 20.3 percent of GDP in 2020 to 21.2 percent of GDP in 2021, driven by higher tax revenues and dividends from mining companies. Tax revenues increased, supported by higher taxes on goods and services and taxes on international trade, which reflected improved economic activity and stronger domestic demand (Figure 18). Non-tax revenues rose on the back of high dividend payments by state-owned enterprises (SOEs), resulting from favorable market conditions with high international price and strong demand. Grants increased from 2 percent of GDP in 2020 to 2.1 percent of GDP in 2021.

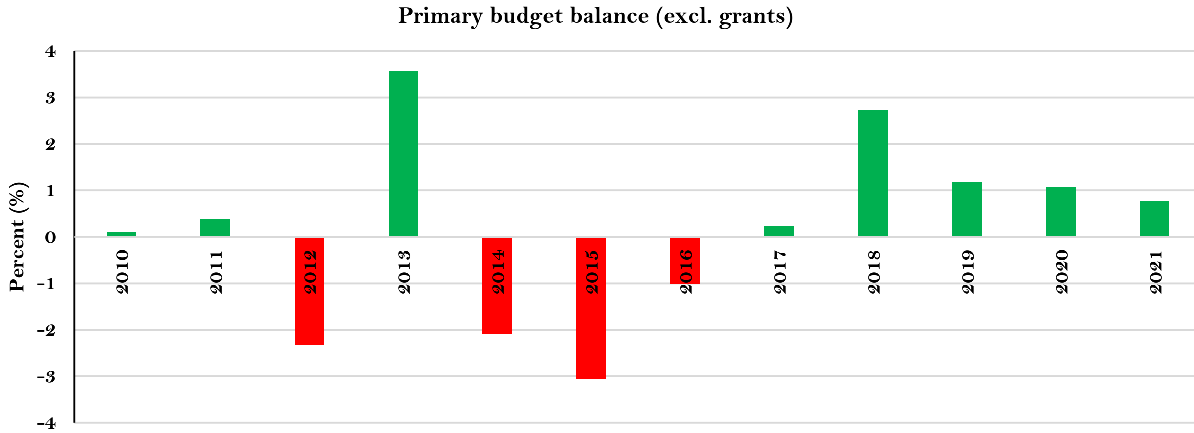
On the other hand, spending increased in 2021 on the back of higher transfers and public investment.

Expenditures increased to 19.1 percent of GDP in 2021 up from 18.2 percent of GDP in 2020 (Figure 19). This increase in spending was supported by stronger domestically financed capital spending to support the economic recovery. This has been accompanied by higher current transfers to mitigate the impact of the crisis on the economy and contain the increase in extreme poverty (US$1.90 per day, in 2011 purchasing power parity) from 5.4 percent in 2020 to 6 percent in 2021. However, budget execution has only reached 85 percent of what was planned in the supplemental budget**.** This is due to under-execution in spending on goods and services, transfers, and implementation challenges that affect the execution of domestically financed capital spending. The Ministry of Finance is aware of the capacity constraints of departments to implement some budget items.

The fiscal policy response to the COVID-19 crisis was effective in supporting basic services (water and electricity) to vulnerable households.

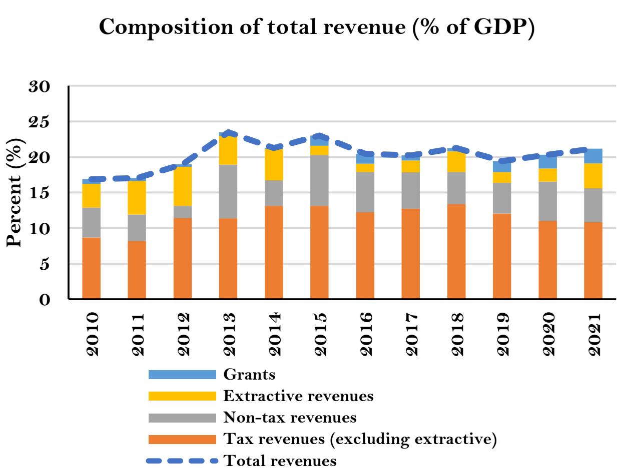
The COVID-19 Special Fund (Fonds Spécial de Solidarité et de Lutte contre le Coronavirus, or FSS), created as part of the Government Multisectoral Response Plan to fight COVID-19, has executed about 91.9 percent of its programmed budget as of December 2021. The latest execution report shows that as of December 2021, revenues collected reached MRU 9.5 billion (US$260 million) while spending reached MRU 3 billion (US$83 million) out of a programmed budget of MRU 3.3 billion (US$91.3 million). The spending target was reached for three out of five components, namely the payment of electricity bills, tax exemptions, and the household support component.

Figure 17. Mauritania budget balance remained in Surplus in 2021



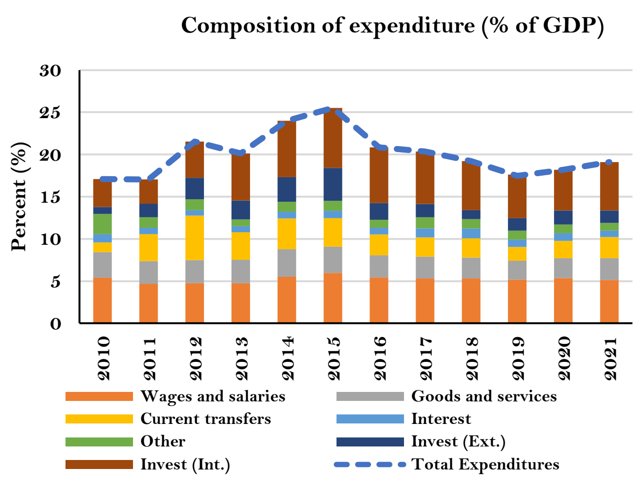
Source: Ministry of finance and staff calculation.

Figure 18. Increase in mining and tax revenue



Source: Ministry of finance and staff calculation.

Figure 19. Increase in expenditures, offset by revenue



Source: Ministry of finance and staff calculation.

1.6 Debt policy in 2021 was geared toward reducing the stock of debt and maintaining debt sustainability.

Public debt decreased in 2021 as growth picked up.

The total public debt to GDP ratio fell from 55.8 percent in 2020 to 51.7 percent in 2021 (Figure 20), driven by a strong fiscal position and higher nominal GDP. Most of Mauritania's public debt is on concessional terms, making interest payments on public debt manageable, at 3.7 percent of total revenue in 2021. However, as 85 percent of public debt is denominated in foreign currency, the vulnerability of debt-to-exchange rate risks remains very high.

As part of the DSSI, Mauritania benefited from the suspension of debt

This debt moratorium included debt owed to the Arab Fund for Economic and Social Development, China, Germany, France, Kuwait, Saudi Arabia, Spain, and the United Arab Emirates. It freed up approximately US$95.6 million (1.1

service from May 1, 2020, to December 31, 2021.

percent of GDP) in 2020 and an estimated US$119.7 million (1.2 percent of GDP) in 2021.

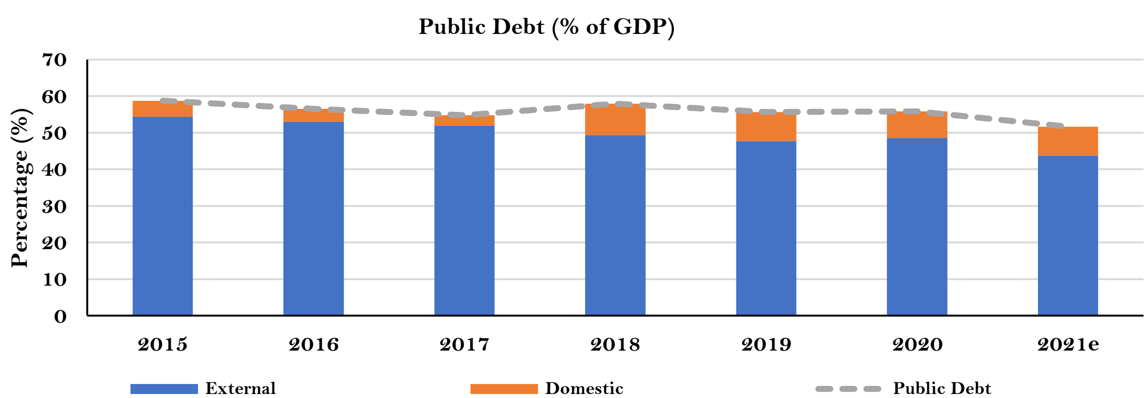
Debt policy in 2021 focused on reducing the stock of debt and maintaining debt sustainability in the context of implementing priority programs.

The authorities' framework emphasizes maintaining a prudent borrowing strategy of not contracting non-concessional loans as agreed upon under the DSSI and the Sustainable Development Finance Policy. Moreover, Mauritania has been pursuing bilateral discussions with several creditors to renegotiate more favorable terms. In August 2021, it reached a final agreement with Kuwait regarding the restructuring of a long-standing passive debt estimated at 12.4 percent of GDP at the end of 2020. The agreement includes: (i) the cancellation of 95 percent of the accumulated interest due, and (ii) the spreading out of the repayment of the principal over 20 years, including a two-year grace period, with an interest rate of 0.5 percent. Similarly, an agreement with the Kingdom of Saudi Arabia converting the US$300 million Saudi deposit into a concessional loan was also reached in April 2022. As a result, effective debt management resulted in the non-accumulation of new expensive debt, debt cancelations, and reliance on concessional external financing.

Two factors could mitigate the risk of debt distress.

First, Mauritania does not have access to financial capital markets, which forces it to rely on bilateral donors and development partners. Second, concessional loans tend to have longer maturities, which minimizes refinancing risks. However, strong and sustained external commodity price shocks of its exports could pose a risk, given that its impact could translate into lower extractive revenues and potential fiscal deficits. Without concessional financing, the authorities may have to rely on more expensive debt options. This may have adverse implications on the stock of debt and the already high external debt distress level.

Figure 20. Debt-to-gross domestic product ratio declined in 2021 as growth picked up



Source: IMF and staff calculation.

1.7 Economic outlook for 2022–24: The macroeconomic framework is favorable but subject to important risks.

Economic activity is projected to recover in the short and medium term.

Economic growth is projected to continue its rebound in 2022 to 4.5 percent, driven by higher prices of extractives (iron ore and gold) as a consequence of the ongoing conflict in Ukraine, successful vaccine rollout, and increased public sector investment in priority projects. However, growth projections are lower by 0.2 percentage points compared to the pre-Ukraine shock forecast, reflecting the negative impact of the conflict on inflation, private consumption and investment. Growth is then projected to average 6.5 percent over 2023–24, on account of the ongoing preparation for gas production and the continued expansion of mining production.

The extractive and services sectors will significantly drive growth over the medium term.

Projections assume a sharp increase in mining production between 2022 and 2025 with: (i) the expansion of the Tasiast 24k gold mine;[13] (ii) the implementation of the action plan of the Société Nationale Industrielle et Minière to increase iron production; and (iii) the start of gas production from the GTA offshore gas field in 2024. The services sector will continue to post a healthy recovery, growing by 5.8 percent in 2022, reflecting further expansion of the transport sector and gross and retail trade.

Growth in non-extractives is expected to be broad-based over the projection period.

This growth includes: (i) a recovery of consumption and private investment as the vaccine rollout covers a larger share of the population, and (ii) improved business climate, strengthened human capital, and more diversified economy supported by the authorities' public investment program and planned structural reforms under the government's long-term strategy, 2022–25 Strategy for Accelerated Growth and Shared Prosperity (Stratégie de Croissance Accélérée et de Prospérité Partagée, or SCAPP). Moreover, reforms to improve human capital, strengthen the specialization and independence of commercial justice, improve the legal framework for secured transactions, and promote digital mean of payment services are expected to improve the business climate, boost private investment, and support growth in the medium term.

Inflation is expected to remain elevated in 2022 but moderate in the medium term as supply-side constraints and global disruptions are expected to be resolved.

Inflation is projected at 5.3 percent in 2022, compared to a projected 3.8 percent before the conflict, driven by higher import prices of food and crude oil. Output gaps are expected to close in the medium term with stronger production, and lower imported food inflation. The BCM is expected to improve the functioning of the interbank market to support the absorption of excess liquidity. If the Ukraine conflict drags on, the pass-through effects are likely to put further pressure on domestic inflation. Such cases could lead to widespread social discontent, food insecurity, and a rise in poverty.

The fiscal position is expected to deteriorate in the medium term.

The fiscal deficit is expected to increase to 0.3 percent in 2022, reflecting higher capital expenditures and lower non-tax revenues and grants. Although tax revenues are projected to increase, this will be offset by the impact of the Ukraine conflict on subsidies for fuel and basic foods, as well as government priorities to ramp up capital and social spending, as outlined in the national development plan and the 2022 draft budget. Over the medium term, tax revenues are expected to increase on the back of the implementation of domestic revenue mobilization reforms. The net effect of the new tax policies in the medium term should be a gradual increase in tax revenue (excluding extractives) from 11.8 percent of GDP in 2021 to 13.1 percent in 2024. On the

[13] The Tasiast 24k project is estimated to increase the mine's output to 21,000 tons per day by the first quarter of 2022 and then to 24,000 tons per day by mid-2023, extending the mine's operating life by four years to 2033.

extractive revenue side, although gas production is expected to start in 2024, the increase in revenue will be offset by lower prices of other Mauritania's main extractives, especially iron ore and copper. Over the medium term, the government is committed to improving the efficiency of public spending in line with the recommendations of the Public Investment Management Assessment (IMF 2020) and the recently concluded World Bank Public Expenditure Review.

The government needs to pursue fiscal sustainability, with an emphasis on improving non-extractive revenues collection by widening the tax base to include firms that may be avoiding taxes due to informality and tax exemptions.

The large informal sector and formal enterprises that are not paying taxes could be reached by strengthening tax administration to be more effective in the collection of revenue, making e-filling compulsory for large and medium taxpayers' and promoting electronic and mobile payments that provide secondary tax information data for tax audits. In addition, the government needs to monitor and publish annually the tax exemptions granted to companies to minimize these outlays over time.

The current account deficit is projected to narrow in the near term, reflecting increased exports of extractives and lower imports of capital goods.

