

I. COUNTRY REFORM PROGRESS

With the support of the IMF's Fiscal Affairs Department (FAD), the authorities successfully finalized the implementation decrees for the Free Zone of Nouadhibou (FZN) Law and the Investment Code. They also reformed the consumption tax system by transitioning to a conventional excise tax framework. A memorandum of understanding was developed and signed between the revenue authorities and the FZN Authority. On the expenditure side, the authorities identified key inefficiencies within the economy and pinpointed areas where fiscal space could be created to support priority spending initiatives. Regarding public financial management (PFM) work, FAD provided support to the authorities in developing a methodology for climate-related budget tagging (CBT) and in implementing a new public investment management (PIM) framework that integrates climate considerations.

II. PROJECT DELIVERY HIGHLIGHTS

RM I: Revenue Module I – Tax Policy

Key Progress in FY26: FAD assistance has allowed authorities to (1) complete the implementation decrees for the FZN Law and the Investment Code and (2) reform their consumption tax system with a conventional excise tax system.

Previous Progress: The tax policy capacity development program has assisted the authorities to (1) improve tax expenditure assessment and the presentation of the reports, (2) improve tax policy with an action plan for tax policy implementation based on the general tax policy diagnostic recommendations, and (3) eliminate “points francs”; while replacing corporate income tax (CIT) exemptions with a reduced rate in the new investment code. Additionally, with the recent capacity building, the authorities were able to prepare an inventory of all consumption taxes and are in the process of reforming their consumption tax system with a conventional excise tax system.

Next Steps: In the context of the IMF-supported Extended Credit Facility / Extended Fund Facility programs, the authorities are committed to rationalizing tax expenditures and requested FAD's support on this issue, including supporting the capacity building of the Tax Policy Unit (TPU).

RM II: Revenue Module II – Revenue Administration

Key Progress in FY26: During the first half of fiscal year 2026, an exercise was completed to assess the governance, tax, and customs compliance management of businesses operating in the FZN. As a result, a memorandum of understanding (MoU) was developed and signed between the FZN Authority, the Tax Administration, and the Customs Administration, with support from FAD—a structural benchmark set by the IMF's Middle East and Central Asia Department (MCD) to be completed before June 30, 2025. FAD also contributed to the drafting of a decree related to the Free Zone law. Cooperation among key partners, including Expertise France and the World Bank, has been notably strong.

Previous Progress: There has been notable progress in several reform areas within the General Directorate of Taxes (GDT), including: (1) establishment of a tax reform commission; (2) classification of tax arrears based on recoverability and developing a collection strategy; (3) implementing e-procedures for

large taxpayers; (4) interfacing of GDT's IT systems with the Civil Registry; and (5) adopting a new law for the FZN. In customs, institutional reforms have advanced significantly. A strategic plan has been developed, along with a new function-based organizational structure, submitted for ministerial approval. Additionally, a training policy and competency-based human resource management tools were introduced to support professional development. Operationally, customs has (1) established a Post Clearance Audit unit; (2) launched compliance risk management (CRM) and risk-based selectivity tools; (3) advanced on drafting of a new Customs Code aligned with ECOWAS standards; and (4) developed several digital applications. Mid-term capacity development (CD) plans for both tax and customs were prepared and coordinated with development partners to avoid duplication. A joint tax and customs CD plan has been developed to enhance management of tax and customs administration in the hydrocarbon sector and its implementation has started.

Next Steps: In the upcoming period, the tax administration will initiate the development of a compliance improvement plan focused on the hydrocarbon sector. This effort will begin with identifying key tax risks within the sector and formulating appropriate treatment strategies to mitigate those risks. For customs, FAD will support the administration in two critical areas: (1) developing standard operating procedures for managing businesses operating within the Special Economic Zone; and (2) assisting in the creation of a strategic roadmap to transition away from the flat rate valuation system, aiming to enhance transparency and alignment with international valuation standards.

