

Mauritania

RISK & COMPLIANCE REPORT

DATE: January 2017

Executive Summary - Mauritania

Sanctions:	None
FAFT list of AML Deficient Countries	No
Higher Risk Areas:	<p>Non - Compliance with FATF 40 + 9 Recommendations</p> <p>Not on EU White list equivalent jurisdictions</p> <p>Corruption Index (Transparency International & W.G.I.)</p> <p>World Governance Indicators (Average Score)</p> <p>Failed States Index (Political Issues)(Average Score)</p>
<p>Major Investment Areas:</p> <p>Agriculture - products:</p> <p>dates, millet, sorghum, rice, corn; cattle, sheep</p> <p>Industries:</p> <p>fish processing, oil production, mining (iron ore, gold, and copper)</p> <p>note: gypsum deposits have never been exploited</p> <p>Exports - commodities:</p> <p>iron ore, fish and fish products, gold, copper, petroleum</p> <p>Exports - partners:</p> <p>China 48.6%, Italy 7.5%, Japan 7%, Cote dlvoire 6.7%, France 4.7%, Spain 4.1% (2012)</p> <p>Imports - commodities:</p> <p>machinery and equipment, petroleum products, capital goods, foodstuffs, consumer goods</p> <p>Imports - partners:</p> <p>China 12.9%, Netherlands 10.5%, US 7.8%, France 7.7%, Brazil 5.6%, Germany 5.5%, Spain 5.1%, Belgium 4.7% (2012)</p>	
Investment Restrictions:	

Historically, Mauritania has been relatively open to foreign direct investment.

With the exception of sectors where public companies hold monopolies such as water and electricity distribution, Mauritania has no discriminatory policies against foreign investment, imports, or exports. The mining, fishing, agricultural, banking, petroleum and technology sectors are actively seeking foreign direct investment.

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Section 1 - Background

Independent from France in 1960, Mauritania annexed the southern third of the former Spanish Sahara (now Western Sahara) in 1976 but relinquished it after three years of raids by the Polisario guerrilla front seeking independence for the territory. Maaouya Ould Sid Ahmed TAYA seized power in a coup in 1984 and ruled Mauritania with a heavy hand for more than two decades. A series of presidential elections that he held were widely seen as flawed. A bloodless coup in August 2005 deposed President TAYA and ushered in a military council that oversaw a transition to democratic rule. Independent candidate Sidi Ould Cheikh ABDALLAHI was inaugurated in April 2007 as Mauritania's first freely and fairly elected president. His term ended prematurely in August 2008 when a military junta led by General Mohamed Ould Abdel AZIZ deposed him and installed a military council government. AZIZ was subsequently elected president in July 2009 and sworn in the following month. AZIZ sustained injuries from an accidental shooting by his own troops in October 2012 but has continued to maintain his authority. The country continues to experience ethnic tensions among its black population (Afro-Mauritanians) and white and black Moor (Arab-Berber) communities, and is having to confront a growing terrorism threat by al-Qa'ida in the Islamic Maghreb (AQIM).



Section 2 - Anti – Money Laundering / Terrorist Financing

FATF status

Mauritania is not on the FATF List of Countries that have been identified as having strategic AML deficiencies

Compliance with FATF Recommendations

The last Mutual Evaluation Report relating to the implementation of anti-money laundering and counter-terrorist financing standards in Mauritania was undertaken by the Financial Action Task Force (FATF) in 2006. According to that Evaluation, Mauritania was deemed Compliant for 2 and Largely Compliant for 7 of the FATF 40 + 9 Recommendations. It was Partially Compliant or Non-Compliant for all 6 of the Core Recommendations.

US Department of State Money Laundering assessment (INCSR)

Mauritania was deemed a 'Monitored' Jurisdiction by the US Department of State 2016 International Narcotics Control Strategy Report (INCSR).

Key Findings from the report are as follows: -

Perceived Risks:

The Islamic Republic of Mauritania has a largely informal and under-developed economy. Its economic system suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, and corruption in government and the private sector. Money laundering is difficult to detect in Mauritania because of the informal nature of much of the economy and speculation that large amounts of drug money pass through the economy. The banking system and black market currency exchanges constitute the focus of this activity, which affects the operation of the entire financial sector in the country. There are strong indications that large amounts of money are being pumped into the financial system from outside or suspicious sources, some of which are transported across borders or through ports. Border security is a severe challenge in Mauritania.

Mauritania imports almost 70 percent of its food needs. In 2015, mining represented approximately 20 percent of Mauritanian GDP, and 70 percent of national exports. Only an estimated 12 percent of Mauritanian adults have bank accounts, and informal banking and financial systems remain vulnerable to exploitation. The Government of the Islamic Republic of Mauritania has continued an aggressive campaign against terrorist networks, including al-Qaida in the Islamic Maghreb.

DO FINANCIAL INSTITUTIONS ENGAGE IN CURRENCY TRANSACTIONS RELATED TO INTERNATIONAL NARCOTICS TRAFFICKING THAT INCLUDE SIGNIFICANT AMOUNTS OF US CURRENCY; CURRENCY DERIVED FROM ILLEGAL SALES IN THE U.S.; OR ILLEGAL DRUG SALES THAT OTHERWISE SIGNIFICANTLY AFFECT THE U.S.: NO

CRIMINALIZATION OF MONEY LAUNDERING:

"All serious crimes" approach or "list" approach to predicate crimes: All serious crimes
Are legal persons covered: criminally: YES civilly: YES

KNOW-YOUR-CUSTOMER (KYC) RULES:

Enhanced due diligence procedures for PEPs: Foreign: YES Domestic: YES
KYC covered entities: Banks, money changers, and money remitters; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and nongovernmental organizations (NGOs)

REPORTING REQUIREMENTS:

Number of STRs received and time frame: 18: January 1 - November 17, 2015
Number of CTRs received and time frame: 2 in 2015
STR covered entities: Banks, money exchanges, and remittance offices; lawyers, notaries, accountants, and auditors; real estate and travel agents; dealers of high-value art and precious metals and stones; and NGOs

MONEY LAUNDERING CRIMINAL PROSECUTIONS/CONVICTIONS:

Prosecutions: 2 in 2015
Convictions: 0 in 2015

RECORDS EXCHANGE MECHANISM:

With U.S.: MLAT: NO Other mechanism: YES
With other governments/jurisdictions: YES

Mauritania is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF), a FATF-style regional body.