The current account deficit is forecasted to deteriorate from 10.4 percent of GDP in 2021 to 12.3 percent of GDP in 2022, driven by the rise in world commodity prices. Although exports to Russia and Ukraine are limited, the induced increase in the price of imports of food and petroleum products combined with investments in the hydrocarbons sector and public-private partnerships projects[14] should strongly contribute to the deterioration of the trade balance. This should be partly offset by strong exports of gold and iron ore as international prices continue to rise, driven by the Ukraine conflict. In the medium term, the current account deficit is expected to shrink to about 6.7 percent of GDP in 2024. Several factors are expected to contribute to this decrease: (i) the decline of imports of capital goods, as the development phase of the GTA offshore gas field wraps up; (ii) the coming to stream of hydrocarbon exports; and (iii) increases in mining production. FDI related to the extractive industry and concessional borrowing will continue to be key sources of financing. Thus, reserves are expected to remain above six months of imports of goods and services over the outlook period.

The reform momentum to strengthen monetary and exchange rate policies is expected to continue over the medium term.

The authorities remain committed to completing foreign exchange market reforms to establish an interbank foreign exchange market and introduce regular competitive auctions to improve access to foreign currency. The BCM will also continue to develop its operational framework for monetary policy, including through the implementation of an integrated technical platform for monetary policy operations with support from the African Development Bank. These reforms are yet to produce tangible results and require the attention of the new government to develop and make effective the domestic debt market. The benefit of this market goes beyond the harnessing of domestic resources for development, but it assist with open market operations of the BCM.

While the risk of external and overall debt distress remains high, public debt is sustainable.

The joint World Bank-IMF DSA of December 2021 concluded that Mauritania remains at high risk of debt distress as the debt-service-to-revenue ratio and the present value of debt-to-GDP ratio breach their respective thresholds (with marginal breaches from the solvency indicator). Nonetheless, external and public debt continue to be assessed as sustainable, as all debt indicators are projected to be either on a steady downward trend or below their respective

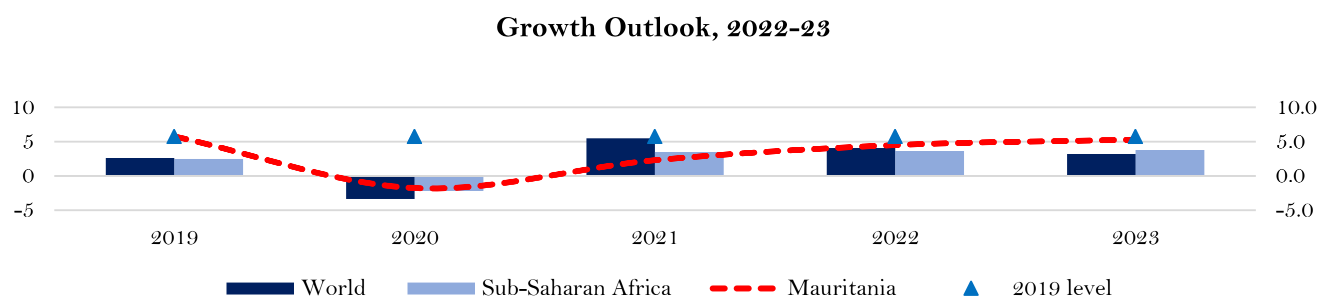
[14] Such as the expansion of petroleum storage facilities in Nouakchott or the realization of an agro-industrial complex for sugar production.

thresholds by 2026. In addition, public debt is on a declining trajectory over the medium term and is forecast to fall below 46 percent of GDP in 2031 (in nominal terms). The DSA highlights the need to follow prudent economic policies, including a strategy that avoids non-concessional borrowing and relies instead on grants and concessional financing. The agreement announced with the Kingdom of Saudi Arabia on April 17, 2022, is expected to improve debt sustainability, which will be reassessed with a new DSA in due course. The risk rating is therefore expected to change from high to moderate.

The macroeconomic outlook is subject to uncertainties and downside risks that could affect growth and other key aggregates.

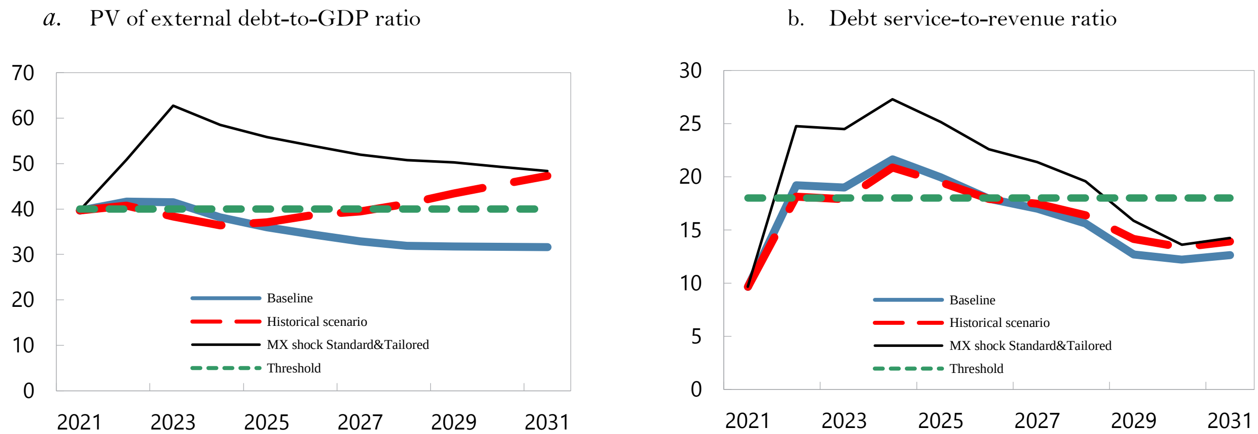
A more protracted COVID-19 pandemic and Ukraine conflict and weaker global commodity markets could translate into lower economic activities, revenues, external reserves, continued inflationary pressures, and increased poverty. Moreover, the failure to implement business climate reforms could undermine non-extractive growth prospects. In addition, although the construction of the first phase of the offshore GTA gas project is proceeding, the second and third phases could experience some delays, slowing FDI inflows and weighing negatively on growth and fiscal prospects in the medium term. Regional insecurity risks in the Sahel remain a concern, which, if realized, could have a negative effect on the economy and lead to an increase in military expenditures. Mauritania is also exposed to recurring cycles of droughts that impact agricultural output and household incomes. The medium-term outlook requires the government to focus on fiscal sustainability, with an emphasis on mobilizing non-extractives revenue resources, improving budget execution through strong partnership with the private sector to execute public projects, and improving the business climate to ease competitiveness and prudence in debt management. The private sector requires adoption and use of technology by firms, mechanized agriculture, adding value in the fishing sector, and providing financial support to SMEs to increase their output while creating formal jobs.

Figure 21. Growth will further increase in 2022 but remains below the pre-pandemic level



Source: Macro Poverty Outlook and Global Economic Prospects, World Bank 2022.

Figure 22. Indicators of public and publicly guaranteed external debt to GDP (a) and debt service to revenue (b) under most extreme shock, 2021–31



Source: IMF-World Bank joint DSA, December 2021.

Chapter 2 - Private Sector and Economic Transformation for Quality Jobs

2.1. Mauritania faces a key opportunity to expand the productive sector and accelerate job creation.

Focus of this chapter

Chapter 2 assesses key constraints and opportutinties for private sector development, especially SMEs, as key actors for effectively supporting inclusive growth and creating needed employment. The chapter proposes policy measures that could be implemented to address these constraintsand for creating better jobs for Mauritania.

Mauritania's population is predominantly young and unemployed or underemployed, constituting both a major opportunity and risk to the country.

Over 60 percent of working-age Mauritanians are less than 35 years old (ONS 2017) and vulnerable to unemployment. The highest unemployment rates (about 20 percent)[15] are among the youth population, and nearly half of the entire youth population do not work or attend school. Those who do work tend to do so informally (just 16 percent of their jobs are in the formal sector) with all the associated risks, including violation of human rights and underemployment. The labor market is further dampened by a low participation rate for women, who account for only one in four jobs (World Bank 2018b). Girls and young women are also more likely to drop out of school and suffer from restrictive social norms that favor women's exclusion from economic activities, particularly in the formal sector (World Bank 2021).

Despite previous respectable growth rates (on average 3.9 percent per year over 2009–19), the country has not been able to create more and better jobs for its population.

According to data from the National Survey of Employment and the Informal Sector in Mauritania (ENESI) from 2012 and 2017, and contrary to what is usually observed in most countries, Mauritania suffered from a reverse structural transformation in which labor was forced to move to less productive sectors. Workers moved from agriculture to non-tradable sectors, such as construction, retail, and utilities, where productivity declined over time (World Bank 2020). Overall labor productivity—proxied by GDP per employed person—has not improved over the last decade and is relatively low, about US$5,366 per employee per year below numbers observed in regional peers, such as Morocco (US$10,042) or Tunisia (US$14,634) (Dieppe, Kilic Celik, and Kindberg-Hanlon 2020).

In addition to the low productivity levels and conceivably correlated to it, Mauritania is characterized by high levels of informality.

Before the COVID-19 pandemic, data showed that most self-employed and salaried jobs in the country were informal, representing 84 percent of all employment. Waged employment is largely informal as well, accounting for 36 percent of jobs. Self-employment remains precarious, with varying levels of poverty among workers, especially those working in agriculture, the self-employed, and domestic workers (World Bank 2018b). The public sector remains the largest formal employer, with the private sector only representing about four percent of formal sector jobs (ONS 2017).

The COVID-19 pandemic significantly constrained employment in Mauritania.

According to the Household Living Conditions Survey conducted between November 2019 and April 2020, 42 out of 100 people of working age (14–64 years) were employed. First estimates conducted during the pandemic in July 2020 reported a job occupancy rate of 34 percent, corresponding to a drop of 8 percentage points compared to pre-COVID-19. This decline continued in November 2020 (the start of the second COVID-19 wave) when occupancy was at

[15] The overall employment rate from the latest available data (2017) is 36.6 percent, which means that almost two-thirds of the working-age population do not directly participate in the country's economic activity. The unemployment rate stood at 10.1 percent.

33 percent. A slight recovery in January 2021 led to a 2-percentage point increase in the occupancy rate, the level of which remained well below pre-COVID-19 figures. Large cities, such as Nouakchott and Nouadhibou, were more harmed by the decline in job occupation, however, they had a quicker recovery (Figure 23).

Currently, two opposing and distinct economic realities coexist in the country but with minimal connections between them.

On the one hand, there is a traditional subsistence economy based on livestock, agriculture, and small trade. On the other, there is a more modern economy relying on the country's abundant natural resources and related FDI and exports in low complexity products, namely extractives and fishing products. Whereas exports and FDI are often associated with substantial technology and productivity spillover effects, these effects have not transferred well to the non-resource economy in Mauritania, and the links between the extractive sector and the rest of the economy are close to negligible. Thus, the challenge remains to shift toward higher value-added activities to encourage economic transformation (World Bank 2020).

The Jobs and Economic Transformation (JET) agenda, defined as "the medium-term goal of creating more and better jobs through productive private investment and improved human capital," has been identified by the Mauritanian authorities as the foundation of the country's development.

Accordingly, this agenda deserves special analytical attention. There is a broad and recent analytical base in Mauritania, particularly through the Mauritanian Country Economic Memorandum (World Bank 2020) and policy note on transforming the jobs trajectory for vulnerable youth (World Bank 2017) that analyze issues related to growth and jobs. However, analytical work on the formal and predictably more productive sector is limited.[16] Authorities have carried out some studies to quantify and categorize the informal sector in recent years. Nonetheless, data for the private sector, including on SMEs,[17] only exists at the macro level and it is impossible to find general or disaggregated information about the business fabric in Mauritania from any public[18] or private source.

By leveraging firsthand firm-level data, this report aims to add to the existing body of knowledge as it pertains to the JET agenda on connecting to and creating markets (Figure 24) in two ways.

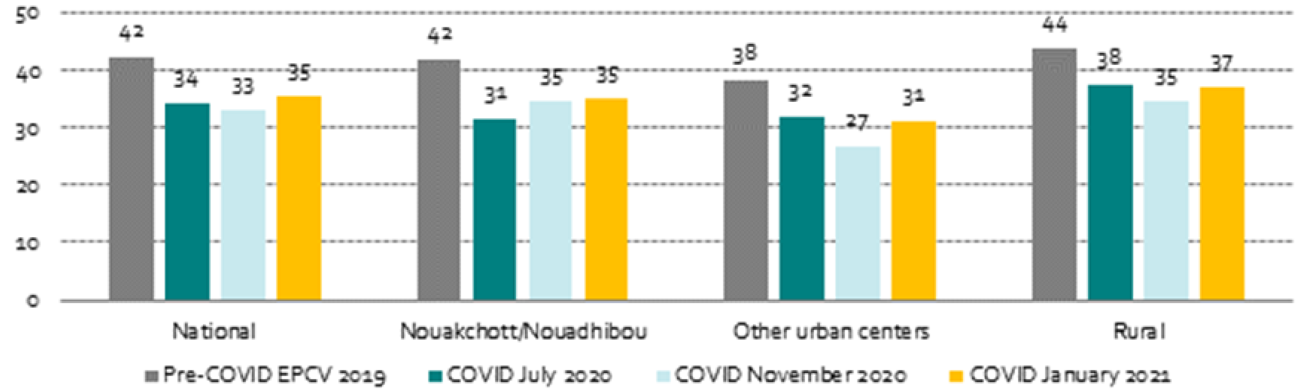
First, the report examines the key characteristics and growth dynamics of the Mauritanian private sector. Second, it details important topics for catalyzing private investment and job creation, which have received limited analytical attention in Mauritania so far—competition policy, innovation and technology adoption, and access to finance. These areas are essential for inclusive private sector growth to set up the foundation for increasing productivity and initiating a desirable economic transformation.

[16] A World Bank Enterprise Survey was conducted in 2014 covering 150 firms. While the results of the survey provided useful data on the constraints affecting businesses, statistics were limited on the composition and trends of the private sector, including growth, age, productivity, and integration into the global economy.

[17] There is no official definition for MSMEs or SMEs in Mauritania. Although some legal texts refer to them (such as the Investment Code or Tax Code), none are universally recognized. As a result, there is a lack of monitoring, and in the absence of regulatory data collection, analytical data can only be obtained from surveys.