SM I: Spending Module I – Spending Policy

Key Progress in FY26: FAD team prepared and delivered a one-week workshop on major areas of current spending, with the purpose to explain the main economic principles behind each of them and guidelines to produce well documented spending reviews. Building on FAD support, the authorities initiated a spending review process primer. Representatives from each major spending area were identified as contact persons in sectoral ministries and attended the workshop. The group identified and prioritized key areas for in-depth review. Sectoral notes were then developed, analyzing spending by category and highlighting inefficiencies and opportunities for fiscal space creation. This resulted in a consolidated spending review, which provided actionable insights for reallocating resources toward priority initiatives.

Previous Progress: Authorities have continued to build upon previous engagement of spending rationalization. The current focus is to review and update water tariff structures to better target subsidies and ensure affordability for vulnerable households. The reform process has included diagnostic assessments of current subsidy mechanisms, stakeholder consultations, and the development of policy options for gradual adjustment of tariffs. Authorities progressed along the roadmap and worked with development partners such as the French Development Agency (AFD), as planned during the May 2024 mission. The collaboration is supporting capacity building and providing analytical inputs to guide the next phases of reform.

Next Steps: FAD will support authorities to build on the achievements, with further work on wage bill management and support for fuel subsidies reforms. The authorities are encouraged to institutionalize the spending review exercise on a yearly basis, with the objective to make it more granular in future. Progress along the reform of water tariffication is also expected.

SM II: Spending Module II – Managing Public Finance

Key Progress in FY26: No activities took place during this period.

Previous Progress: Under the IMF's Resilience and Sustainability Facility (RSF), the government committed to two key reform initiatives: first, to adopt and implement a new public investment management (PIM) framework that incorporates climate change considerations; and second, to establish a green responsive budget by creating a CBT methodology. The new PIM framework was released in November 2024. In January 2025, a CD activity was conducted to prepare for the pilot implementation of the new PIM for several major public investment projects. Additionally, a second CD activity was carried out in February 2025 to assist the Ministry of Economy and Finance (MoFE) in developing a climate budget tagging methodology, which will be applied to specific Nationally Determined Contribution sectors in the 2026 Budget.

Next Steps: Discuss with the authorities the need for follow-up support on these two areas: CBT and piloting the new PIM framework.

III. LOGICAL FRAMEWORK

Country – Mauritania		
RM I: Objective – Improve Tax Policy Design - TPD		Rating - 3
Outcome	Rating	Narrative
Improved distributional fairness across taxpayers due to amended tax rates or base	2 Partially Achieved	Authorities are determined to amend existing laws to enhance distributional fairness across taxpayers and already completed the reform of the FZN Law, the investment code, and their respective implementation decrees. The next step for the authorities includes the reform of the mining sector taxation. Additionally, the authorities are planning to conduct a study on civil servants' salary tax base to promote fairness between the public and private sectors in terms of salary taxation.
Increased economic efficiency by minimizing economic distortions or addressing externalities or market failures	3 Largely Achieved	The authorities have reformed the new investment code that eliminated "points francs" and CIT exemptions and have agreed to reform the consumption tax into a conventional excise tax that will help address externalities.
Increased/decreased revenue quantity	3 Largely Achieved	The reform of the Free Zone Law and the adoption of the new investment that eliminated "points francs" and replaced CIT exemptions with a reduced rate constitute key points that will help rationalize tax expenditures and increase tax revenue.
RM I: Objective – Strengthen Policy Monitoring, Evaluation, and Institutions - TPM		Rating - 4
Outcome	Rating	Narrative

