

**SOMALILAND SPECIAL ECONOMIC ZONES LAW
Law No: 93/2021**

Arrangement of Sections

PART ONE: GENERAL PROVISIONS

- Article 1: Short Title
- Article 2: Purpose of the Law
- Article 3: Consistency with other laws
- Article 4: Definition of Terms
- Article 5: Purposes for the Establishment of Special Economic Zones
- Article 6: New Special Economic Zones
- Article 7: Recommendation and Application for the Establishment of SEZ
- Article 8: Special Economic Zone Establishment Decision
- Article 9: Common User Principle
- Article 10: Establishment of the Special Economic Zones Authority
- Article 11: Responsibilities and Powers of the Authority
- Article 12: Organizational Structure and Employees of the Authority
- Article 13: Membership of the Board of Directors
- Article 14: Powers of the Board

PART TWO: SPECIAL ECONOMIC ZONES AUTHORITY

- Article 15: Appointment and Functions of the General Manager

PART THREE: FINANCIAL PROVISIONS

- Article 16: Funds and Resources of the Authority
- Article 17: Accounts and Audit Reports
- Article 18: Annual Budget of the Authority
- Article 19: Annual Report

PART FOUR: SEZ DEVELOPERS AND SEZ ADMINISTRATION MANAGERS

- Article 20: Development of Special Economic Zones
- Article 21: Qualifications for SEZ Developers
- Article 22: Development Agreement
- Article 23: Obligations of SEZ Developers
- Article 24: Administration Services Management Agreements

PART FIVE: APPLICATIONS FOR SPECIAL ECONOMIC ZONE LICENCES

- Article 25: Applications for Licenses
- Article 26: Period of validity of Licenses
- Article 27: Renewal of Licenses Article
- 28: Termination of SEZ Developers' Licenses
- Article 29: Termination of SEZ Administration Managers' License
- Article 30: Termination of SEZ Development Managers' License
- Article 31: Suspension and Revocation of SEZ Users' Licenses or SEZ Residents' Licenses

PART SIX: OPERATIONS WITHIN SPECIAL ECONOMIC ZONES

- Article 32: Activities Permitted in Special Economic Zones
- Article 33: Dealing with or disposal of goods in Special Economic Zones

Article 34: Retail Trade

Article 35: Prohibited Activities

PART SEVEN: IMPORT AND EXPORT

Article 36: Sales by SEZ Enterprises into the Customs Territory

Article 37: Sales to SEZ Eligible Enterprises

Article 38: Entry into Special Economic Zone by officers

Article 39: Responsibility of Customs and Excise

Article 40: Inventory control, accounting and reporting

Article 41: Missing dutiable goods

Article 42: Persons not to enter Special Economic Zones without permission

PART EIGHT: INVESTMENT INCENTIVES FOR SEZ ELIGIBLE ENTERPRISES

Article 43: Tax concession

Article 44: Investors

Article 45: Rights of SEZ Eligible Enterprises

PART NINE: MISCELLANEOUS PROVISIONS

Article 46: Dispute settlement procedures

Article 47: Foreign exchange transactions

Article 48: Banking activities

Article 49: Security of assets

Article 50: Foreign Service Providers

Article 51: Employment in Special Economic Zones

Article 52: SEZ Regulations

Article 53: SEZ Commercial Companies Law

Article 54: Administrative sanctions

Article 55: Effective Date

The Law came into force when it was published in the Official Gazette on 06 February 2021.

REPUBLIC OF



SOMALILAND

Office of The President

Ref: JSL/XM/WM/222-622/012021

Date: 18/01/2021

Presidential Decree

Coming into Force of the Special Economic Zones Law

Law No: 93/2021

Having Seen: Article 90 of the Constitution of the Republic of Somaliland;

Having Seen: Article 75 of the Constitution of the Republic of Somaliland;

Having Seen: The House of Representatives Resolution No. GW/KF-44/875/2021 dated 05/01/2021, approving ansixiyeen Special Economic Zones Law No: 93/2021

Has approved

The coming into force of the The Special Economic Zones Law, Law No: 93/2021.

Praise be the Allah

Muse Bihi Abdi
President of the Republic of Somaliland

SOMALILAND SPECIAL ECONOMIC ZONES LAW

Law No: 93/2021

THE HOUSE OF REPRESENTATIVES

- Having Seen: Articles 11, 75, 76 of the Constitution of the Republic of Somaliland;
- Having Seen: The need for raising the economy and development that can address the economic problems of the country;
- Recognising: That the implementation of the Special Economic Zones shall contribute to the realisation of development of the economy and progress needed for the country if the Republic of Somaliland;
- Realising: That the implementation of the Special Economic Zones requires a law creating the agency for the Special Economic Zones and all the commercial activities undertaken near the country's Special Economic Zones;
- Having Seen: The Government draft Special Economic Zones forwarded to the House of Representatives, and listened to the report of the of the House Economic Affairs Committee, followed by the debate of the House members;

HAS APPROVED
Special Economic Zones Law
Law Lr. 93/2021

PART ONE: GENERAL PROVISIONS

Article 1 The Name of Law

This Law shall be cited as the Somaliland Special Economic Zones Law. Law Lr. 93/2021.

Article 2 Purpose of the Law

The purposes of this Law are;

- 1) To regulate the establishment, development, operation and maintenance of Special Economic Zones in the Republic of Somaliland.
- 2) To establish the legal framework and mechanisms for the regulation and administration of activities within the special economic zones with due regard to the principles of openness, competitiveness and transparency, and
- 3) To enable environment for the development of all aspects of special economic zones including; development of integrated infrastructure facilities, creation of incentives for economic and business activities and to remove *of* impediments to economic or business activities that generate profit for enterprises in areas designated as special economic zones.

Article 3 Consistency with other laws

If any specific clause contained in any existing laws, or presidential Laws, or Regulations,

or any or other rules relating the management of the SEZ, is in conflict with any specific clause contained in this law, then the stipulations of this Law will prevail.