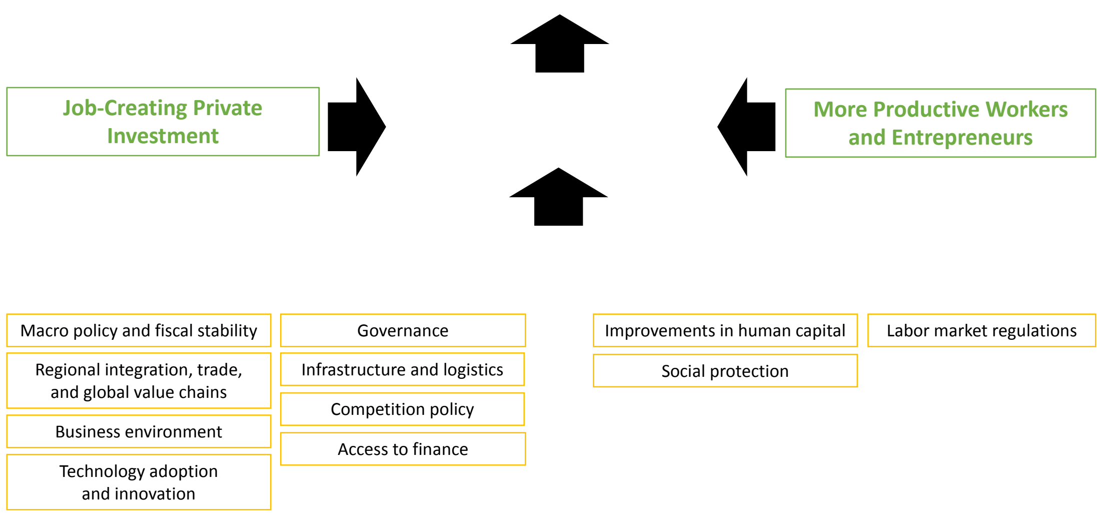
[18] The only nationwide and public information on the country's private sector is found at the One-Stop Shop for business creation (http://guichetunique-mr.info/index.php/donnees-statistiques). Other administrations, such as the commercial registry, do not monitor or make available information on the private sector.

Figure 23. Occupancy rate before, during, and after COVID-19 (in percentage)



Source: National Statistics Office. Household Living Conditions Survey 2020.

Figure 24. Jobs and Economic Transformation framework



Source: Adapted from IDA Special Theme: JET 2019; Development Committee Paper on JET, October 2019.

2.2. A small formal private sector, with the largest firms driving growth and job creation

Firm creation has been stable.

Despite the COVID-19 outbreak and the economic slowdown, the number of new businesses formally registered by the *Guichet Unique* (One-Stop Shop) in Nouakchott has been constant during the previous years, with an average of over 3,700 firms created per year (Figure 25). Since 2015, more than 26,000 firms have been created in Mauritania, most of which registered as a sole proprietorship (67 percent). About 8 out of 10 companies created were in the trade sector, and only 1 out of 10 were led by women.

Compared to the global peer and Sub-Saharan Africa average, firm

Firm creation is relative to what would be expected considering its level of development (Figure 26): 0.4 registrations per 1,000 people ages 15–64 in 2018 against, for instance, 1.4 in Sub-Saharan Africa. This indicator helps to better understand the dynamics of private enterprises in Mauritania and is coherent with

creation in Mauritania is slightly lower.

other entrepreneurship indicators, such as the Global Entrepreneurship Index, where Mauritania lags compared to peer countries—11.56 against 19.65 for Senegal, 25.68 for Morocco, and 40.53 for Tunisia. Regrettably, data on business closure does not exist, which prevents assessing the level of firm churning.

While the informal sector is large, the formal private sector is small and mostly represented by small firms based in Nouakchott.

Per Tax Authority data (2019), there are about 30,000 active and formal firms in the country but only about 1,400 under the tax payment system per business data available. Most of the formal firms are concentrated in Nouakchott (almost 90 percent), are young (almost 60 percent are 6–10 years old), and small (50 percent have less than 5 employees and 70 percent less than 10 employees).

Most businesses' activity is concentrated in general trade and services, yet business concentration varies according to firm size (Figure 27).

General trade and retail activity are the most common sectors among micro and small businesses (respectively 53 percent and 41 percent). Medium and large businesses' activity are more diverse, with some degree of concentration in other services. Given the concentration of the economy, job creation is mainly driven by other services dominated by large companies. Revenue generation is primarily driven by trade and other services (60 percent combined) followed by the mining sector (20 percent), which has experienced significant growth in recent years due to gold mining activities.

Large formal firms are essential for driving job creation and revenue generation.

The long-term development and job creation potential of the Mauritanian economy will depend on its ability to generate economies of scale, promote exports, and foster innovation. The economy's current structure shows that job creation is mainly driven by large companies, which tend to be older than smaller firms and operate in other services. These are concentrated in subsectors employing low-skilled workers and with low levels of innovation (Appendix C). In the World Economic Forum Global Competitiveness Index 2019, Mauritania ranked last among structural and regional peers on "growth of innovative companies" (2.9 against 3.8 for Sub-Saharan Africa) and third to last on "ease of finding skilled employees" (3.7 against 4.8 in Senegal). Finally, although large firms represent only 4 percent of Mauritania's business universe, they contributed to the creation of nearly 60 percent of jobs and 43 percent of revenue between 2014–19 (Figure 28). This, coupled with the country's traditional educational system and labor competency[19] gap, hinders the private sector's ability to innovate and highlights the country's tendency for firm concentration and low level of domestic competition.

The private sector in Mauritania has shown strong resilience and modest growth in the aftermath of the pandemic.

Following economic growth in the pre-COVID-19 era and based on data from the Tax Authority, most formal firms experienced a positive evolution of their revenues across sectors in 2014–19, but this was driven mainly by the mining sector and to a lesser extent by trade and other services. Similarly, data based on the 2022 FAT survey suggests that companies also continued to create jobs and grow during COVID-19. Even if the information collected through the survey only represents a part of the private sector, the formal sector, and for companies that have survived the pandemic, preliminary data shows a significant resilience and rapid recovery of the private sector two years after the pandemic. Appendix E details the impacts of COVID-19 on the private sector at the beginning of the pandemic.

Finally, firm managers with higher education degrees

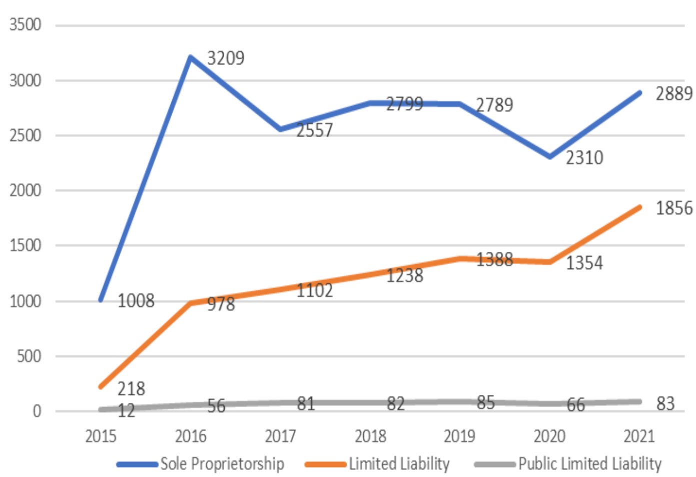
Most top managers tend to have a college degree (77 percent), and a large share have studied abroad for more than a month (59 percent). These shares are greater for large firms compared to small firms. Managers also have considerable years of experience

[19] 40 percent of firms identify inadequate workforce as a major constraint against an average of 11.3 percent for Sub-Saharan Africa.

and over two decades of experience are mostly men.

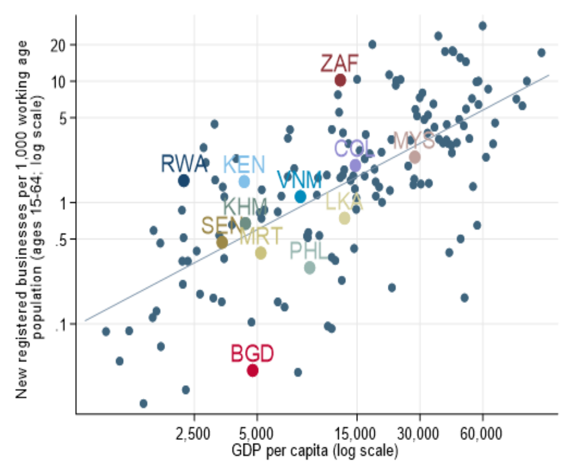
in the same sector, with a median of 21 years at large firms, 18 years at medium firms, and 16 years at small firms. Further, since a large share of firms are owned by either the founder or founder's family (second generation), the opportunities for youth to rise to top management positions are likely to be relatively scarce. Findings from the 2022 FAT survey also suggest that female workers comprised only 11 percent of workers in the survey sample, with large firms having greater female shares (26 percent) than small firms (8 percent). Similarly, larger firms are more likely to have at least one female top manager (15 percent) compared to small firms (5 percent). When considering ownership, a significant share of firms has at least one female owner (42 percent of large firms and 12 percent of small firms), but most of those that do are family-owned or owned by the founder or the founder's family. This discrepancy between ownership and management suggests that women may still have decision-making power or hold limited positions with decision-making power in the formal private sector. Lastly, data shows that large firms have greater shares of workers with a maximum of secondary schooling (40 percent), while medium firms have a greater share of workers with a maximum of vocational schooling (34 percent) and with a college degree or more (25 percent).

Figure 25. Formal business creation 2015–21



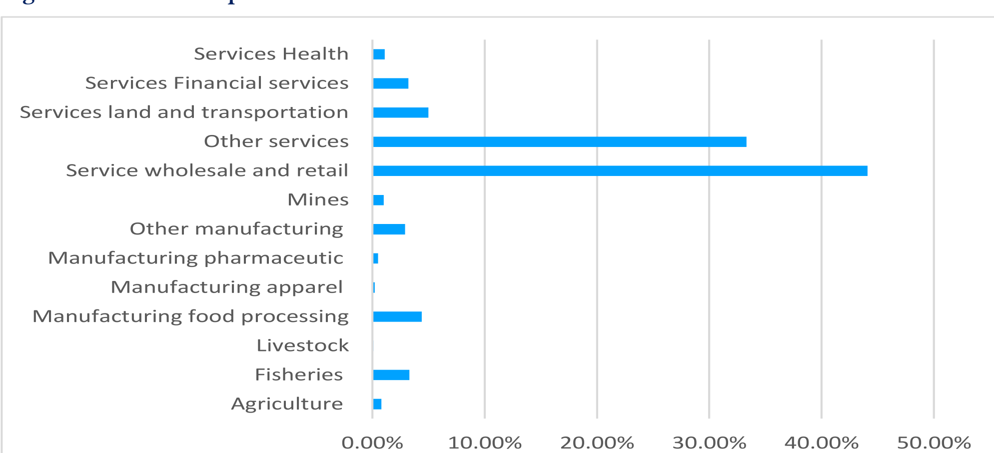
Source: Business creation database, Guichet Unique, February 2022.

Figure 26. Density of new business relative to gross domestic product per capita



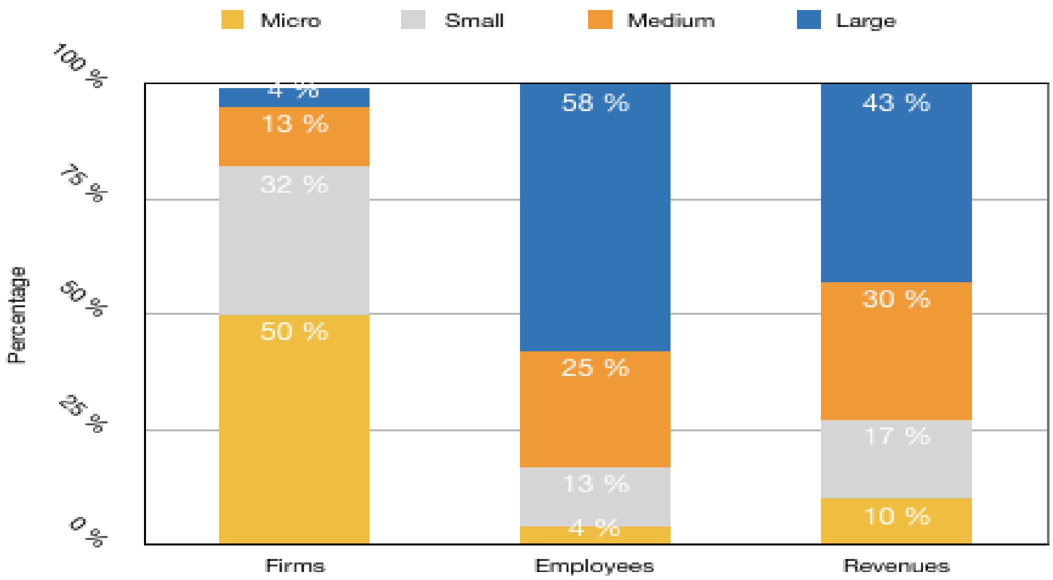
Source: World Development Indicators, cross-country comparison, 2018.

Figure 27. Sectoral repartition of Mauritanian firms



Source: World Bank staff calculation based on Tax Authority dataset 2014–19.

Figure 28. Distribution of number of firms, employment, and revenues



Source: World Bank staff calculation based on Tax Authority dataset 2014–19.

Box 2. Sources of firm-level data

This report draws on various sources of firm-level data to analyze the main characteristics of the Mauritanian private sector. The data for the first part of the general analysis of the private sector structure in the country comes from the Tax Authority database for the years 2014 to 2019. The database covers formal companies paying taxes andsubject to the real regime, in Nouadhibou, Nouakchott, and Trarza during this period. Although limited in terms of universe of companies (1,446 total firms), this database represents the formal and structured private sector for which data is available.

The second part of the report presents results from a Firm-Level Adoption of Technology (FAT) survey conducted in Mauritania between December 2021 and April 2022. The sampling includes all establishments with five or more employees totaling 1,100 firms.Out of these firms, 730 firms were contacted, and 403 responded the 2022 FAT survey and are the basis for the analysis conducted. The sample is only representative of formal SMEs with 5 or more workers in the country and does not capture the entire private sector in the country such as micro and informal firms. The sampling frame used for the survey is based on a list of firms provided by the Tax Authority in 2021 and the ANSADE COVID-19 survey in 2020. The results presented in this report are based on unweighted data and are qualitatively consistent with results using sampling weights to adjust for nonresponse bias, according to the population of firms by region (Nouakchott, Dakhlet Nouadhibou, and Trarza), size (small: 5–19; medium: 20–99; and large: 100+ employees), and sector (agriculture, food processing, other manufacturing, retail, and services). See Table 3 in Appendix C for a breakdown by firm size and sector.

2.3 Firms' limited technology adoption

The development of digital technology and local digital entrepreneurship can improve firms' productivity, efficiency, and access to better and bigger markets as well as inclusive economic transformation.

In Africa, the number of tech startups securing funding has multiplied by six between 2015–21 (Maher et al 2021), with the potential for developing digital solutions for better access to healthcare, financial services, education, and energy despite the continent's arduous business environment. Yet, new evidence from the 2022 FAT survey suggests that Mauritanian firms have significant room to improve technology in the following areas.

