

Somalia

A. Definitions and sources of data

In Somalia, the Foreign Investment Law No. 19, issued in 1987, governs all foreign investment in the country, including foreign direct investment (FDI). In this law, foreign investment includes convertible currency specified by the Central Bank of Somalia and duly transferred to Somalia; machinery, equipment, spare parts, installations and current production inputs, whose importation is permitted under the prevailing import legislation; patent rights, trade marks and licenses duly registered in Somalia, provided they are necessary for the activities to be pursued under the approved investment; the amount of foreign currency spent on studies and technical documentation, prepared in connection with the approved investment and; profits reinvested, originating from foreign investment approved in accordance with this law. The International Monetary Fund provides data on FDI in Somalia in its balance-of-payments statistics. The Mining Code, law No. 7 of 1984 governs mining activities.

The foreign investment law provides several incentives to foreign investors, such as exemption from taxes and customs duties. It aims at channeling FDI flows to certain industries of the national economy, such as agriculture, industry, fishing and forestry. The Committee on Foreign Investment which was set up to centralize investment matters with one authority and facilitate the investment approval process, in conjunction with the State Planning Commission, is responsible for the authorization of investment projects. There are no restrictions on profit transfer and repatriation of invested capital is allowed upon approval by the Committee on Foreign Investment.

Infrastructure is improving gradually. Small private companies linked to overseas satellite operators provide telecommunications in major towns. Three telecommunication companies, set up in 2002 serve Mogadishu. Four firms serve Hargeisa, all offering cellular phones and direct international calls at cheaper rates than in Djibouti and Kenya. In September 2000 the first local Internet service provider was launched in Mogadishu and is cheaper than in the neighbouring countries, Kenya and Ethiopia. In 2005, Somalia's largest mobile-phone operator, Telsom Mobile, placed orders to upgrade its system within Somalia.

Energy provision is also being upgraded. In Somaliland, an agreement to upgrade the Hargeisa power infrastructure to 25 megawatts was signed with two foreign companies in 1998, and in 2000, management of oil storage facilities at Berbera was put in the hands of Total Red Sea, a local subsidiary of a French oil company, TotalFinaElf. In 2000, the Danish Government provided a grant of \$3 million to finance renovation of the power plant at Bossasso.

There has been some exploration of Somalia's mineral resources. A British firm, Rovagold, was given permission to prospect for oil off the Somaliland coast in collaboration with two Chinese firms in 2001. A technical evaluation agreement was also signed by the Transitional National Assembly and a French oil company, TotalFinaElf, for the company to determine total reserves. Most of Somalia's proven reserves lie off the Somaliland coast, and an agreement on drilling and extraction exist between the Seminal Copenhagen Group and the Somaliland Government in 2002. Commercially exploitable deposits of gold, silver, tungsten, manganese, titanium, chromium and nickel were discovered at Jezira, Mogadishu, in 1989 but were not developed. Local non-metallic mineral deposits were used in a cement factory and a gypsum plant at Berbera before the civil war, but both plants are now defunct.

Somalia is a member of several regional integration schemes such as the African Union, New Partnership for Africa's Development, the Inter-governmental Authority on Development and the League of Arab States. Somalia is also eligible for the generalized system of preferences market access schemes and the Cotonou Agreement for the renegotiation of the African, Caribbean and Pacific, European Union (ACP-EU) partnership agreement. The Cotonou Agreement builds on the achievements of the former Lomé Conventions, as the basis of cooperation between the EU and ACP countries.

B. Statistics on FDI and the operations of TNCs

Table 1. Summary of FDI

(Millions of dollars)

Variable	Inward	Outward
1. FDI flows, 2002-2005 (annual average)	11.1	..
2. FDI flows as a percentage of GFCF, 2002-2005 (annual average)	..	..
3. FDI stock, 2005	48.0	..
4. FDI stock as a percentage of GDP, 2005	2.3	..

Source: Based on tables 3a, 4 and UNCTAD, FDI/TNC database.