Article 4 Definition of Terms

In this Law, unless the context otherwise requires -

“Administration Services Management Agreement” means an agreement entered into by the Authority and the SEZ Administration Manager pursuant to Article 24 of this Law;

“Authority” means the Special Economic Zones Authority referred to in Article 10 of this Law;

“Board” means the board of directors of the Authority established under Section 6 of Presidential Law No. 0766/022012 dated February 25, 2017 (as amended by Presidential Law No. 05/052019);

“Customs Territory” means the geographical area of the Republic of Somaliland, in which the customs law of the country applies in full, but does not include a Special Economic Zone;

“Development Agreement” means an agreement entered into by the Authority and an SEZ Developer pursuant to Article 20 (1) of this Law;

“Export” means the sale of Goods and Services by an SEZ Enterprise to a legal entity domiciled in the Customs Territory or to any other country outside of Somaliland;

“Foreign Service Provider” means any corporate body domiciled in any country outside of the Republic of Somaliland which provides goods and services to SEZ Eligible Enterprises.

“Goods” means all kinds of materials, articles, merchandise, baggage, stores, general cargo, containers, currency, and where any such Goods are sold under this Law, the proceeds of such sale;

“Highly Skilled Persons” means persons possessing or requiring a specialised level of skill, expertise or competence suitable for management level positions;

Services by a legal entity domiciled in the Customs Territory from an SEZ Enterprise;

“Import” means the procurement of Goods and Services by a legal entity domiciled in the Customs Territory from an SEZ Enterprise;

“Infrastructure” means roads, power, water, drainage, telecommunication, sanitation or water treatment plants, networks, buildings or other facilities, necessary for the development and operations of Special Economic Zones.

“Licence” means a licence issued to SEZ Enterprise (as applicable) in accordance with Part four of this Law;

“Licensee” means a licensed SEZ Enterprise;

“Manufacture” means to make, produce, fabricate, assemble, process or bring into existence by manual, mechanical, chemical or biochemical methods into a new product having a distinctive name, character or use and includes processes such as refrigeration, cutting, polishing, blending, beneficiation, re-making and re-engineering and reference to “Manufacturing” shall be construed accordingly;

“Prohibited Activities” means the list of activities which may not be undertaken by an SEZ Enterprise within Special Economic Zones as set out in Article 35 of this Law, as may be amended or supplemented from time to time, including pursuant to the SEZ Regulations;

“President” means the President of the Republic of Somaliland;

“Services” means tradable services;

“Special Skilled Labour” means a workforce consisting of persons possessing or

requiring a level of skill, expertise or competence suitable for supervisory level positions;

“SEZ Administration Manager” means a corporate body which is licensed by the Authority under this Law and which has entered into an Administration Services Management Agreement relating to a Special Economic Zone;

“SEZ Developer” means a corporate body which is licensed by the Authority under this Law to design, finance, construct, develop and/or operate, own, maintain and promote a Special Economic Zone pursuant to a Development Agreement;

“SEZ Development Manager” means a corporate body which is licensed by the Authority under this Law to provide certain services to an SEZ Developer under a development management agreement;

“SEZ Eligible Enterprises” means a corporate body which:

(i) is licensed by the Authority under this Law to carry on business in a Special Economic Zone, either as a SEZ Developer, SEZ Development Manager, SEZ Administration Manager or SEZ User and

(ii) which is entitled to the benefit of the incentives available under this Law.

“SEZ Enterprise” means a corporate body which is licensed by the Authority under this Law to carry on business in a Special Economic Zone, either as a SEZ Developer, SEZ Development Manager, SEZ Administration Manager, SEZ User or SEZ Resident;

“SEZ Resident” a legal entity which:

(i) is licensed by the Authority under this Law and authorised to operate in a Special Economic Zone; and

(ii) has entered into a lease agreement with an SEZ Developer or the Authority for the use of facilities namely in the form of land, warehouses or offices within the Special Economic Zone, but is not entitled to the benefit of any of the incentives available to SEZ Eligible Enterprises under this Law;

“SEZ Regulations” means all regulations issued by the Authority which shall apply to SEZ Enterprises operating in the relevant Special Economic Zones;

“SEZ User” a legal entity which:

(i) is licensed by the Authority under this Law to carry on business in a Special Economic Zone; and

(ii) has entered into a lease agreement with an SEZ Developer or the Authority for the use of facilities namely in the form of land, warehouses or offices within the Special Economic Zone and is entitled to the benefit of the incentives available under this Law;

“Special Economic Zone (SEZ)” means a geographic area designated as a special economic zone by the President in accordance with Article 8 and including the special economic zone listed in Schedule 1 to this Law; and

“Unskilled Labour” means a workforce consisting of persons not possessing or requiring a special level of skill, technical expertise or competence

Article 5 Purposes for the Establishment of Special Economic Zones

Special Economic Zones shall be established for the following purposes:

- a) to promote and facilitate local and foreign investment in the Republic of Somaliland;
- b) to create and expand employment opportunities;
- c) to stimulate economic growth in existing and new business sectors through the sustainable development of new Special Economic Zones;
- d) to develop new infrastructure and rehabilitate existing infrastructure;
- e) to encourage the private sector to participate in the development, operation and

maintenance of Special Economic Zones including the development of Infrastructure; to promote an investment and trade environment in-line with international best practices; f) to create an attractive regulatory framework and conducive business environment for local and foreign investors, including through the creation of a one stop shop and entitlement to a package of fiscal and non-fiscal incentives; g) to promote financial and industrial cooperation between the Republic of Somaliland and foreign countries through technology-intensive industries that will modernize the country's industrial sector and improve productivity levels by utilizing new technological and managerial know-how; and h) To enable the Special Economic Zones to operate outside the Customs Territory, within the framework of the Constitution and the national sovereignty and territorial integrity of the Republic of Somaliland.

