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Private Sector Research Retrieval and Analysis Project
Somalia

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The economy of Somalia has experienced less than vigorous growth in the past decade. During that period, public policy discouraged the promotion of the private sector, encouraging instead the development of state operated enterprises. Exogenous factors - war, drought, (each with accompanying refugee problems), and oil price shocks - aggravated attempts at development. Per capita income has not risen over the past decade. Budgetary deficits have risen dramatically, to the equivalent of 17% of GDP. Foreign debt has risen also, and is now equal to about 60% of GDP, and the Government of Somalia has been unable to service that debt without restructuring the loans. The annual inflation rate in 1980 was reported to be 60%.

In response to this crisis in its economy, the Somali Government has been encouraged to, inter alia, reduce allocations to ministries providing general public services vis a vis those producing agricultural and industrial outputs. This move necessarily makes the public provision of health services more difficult. As a reasonable first step, there is in effect a new policy to improve the mobilization of private initiative and resources.

The purpose to this paper is to describe and evaluate work done in Somalia which may suggest initiatives in private sector financing of health services. It should be

kept in mind, however, that Somalia's recent history has been antagonistic to private sector concepts of organization, and almost all such activity will be starting fresh.

The health system in Somalia consists of three distinct parts: the government sub-system, which is curative in orientation and primarily urban, the refugee sub-system, which is "public health" in orientation, and the traditional sub-system, which is ubiquitous and highly varied. Until recently, all the care offered, except for the traditional care, was under the auspices of the government. In 1975, full 100% of the health development (capital spending) budget was financed externally. In 1976 that figure dropped to 91% but with little significance. (OIH, p. 63) The notion of self-sufficiency can only really be applied to the nomadic rural populations who benefitted little from government programs.

Self-financing, or financial self-sufficiency, requires certain conditions to be met in order to hold. The most general is that those who pay for the service (individually or, by sharing risk, collectively) voluntarily pay an amount at least equal to the value of producing and delivering it. Where markets operate freely, that determination of self-sufficiency is easily determined through prices. When markets are regulated or subsidized, market prices do not unambiguously represent the cost to society of bringing the

good or service to the market. In that markets for health care are rarely free markets, cost imputation for primary health care is a difficult technical problem. Regrettably, this problem confounds the prospective determination of financial self-sufficiency. That means that we cannot easily know what services will cost beforehand and, even then, determinations of value are indirect.

If, however, one could know the real, social cost of delivering services, in order to determine prospectively if a service is self-sustainable, one would need to know additionally how much people are willing to pay for it. Even in markets that operate freely, such information is difficult to obtain. Producing this information is the work of market researchers and advertisers. As theorized by economists, a person's willingness to pay for a good is influenced by its price, the prices of other things, his income, and his tastes, pinning it down to numbers (price and quantity) is indeed difficult.

But all is not lost. Somethings can be known prospectively. Relative costs of two services may be compared, provided similar factors are used in their production. Often the best solution is to make educated guesses, recognizing that there are economic risks. This is why, in part, there have been so many pricing and self-financing experiments and so few self-financing systems. Even where data gathering and analytic techniques are very refined, there is

an element of risk associated with the offering of either new products and services or old products and services to new populations. What is aimed for is that the few tools available to the analyst will be used to avoid unnecessary risks and minimize the others.

Little empirical work was found on the ability of the private sector to support health services. The conclusions and recommendations which follow were reached inferentially. But first, some general observations are in order.

1) The economy has been, and still is, very tightly regulated, making cost estimation very difficult.

2) Personal poverty in Somalia is widespread and serious, raising the speculation that peoples' willingness to pay for health services is very limited. People are willing to pay, somewhat, it appears, from their use of traditional herbalists, wadads.

3) The lack of safe water, waste disposal facilities, and food contamination are the primary contributors to the spread of disease. A government program in the late 1970s called for construction of 350 wells and 70 basins, but that effort would need to be increased many times over to have an even moderate impact.