Table 3a. FDI flows, by type of investment, 1980-2005

(Millions of dollars)

Year	Inward investment				Outward investment			
	Equity	Reinvested earnings	Intra-company loans	Total	Equity	Reinvested earnings	Intra-company loans	Total
1980	-0.03	..	..	..	-
1981	0.1	..	..	..	-
1982	-0.8	-0.8	..	..	..	-
1983	-8.2	-8.2	..	..	..	-
1984	-14.9	-14.9	..	..	..	-
1985	-0.7	-0.7	..	..	..	-
1986	3.1	..	..	..	-
1987	64.3	..	..	..	-
1988	-43.4	..	..	..	-
1989	-41.2	..	..	..	-
1990	5.6	..	..	..	..
1991	-0.2	..	..	..	..
1992	-0.1	..	..	..	..
1993	2.0	..	..	..	..
1994	1.0	..	..	..	..
1995	1.0	..	..	..	..
1996	1.3	..	..	..	..
1997	1.1	..	..	..	..
1998	0.0	..	..	..	..
1999	-0.8	..	..	..	..
2000	0.3	..	..	..	..
2001	0.0	..	..	..	..
2002	0.1	..	..	..	..
2003	-0.9	..	..	..	..
2004	21.0	..	..	..	..
2005	24.0	..	..	..	..

Source: UNCTAD, FDI/TNC database.

Note: FDI inflows: OECD for 1980-1981, 1986-1992 and 1998-2003, IMF for 1982-1985, World Bank for 1993-1997 and estimate for 2004-2005. FDI outflows: Not available.

Table 4. FDI stock, by type of investment, 1980-2005

(Millions of dollars)

Year	Inward Investment				Outward Investment			
	Equity	Reinvested earnings	Intra-company loans	Total	Equity	Reinvested earnings	Intra-company loans	Total
1980	34.1	..	..	..	..
1981	34.2	..	..	..	..
1982	33.4	..	..	..	..
1983	25.2	..	..	..	..
1984	10.2	..	..	..	..
1985	9.5	..	..	..	..
1986	12.6	..	..	..	..
1987	76.9	..	..	..	..
1988	33.5	..	..	..	..
1989	-7.6	..	..	..	..
1990	-2.0	..	..	..	..
1991	-2.2	..	..	..	..
1992	-2.3	..	..	..	..
1993	-0.2	..	..	..	..
1994	0.8	..	..	..	..
1995	1.8	..	..	..	..
1996	3.1	..	..	..	..
1997	4.2	..	..	..	..
1998	4.2	..	..	..	..
1999	3.4	..	..	..	..
2000	3.7	..	..	..	..
2001	3.7	..	..	..	..
2002	3.8	..	..	..	..
2003	3.0	..	..	..	..
2004	24.0	..	..	..	..
2005	48.0	..	..	..	..

Source: UNCTAD, FDI/TNC database.

Note: FDI inward stock: Estimated by accumulating inflows since 1970. FDI outward stock: Not available.

Table 6. FDI flows in the host economy, by geographical origin, 1990-1999

(Millions of dollars)

Economy	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Belgium / Luxembourg	0.3	..	..	..	..	..	..	..	..	..
United States	-8.0	..	..	..	..	..	..	..	..	29.0

Source: UNCTAD, FDI/TNC database.

Note: Data are based on information reported by the economies listed above.

Table 12. FDI stock in the host economy, by geographical origin, 1990-2004

(Millions of dollars)

Economy	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
United States	-4	..	..	..	-1	-1	-1	-1	..	29	29	29	29	29	29

Source: UNCTAD, FDI/TNC database.

Note: Data are based on information reported by the economies listed above.

Tables 23, 30 and 35. The number, assets and employees of foreign affiliates of the United States TNCs in Somalia, 1990-2003

(Number, thousands of employees and millions of dollars)

Table no.	Variable	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
23	Number	5	5	5	2	1	1	1	1	1	..	..	..	..	..
30	Assets	22	18	18	8	5	5	6	6	..	..	8	8	9	10
35	Employees	0.1	0.1	0.1	0.1	..	..	..	..	..	..	..	..	..	..

Source: UNCTAD, FDI/TNC database.

Note: Data are based on information reported by the economies listed above.

Table 86. Largest home-based TNCs, 2004

(Millions of dollars and number)

Company	Industry	Sales	Employees
A. Industrial			
..
B. Tertiary			
Somali Airlines	Transport and storage	..	..
C. Finance and insurance		Assets	Employees
..

Sources: Thomson Analytics (<http://analytics.thomsonib.com/>); Who Owns Whom, 2003 (London, Dun and Bradstreet, 2003).