Improved structures (e.g., TPU units) or capacity (e.g., models and tools) related to tax policy advice and analysis.	3 Largely Achieved	The TPU is now operational and prepared (i) the 2023 and 2024 tax expenditures assessment reports; and (ii) an action plan for tax policy implementation. The method used for assessing tax expenditures has been modernized and improved with a broader coverage of taxes in the analysis. The authorities have expressed their appreciation of the support and requested continuous support to strengthen the capacities of the TPU.
Improved transparency and outreach	4 Fully Achieved	Tax expenditures reports have been published for several years now in Annex of the annual budget. The authorities also prepared a 2-page non-technical summary of the report to enhance a broader communication and understanding of the report. The reform of the General Tax Code planned for 2025 will also be a key point that will help improve transparency in tax expenditures monitoring, as it will consolidate all derogatory and sectoral tax provisions.
RM II: Objective – Strengthened revenue administration management and governance arrangements (SDG 17.1) - RAM		Rating - 3
Outcome	Rating	Narrative
Capacity for reform increased due to clear reform strategy and a strategic management framework adopted and institutionalized	3 Largely Achieved	At present, the tax administration lacks a proper strategic plan and relies instead on action plans and currently implemented measures. However, a strategic plan has already been developed for the customs administration, and an integrated mid-term CD plan has been designed for both the tax and customs administrations.
Corporate priorities are better managed through effective risk management	3 Largely Achieved	Although a risk unit has been established within the tax administration, it remains inactive, and the risk-based approach is fragmented across the organization. Currently, the enforcement strategy serves as the primary treatment method employed by the administration. GDT leaders have acquired knowledge of CRM, enhancing their expertise in this area. Additionally, a medium-term capacity development plan for the hydrocarbon sector has been created for revenue administrations, and the fundamental principles of this sector have been shared with them. For customs, there has been significant recent progress in advancing risk management practices. A comprehensive risk management framework was developed and officially endorsed by the Director General. The selectivity system was thoroughly reviewed, and a set of enhancement

		proposals were made, including the introduction of a scoring mechanism and rule-based models, with the potential to integrate machine learning techniques in the future. These developments reflect a growing institutional commitment to adopting a structured, intelligence-led, and data-driven approach to risk management. While the foundations are now in place, sustained efforts will be required to operationalize the framework, reinforce analytical capacity, and ensure consistent application across the customs administration.
Organizational arrangements enable more effective delivery of strategy and reforms	3 Largely Achieved	The organizational structure of the tax administration is not function-based, lacking a clear distinction between strategic and operational functions. Additionally, while some functions exist on paper, they remain inactive. A high-level organizational structure has been proposed to address these issues within the tax administration. In contrast, a new function-based organizational structure has been developed for the customs administration and has already been submitted to the Minister for approval.
Effective implementation of a new tax or modernized legislation	2 Partially Achieved	Following the issuance of the new law governing the FZN, the IMF developed action plans to support the revenue administrations in managing the transition of tax files from the FZN to the oversight of the tax and customs administrations. In parallel, FAD assisted the Mauritanian authorities in drafting a MoU to define the framework for tax management within the FZN. The MoU has been approved by all relevant stakeholders. Additionally, a draft decree for the implementation of the new law was developed.
RM II: Objective – Strengthened core tax administration functions (SDG 17.1) - TAD		Rating - 2
Outcome	Rating	Narrative
Audit and other verification programs more effectively ensure accuracy of reporting	2 Partially Achieved	The tax administration lacks a proper audit plan, and audits are not selected based on risk analysis. However, the administration is conducting both desk audits and field audits. Notably, the field audit section is handling several tasks that fall outside its mandate.
A larger proportion of taxpayers meet their payment obligations as required by law	2 Partially Achieved	A tax arrears collection strategy has been developed. Additionally, the plan for preventing and reducing tax arrears has been updated to align with international good practices. The tax administration has to implement the strategies proposed.
RM II: Objective – Improved customs administration functions (SDG 17.1) - CAD		Rating - 3

