# MAURITANIA

# INVESTMENT CLIMATE STATEMENT

# 2015

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**Executive Summary**

Mauritania is a country located in northwestern Africa. Historically, Mauritania has been relatively open to foreign direct investment, especially in the fishing, mining, and hydrocarbon sectors. In June 2012, to encourage further investment, the government updated provisions in the Investment Code to enhance the security of investments and facilitate administrative procedures. The Code provides for free repatriation of foreign capital and wages for foreign employees. Despite Mauritania's open policy towards foreign direct investment, certain jobs in key sectors must be filled by Mauritanian nationals among those are the security and fisheries sectors.

The Civil and Commercial Codes include legislation that protects contracts, although court enforcement and dispute settlement are often challenging. The judicial system remains weak, unpredictable, and inefficient in its application of the law. Judges lack training and specialized experience in commercial and financial law.

The tax system remains opaque. Tax rates on businesses start at twenty-five percent on profits and two percent on revenue; moreover, procedures required to pay taxes lack transparency and are time-consuming. Efforts to combat these and other challenges have resulted in some businesses facing retaliatory tax bills which could have simply been avoided had they opted to behave outside of the law. .

Labor laws and conditions of employment are complex, preferring employee turnover and encouraging annual labor contracts over permanent employment, terms of employment, and limiting companies' ability to hire and dismiss employees freely. . Likewise, environmental, health, and safety laws and policies exist on paper, but are costly to implement and rarely or inconsistently enforced.

Although legally outlawed, de facto slavery continues to exist in Mauritania, particularly in domestic situations and in rural and agricultural settings. Foreign investors should be aware that it is not uncommon for local suppliers or contractors –to engage slave labor.

The country's political framework remains stable but fragile. Between 2005 and 2009, the Mauritanian military overthrew two civilian governments by means of intimidation and conducting multiple arrests. A political dialog following the 2008 coup paved the way for a presidential election in July 2009, which General Mohamed Ould Abdel Aziz won and which was deemed largely free and fair by international observers. President Aziz was re-elected in June 2014.

Corruption remains a concern. In the July 2009 presidential election, President Aziz launched an anti-corruption campaign. In 2014 it was renewed and remains ongoing it has resulted in the imprisonment of several officials and business leaders. Though corruption remains a strong concern, companies generally state high taxes, insufficient access to credit, underdeveloped infrastructure, and a lack of skilled labor as the main impediments when investing in Mauritania.

The overall investment climate in Mauritania remains challenging for United States (U.S.) investors. The Mauritanian government encourages foreign direct investment, but a weak

judicial system, opaque tax laws, complicated labor laws, fragile political system, underdeveloped infrastructure, and lack of skilled labor should all be considered when investing.

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

### Attitude toward Foreign Direct Investment

Historically, Mauritania has been relatively open to foreign direct investment, especially in the fishing, mining, and hydrocarbon sectors. The current government, first elected in July 2009 and then re-elected in June 2014, has prioritized recruiting foreign investment in these sectors. It is working closely with the International Monetary Fund (IMF), the World Bank, and the international donor community to improve basic infrastructure and to update laws and regulations. Worldwide indices have consistently ranked Mauritania among the most corrupt business environments over the past several years.

### Other Investment Policy Reviews

In February 2008, The United Nations Conference on Trade and Development (UNCTAD) published an investment policy review of Mauritania. The Review is available online, in French, at: http://unctad.org/en/Docs/iteipc20085_fr.pdf. The report recommends that the Government of Mauritania: diversify the economy; better realize its investment potential through increasing revenue generated by the exploitation of natural resources; accelerate required reforms; and enhance the business and investment climate. Additional recommendations include improving the regulatory framework by adopting a new investment code strengthening institutions responsible for promoting and monitoring investment; improving the quality and quantity of information about investment; and fostering competition. In 2012, the government adopted a revised Investment Code and created the Office of Promotion of the Private Sector (OPPS) to promote and monitor investment. Although the OPPS has opened, it has not had the positive impact the government had hoped, and appears largely inoperable.

In 2011, Mauritania underwent a World Trade Organization (WTO) trade policy review. (The report is available online at http://www.wto.org/english/tratop_e/tpr_e/tp350_e.htm.) The report states that, since 2002, the government has undertaken few reforms in the areas of customs, trade, or investment regulations. The report also highlights lack of transparency as a deficiency. Since the report was published, the government passed the revised Investment Code in June 2012 to improve government transparency in the government procurement process.

### Laws/Regulations of Foreign Direct Investment

The Investment Code, last updated in June 2012, was designed to encourage direct investment, by enhancing the security of investments and facilitating administrative procedures. The code provides for free repatriation of foreign capital and wages for foreign employees. The code also created free points of importation and export incentives. Small and medium enterprises (SME), which register through OPPS, do not pay corporate taxes or customs duties. The Code also created Special Economic Zones to encourage regional development. Separately, the Nouadhibou Free Zone was created with its own regulatory scheme more favorable to foreign investment. The Civil and Commercial Codes protect contracts, although court enforcement and dispute settlement can be difficult. The judicial system remains weak and unpredictable, in its application of the law. The cause of this is in part due to the training judges receive in two separate and distinct legal systems; Shari'a law and the second modeled after the French legal system. Judges remain under compensated and susceptible to family/tribal pressures and bribery.

