INTERNATIONAL MONETARY FUND

IMF Country Report No. 24/363

ISLAMIC REPUBLIC OF MAURITANIA

SELECTED ISSUES

December 2024

This paper on Islamic Republic of Mauritania was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on December 4, 2024.

Copies of this report are available to the public from

International Monetary Fund • Publication Services
PO Box 92780 • Washington, D.C. 20090
Telephone: (202) 623-7430 • Fax: (202) 623-7201
E-mail: publications@imf.org Web: http://www.imf.org

International Monetary Fund
Washington, D.C.

INTERNATIONAL MONETARY FUND

THE ISLAMIC REPUBLIC OF MAURITANIA

SELECTED ISSUES

November 27, 2024

Approved By
Middle East and Central Asia Department

Prepared By Onur Ozlu, Felix Fischer (both MCD), and Ahmed-Amine El Azdi (Universite Paris Dauphine).

CONTENTS

ANALYSIS OF FINANCIAL DEVELOPMENT IN MAURITANIA[1]

Mauritania's financial sector is heavily dominated by banking institutions, with limited development in financial markets. Despite a relatively high and still growing number of banks, financial intermediation remains weak. This selected issue paper analyses key trends in the country's existing financial sector and finds that while the Mauritanian banking sector is highly profitable, it fails to facilitate broader financial services and access, resulting in limited contribution to economic growth and inclusion. It also identifies the prevalence of family-owned banks, lack of trust, weak governance, and insufficient institutions as the major factors leading to these macro-level outcomes and discusses policies to address them and enhance financial sector development and boost inclusion.

A. Introduction

1. **Mauritania's financial sector lags the performance of the country's overall economic growth**. While GDP has been growing steadily, gross loans have not followed suit (Figure 1). Despite the relatively large number of banks in the country, the number of depositors is low (Figure 2). These indicators signal poor financial intermediation, suggesting that the banking sector struggles to convert economic growth into increased lending.

2. **Mauritania's financial sector is overwhelmingly dominated by its banking institutions, which serve as the backbone of the country's financial infrastructure.** As of end-2020, the 18 active banks controlled more than 90 percent of the financial sector's total assets.[2] By August 2024, the number of banks had decreased to 17, but they still represent a significant portion of the financial system and the broader economy, with assets amounting to 45.2 percent of GDP during the same period.

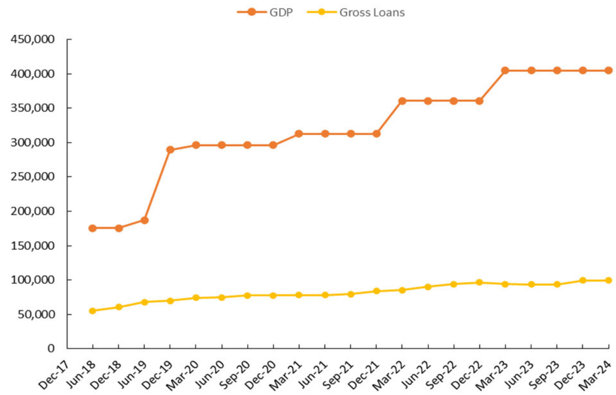
3. **Effective banking supervision needs strengthening to ensure a healthy banking sector, as an engine of growth.** Human resource capacity at the Central Bank, reporting accuracy by banks and legal framework for effective supervision are the key challenges. Ensuring a legal and regulatory environment reflecting international best practice, reliable prudential data and effective banking supervision remain key priorities. With amendments to the Central Bank and banking laws in line with international best practice and new supervisory methodologies being developed and training initiatives in place, the Central Bank is well-positioned to build on these improvements and ensure a more robust oversight of the banking sector.

---

[1] Prepared by Onur Ozlu (MCD) and Ahmed-Amine El Azdi (Universite Paris Dauphine)

[2] World Bank « DIAGNOSTIC DU SECTEUR FINANCIER: REPUBLIQUE ISLAMIQUE DE MAURITANIE » June, 2022

Figure 1. Mauritania: GDP vs Gross Loans

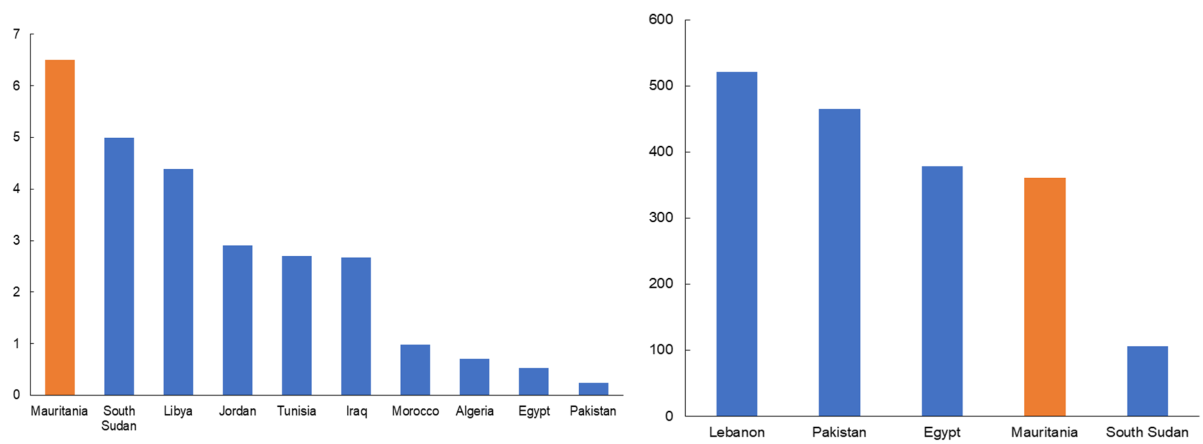


Source: Mauritanian authorities.