ENFORCEMENT AND IMPLEMENTATION ISSUES AND COMMENTS:

Although Mauritania has been successful in creating a legal and institutional framework to fight financial crimes, there remain many challenges to its successful implementation, especially given Mauritania's cash-based and informal economy. All natural and legal persons are covered under Mauritania's AML/CFT laws and are subject to criminal and/or civil penalties. The Financial Information Analysis Commission (CANIF), Mauritania's financial intelligence unit, includes representatives of several ministries and agencies working together to counter financial crimes. The Secretary General of the CANIF Council reports that CANIF's biggest challenge is the small number of reports received, despite an increase to 18 in 2015 from an average of nine in previous years.

In 2014, the Mauritanian parliament introduced amendments to the AML/CFT statute. The law was still pending at the end of 2015. In a presentation to parliamentarians, the Minister of Justice said that "the bill standardizes legislation in combating terrorism and money

laundering with international conventions to which Mauritania is a party and with regional and international laws enforced.” Specifically, the law will criminalize material support of foreign terrorist fighters, make aiding and abetting terrorist acts a crime, and bring administrative forfeiture proceedings into line with international standards.

In September 2014, the Mauritanian government announced plans to establish the first national stock market “within two to three years.” During the same month, the Central Bank of Mauritania (BCM) announced the inauguration of an initiative to strengthen transparency in the activities of the 25 commercial banks operating in the country. Confidence in Mauritanian banks, BCM officials reasoned, would ensure the durability of a securities exchange market. As of December 2015, no further measures have been conducted in order to implement this initiative.

In 2015, the Ministry of Justice organized a forum on best practices to fight organized crime. The aim was to support capacity in the criminal justice system and encourage international judicial cooperation. The Director of the Mauritanian Police reported that in 2015 the police had seized two tons of drugs, arrested 274 people for drug trafficking, and dismantled 16 alcohol distilleries.

Although all recommended entities are covered under the AML law, current regulations only require banks and formal money exchange and remittance offices to report suspicious transactions; however, few do. Moreover, monitoring informal financial markets remains a challenge in Mauritania. Mauritanian authorities are aware of these issues and are working to formalize financial transactions to the extent possible and to devise mechanisms to prevent the exploitation of the informal financial system for illegal purposes.

The Government of the Islamic Republic of Mauritania should take steps to expand reporting and KYC requirements to additional financial and non-financial entities, as well as take steps to enforce compliance with existing mandatory reporting requirements. Mauritania should continue to build the capacity of its law enforcement and judiciary to investigate and prosecute money laundering and related crimes.

Current Weaknesses in Government Legislation (2013 INCRS Comparative Tables):

According to the US State Department, Mauritania conforms with regard to all government legislation required to combat money laundering.

EU White list of Equivalent Jurisdictions

Mauritania is not currently on the EU White list of Equivalent Jurisdictions

World Governance indicators

[To view historic Governance Indicators Ctrl + Click here and then select country](#)

Failed States Index

[To view Failed States Index Ctrl + Click here](#)

Offshore Financial Centre

Mauritania is not considered to be an Offshore Financial Centre

US State Dept Narcotics Report 2012 (introduction):

The Islamic Republic of Mauritania, a small and under-developed country, suffers from a combination of weak government oversight, lax financial auditing standards, a large informal trade sector, porous borders, and corruption in government and the private sector. Following the election of President Mohamed Ould Abdel Aziz in July 2009 and increasing terrorist and illicit trafficking activities along the long and porous borders with Algeria and Mali, the Government of the Islamic Republic of Mauritania (GIRM) began an aggressive campaign against corruption and the terrorist network of Al-Qaeda in the Islamic Maghreb (AQIM).

There is little, if any, domestic production of drugs in Mauritania. Mauritania's location makes it an attractive destination for drugs coming via air from South America or via land after arriving at sea ports in Guinea-Bissau, Guinea, and Sierra Leone. The Mauritanian economy is based almost entirely on informal trade, therefore detecting and combating drug trafficking in Mauritania is extremely difficult.

Consumption of drugs in Mauritania is not common. There is occasional use of drugs among the class of Mauritians with the means available to purchase them, but there are concerns that consumption could increase, following a pattern in other transit countries, if larger quantities of drugs transit through Mauritania.

The GIRM enacted its anti-money laundering and terrorist financing law (2005-0048) on July 27, 2005 and updated it in 2009. However, these laws have not been fully implemented. Drug traffickers and elements of AQIM often operate in the same isolated areas of Mauritania. Presently, there is evidence that the recent increase in the Mauritanian military presence along the borders with Algeria and Mali limited the ability of drug traffickers to easily cross Mauritanian borders. Local media reported that, in December 2010, the Mauritanian army successfully attacked a convoy of drug traffickers escorted by AQIM along the border with Mali. Many traffickers were killed and some of them were arrested by the Mauritanian army.