Article 6 New Special Economic Zones

The President may determine policy and the strategy for the designation of new Special Economic Zones after consultation with the Authority and may, when necessary, review such policy.

Article 7 Recommendation and Application for the Establishment of Special Economic Zone

- 1) The Authority may at any time make a recommendation to the President for the establishment of a new Special Economic Zone within the Customs Territory.
- 2) Any legal entity may make an application to the Authority for the establishment of a new Special Economic Zone, provided that such application shall contain the following information:
 - a) a detailed market demand analysis and a cost- benefit analysis;
 - b) confirmation by the Authority and any applicable local Government entity of the availability of land required for the establishment of the Special Economic Zone;
 - c) a pre-feasibility engineering study which provides details on the infrastructure to be developed in a Special Economic Zone; and
 - d) Evidence that a legal entity with the requisite commercial, technical and financial capability to develop and operate Special Economic Zones is willing to undertake the development of the Special Economic Zone as an SEZ Developer.

Article 8 Special Economic Zone Establishment Decision

- 1) The President may, on the recommendation of the Authority designate a geographical area as a Special Economic Zone by Law and every such Law shall define the limits of the Special Economic Zone.
- 2) The Government's title over any land designated as a Special Economic Zone shall vest in the Authority as registered proprietor or head lessee.
- 3) Any public land declared as a Special Economic Zone shall not be alienated for private use except to SEZ Enterprises.
- 4) On the recommendation of the Authority, the President may from time to time, by Law, amend, vary or add to the limits of a Special Economic Zone or change the name of a Special Economic Zone.
- 5) The place specified in Schedule 1 to this law, shall be deemed to be a Special Economic Zone and the relevant coordinates set out in such Schedule shall be the limits of those Special Economic Zones.

Article 9 Common User Principle

All Special Economic Zones (SEZ) in the Republic of Somaliland shall be:

- a) operated on a common user basis without any unfair or discriminatory practice against any actual or prospective SEZ User or SEZ Resident; and
- b) Open to any prospective entity who wishes to operate as an SEZ User or SEZ Resident, provided that such entity has satisfied the eligibility criteria and complies with the relevant application procedures set out in the SEZ Regulations.

PART TWO SPECIAL ECONOMIC ZONES AUTHORITY

Article 10 Establishment of the Special Economic Zones Authority

- 1) There is hereby established a body, to be known as the Somaliland Special Economic Zones Authority, which shall have exclusive regulatory jurisdiction over all Special Economic Zones.
- 2) The Authority shall have legal personality and a common seal and shall acquire movable and immovable property and shall be capable in its corporate name of suing and being sued, entering into any contract or transaction, and doing or performing all other things or acts necessary for the proper performance of its functions under this law and other concerned laws of the country.

Article 11: Responsibilities and Powers of the Authority

- 1) The Authority shall be responsible for the establishment, management, operation, maintenance, marketing, supervision and control of Special Economic Zones.
- 2) Without prejudice to the general effect of Sub-Article (1) of this Article, the Authority shall have the following powers and responsibilities, which it may exercise itself or through its agents:
 - a) to be the representative of all relevant ministries and public authorities within the Special Economic Zones and be the sole interface between SEZ Enterprises and public authorities and ministries;
 - b) to establish, manage and operate a one stop shop through which all applications by SEZ Enterprises will have to be made to approve and regulate activities which may be carried on in a Special Economic Zone;
 - c) to be responsible for receiving, evaluating and approving all applications for licences, permits and any other authorizations required by SEZ Enterprises to undertake their activities in the Special Economic Zones;
 - d) to advise the President of the Republic of Somaliland on all aspects of policy, strategy, designation, approval, establishment, operation and regulation pertaining to Special Economic Zones;
 - e) to issue SEZ Regulations and other rules and policies which shall apply to the Special Economic Zones;
 - f) to monitor the compliance of all SEZ Enterprises with SEZ Regulations and take appropriate enforcement action where necessary to suspend or revoke licences and permits issued to SEZ Enterprises in case of non-compliance with this Law or any SEZ Regulations;
 - g) to grant all necessary permits to SEZ Enterprises to allow such entities after received licence from the Ministry of Commerce to carry on their business in the Special Economic Zone;
 - h) to ensure the provision of adequate fencing and enclosures to segregate the Special Economic Zone from the Customs Territory;

- i) to establish customs processes for the Special Economic Zones and permit customs offices and related department of Ministry of commerce to be established in Special Economic Zones and to provide facilities for such purpose;
 - j) to establish and enhance inter-agency collaboration among relevant public authorities, including entering into service level agreements where required to ensure the delivery of efficient services in the Special Economic Zone in compliance with all applicable laws, procedures and other applicable requirements;
 - k) to maintain a register for each Special Economic Zone of all SEZ Enterprises domiciled in such Special Economic Zone;
 - l) to maintain current data on the performances of SEZ Enterprises by requiring all SEZ Enterprises to provide their audited financial accounts on an annual basis;
 - m) to recommend amendments to the list of Prohibited Activities to the President;
 - n) to buy, take in exchange, hire or otherwise acquire movable property including vehicles, necessary or convenient for the performance of its obligations;
 - o) to sell, exchange, lease, dispose of or otherwise deal with any assets or part of assets which are not required for the exercise of its functions for such consideration as the Authority may, with the approval of the President.
 - p) to open bank accounts in the name of the Authority and to draw, make, accept, endorse, discount, execute and issue for the purposes of its functions promissory notes, bills of exchange, bills of lading, securities and other negotiable or transferable instruments;
 - q) to construct and maintain warehouses, factories, commercial buildings, offices, freight-sheds, docking facilities, storage facilities or workshops for the use of itself or other persons for the construction or provision of any of the said facilities;
 - r) to rent, grant leases, sub-leases or concessions in respect of land, buildings or any other facility or structure within a Special Economic Zone;
 - s) to enter into contracts or give guarantees in connection with the exercise of its functions and to modify or rescind such contracts or guarantees;
 - t) with the approval of the President, to enter into, review, cancel or abandon arrangements with any government or authority, local or otherwise, that may seem conducive to the exercise of its functions or any of them and to obtain from such government or authority rights, privileges and concessions which the Authority thinks desirable to obtain and carry out, exercise and comply with such arrangements, rights, privileges and concessions;
 - u) with the approval of the President to raise loans or borrow money in such amounts and for such purposes and under conditions as may be approved by the President;
 - v) to insure against losses, damages, risks and liabilities, which it may incur; and;
 - w) to do all such other acts as may be required, incidental or conducive to the attainment of the objectives of this law or the performance of the responsibilities and functions of the Authority under this law.
- 3) The Authority shall be permitted by the President to subcontract certain of its obligations under Article 11(2) above to SEZ Developers and SEZ Administration Managers under an applicable Development Agreement or Administration Services Management Agreement to further the development of Special Economic Zones in the Republic of Somaliland in accordance with this Law.
- 4) The Authority shall, consistent with the performance of its duties under this Law, consult with departments and agencies of the Government having duties, aims or

