



## Executive Summary

With the positive changes in Mali's political, economic, and security environment, including the election of a democratic President and National Assembly, the overall investment climate in Mali is improving for American investors when compared to 2012 or early 2013. Mali's technical and financial partners have lifted economic assistance sanctions imposed following the coup d'état of March 2012 and announced an impressive four billion dollar multi-year assistance package. Effective January 1, 2014, Mali again became eligible for preferential trade treatment under the African Growth and Opportunity Act (AGOA). Mali is also eligible for Overseas Private Investment Corporation (OPIC) financing and insurance products. There are a number of sectors of interest for potential U.S. investors, including energy, financial services, mining, telecommunications, manufacturing, and food processing.

Despite these positive developments and a generally positive investment regime in Mali, foreign investors face challenges, including limited access to domestic financing, corruption, poor infrastructure (including inconsistent electricity), and the lack of an educated workforce. Security also remains an important challenge, especially in the three northern regions of Gao, Timbuktu, and Kidal. Despite a French-led international military intervention which recaptured the north from extremists, substantial security concerns remain.

### 1. Openness to, and Restrictions Upon, Foreign Investment

Mali generally encourages foreign investment. Foreign and domestic investments receive equal treatment. The structural adjustment facility agreements signed by the IMF/World Bank and Mali since 1992 encourage foreign investment. The government's national strategy to fight poverty presented to the IMF, World Bank, and other donors emphasizes the role of the private sector in developing the economy. Mali is a member of the Economic Community of West African States (ECOWAS) and the West African Economic and Monetary Union (WAEMU), which aim to reduce trade barriers, harmonize monetary policy, and create a common market.

The investment, mining, commerce, and labor codes have the stated intention to encourage investment and attract foreign investors. Mali has privatized a number of state-owned enterprises, and foreign companies have responded successfully to calls for bids in several cases. The Malian government has instituted policies promoting direct investment and export-oriented businesses. To that end, the Agence pour la Promotion des Exportations du Mali APEX-Mali, created in 2011 but not fully staffed and made operational until 2013, is tasked with promoting and encouraging export-oriented activities. Foreign investors go through the same screening process as domestic investors. Criteria for granting authorization under the 2012 investment code include the size of the proposed capital investment, the use of locally produced raw materials, and the level of job creation. Mali maintains a one-stop shop for prospective investors, the Agence pour la Promotion de l'Investissement (API-Mali).

The April 11, 2014 cabinet reshuffle granted a full status to the Ministry of Investment Promotion and Private Initiatives. The Ministry's portfolio was expanded to include manufacturing industries as well, strengthening its ability to attract and protect domestic and foreign investment in a multitude of sectors. Mali's ranking deteriorated in the World Bank's 2014 Doing Business Report to 155 of 189 economies (down from 153 of 189 economies in 2013) and was well below the average of 142 for sub-Saharan economies. Mali has also created, with World Bank support, a Presidential Investment Council. The council is comprised of foreign and national businesspeople and is aimed at improving the business climate in Mali and identifying best prospects for investment. There were multiple crises in 2012 – 2013 that severely impaired the security and political/economic stability of Mali and prevented the council from being fully operational. The coup d'état of March 21, 2012 toppled a democratically elected government and was followed by economic development assistance sanctions imposed on Mali by the international community. On January 10, 2013, the towns of Konna and Diabaly were captured by extremist groups, and a French-led international military intervention was initiated to take back the extremist-occupied northern regions. The political situation started to normalize in September 2013 when the newly elected President Ibrahim Boubacar Keita took office and economic assistance sanctions were lifted. The new government plans to revive the Presidential Investment Council in 2014.

The investment code gives the same incentives to both domestic and foreign companies for licensing, procurement, tax and customs duty deferrals, export and import policies, and export zone status if at least 80 percent of production is to be exported. Export taxes and import duties have been reduced or eliminated as part of ongoing economic reforms. Price controls are applied to petroleum products and cotton, and occasionally to other commodities, such as rice, on a case by case basis. Incentives include exemptions from duties on imported equipment and machinery. Investors may also receive tax exemptions on the use of local raw materials. In addition, specific incentives may be negotiated on a case-by-case basis.

Foreign investors can own 100 percent of any businesses they create. They can also purchase shares in parastatal companies being privatized or in other local companies. Foreign companies may also start joint-venture operations with Malian enterprises. The repatriation of capital and profit is guaranteed.