Mauritania has two offices primarily responsible for combating the traffic of drugs: The Police Office to Combat Trafficking in Illicit and Psychotropic Substances (POCTIPS), established in 2005, and "La Commission d'Analyse des Informations Financieres" (CANIF), established in 2005 but began operations in 2008, which is the equivalent of a financial intelligence unit. Both organizations have received funding and technical assistance from the international community. From November 28-December 4, 2010, the Federal Deposit Insurance Corporation (FDIC) held an Advanced Counter-Financing of Terrorism Financial Regulatory training course at the FDIC Training Facilities in Arlington, Virginia, attended by Four CANIF employees. This training helped them improve their abilities to combat terrorism financing through illicit trafficking.

According to the director of the POCTIPS, the GIRM arrested 174 individuals on drug trafficking charges between January and October 2011. Also during this timeframe, Mauritania seized more than 1.7 kilograms of cocaine, 638 kg of cannabis, 33 kg of cannabis resin, more than \$8,000 in cash, five cars, one truck and one boat during 82 different

counternarcotics operations. Earlier, in 2010, the GIRM arrested 309 traffickers, and seized 31 kg of cocaine, 1.125 tons of cannabis, 10.345 tons of cannabis resin, more than \$43,000 in cash, 38 cars and two trucks. The director of POCTIPS assesses that the decreases from 2010 to 2011 are a result of the GIRM's aggressive campaign against illicit trafficking.

In July 2011, 36 accused drug traffickers were tried. Among them 32 were acquitted and four were sentenced to 15 years in prison, but were eventually acquitted by the Criminal Court. The Supreme Court subsequently overruled these decisions, annulled the acquittals, and fired several judges who were in charge of this case. Three judges fled Mauritania before the GIRM publicly announced the decision, suggesting the possibility that corrupt payments might have affected their decision.

Mauritania is a party to the 1988 UN Drug Convention. Mauritania is also a party to the UN Convention Against Transnational Organized Crime and the UN Convention Against Corruption. There currently is no extradition treaty or mutual legal assistance treaty between the United States and Mauritania. Notably, Mauritania does not provide formal mutual legal assistance in the absence of a bilateral treaty.

US State Dept Trafficking in Persons Report 2014 (introduction):

Mauritania is classified a Tier 3 country - a country whose government does not fully comply with the minimum standards and is not making significant efforts to do so.

Mauritania is a source and destination country for women, men, and children subjected to forced labor and sex trafficking. Adults and children from traditional slave castes in the Black Moor and Afro-Mauritanian communities are subjected to slavery-related practices rooted in ancestral master-slave relationships. Although reliable data on the total number of slaves do not exist, local and international experts agree that slavery continues to affect a significant portion of the country's population in both rural and urban settings. Held for generations by slave-holding families, persons subjected to slavery are forced to work without pay as cattle herders and domestic servants. Separately, some boys from within Mauritania and other West African countries who study at Koranic schools—referred to as talibes—are subsequently subjected to forced begging by corrupt imams. Talibe victims live in harsh conditions and do not attend school; many are forced to beg for food and to earn a daily financial quota to pay the imam. Boys from low-income families in the Pulaar community were most vulnerable to forced begging. Children who lacked birth certificates were generally not permitted to enroll in school and were therefore at increased vulnerability to trafficking. Mauritanian girls, as well as girls from Mali, Senegal, The Gambia, and other West African countries, are forced into domestic servitude in Mauritania. Mauritanian women and girls are forced into prostitution in the country or transported to countries in the Middle East for the same purpose; some entered into forced marriages, facilitated by brokers and travel agencies in Mauritania, and were subsequently exploited as sex slaves overseas. Men from Middle Eastern and North African countries use legally contracted “temporary marriages” as a means to sexually exploit young girls and women in Mauritania.

The Government of Mauritania does not fully comply with the minimum standards for the elimination of trafficking and is not making significant efforts to do so. The government took steps to raise public awareness about the dangers of human trafficking in Mauritania,

including through conducting five televised panel discussions on slavery. However, the government failed to hold traffickers criminally accountable, and law enforcement and judicial personnel intervened on behalf of alleged offenders to thwart the progress of criminal prosecutions. The National Agency to Fight against the Vestiges of Slavery, Integration, and Fight against Poverty (known as Tadamoun), which became operational during the year, did not submit any criminal complaints on behalf of victims. The government did not provide adequate protective services to victims or ensure their referral to service providers to receive care, and it failed to establish procedures for the proactive identification of victims among persons arrested for prostitution and individuals detained and deported for immigration violations.

US State Dept Terrorism Report 2015

Overview: Mauritania remained a key regional counterterrorism partner in 2015. The Mauritanian government actively and effectively countered terrorism, building on an approach that hinges on improving the capacity of security forces and securing the country's borders. As in years past, the Mauritanian authorities cooperated with U.S. counterterrorism efforts and took advantage of opportunities to participate in U.S.-sponsored training on counterterrorism tactics and techniques.

Mauritania is not a safe haven for terrorists or terrorist groups, although regions in the interior are imperfectly monitored as a result of their geographic isolation from population centers and inhospitable desert conditions. Al-Murabitoun and similar violent Islamist extremist groups have a presence in the region, although al-Qa'ida in the Islamic Maghreb (AQIM) remained the leading terrorist threat to Mauritania.

Government authorities were alert to the threat of the Islamic State of Iraq and the Levant (ISIL) in Mauritania, as evidenced by a series of arrests of subjects suspected of recruiting for, or those purporting to swear allegiance to the group. Mauritanian political and religious personalities periodically condemned ISIL's aims, methods, and activities in their public statements.

The Mauritanian government continued to develop its counterterrorism capabilities in order to implement UN Security Council Resolutions (UNSCRs) 2178 (2014), 2199 (2015), and the UN 1267/1989/2253 ISIL (Da'esh) and al-Qa'ida sanctions regime.

