

**AFRICAN DEVELOPMENT FUND**



**AFRICAN DEVELOPMENT BANK**



**MAURITANIA : HIPC APPROVAL DOCUMENT - DECISION POINT UNDER  
THE ENHANCED FRAMEWORK\***

**NB : This document contains errata or corrigenda (see Annexes)**

## **HIPC APPROVAL DOCUMENT FOR MAURITANIA: Completion Point under the Enhanced Framework**

### **1. INTRODUCTION**

In June 2002, Mauritania reached its completion point and the Boards of the IMF and World Bank approved US\$622 million worth of debt relief in end-1998 NPV terms under the enhanced HIPC Framework. This document invites the Boards to note the justifications for Mauritania qualification for HIPC assistance, and approve the proposed plan to finance the balance of the Bank Group's share of Mauritania costs. Section 2 of this document summarises details of Mauritania's status of policy and reforms implementation during the interim period, while the total debt relief is disaggregated in Section 3 to illustrate the breakdown of HIPC costs to all creditors at the decision and completion points and justification for any change in total debt relief approved at the decision point. Section 4 shows the HIPC debt relief assistance delivered during the interim period. The Bank Group's operations are reviewed in Section 5, with particular emphasis on activities related to the progress made in the implementation of the Poverty Reduction Strategy Papers (PRSPs). Section 6 presents details of the proposed delivery modality. The proposed financing plan is presented in Section 7. Recommendations for the Boards' consideration are contained in Section 8.

### **2. HIPC QUALIFICATION**

#### **Policy and Reform requirements**

Mauritania reached its decision point in February 2000 and qualified for US\$622 million (in 1998 NPV terms) worth of debt relief assistance, equivalent to 50 percent reduction in the country's outstanding stock of debt at end 1998, after full use of traditional debt relief mechanisms. The country has now reached its completion point in June 2002 by fulfilling the following conditions:

- Satisfactory on implementation of the PRSP for at least one year;
- Maintenance of a stable macroeconomic position as evidenced by continued strong performance under a program supported by an arrangement under the PRGF;
- Implementation of the social and governance reforms monitored under the Initiative and outlined at the decision point.

A copy of the relevant HIPC completion point document is annexed to this report.

### 3. HIPC COSTS

#### 3.1 Breakdown of total HIPC Costs of US\$622 million

Total HIPC costs for Mauritania amounts to US\$622 million. Bilateral creditors will account for US\$261million (42 percent) of Mauritania's debt relief, while multilateral creditors will deliver the remaining US\$361 million (58 percent). The Bank Group's share of debt relief will amount to US\$72.80 million (in 1998 NPV terms) which is equivalent to 20 percent of multilateral creditors' assistance. Table 1 provides a breakdown of the total HIPC costs of US\$622 million in NPV terms. In nominal terms, Bank Group assistance under the enhanced HIPC Initiative amounts to US\$90.69 million.

**Table 1: Breakdown of total HIPC costs in NPV terms (in US\$ million)**

Creditors	Enhanced HIPC Framework <sup>1</sup>		
	Decision point	Change (additional assistance)	Completion point
<b>Total creditors</b>	<b>622</b>	<b>0</b>	<b>622</b>
Bilateral Creditors	261	0	261
Multilateral Creditors	361	0	361
<i>of which:</i>			
IDA	100	0	100
IMF	47	0	47
<b>AfDB</b>	<b>72.80</b>	<b>0</b>	<b>72.80</b>
Others	141	0	141

*Source: Enhanced HIPC completion point document for Mauritania, IMF/IDA, May 2002, pp. 15-16 and p.42 Table 13.*

#### 3.2 Explanation of change in total debt relief at Decision and Completion Points

Mauritania's debt remains sustainable at completion point based on a revised debt sustainability analysis. Thus, the amount of debt relief approved for the country at decision point has not changed at completion point.

#### **4. ASSISTANCE DELIVERED DURING THE INTERIM PERIOD**

Bank Group debt relief to Mauritania's during the interim period July 2000 to June 2002 amounted to US\$18.68 million (in 1998 NPV terms) equivalent to US\$19.58 million in nominal terms. This interim period lasted 28 months instead of the scheduled three years.