**Industrial Promotion**

Investors interested in energy, mining, petroleum, or fishing negotiate investment certificates directly with the Ministry of Oil, Energy, and Mines or the Ministry of Fishing and Maritime Economy. Mauritania continues to attract significant foreign direct investment in these sectors, but all have experienced a decline following the fall in commodity prices, including the price of oil, iron ore, and gold in the 2014, and the failure to renew a fisheries agreement with the European Union (EU). Despite the recent downturn, energy, mining, petroleum, and fishing remain vital to the country's economy. Final approval of projects falls within the purview of the Council of Ministers, which has, in practice, usually approved all recommended projects. No U.S. firms have identified the screening process as unduly unpredictable or discriminatory; however, as of April 2015, all U.S. companies investing in Mauritania have negotiated directly with relevant ministries; no U.S. firms have gone through the OPPS process, which has remained largely inactive since its creation due to staffing vacancies and the exclusion from its purview of the oil, mining, and energy sectors.

**Limits on Foreign Control**

With the exception of those sectors where State-owned enterprises (SOEs) currently hold monopolies, Mauritania has no discriminatory policies against foreign investment, imports, or exports. The mining, fishing, agricultural, banking, petroleum, and technology sectors actively seek foreign direct investment.

**Privatization Program**

Not applicable.

**Screening of FDI**

The Mauritanian government has in place a mandatory screening of foreign investments to ensure compliance with the country's laws. In general, such scrutiny is applied in a routine and non-discriminatory manner. The June 2012 update to the Investment Code established the OPPS in the Ministry of Economic Affairs and Development (MAED) to replace the MAED's Consolidated Office for Investment. OPPS has three sections: the Office for the Promotion of Private Investment and International Cooperation; the Guichet Unique, a one-stop shop to screen potential investments for all sectors except petroleum, mining, and fishing; and the Office of Investment Development and Promotion of Environmental Affairs. However, due to the OPPS's location outside the MAED and staffing vacancies, the OPPS has remained largely inactive.

The revised Investment Code requires investors to apply for an investment certificate at the Guichet Unique. The Guichet Unique has ten days to notify the applicant of its decision. If the applicant has not received a response within ten days, the certificate is considered granted. The

OPPS became functional in early 2013. However, many of the largest sectors of the economy, including mining, oil, and energy, are excluded from the revised Investment Code, as separate legislation regulates these industries. The updated Investment Code and OPPS cover the areas of fishing, tourism, and agriculture. Cases involving fishing companies must apply for licenses through the Ministry of Fishing and Maritime Economy.

**Competition Law**

Suppliers for large government contracts are selected through a tender process. Invitations for tenders are publicly announced in local newspapers and on government websites. After issuing an invitation for tenders, the Central Market Commission, a commission created in each Ministry under the 2012 Investment Code, selects the offer that best fulfills government requirements. If two offers—one from a foreign company and one from a Mauritanian company—are otherwise considered equal, statutes require that the government award the tender to the Mauritanian company. In practice, this has resulted in tenders being awarded to companies that have strong ties to government officials and tribal leaders, regardless of the merits of an individual offer. Preferential treatment remains common in government procurement, despite the government's recent efforts to promote transparency in the public sector. Government officials and tribal leaders reportedly receive frequent favors, such as unauthorized exemption from taxes, fishing licenses, special grants of land, and favorable treatment during bidding on government projects.

**Investment Trends**

*Table 1*

| Measure | Year | Index or Rank | Website Address |
|---|---|---|---|
| **TI Corruption Perceptions index** | 2014 | 124 of 175 | transparency.org/cpi2014/results |
| **World Bank's Doing Business Report "Ease of Doing Business"** | 2015 | 176 of 189 | doingbusiness.org/rankings |
| **Global Innovation Index** | 2014 | N/A | globalinnovationindex.org/content.aspx?page=data-analysis |
| **World Bank GNI per capita** | 2013 | USD 1,060 | data.worldbank.org/indicator/NY.GNP.PCAP.CD |

*Millennium Challenge Corporation Country Scorecard*

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 per capita gross national income (GNI) of USD 4,125 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/pages/docs/doc/report-guide-to-the-indicators-and-the-selection-process-fy-2015.

## 2. Conversion and Transfer Policies

### Foreign Exchange

There are no legal or policy restrictions on converting or transferring funds associated with investments. Investors are guaranteed the free transfer of convertible currencies at the legal market rate, subject to the availability of such currencies. Similarly, foreigners working in Mauritania are guaranteed the prompt transfer of their professional salaries. To transfer funds, investors are required to open a foreign exchange bank account in Mauritania. There are no maximum legal transaction limits for investors transferring money into or out of Mauritania, although regulations to withdraw money may be complicated.

The local currency, the ouguiya, is freely convertible within Mauritania, but its exportation is not legally authorized. Hard currencies can be easily obtained from local commercial banks, provided the banks have the requested sum on hand. The Central Bank holds regular foreign exchange auctions, allowing market forces to fix the value of the ouguiya. Individuals and companies may obtain hard currency through commercial banks for the payment of purchases or the repatriation of dividends. If the bank has hard currency available, there is no delay in effect for remitting investment returns. However, if the bank does not have sufficient reserves, the hard currency must be obtained from the Central Bank in order to conduct the transfer. The Central Bank is required to prioritize government transfers, which could present further delays. Delays of one to three weeks, although relatively uncommon, have been reported.

