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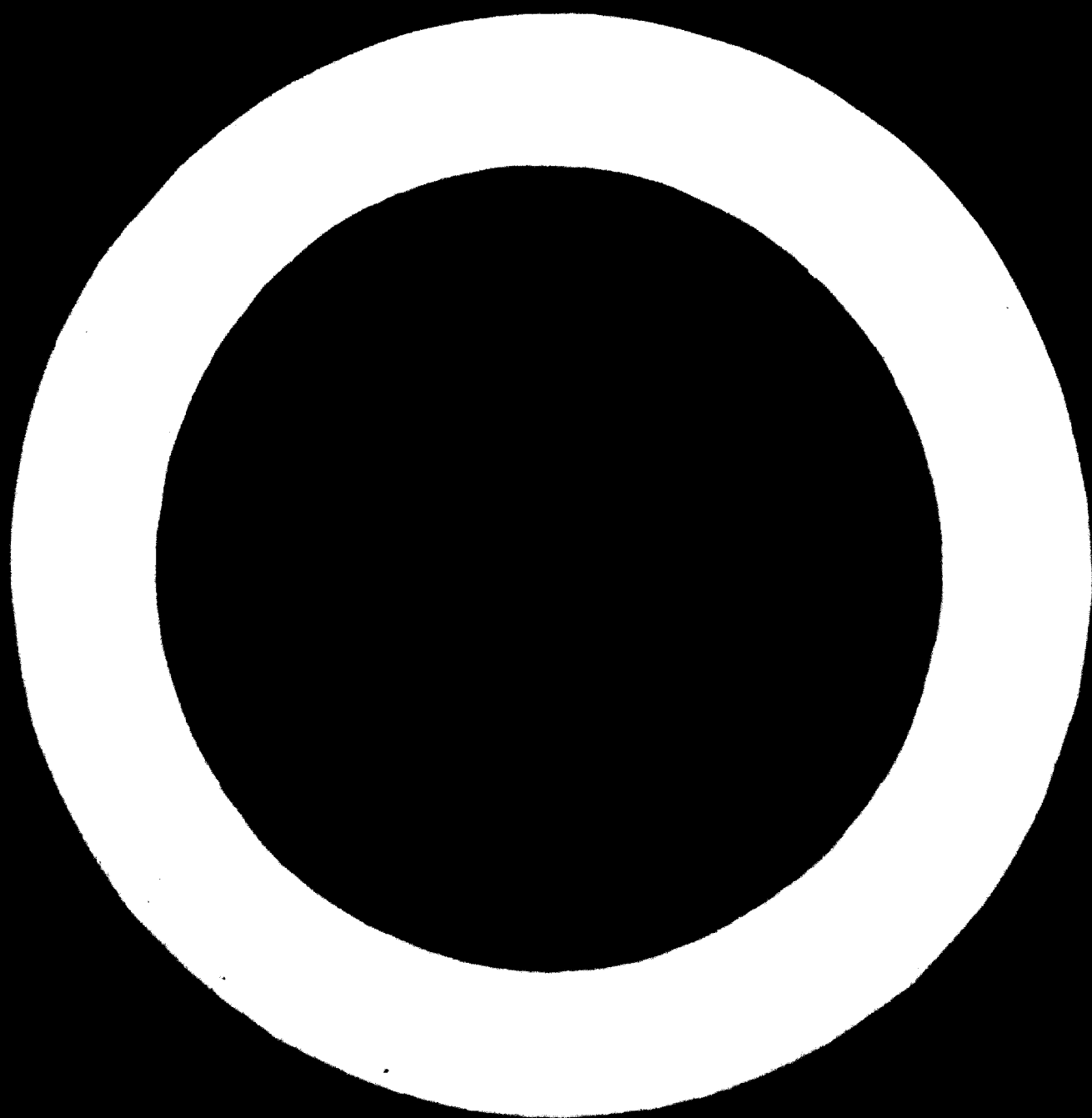
Nairobi, Kenya, 30 November - 4 December 1970