objects related to those of the Authority;

Article 12: Organizational Structure and Employees of the Authority

- 1) The Organizational Structure of the Authority will consist of:
 - a) Board of Directors which shall be the directing and policy making organ of the Authority.
 - b) General Manager of the Authority who shall be responsible for the day- to-day administration of the Authority, and,
 - c) Other relevant department including **ad**(vertising) and finance department, registration and licensing department, policy and legal department, and such other departments as may be considered by the Authority and approved by the Board.
- 2) Subject to the approval of the Board, the Authority may, in accordance with the Somaliland Civil Service Law, appoint such officers and other Authority staff as are necessary for the proper discharge of its functions under this Law and SEZ Regulations.
- 3) All remuneration and other allowances and expenses payable to officers including the Managing Director and other Authority staff shall be consistent with the Somaliland civil service pay guidance.
- 4) The staff of the Authority shall not be personally liable for an act which is done or purported to be done in good faith on the direction of the Authority or the Board in the performance of their duties under this Law.
- 5) The provisions under Article 12(4) shall not relieve the Authority of liability in tort or contract, to pay compensation or damages to any person for any injury to him, his property or any of his interest caused by the exercise of any power conferred by this Law or SEZ Regulations.

Article 13 Membership of the Board of Directors

- 1) The Board of Directors of the Somaliland Ports Authority established under Law No: xx/2020, shall be the Governing Board to the Special Economic Zone Authority and shall be the policy making organ of the authority.
- 2) The provisions set out in the Second Schedule of The Somaliland Ports Authority Law Lr. xx/2020, shall apply mutatis mutandis to the Meetings of the Board, Remuneration and expenses of members of Board, disqualification from membership of the Board and the like.

Article 14 Powers of the Board

- 1) The Board shall have all powers necessary for the proper performance of the functions of the Authority under this Law.
- 2) Without prejudice to the generality of the foregoing, the Board shall have power to:
 - a) control, supervise and administer the assets of the Authority in such manner as best promotes the purpose for which the Authority is established;
 - b) monitor the implementation of the Special Economic Zone policy and strategy and report to the President on a periodical basis on the implementation of such policy and strategy;
 - c) give directions to the General Manager in connection with the management, performance, operational policies and implementation of the policies of the authority;
 - d) advise the President on the appointment and removal of the Managing Director;
 - e) on the recommendation of the General Manager, approve such organizational

- structure, terms and conditions of service of staff of the Authority;
- f) perform such other functions consistent with the objectives of this Law as determined by the President.

Article 15 Appointment and Functions of the General Manager

- 1) There shall be a General Manager of the Authority who shall be appointed and dismissed by the President.
- 2) No person shall be appointed a General Manager, unless such person possesses a relevant degree from a recognized institution and has at least 5 years working experience in matters relating to industry, trade, law, finance, economics, management or engineering.
- 3) The General Manager shall be the chief executive Officer of the Authority and shall be responsible for;
 - a) The execution of the day- to-day administration and operations of the Authority in accordance with this Law and other concerned regulations.
 - b) Supervise and control the activities of the employees of the Authority in the course of their employment.
 - c) Monitor and evaluate the general development and operations of SEZ.
 - d) Monitor the activities, performance and development of SEZ developers and enterprises.
 - e) Ensure compliance by SEZ developers and enterprises of this Act and any other laws relevant to SEZ activities.
 - f) Register and keep records and data on the programmes of developers, operators and enterprises in SEZ.
 - g) Ensure timely implementation of the policies and programmes of the Authority.
 - h) Maintain records of the decisions of the Authority and other matters related to the implementation of this Law.
 - i) Prepare detailed development plans and submitting the same to the Board for approval.
 - j) Prepare budget of the Authority and submit the same to the Board of Directors for approval before its submission to the finance ministry.
 - k) Perform any other duties and responsibilities provided under this Law and other related regulations.

PART THREE: FINANCIAL PROVISIONS

Article 16: Funds and Resources of the Authority

- 1) The funds and Resources of the Authority shall consist of:
 - a) rents, fees, charges and other income accruing to the Authority from licenses and permits issued, services rendered and activities carried on by the Authority within any special economic zone; and
 - b) Such moneys as may be payable to the Authority from moneys appropriated for the purpose by Parliament; and
 - c) Such other moneys as may vest in or accrue to the Authority, whether in the course of its operations or otherwise.
- 2) There shall be paid out from the Authority Annual Budget approved by Parliament as part of appropriation of the government budget. All such sums of money required to defray the expenditure incurred by the Authority in the exercise, discharge and performance of its objectives, functions and duties under this Law.