2.3.1. Electricity, information, and communications technology (ICT), and social media

Electricity access for the formal private sector (with five or more workers) is close to universal yet outages persist, which leads a significant number of firms to use generators.

According to the World Bank Enterprise Survey for Mauritania in 2014, 58 percent of firms identified electricity as a major constraint to doing business. Although most formal firms have access, insufficient power generation and reliability remain issues (Gakusi, Delponte, and Houetohossou 2015; WTO 2018). The FAT survey confirms this: in 2022, all firms were connected to the electricity network, and 93 percent reported suffering from power outages in 2021. Faced with an unreliable power supply, 52 percent of firms used a generator in 2020, with large firms being most likely (85 percent) compared to small firms (36 percent). In addition to the unreliability of supply, the issue is further compounded by cost levels. As compiled by Doing Business 2020, the cost of electricity in 2019 was about US$17.6 cents per kilowatt-hour, which is significantly higher than regional comparators (such as Morocco at US$12.49) and slightly above the regional average.

Access to foundational technology enablers, such as computers and the internet, is pervasive regardless of firm size, but the extent and functions for which they are used—in particular, the adoption and use of technology—varies by size.

While most large firms in the sample have a website, only 63 percent of medium and 36 percent of small firms do (Figure 29). Smaller firms are more likely to rely on social media, which allows for a cheaper and easier mode of online marketing and communication than websites. The share of small firms using social media or a website for business purposes is still only 51 percent, compared to 75 percent for medium firms and 96 percent for large firms. Computer ownership is also near universal, with the majority having access to the internet. However, there is a gap in internet access between small (91 percent) and large firms (100 percent). Thus, data suggests that the creation of websites and use of social networks for business purposes remain low in the country, particularly by SMEs.

To analyze the level of technology adoption and use data in a more systematic way, the information for each business function that are common tasks for all firms has been converted into a technology index.

Appendix C6 details the technologies corresponding to each business function. The index (Cirera et al 2021), varies between 1 and 5, where 1 is the most basic level of technology use and 5 is the most sophisticated level. Two core indices are computed: extensive margin and intensive margin. The extensive margin identifies whether the firm is adopting a technology to perform a given task. The intensive margin is based on the dominant technology used to perform the task, that is, the intensity with which firms use the technology.

Firm-level adoption of technology for general business functions is low in Mauritania, except for administrative processes and digital payment methods.

There is scope for greater technology adoption across a range of business functions, as well as greater intensity of its use across these functions. A gap between the extensive and intensive margins varies greatly by function (Figure 30). Although some firms adopt more sophisticated technologies for a given business function (such as digital payment methods), these technologies are not intensively used. Firms mostly rely on less sophisticated technologies for every key business function.

- *Administration:* Technology adoption for administrative processes, including finance, accounting, and human resources, is extensive: 86 percent of firms use computers with standard software, 72 percent of firms use specialized software, and 45 percent use Enterprise Resource Planning software. However, a gap exists in the intensity of usage of these technologies: 55 percent rely largely on computers for administrative functions, 18 percent rely on specialized software, and only 10 percent on Enterprise Resource Planning.

- *Production planning:* Similarly, technology adoption for production planning is relatively high, with over 77 percent of firms using computers with standard software, 39 percent using specialized software, and 33 percent using Enterprise Resource Planning software. The intensity of usage is again low, with only 11 percent relying mostly on specialized software and 7 percent on Enterprise Resource Planning software.

- *Sourcing:* Over 60 percent of the firms use standard, manually updated computer functions to manage supply chains, and about 30 percent use social media and specialized apps. Only about one out of four firms uses Supplier Relationship Management software, which enables them to manage and systematically evaluate suppliers' capabilities to create more streamlined and efficient supply chains. As expected, smaller firms are less likely to use Supplier Relationship Management software, and small firms that do use it adopted it more recently.

- *Marketing:* Collecting and analyzing information from customers for marketing purposes or product development is important for the long-term success of businesses and keeping up with changing market demands. Almost all firms use face-to-face chat and online chat, and over 90 percent of firms rely primarily on either of these two methods. Structured surveys and Customer Relationship Management software are less common (47 percent and 24 percent of firms use these technologies, respectively) and only 5 percent of firms primarily use these two methods.

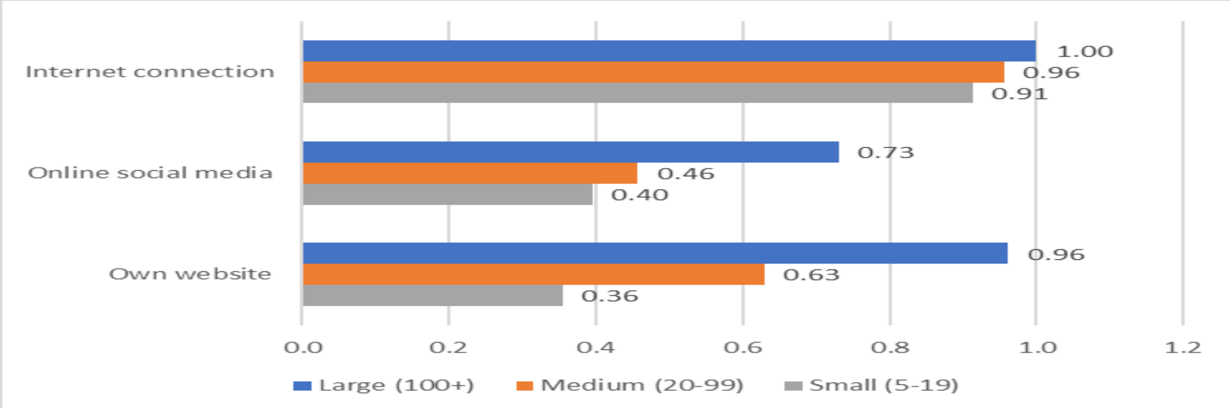
- *Sales:* The use of digital sales methods (social media, digital sales platforms, own websites, or electronic orders) is low, with social media the most common. Digital sales methods are even less common when looking at the intensive margin. For example, while about 17 percent of firms use social media for sales, only about 4 percent use it as the main sales method. The majority of firms (90 percent) rely mostly on direct sales at establishment or by phone, email, or a representative. Smaller firms use digital sales technologies less extensively and intensively than large firms.

- *Payment:* Digital payment solutions are widespread. Over 75 percent of surveyed firms use online bank transfers or platforms to make payments. However, cash remains the most common method for transactions (44 percent of firms use cash most often). Mauritania is still a largely cash-dependent economy with low financial penetration[20] and high rates of informality (FATF 2018; Amendola et al 2017).

- *Quality control:* Manual and visual inspection and human inspection with the support of computers or phones are the most common methods for quality control (76 and 69 percent respectively). Forty-eight percent of firms use statistical process control with software monitoring and data management. Automated systems for inspection, such as laser-based, sensor-based, and voice-control, are rare (13 percent). On the intensive margin, the use of these two technologies is low—only 14 percent of firms rely on either of them. Most firms rely primarily on manual or phone and computer assisted inspection.

[20] According to the World Bank Databank, Global Financial Inclusion, only about 19 percent of individuals age 15 and older had a financial institution account in 2017, 10 percent had a debit card, and 3 percent had a credit card.

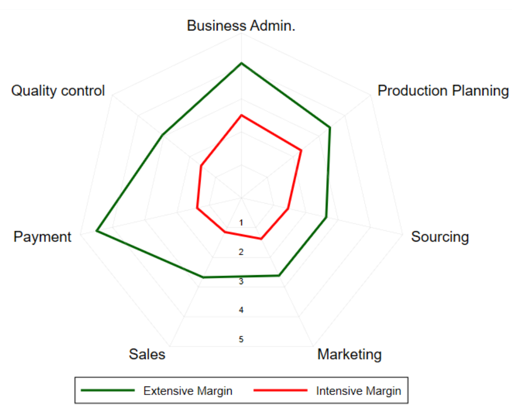
Figure 30. Share of firms with internet, own website, and social media.



Source: World Bank staff calculation based on the 2022 FAT survey.

Overall technology adoption provides a basis for improving effective use. Small firms tend to have lower adoption and usage than larger firms, but the gap varies by business function. For example, for payments, adoption of technologies is widespread regardless of size, and usage is low also regardless of size. For sales and supply chain management, both adoption and usage are lower for smaller firms. Across firms the gap between extensive and intensive margins is particularly high for payments and may reflect the need to establish systems that cater to a few important customers relying on more sophisticated technology (such as foreign customers or multinational corporations), while also dealing with many cash-dependent customers. Technology adoption is low for other functions, such as sales, sourcing, quality control, and marketing, and moderate for functions, such as business administration and production planning. Efforts are needed to increase awareness and alleviate barriers to acquiring technologies, alongside support to ensure their effective use. Since this survey only represents formal firms with five or more workers, and there is likely to be some selection of firms that are better off, technology adoption and usage in the private sector overall is expected to be lower.

Figure 29: Extensive and Intensive Margins Vary for Business Functions



Source: 2022 FAT survey.

2.3.2 Obstacles to technology adoption

The most common reasons for acquiring new equipment or technology were to replace depreciated items, keep up with competition, and access new markets.

Accessing markets was a more commonly cited driver for SMEs, compared to large firms. In the primary sector, depreciation and replacement were more important, whereas competition and accessing new markets were as important as depreciation and replacement for the manufacturing and services sectors. Less common reasons for acquiring new equipment or technology were to produce new products, reduce costs, and because other firms had adopted such technology. The most common sources of information for decisions about technology and machinery acquisition were other firms and private consultants. Thus, peer learning and demonstration effects influence the types of technology and machinery that proliferate within the Mauritanian economy. A smaller share of firms also relies on industry or trade associations, public technology extension services, fairs, events, and missions.

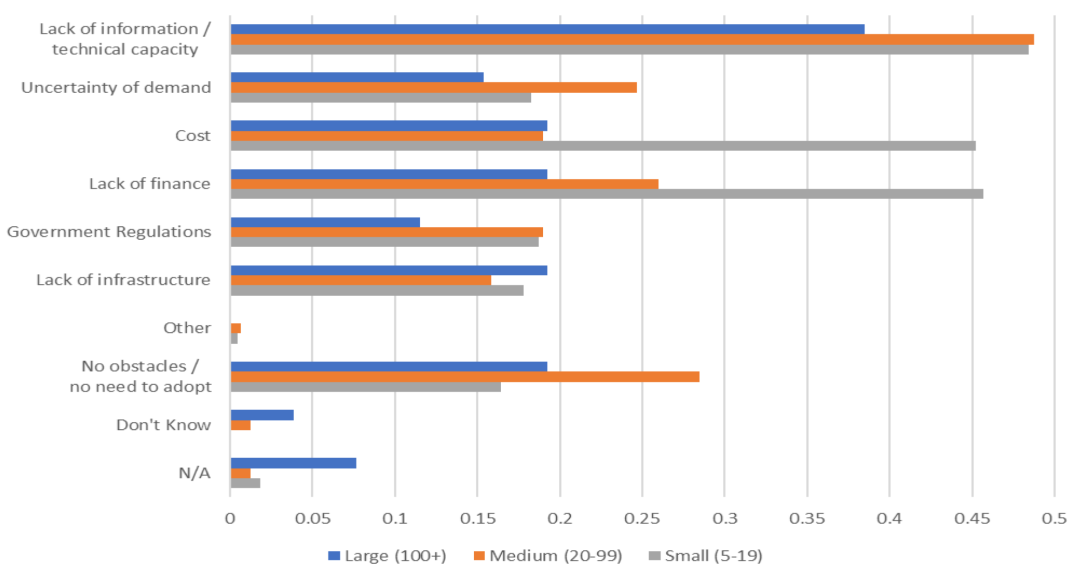
Lack of information is a major barrier to technology adoption,

Close to half the surveyed firms report lack of information as the most important obstacle to adopt new equipment, machinery, software, or processes (Figure 31).SMEs are more likely to report the lack of information as a barrier, reflecting their lower internal capacity and need for more complex technologies.

Lack of finance and cost are also important barriers.

As expected, small firms are more likely to report lack of finance and cost as barriers to technology adoption compared to medium and large firms. A non-neglible share of firms reported that regulations (17 percent) and lack of infrastructure (17 percent) were obstacles to adoption. Finally, about 17 percent of firms feel that they have no need to adopt.

Figure 31. Perceived obstacles for adopting technology



Source: World Bank staff calculation based on 2022 FAT survey.

2.4. Access to financial services and development of financial markets

Bank loans and lines of credit remain the main sources of external financing for the private sector.

According to the 2022 FAT survey, only 14 percent of firms reported having a loan in past years, and about 12 percent reported needing a loan to expand production but not being able to access it. Across sectors, greater shares of firms in transportation and healthcare reported that they took out a loan, but they also needed a loan to expand production, showing that their needs are only partially met.

The previous section discussed access to finance as a critical constraint for technology adoption. Additional evidence[21] confirms that access to finance remains a constraint for Mauritania's private sector, especially smaller firms (Figure 32). Evidence also shows that many SMEs need a loan but refrain from applying for credit—some SMEs exclude themselves from applying because they lack profitable investment projects, and others think their credit application will not succeed because they lack enough collateral or cannot provide all of the required information.

While most SMEs have access to basic banking services (and many work with different banks), Mauritania's banking sector provides little credit and allocates only a small part of it to SMEs.

According to the most recent comparable data, credit to the economy shrunk to 12.8 percent in 2019 (year/year), down from 19.4 percent in 2018, and substantially below its regional peers, such as Senegal (29.2 percent in 2020 and 29.5 percent in 2019), and significantly below the Sub-Saharan Africa (excluding high income) average (24.3 percent in 2020 and 23.9 percent in 2019). Credit to the private sector is also low at 22.8 percent of GDP in 2019, compared to 22.4 percent in 2018 and 21.1 percent in 2017. According to data from the BCM, in 2018, only 12 percent of business loans went to SMEs, while large companies received 88 percent. In 2020, this proportion remains the same. Even if the industry structure and thus potential demand for credit from SMEs may differ across countries, Mauritanian SMEs appear poorly served.

Insufficient access to finance for SMEs remains structural and deep-rooted.

The lack of access to finance can be explained by multiple reasons. First, an imperfect credit infrastructure system (credit registry separated from credit bureau functions managed by the central bank) makes it more difficult for financial intermediaries to assess the creditworthiness of SMEs. Second, a weak legal and judicial environment and poor contract enforcement limits access. Third, a large informal economy and lack of reliable financial and tax accounts, and relationships between some banks and related companies or persons makes access more difficult. Finally, the lack of credit delegation and different decision-making processes between large and small companies increases the cost and time necessary to get credit. In such cases, downscaling can be costly and inefficient. Such restrictions also generate long delays for SMEs' projects.