*Remittance Policies*

There are no legal parallel markets in Mauritania that would allow investors to remit investments through other means. There is no limit on the inflow or outflow of funds for remittances of profits, debt service, capital, capital gains, returns on intellectual property, or imported inputs.

## 3. Expropriation and Compensation

The revised Investment Code provides more property guarantees and protection. The Code protects private companies against nationalization, expropriation, and requisition. However, if a foreign enterprise is facing difficulties, the Mauritanian government can propose an expropriation plan in order for the company to avoid bankruptcy and to protect jobs of local employees, thereby ensuring fair and equitable compensation.

The Mauritanian government guarantees companies that the tax, custom, and legal regulations in force at the time of issuance of an Investment Certificate will remain applicable to them for a period of 20 years. Likewise any favorable changes to the corporate tax or customs laws during that guaranteed period of time will be applied to the investor.

The only known case of expropriation since Mauritania's independence in 1960 was the nationalization of the French mining company MIFERMA in November 1974, the largest employer and hard currency earner in the country. In that case, the two parties agreed on a compensation plan.

## 4. Dispute Settlement

### Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

The Mauritanian judicial system combines French and Islamic (Malikite rite) legal traditions. The constitution guarantees the independence of the judiciary in theory (Article 89), and an organic law also protects judges from undue influence. They follow a codified law system. Their Civil and Commercial Codes are designed to protect contracts, although court enforcement and dispute settlement can be difficult. The judicial system remains weak, and unpredictable. Specialized commercial law courts exist, but there is no separate judicial circuit that specializes in intellectual property rights. Judges lack training and experience in commercial and financial law. Judges may only acquire formal training in the Shari'a legal system while others are only familiar with the French civil law system. A lack of standardization of applicable legal knowledge in the judiciary leads to inefficiency in the execution. Furthermore, the judiciary has been known to be subject to undue influence from tribal affiliations as well as corruption from political and business figures.

Many laws and decrees related to the commercial and financial sectors are not readily available and therefore not well understood. Access to laws and legal texts that have been published can be equally challenging. Other laws, in particular some governing the financial sector, are out of date. Most judgments are not issued within prescribed time limits and records are not always well kept. Judgments of foreign courts are not consistently applied.

### Bankruptcy

Mauritania's bankruptcy laws were last updated in 2001. The bankruptcy law allows for the reorganization or restructuring of a business. There are very few reported cases of these laws being applied. In the Resolving Insolvency category in the World Bank's, 2015 Doing Business Report, Mauritania comes in with the lowest ranking at 189 out of 189 countries.

### Investment Disputes

The largest recent investment dispute between the Mauritanian government and a foreign investor occurred in 2006 with Woodside Petroleum Ltd. In 2003, Woodside signed four production-sharing contracts (PSC) with former President Taya's government. A transitional government took power following the August 2005 coup. In February 2006, the successor government began a dispute with Woodside over four amendments to the original PSC involving oil revenues and environmental issues. An international arbiter was brought in and the dispute was settled when Woodside agreed to cancel the four amendments, pay USD 100 million, and set up an environmental fund. Woodside subsequently sold its interests Mauritania in October 2007.

In 2014, Pizzorno, a French waste management company, stopped its service in Nouakchott. The company, which had won a 2007 agreement to provide waste management to the capital city, had not been paid since the start of their work and were owed in excess of 10 million euro.

After Pizzorno stopped its activities, initially temporarily, the government terminated the 10 year contract in response. As of April 2015, the Mauritanian authorities and Pizzorno are still negotiating how to conclude the contract.

**International Arbitration**

Judgments of foreign courts are not consistently applied. The government accepts international arbitration of investment disputes between foreign investors and government authorities. There are also domestic mechanisms for arbitration, both through traditional religious institutions and through the courts. The revised Investment Code anticipates a local International Chamber of Mediation and Arbitration of Mauritania (ICMAM) to be housed at the Chamber of Commerce, although as of April 2015, the ICMAM is awaiting approval from the Mauritanian Chamber of Commerce and the Ministry of Justice. Previously, issues were referred to the International Center for Settlement of Investment Disputes (ICSID), of which Mauritania became a contracting state in 1965.

*ICSID Convention and New York Convention*

In 1997 Mauritania became a signatory to the convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

**Duration of Dispute Resolution**

Depending on the case, dispute settlement resolution in local courts can take years. The duration of investment disputes are subject to numerous appeals before reaching a final verdict...

**5. Performance Requirements and Investment Incentives**

**WTO/TRIMS**

**Mauritania has been a member of World Trade Organization (WTO) since May 31, 1995.** Mauritania is in a transitional stage regarding their commitments. They are currently actively engaging the WTO to ensure progress is being made towards complete compliance with the required commitments.

**Investment Incentives**

Investment incentives such as free land, deferred and reduced taxes, and tax-free importation of materials and equipment are available to encourage foreign investors. The government has offered tax benefits, including exemptions in some instances, to enterprises in Special Economic Zones and some companies in priority sectors throughout the country. The Investment Code outlines standard investment incentives, but foreign investors may negotiate others directly with the government.

*Research and Development*

Not applicable.