2) There shall be paid out from the Authority Annual Budget approved by Parliament as part of the appropriation of the government budget. All such sums of money required to defray the expenditure incurred by the Authority in the exercise, discharge and performance of its objectives, functions and duties under this Law.

3) The funds of the Authority shall be managed in accordance with the provisions of the **Public Finance Law, Law No. 75/2016**

Article 17: Accounts and Audit Reports

1) The Authority shall keep proper books of account and other records relating thereto in respect of all its activities and property.

2) The Authority shall within 2 months from the end of each financial year, prepare and submit its financial statements in respect of that year to Auditor General.

3) The Auditor General shall prepare and submit its report to the President and Parliament in accordance with Somaliland Audit law.

4) The Authority shall, furnish the concerned authority with accounts, and other information as may require with respect to the activities of the Authority.

Article 18: Annual Budget of the Authority

1) The Financial year of the Authority shall be period of twelve months from the 1st January to the 31st December in each year.

2) The Authority shall submit to the Ministry of Finance the annual budget of the authority in accordance with Somaliland public finance law.

Article 19: Annual Report

The Authority shall, within three months after the end of each financial year, prepare a report upon the operation of the Authority during that year and shall submit such report to the Board and to the President together with the statement of accounts and report of the Auditor-General referred to in section 17 of this law.

PART FOUR: SEZ DEVELOPERS AND SEZ ADMINISTRATION MANAGERS

Article 20: Development of Special Economic Zones

1) The Authority may with the approval of the President, enter into an agreement with an SEZ Developer, pursuant to which the Authority may grant the SEZ Developer the exclusive right to design, finance, construct, develop and/or operate, maintain and promote a Special Economic Zone.

2) Where the Authority has entered into a Development Agreement, the Authority shall issue a licence to the SEZ Developer in accordance with Part Five of this Law.

Article 21: Qualifications for SEZ Developers

Any SEZ Developer must:

1) have the requisite financial capacity, technical and managerial expertise and a track record of developing or operating other special economic zones;

2) prepare a suitable and credible development plan in relation to the Special Economic Zone; and

3) pay a non-refundable application fee as specified under SEZ Regulations.

Article 22 Development Agreement

The Authority can enter into a Development Agreement with either a local or foreign entity as an SEZ Developer. If the SEZ Developer is a foreign entity, it shall not be required to incorporate a company in the Republic of Somaliland. It can operate through a branch registered with the Authority or enter into a development management agreement with a locally registered SEZ Development Manager.

Article 23: Obligations of SEZ Developers

- 1) The SEZ Developer shall design, finance, construct, develop and/or operate, maintain and promote a Special Economic Zone in accordance with the terms of the applicable Development Agreement and the law.
- 2) The SEZ Developer shall notify the Authority as soon as reasonably practicable if it becomes aware that any SEZ User or SEZ Resident fails to comply with the provisions of this Law or any SEZ Regulations.

Article 24: Administration Services Management Agreements

The Authority may with the approval of the President, enter into an agreement with an SEZ Administration Manager, pursuant to which the SEZ Administration Manager shall provide certain administration and management services to the Authority in connection with a Special Economic Zone.

PART FIVE APPLICATIONS FOR SPECIAL ECONOMIC ZONE LICENCES

Article 25: Applications for Licenses

- 1) A company who intends to carry on business as an SEZ Developer shall:
 - a) have met the qualifications for an SEZ Developer set out in Article 21 of this Law.
 - b) have entered into a Development Agreement with the Authority; and
 - c) Apply to the Authority for an appropriate Licence and pay a non-refundable application licence fee as specified under SEZ Regulations.
- 2) A person who intends to carry on business as an SEZ User or an SEZ Resident shall:
 - a) have agreed an in-principle lease agreement with an SEZ Developer, or in the absence of an SEZ Developer, the Authority.
 - b) apply to the Authority for an appropriate Licence and pay annual Licence fees; and
 - c) pay a non-refundable application fee as specified under SEZ Regulations.
 - d) be registered as a legal entity in a form acceptable to the Authority and in line with the SEZ Regulations relating to the incorporation of companies in the Special Economic Zone.
- 3) A person who intends to carry on business as an SEZ Administration Manager shall:
 - a) have entered into an Administration Services Management Agreement with the Authority in relation to a Special Economic Zone; and
 - b) apply to the Authority for an appropriate License and pay the applicable annual License fee.
 - c) pay a non-refundable application fee as specified under SEZ Regulations.
- 4) A person who intends to carry on business as an SEZ Development Manager shall:
 - a) have entered into a development management agreement with the SEZ Developer in relation to a Special Economic Zone; and
 - b) apply to the Authority for an appropriate License and pay the applicable License fee.
 - c) pay a non-refundable application fee as specified under SEZ Regulations.
- 5) Upon receiving payment of the applicable Licence fee, the Authority shall promptly

issue the relevant Licence.

6) Once the SEZ User or SEZ Resident has received a Licence, the SEZ User or SEZ Resident shall enter into definitive lease agreement with the SEZ Developer or the Authority (as applicable).

7) The Authority shall render its decisions on licensing under this Law within five (5) working days from the date on which the duly completed application form is submitted together with relevant supporting documents.

8) A License issued under this Part Five shall state:

- a) in the case of an SEZ User or SEZ Resident, that the applicant is incorporated or registered as a company under the laws of the Republic of Somaliland for the purpose of producing goods and services within a Special Economic Zone;
- b) in the case of an SEZ Developer, SEZ Administration Manager or SEZ Development Manager, the jurisdiction in which the applicant is incorporated;
- c) the type of Licence for which the application is made;
- d) the Special Economic Zone to which the application refers; and
- e) in the case of an SEZ User or SEZ Resident only, the description of the proposed investment and the approved activity which will be undertaken by the SEZ User or SEZ Resident.

9) In evaluating applications for any Licence to be issued to an SEZ Developer, the Authority shall assess the specific engineering and financial plans, financial viability, and environmental and social impact of the applicant's proposed Special Economic Zone project, as appropriate.