Legislation, Law Enforcement, and Border Security: Mauritania's counterterrorism legal framework is relatively new. Enacted in 2010, the national counterterrorism laws define terrorism as a criminal act, describe court procedure in terrorism cases, and prescribe punishment for perpetrators. The Mauritanian government continued to send prosecutors and investigative magistrates to terrorism prosecution training organized by the United States through the Department of Justice (DOJ) and other international partners. On November 3, Mauritanian representatives attended a DOJ workshop in Rabat, Morocco, focused on building the institutional architecture needed to combat transnational crime and terrorism through effective regional cooperation, mutual legal assistance, and extradition laws.

Although Mauritanian security forces successfully deterred or prevented acts of terrorism in 2015, they did not face any great tests of capacity. Mauritania's National Gendarmerie, a paramilitary police agency, and its National Security Directorate, which falls under the Ministry of Interior, were the primary law enforcement units performing counterterrorism functions. Cooperation and information sharing between the two organizations occurred sporadically.

Mauritania is committed to improving its counterterrorism capacity. Throughout the year, security forces personnel participated in eight separate courses funded by the Department of State's Antiterrorism Assistance program.

In early December in Nouadhibou, the U.S. Department of Justice, the Mauritanian Ministry of Justice, the UN Development Program, and the French Cooperation Agency co-sponsored a seminar aimed at strengthening the criminal justice system in the northern regions of Mauritania. Over three days, U.S. experts and Mauritanian practitioners discussed best practices in the fight against organized crime and the ways to improve international cooperation in the fight against terrorism.

Border security is a priority of the Mauritanian government, yet it remained far from perfect in 2015 due to a lack of capacity and a standing policy that accords responsibility for different sections of the country's long land borders to different formations of the security forces. Mauritania's border forces employ biometric screening capabilities at some – but not all – ports of entry. Information-sharing efforts within the government and with other countries are nascent.

Mauritanian authorities arrested terrorist suspects in 2015. On April 20, a former member of al-Qa'ida (AQ), Abdul Rahman Ould Mohamed Hussein (alias Younis Al Mauritanie), was sentenced to 20 years after being convicted on terrorism-related charges. Younis was born in Saudi Arabia and joined AQ in 2001, where he was arrested by Pakistani authorities and transferred to Mauritania in 2011.

On June 16, a Nouakchott court convicted three young men – Mohamed Ould Ely Lasfar, Yacoub Ould Miyah Ould Balah, and Bukhari Ould Dahane – to 10, seven, and five years in prison, respectively, for belonging to an organization committed to performing terrorist crimes, incitement to violence, the use of religious symbols in a terrorist organization, and providing a meeting place for people involved in a terrorist organization.

On August 3, Mauritanian authorities released Sanda Ould Bounama, alias Sidi Mohamed Ould Bouama, a former spokesman of terrorist group Ansar al-Dine. Bounama had been held under an international arrest warrant issued on February 8, 2013 by a Malian court.

Countering the Financing of Terrorism: Mauritania is a member of the Middle East and North Africa Financial Action Task Force, a Financial Action Task Force-style regional body, and maintained observer status within the Inter-Governmental Action Group Against Money Laundering in West Africa. The Financial Information Analysis Commission is Mauritania's financial intelligence unit, which includes representatives of several ministries and agencies working together to counter financial crimes. In January, the Mauritanian government submitted to parliament a draft amendment to the 2005 law on money laundering and terrorism financing that aimed to harmonize legislation with its obligations under international

law, including the UN 1267/1989/2253 ISIL and al-Qa'ida sanctions regime. Although passed by the legislature, this bill had not been signed into law at year's end.

Although legislation regulating alternative remittances exists, the Mauritanian government neither has the resources to monitor sizable flows of funds through the informal *hawala* money transfer system, nor considers doing so a priority. Terrorism financing is difficult to detect in Mauritania because of the informal nature of much of the economy and speculation that large amounts of drug money pass through the economy.

Countering Violent Extremism: The government continued to manage programs designed to counter violent extremism and offer alternatives to "at-risk" individuals. For example, the Ministry of Islamic Affairs and Traditional Education inaugurated 17 pilot *mahadras* for 2015. Each *mahadra* supports a workforce of at least 30 students (boys and girls) who each receive a monthly grant of approximately US \$34. The government also continued to collaborate with independent Islamic religious organizations to promote moderation, sponsoring radio and television programming on the themes of temperance in Islam, and paying monthly stipends to imams who fulfilled the government's selection criteria.

The government coordinated with the Mauritanian Institute for Strategic Studies to host a regional conference entitled, "The Culture of Peace and Moderation as a Way to Counter Violent Extremism: the Mauritanian Approach," in Nouakchott on August 19-20. Approximately 200 representatives from governments in West Africa and the Sahel and Maghreb regions, multilateral bodies, faith-based organizations, the international donor community, and other civil society members attended the conference. Building on many of the core themes of the February White House Summit on Countering Violent Extremism, the conference explored ways to research and identify the tools necessary to understand the local drivers of violent extremism; how to engage the whole-of-society in building and securing resilient communities by addressing social, political, and economic grievances; how to assess the factors that contribute to youth involvement in violent extremism; and how to evaluate the roles civil society, youth, women, and faith-based leaders can play in partnership with local and national governments to prevent violent extremism

International and Regional Cooperation: Mauritania remains an active member of the UN, the AU, and the Sahel G-5, a regional cooperation partnership. The G-5 Sahel was created in February 2014 to enable region-wide collaboration on the Sahel-Saharan region's political and security situation, and Mauritania participated in G-5 Sahel meetings held among the five member countries: Burkina Faso, Chad, Mali, Mauritania, and Niger, along with representatives of the AU, UN, the Economic Community of West African States, the EU, and the Organization of Islamic Cooperation. Mauritania is also an active member of the Trans-Saharan Counterterrorism Partnership.