Despite a generally favorable investment regime, foreign investors face challenges. The most important recurring challenges investors need to surmount include limited access to domestic financing, corruption, poor infrastructure (including inconsistent electricity), and the lack of an educated workforce. On a more positive note, since the recapture of the north of Mali and the successful democratic presidential and legislative elections in 2013, Mali's technical and financial partners, including the United States, resumed their development assistance. During a donors meeting in Brussels in April 2013, the international community pledged multi-year assistance to Mali of approximately USD 4 billion. As a consequence of these new developments, the country's economy began to recover in 2013 with a growth rate of 1.7 percent (compared to a 2012 retraction of 1.3 percent), yet below the forecasted 5.1 percent. The lower than expected GDP growth rate was attributed to low agricultural yields resulting from a poor rainy season in 2013. The GDP is forecasted to grow at a rate of about 6.5 percent in 2014.

Other challenges include occasional reports that tax collectors unfairly apply tax laws to discriminate against foreign companies or companies with foreign capital. Additionally, the tax system remains complicated in spite of ongoing reform efforts. Foreign companies have also reported delays with clearing customs when importing machinery. A foreign mining company has complained of having to make under-the-table payments to clear customs for machinery and petroleum product imports. Enforcement of contracts in Mali can be problematic. Corruption in the judiciary is pervasive and foreign companies often find themselves at a disadvantage vis-à-vis Malian investors.

Here are some websites that may be helpful to navigate the laws, rules, procedures and registration requirements for foreign investors.

<b>DATA</b>	<b>LINK – French Language only</b>
Detailed list of steps, forms and requirements, costs, processing time, contact details of entities involved and legal bases can be consulted online for the following procedures:	<a href="http://mali.eregulations.org/">http://mali.eregulations.org/</a>
Registering a company	<a href="http://mali.eregulations.org/procedure/4/2?l=fr">http://mali.eregulations.org/procedure/4/2?l=fr</a>
Registering a branch	<a href="http://mali.eregulations.org/procedure/8/6?l=fr">http://mali.eregulations.org/procedure/8/6?l=fr</a>
Paying taxes	<a href="http://mali.eregulations.org/menu/26?l=fr">http://mali.eregulations.org/menu/26?l=fr</a>
Registering employees at the social security	<a href="http://mali.eregulations.org/procedure/169/152?l=fr">http://mali.eregulations.org/procedure/169/152?l=fr</a>
Obtaining a single entry visa	<a href="http://mali.eregulations.org/procedure/61/75?l=fr">http://mali.eregulations.org/procedure/61/75?l=fr</a>

**TABLE 1:** The following chart summarizes several well-regarded indices and rankings.

<b>Measure</b>		<b>Index/Ranking</b>
TI Corruption Index	2014	28 out of 100
Heritage Economic Freedom	2014	55.5 out of 100
World Bank Doing Business	2014	153 of 189
Global innovation Index	2013	28.84 out of 100
World Bank GNI per capita	2014	USD 660

**TABLE 1B:**

The Millennium Challenge Corporation, a U.S. Government entity charged with delivering development grants to countries that have demonstrated a commitment to reform, produced scorecards for countries with a 2012 per capita gross national income (GNI) of \$4,085 or less. A list of countries/economies with MCC scorecards and links to those scorecards is available here: <http://www.mcc.gov/pages/selection/scorecards>. Details on each of the MCC's indicators and a guide to reading the scorecards are available here:

<http://www.mcc.gov/documents/reports/reference-2013001142401-fy14-guide-to-the-indicators.pdf>

## **2. Conversion and Transfer Policies**

The investment code allows the transfer of funds associated with investments, including profits. As a WAEMU member, Mali uses the Francophone Africa Common Franc (FCFA) currency. Linked to the Euro, the FCFA is fully convertible at a rate of Euro 1 = FCFA 655.957. No parallel conversion market exists because the FCFA is a fully convertible currency supported by the French treasury, which ensures a fixed rate of exchange.

As of January 2014 the U.S. Embassy purchased local currency at a rate of approximately FCFA 475 per U.S. dollar.

The FCFA has not been devalued since January 1994. There are no limits on the inflow or outflow of funds for repatriation of profits, debt service, capital, or capital gains. In the FCFA zone there is no restriction on the export of capital provided that adequate documentation to support a transaction is presented. Most commercial banks have direct investments in western capital markets. No physical transfer of funds is authorized outside the borders of the FCFA zone. It takes less than one week to transfer funds abroad.

## **3. Expropriation and Compensation**

Expropriation of private property for public purposes is rare. By law, the expropriation process should be public and transparent, and in accordance with the principles of international law. Compensation based on market value is awarded by court decision.

The government may exercise eminent domain to undertake large-scale public projects, in cases of bankrupt companies that have had a government guarantee for their financing, or in certain cases when a company has not complied with the requirements of an investment agreement with the government. In 2000 and 2012, the government expropriated land in the vicinity of the Bamako city airport for air safety reasons. Notifications of the expropriation were sent via direct mail and published in public and private media, and prior owners were compensated according to law. In 2010 / 2011, the government expropriated private land on the outskirts of Bamako for the construction of low and medium income housing. The prior owners have initiated a legal case against the government, arguing that housing projects should not be considered large-scale public works projects. The case was settled and the previous owners were compensated.