10) The Authority shall issue and publish SEZ Regulations relating to the licensing regime, which shall include: eligibility criteria, the application procedure, circumstances in which Licences may be suspended or revoked and an appeals process for applicants and existing SEZ Users and SEZ Residents.

Article 26: Period of validity of Licenses

1) Licenses issued to an SEZ Developer, SEZ Administration Manager or SEZ Development Manager shall be valid for a period equal to the term of the relevant Development Agreement, Administration Services Management Agreement or development management agreement (as applicable).

2) All other Licenses shall be valid for a period of one year and shall be renewable annually provided that all conditions relating to license renewal have been satisfied.

Article 27: Renewal of Licenses

Each SEZ User and SEZ Resident shall be responsible for renewing its applicable Licence before its expiry date.

Article 28: Termination of SEZ Developers' Licenses

Any SEZ Developer's Licence shall be automatically terminated on the expiry or early termination of the Development Agreement.

Article 29: Termination of SEZ Administration Managers' License

Any SEZ Administration Manager's Licence shall be automatically terminated on the expiry or early termination of the Administration Services Management Agreement.

Article 30: Termination of SEZ Development Managers' License

Any SEZ Development Manager Licence shall be automatically terminated on the expiry

or early termination of the development management agreement.

**Article 31: Suspension and Revocation of SEZ Users'
Licenses or SEZ Residents' Licenses**

- 1) In the event that an SEZ User or SEZ Resident is in breach of this Law, any SEZ Regulations, or the terms and conditions of their applicable Licence, the Authority may elect to suspend or revoke their Licence. In such case, the relevant SEZ User or SEZ Resident shall have a right to appeal the suspension or revocation of their Licence in accordance with the procedure to be set out in the SEZ Regulations.
- 2) The Authority may also suspend or revoke a Licence in the following specific cases, provided in each case that the Authority complies with the appeal process referred to in Section 31 (1) above:
 - a) the SEZ User or SEZ Resident seeks bankruptcy or insolvency protection under the laws of the Republic of Somaliland or any foreign law;
 - b) a petition for bankruptcy, the appointment of an administrator, receiver, or any other similar action is filed against a SEZ User or SEZ Resident, whether voluntary or involuntary, and the action is not dismissed within thirty (30) calendar days of such filing;
 - c) the SEZ User or SEZ Resident provided false information, declarations, or representations in its application to the Authority, which the Authority duly relied upon when granting the relevant Licence.
- 3) A Licence that is revoked is invalid.
- 4) A Licence that is suspended is invalid for the period of the suspension.

PART SIX OPERATIONS WITHIN SPECIAL ECONOMIC ZONES

Article 32 Activities Permitted in Special Economic Zones

The commercial activities which may be carried out within a Special Economic Zone include industrial, logistics, retail, residential, commercial, and any other activities permitted under the applicable License.

Article 33 Dealing with or disposal of goods in Special Economic Zones

- 1) The Authority and any SEZ Enterprise shall be entitled to Import into a Special Economic Zone:
 - a) any capital goods, consumer goods, raw materials, components or articles intended to be used for the purposes of, and in connection with, an approved activity; and
 - b) any articles which are for the construction, alteration, extension or repair of premises in a Special Economic Zone, including any articles for the equipping of premises and other ancillary facilities necessary for the proper administration of the premises and for health, safety, hygiene and welfare at the premises of persons employed therein.
- 2) Subject to this Law and any SEZ Regulation, Goods brought into a Special Economic Zone may:
 - a) be stored, sold, exhibited, broken up, packed, unpacked, replaced, assembled, distributed, sorted, graded, cleaned, marked, re-marked, loaded, unloaded, reloaded, divided, mixed, separated, or otherwise manipulated; or
 - b) be worked, processed or re-processed or otherwise manipulated or manufactured;
or

c) be destroyed.

Article 34: Retail Trade

No retail trade shall be conducted within in a Special Economic Zone by an SEZ Resident without the relevant License having been issued by the Authority.

Article 35: Prohibited Activities

1) Unless approved by the Authority in consultation with any relevant ministries, the following trading activities may not be undertaken by any SEZ Enterprise in a Special Economic Zone:

- a) decaying, rotten, expired or infected Goods or waste materials that pollute the environment or which are not suitable for human or animal consumption;
- b) radioactive materials;
- c) drugs, chemicals and biological materials, chemical and bio-chemical derivatives, except those used for industrial, manufacturing, medical and pharmaceutical purposes, in accordance with the certificates issued by the Ministry responsible for health;
- d) weapons, ammunition and explosives;
- e) Goods and Services that may endanger public morals, national defence and security; and
- f) Goods and Services which do not comply with the laws of Somaliland and international agreements ratified by Somaliland.

2) Any person who contravenes the provisions of sub- Article (1) shall be guilty of an offence under this Law and other applicable laws and the Authority shall be entitled to exercise any powers set out under the SEZ Regulations.

PART SEVEN: IMPORT AND EXPORT

Article 36: Sales by SEZ Enterprises into the Customs Territory

All sales from SEZ Enterprises into the Customs Territory shall be subject to all laws, rules and regulations relating to Imports in the Customs Territory including any application or payment of customs duties and taxes.

Article 37: Sales to SEZ Eligible Enterprises

- 1) A domestic enterprise shall not require any export license for the sale of Goods and Services to SEZ Eligible Enterprises.
- 2) Without prejudice to Sub- Article (1) above, where a domestic enterprise sells any Goods or Services to an SEZ Eligible Enterprise, such domestic enterprise shall be entitled to receive a refund of any duties already paid in relation to such Goods or Services in the Customs Territory.