Mauritania is not subject to international sanctions

Arab League

The Arab League (comprising 22 Arab member states), of which this country is a member, has approved imposing sanctions on Syria. These include: -

- * Cutting off transactions with the Syrian central bank
- * Halting funding by Arab governments for projects in Syria
- * A ban on senior Syrian officials travelling to other Arab countries
- * A freeze on assets related to President Bashar al-Assad's government

The declaration also calls on Arab central banks to monitor transfers to Syria, with the exception of remittances from Syrians abroad.

The Arab League has boycotted Israel in a systematic effort to isolate Israel economically in support of the Palestinians, however, the implementation of the boycott has varied over time among member states.

There are three tiers to the boycott. The primary boycott prohibits the importation of Israeli-origin goods and services into boycotting countries. The secondary boycott prohibits individuals, as well as private and public sector firms and organizations, in member countries from engaging in business with any entity that does business in Israel. The Arab League maintains a blacklist of such firms. The tertiary boycott prohibits any entity in a member country from doing business with a company or individual that has business dealings with U.S. or other firms on the Arab League blacklist.

Bribery & Corruption

Index	Rating (100-Good / 0-Bad)
Transparency International Corruption Index	27
World Governance Indicator – Control of Corruption	16

Corruption and Government Transparency - Report by US State Department

In the July 2009 presidential election, President Abdel 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 anti-corruption cases have demonstrated at least an effort to fight corruption. Although progress has been made, laws and regulations are still not evenly and effectively enforced, largely because corruption has historically been so prevalent at every level of Mauritanian society and governmental affairs.

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 \$700, but there is little application of this law. Firms commonly pay bribes to quicker obtain telephone, electricity, and water connections and construction permits.

Since assuming office, President Abdel 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 \$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-

2014, there were four investigations and 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 \$253,333 fine, and an order to reimburse \$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 exemptions 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 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 transparency.

There are several organizations that track corruption within Mauritania. Transparency International has a representative which 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.

Section 3 - Economy

Mauritania's economy is dominated by natural resources and agriculture. Half the population still depends on agriculture and livestock for a livelihood, even though many of the nomads and subsistence farmers were forced into the cities by recurrent droughts in the 1970s and 1980s. Mauritania's extensive mineral resources include iron ore, gold, copper, gypsum, and phosphate rock and exploration is ongoing for uranium, crude oil, and natural gas. Extractive commodities make up 75% of Mauritania's total exports. The nation's coastal waters are among the richest fishing areas in the world, and fishing accounts for 20% of budget revenues, but overexploitation by foreigners threatens this key source of revenue. Risks to Mauritania's economy include its recurring exposure to droughts, dependence on foreign aid and investment, and insecurity in neighboring Mali, as well as significant shortages of infrastructure, institutional capacity, and human capital.

Agriculture - products:

dates, millet, sorghum, rice, corn; cattle, sheep

Industries:

fish processing, oil production, mining (iron ore, gold, and copper)

note: gypsum deposits have never been exploited

Exports - commodities:

iron ore, fish and fish products, gold, copper, petroleum

Exports - partners:

China 48.6%, Italy 7.5%, Japan 7%, Cote dlvoire 6.7%, France 4.7%, Spain 4.1% (2012)

Imports - commodities:

machinery and equipment, petroleum products, capital goods, foodstuffs, consumer goods

Imports - partners:

China 12.9%, Netherlands 10.5%, US 7.8%, France 7.7%, Brazil 5.6%, Germany 5.5%, Spain 5.1%, Belgium 4.7% (2012)

Banking

The Mauritanian Government divested itself of its equity interests in primary banks a number of years ago. Its shares in those banks were resold to Mauritanian private interests. The State also sold its shares in the sole Islamic bank, BAMIS. At present, the State's holdings in primary banks are limited to its 50 percent equity position in Chinguetti Bank. Moreover, following the

deregulation of the banking sector, three banks were established: the BCI (Banque pour le Commerce et l'Industrie), the GBM (Générale de Banques de Mauritanie), and the BACIM Bank.

Accordingly, the Mauritanian banking sector currently includes, in addition to the BCM, Mauripost, and nine commercial banks. Nevertheless, the level of bank coverage of the public is quite low, and 80 percent of commercial transactions are conducted in cash.

Executive Summary

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.

The Civil and Commercial Codes protect contracts, although court enforcement and dispute settlement can be difficult. The judicial system remains weak, unpredictable, and inefficient in its application of the law. Judges lack training and experience in commercial and financial law and are prone to accept bribes to influence their decisions.

The tax system is opaque. Tax rates on businesses begin at 25 percent on profits and two percent on revenue; moreover, procedures required to pay taxes lack transparency and are time-consuming. Recent efforts to combat corruption have resulted in businesses facing extraordinary tax bills that they previously could have avoided through bribes paid to tax inspectors and assessors.

Labor laws and conditions of employment are complex, with numerous limitations on hiring, duration of work, and dismissals. Likewise, potentially costly environmental, health, and safety laws and policies exist but are rarely enforced.

The country's political framework remains stable but suffers from a history of coups d'état. There have been two non-democratic transfers of power in Mauritania since 2005. Both were bloodless and non-violent. The most recent coup, which occurred on August 6, 2008, deposed Mauritania's first democratically elected president, Sidi Mohamed Ould Cheikh Abdallahi. For the first time in Mauritania's history, there was political opposition to a coup, so the new president, Mohamed Ould Abdel Aziz, agreed to an official dialogue with the opposition. The dialogue, which resulted in the Dakar Accords, paved the way for a presidential election in July 2009, which Abdel Aziz won and which was deemed free and fair according to international standards.

Corruption remains a concern. In the July 2009 presidential election, President Abdel 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 anti-corruption cases have demonstrated an unprecedented commitment to fighting corruption. While corruption is an obstacle to foreign direct investment in Mauritania, firms generally rate high taxes, access to credit, underdeveloped infrastructure, and a lack of skilled labor as greater impediments.