**Performance Requirements**

The government has been known to impose performance requirements as a condition for establishing, maintaining, or expanding an investment, or for access to tax and investment incentives. Foreign investors consistently report that government-sponsored requests for tenders lack coherence and transparency. The revised Investment Code requires investors to purchase from local sources if the good or service is available locally and is of the same quality and price as could be purchased abroad. There is no requirement for investors to export a certain percentage of output or have access to foreign exchange only in relation to their exports. If imported "dumped" goods are deemed to be competing unfairly with a priority enterprise, the government will respond to industry requests for tariff surcharges, thus providing some potential protection from competition.

Companies may employ expatriate staff in no more than 10 percent of key managerial staff positions, in accordance with the Labor Code and are required to have a plan in place to Mauritanize the expatriate staff positions. Expatriate staff may be hired in excess of 10 percent with authorization from the appropriate industry authority by establishing that no competent Mauritanian national is available for the vacancy. Foreign companies are required to transfer skills to local employees by providing free training for lower-skilled jobs.

Expatriate staff members working for companies in accordance with the Labor Code are eligible to import, free of customs duties and taxes, their personal belongings and one passenger vehicle per household, under the regime of exceptional temporary admission (Admission Temporaire Exceptionelle, or ATE). All sales, transfers, or withdrawals are subject to permission of customs officials.

Current immigration laws do not discriminate or are considered to apply excessively onerous visa, residence, or work permit requirements inhibiting foreign investors' mobility. However, some U.S. companies have expressed frustration at the length of time required to obtain visas and their short duration. A visa from the Mauritanian Embassy may take up to three months to be issued. Length of validity and number of entries are inconsistently accorded.

**Data Storage**

The Mauritanian government does not have any requirements or a mechanism that requires foreign IT providers to turn over source code and/or provide access to surveillance.

## 6. Right to Private Ownership and Establishment

The Mauritanian government guarantees any individual or legal entity wishing to undertake business activities in the country the freedom of establishment in accordance with the laws and regulations in force. The revised Investment Code greatly expanded the guarantees of establishment. Previously, guarantees were limited to freedom of establishment and investment of capital. Now any company can benefit from full economic freedom and competitiveness in acquiring property, goods and concessions of any kind necessary for operations, particularly in finance, commerce, industry, forestry, construction, and real estate. Companies may participate in any professional organization, may choose their technical, industrial, commercial, legal, social and financial management styles; may independently select suppliers, service providers and partners; may participate nationwide in tenders for public contracts; may dictate their human resources management policy; and may independently recruit senior staff within the provisions of the Investment Code. In practice, however, and despite this considerable expansion of economic freedom, foreign companies still find it easier to operate in Mauritania with a local partner.

## 7. Protection of Property Rights

### Real Property

Property rights are protected under the Mauritanian Civil Code, which is modeled on the French code. In practice, however, it can be difficult to gain redress for grievances through the courts. Mortgages exist and are extended by commercial banks. There is a well-developed property registration system for land and real estate in most areas of the country, but land tenure issues in southern Mauritania, particularly the area along the Senegal River, are the subject of much controversy. For example, in January 2014, rural communities around Boghé (300 kilometers southeast of Nouakchott) denounced as expropriation the signing of an agreement with the Saudi Arabian Al Rajhi Bank that grants permission for the Bank to cultivate 31,000 hectares in Brakna and Trarza provinces. Investors should be fully aware of the history of the lands they are purchasing or renting, and should verify that the local partner has the proper authority to sell/rent large tracts of land – particularly in this region – before agreeing to any deals.

### Intellectual Property Rights

The legal protection of intellectual property rights (IPR) is still a relatively new concept in Mauritania, and those seeking legal redress for IPR infringements will find very little historical record of cases or legal structures in place to support such claims. Mauritania is a member of the Multilateral Investment Guarantee Agency (MIGA) and the African Organization of Intellectual Property (OAPI). In joining the latter, member states agree to honor intellectual property rights principles and to establish uniform procedures of implementation for the following international agreements: the Paris Convention for the Protection of Industrial Property, the Berne Convention for the Protection of Literary and Artistic Works, the Hague Convention for the Registration of Designs and Industrial Models, the Lisbon Convention for the Protection and International Registration of Original Trade Names, the World Intellectual Property Organization, the Washington Treaty on Patents, and the Vienna Treaty on the Registration of Trade Names. Mauritania signed and ratified the WTO TRIPS (Trade Role on Intellectual Property and Service) agreement in 1994, but it has yet to implement it. The government also signed and ratified the WIPO (World Intellectual Property Organization) treaties in 1976. It has not signed or ratified the WIPO Internet treaties.

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/.”

*Resources for Rights Holders*

• Scott Clayton or Leslie Johnson
• Political and Economic Officers
• (222) 4525-2660, ext. 4404
• NouakchottEconComm@state.gov

Local List of Attorneys: http://mauritania.usembassy.gov/lawyersinmauritania.html

## 8. Transparency of the Regulatory System

In practice, ownership in many sectors of the economy is concentrated among a few families. They have significant oligopolistic power, which is reinforced by formal and informal regulatory barriers. Tax rates on businesses in the formal sector are complicated, but begin at 25 percent on profits and two percent on revenue. Procedures required to pay taxes lack transparency and are and time-consuming. Recent efforts to combat corruption have resulted in businesses faced with extraordinary tax bills that they previously could avoid through bribes paid to tax inspectors and assessors or side deals with government officials.

Labor laws and conditions of employment are complex, affecting hiring, firing and the duration of labor contracts. Likewise, potentially costly environmental and health and safety laws and policies exist, but remain largely unenforced or are enforced in an inconsistent, at times punitive, manner.