Article 38: Entry into Special Economic Zone by officers

- 1) An authorized officer of any of the revenue authority, member of the police force or an officer authorized by the Authority or the Minister of Finance may, in the discharge of their official duties at any time enter and inspect any buildings, aircraft, ships, boats or vehicles in the Special Economic Zone.
- 2) An officer exercising any power of entry or inspection shall on request produce his authorization.
- 3) Any person who prevents or obstructs an officer authorized by Article 38 (1) or

attempts to do so, commits an offense under this Law and the Authority shall be entitled to exercise any powers set out under the SEZ Regulations.

Article 39: Responsibility of Customs and Excise

- 1) The department of Customs and Excise shall be responsible for all movement of goods in and out of a Special Economic Zone including the movement of goods exempted from customs duty within a Special Economic Zone:
 - a) in transit between two Special Economic Zone; and
 - b) in transit between a Special Economic Zones and a point of entry into or
 - c) exit out of the Customs Territory.
- 2) The Authority after consultation with the Minister of Finance may make regulations to govern:
 - a) the movement of persons, vehicles or goods into and out of a Special Economic Zone, from and to other parts of the Customs Territory;
 - b) the keeping, storage and handling of Goods in a Special Economic Zone;
 - c) the keeping and preserving of accounts and records in a specified form in respect of Goods in a Special Economic Zone.

Article 40: Inventory control, accounting and reporting

- 1) All SEZ Enterprises shall maintain a detailed account of domestic or foreign Goods and shall be required to document any transformation process of such Goods, in each case for the previous financial year.
- 2) All SEZ Enterprises shall, in respect of any Goods entering or leaving his/her business premises in a Special Economic Zone, retain a copy of the entry made together with the specified documents with respect to those Goods.
- 3) If Goods are transported within a Special Economic Zone, the relevant records relating to such transportation shall be maintained by the SEZ Enterprise for each financial year.
- 4) Records in respect of Goods manufactured or produced in a Special Economic Zone by an SEZ Enterprise shall be kept for a period of five (5) years.

Article 41 Missing dutiable goods

Where Goods stored in a Special Economic Zone are found to be missing without an acceptable explanation, the department of Customs and Excise may request the relevant SEZ Enterprise to pay the duty on the Goods at the rate in force at the time in addition to any penalty which may be imposed by the Authority pursuant to the SEZ Regulations.

Article 42: Persons not to enter Special Economic Zones without permission

No person shall enter, remain in or reside in a Special Economic Zone without the prior permission of the SEZ Developer.

PART EIGHT: INVESTMENT INCENTIVES FOR SEZ ELIGIBLE ENTERPRISES

Article 43: Tax concession

- 1) Each SEZ Eligible Enterprise shall be exempted from the payment of any taxes payable on its revenue, profits, including any corporation tax, capital gains tax, withholding tax or income tax.
- 2) Any shareholder of an SEZ Eligible Enterprise shall be exempt from the payment of withholding taxes on dividends.

- 3) Interest payments made by an SEZ Eligible Enterprise to foreign lenders in the respect of activities carried out in the SEZ shall be exempt from all applicable taxes (including but not limited to withholding tax).
- 4) Employees of the SEZ Developer, SEZ Administration Manager and SEZ Development Manager who are foreign nationals shall not be subject to personal income taxes.

Article 44: Investors

- 1) A foreign investor may take and hold up to 100 per cent of the shares in any SEZ Eligible Enterprise.
- 2) A domestic investor may take and hold up to 100 percent of the shares in any SEZ Eligible Enterprise.
- 3) Foreign and domestic investors shall have equal status within Special Economic Zones.
- 4) Any imports into the Special Economic Zone by an SEZ Eligible Enterprise shall be exempted from:
 - (i) any customs duty and
 - (ii) any indirect taxes (including any sales taxes, import taxes or VAT).
- 5) Activities undertaken by SEZ Eligible Enterprises are exempt from VAT.
- 6) All exports by an SEZ Eligible Enterprise shall be exempt from direct and indirect taxes and duties.
- 7) SEZ Eligible Enterprises shall also be exempted from quotas or other restrictions or prohibitions on Import or Export trade with the exception of SEZ prohibited or other illegal goods.

Article 45: Rights of SEZ Eligible Enterprises

An SEZ Eligible Enterprise shall enjoy:

- a) the full protection of its property rights against all risks of nationalization or expropriation;
- b) the right to fully and freely repatriate all capital and profits, without any foreign exchange impediments or charges;
- c) the right of protection of industrial and intellectual property rights, in particular patents, copyrights, business names, industrial designs, technical processes and trademarks;
- d) the right to import into the relevant Special Economic Zone, to Export and sell in the Customs Territory and any other country outside of the Republic of Somaliland without any restriction all classes or kinds of Goods and Services in accordance with this Law, the SEZ Regulations and the prevailing custom laws;
- e) in the case of an SEZ Developer or the SEZ Development Manager, the right to lease or sub-lease facilities namely in the form of land, warehouses or offices within the Special Economic Zone to any SEZ Enterprise;
- f) the right to determine the prices of any of its Goods or Services sold inside or outside the special economic zone for which it is licensed; and
- g) all other rights and benefits granted to SEZ Eligible Enterprises under this Law.

PART NINE: MISCELLANEOUS PROVISIONS

Article 46: Dispute settlement procedures

- 1) Where a dispute arises between an SEZ Enterprise and the Government in respect of any activities in the Special Economic Zones, all efforts shall be made through mutual

discussion to reach an amicable settlement.

2) Any dispute between an SEZ Enterprise and the Government in respect of any activities in a Special Economic Zone which is not amicably settled through mutual discussions may be submitted at the option of the aggrieved party to arbitration as follows:

- a) in the case of an SEZ Developer or SEZ Administration Manager, in accordance with the dispute resolution provisions in the applicable Development Agreement or Administration Services Management Agreement;
- b) in the case of any other SEZ Enterprise:
 - i. in accordance with the arbitration rules applicable to the United Nations Commission of International Trade Law; or
 - ii. in the case of a foreign investor, within the framework of any bilateral or multilateral agreement on investment protection to which the Government and the country of which the investor is a national are parties; or
 - iii. in accordance with any other national or international dispute resolution procedure agreed to by the parties (including under any lease agreement).