## **4. Dispute Settlement**

Disputes occasionally arise between the government or state-owned enterprises and foreign companies. Some cases involve reports of wrongdoing on the part of companies and/or corrupt government officials.

In November 1991, an independent commercial court was established with the encouragement of the U.S. government to expedite the handling of business litigation. Commercial courts are

located in Bamako, Kayes, and Mopti. In areas where there is no commercial court, disputes are first heard at local courts of first instance. Since its inception, the commercial court has handled cases involving foreign companies. The court is staffed by magistrates assisted by elected Malian Chamber of Commerce and Industry representatives. Teams composed of one magistrate and two Chamber of Commerce and Industry representatives conduct hearings. The magistrate's role is to ensure that decisions are rendered in accordance with applicable commercial laws, including internationally recognized bankruptcy laws, and that court decisions are enforceable under the law.

Despite efforts to improve, the judicial system is slow and inefficient, and is widely reputed to be corrupt. In 2006, an appeals court ordered an American company to pay damages to a Chinese company after the American company filed charges alleging trademark infringement. In January 2009, the Malian Supreme Court overruled the appeals court, and sent the case back to the appeals court for a new hearing. Litigation in this case was still pending in 2013 when the American company decided to rest the case. U.S. companies, bound by the Foreign Corrupt Practices Act (FCPA), have expressed the view that they are at a disadvantage when it comes to legal proceedings vis-à-vis other foreign companies that are not bound by similar legislation. For the past five years, German investors have been involved in a dispute with the state-owned Malian Housing Bank (BHM) over expropriation of property. As of May 1, 2014, the case is still pending.

The investment code allows a foreign company that has a signed agreement with the government to refer to international arbitration any case that the local courts are unable to resolve. In 2013, an American company that was contracted to do work on the MCC-funded Airport project pursued the Government of Mali in an arbitration case at the Paris Arbitration Court regarding an alleged breach of contract. The case is pending.

Mali is a member of the African Organization for the Harmonization of Business Law (OHADA) and has ratified the 1993 Treaty creating the Joint Arbitration Court. OHADA has a provision for allowing litigation between foreign companies and domestic companies or the government to be tried in an appellate court outside of Mali. Seven uniform laws are directly applicable to all 16 OHADA countries, including debt recovery and enforcement law, the bankruptcy law, and the arbitration law. Web sites on OHADA law are; [www.OHADA.com](http://www.OHADA.com) and [www.jurisint.org](http://www.jurisint.org).

Mali is a member of the International Center for the Settlement of Investment Disputes (ICSID - also known as the Washington Convention). Mali is a member of the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitrage Awards. Mali has been a member of the World Bank Multilateral Investment Guarantee Agency (MIGA) since 1990.

## **5. Performance Requirements and Investment Incentives**

Mali is a member of the World Trade Organization (WTO), and as such, abides by the requirements of the Trade Related Investment Measures (TRIMS).

The investment code offers incentives to companies that reinvest profits to expand existing businesses or diversify into another relevant sector. The code also encourages the use of locally

sourced inputs, which can offer tax exemptions. Companies that use at least 60 percent of locally produced raw materials are eligible for certain tax exonerations. Companies that invest at least five percent of their turnover in supporting local research and development are eligible for a reduction of payroll taxes for Malian employees.

There is no requirement that Malian nationals own shares in a foreign investment or that foreign equity be reduced over time. In the case of joint ventures with the government, the government share may not exceed 20 percent ownership. OHADA regulations specify that a company with less than 35 percent government equity is legally considered a private company.

Most businesses are located in the capital, and the investment code encourages the establishment of new businesses in other areas. Incentives include income tax exemptions for five to eight year periods, reduced-energy prices, and the installation of water supply, electric power, and telecommunication lines in areas lacking such public utilities.

Any company, domestic or foreign, that plans to export at least 80 percent of its production is free of all taxes for a period of 30 years. The law allows up to 20 percent of total production to be sold domestically, subject to the same taxation as other similar imported products.

Mali currently has no dedicated free trade zones.

The National Assembly approved a new petroleum code in June 2004. The new law allows an initial period of four years for prospecting, renewable for two successive periods of three years each. Prospecting and exploitation permits, as well as their renewal, are subject to the payment of fixed taxes ranging from one million to ten million CFA (approximately USD 2,000 to 20,000). In addition, permit holders are liable for the payment of taxes while prospecting ranging from CFA 500 – 2,500 (USD 1-5) per square kilometer and taxes of CFA 1,000,000 (USD 2,000) per square kilometer during exploitation. Permit holders and the companies associated with those permit holders are subject to a 35 percent tax on net profits. In 2004, the government created a marketing office for petroleum exploration, l'Autorité pour la Promotion de la Recherche Pétrolière, or AUREP. This agency drafts, plans and implements oil research programs, and collects data on oil reserves. AUREP is also the interface with the government for private sector petroleum investors.