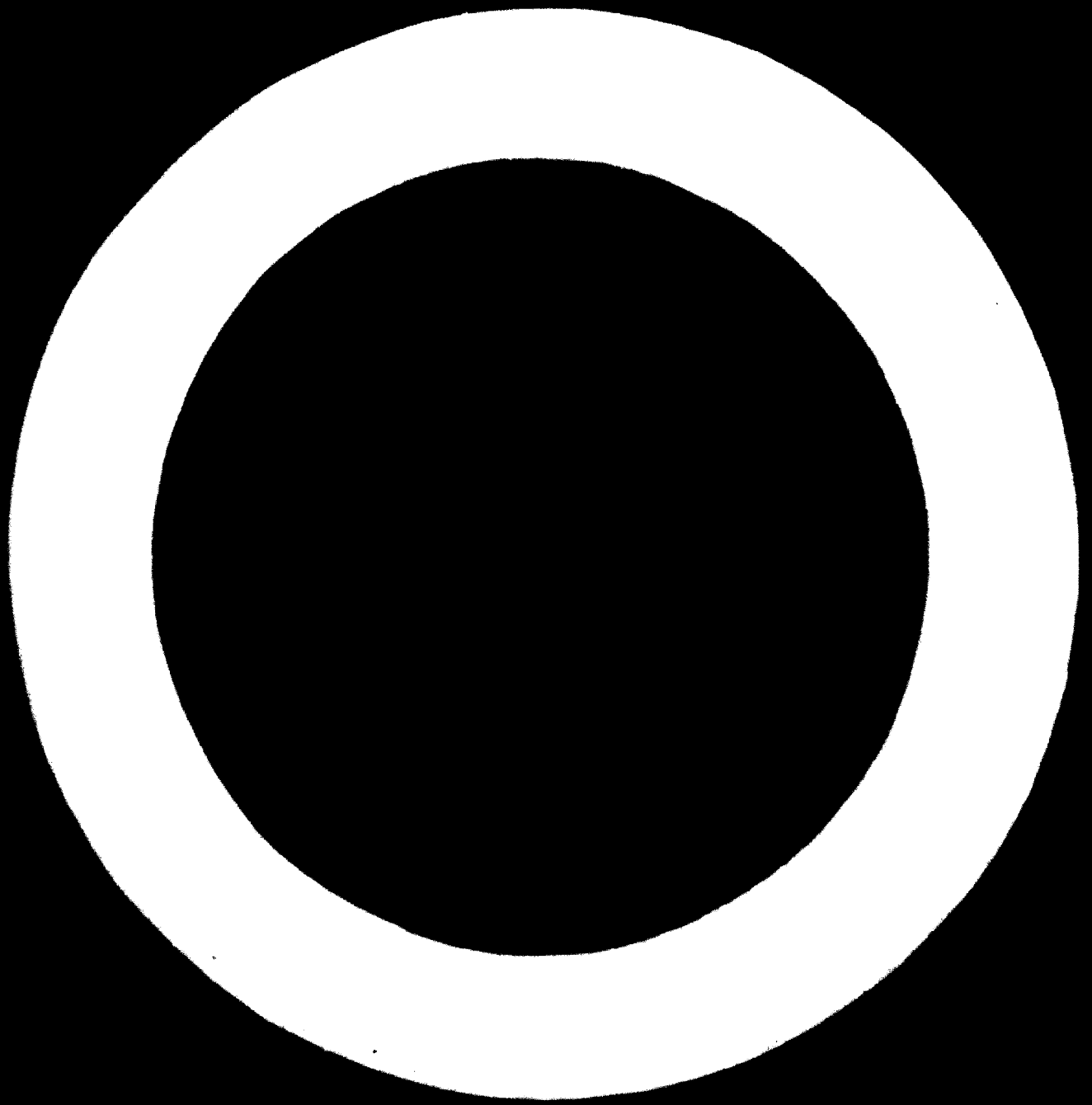
**INVESTMENT INCENTIVE** <sup>1/</sup>

**SOMALIA**

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## INVESTMENT INCENTIVE IN THE SOMALI DEMOCRATIC REPUBLIC

### I. A. Incentive Measures:

#### (i) Import Duty Concessions:

Exemption from import duty for raw materials, equipment and machinery for new industrial, agricultural and mining enterprises or for expansions of such enterprises, if the expansion amounts to at least 20 per cent of the capital already invested.