While the government is moving to streamline bureaucratic procedures for investment, difficulties remain. There is a complex and often overlapping system of permits and licenses required to do business. In the "ease of starting a business" portion of the World Bank's 2015 Doing Business profile, Mauritania ranked 176 out of 189 countries. There continues to be a lack of transparency in the legal, regulatory, and accounting systems, which do not meet international norms. Proposed laws and regulations are supposed to be published in draft form for public comment before being sent to Parliament, but this does not always occur. There are no informal regulatory processes managed by nongovernmental organizations or private sector associations.

In 2011, the government promulgated two orders to regulate accounting practices of nongovernmental and private entities, which must now have reputable financial management and submit periodic reports of financial transactions. All such entities must also have a local bank account with an identifiable account number and address. As of 2015, these orders are only inconsistently followed by the entities and enforced by the government.

## 9. Efficient Capital Markets and Portfolio Investment

In principle, government policies encourage the free flow of financial resources and do not place restrictions on access by foreign investors. Most foreign investors, however, prefer external financing due to the high interest rates and procedural complexities that prevail locally. Credit is often difficult to obtain and dependent upon special relationships with bank owners and officials. Commercial bank loans are virtually the only type of credit instrument. There is no stock market or other public trading of shares in Mauritanian companies. In September 2014, however, the Mauritanian Central Bank announced its intention to launch the country's first stock market. The Central Bank estimates that this effort will take two to three years to complete. As of April 2015 no major measures have been conducted in order to implement this initiative. Currently, individual proprietors, family groups, and partnerships generally hold companies, and portfolio investment is accordingly quite limited.

**Money and Banking System, Hostile Takeovers**

The IMF has in the past assisted Mauritania with the stabilization of the banking sector and access to domestic credit has become easier and cheaper. A recent proliferation of banks has fostered competition that has contributed to the decline of the interest rates from 30 percent in 2000 to 11 or 12 percent in 2009, not including origination costs and other fees. These rates have remained stable since 2009, ranging between 10 to 17 percent as of April 2015.

The country's five largest banks are estimated to have USD 100 million in combined reserves; however, these figures cannot be independently verified, making an evaluation of the banking system's strength impossible. As of April 2015, 18 banks currently operate in Mauritania, despite the fact that only some five percent of the population holds bank accounts. The Central Bank of Mauritania is charged with regulating the Mauritanian banking industry, but it has exercised little power to demand information or compliance from family-owned banks. The Ministry of Finance mandates that the Central Bank perform yearly audits of Mauritanian banks, but auditors have sometimes been refused entry and access.

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

State-owned enterprises (SOEs) in Mauritania are most active in the fields of mining, energy, hydrocarbons, and public utilities. According to the Public Procurement Code, there are no formal barriers to competition with SOEs. However, informal barriers such as denial of access to credit may exist.

Hard budget constraints for state-owned enterprises are written into the Public Procurement Code, but are not enforced. SOMELEC, the state-owned electricity company, has been operating in a precarious financial situation for many years. The company relies on government subsidies to remain solvent.

Most state-owned enterprises in Mauritania have independent boards of directors. The directors are usually appointed based upon political affiliations; nevertheless, they are typically qualified for their positions. Mauritania is making progress in disclosing information on the oil sector and for the national hydrocarbon company (SMH), and is currently EITI compliant, indicating the country has effective processes in place for annual disclosure and reconciliation of revenues from the extractive sector.

**OECD Guidelines on Corporate Governance of SOEs**

SOEs represent a major portion of the national economy and contribute significantly to the country's GDP. They are mostly evident in core sectors, such as infrastructure, transport, telecommunications, energy, and natural resources and often require steady state support: Société Nationale Industrielle et Minière (SNIM), the parastatal mining company, and the ports contributed 35 percent and 27 percent respectively. The Mauritanian government does not encourage any foreign or local enterprises, including SOEs, to follow generally accepted principles such as the OECD Guidelines for Multinational Enterprises. Less so than their private counterparts, SOEs are often subject political influence, lack of transparency and accountability.

**Sovereign Wealth Funds**

The Central Bank administers the National Fund for Hydrocarbon Reserves, a sovereign wealth fund (SWF), which was established in 2006. The SWF is funded from the revenues received from the extraction of oil, any royalties and corporate taxes from oil companies, and from the profits made through the fund's investment activities. The fund’s mandate is to create macroeconomic stability by setting aside oil and gas revenues for developmental projects. However, the fund's management practices are considered to lack transparency and the projected revenue streams remain thus far unrealized. In 2011, the IMF recommended the Mauritanian government establish a sovereign wealth fund for mining-related revenues, but the government has not yet taken action to create such a fund.

**11. Corporate Social Responsibility**

There is little local awareness of corporate social responsibility in Mauritania, either on the part of producers or consumers. However, awareness is growing, particularly as more foreign-owned companies enter the Mauritanian market. Certain state-run industries have been active in providing basic educational opportunities for the children of their employees and scholarships for their employees to study abroad, but this is usually the extent of social responsibility initiatives. Companies in the mining and hydrocarbon industries send young Mauritanians overseas to complete their studies on scholarship programs; many of the scholarship recipients have family ties to powerful individuals in the companies. The larger fishing companies have recently started to provide more opportunities for qualified youth to study at the fishing and naval training school in Nouadhibou to prepare them for careers in the fishing industry. Current projects by foreign-owned companies include providing free water to local communities; building vocational training centers, health clinics, and roadways; and providing healthcare equipment and medicines to towns near company operations.