Figure 2. Mauritania: Number of Banks and Number of Depositors (2022)

Number of banks per one million of adults

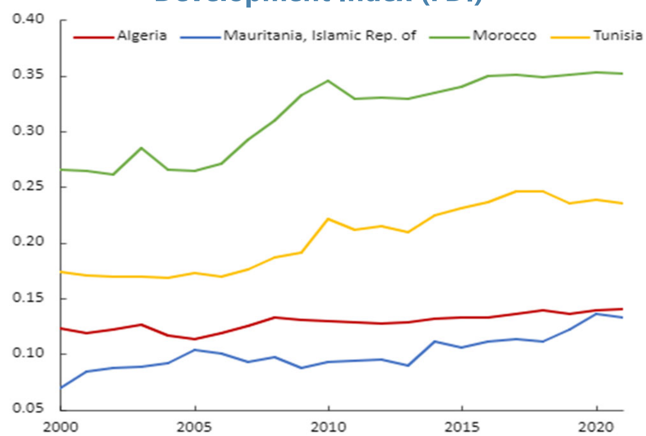
Number of depositors per 1,000 adults



Sources: FAS database and IMF staff calculations.

4. Mauritania's financial development lags its North African counterparts, revealing challenges within its financial sector. Mauritania's financial development index,[3] although progressing from a relatively low base, has consistently lagged its peers (Figure 3), indicating challenges in enhancing its financial sector. When compared with the performance of Morocco and Tunisia, Mauritania's low base and sluggish performance show the opportunity for leapfrogging in the financial sector. The comparison underscores how some other countries in the region have implemented reforms to boost financial development, suggesting that Mauritania could benefit from adopting similar strategies. The low index value for Mauritania signifies limited financial intermediation, which is a crucial obstacle to leveraging economic growth for broader financial inclusivity and stability. Strengthening institutional frameworks and enhancing market confidence are essential steps to improving Mauritania's financial development and achieving sustainable economic progress.

Figure 3. Mauritania with Selected Peers: Financial Development Index (FDI)



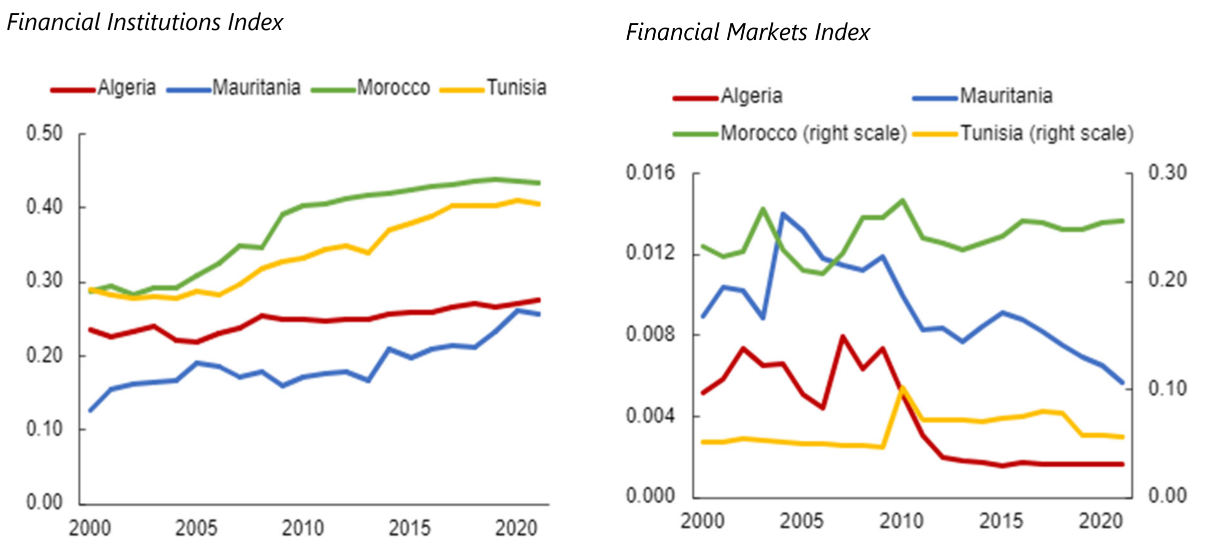
Source: Financial Development Index Database.

[3] The Financial Development Index (FD) is a composite measure that captures the overall development of financial systems in a country developed in Svirydzenka (2016). It assesses the depth, access, and efficiency of financial institutions and financial markets, providing a comprehensive picture of financial sector development. It comprises (i) the Financial Institutions Index (FI) a sub-component of the FD that focuses on the development of financial institutions such as banks, insurance companies, and other financial intermediaries and (ii) the Financial Markets Index (FM) another sub-component of the FD that concentrates on financial markets, including stock markets and bond markets. The Financial Institutions Index (FI) evaluates the development and performance of financial institutions within a country and is composed of three main components: Depth (FID), Access (FIA), and Efficiency (FIE). Depth refers to financial intermediation, capturing the extent of financial services provided by banks, including metrics such as credit to GDP and pension fund assets to GDP. Access, on the other hand, measures financial inclusion, indicating how widely financial services are available to the population, with indicators like the number of bank branches and ATMs per capita. Efficiency assesses the profitability and operational performance of financial institutions, evaluating metrics such as return on assets, net interest margin, and lending-deposit spread.