The government has identified priority sectors for furthering economic development. Special incentives are offered for investment in the following areas:

- Agribusiness
- Fishing and fish processing
- Livestock and forestry
- Mining and metallurgical industries
- Water and energy production industries
- Tourism and hotel industries
- Communication
- Housing development
- Transportation
- Human and animal health promotion enterprises
- Vocational and technical training enterprises

- Cultural promotion enterprises

## **6. Right to Private Ownership and Establishment**

The government has price controls on petroleum products and locally produced cotton, and occasionally controls the price of basic commodities, such as rice. The free market determines prices of other goods. Domestic and foreign companies compete on an equal basis with public enterprises and they share equal rights to private ownership and establishment. The government's privatization program for state enterprises holds investment opportunities through a process of open international bidding. In the past several years, the government has privatized parastatal enterprises including the cotton processing company, Huilerie Cotonnière du Mali (HUICOMA); the International Bank of Mali (BIM); and the telecommunications company, Société des Telecommunications du Mali (SOTELMA).

The government still remains committed to the process of privatizing the cotton marketing parastatal, Compagnie Malienne pour le Développement des Textiles (CMDT). The process reached its final stage in 2012, with one of the original three companies that submitted technical and financial offers (two of the three companies was foreign) remaining in the process (the two other companies withdrew). The remaining company and the government have not reached an agreement for a final award decision, partly due to the 2012-2013 crises. The government envisions launching a new call for bids as soon as current efforts deployed by CMDT management enable the company to reach a sound financial position. Local media has questioned the transparency of the bidding and contracts award process, though no concrete evidence of corruption has been presented.

## **7. Protection of Property Rights**

Although a significant part of the Malian economy is informal, property rights are protected by law. Property may be used to secure loans by law. A Department of Land Titles is in charge of identifying land owners and registering titles. The government established the Malian Center for the Promotion of Industrial Property and charged it with implementing the legal regime of property rights protection, including the World Trade Organization (WTO) TRIPS agreements. This agency is a member of the African Property Rights Organization (IAPO) and works with international agencies recognized by the United Nations Industrial Development Organization (UNIDO). Patents, copyrights, and trademarks are covered.

These structures notwithstanding, property rights are not always adequately protected in practice. As already noted in the dispute settlement section, a U.S. herbicide manufacturer has been mired in a three-year long legal battle with a Chinese company that is claimed to be infringing on the U.S. companies' trademark rights. In spite of a favorable ruling by the Supreme Court, the case was remanded to a lower court in 2010, and the U.S. company decided not to pursue the case further.

Mali has laws protecting patents, copyrights and trademarks, but they are not efficiently enforced, and are not widely known by the general population. The Malian Copyright Office (BUMDA) administers copyrights and the Malian Centre for the Promotion of Industrial

Property (CEMAPI) under the Ministry of Trade and Industry administers patents and trademarks.

Mali is a member of the African Intellectual Property Organization (better known under the acronym OAPI for its French name, *Organisation Africaine de la Propriété Intellectuelle*), which is the main organization that ensures the protection of intellectual property rights in most African French speaking countries.

Malian Copyright Office (BUMDA)

Web site address <http://www.bumda.cefib.com/>

Address Avenue OUA Faladié Sokoro

Porte 4980

BP. E 2735 Bamako

Telephone (223) 2020 98 70

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E-mail address [bumda@cefib.com](mailto:bumda@cefib.com)

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Malian Centre for the Promotion of Industrial Property (CEMAPI)

Ministry of Trade and Industry

[www.cemapi.com](http://www.cemapi.com)

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Title and name of head Director/Directrice : Ms. Sountou Diawara Konate

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Duden Yegenoglu, [YegenogluD@state.gov](mailto:YegenogluD@state.gov)

Local attorneys list: [http://mali.usembassy.gov/media/pdfs/attorney\\_list\\_jan\\_11.pdf](http://mali.usembassy.gov/media/pdfs/attorney_list_jan_11.pdf)

Embassy point of contact: Düden Yegenoglu [yegenoglud@state.gov](mailto:yegenoglud@state.gov) until September 1, 2014, and then Adam Levy [LevyAM@state.gov](mailto:LevyAM@state.gov)

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Local attorneys list: [http://mali.usembassy.gov/legal\\_assistance.html](http://mali.usembassy.gov/legal_assistance.html)