Since 2011, three of Mauritania’s largest mining companies – Kinross, Mauritanian Copper Mines (MCM), and SNIM – fund a School of Mining with the goal of increasing the number of qualified Mauritanians to serve in the mining industry. The school has a partnership with the École Polytechnique in Montreal and with the mining companies. The school is considered a public entity under the Ministry of Oil, Energy, and Mines.

**OECD Guidelines for Multinational Enterprises**

The Mauritanian government does not encourage foreign or local enterprises to follow generally accepted CSR principles such as the OECD Guidelines for Multinational Enterprises. However, some companies, such as Kosmos Energy, voluntarily adhere to these generally accepted CSR principles.

## 12. Political Violence

The Mauritanian military has overthrown two civilian governments since 2005 through intimidation and arrests rather than outright violence. The most recent coup, which occurred on August 6, 2008, removed from power Mauritania's first democratically elected president, Sidi Mohamed Ould Cheikh Abdallahi. For the first time in Mauritania's history, there was significant political opposition and street protests against a coup, so the new president, Mohamed Ould Abdel Aziz, agreed to an official dialogue with the opposition. The dialogue that resulted in the Dakar Accords paved the way for a presidential election in July 2009, which Aziz won and which was deemed free and fair according to international observers.

In October 2012, President Aziz was accidently shot in a reportedly friendly-fire incident at a checkpoint just outside of Nouakchott. The President was seriously injured and treated in France for six weeks. During his recovery in France, the political opposition organized many rallies and called unsuccessfully for the President's resignation. There were rumors of planned terrorist attacks or coups, but the country remained calm and normal throughout this period.

The governing majority coalition and several opposition parties re-engaged in a national dialogue in October 2011 in an effort to resolve the political impasse stemming from the postponement of Senate, National Assembly, and municipal elections. Although National Assembly and municipal elections were eventually held in November and December 2013, the last Senate elections were in November 2009 and no firm timetable for the next Senate elections has been established.

Civic unrest associated with a controversial national registration program resulted in one death in September 2011 in Maghama, a provincial capital near the border with Senegal. Sporadic protests for other reasons occurred in Nouakchott and elsewhere frequently in 2012 and 2013, but did not disrupt business activity. In early March 2014, protests erupted in Nouakchott after the alleged desecration of a Koran. These protests resulted in the death of one Mauritanian.

While Al-Qaeda in the Islamic Maghreb (AQIM) has perpetrated a number of terrorist attacks in Mauritania, the last attack was in 2011, when the Mauritanian military successfully countered a would-be truck-bomb near Nouakchott. Previous attacks included the murder of a U.S. citizen in Nouakchott in 2009 and kidnappings and murders of European citizens. Mauritania successfully prosecuted and sentenced the terrorists involved in the 2009 murder of the U.S. citizen. Also, in 2009, there was a suicide bombing outside the French Embassy and another such attempt in 2010 against a military base in the southeastern city of Nema. The Mauritanian government has remained vigilant since 2011 in its efforts to counter terrorist threats, including in July and October 2011, when it conducted operations against AQIM militants in neighboring Mali. Mauritanian authorities have also arrested and prosecuted terrorists. The Mauritanian judiciary convicted five terrorists in 2013 and 2014, bringing total convictions to 149 since 2009.

The United States, France, NATO, and others provide assistance and training to Mauritania's security forces.

## 13. Corruption

In the July 2009 presidential election, President Aziz ran on an anti-corruption and populist platform. Donor partners applauded the release of the first-ever Mauritanian anti-corruption strategy in November 2009, and a number of high-profile anticorruption cases have demonstrated at least nascent efforts to fight corruption. As of April 2015, 35 individuals have been detained on embezzlement and corruption charges and are awaiting trial. Although progress has been made, laws and regulations are still not evenly and effectively enforced, largely because corruption is endemic in a society that is still largely based on familial and tribal relationships rather than strict adherence to the rule of law.

Corruption is an obstacle to foreign direct investment in Mauritania, but firms generally rate high taxes, access to credit, underdeveloped infrastructure, and a lack of skilled labor as greater impediments. Corruption is most pervasive in government procurement, bank loans, fishing license attribution, land distribution, and tax payments. Giving or accepting a bribe is a criminal act punishable by two to ten years imprisonment and fines up to USD 700, but there is little application of this law. Firms commonly pay bribes to obtain telephone, electricity, and water connections and construction permits more quickly.

Since assuming office, President Aziz has embarked upon a program to reduce privileges for government employees and to identify and punish those guilty of financial crimes. The current anti-corruption push began in November 2009 when the Bureau of Economic Crimes arrested the former governor of the Central Bank for alleged crimes committed between 2000 and 2001. His arrest was quickly followed by the arrest of the former deputy governor of the Central Bank and the launch of an investigation into the business practices of 12 other prominent businessmen and bankers. The former Central Bank governor was accused of laundering approximately USD 95 million over the course of two years, the equivalent of nearly 10 percent of Mauritania's 2010 budget. All of the individuals arrested in this first anti-corruption push were released in January 2010 and ordered to repay the entire amount.