B. Mauritania Struggles to Boost Financial Development and Intermediation

5. Mauritania's financial institutions are making progress, but the underdeveloped financial markets hinder overall financial development. The Financial Institutions Index for Mauritania shows a modest but consistent upward trend (Figure 4). However, despite this progress, the index remains relatively low, implying that Mauritania's financial institutions still have considerable room for growth to reach regional standards. Conversely, the Financial Markets Index is low between 2000 and 2021. While the financial market index is lagging for the whole region, the stark contrast between the two indices in Mauritania's case indicate firstly that capital, equity, and bond markets are either underdeveloped or absent in the country. The lack of a robust financial market infrastructure hampers the country's overall financial development. Since 2022, however, Mauritanian authorities have taken key measures to deepen financial markets and financial inclusion, including (i) issuing more bonds and building a yield curve, (ii) developing the FX interbank market, (iii) encouraging mobile banking and (iv) launching and implementing the national financial inclusion strategy. Given these reforms and measures, the financial markets index and overall financial development index to would be expected to improve post-2021.

Figure 4. Mauritania with Selected Peers: Financial Institutions vs Financial Markets Indices

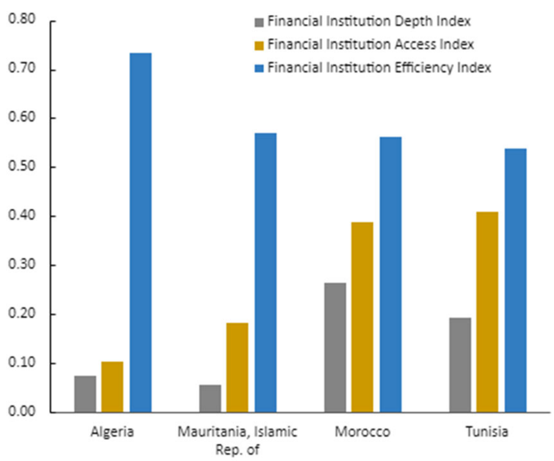


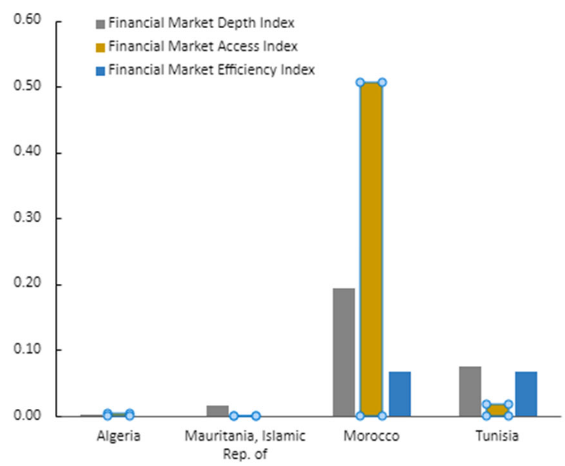
Source: Financial Development Index Database.

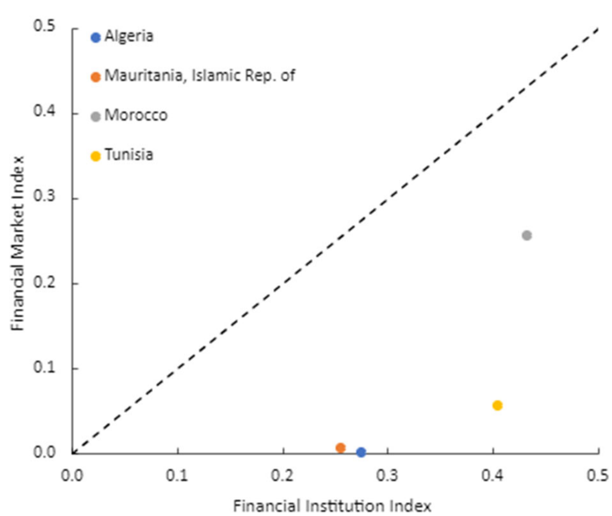
6. Mauritania's financial system remains bank-centric, with institutional development surpassing market development but facing structural challenges. The significant concentration of financial assets within banks highlights their critical role in financial intermediation and economic development in Mauritania. While the financial landscape also includes 31 microfinance institutions (MFIs), 13 insurance companies, and various social welfare and public financial institutions, their combined impact on the overall financial sector remains relatively minor compared to the banking sector. Mauritanian banks are the primary providers of financial services, credit, and capital to individuals and businesses.

7. Mauritania's institutional development outpaces market development (Figures 4 and 5). This aligns with the fact that relationship-based systems, where financial intermediation occurs mainly through banks, tend to dominate in the early stages of financial development. Additionally, Mauritania scores well on financial institutions' efficiency (Figure 5). This reflects relatively high bank profitability in the country but also highlights structural factors such as market concentration and lack of competition. Other possible factors inhibiting elevated levels of financial intermediation in Mauritania include bank governance structures, ineffective banking supervision and enforcement of prudential norms, insufficient financial infrastructure like credit registries and credit bureaus. Due to a combination of prevalence of lack of trust and lack of key financial intermediatory institutions to offset the lack of trust, powerful private sector actors tend to prefer to set up their own banks rather than relying on external entities.

Figure 5. Mauritania with Selected Peers: Financial Institutions vs Financial Markets Indices (as of 2021)







Source: Financial Development Index Database.

8. Mauritania's low level of financial inclusion reflects the limited access to essential banking services. As illustrated by the Financial Institution Access (FIA) Index, the country's score is among the lowest in the region (Figure 5), a measure that serves as a proxy for financial inclusion, capturing the availability of bank branches and ATMs per 100,000 adults. This underscores the challenges faced by many citizens in accessing traditional financial services. However, there is potential for improvement. The recent expansion of mobile banking services—initially predominantly for electronic payments and deposit accounts—offers a promising avenue for increasing financial inclusion. Notably, the number of electronic wallets surged by approximately 445 percent from 2022 to 2024, outpacing the 116 percent growth in the number of bank accounts over the same period. This rapid adoption of mobile banking highlights a shift towards more accessible financial solutions. By further supporting mobile banking initiatives and fostering fintech innovation, Mauritania could significantly enhance access to financial services, particularly for underserved populations, contributing to a more inclusive financial system.