#### (ii) Protection against foreign competition:

Measures to protect local industries are usually taken if it is proved that a certain industry cannot, because of the economics of scale or other factors, compete with foreign industries.

### B. Fiscal Benefits:

#### (i) Income Tax:

All new industries are exempt from income tax on profits for the first ten years of operation.

#### (ii) Municipal Tax:

Exemption for ten years for all new industries of the Municipal Tax which is normally collected as a percentage (1/6th) of the Income Tax.

#### (iii) Registration Fees:

The Government concession fee for the registration in the Company's Register is reduced to one-quarter. Such benefits are also granted in the case of new contributions in cash, property or credits, or of new companies planning to take over existing industrial, agricultural, building or transportation enterprises in order to enlarge, renew, transform or reactivate them.

#### (iv) Assistance with Labour and Management:

The Committee on Foreign Investments facilitates the granting of permits and visas necessary for the entry into and residence in the Somali Democratic Republic of foreign personnel employed by the enterprises. Enterprises shall, however, employ to the maximum extent possible Somali personnel and provide for their training within the enterprise. Unskilled foreign personnel must in no case be imported.

#### (v) Assistance with Financing:

The Somali Development Bank assists projects in the following fields: Agriculture, Industry, Mining, Tourism, Fisheries and Livestock. The Bank was especially set up to provide financial and administrative assistance to private investments of a productive nature.

## II. Industries Qualifying for Incentive Benefits:

The Investment Law does not establish any system of priority enterprises, but defines "productive" enterprises and "producing services". Productive enterprises are defined as those enterprises "which produces goods and services for the carrying on its activities" such as land reclamation, irrigation and land improvement, factories, workyards, power plants, water works, road construction acts, buildings and hotels, construction of boats, etc.

## III. Procedure to be Followed by the Foreign Investor:

The Ministry of Planning and Co-ordination determines whether the formalities specified by the Law have been fulfilled or not. If the formalities have been fulfilled, the Ministry then forwards the request to the Committee on Foreign Investments. The Committee then decides whether the request for investment meets the productivity requirements specified under the Law. It also authorizes and evaluates for registration the patents and other rights transferred from abroad, taking into account the documents submitted.

The composition of the Committee on Foreign Investments are as follows:

- (a) The Secretary of State for Planning and Co-ordination, Chairman;
- (b) The Director-General, Ministry of Finance, Member;
- (c) The Director-General, Ministry of Industry and Commerce, Member;
- (d) The Director-General, Somali National Bank, Member;
- (e) The Director-General, Somali Development Bank, Member;
- (f) The Director-General, Ministry of Planning and Co-ordination, Member and Secretary

Experts and technicians specializing in certain fields may also be invited at the request of the Committee.

## IV. Special Measures Concerning Foreign Investments:

Foreigners and Somali nationals residing abroad who are carrying on economic activities in the Somali Democratic Republic are entitled to the same privileges accorded Somali citizens.

The property of the enterprises is free from expropriation measures or any other administrative forms of compulsory transfer of property except in cases of public interest.

Free transfer abroad of profits, income, interest and revenue accruing from fixed assets or loan investments and the dividends and interest received on shares and bonds acquired or subscribed on investments which fall within the plans for the economic development of the country. The amount must, however, not be more than 15 per cent of the capital invested. If the profits exceed 15 per cent, it can be reinvested as capital on the approval of the Committee on Foreign Investments.

Foreign personnel are authorized to transfer to their country up to 50 per cent of their salaries, wages, gratuities and allowances.

V. Sources of Information for Investors:

The Ministry of Planning and Co-ordination,  
Government of the Somali Democratic Republic,  
MOGADISCIO, Somali Democratic Republic.