Mauritania's Office of the Inspector General of the State handles financial investigations in the public sector. This agency, created in 2005, reports to the Prime Minister and has the authority to conduct investigations into all government offices and departments. From 2013-2015, there were several investigations into various government institutions which resulted in dismissals of senior governmental officers and managers of public institutions because of corruption or mismanagement.

The former Human Rights Commissioner was relieved of his duties and imprisoned in August 2010 on grounds of mismanagement. His trial concluded in December 2012 with time served, a USD 253,333 fine, and an order to reimburse USD 934,482 to the Mauritanian government. Mauritania has also reimbursed funds diverted under the previous administration from Global Fund programs intended to benefit those living with HIV/AIDS, and the international organization has now resumed support to the country.

These most recent investigations highlight the degree to which corruption in both the public and private sectors continues to occur. While most people do not doubt that the accused did in fact engage in corrupt practices, these investigations are controversial, as critics claim they are being conducted to settle political scores.

Despite the current push to fight corruption, wealthy business groups and government officials reportedly receive frequent favors from authorities, such as unauthorized exemption from taxes, special grants of land, and favorable treatment during bidding on government projects. Mauritanian and non-Mauritanian employees at every level and in every organization are believed to flout Mauritanian tax laws and filing requirements. The only exceptions are civil servants, whose income taxes are automatically deducted from their pay. Such widespread tax evasion and corruption has deprived the government of a significant source of revenue, weakening its capacity to provide necessary services.

Recent efforts to increase tax collection have proven controversial as business owners for the first time face tax obligations that reflect the relatively high level of formal taxation for businesses that are not eligible for specialized exemptions. Tax collection efforts frequently incur criticism for their lack of procedural transparence.

There are several organizations that track corruption within Mauritania. Transparency International has a representative who reports on local corruption policies and events. Additionally, in 2008, several local nongovernmental organizations worked with a UN representative and the Mauritanian government to draft a national action plan to fight corruption. The plan was drafted and submitted in May 2010, but no anticorruption law has been issued as of yet.

*UN Anticorruption Convention, OECD Convention on Combatting Bribery*

Mauritania acceded to the UN Anticorruption Convention on October 25, 2006. The country is not a signatory to the OECD Convention on Combating Bribery or any regional anti-corruption initiatives, and there is no requirement for companies to establish internal codes of conduct.

*Resources to Report Corruption*

Contact at government agency responsible for combating corruption:
Sidi Ould Ahmed
Secretary General
Cours des Compte
+222 4468-5349

Contact at "watchdog" organization:
Mine Ould Mohamed
President and lawyer
Publiez ce que vous payez
+222 4525-0455 +222 4641-7702

## 14. Bilateral Investment Agreements

Mauritania does not have a bilateral investment agreement with the United States.

Mauritania has bilateral investment agreements with the Arab Maghreb Union (Algeria, Libya, Morocco, and Tunisia) as well as with Saudi Arabia, France, Belgium, and Romania. Agreements exist with Burkina Faso, Cameroon, Gambia, Ghana, Mauritius, Italy, Lebanon, Qatar, Yemen, Korea, Egypt, and the Arab League as well.

Mauritania is a signatory to the Cotonou Agreement between the EU and the group of African, Caribbean and Pacific (ACP) countries, and thus enjoys free access to the EU market. Due to its least-developed country status, Mauritania benefits from duty-free access to the European market under the Everything-But-Arms initiative. Furthermore, Mauritania benefits from the African Growth and Opportunity Act (AGOA) and thus enjoys substantial potential trade preferences that, along with those under the Generalized System of Preferences (GSP), allow virtually all marketable goods produced in Mauritania to enter the U.S. market duty-free.

### Bilateral Taxation Treaties

Mauritania does not have a bilateral taxation treaty with the United States.

## 15. OPIC and Other Investment Insurance Programs

Mauritania signed an agreement with Overseas Private Investment Corporation (OPIC), but its program is limited. Potential investors should contact OPIC directly for guidance. Mauritania is a member of the Multilateral Investment Guarantee Agency (MIGA), which protects foreign direct investment against political risk. A British-Mauritanian insurance company, Atlantic Londongate, offers broad commercial coverage. The ouguiya has been fairly stable over the last few years, but could devalue if there is further or protracted political or economic instability.

## 16. Labor

While labor is abundant, there is a shortage of skilled workers and well-trained technical and managerial personnel in most sectors of the economy. As a result, there are few sectors of the economy that use advanced technologies because the skilled labor required to operate them is not readily available. While labor is relatively inexpensive, labor productivity is very low, even compared to neighboring countries. The mining sector is an exception, where the national mining company (SNIM), the subsidiary of a Canadian gold mining company Kinross-Tasiast, and the subsidiary of a Canadian company MCM provide advanced training for their employees. Additionally, responding to the dire need for human capacity development in Mauritania, representatives of these three companies established jointly with the Ministry of Oil, Energy and Mines to establish an USD 18 million fund for the construction of a mining school in Akjoujt in 2011. Currently, 30 students are enrolled in training at the school. The school is expected to hold 340 students when it is at full capacity.

Mauritania has ratified all eight fundamental conventions of the International Labor Organization (ILO). However, gaps remain both in law and practice. Although the law recognizes the workers' rights to establish and join unions of their own choosing, to collectively bargain, and to conduct legal strikes, miners must notify their employers before exercising the right to organize. Magistrates are prohibited from going on strike or joining labor unions by law; however, they organize through informal internal groups called ''Club de Concertation.'' The law continues to require that any change in the administration or management of a union must be formally communicated and approved by either the Prosecutor-General or the courts. The Labor Code continues to restrict the right to strike by imposing compulsory arbitration to disputes in non-essential services sectors.