The overall investment climate in Mauritania remains challenging for U.S. investors. The Mauritanian government encourages foreign direct investment, but the weak judicial system, opaque tax laws, complicated labor laws and conditions, a history of coups, underdeveloped infrastructure, and lack of skilled labor may give some investors reason to pause.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude Toward FDI

Historically, Mauritania has been relatively open to foreign direct investment, especially in the fishing, mining, and hydrocarbon sectors. The current government, elected in July 2009, has prioritized recruiting foreign investors in these and other industries. 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. Mauritania's scores on worldwide corruption indices have remained consistently low over the past several years.

Other Investment Policy Reviews

In February 2008, the United Nations Conference on Trade and Development (UNCTAD) published a review of Mauritania. The Investment Policy 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. The review recommended that the government prioritize 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.

In 2011, Mauritania underwent a World Trade Organization (WTO) investment policy review in the context of a 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, transparency, or investment regulations. Since the report was published, the government passed the revised Investment Code in June 2012 to improve government transparency through the government procurement process.

Laws/Regulations of FDI

The Investment Code, updated in June 2012, is 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 any tax or customs duties. The Code also created the formation of Special Economic Zones to encourage regional development. Separately, the Nouadhibou Free Zone was created with its own regulatory scheme. The Civil and Commercial Codes protect contracts, although court enforcement and dispute settlement can be difficult. The judicial system remains weak, unpredictable, and inefficient in its application of the law. Judges lack training and experience in commercial and financial law and are prone to accept bribes to influence their decisions.

Limits on Foreign Control

With the exception of sectors where public companies hold monopolies, such as electricity, 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.

Screening of FDI

The Mauritanian government has historically practiced mandatory screening of foreign investments to ensure compliance with the country's laws. In general, such scrutiny has been routine and non-discriminatory. 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. Fishing, tourism, and agriculture are covered by the revised Investment Code, although fishing companies must still apply for licenses through the Ministry of Fishing and Maritime Economy.

Industrial Strategy

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, which 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 2014, all U.S. companies investing in Mauritania have negotiated directly with relevant ministries; no U.S. firms have gone through the OPPS process.

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 new commission created in each Ministry, 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, regardless of the merits of an individual offer.

Investment Trends

1.1.1. Tables 1 and if applicable, Table 1B

Measure	Year	Rank or value	Website Address
TI Corruption Perceptions Index	2013	119 of 177	http://cpi.transparency.org/cpi2013/results/
Heritage Foundation's Economic Freedom Index	2013	134 of 177	http://www.heritage.org/index/ranking
World Bank's Doing Business Report: "Ease of Doing Business"	2014	173 of 189	http://doingbusiness.org/rankings
Global Innovation Index	2013	N/A	http://www.globalinnovationindex.org/content.aspx?page=gii-full-report-2013#pdfopener
World Bank GNI per capita	2012	\$1,110	http://data.worldbank.org/indicator/NY.GNP.PCAP.CD

TABLE 1B - Scorecards: 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

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. 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. All companies are protected nationwide against nationalization, expropriation, and requisition. The Mauritanian government guarantees companies that the tax, custom, and legal regulations at the time of issuance of an Investment Certificate remain in force for a period of 20 years. In addition, the investor automatically benefits from any change of favorable tax or customs conditions during the period of validity of the certificate.

The only case of government expropriation since independence in 1960 was the nationalization of the French mining company MIFERMA in November 1974. 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 Civil and Commercial Codes protect contracts, although court enforcement and dispute settlement can be difficult. The judicial system remains weak, unpredictable, and inefficient in its application of the law. Specialized commercial law courts exist, but there is no judicial circuit specializing in intellectual property rights. Judges lack training and experience in commercial and financial law and are liable to accept bribes to influence

their decisions. The judiciary is subject to influence and corruption from powerful political and business figures. Many laws and decrees related to the commercial and financial sectors are never published and are therefore not well understood. It can also be difficult to access laws and legal texts that have been published. 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 laws allow for the reorganization or restructuring of a business. There are very few reported cases of these laws being applied. In the "resolving insolvency" section of the World Bank's 2014 Doing Business Report, Mauritania ranks 189 out of 189 countries.

Investment Disputes

The only recent large 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 arbitrator was brought in and the dispute was settled when Woodside agreed to cancel the four amendments, pay \$100 million, and set up an environmental fund.

The enforcement of the Commercial Code, related civil laws, and international agreements Mauritania has ratified remains limited. Some of the laws governing the financial sector are out of date, and the judicial system is weak. Settling a dispute through the courts can be a long and complicated process. Judges lack sufficient training and specialized experience in commercial and financial law. The judiciary is subject to influence and corruption from powerful political and business figures. Many laws and decrees related to the commercial and financial sectors are never published and are therefore not well understood. It can also be difficult to access laws and legal texts that have been published. Most judgments are not issued within prescribed time limits and records are not always well-kept.

International Arbitration

Judgments of foreign courts are not consistently applied. The government accepts binding 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 2014, the ICMAM is awaiting for approval from the Chamber of Commerce and the Ministry of Justice. Previously, issues were referred to the International Center for Settlement of Investment Disputes.

ICSID Convention and New York Convention

Disputes between individuals or legal entities and the Mauritanian government related to the Investment Code are settled by an arbitration procedure to which both parties have agreed and in accordance with the following agreements:

- The 1965 Convention on the Settlement of Disputes Related to Investments Between States and Nationals of Other States, also known as the ICSID Convention or Washington Convention, and
- The 1958 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Mauritania is in a transitional stage with respect to application of its World Trade Organization (WTO) commitments. It is currently negotiating with the WTO to ensure progress towards complete compliance, which may be a prolonged process. Mauritania has been a member of WTO since May 31, 1995.