Outcome	Rating	Narrative
Customs control during the clearance process more effectively ensures accuracy of declarations	3 Largely Achieved	While valuation controls have been automated, their implementation remains insufficiently monitored, and risk-based selective controls are not yet fully streamlined. However, notable progress has been made in customs with regard to risk management practices. A comprehensive risk management framework was developed and formally endorsed by the Director General. The selectivity system underwent a thorough review, resulting in a set of enhancement proposals—including the introduction of a scoring mechanism and rule-based models—with future potential to incorporate machine learning techniques.
Audit and anti-smuggling programs more effectively ensure enforcement of customs laws	2 Partially Achieved	The Post Clearance Audit (PCA) program remains underdeveloped, with limited maturity in its implementation. Additionally, institutional capacities for managing authorizations and controlling end-use exemptions are currently weak and require strengthening.
SM I: Objective – Strengthen Expenditure Policy Formulation and Design - EPD		Rating - 2
Outcome	Rating	Narrative
Reduce subsidies while mitigating impact on vulnerable households	2 Partially Achieved	Subsidy reform in progress. As a follow up to the May 2024 mission, French Development Agency (AFD) is supporting the authorities regarding water tariffs reform.
SM I: Objective – Strengthen Policy Evaluation and Institution Building - PEI		Rating - 4
Outcome	Rating	Narrative
Authorities have an understanding of opportunities to enhance the adequacy, efficiency, and sustainability of public expenditure	4 Fully Achieved	Authorities have successfully conducted a spending review based on inputs from sectoral groups.
SM II: Objective –Strengthen Budget Management – SBM		Rating - 2
Outcome	Rating	Narrative
Strengthened annual budget process for more efficient, and effective use of resources	2 Partially Achieved	Between May 1 and October 31, 2025, no activities were undertaken. In compliance with RSF Reform Measures, a new PIM framework including climate considerations was issued in November 2024, followed by CD in January 2025 to prepare for piloting on major public investment projects. In February 2025, further support was provided

		to the MoFE to develop a CBT methodology for the 2026 Budget.
SM II: Objective – Build Sustainable Fiscal Institutions - SFI		Rating - 2
Outcome	Rating	Narrative
Strengthened capacity to plan, implement and sustain infrastructure governance	2 Partially Achieved	No activities took place between May 1 and October 31, 2025; progress from previous activities: To comply with a RM under the RSF, a new PIM framework was issued in November 2024, following the recommendations provided by the PIMA and C-PIMA delivered by FAD. A short-term expert CD activity was delivered in January 2025 to set the basis for piloting the new PIM to some large public investment projects.

IV. RISK ASSESSMENT

Description	Rating	Mitigation Measures
External Climate/Conditions		
RM I, RM II, SM I & SM II: Higher frequency and severity of climate-related natural disasters, which affect economic stability and growth and create large adoption needs.	Medium	Further strengthening of revenue policies to deal with natural disasters and to ensure continued and additional revenue mobilization.
Political Support		
RM I, RM II & SM II: There is strong support for revenue administration and tax policy modernization from the Ministry of Finance as well as for the PFM area.	Low	Maintain good contact with the MoF and ensure Minister's support to strengthen the work of the GDT and leverage MCD to maintain contact and provide progress briefings with Minister on priority areas. Conduct a scoping mission to gain a fine-grained understanding of the needs and take stock of the existing capacity.
RM II, SM I: Some issues, including subsidies removal, infrastructure governance, and resource revenue management are usually politically sensitive and could trigger some resistance.	Very High	Highlight the pressing needs in terms of infrastructure and social spending. Reiterate the case that subsidies are an inefficient type of spending.
Management and Technical Staff Support and Commitment		
RM I: Reform commitment with the newly agreed IMF Extended Credit Facility/Extended Fund Facility program, but weak capacity of staff could delay the execution of the project.	Medium	Strengthen staff management and technical abilities and ensure effective knowledge sharing between staff

Description	Rating	Mitigation Measures
RM II, SMI: Reform commitment of senior officials is high but weak technical skills among the staff could create obstacles to efficient delivery of the program.	Very High	Strengthening management capabilities and technical knowledge of staff through interactive and participative CD approaches. Adjust expectations to staff capacity; accompany the process by dividing the tasks in smaller size steps.
SM II: Reform commitment is high under the IMF program. Technical capacity within the MoFE needs to be enhanced.	Medium	Ensure that PFM functions, previously fragmented between the MoF and the MoE, will smoothly be unified under the new MoFE.
Resource Adequacy		
RM I: Current capacity to achieve results is low, as is the adequacy of resources	Very High	More resources and stronger reform management are needed
RM II: Lack of office space and equipment for tax administration staff.	Very High	Authorities to be encouraged to provide necessary resources to the tax administration to maintain the day-to-day operations (infrastructure, etc.)
SM I: N/A	N/A	N/A
SM II: Historically high staff turnover, especially at senior level.	Medium	In the last year, senior staff turnover has reduced considerably in MoF
Other Risks		
All modules: N/A	N/A	N/A

V. PROJECT MANAGERS: CONTACT INFORMATION

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