## 8. Transparency of the Regulatory System

As reflected in agreements with the International Monetary Fund (IMF) and World Bank, the government of Mali has adopted a transparent regulatory policy and laws to foster competition. The commerce and labor codes adopted in 1992 are designed to meet the requirements of fair competition, to ease bureaucratic procedures, and to facilitate the hiring and firing of employees. The investment code simplifies the application process to establish a business, and favors investments that promote handicrafts, exports, and labor-intensive businesses. The 2014 Doing Business Report notes that it takes an average of five procedures and eleven days in order to establish a business in Mali, which reflects a deterioration compared to the previous year's report. The Mining Code encourages investments in small and medium mining enterprises, awards two-year exploration permits free of charge, and does not require a commitment from the exploring firm to lease the area explored thereafter. Mali is a member of OHADA and implements the Accounting System of West African States (SYSCOA), which harmonizes business practices among several African countries consistent with international norms.

Mali is a member of the U.N. Conference on Trade and Development's international network of transparent investment procedures: <http://www.eregulations.org>. Foreign and national investors may be able to find information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time, and legal bases justifying the procedures at: <http://mali.eregulations.org>.

## 9. Efficient Capital Markets and Portfolio Investment

WAEMU statutes and the BCEAO determine the banking system and monetary policy in Mali. BCEAO headquarters are located in Dakar, Senegal. Commercial banks enjoy considerable liquidity. Banks' deposit funds are split 75/25 between demand deposits and time deposits, respectively. The majority of banks' loanable funds, however, do not come from deposits, but rather from other liabilities, e.g. lines of credit from the BCEAO and North African and European banks. In spite of having sufficient loanable funds, commercial banks in Mali tend to have highly conservative lending practices. Bank loans generally support short-term activities, such as letters of credit to support export-import activities and short-term lines of credit and bridge loans for established businesses.

Small- and medium-sized businesses have difficulty obtaining access to credit. In order to strengthen the banking sector, WAEMU raised the minimum stockholders equity capital required of banks and financial institutions to CFA 5 billion (USD 10 million) and CFA 1 billion (USD 2 million), respectively by the end of 2010. Following this first phase, WAEMU had established a timetable to raise the minimum stockholders equity capital requirement to CFA 10 billion (USD 20 million) for banks and CFA 3 billion (USD 6 million) for financial institutions by the end of 2012. However, WAEMU did not proceed with the timetable as both Cote d'Ivoire and Mali, representing together around 50 percent of the WAEMU's GDP, were hit by multidimensional crises that affected their economies significantly. WAEMU will convene at a later date to determine a new timetable to implement the increased minimum stockholders equity requirement. In the meantime, WAEMU has made it a requirement for any new banks and

financial institutions in the region to abide by the increased minimum stockholders equity requirement.

Portfolio investment is not a current practice, although the legal and accounting systems are now transparent enough and are similar to the French system. In 1994 the government instituted a system of treasury bonds available for purchase by individuals or companies. The payment of dividends or the repurchase of the bonds may be done through a compensation procedure offsetting corporate income taxes or other sums due to the government.

The WAEMU stock exchange program based in Abidjan has a branch in each WAEMU country, including Mali. To date, no Malian company is listed on the stock exchange. The privatization programs of the electric company, EDM, the telecommunications entity, SOTELMA, and cotton ginning company, CMDT, and the forthcoming privatization of Bamako-Senou Airport offer prospects for some companies to be listed on the WAEMU stock exchange.

The government of Mali first participated in the Sovereign Credit Rating Program, sponsored by the State Department, in 2002. As part of this program, Fitch Ratings won a competitive contract to conduct the ratings. The U.S. Treasury Department provided technical assistance to the Malian Ministry of Economy and Finance with the support of the U.S. State Department. Fitch completed its evaluation in 2004 and awarded a B- to Mali. Parallel to this effort, Standard and Poor's awarded Mali a BBB- rating in 2005 through a UNDP-funded program. Standard and Poor's has not rated Mali since 2005. In December 2009, Fitch Ratings affirmed Mali's long-term foreign and local currency Issuer Default Ratings (IDRs) at B- with Stable Outlooks respectively, Country Ceiling at BBB-, and short-term foreign currency IDR at B. After completion of the State Department-sponsored rating program, Fitch announced in December 2009 it would no longer provide rating or analytical coverage of Mali, and all ratings have been withdrawn. There has been no rating of Mali since.

Mali's IDR of B- reflects the country's high level of poverty, vulnerability to external shocks and slow economic growth. Mali consistently runs a current account deficit, due to its high dependence on energy imports and low export base. Fitch does not expect any improvement in Mali's creditworthiness in the medium to long term. However, the current account deficit is not a real constraint on Mali's monetary standing, as Mali is part of the West African Economic and Monetary Union and shares a currency (CFA) with other WAEMU countries. The CFA is pegged to the Euro and the French Treasury guarantees its convertibility.