Investment Incentives

Investment incentives such as free land, deferred or 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.

Performance Requirements

The government has been known to impose performance requirements as a condition for establishing, maintaining, and expanding an investment, or for access to tax and investment incentives. Foreign investors still 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 as that which could be purchased abroad. There is no requirement for investors to export a certain percentage of output or to 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 up to 10 percent of key managerial staff positions in accordance with the Labor Code. 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 Exceptionnelle*, or ATE). All sales, transfers, or withdrawals are subject to permission of customs officials.

As a matter of law, there are no discriminatory or 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 recorded.

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 as well as 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.

7. Protection of Property Rights

Real Property

Property rights are protected under the Mauritanian Civil Code, which is modeled on the French code. However, in practice 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 that 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.

Resources for Rights Holders

- **NAME** Scott Clayton
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- **EMAIL ADDRESS** NouakchottEconComm@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://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 have avoided through bribes paid to tax inspectors and assessors.

Labor laws and conditions of employment are complex. There are limitations on hiring, duration of work, and dismissals. Likewise, potentially costly environmental and health and safety laws and policies exist but remain largely unenforced.

While the government is moving to streamline bureaucratic procedures for investment, difficulties still 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 2014 Doing Business profile, Mauritania ranked 173 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 reliable 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. In practice, these orders have so far had little impact.

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. However, most foreign investors prefer external financing due to the high interest rates and procedural complexities that prevail locally. Credit is often difficult to obtain and is 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. Individual proprietors, family groups, and partnerships generally hold companies, and portfolio investment is accordingly quite limited.

Money and Banking System

The IMF has assisted Mauritania with the stabilization of the banking sector, and in recent years, access to domestic credit has become easier and cheaper to obtain. Competition has contributed to the decline of the interest rates on loans from 30 percent at the beginning of the past decade 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 14 percent as of April 2014.

The country's five largest banks are estimated to have \$100 million in combined reserves; however, these figures cannot be independently verified, making an evaluation of the banking system's strength impossible. Seventeen banks currently operate in Mauritania, but only four 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 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 state-owned enterprises. 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 not enforced. SOMELEC, the state-owned electricity company, has been operating in a precarious 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 in the oil sector and for the national hydrocarbon company (SMH), but the Mauritanian government does not disclose mining sector revenues and expenditures in its budgets.

Sovereign Wealth Funds

The Central Bank administers the National Fund for Hydrocarbon Reserves, a sovereign wealth fund. Established in 2006, it receives funding from revenues that the government receives from companies extracting oil, royalties and taxes that oil companies must pay in order to operate in Mauritania, and from the profits made through the fund's investment activities. The fund seeks to create macroeconomic stability by setting aside oil and gas revenues for developmental projects. However, the fund's management practices are considered less transparent than those of other sovereign wealth funds. Moreover, the fund is being used to cover shortfalls in the national budget. In 2011, the IMF recommended to the Mauritanian government that it establish a sovereign wealth fund for mining-related revenues, but the government has not taken action to create such a fund.

The Ministry of Finance requires state-owned enterprises to publish annual reports and to submit their books for independent audit. However, these requirements are not enforced; the last available report from any entity was published in 2006.

11. Corporate Social Responsibility

There is little local awareness of corporate social responsibility in Mauritania with respect to 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 Mauritians 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, MCM, and SNIM – fund a School of Mining with the goal of increasing the number of qualified Mauritians 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.

12. Political Violence

There have been two coups d'état in Mauritania since 2005. Both were bloodless and non-violent. The most recent coup, which occurred on August 6, 2008, removed Mauritania's first democratically elected president, Sidi Mohamed Ould Cheikh Abdallahi, from power. For the first time in Mauritania's history, there was political opposition to 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 Abdel Aziz won and which was deemed free and fair according to international standards.

In October 2012, President Abdel Aziz was accidentally shot in a 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 terrorist attacks or coups as well, but the country remained calm and normal throughout this period.

The governing majority coalition and several opposition parties again engaged in a national dialogue in October 2011 in an effort to resolve the political impasse stemming from postponed Senate, National Assembly, and municipal elections. Although National Assembly and municipal elections were held over two rounds 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 the 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.

Al-Qaeda in the Islamic Maghreb (AQIM) has perpetrated terrorist attacks in recent years, including 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 in 2010 against a military base in the southeastern city of Nema. However, the Mauritanian government has remained firm in its efforts to counter terrorist threats. In February 2011, the Mauritanian military interdicted an attempted truck-bombing attack near Nouakchott, and in July and October 2011, it conducted operations against AQIM militants in neighboring Mali. Mauritanian authorities have also arrested and prosecuted terrorists. The Mauritanian judiciary convicted five Salafist 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 Abdel 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 anti-corruption cases have demonstrated at least an effort to fight corruption. Although progress has been made, laws and regulations are still not evenly and effectively enforced, largely because corruption has historically been so prevalent at every level of Mauritanian society and governmental affairs.

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 \$700, but there is little application of this law. Firms commonly pay bribes to quicker obtain telephone, electricity, and water connections and construction permits.

Since assuming office, President Abdel 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 \$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 2013-2014, there were four investigations and 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 \$253,333 fine, and an order to reimburse \$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 exemptions 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 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 transparency.

There are several organizations that track corruption within Mauritania. Transparency International has a representative which 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.

14. Bilateral Investment Agreements

Bilateral Taxation Treaties

Mauritania has bilateral investment agreements and investment protection with member countries of 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 has no bilateral investment or taxation treaties with the United States.

Mauritania is a signatory to the Cotonou Agreement between the European Union (EU) and the group of African, Caribbean and Pacific (ACP) countries, and thus enjoys free access to the EU market. As a "least-developed country," Mauritania also 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 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.