Table 87. Largest affiliates of home-based TNCs, 2004

(Millions of dollars and number)

Company Name	Host economy	Industry	Sales	Employees
A. Industrial				
..
B. Tertiary				
Somali Airlines	Italy	Transport and storage	..	..
C. Finance and insurance			Assets	Employees
..

Sources: Thomson Analytics (<http://analytics.thomsonib.com/>); Who Owns Whom database (<https://solutions.dnb.com/wow>).

^a Estimate.

Table 88. Largest affiliates of foreign TNCs in the host economy, 2004

(Millions of dollars and number)

Company	Home economy	Industry	Sales	Employees
A. Industrial				
German Agro Action Office	Germany	Agriculture	..	20 ^a
B. Tertiary				
..
C. Finance and Insurance			Assets	Employees
..

Sources: Thomson Analytics (<http://analytics.thomsonib.com/>); Who Owns Whom database (<https://solutions.dnb.com/wow>).

^a Estimate.

C. Legal Framework for Transnational Corporations

A number of regulatory national, bilateral and multilateral legal instrument apply in Somalia to regulate the activities of transnational corporations and foreign direct investors. In the absence of new instruments, the following are supposed to guide investment activities in the country:

I. National framework

The Foreign Investment Law No. 19 of 9 May 1987; effective on 1 September 1987.

Source: Faafin Rasmiah (Official Gazette) No. 9, 1 September 1987, p. 761.

Law No. 19 of 10 July 1986. on Tariff Reduction within the Preferential Trade Area. Effective 15 September 1986.

Source: Faafin Rasmiah (Official Gazette) No. 8, 1 August 1986, p. 540.

Law No. 7 of 9 January 1984, regarding the Mining Code; effective on 9 January 1984.

Source: Faafin Rasmiah (Official Gazette) No. 2, 28 January 1984, p. 73.

Decree No. 22 of 9 January 1984, concerning the Mining Regulations. Effective 9 January 1984.

Source: Faafn Rasmiah (Official Gazette) No. 2, 28 January 1984, p. 74.

The Civil Code (Chapter 2), containing Company Regulations, of 2 June 1973; effective on 1 July 1973.

Source: Faafin Rasmiah (Official Gazette) No_ 6, 2 June 1973, p. 570.

Legislative Decree No. 5 of 5 November 1966, concerning the body of Laws on Direct Taxation (Income Tax); effective: 1 January 1967.

Source: Faafin Rasmiah (Official Gazette), Supplement No. 3 to No. 12 of 14 December 1966, p. 2.

Law No. 65 of 18 October 1972, enacting the Labour Code. Effective 21 October 1972.

Source: Faafn Rasmiah (Official Gazette) No. 10, 25 October 1972, p. 1, 114.

Ordinance No. 1 of 22 January 1955, concerning Patents on Industrial Design; effective on 1 January 1955.

Source: Faafin Rasmiah (Official Gazette), Supplement No. 2 to No. 1 of 25 January 1955, p. 67.

Ordinance No. 3 of 22 January 1955, concerning Trademarks; effective on I January 1955.

Source: Faafn Rasmiah (Official Gazette), Supplement No. 2 to No. 1 of 25 January 1955, p. 97.

II. International Framework

A. Somalia is a party to the following multilateral and regional instruments:

Convention on the Settlement of Investment Disputes between States and Nationals of other States of 1965. Entered into force on 14 October 1966

Treaty Establishing the Market for Eastern and Southern Africa (COMESA), 1993.

Charter on a Regime of Multinational Industrial Enterprises (MIEs) in the Preferential Trade Area for Eastern and Southern African States.

Agreement on Arab Economic Unity of 3 June 1957; entered into force on 30 April 1964.

Agreement for the Promotion, Protection and Guarantee of Investment Among Member States of the Organization of Islamic Conference, of 1 June 1981; entered into force on 23 September 1986.

Articles of Agreement of the Islamic Corporation for the Insurance of Investment and Export Credit of 19 February 1992. Entered into force on 1 August 1994.

B. Bilateral treaties

1. **Bilateral investment treaties for the protection and promotion of investments:** Germany 1981.
2. **Bilateral treaties for the avoidance of double taxation: ...**

D. Sources of information

Official

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Secondary

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