The supply of financial services is structurally limited to SMEs.

Banks in Mauritania offer a wide range of products (except insurance products), are generalists, and focus on formal businesses, individuals and, to a lesser extent, SMEs. However, business-specific products and services, such as equipment leasing and foreign exchange hedging or factoring, are almost not present. E-money products are offered by two banking operators and only to individuals since 2020 (after a four-year hiatus imposed by the central bank). The microfinance sector, which is the only one able to offer financing solutions to informal workers and to the smallest SMEs, has stopped growing and innovating because of funding constraints (the sector's aggregate equity is negative), high operational costs, deficient information technology resources, and limited management capacity and expertise. Finally, Islamic finance plays a positive role in diversifying the supply of financial services but has not yet found a sustainable growth model capable of significantly boosting access to financial services for previously excluded populations and businesses.

Digital financial services are hardly ever

As seen before, the use of digital sales methods including digital sales platforms is low in the country. A recent survey from the National Agency for Statistics and Demographic and Economic Analysis also confirmed the lack of use of digital

[21] The central bank of Mauritania's ERIFM survey in 2020 targeted all modern private enterprises located in Nouakchott and Nouadhibou. Its profile of SMEs showed that access to accounts is getting more difficult for the smallest of businesses, with 46.9 percent of micro enterprises reporting having at least one account, and 88 percent of them in a bank.

used by Mauritanian businesses.

financial surveys by firms. According to this survey, only 4.7 percent of surveyed companies used digital financial services. Survey respondents reported using digital financial services mostly to pay bills (47 percent), to transfer money (41 percent), or to a lesser extent, carry out business management-related operations (6 percent). Most Mauritanian businesses either do not perceive the added value of digital financial services, lack awareness, or find them over-complicated[22].

The small size and fragmentation of the Mauritanian financial system also impede developing financial intermediation.

The domestic financial system has several banks that focus on larger clients and a dispersed network of smaller financial institutions that serve smaller enterprises and lower-income households (Table 1). The financial sector is shallower, with total financial sector assets representing 40.9 percent of GDP in 2020 compared to 48.3 percent in 2014. Banks dominate the financial sector, accounting for more than 90 percent of financial sector assets. The banking sector is exclusively private: out of 18 commercial banks, 7 are subsidiaries of foreign groups and 7 are Islamic banks. Five large banks accounted for less than 40 percent of total assets of supervised financial institutions. Meanwhile, 48 supervised non-banking financial institutions (for example, microfinance or insurance) make up less than 2 percent of assets. Many of these institutions lack economies of scale, and some are constrained by lack of funding sources. However, they play an important role in providing access to clients, particularly in more remote areas where transaction costs might be deemed excessively high for banks (for example, Mauripost).

The operationalization of a new credit guarantee fund could help to open access to credit to SMEs.

In 2021, with World Bank support, through the emergency DPO in response to COVID-19 impacts, the authorities established a legal framework to set a credit guarantee fund for SMEs to be managed privately by the African Guarantee Fund under a delegation model. The operationalization of the fund has been delayed but is expected by mid-2022. The credit guarantee fund will offer guarantees to participating financial institutions (that is, banks and microfinance institutions) to mitigate their credit risks on loans to SMEs (de-risking).

Domestic competition in Mauritania is perceived as one of the weakest in the region and beyond.

While Mauritania is relatively open to trade and has enacted reforms to liberalize key sectors of the economy (for example, in the telecommunications sector), there are still major obstacles that affect domestic and international competition. The latest data from Bertelsmann Stiftung's Transformation Index indicates that the fundamentals of market-based competition (that is, regulatory interventions that enable competition) are perceived to be less developed in Mauritania compared to regional peers and structural peers. In addition, competition policy and law to prevent anticompetitive business conduct also appears to be weaker than in all comparator countries (Figure 33). Data from the latest World Economic Forum's Global Competitiveness Report confirms that the degree of competition in Mauritania markets is perceived to be weak and well behind all comparator countries. Globally, Mauritania ranks 140 out of 141 countries in terms of the perceived degree of domestic competition according to the latest Global Competitiveness Report, performing only better than Haiti. Although a draft competition law exists, it still needs to get approved and implemented, including through the setup of a competition authority.

Data shows that the private sector in various economic

These markets include imported food products, construction, hotel and restaurant services, and the banking sector (World Bank 2009).[23] The World Bank Enterprise Survey data indicates that almost 40 percent of firms in the manufacturing sector

[22] Mauritania had a bank-led model until the adoption of the e-payments law in 2021. However, the central bank has not yet granted any license to mobile network operators who have tried to become e-money issuers.
[23] The high ownership concentration of Mauritanian business groups finds its roots in the traditional social networks that exist in Mauritania. This may be explained by the hierarchical structures within ethnic groups and the concentration of power in the hands of few elites, which form alliances that further concentrate resources among few groups and extend benefits within their social networks (Ould Cheik 2006).

sectors operates under concentrated market structures often led by powerful and well-connected firms (World Bank 2018a).

think that they compete in oligopolistic market structures. Moreover, the government intervenes in the economy through state-owned companies in many commercial markets typically catered to by the private sector. When this happens, it is key to a level playing field between public and private operators. Some reforms have recently taken place, for example regarding the conditions of access to public contracts, yet much remains to be done. SMEs' access to public contracts remains weak or non-existent, with most contracts awarded to large, well-connected family groups.

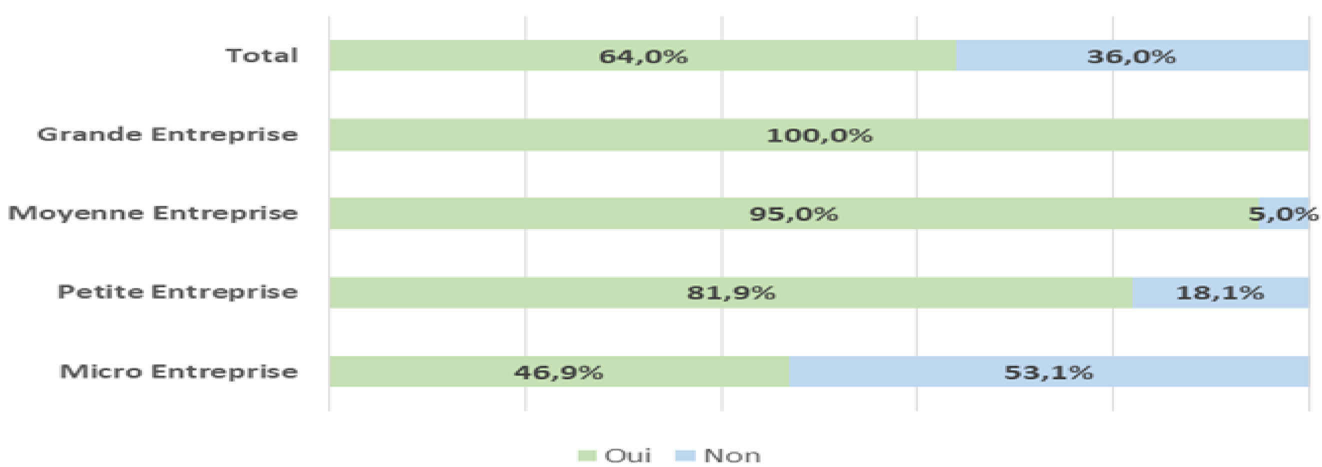
In this context, the business risks faced by the private sector in Mauritania due to the lack of competition are high.

According to Economist Intelligence Unit data (2022), investor perceptions relating to risks in doing business in Mauritania—particularly the existence of vested interests and cronyism—is relatively high compared to peer countries with the overall level of perceived business risks remaining unchanged over the last five years (Figure 35).

Moreover, when private firms compete with SOEs, a level playing field is not assured.

There are roughly 50 SOEs of various types, including public commercial enterprises, fully state-owned national companies, and partially state-owned companies (World Bank 2013, part vi). SOEs are present in network industries, such as electricity and gas, telecommunications, and water, as well as in markets typically catered to by the private sector, such as milk, fish, industrial production and air transport. Yet, limited implementation of the competitive neutrality principle may hinder the ability of private firms to compete with SOEs.[24] At the firm level, competitive neutrality gaps pertain to lack of separation of commercial and non-commercial activities for those SOEs that provide both. At the regulatory level, lack of tax and debt neutrality seem to unduly benefit SOEs and even some selected private operators (World Bank 2018a).

Figure 32. Access to financial account by category



[24] Competitive neutrality is based on the principle that all enterprises—public or private, domestic or foreign—should face the same set of rules. Its principles are interlinked and encompass: (i) firm-level principles, and (ii) principles embedded in cross-cutting regulatory frameworks and sectoral policies. The application of firm-level principles first entails the separation of commercial and non-commercial SOE activities to allow the identification of the costs of each activity and their clear allocation across activities to mitigate the risks associated with the SOE status especially when the SOE has significant market power, to enhance neutrality and to support investors' confidence in the competitive character of a given market. The principles embedded in the cross-cutting regulatory frameworks and sectoral policies should apply to any operator and include tax neutrality, regulatory neutrality, debt neutrality, and the prohibition of providing direct or indirect subsidies to SOE without a clear economic justification. A framework that ensures control of state support measures to SOEs would minimize distortions to competition as it would help reduce support for inefficient production or outdated technologies that SOEs might sometimes use. It might also minimize barriers to entry for potential competitors associated with, for example, subsidies to investments to specific SOEs. Similarly, the access of SOEs to public contracts and their overall treatment during public procurement should be open, transparent, and non-discriminatory. At the same time, regularly reviewing the role of the state in the economy can also ensure that SOEs operate in those areas or sectors where the private sector does not have incentives or is not willing to invest. See also OECD 2012.

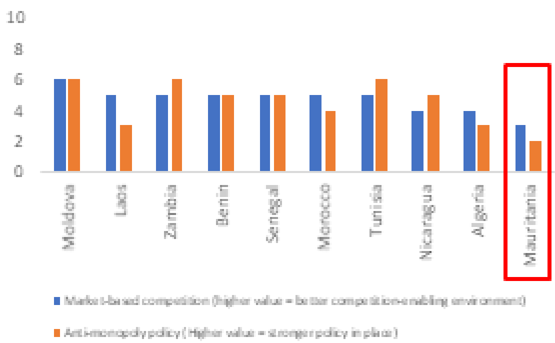
Source: ERIFM Study 2020.

Table 1. Evolution of the structure of the financial system (2014–20)

Institutions	2014			2020		
	Number	Assets (MRU Md)	Assets/GDP	Number	Assets (MRU Md)	Assets/GDP
Banks	15	63,4	40,0%	18	114,1	37,1%
Caisse de Dépôts et de Développement (CDD)	1	10,5	6,6%	1	5,8	1,9%
Microfinance	24	0,7	0,4%	31	1,5	0,5%
Insurance	13	0,9	0,6%	17	1,8	0,6%
Caisse Nationale d'Assurance Maladie (CNAM) and Caisse Nationale de Sécurité Sociale (CNSS)	1	0,9	0,6%	1	1,8	0,6%
Mauripost	1	0,4	0,2%	1	0,6	0,2%
Total	**-**	**76,7**	**48,3%**	**-**	**125,6**	**40,9%**

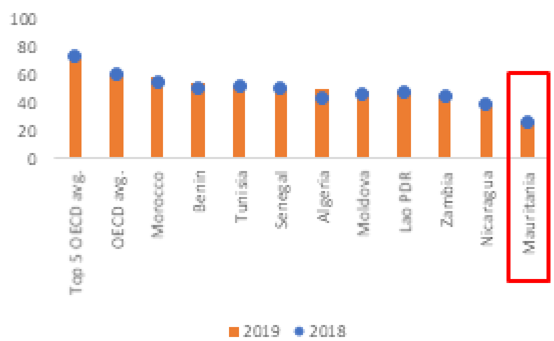
Source: Caisse de Dépôts et de Développement (CDD) Annual Report 2020, central bank assets of Procapec and the five main microfinance institutions, Mauripost, and author's estimates.

Figure 33. Market-based competition and anti-monopoly policy 2020, 1–10 (10 = best)



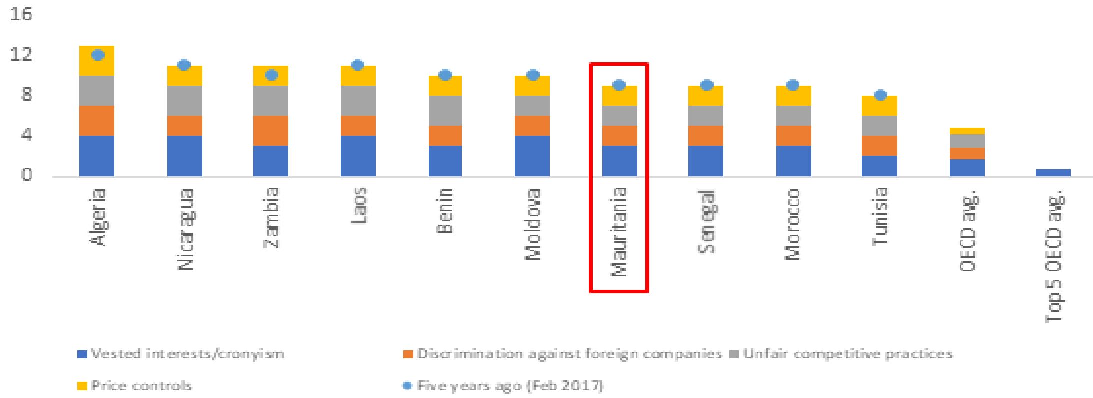
Source: World Bank staff elaboration based on Bertelsmann Stiftung's Transformation Index 2020.
Note: The index is a perception indicator based on in-depth assessments of countries and is managed by Bertelsmann Stiftung. The responses reflect the situation in the country at the end of January 2019.

Figure 34. Domestic competition 2019, 1–100 (100 = best)



Source: World Bank staff elaboration based on World Economic Forum's Global Competitiveness Index 4.0 2018 and 2019 Datasets.
Note: Domestic competition scores vary from 1 (not at all competitive) to 100 (extremely competitive).

Figure 34. Mauritania's business risks related to weak competition policies, 0–4 (4 = worst)



Source: World Bank staff elaboration based on Economist Intelligence Unit Risk Tracker, February 2022.
Note: The Economist Intelligence Unit Risk Tracker is a perception indicator as reflected by the Economist Intelligence Unit.