9. Mauritania's underdeveloped capital markets limit alternative funding options and hinder the establishment of a robust financial system. While capital markets can serve as valuable alternatives for funding governments, households, and corporations, they remain underdeveloped in Mauritania. Government bond markets with various maturities and sufficient liquidity across the yield curve can establish a risk-free benchmark rate for pricing riskier financial assets. However, the lack of such a benchmark, and the absence of secondary market trading impede the growth of fixed income markets.

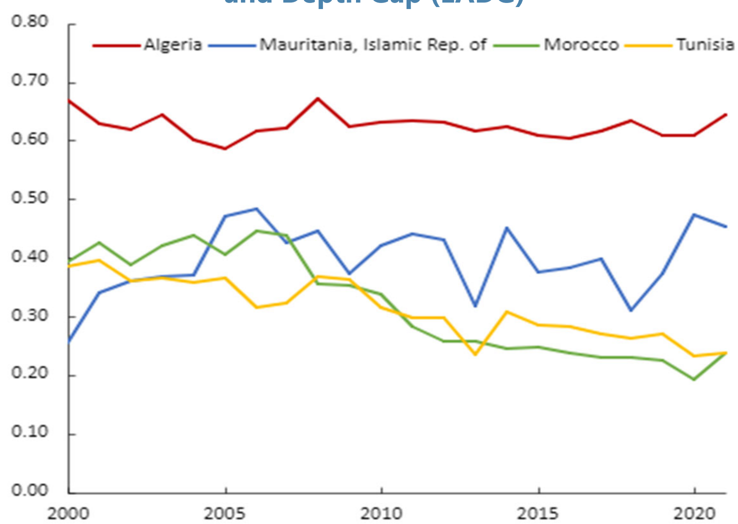
10. We develop the Efficiency-Access and Depth Gap (EADG) metric to offer a nuanced view of the balance between bank profitability and financial intermediation/inclusion efforts. To provide a more nuanced understanding of the relationship between the components that compose the FI, we have developed a measure called the Efficiency-Access and Depth Gap (EADG). This metric is designed to capture the disparity between the profitability of banks and the development of financial intermediation and inclusion. The EADG is calculated using the following formula:

$$EADG = FIE - \frac{FIA + FID}{2}$$

This equation measures how much banks are earning relative to their efforts in promoting financial intermediation and inclusion. A high EADG indicates that banks are highly profitable compared to their provision of access and depth, suggesting potential inefficiencies or imbalances in the financial system. A low EADG in turn indicates that banks are earning less relative to their efforts in promoting financial intermediation and inclusion. This suggests that banks may be more focused on expanding access and depth, potentially at the cost of higher profitability. Such a scenario could point to a more balanced or inclusive financial system, where the emphasis is on reaching underserved populations or deepening financial services rather than maximizing profits.

11. Mauritania's high and stable EADG highlights a significant imbalance between bank profitability and financial inclusion efforts. Mauritania's EADG is notably high and relatively stable, indicating that banks in Mauritania are quite profitable compared to the level of financial intermediation and inclusion they offer (Figure 6). This suggests a persistent imbalance where bank profitability is not adequately translating into broader financial services and access for the population. Although Algeria exhibits an even higher EADG, signifying a more pronounced issue of excessive bank profitability relative to financial inclusion and intermediation, Mauritania's situation still calls for concern. In contrast, countries like Morocco and Tunisia have shown a decreasing EADG over time. This trend indicates that banks in these countries are progressively aligning their profitability with the provision of financial services and access, leading to a more balanced and inclusive financial development. The high and stable EADG in Mauritania underscores the need for policies that not only boost bank efficiency but also ensure that these efficiencies are leveraged to enhance financial depth and inclusion, fostering a more inclusive and equitable financial sector.

Figure 6. Mauritania with Selected Peers: Efficiency-Access and Depth Gap (EADG)



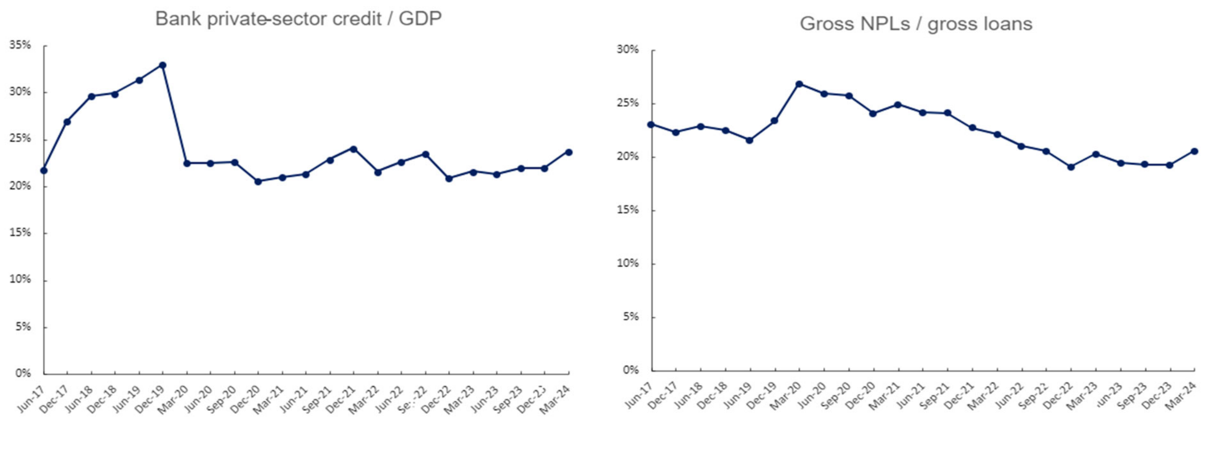
Sources: Financial Development Index Database and IMF staff calculations.