The Somali Development Bank,  
P.O. Box 1079,  
MOGADISCIO, Somali Democratic Republic.

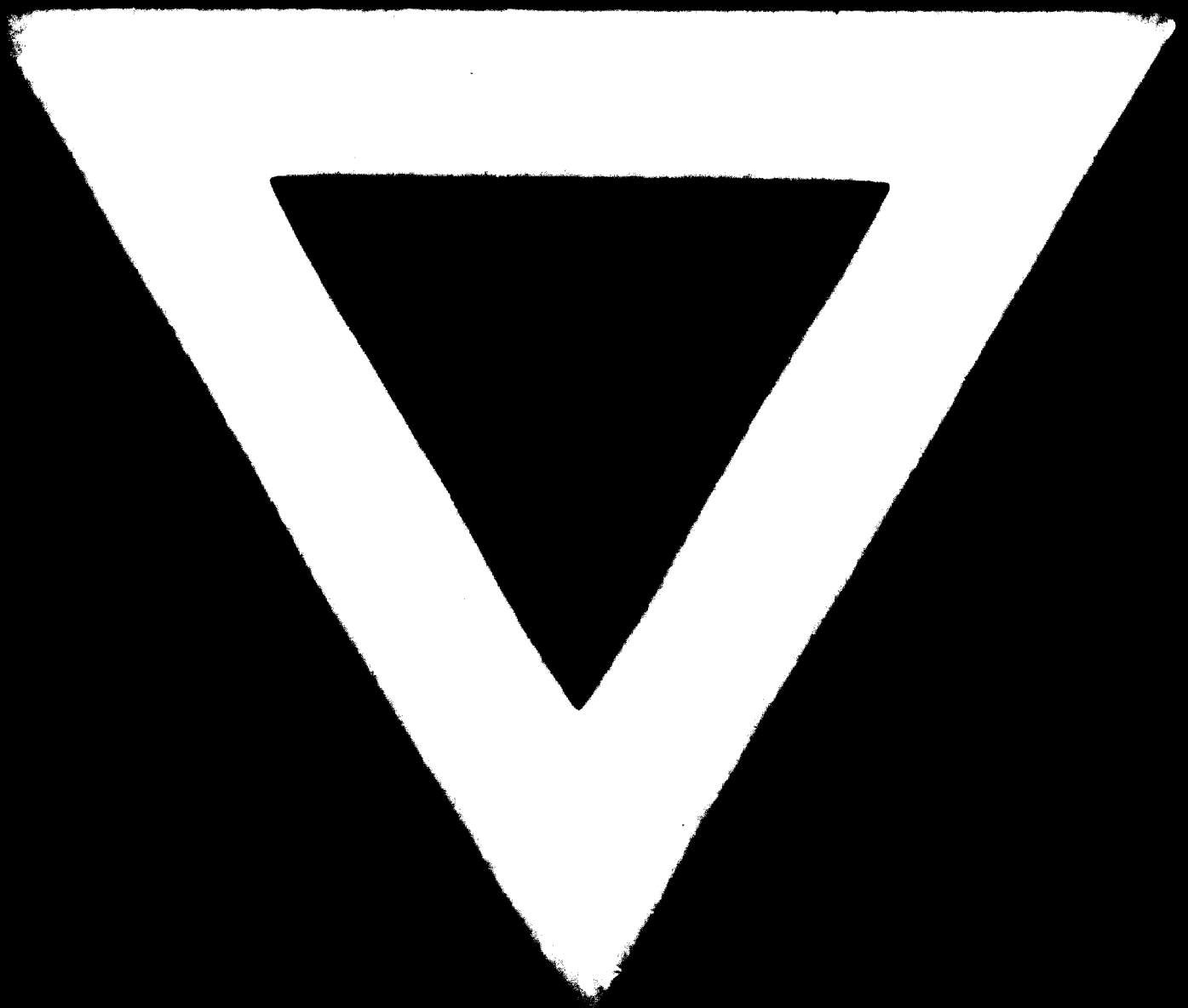
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