2.5. Public policies do not provide needed support to the private sector

The private sector's ability to establish themselves, grow, and ultimately survive is intrinsically linked to the policy and regulatory framework they find themselves in.

Governments play an important role in encouraging innovation, contributing to firm dynamics (entry, growth, and exit of firms from the market) and promoting competition. Mauritania is no exception to this, and the government needs to be implementing supportive policies to allow the private sector to be in the driver's seat for an inclusive growth promoting firm scale-up, formalization, and technology adoption.

The government identifies the private sector and entrepreneurship agenda as a top priority in the country's medium-term recovery and growth strategies.

In the country's Strategic Framework for Fight Against Poverty (2001–15) and later SCAPP (2016–30), the government emphasized promoting a more competitive private sector to generate and sustain inclusive growth. Promoting entrepreneurship and innovation have been therefore at the cornerstone of the government's pursuit of inclusive growth for more than two decades, including its recognition as an instrumental element in the country's post-COVID-19 economic recovery (Appendix A).

Prior to SCAPP, the enactment of the Investment Code (2012) and improvements to the ease of starting a business (2014) have been the most significant developments in the Mauritanian entrepreneurship ecosystem.

The founding axis of the private sector regulatory and legal framework in the country was the Investment Code, designed to encourage and protect domestic and international investment and simplify related administrative procedures. It provided for a speedy issuance of investment certificates (within a period of no more than 10 days) and improved investment security. In 2014, Mauritania made starting a company easier by establishing a one-stop shop, significantly reducing the costs related to launching a new business (for example, the fee for obtaining a tax identification number), and simplifying business registration procedures (for example, removing the requirement to obtain a bank certificate). Other reforms followed, including Mauritania's first Property Law, which was a prerequisite to develop credit based on moveable and immovable assets, and other major reforms to enhance the quality and transparency of commercial justice (for example, revamping the insolvency framework). Figure 36 shows the evolution of the private sector policy framework in Mauritania and the key regulations that have shaped the current entrepreneurship ecosystem in the country.

Since the publication of SCAPP in 2016, the government has established a few low-impact initiatives to support private sector and entrepreneurship development.

While the accomplishments on the investment climate agenda have been encouraging,[25] government-managed private sector support initiatives have focused on subsistence micro enterprises to the detriment of high-growth SMEs. Though the mission and support programs of various government agencies are broadly defined and could apply to entrepreneurs, limited human and financial resources force these institutions to devote their attention exclusively to subsistence and necessity-based entrepreneurship. "Mon projet, Mon avenir" is an example of these interesting initiatives, yet micro entrepreneurship-focused: the program supported 500 projects during its first pilot phase, lending through the national network of savings and credit unions without guarantee over three years but capped at less than US$14,000. Several initiatives in support of SME and private sector development have been stalled for several years now, such as ongoing discussions at the central bank on the possibility of creating a guarantee fund (emergency DPO, 2020) and developing a legal framework adapted to the realities and needs of startups on the ground. The 2022 FAT survey confirms the lack of targeted programs for the private sector (84 percent of firms reporting not being aware of government support programs) and a limited number confirming having received government support for technology adoption (63 percent of those aware of government programs).

An overall lack of strategic vision and coordination among private and public sector agencies have a detrimental impact on the promotion of entrepreneurship and private sector development in the country.

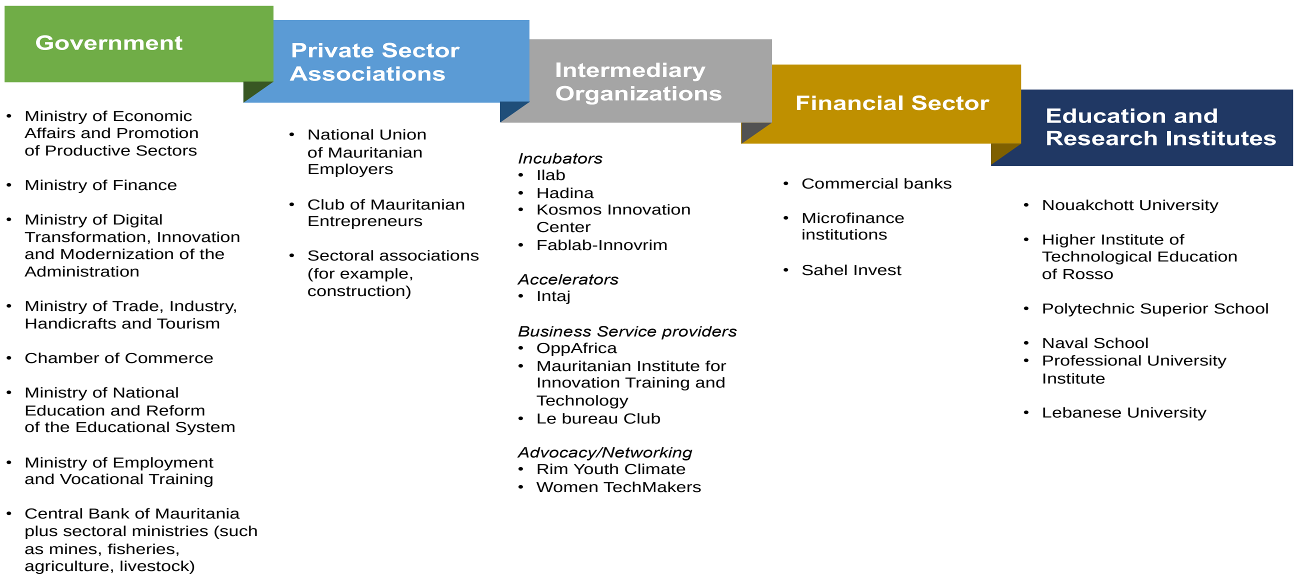
The private sector agenda, in terms of the players involved and their roles and responsibilities, is widely spread. In the public sector, a staggering number of ministries are either directly or indirectly contributing to the government's entrepreneurship program, of course with the occasional overlap. Today, no ministry or agency oversees strategizing and coordinating the different elements necessary to promote private sector growth, for example, regulations, access to finance, access to markets, firm capabilities, entrepreneurial support, and investment promotion. In the private sector, most support is provided by intermediary organizations largely represented by incubators on managerial training and capacity building for businesses in the early stages. Overall, Mauritania needs to improve the coherence and targeting of supporting activities for MSMEs.

Figure 35. Evolution of Mauritania's private sector policy framework

Source: Author's elaboration based on summary of Mauritania's legislation.

[25] From 2015 to 2019, important business reforms (17 in total) were implemented in the country in commercial justice, business creation, access to finance, and so on. Yet, business reforms have stopped since 2019; the business environment remains below its potential considering the country's income level.

Figure 36. Mauritanian ecosystem support actors



Source: Author's own elaboration.

2.6. Policy options and actions to consider

Despite a respectable growth in the past, Mauritania still presents an economic structure that does not share the positive impact of its economic growth with most of its citizens

As discussed in this report, the country benefits from a resilient and job-creating formal private sector, with large firms or family-owned groups driving the economy. Nonetheless, formal sector players are few, representing only a small portion of economic activity and facing major constraints, notably lack of access to finance and lack of a level playing field that hamper their further growth and job creation. Job creation is driven by large companies in other service industries, which employ low-skilled workers and have low levels of innovation and technology adoption. Cross-country comparisons suggest that several formal firms enter the Mauritania economy annually, but these businesses exhibit low dynamism in terms of technological upgrading. The country's success in poverty reduction and growth in the future will depend on its ability to maximize the potential of SMEs, by addressing market and institutional failures, putting in place a business environment and policies to make SMEs more productive, and reducing the disparities in productivity and access to markets between SMEs and large firms.

These policy options and actions aim to promote more inclusive growth by focusing on laying the institutional foundations for a more productive and job creating private sector.

Broader private sector development issues have been treated in the recent World Bank research and appropriate recommendations have been provided in those reports. Those recommendations revolve around: (i) boosting education and skills; (ii) strengthening the potential and opportunities of women and girls; (iii) improving the business environment; and (iv) developing an export-oriented trade policy. Appendix D presents selected private sector growth-related recommendations from World Bank analytical work. Those recommendations are still valid and not mentioned here to avoid repetition.

The following policy options focus on complementary and priority policies that can support entrepreneurship

Set effective support for private sector development. Implementation of the private sector agenda is spread across various ministries and suffers from a lack of operational programs and ownership. While certain implementing bodies have emerged, such as the investment promotion agency or an investment climate committee, there is a still a need to designate a body with strong political support

and firm-level technology adoption.

and adequate human and financial resources to plan and oversee government programs and reforms. Similarly, an important gap to be addressed is the development of an effective public-private dialogue to identify policy and institutional reforms that contribute to a more conducive environment for private sector development. It is essential to move from policy discourse and strategy to implementation of specific policy actions that will support private sector development. Strategically focusing public resources on a limited number of activities that will have the most impact is a daunting but necessary task.

Strengthen access to finance for MSMEs. Mauritanian companies identify access to finance as the first constraint limiting their development. Mauritania particularly suffers in the financing of SMEs, which remains extremely limited due to structural challenges within the banking sector. Policy options to support SMEs finance in Mauritania include:

- *Strengthen the credit registry as well as the accounting and auditing framework to improve SME finance.*
- *Accelerate the operationalization of the SME Credit Guarantee Fund*, which will offer de-risking guarantees to banks and microfinance to on-lend to MSMEs (individual and portfolio guarantees).
- *Improve access to financial services and increase competition in the banking system.* SMEs would benefit from the development of specialized institutions, such as leasing and factoring companies and credit institutions specializing in lending to SMEs.
- *Monitor SME finance and evolution and guide policy makers.* Provide a legal definition of SMEs and develop a multi-year, high-level strategy to support the development, growth, and financing of SMEs.
- *Develop venture capital firms* to help SMEs raise equity for growth.

Reform competition policy. Lack of competition hampers private sector development and economic diversification. To foster more competitive markets and support private sector development, it is necessary to work on three complementary policy pillars:

- *Encourage pro-competitive regulations* to open markets and remove anti-competitive sector regulations.
- *Approve a competition law* and set up a competition authority to tackle anticompetitive practices, control negative effects of mergers, and promote competition through advocacy.
- *Promote competitive neutrality between public and private operators.*

Facilitate technology adoption at the firm level. To support firms' competitiveness domestically and globally, government policy targeting digital technology adoption may be warranted. Initial areas of support could include:

- *Support digital technology extension programs that promote greater awareness of the types and potential uses of technologies and adoption of digital technologies*, particularly those applied toward general business functions, such as business administration, production planning, e-commerce, digital payment, and quality control.
- *Support pilot projects to introduce technologies in firms that have peer influence*, alongside provisions to support other firms in adopting these technologies to catalyze their proliferation. Support could include looking at technical assistance or facilitating access to finance for technology adoption (for example, through matching grants or reimbursable finance instruments).

Define SMEs and invest in collecting reliable and on-time real data on the private sector. Currently, the Mauritanian authorities do not gather complete information about firms and SMEs. Nouakchott's One-Stop Shop for Business Creation and Nouadhibou Free Zone One-Stop Shop provide some statistics on firm creation; however, they do not include details on firm performance. Moreover, companies do not respect their legal obligation to file their financial statements in the commercial register. While this report has tried to add to the breadth of knowledge, data gaps on the private sector are a remaining and recurrent issue. First, government authorities should set a clear and commonly agreed definition of SMEs. Subsequently, the government should invest in ensuring the right mechanisms and incentives are in place to be able to collect data on demographics (including enterprise births, deaths, and churn rates), contribution to the economy (in terms of employment or value-added), broken down by enterprise size and sector. Likewise, additional research on private sector is needed in areas such as potential opportunities for FDI spillovers through backward links or specific statistics on firm performance. All the actions are needed to design targeted support measures, facilitate access to finance, and measure the impact of and/or course correct public support measures.

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Appendix A. Summary of the Strategy for Accelerated Growth and Shared Prosperity and the Presidential Priority Program

The Strategy for Accelerated Growth and Shared Prosperity (Stratégie de Croissance Accélérée et de Prospérité Partagée, or SCAPP) prepared by the Mauritanian government upon completion of the Strategic Framework for Fight Against Poverty, covers 2016–30, which corresponds to that of the 2030 Agenda for Sustainable Development. The strategy's forward-looking vision strives for robust, inclusive, and sustainable economic growth, aimed at satisfying all citizens' basic needs and enhancing their well-being.

To achieve the strategy, three convergent "levers" or pillars bring about the growth capable of generating a prosperity shared by all: promote economic diversification and transformation; develop growth support infrastructure; and promote a competitive private sector. In the area of promoting a competitive private sector (budgeted at approximately US$750 million), the government objective was to implement policies to promote a competitive, dynamic private sector, capable of playing its role as engine of growth in an economy. Priority was given to improving the investment climate, improving access to finance, attracting FDI, and promoting SMEs, entrepreneurship, and innovation.

The economic recovery plan, also known as the Presidential Priority Program (PROPEP) for 2020–22, is also consistent with SCAPP's pillars. The plan focuses on social sectors, infrastructure, support to agriculture and fishing, support to the private sector, and environmental interventions, totaling close to 7 percent of GDP. Support to the private sector included specific financial support measures for businesses due to COVID-19, support for entrepreneurship, and employment.

Appendix B. Statistical Tables

Table 2. Selected macroeconomic indicators (% change unless indicated otherwise).