12. The persistent imbalance in Mauritania's high EADG underscores deeper structural issues within the financial sector, as reflected by key financial indicators. The persistent imbalance in Mauritania’s high EADG, where profitability does not adequately translate into broader financial services and access, highlights deeper structural issues within the financial sector. To fully understand the extent of these challenges, it's crucial to examine other key financial indicators that reflect the effectiveness of financial intermediation in the country. Key financial sector indicators show challenges in achieving effective intermediation (Figure 7):

i. Low private-sector credit to GDP ratio indicates limited access to credit for the private sector. Despite an initial jump from 21.8 percent in June 2017 to 33 percent in December 2019 to, the ratio sharp declined to 22.5 percent in March 2020 and continued to hover around the same number up to March 2024, possibly reflecting significant disruptions likely caused by the COVID-19 pandemic. Such a low private-sector credit to GDP ratio shows that banks struggle to extend credit in a significant manner, which is crucial for economic growth.

ii. The gross NPL to gross loan ratio reveals significant issues with loan repayment. While the ratio declined from 26.9 percent in March 2020 to 20.6 percent in March 2024, it nonetheless remains very elevated. The persistently high NPL ratio undermines the stability and confidence in the financial system. It also constrains banks' ability to extend new credit, exacerbating ineffectiveness in financial intermediation.

Figure 7. Mauritania: Financial Intermediation Proxies



Source: Mauritanian authorities.

13. Mauritania's financial sector faces significant challenges in effective intermediation, as reflected by low private-sector credit and high NPL ratios. The low private-sector credit to GDP ratio and the gross NPL to gross loan ratio reveal that the Mauritanian financial sector struggles with effective intermediation and illustrate structural weaknesses in the banking sector. These challenges hinder the sector's ability to support economic growth and development through efficient allocation of financial resources. Addressing these issues is crucial for enhancing financial intermediation and fostering a more robust and inclusive economic environment in Mauritania.

C. Key Factors Impacting Financial Intermediation in Mauritania

14. Multiple factors impede financial intermediation and development in Mauritania, with trust, governance, and structural weaknesses being key challenges. A variety of factors drive financial intermediation and development. For Mauritania, key drivers to be investigated include:

- **Lack of Trust**: Against a backdrop of prevailing lack of trust in the economy and institutions to offset this, individuals/ families who are large economic actors prefer to operate their own banks rather than work with universal banks. This results in an ineffective banking sector characterized by family-owned or conglomerate-owned banks with connected lending and concentrated assets. This structure hampers effective financial intermediation and limits the banking sector's ability to support broader economic growth.

- **Governance**: Weak governance, particularly when biased towards family interests, can lead to directed loans to specific companies or sectors. This practice crowds out credit available to the broader economy. Ensuring transparent and equitable governance within the banking sector is crucial for improving financial intermediation.

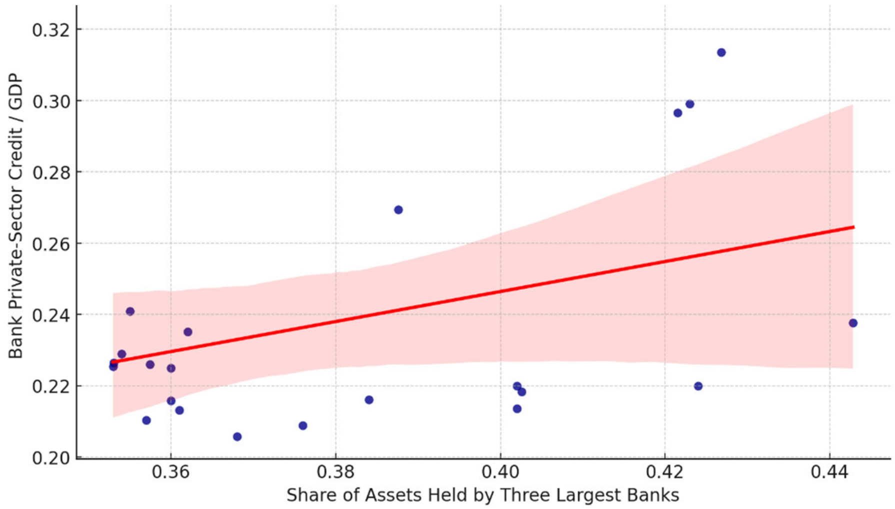
- **Structural Factors**: The lack of an effective banking supervision enforcing prudential norms and the lack of other disciplinary institutions, such as credit bureaus and registries, creditor rights, robust information systems support financial intermediation are significant impediments. These tools are essential for assessing creditworthiness, managing risk associated with lending and borrowing. Their weakness or even absence makes it difficult for banks to extend credit confidently and widely, particularly in the case of Mauritania where lack of trust prevails.

15. Together, these three key factors create a cycle that hinders effective financial intermediation in Mauritania. They lead to a lack of trust in universal banks and the prevalence of family-owned banks with connected lending practices. These in turn limit adequate and competitive financial services and result in poor financial intermediation and inclusion. Weakness or absence of essential institutions like credit bureaus and robust information systems exacerbates these challenges, and stifle competition, as a few dominant players control a large share of the market, limiting the entry and growth of new, potentially more effective institutions at intermediating funds.

16. While these factors limit financial development, analysis of data suggests a few key factors that, if addressed, could help boost financial development.