There has been an increase in the incidence of strikes, particularly in the mining industry. In July 2012, a weeklong strike at MCM resulted in a Nouakchott-based National Guard unit being dispatched to the mine site. They used batons and tear gas to disperse striking workers, beat and detained several protesters, and severely injured one, who died as the National Guard transported him to the police station. Following the death, MCM temporarily suspended its operations and the government launched an investigation. MCM was not implicated in the death. The Mauritanian government provided USD 10,000 in compensation to the victim’s family. As companies expand their operations and perceived profit margins, unions increasingly try to negotiate improved contract terms and higher salaries for their members.

In December 2013, Kinross-Tasiast laid off 293 employees. Protests occurred for months after the layoffs at the presidential palace and at the Kinross-Tasiast headquarters in Nouakchott. More recently, since January 28, 2015, about 4000 SNIM workers have been on strike over delays in implementing a 20 percent pay raise scheduled to occur in 2014. The strike then resulted in SNIM’s dismissal of 300 workers. Although the strike was ultimately resolved, it required political intervention from the highest levels to broker a settlement.

Over 18 percent of children in Mauritania are engaged in child labor in agriculture and herding and in the worst forms of child labor in indentured and hereditary servitude. Cattle and goats are included on the U.S. government's List of Goods Produced by Child Labor or Forced Labor.

Although officially outlawed, de facto slavery continues to exist in Mauritania, particularly in domestic situations and in rural and agricultural settings. Foreign investors should be aware that local suppliers or contractors might – at some point in their supply chain – involve slave labor.

**17. Foreign Trade Zones/Free Ports/Trade Facilitation**

The new Investment Code creates Special Economic Zones (Free Export Zone or Cluster of Development in the Interior) by decree. Each decree specifies the restrictions of each target area, the name of the zone, the subject of economic activities that are encouraged, the structure responsible for its management, and the period for which it is established. Free Zones are subject to continuous monitoring by the Customs Service in a manner specified in the decree. Nouadhibou, the commercial capital, has been designated as a Free Economic Zone by the Ministry of Economic Affairs and Development (MAED) and differs from the Special Economic Zones created under the revised Investment Code. The Nouadhibou Free Economic Zone has its own regulatory structure, which is not yet fully implemented. As of January 2015, the Nouadhibou free trade zone has granted 300 authorizations for companies, primarily in the tourism and fisheries sectors.

The revised Investment Code provides three main preferential tax regimes: Small and Medium Enterprises Regime, which applies to any investment between USD 167,000 and USD 667,000; Free Export Zones/Clusters of Development; and Targeted Industries, which includes agriculture, artisanal fishing, tourism, renewable energy, and raw material processing. In the previous Code only one special economic zone existed for certain imports, under the control of the Customs Administration. The revised Code has several other new provisions. Basic infrastructure will be provided through public-private partnerships with the government and the interested company, which previously was solely the responsibility of the private company. Land concessions allocated to companies located in Free Economic Zones will follow a rental rate determined by joint decision of the relevant Minister and the Minister of Finance, who will control land prices. For tax advantages, companies will be exempt from taxes, excluding personnel taxes such as for retirement and social security, if they have invested at least USD 1.6 million and generated at least 50 permanent jobs and show a potential to export at least 80 percent of their goods or services.

Additionally, under the provisions in the revised Investment Code, companies will not be taxed on patents, licenses, property, or land but rather assessed a single municipal tax which cannot exceed an annual amount of USD 16,000. Companies established in free zones are exempt from taxes on profits for the first five years in which they show a profit, after which they are subject to the rate of ordinary law. Additionally, companies established in free zones benefit from a total exemption of customs duties and taxes on the importation of goods, materials, and vehicles intended for production (the list of eligible assets is fixed by order of the Minister of Finance) and exemption from customs duties and taxes on exports.

**18. Foreign Direct Investment and Foreign Portfolio Investment Statistics**

*Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy*

| | Host Country Statistical source* | | USG or international statistical source | | USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other |
|---|---|---|---|---|---|
| **Economic Data** | **Year** | **Amount** | **Year** | **Amount** | |
| **Host Country Gross Domestic Product (GDP) ($M USD)** | 2012 | 4,562 | 2013 | 4,158 | www.worldbank.org/en/country |
| **Foreign Direct Investment** | **Host Country Statistical source*** | | **USG or international statistical source** | | **USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other** |
| **U.S. FDI in partner country ($M USD, stock positions)** | N/A | | 2008 | N/A | http://bea.gov/international/factsheet/factsheet.cfm?Area=425 |
| **Host country's FDI in the United States ($M USD, stock positions)** | N/A | | 2013 | -1 | http://bea.gov/international/factsheet/factsheet.cfm?Area=425 |
| **Total inbound stock of FDI as % host GDP** | N/A | | N/A | | |

* Source: National Office of Statistics, ONS

*Table 3: Sources and Destination of FDI*

Foreign direct investment position data are not available for Mauritania.

*Table 4: Sources of Portfolio Investment*

Portfolio investment data are not available for Mauritania.

**19. Contact for More Information**


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