15. OPIC and Other Investment Insurance Programs

Mauritania currently qualifies for Overseas Private Investment Corporation (OPIC) coverage, 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 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 Mauritanian Copper Mines (MCM) provide advanced training for their employees. Additionally, responding to the dire need for human capacity development in Mauritania, representatives of these three companies signed an agreement with the Ministry of Oil, Energy and Mines to establish an \$18 million fund for the construction of a mining school in Akjoujt.

Mauritania is a signatory to the ILO conventions protecting worker rights. Labor-management relations are generally good in Mauritania; however, there has been an increase in the incidence of strikes recently, 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 or investigation. The Mauritanian government provided \$10,000 in compensation to the victim's family. As companies expand their operations and perceived profit margins, unions are increasingly trying to negotiate improved contract terms for their members.

Most recently, 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.

17. Foreign Trade Zones/Free Ports

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 encouraged economic activities, 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 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 still being implemented.

The revised Investment Code provides three main preferential tax regimes: Small and Medium Enterprises Regime, which applies to any investment between \$167,000 and \$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 "Free Point" existed for certain imports, which was under the control of the Customs Administration. The revised Code has several other new beneficial provisions. Basic infrastructure will be provided through public-private partnerships between 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 \$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, 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 \$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 (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) <i>(Millions U.S. Dollars)</i>	2011	\$4,552	2012	\$4,199	http://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 <i>(Millions U.S. Dollars, stock positions)</i>	N/A	N/A	2008	(\$3)	(BEA)
Host country's FDI in the United States <i>(Millions U.S. Dollars, stock positions)</i>	N/A	N/A	2012	\$0	<u>(BEA)</u>

Total inbound stock of FDI as % host GDP	N/A	N/A	2012	28.7%	IMF
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* Source: National Office of Statistics, ONS

Section 5 - Government

Chiefs of State and Cabinet Members:

For the current list of Chief of State and Cabinet Members, please access the following - [Central Intelligence Agency online directory of Chiefs of State and Cabinet Members of Foreign Governments](#)

Legal system:

Mixed legal system of Islamic and French civil law

International organization participation:

ABEDA, ACP, AfDB, AFESD, AMF, AMU, AU, CAEU (candidate), EITI (compliant country), FAO, G-77, IAEA, IBRD, ICAO, ICRM, IDA, IDB, IFAD, IFC, IFRC, IHO (pending member), ILO, IMF, IMO, Interpol, IOC, IOM, IPU, ISO (correspondent), ITSO, ITU, ITUC (NGOs), LAS, MIGA, NAM, OIC, OIF, OPCW, UN, UNCTAD, UNESCO, UNIDO, UNWTO, UPU, WCO, WHO, WIPO, WMO, WTO

Section 6 - Tax

Exchange control

There is a free exchange regime in Mauritania. Any investor can purchase foreign currency in a bank or exchange office. The freedom to transfer capital is guaranteed under the investment code to persons or companies that have invested foreign or joint capital. The transfer of convertible currency applies only to funds relating to:

The investment or its products

Dividends, capital inflow in the event of assignment or final disposal (the professional income of foreign employees) and

Compensation in the event of nationalization, expropriation or requisition or in the form of exemption from duties, taxes or income tax.

In practice, the transfer of capital is handled by the primary banks. Since the sector was liberalized, banks do not need authorization from the central bank to transfer funds abroad. There are no exceptions to this freedom.

Treaty and non-treaty withholding tax rates

Mauritania currently has a double tax agreement with Senegal, France and Arab Maghreb Union countries. The members of Arab Maghreb Union are Algeria, Libya, Morocco, Mauritania, and Tunisia. It also has bilateral agreements with investment treaties with Belgium, Burkina Faso, Cameroon, France, Ghana, Guinea, Italy, Luxemburg, Mauritius, Morocco, Romania and Tunisia

Methodology and Sources

Section 1 - General Background Report and Map

(Source: [CIA World Factbook](#))

Section 2 - Anti – Money Laundering / Terrorist Financing

	Lower Risk	Medium Risk	Higher Risk
FATF List of Countries identified with strategic AML deficiencies	Not Listed	AML Deficient but Committed	High Risk
Compliance with FATF 40 + 9 recommendations	>69% Compliant or Fully Compliant	35 – 69% Compliant or Fully Compliant	<35% Compliant or Fully Compliant
US Dept of State Money Laundering assessment (INCSR)	Monitored	Concern	Primary Concern
INCSR - Weakness in Government Legislation	<2	2-4	5-20
US Sec of State supporter of / Safe Haven for International Terrorism	No	Safe Haven for Terrorism	State Supporter of Terrorism
EU White list equivalent jurisdictions	Yes		No
International Sanctions UN Sanctions / US Sanctions / EU Sanctions	None	Arab League / Other	UN , EU or US
Corruption Index (Transparency International) Control of corruption (WGI) Global Advice Network	>69%	35 – 69%	<35%
World government Indicators (Average)	>69%	35 – 69%	<35%
Failed States Index (Average)	>69%	35 – 69%	<35%
Offshore Finance Centre	No		Yes

Section 3 - Economy

General Information on the current economic climate in the country and information on imports, exports, main industries and trading partners.

(Source: [CIA World Factbook](#))

Section 4 - Foreign Investment

Information on the openness of foreign investment into the country and the foreign investment markets.

(Source: [US State Department](#))

Section 5 - Government

Names of Government Ministers and general information on political matters.

(Source: [CIA World Factbook](#) / <https://www.cia.gov/library/publications/world-leaders-1/index.html>)

Section 6 - Tax

Information on Tax Information Exchange Agreements entered into, Double Tax Agreements and Exchange Controls.

(Sources: [OECD Global Forum on Transparency and Exchange of Information for Tax Purposes](#) [PKF International](#))

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