- **Fewer but larger and potentially more stable banks could help boost financial development.** The share of assets held by the three largest banks in Mauritania and private-sector credit to GDP (Figure 8) shows a positive relationship. This indicates that as the concentration of assets in the top banks increases, so does the level of private-sector credit relative to GDP. This, in turn, suggests that fewer but larger and potentially more stable or more universal banks, is associated with better financial intermediation.

Figure 8. Mauritania: Bank Private-Sector to GDP and Share of Assets Held by the Three Largest Banks



Sources: Mauritanian authorities and IMF staff calculations.

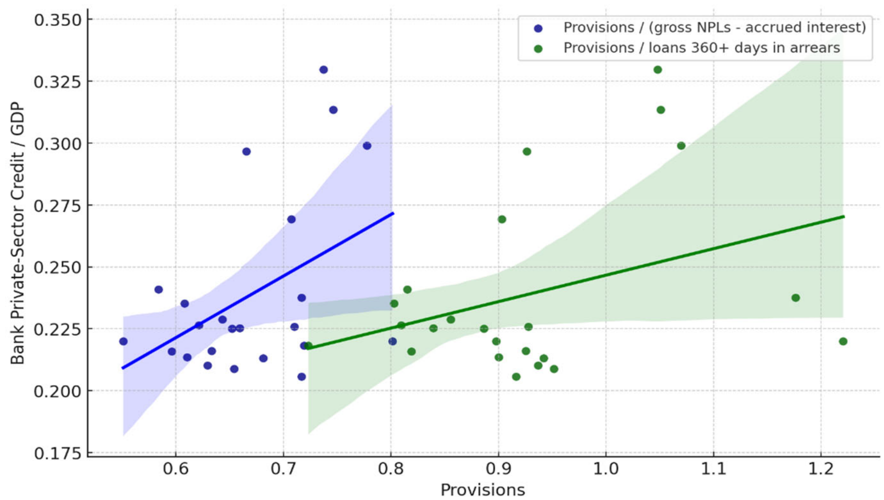
Notes:

- The chart shows a scatter plot of the relationship between the asset concentration of the three largest banks and private-sector credit as a percentage of GDP. The dots represent individual observations in the dataset, the line is the linear regression fit calculated using the equation $Y = \beta_0 + \beta_1 X + \epsilon$, and the shaded area represents the confidence interval, constructed using standard errors to quantify the uncertainty around the regression line at a 95 percent confidence level.
- The confidence interval around the regression line is computed as $CI = \hat{Y} \pm Z_{\alpha/2} \times SE(\hat{Y})$ Where $\hat{Y}$ is the predicted value, $Z_{\alpha/2}$ is the critical value from the standard normal distribution for the confidence level (i.e., 1.96 for 95 percent), and $SE(\hat{Y})$ is the standard error of the prediction.

- **Higher provisions for bad loans in the banking sector correlate with increased levels of private-sector credit to GDP.** This indicates that better risk management practices enable banks to extend more credit confidently (Figure 9)[4] as higher provisions reflect a proactive approach to managing credit risk, enabling banks to absorb potential losses from non-performing loans. This, in turn, fosters a more stable and trustworthy financial environment, encouraging banks to extend more credit to the private sector.

[4] The relationship between bank private-sector credit to GDP and provisions, with two distinct measures of provisions is of note: Provisions relative to gross non-performing loans (NPLs) excluding accrued interest, and provisions relative to loans that are 360+ days in arrears. Both trends show a positive correlation, suggesting that as banks increase their provisions for bad loans, the level of private-sector credit as a proportion of GDP also tends to rise.

Figure 9. Mauritania: Bank Private-Sector Credit to GDP and Banks' Provisions



Sources: Mauritanian authorities and IMF staff calculations.

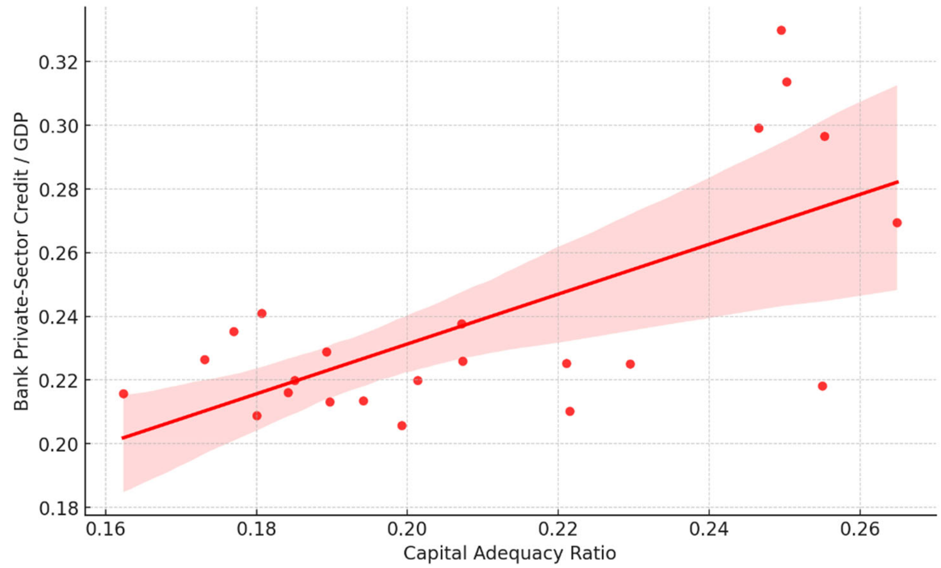
Notes:

- The chart shows a scatter where dots represent individual observations in the dataset, the lines are the linear regression fits, and the shaded areas represents the confidence intervals, constructed using standard errors to quantify the uncertainty around the regression line at a 95 percent confidence level.
- The dots represent individual observations in the dataset, the line is the linear regression fit calculated using the equation $Y = \beta_0 + \beta_1 X + \epsilon$, and the shaded area represents the confidence interval, constructed using standard errors to quantify the uncertainty around the regression line at a 95 percent confidence level. This confidence interval around the regression line is computed as $CI = \hat{Y} \pm Z_{\alpha/2} \times SE(\hat{Y})$ Where $\hat{Y}$ is the predicted value, $Z_{\alpha/2}$ is the critical value from the standard normal distribution for the confidence level (i.e., 1.96 for 95 percent), and $SE(\hat{Y})$ is the standard error of the prediction.