Mali is a member of UNCTAD's international network of transparent investment procedures: <http://www.eregulations.org/>. Foreign and national investors may be able to find detailed information on administrative procedures applicable to investment and income generating operations including the number of steps, name and contact details of the entities and persons in charge of procedures, required documents and conditions, costs, processing time, and legal bases justifying the procedures at: <http://mali.eregulations.org/>.

## **10. Competition from State-Owned Enterprises**

Private and public enterprises compete under the same terms and conditions. No preferential treatment is awarded to State-Owned Enterprises (SOEs), although they can be at a competitive disadvantage due to the limited flexibility they have in their management decision-making process.

Mali is in the process of privatizing its SOEs, but a number of SOEs still exist. The government is active in the agricultural sector: the Niger River Authority (Office du Niger) controls much of the irrigated rice fields and vegetable production in the Niger River inland delta, although more private operators were granted plots of land to develop. Under an MCC-funded irrigation project, Mali granted titles to small private farmers, including women; an adjacent tranche developed with MCC was to have been open to large scale private investment through a public tender process. However, all MCC projects were suspended as a result of the coup d'état of March 2012 and discontinued when the projects reached the end of their implementation deadline.

The national cotton production company, CMDT, which is yet to be privatized, provides financing for fertilizers and inputs to cotton farmers, sets cotton prices, purchases cotton from producers and exports cotton fiber via ports in neighboring countries. The government is still active in the banking sector. While it no longer has a majority stake in the Malian Development Bank (BDM), it has significant influence over its operations, as the Minister of Economy and Finance serves as the head of the Board of Directors. The Malian government also owns the Agricultural Development Bank (BNDA), the Malian Solidarity Bank (BMS), and the Housing Bank (BHM). In addition, the electricity and water company, Energie du Mali, or EDM, is majority owned by the government after a failed privatization attempt. Senior government officials from different ministries make up the board of SOEs. Major procurement decisions or equity raising decisions are referred to the Council of Ministers. Government powers remain in the hands of ministries or government agencies reporting to the ministries. No SOE has delegated powers from the government.

SOEs are required by law to publish an annual report. They hold a mandatory annual Board of Directors meeting to discuss the financial statements prepared by a certified public accountant and certified by an outside auditor in accordance with domestic standards (which are comparable to international financial reporting standards). Mali's independent auditor general conducts an annual review of public spending, which may result in the prosecution of specific cases of corruption. Mali has no sovereign wealth fund.

## **11. Corporate Social Responsibility**

There is no general awareness of corporate social responsibility in Mali among producers or consumers. Foreign mining and oil exploration companies sometimes provide schools and health clinics to communities in proximity of their activities. This is not always done with strict adherence to generally accepted principles such as the OECD Guidelines for Multinational Enterprises, but is rather the result of individual negotiations between the company and the leaders of neighboring communities.

## **12. Political Violence**

***The 2012 -2013 Political Crisis***

Throughout two decades of multi-party democracy, Mali has consistently encouraged private enterprise and investment. However, a political crisis that unfolded throughout 2012 pushed the country into unprecedented turmoil, deterioration of the economic situation, and uncertainty in the investment climate. Despite important progress, including the recapturing of the north by French-led international forces and successful presidential and legislative elections, substantial concerns remain regarding the security situation, particularly in northern Mali. The most recent Travel Warning issued by the U.S. Embassy on March 21, 2014 warns U.S. citizens to carefully consider the risks of travel to Mali, given continuing aspirations of terrorists to conduct attacks.

***Violence in the North***

Northern Mali had long suffered from periodic episodes of violence related to inter-tribal politics, smuggling and other criminal activities, and friction between local tribes and the central government. A violent rebellion occurred from 2006-2009, when certain Tuareg tribes of the Kidal Region rebelled against central government control. A new wave of violence began in the first days of 2012, when several armed extremist groups emboldened by the influx of arms and Tuareg mercenaries returning from Libya, launched a series of attacks on military installations in the north. By April, they had pushed the Malian armed forces out of the three northern regions of Gao, Timbuktu and Kidal, and part of Mopti, effectively denying the government control of approximately two thirds of the national territory. Political tensions related to the military reversals in the north led to a coup d'état, and the overthrow of Mali's democratically-elected government on March 21, 2012.

Mali was put back on the long road toward resolution of its political crisis in April 2012, when the Economic Community of West African States "ECOWAS" mediated a transfer of power to an interim government, which was charged with organizing elections within a year's time. In January 2013, the Malian government approved a "Roadmap for Political Transition," after an extensive process of broad-based consultations. The two mandates spelled out in the Roadmap were, a) the organization of presidential and legislative elections during 2013, and b) the recapture of northern occupied territories and engagement in a negotiation process with armed groups not associated with AQIM. With the assistance of the international community, Mali has successfully and peacefully achieved the election process with a new President, recognized nationwide and sworn in August 2013 and a new National Assembly including deputies from opposition parties installed in December 2013. Municipal elections, scheduled sometime in late 2014 or early 2015 will complete the electoral process.