Article 47 Foreign exchange transactions

1) SEZ Eligible Enterprises shall have autonomous and independent access to and control over their capital and earnings and may freely maintain foreign currency accounts with local commercial banks.

2) Foreign currency transactions undertaken by any SEZ Eligible Enterprise outside the Customs Territory shall be exempt from any applicable exchange control laws or regulations.

Article 48 Banking activities

Any banking institution registered under the Banking Act may, subject to that Act, establish a branch within a Special Economic Zone as an SEZ Resident, and may at such branch conduct normal banking business permitted under the Banking Act.

Article 49 Security of assets

SEZ Enterprises shall have the right to create security over its assets situated within the Special Economic Zone in favour of a third-party debtor in accordance with the SEZ Regulations.

Article 50: Foreign Service Providers

The provision of goods and services by a Foreign Service Provider to a SEZ Eligible Enterprise shall not in any circumstances, create a permanent establishment for corporate tax or for any other purpose in the Republic of Somaliland.

Article 51: Employment in Special Economic Zones

1) SEZ Eligible Enterprises shall be free to negotiate and establish contracts of employment with employees that include wage scales, minimum working hours, employee suspension and dismissal, settlement of disputes arising between employers and employees, restraint of trade and other such terms of employment as shall be consistent with I.L.O. Conventions on workers' rights and conditions of service and the SEZ Regulations.

2) For Unskilled Labour, SEZ Users shall give priority to Somaliland nationals and/or residents of the Republic of Somaliland where reasonably available, with the

expectation that 100% of an SEZ Users' Unskilled Labour shall comprise of Somaliland nationals or residents within the Republic of Somaliland. In exceptional circumstances where there are insufficient Somaliland nationals or residents who may be employed as Unskilled Labour, an SEZ User may make an application to the Authority requesting a permit to employ foreign Unskilled Labour. The granting of any such permit shall be at the sole discretion of the Authority.

3) For Semi-Skilled Labour, SEZ Users shall give priority to Somaliland nationals and/or residents of the Republic of Somaliland where reasonably available, with the expectation that 70% of an SEZ Users' Semi-Skilled Labour shall comprise of Somaliland nationals or residents within the Republic of Somaliland. In exceptional circumstances where there are insufficient Somaliland nationals or residents who may be employed as Semi-Skilled Labour, an SEZ User may make an application to the Authority requesting a permit to employ foreign Semi-Skilled Labour. The granting of any such permit shall be at the sole discretion of the Authority.

4) No minimum local employment threshold shall apply to the employment by SEZ Users of Highly Skilled Labour, which may be composed of 100% foreign labour.

5) Work and resident permits shall be required for any foreign national who wishes to live in Somaliland and work in a Special Economic Zone.

6) Application for work and permits for foreign employees of SEZ Enterprises shall be submitted to the Board in accordance with labour and immigration laws.

7) The Authority shall issue identity cards to all employees of SEZ Enterprises for use in the relevant Special Economic Zone.

8) A person who enters or leaves a Special Economic Zone may be subject to inspection by any person authorized by the Board to do so.

9) A person who obstructs or prevents any person authorized by the Board in performance of his functions under Article 51(8) commits an offense under this Law and the Authority shall be entitled to exercise any powers set out under the SEZ Regulations.

Article 52: SEZ Regulations

The Authority may make regulations providing for all matters which by this Law are required or permitted to be prescribed for, or which the Authority consider necessary or convenient in order to give effect to the purposes of this Law, which shall include the following:

- a) application procedures for new Licences and renewing existing Licences;
- b) eligibility criteria for prospective SEZ Users and SEZ Residents;
- c) regulations relating to security within the Special Economic Zone;
- d) the Licence fees payable pursuant to this Law;
- e) the form of Licences to be issued under this Law and the procedures for amendments to the Licences;
- f) regulations relating to companies incorporated in the Special Economic Zone;
- g) regulations relating to reporting requirements for SEZ Residents and SEZ Users;
- and
- h) regulations relating to the issue of all other relevant permits such as building and environment, health and safety permits.

Article 53 SEZ Commercial Companies Law

The government of the Republic of Somaliland shall enact a law relating to the establishment of commercial companies in Special Economic Zones which shall apply to

SEZ Eligible Enterprises.

Article 54: Administrative sanctions

- 1) The Authority shall have the power to impose sanctions against any SEZ Enterprise who:
- a) violates any SEZ Regulations;
 - b) fails to comply with any condition attached to a Licence;
 - c) refuses to furnish or furnishes any information or produces any document which is false or misleading in any material respect;
 - d) refuses to admit without lawful excuse or materially obstructs any officer of the Authority, department of Customs and Excise or any other public officer in the performance of his or her duties;
 - e) refuses or neglects to provide material information to the Authority as required under this Law or the SEZ Regulations;
 - f) fraudulently or by false representation obtains or procures a Licence under this Law;
 - g) fraudulently makes or produces or causes to be made or produced a forged document;
 - h) aids and abets the commission of an offence under this Law;
 - i) contravenes any provision of this Law or regulations made under it, in each case, in accordance with the SEZ Regulations.
- 2) The Authority shall have the power to impose sanctions against any person who takes or uses any name, title or description of a SEZ Enterprise or any other title or description that may reasonably induce a belief in any other person that the person using the title or description is registered under this Law.

Article 55: Effective Date

This Law will come into force when the Parliament approves and the President signs and publishes in the Official Gazette.

C/risaaq Siciid Ayaanle
Xoghayaha Guud ee Golaha Wakiilada
JSL

Baashe Maxamed Faarax
Gudoomiyaha Golaha Wakiilada
JSL