- **Well-capitalized banks are key to effective financial intermediation.** In Mauritania, there is a positive correlation between the Capital Adequacy Ratio[5] (CAR) and credit to the private sector relative to GDP (Figure 10). This trend underscores the importance of having well-capitalized and resilient banks for effective financial intermediation. Stronger banks are better positioned to channel savings into productive investments, support economic activities, and foster overall economic growth.

[5] The Capital Adequacy Ratio (CAR) is a vital indicator of a bank's financial strength and its capacity to withstand potential losses. The CAR is a key measure of a bank's financial strength and stability, reflecting its ability to absorb potential losses and continue operating effectively. Higher CAR values indicate that a bank has a larger buffer of capital relative to its risk-weighted assets, enhancing its resilience against financial shocks. This resilience is critical for maintaining depositor confidence and ensuring the bank can extend credit even in adverse economic conditions.

Figure 10. Mauritania: Bank Private-Sector to GDP and Capital Adequacy Ratio

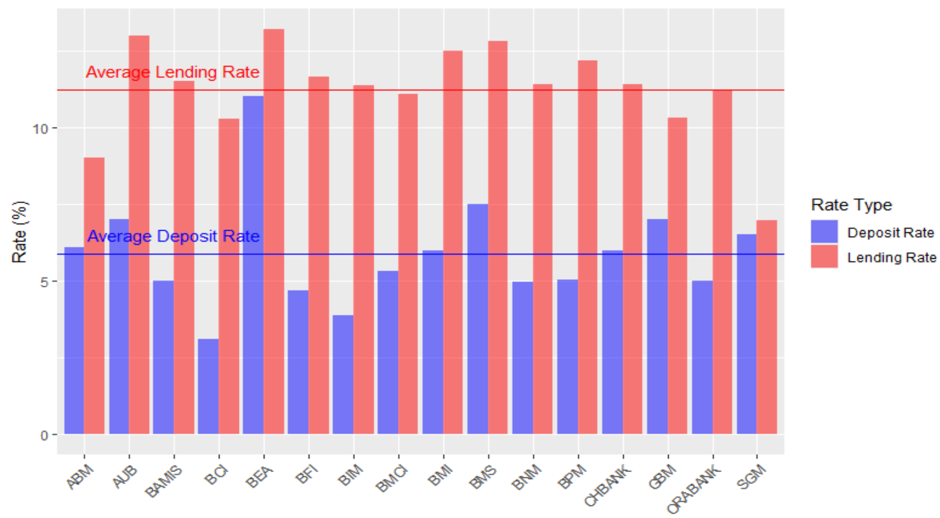


Source: Mauritanian authorities and IMF staff calculations.
Notes:

- The chart shows a scatter where dots represent individual observations in the dataset, the line is the linear regression fit, and the shaded area represents the confidence interval, constructed using standard errors to quantify the uncertainty around the regression line at a 95 percent confidence level.
- The dots represent individual observations in the dataset, the line is the linear regression fit calculated using the equation $Y = \beta_0 + \beta_1 X + \epsilon$, and the shaded area represents the confidence interval, constructed using standard errors to quantify the uncertainty around the regression line at a 95 percent confidence level. This confidence interval around the regression line is computed as $CI = \hat{Y} \pm Z_{\alpha/2} \times SE(\hat{Y})$ Where $\hat{Y}$ is the predicted value, $Z_{\alpha/2}$ is the critical value from the standard normal distribution for the confidence level (i.e., 1.96 for 95 percent), and $SE(\hat{Y})$ is the standard error of the prediction.

- **Lending and deposit rates vary significantly across banks, highlighting the need for a detailed bank-level analysis to improve financial intermediation in Mauritania.** These rates are important banking tools that provide significant insights into a bank's behavior and strategy. The rates are heterogeneous across banks, indicating that each bank's behavior varies considerably (Figure 11). This variability calls for a bank-level analysis to understand why some banks are not performing better in terms of financial intermediation and development. While this preliminary assessment provides valuable insights, the comprehensive analysis will be conducted in a subsequent phase of this work, leveraging detailed bank-level data that we anticipate receiving from the authorities. This future analysis, as outlined below, will identify specific challenges and opportunities within each bank, ultimately guiding more targeted and effective interventions to enhance the efficiency and inclusiveness of Mauritania's financial sector.

Figure 11. Mauritania: Average Lending and Deposit Rates per Bank (as of December 2023)



Source: Mauritanian authorities and IMF staff calculations.

17. The analysis shows the following important stylized facts about Mauritania's financial sector:

- Despite high efficiency, the financial sector fails to translate this into broader credit extension and financial inclusion.
- Credit to GDP is too low. The ratio of private-sector credit to GDP remains insufficient, hindering economic growth.
- Higher bank concentration seems to be associated with higher credit to the private sector. A greater concentration of assets in fewer banks correlates with increased private-sector credit.
- Higher provisions are positively correlated with higher private-sector credit: Banks with higher provisions for bad loans tend to extend more credit to the private sector.
- Higher Capital Adequacy Ratio is associated with higher credit to GDP. Well-capitalized banks are more capable of extending credit, contributing to economic stability and growth.
- Domestic banks - likely proxies for family-owned banks - display a consistently higher lending-deposit spread than foreign-owned banks.
- Building on these stylized facts, further research, including econometric analysis, will be undertaken (Box 1), once the Mauritanian authorities share bank-level data.