	2019	2020	2021 e	2022 f
Real GDP Growth, at Constant Market Prices	5.3	-0.9	2.4	4.5
Private Consumption	2.7	2.7	2.7	2.3
Government Consumption	1.0	9.2	26.1	5.7
Gross Fixed Capital Investment	23.5	4.4	39.2	5.2
Exports, Goods and Services	16.7	-8.6	-11.7	3.4
Imports, Goods and Services	11.9	2.1	25.1	2.4
Real GDP growth, at Constant Market Prices	6.1	-0.1	0.8	4.5
Agriculture	7.4	-2.6	-3.6	0.9
Industry	6.0	2.5	-6.6	3.9
Services	5.5	-0.3	6.4	6.4
Inflation (Consumer Price Index)	2.3	2.4	3.6	5.3
Current Account Balance (% of GDP)	-10.3	-6.9	-9.3	-8.9
Net FDI (% of GDP)	11.0	11.0	7.1	11.4
Fiscal Balance (% of GDP)	2.0	1.8	2.1	-1.2
Debt (% of GDP)	55.7	55.8	51.7	56.7
Primary Balance (% of GDP)	2.9	3.0	2.9	0.1

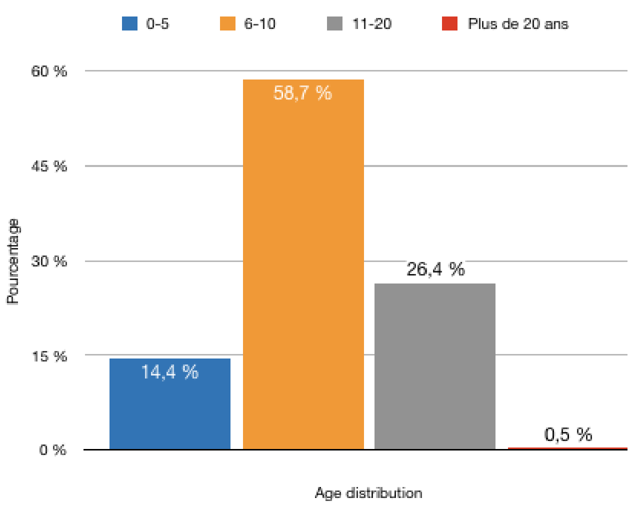
Source: World Bank, Poverty Global Practice and Macroeconomics, Trade & Investment Global Practice. Emissions data sourced from CAIT and OECD.
Note: e = estimate, f = forecast.
(a) Calculations based on 2008-EPCV and 2014-EPCV. Actual data: 2014. Nowcast: 2015-21. Forecasts are from 2022 to 2024.
(b) Projection using point to point elasticity at regional level with pass-through = 0,7 based on GDP per capita in constant LCU.

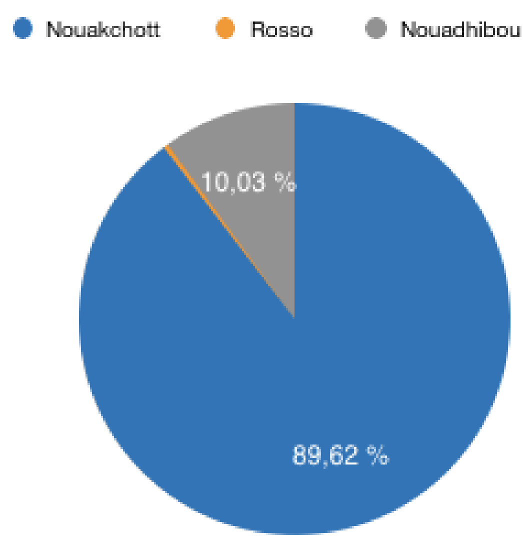
Appendix C. Supporting Firm-Level Information

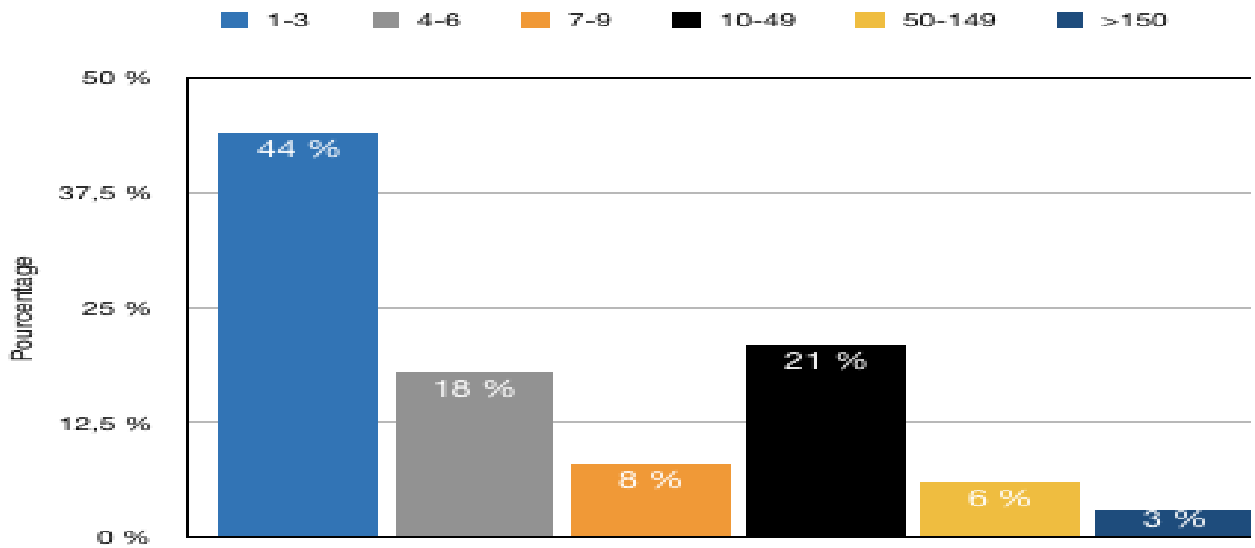
Table 3. Sector repartition among firms of different sizes

	All firms	Micro firms	Small firms	Medium firms	Large firms
Agriculture	1 %	1 %	1 %	1 %	3 %
Fisheries	3 %	3 %	2 %	9 %	2 %
Livestock	0 %	0 %	0 %	0 %	0 %
Manufacturing food processing	4 %	2 %	7 %	8 %	8 %
Manufacturing apparel	0 %	0 %	0 %	0 %	0 %
Manufacturing pharmaceutic	0 %	0 %	1 %	2 %	0 %
Other manufacturing	3 %	2 %	4 %	5 %	2 %
Mines	1 %	1 %	1 %	1 %	3 %
Services: wholesale and retail	44 %	54 %	42 %	24 %	11 %
Other services	33 %	32 %	31 %	40 %	44 %
Services: land and transportation	5 %	5 %	6 %	3 %	5 %
Services: financial services	3 %	0 %	4 %	7 %	23 %
Services: health	1 %	1 %	2 %	1 %	0 %

Figure C1. Repartition of age, location, and size of formal firms (based on number of employees)

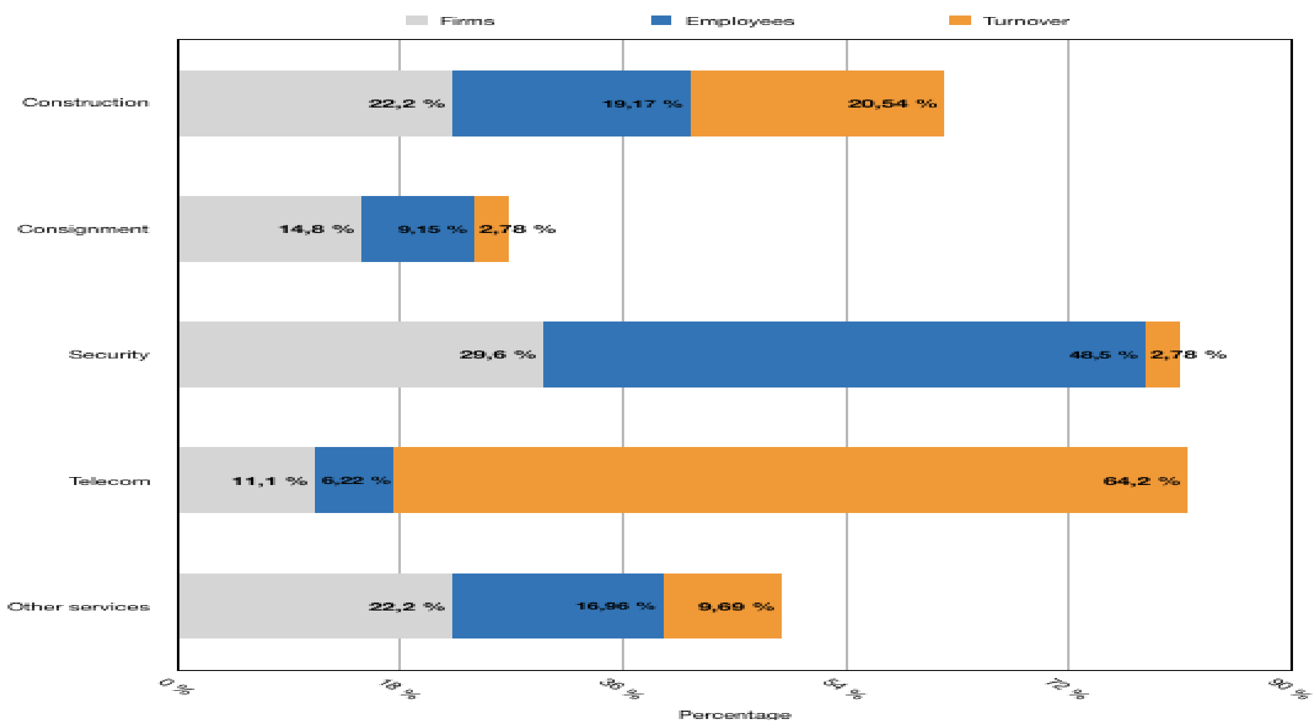






Source: World Bank staff calculation based on Tax Authority dataset 2014–19.

Figure C2. Share of employment and turnover by sector, large firms, and other services



Source: World Bank staff calculation based on Tax Authority dataset 2014–19.

Table 4. Firm-level technology adoption 2022 survey: Sample distribution by firm size and sector

Number of firms

	Sector			
Size (no. of workers)	Primary	Secondary	Tertiary	Total
Large (100+)	0	15	11	26
Medium (20-99)	2	98	58	158
Small (5-19)	9	130	80	219
Total	11	243	149	403

Percent of firms

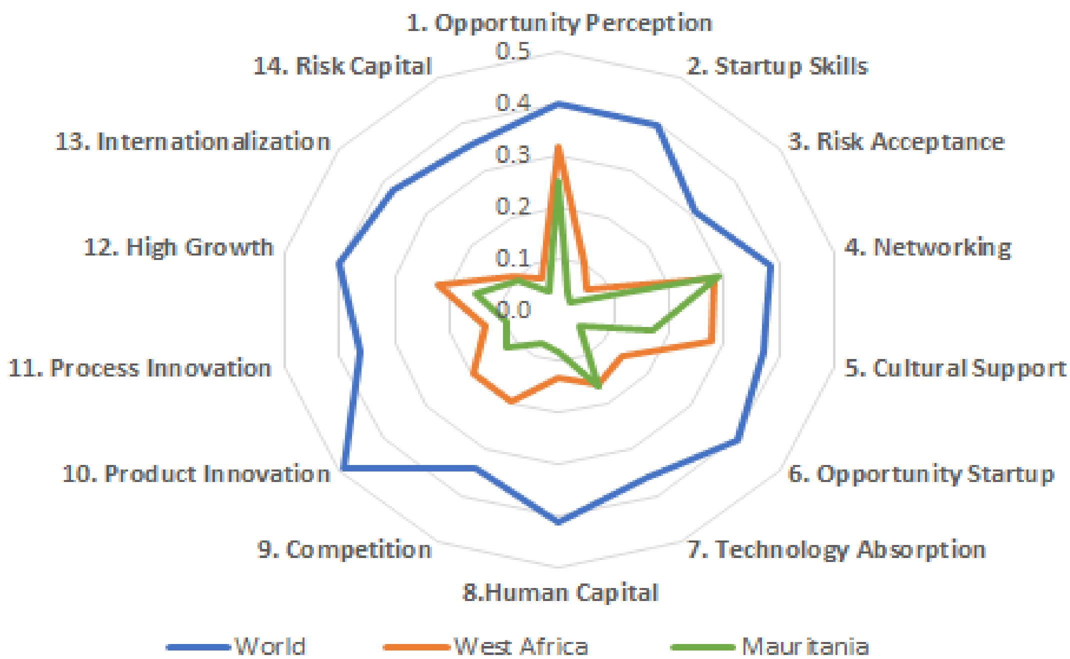
	Sector			
Size (no. of workers)	Primary	Secondary	Tertiary	Total
Large (100+)	0	3.72	2.73	6.45
Medium (20-99)	0.5	24.32	14.39	39.21
Small (5-19)	2.23	32.26	19.85	54.34
Total	2.73	60.3	36.97	100

Source: 2022 FAT survey. Primary sector includes agriculture (except livestock); secondary sector includes manufacturing, other services or construction, food processing, pharmaceuticals, motor vehicles, wearing apparel; tertiary sector includes wholesale or retail, accommodation, health services, financial services, and land transportation.

Figure C3. Regulatory area score 2020 (Min = 0 and Max = 100)

Source: Doing Business 2020.

Figure C4. Global Entrepreneurship Index overall score for Mauritania, West Africa, and world average

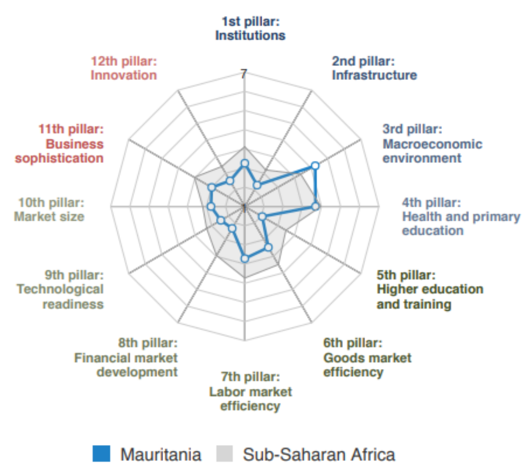


Source: Global Entrepreneurship Index 2018.