The second leg of the mandate, however, has yet to be achieved, as the security situation in northern Mali remains fragile. In the first days of January 2013, French and African forces intervened in Mali in response to a new extremist offensive that threatened southern Mali. Within a few weeks, the intervention forces had retaken the major northern cities, substantially reversing the 2012 extremist takeover of the north. In June 2013, coalition forces in Mali were reorganized under the auspices of the United Nations Multidimensional Integrated Stabilization Mission in Mali (MINUSMA). While the Malian government, backed by MINUSMA and French SERVAL Forces has taken steps to reassert control over most of the major cities, parts of the north remain unstable. In addition to armed rebel groups circulating freely with their arms

and attacking individuals, the extremist groups that retreated into their desert strongholds in Mali and in Libya continue to demonstrate their capacity by attacking cities such as Gao, Timbuktu, and Kidal.

In September 2013, the democratically elected President formed a government, creating a new ministry in charge of national reconciliation. In addition, an independent commission tasked with national reconciliation and dialogue organized regional meetings throughout Mali that concluded with a national conference aimed at finding ways to reconcile different communities, reinforce decentralization, and empower local governance. In order to move forward with the negotiation process with the northern armed groups, the President appointed a High Representative of the President for inclusive dialogue in April 2014. Many observers have interpreted the President's decision as a strong signal of the government's commitment to the negotiation process with the northern armed groups and other stakeholders in the north.

The Algerian-origin terrorist group AQIM, long entrenched in northeastern Mali remains dangerous. AQIM has demonstrated a pattern of kidnapping hostages for ransom and launching operations against neighboring Algeria, Mauritania, and Niger. AQIM executed a French citizen in July 2010 and was responsible for the deaths of one British and three French citizens in failed kidnap for ransom attempts over the past three years. In November 2011, two additional French citizens were kidnapped in the northern village of Hombori followed a few days later by the kidnapping of three westerners and the killing of a fourth in the city of Timbuktu. AQIM has claimed responsibility for the kidnappings and killing. In May 2013, two French reporters were kidnapped in the city of Kidal and killed in the vicinity of the city shortly afterwards. A hostage supposedly held in northern Mali was announced dead in April 2014. There remains one French hostage who is currently believed to be held in northern Mali.

### **13. Corruption**

Corruption is considered a crime punishable under the penal code. However, bribery is reported frequently in many large contracts and investment projects. Corruption poses an obstacle to foreign direct investment. Government officials often solicit bribes in order to complete otherwise routine procedures. Using assessments by the African Development Bank, the World Bank, and the World Economic Forum, in 2013 Transparency International dropped Mali's score to 28 from a 2012 score of 34 on a 0 to 100 scale of perceived public sector corruption, zero representing the worst score. Likewise, Mali's 2013 ranking dropped to 127 of 177 from 105 of 176 countries surveyed in 2012.

Corruption seems most pervasive in government procurement and dispute settlement. The government has addressed this by requiring procurement contracts to be inspected by the Directorate General for Public Procurement, which determines whether the procedure meets fairness, price competitiveness, and quality standards. Mali's international donor community has been working with the government to reduce corruption, but progress has been slow.

The President created an Office of the Auditor General (OAG) in 2004, an independent agency tasked to audit public spending. Since inception, the OAG has uncovered several large cases of corruption. In its November 2012 report, the Auditor General announced that USD 20 million of

public funds were embezzled. The anti-corruption prosecutor announced in early 2011 that approximately USD 15 million of embezzled public funds have been recovered in certain cases, however, none of these cases have resulted in prosecutions. Similarly, inspectors from the Global Fund for AIDS, Tuberculosis and Malaria have uncovered cases of embezzlement of public and donor funds at the Ministry of Health. Several high-ranking Ministry of Health officials were prosecuted, and the Minister of Health resigned and was subsequently indicted. However, the subsequent trial acquitted the Minister and all 18 co-defendants, due to a lack of evidence. Likewise, in its December 2013 report, the Auditor General (OAG) announced that USD 100 million of public funds were embezzled, within 17 government entities, representing only 2 percent of public entities. Following the presentation of the OAG report to the President, the Prime Minister, and the President of the National Assembly, the President stated that he submitted to the Ministry of Justice approximately 100 cases cited in different government audits. Some officials involved in specifically the Pari Mutuel Urbain – Mali (Mali’s pari-mutuel government-owned agency) corruption case were arrested and jailed in December 2013. The other corruption cases are still awaiting judicial action as of May 1, 2014.