Box 1. Mauritania: Econometric Approach for Post-SIP Research

Utilizing panel data of all Mauritanian banks, next stage of the research will investigate the primary drivers hindering financial intermediation. It will explore why some banks are reluctant to extend credit to a larger number of people at reasonable rates. This analysis will derive targeted policy recommendations for the authorities to enhance financial intermediation and support economic development. In doing so, we propose to use a panel Local Projections (LP) methodology of Jordà (2005) with bank-specific and time-specific observations. This approach will allow to estimate the Impulse Response Functions (IRFs) to various shocks. The baseline model for the LP can be specified as follows:

$$y_{i,t+h} = \alpha_i + \lambda_t + \beta Shock_{i,t} + \gamma X_{i,t} + \delta Z_t + \epsilon_{i,t+h}$$

Where: $y_{i,t+h}$ is the dependent variable representing measures of financial intermediation (e.g., NIM, lending-deposit spread, real lending) for bank i at time t+h. α_i are bank fixed effects. λ_t are time fixed effects. $Shock_{i,t}$ represents the different shocks (e.g., CAR, connected lending, asset concentration, provisions) at time t. $X_{i,t}$ are bank-specific control variables. Z_t are macro control variables. $\epsilon_{i,t+h}$ is the error term.

This method will analyze the key factors limiting financial intermediation in Mauritania and assess the impact of various shocks on financial intermediation measures. It will identify the primary factors limiting financial intermediation, understand how different shocks (CAR, connected lending, asset concentration, provisions) impact various measures of financial development and derive targeted policy recommendations.

Source: Authors.

D. Conclusion

18. From a financial sector development perspective, Mauritania would be better off with a consolidated banking sector with stronger, more resilient institutions. Fewer universal banks with robust provisioning frameworks are better equipped to manage credit risks, thereby increasing their capacity to lend to a broader range of private-sector actors. This can lead to improved financial intermediation and inclusion, addressing the current gaps in the Mauritanian banking system. As provisions rise, indicating better risk management, the confidence in extending credit also increases, ultimately contributing to higher levels of private-sector credit relative to GDP. This could improve financial intermediation, making credit more accessible and supporting broader economic growth.

19. From the institutional perspective, existing financial infrastructure institutions need to be strengthened and new ones need to be established. Forceful banking supervision with strong information systems can effectively monitor and mitigate connected lending practices among many family-owned banks. A new credit registry can provide objective risk profile and credit information of potential and existing borrowers to all financial institutions, by helping address the challenge of lack of trust which limits the entry and growth of new, potentially more effective institutions at intermediating funds. It would therefore help improve the allocation of new credit and boost competitive financial services.

20. Enhancing provisioning practices and improving capital adequacy can mitigate risks associated with connected lending and concentrated assets, demanding higher standards for loss-absorbing buffers. Concurrently, strengthening banks' capital bases is essential for enhancing their lending capabilities. This involves regulatory measures to encourage banks to bolster their capital structure, thus providing a firmer foundation for greater credit extension and against financial shocks.

References

Burga and Céspedes (2021). "Bank Competition, Capital Misallocation, and Industry Concentration: Evidence from Peru".

Carlson, Correia, and Luck. (February 2022). "The Effects of Banking Competitionon Growth and Financial Stability:Evidence from the National Banking Era". *Journal of Political Economy*, 130 (2): 462-520

Cull, Martinez Peria and Jeanne Verrier. March 2017 "Bank Ownership: Trends and Implications". IMF Working Paper.

Farazi, S., Feyen, E., & Rocha, R. (2013). Bank Ownership and Performance in the Middle East and North Africa Region: What Explains the Low Intermediation Efficiency? *World Bank Policy Research Working Paper, No. 5620*.

Igan, Martinez Peria, Pierri and Presbitero (2021). "When They Go Low, We Go High? Measuring Bank Market Power in a Low-for-Long Environment". IMF Working Paper.

IMF October 2023 Regional Economic Outlook – Middle East and Central Asia, Chapter 2:" From Setbacks to Comebacks: Reforms to Build Resilience and Prosperity"

IMF October 2024 Regional Economic Outlook – Middle East and Central Asia, Chapter 3:" Strengthening Growth through Financial Development"

Jordà, Òscar. 2005. "Estimation and Inference of Impulse Responses by Local Projections." *American Economic Review* 95 (1): 161–82.

La Porta, R., Lopez-de -Silanes, F., Shleifer, A. and Vishny, R.W. 1997. "Legal determinants of external finance", Journal of Finance, 52, pp. 1131–1150.

Lane, Philip R. and Gian Maria Milesi-Ferretti, 2018, "The External Wealth of Nations Revisited: International Financial Integration in the Aftermath of the Global Financial Crisis," *IMF Economic Review* 66, 189-222.Levine, R., Loayza, N. and Beck, R. 2000. "Financial intermediation and growth: Causality and causes", Journal of Monetary Economics, 46, pp. 31–77.

Love, I., Martinez Peria, M.S. and Singh, S. 2016. "Collateral registries for movable assets: Does their introduction spur firms' access to bank finance?", Journal of Financial Services Research, 49, pp.

Svirydzenka, K. (2016). "Introducing a New Broad-based Index of Financial Development." *IMF Working Papers*, *2016*(005).

World Bank (2022), « Diagnostic du Secteur Financier en Mauritanie » .