Figure C5. Global Competitiveness Index 2017–18

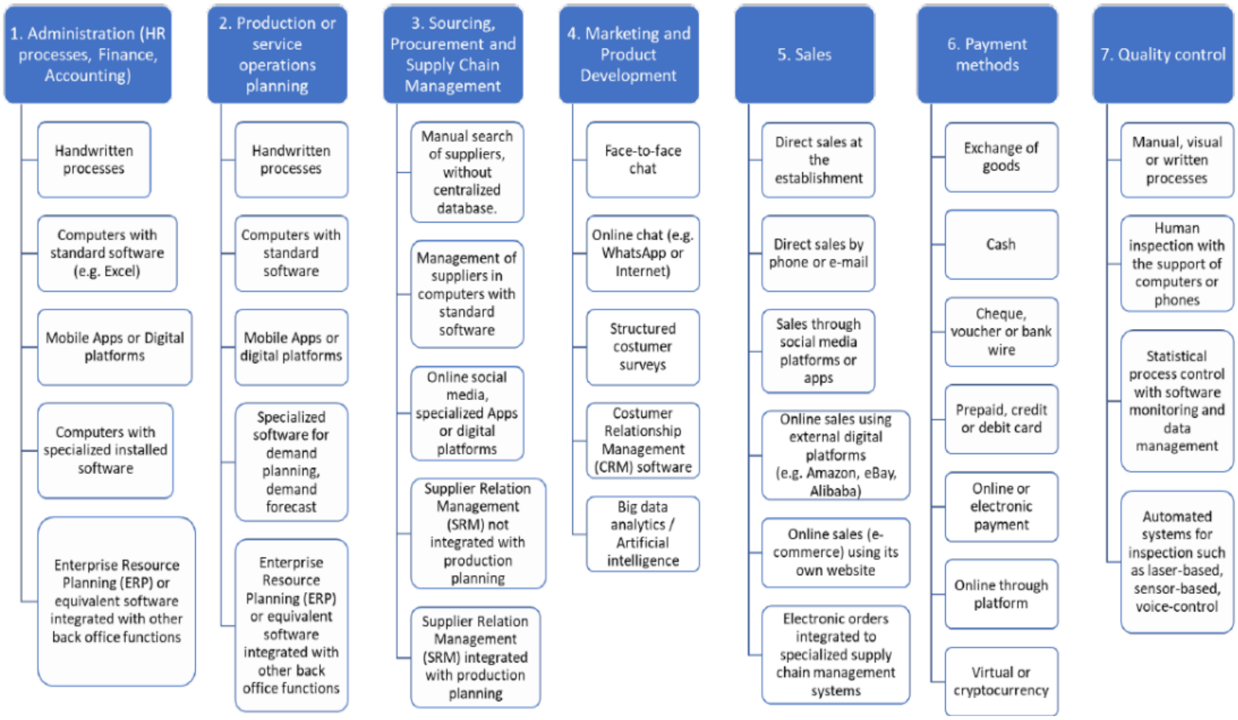
	Rank	Score
Global Competitiveness Index	133	3.1
Subindex A: Basic requirements	123	3.5
1st pillar: Institutions	132	2.9
2nd pillar: Infrastructure	131	2.1
3rd pillar: Macroeconomic environment	69	4.6
4th pillar: Health and primary education	128	4.2
Subindex B: Efficiency enhancers	137	2.5
5th pillar: Higher education and training	137	1.9
6th pillar: Goods market efficiency	134	3.1
7th pillar: Labor market efficiency	129	3.3
8th pillar: Financial market development	137	2.1
9th pillar: Technological readiness	132	2.2
10th pillar: Market size	125	2.5
Subindex C: Innovation and sophistication factors	136	2.5
11th pillar: Business sophistication	136	2.7
12th pillar: Innovation	136	2.3

Rank	134 / 144	141 / 148	141 / 144	138 / 140	137 / 138	133 / 137
Score	3.3	3.2	3.0	3.0	2.9	3.1



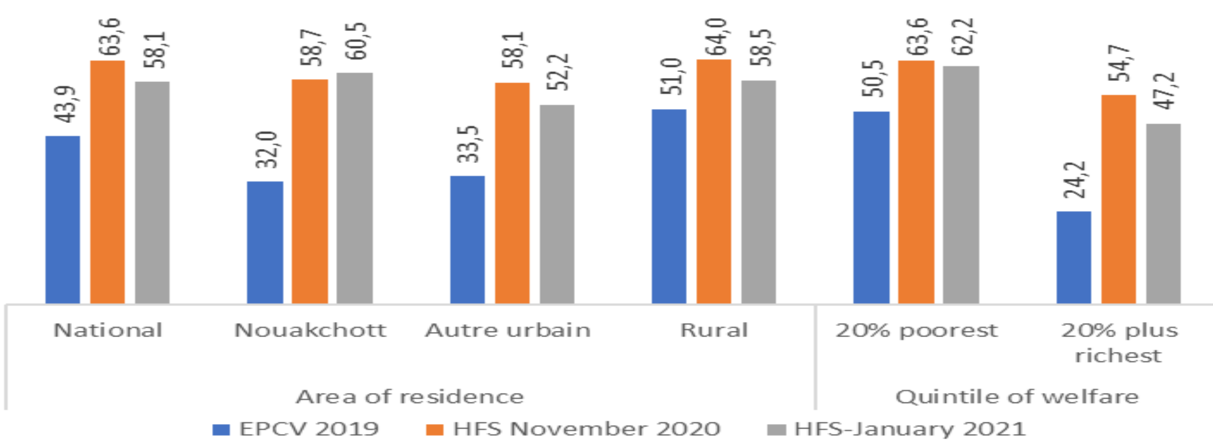
Source: Global Competitiveness Index 2017–18 edition.

Figure C6. General business functions and their technologies



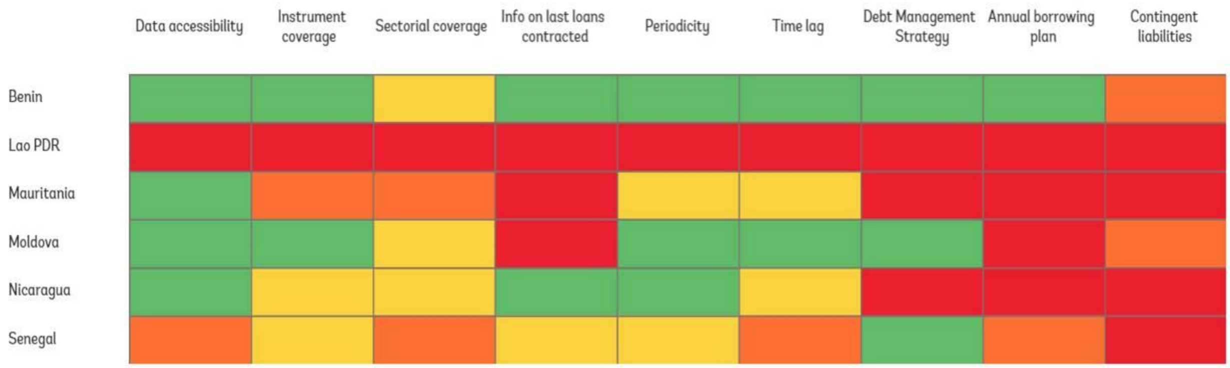
Source: Cirera et al 2021.

Figure C7. Food Insecurity Index (FIES Approach)



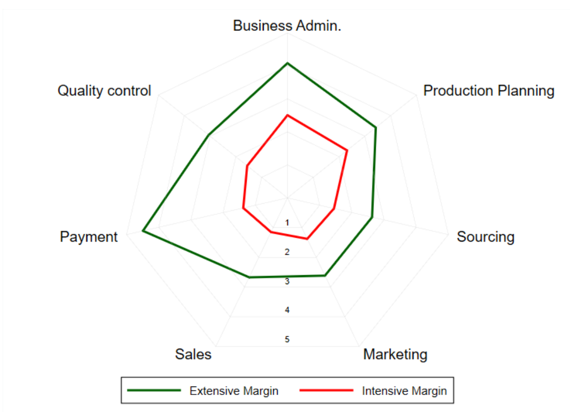
Source: Author's calculation using the EPCV 2019 and HFS for COVID-19 impact analysis.

Figure C8. Mauritania lags behind its peers in public debt management and transparency practices



Source: World Bank Debt Reporting Heat Map 2021.

Figure C9. Extensive and intensive margins vary for business funds



Source: FAT Survey 2022.

Appendix D. Selected Recommendations from Recent World Bank Private Sector Analytical Work

World Bank Country Economic Update (2019): Improving the Business Climate to Promote Development of the Private Sector	
Commercial justice	Improve the efficiency and strengthen the independence of judicial institutions. Train, specialize, and stabilize magistrates.
Availability of information	Modernize and computerize commercial registers and set up the central register.
Land and ownership transfer	Improve land policy. Design a policy to clarify and secure land rights and transactions. Facilitate the transfer of ownership. Digitalize land titles, title deeds, and cadaster nationwide

Public-private dialogue	Systematically involve the private sector in the design, implementation, and evaluation of reforms. Facilitate a more inclusive dialogue (including SMEs).
Regional integration	Explore the possibility of joining Organization for the Harmonization of Corporate Law in Africa (OHADA) to facilitate trade with other members of the organization as well as with international investors operating in these countries. Benefit from a body of modern law, inspired by international best practices.
Fight against corruption	Improve the implementation of the legal framework for the fight against corruption (the anti-corruption law of 2016).
World Bank (2019): The Untapped Potential of Mauritanian's Entrepreneurial Ecosystem	
Startup legal framework	Set up a startup status, recognizing the particularities and difficulties of launching an innovative idea into a business. Provide legal protection of intellectual property rights.
Access to finance	Support the development of financial products for startups.
Intermediary organizations	Professionalize existing structures.
Network and collaboration	Set up a formal channel to share resources and collaborate. Think holistically about the ecosystem.
World Bank Country Economic Memorandum (2020): Accelerating Growth Through Diversification and Productive Cities	
Export-oriented trade policy	Submit a "statement of implementation" to notify World Trade Organization members about relevant laws regarding trade procedures. Agree on a common external tariff with Economic Community of West African States (ECOWA). Eliminate non-transparent import taxes. Appoint a trade facilitation enquiry point.
Business environment	Implement the 2019–20 reform program to strengthen access to finance and monetary policy mechanisms. Remove anti-competitive procedures and policies.
World Bank Policy Note (2018): Transforming the Jobs Trajectory for Vulnerable Youth	
Demand-driven skills	Introduce demand-driven mechanisms, such as results-based funding, to target and modify the skill sets needed as markets evolve. Tailor the school curriculum, teaching, and investment toward labor demand.
Labor market entry	Enhance the private sector's role in implementing and certifying vocational training and skills programs in Mauritania's four major training centers and with local nongovernmental organizations. Adapt continuing training programs to the needs of the most vulnerable with local providers in western and southern regions (cooperatives, firms, nongovernmental organizations).
Labor policy	Modernize labor regulations, including contracting, as part of the social dialogue.
World Bank Country Economic Update (2021): Why it is Essential to Enable Women to Participate Fully in Economic Activity?	
Legal barriers for women economic empowerment	Adopt a law on violence against women. Grant women equal rights within the household and in terms of access to divorce (personal status code). Eliminate all inequalities and discrimination regarding access to employment, financing, and income (labor code and law criminalizing discrimination).
Girls' education	Improve the education of young girls and combat child marriage and pregnancy early. Ensure that girls stay in school until the end of secondary education by improving the quality of education and providing incentives for the education of disadvantaged girls.
Women representation	Promote initiatives aimed at strengthening and developing women's leadership. Implement advocacy campaigns on gender and the rights of women and girls.

Appendix E. Early Qualitative Impact of COVID-19 on the Private Sector (May 2020)

Sector	Context	Current Economic Impact (Anecdotal Evidence)	Impact Magnitude
Hospitality and restaurants	• Over 50 formal enterprises	• Activity has fully stopped (impossibility of home delivery for restaurants) • Important number of layoffs • Important liquidity issues to pay fixed costs • High risk of bankruptcies	High

Tourism, sports, and leisure	• Close to 800 formal enterprises	• Revenues have collapsed due to lack of activity • Layoffs have started and are expected to keep increasing in the coming months	High
Fisheries	• 4.11% of GDP • High contribution to employment (about 55,000 people, 30% of whom are women) • 100+ f-enterprises • Important contribution to exports	• Critical disruptions on supply chains due to closed borders and canceled flights (for example, all exports toward the European Union and Japan markets have stopped) • Declining consumer demand, especially from Europe and Asia and targeting the hospitality industry • Reduced overall catches due to reduction of working hours, primarily of artisanal fishermen • Layoffs have started • Expected decline in fish prices in medium term • Fish stocks in ground facilities expected to increase due to reduction in local and international demand and supply chain disruptions	Medium-High
Construction	• 5.63% of GDP • Close to 800 formal enterprises • Employs about 5.5% of total active population	• Disruptions or delays on imports of key raw material • Reduced productivity due to reduction of workers' hours • Staff and equipment movement affected due to in-country travel restrictions • Many construction contracts put on hold or delayed with subsequent delays in payments • Layoffs have started and expected to keep increasing if restrictions continue • High risk of financial distress due to high levels of debt	Medium-High
Commerce	• Represents more than 50% of total enterprises • 15.6% of GDP	• Significant impacts due to drop in local consumption and demand (for example, reduction of opening hours, difficulties in delivering across Wilayas, semi-closure of businesses) • Some shortage and delays in cargo imports • Layoffs have started and expected to keep increasing if restrictions continue. An exception: groceries and food consumption firms experienced an increase in sales in March. Less likely to be affected due to government's measures to ensure food security.	Medium-High
Energy and water (public service delivery)	• 2.72% of GDP	• Disruptions or delays on imports of key raw material • Reduced productivity due to reduction of workers' hours • Staff and equipment movement affected due to in-country travel restrictions • Delays caused by contract delays or contracts put on hold	Medium-High
Banking sector and microfinance institutions	• About 86 formal establishments	• Important reduction on general activity: drop in credit requests, drop in deposits, difficulties in channeling funds and payment inside the country, credit defaults, and so on. • Layoffs or reductions in working hours have started due to activity drop and hygiene considerations • Bank liquidity and solvency are likely to decline in coming months	Medium
Manufacturing	• High employment, especially for most vulnerable • 9.65% of GDP	• Increasing reduction in activity due to drop in local demand • Experience some shortage and delays in cargo imports • Layoffs have started and expected to keep increasing if demand keeps dropping	Medium

Logistics	• 3.65% of GDP • Over 200 enterprises	• No impact on food-related logistics • Freight transport reduced due to reduction on global trade and government in-country travel restrictions (requiring authorization to move non-food related trade) • No major layoff to date for logistics of goods • Layoffs started for passenger and air transport as activity has been reduced due to restrictions	Medium
Education and training	• Over 100 of private education schools	• Activity, and thus most revenues, have collapsed for daycare, and notably for primary and secondary schools • Vocational training and tertiary education have maintained minimal activity due to shift to distance learning and provision of facilities for internet use	Medium
Other services	• Over 600 formal enterprises	• Important reduction on general activity and demand for services • Layoffs and liquidity issues likely to increase if activity continues to be reduced	Medium
Extractives	• 9.28% of GDP • Close to 300 formal enterprises • Employs about 10,000 people	• No major disruptions in activity • Increased investment in equipment and material stocks as precaution • No impact on exports or global prices • Potential future disruptions if possibility of international staff moves continue, especially for iron and gold	Low
Agriculture and livestock	• Combined 17.8% of GDP • About 50 formal enterprises • Estimate 29% employment of total active labor	• No disruptions on production or reduction on local demand due to close attention by government to food security issues • Availability of workforce (Senegalese) and imports of goods and equipment unlikely to be affected • Demand for local vegetables could increase if regional trade is affected, notably with Morocco • No real information on livestock informal activities • Meat prices are controlled and have not fluctuated • Cost of heads has not fluctuated yet	Low