Questionable judgments in commercial cases have occasionally been successfully overturned at the court of appeals or the Supreme Court. In 2007, the Auditor General organized a discussion with magistrates to find ways by which the Office of the Auditor General and the judiciary could work to bring economic crimes to trial. There is a general perception among the populace that while prosecution of minor economic crimes is routine, official corruption, particularly at the higher levels, goes largely unpunished.

Contacts for agencies responsible for combatting corruption:

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Web site: [www.bvg-mali.org](http://www.bvg-mali.org)
- Contrôle General des Services Publics  
ACI 2000  
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Fax: (223) 2022 8104

#### **14. Bilateral Investment Agreements**

Mali has signed the International Center for Settlement of Investment Disputes (ICSID) treaty sponsored by the World Bank group. During the past six years, Mali has signed investment protection agreements with South Africa, Algeria, Senegal, and Libya. The African Growth and Opportunity Act (AGOA) was signed into law on May 18, 2000 as Title 1 of The Trade and Development Act of 2000. The Act offers tangible incentives for African countries to continue their efforts to open their economies and build free markets. Mali was deemed eligible for AGOA benefits on October 2, 2000. However, after the March 2012 coup d’état, the annual review panel suspended Mali’s AGOA eligibility, effective January 1, 2013. Following the

inauguration of the democratically elected government, Mali's AGOA eligibility was reestablished by President Obama, effective January 1, 2014.

### 15. OPIC and Other Investment Insurance Programs

Mali is eligible for OPIC programs, including financing, and contract and political risk insurance products. Mali has been a member of the World Bank's Multilateral Investment Guarantee Agency (MIGA) since 1990. (Note: Mali is not eligible for U.S. Exim Bank programs.)

### 16. Labor

Labor is widely available, though skilled labor is in short supply. Workers have the right to unionize. Relations between labor and management are often contentious. Although a warning notice for strikes is not required in the private sector, mediation procedures are generally followed before resorting to a strike. The government has signed the International Labor Organization agreement protecting the rights of workers. Although the labor code adopted in 1992 (and amended in December 2011) improved hiring and firing procedures, it still requires simplification. Powerful labor unions play an important role in national affairs. Compensation plan negotiations and firing procedures are very long and closely scrutinized by the Ministry of Labor and the judiciary. Mali has a history of labor disputes which have caused major difficulties for both Malian and foreign employers. Although not a requirement, it is advisable to have regular contacts with labor inspectors, especially when concluding new hiring contracts or considering terminations or reductions in force.

### 17. Foreign Trade Zones/Free Ports

By law, there is no discrimination between foreign-owned firms and host country entities with regard to investment opportunities. Companies (domestic or foreign) that export at least 80 percent of their production are entitled to tax-free status. As such, they benefit from duty free-status on all equipment and other inputs they need for their operations. To date, there are no dedicated free trade zones in Mali.

### 18. Foreign Direct Investment Statistics

Companies from Australia, Canada, Great Britain, India, Japan, and South Africa have made significant investments in the mining sector. France, Germany, China, and Morocco have made significant investments in the financial services, manufacturing, and food processing sectors. In its 2013 World Investment Report, the United Nations Conference on Trade and Development (UNCTAD) reported that Mali received foreign direct investment (FDI) of USD 310 million in 2012, while total FDI stock for 2012 was USD 2.8 billion. FDI inflows to Africa increased in 2012 to USD 50 billion from USD 47.6 billion in 2011.

**TABLE 2: Key Macroeconomic data, U.S. FDI in Mali**

	Mali Statistical source*		USG or international statistical source	
<b>Economic Data</b>	Year	Amount	Year	Amount

Gross Domestic Product (GDP) (Millions U.S. Dollars)	2012	10.60	2012	10.39
<b>Foreign Direct Investment</b>	Mali Statistical source*		USG or international statistical source	
U.S. FDI in Mali (Millions U.S. Dollars, stock positions)		n/a		n/a
Mali's FDI in the United States (Millions U.S. Dollars, stock positions)		n/a		n/a
Total inbound stock of FDI as % Mali GDP	n/a		26.40	2012

\*Ministry of Economy and Finance, Central Bank BCEAO

**TABLE 3: Sources and Destination of FDI**

From top five sources to top five destinations (USD MILLIONS)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	1,927	100%	Total Outward	24	100%
United Kingdom	896	46.5%	Burkina Faso	22	91.7%
Australia	474	24.6%	Italy	1	4.15%
South Africa	195	10.1%	Thailand	1	4.15%
Senegal	187	9.7%			
Canada	175	9.1%			

"0" reflects amounts rounded to +/- USD 500,000.

Source: <http://cds.imf.org>

## 19. Contact point at Post

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