#### **5. BANK GROUP INVOLVEMENT IN THE PRSP PROCESS**

5.1 At the Consultative Group's third meeting convened in Paris in March 1998, the Government of the Islamic Republic of Mauritania submitted to its development partners an interim poverty reduction strategy for the 1998-2001 period. From that period up to now, the Bank has participated in the preparation of the poverty reduction strategy. This participation resulted first in consultations to fine tune the major sectoral strategies for rural development, fisheries, education, health and transport. A Country Strategy Paper also was adopted for 1999-2001 and a lending programme in keeping with the terms of this interim strategy. The strategy selected by the Bank during this period focused on (i) human resource development; (ii) natural resource development, (iii) development of basic infrastructure, (iv) institutional capacity building, and (v) consolidation of macro-economic reforms. During this period, 9 new operations were allocated loans amounting to UA 67.89 million distributed as follows by sectors: social sector (36 percent); mining (33 percent); multi-sector (24 percent); and rural development (7 percent).

5.2 Preparation of the definitive poverty reduction strategy in Mauritania, referred to as the Poverty Reduction Strategy Paper (PRSP), began in December 1999 and was completed in January 2001. In addition to joint organisation with Bretton Woods Institutions in June 2000 in Yamoussoukro and in September 2001 in Dakar, forums on preparation of poverty reduction strategies in which Mauritanian authorities participated in June and October, the Bank carried out two missions to monitor the preparation of PRSP. In addition to their activities, two Bank missions to Mauritania in November 2000 and January 2001 also participated in the review in the final draft of the document by the National Committee and the Committee of Donors' representatives in Nouakchott. These occasions permitted the Bank to formulate its observations on the PRSP and in particular to stress the need for greater coherence between the country's macro-economic projections, sectoral policies and the priority investment programme, on the one hand and, on the other hand, the importance of introducing a mechanism to monitor the PRSP's implementation.

5.3 Lastly, the Bank participated in the fourth meeting of the Consultative Group, which was held in Paris in December 2001. At this meeting, discussions concerned: (i) the development and outcome of the country's macro-economic and structural reforms since 1998; (ii) introduction of the poverty reduction strategy paper (PRSP); (iii) public investment programme for implementation of the PRSP; and (iv) private sector promotion. The Bank also participated in consideration of the Medium Term Expenditure Programme (MTEP) for the health and education sectors, and for a year has been participating in annual expenditure reviews registered in this context. It will participate in the near future in similar activities for priority sectors including rural development, transport and potable water supply.

## **6. PROPOSED DELIVERY MODALITY**

6.1 As Mauritania has reached its completion point, it is proposed that the Bank Group makes a commitment to provide irrevocable debt relief of US\$72.80 million in 1998 NPV terms with effect from June 2002. The Bank Group's debt relief would be provided by releasing Mauritania from up to 80 percent of its debt service obligations to the Bank Group each year, until the entire amount of US\$90.69 million is delivered. Total debt relief will be delivered by end 2011.

### **Legal Aspects of Debt Relief Operation**

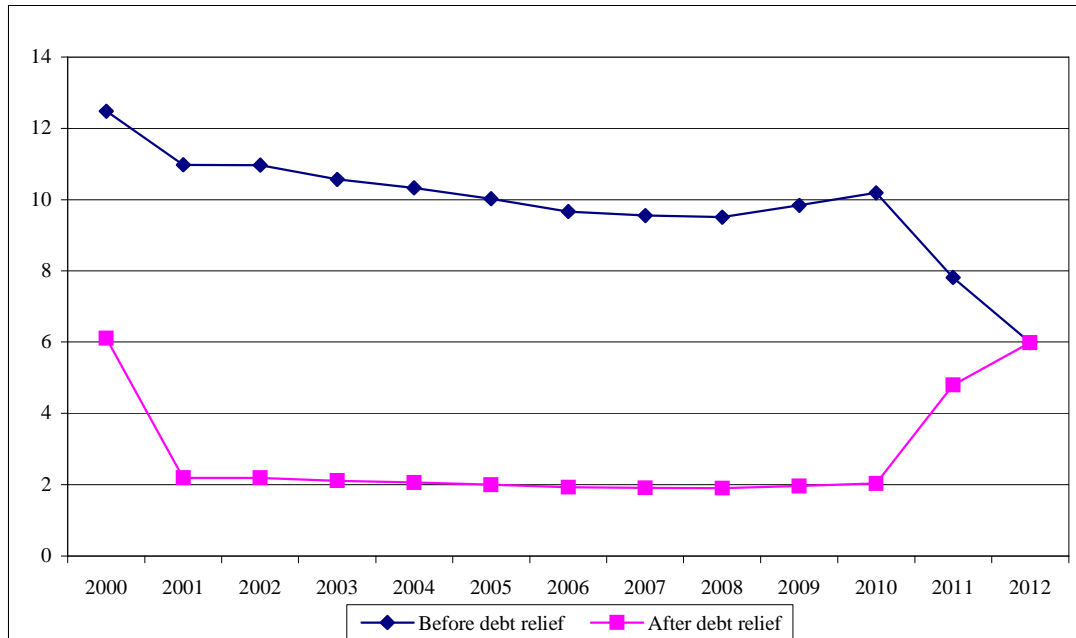
6.2 Debt relief for Mauritania is to be provided, under the enhanced framework of the HIPC Debt Relief Initiative, through the mechanism of debt service relief, in accordance with the terms described in the preceding paragraphs. These terms will be implemented by:

- a Debt Relief Agreement between the Bank Group and the government of Mauritania ;
- a HIPC Trust Fund Grant Agreement between the Bank Group, the International Development Association (IDA) and the government of Mauritania; and
- a contribution agreement between the Bank and the International Development Association (IDA).

The provision of debt relief, as described, is consistent with the rules of the African Development Bank and the African Development Fund.

### Chart A. Impact of Debt Relief on Mauritania's Bank Group Debt Service Profile

(in million US dollars)



## 7. PROPOSED FINANCING ARRANGEMENTS

The Bank Group's share of debt relief will be financed as follows:

*Million US\$ end-1998 NPV terms*

Internal Resources	<b>14.56</b>
European Commission pledge	<b>29.12</b>
Balance with HIPC Trust Fund	<b>29.12</b>

**TOTAL 72.80**

## 8. RECOMMENDATIONS

The Boards are invited to:

1. Note the justifications for Mauritania qualification for HIPC assistance at its completion point, under the enhanced framework; and
2. Approve the plan to finance the Bank Group's share of HIPC debt relief, in accordance with the arrangements presented in Section 7.

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**HIPC Debt Relief Schedule  
(in US\$ millions)**

Mauritania

Completion  
Point Date  
June 2002

	<b>TOTAL ADB</b>	<b>TOTAL Debt Relief (ADB/ADF)</b>
2000	4.013877	6.370945
2001	5.949318	8.783151
2002	5.713448	8.775014
2003	5.276833	8.453208
2004	5.062837	8.261759
2005	4.840196	8.019840
2006	4.597481	7.728926
2007	4.356958	7.643734
2008	4.143647	7.607060
2009	3.926178	7.874544
2010	3.710787	8.152820
2011	1.775307	3.023363
	<b>53.366867</b>	<b>90.694362</b>

**Summary**

Total Nominal Relief	US\$ 90.694362 mn
<i>of which</i>	
<b>ADB</b>	<b>US\$ 53.366867 mn</b>
<b>ADF</b>	US\$ 37.327496 mn
Total NPV Relief	US\$ 72.80 mn
Duration	12 years

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**HIPC Debt Relief Schedule  
(in US\$ millions)**

Mauritania

Completion  
Point Date  
June 2002

	<b>TOTAL ADF</b>	<b>TOTAL Debt Relief (ADB/ADF)</b>
2000	2.357068	6.370945
2001	2.833833	8.783151
2002	3.061566	8.775014
2003	3.176374	8.453208
2004	3.198922	8.261759
2005	3.179644	8.019840
2006	3.131445	7.728926
2007	3.286775	7.643734
2008	3.463412	7.607060
2009	3.948366	7.874544
2010	4.442033	8.152820
2011	1.248056	3.023363
	<b>37.327496</b>	<b>90.694362</b>

**Summary**

Total Nominal Relief		US\$ 90.694362 mn
<i>of which</i>		
	<i>ADB</i>	<i>US 53.366867 mn</i>
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Total NPV Relief		US\$ 72.80 mn
Duration		12 years

**IMF/ World Bank HIPC  
Document for Mauritania**

# Annex

**SUBJECT : MAURITANIA : HIPC APPROVAL DOCUMENT - COMPLETION POINT UNDER THE ENHANCED FRAMEWORK**

**CORRIGENDUM – ENGLISH ONLY\***

Please note that the title of the HIPC Approval Document for Mauritania (document **ADB/BD/WP/2002/62 - ADF/BD/WP/2002/67**) distributed on 4 July 2002, should read: “Mauritania: HIPC Approval Document – **Completion** Point under the Enhanced Framework” and not Mauritania: HIPC Approval Document – Decision Point under the Enhanced Framework.