In the absence of any data regarding the prospects for a successful private sector project in Somalia, and in light of the dismal poverty of the country, the following conclusions and recommendations are offered:

1) Simple, small surveys in rural areas should be conducted. The sample size for each need not be more than 100 if the sampling frames are selected carefully. The types of questions relate to the market conditions for services:

- A. How far must you travel for care?
- B. What kinds of healers do you use?
- C. What kinds of services, examinations, or products are available to you?
- D. How much do you pay for what you receive? What happens if you are unable to pay?
- E. What do you do if the original health problem is not cured?

2) The Somalis have been characterized as energetic, resourceful, and entrepreneurial. It may be worthwhile (although strictly out of the health sector) to investigate the market conditions for setting up small well-digging businesses. It would mean, especially, investigating the willingness to pay for wells in established settlements and along nomadic routes. This may be (or lead to) an aspect of primary health care (sanitation and potable water) the people can afford to pay for directly, moreover if their payment method is donated labor.

3) Avoid all but LOW TECH solutions. For example, pharmaceutical manufacture requires very specific

manufacturing conditions and equipment. It makes little economic sense to send high cost equipment to Somalia to produce medicines which can be produced more cheaply elsewhere, especially in the absence of any demonstrated demand for the product. This advice pertains also to laboratories, all equipment related activities, and all hospital related products and services. The Somalis do not have much recent experience paying for western solutions to their problems. Keep the solutions simple and responsive to their ability to pay. It is recommended that whatever private sector activities are undertaken are done so in rural and pastoral areas on a modest scale.

The materials which follow were taken from the report "Encouraging the Private Sector in Somalia," a report prepared for USAID by Elliot Berg Associates, September, 1982, for the project "Private Sector in Somalia (698-0135). Its focus was on the agricultural sector.

Annex I

Somalia's Investment Legislation

1. Foreign investment legislation can be a useful guidepost in an examination of a country's attitude to outside investment. In general, however, these laws tend to be very broadly framed in key provisions, and do not vary greatly between countries.

2. The main features of Somalia's law (Law #7 of Jan. 1977) are as follows:

a. It is silent in important respects, e.g., local content requirements, ownership restrictions, and exchange controls. It has very general provisions on compensation for nationalization, arbitration of disputes, and similar matters.

b. It gives responsibility for administration of the law to a Committee of Foreign Investment composed of the Chairman of the Planning Commission (as Chairman) and 10 Directors-General. This is a cumbersome body and it is not clear where the secretariat work is done, if anywhere.

c. The law doesn't specify pioneer industries, nor does it set down general tax holidays. It provides, however, that the Minister of Finance can grant tax exemptions for up to 5 years.

d. The law puts modest restrictions on domestic and external borrowing by foreign investors, and on repatriation of profits and other factor earnings.

3. In its major provisions, Somalia's law closely resembles the laws of other African governments. In 1981, Price, Waterhouse and Co. issued a survey of the investment policies of 73 countries. The policies of the African countries covered (Egypt, Ivory Coast, Kenya, Liberia, Malawi, Morocco, Nigeria, Zambia, Zimbabwe) are compared with Somalia in Annex I, Table 1.

4. One issue of critical importance to foreign investors involves repatriation of capital: profits, dividends, royalties, etc. Table 1 summarizes repatriation provisions in the investment codes of the countries in question.

5. While all countries allow invested capital to be repatriated, Zimbabwe seems to prevent repatriation for "non-venture" capital. If capital invested in Zimbabwe acquires "venture" capital status (which appears to mean that the investment is in a "new business"), capital may be repatriated after two years. Zambia makes disinvestment difficult by forcing the proceeds from sale of assets in Zambia into a "pipeline", which is converted into foreign currency as reserves become available. The other countries in the Price Waterhouse sample allow relatively easy repatriation. Liberia has no repatriation restrictions at all, and most Franc zone countries are similarly liberal. The others differ mainly in their treatment of capital gains.

6. Table 1 shows Somalia to be "moderate" on the issue of repatriation of capital. Law #7 requires a five year interval from the date of registration to the time when the capital can be "freely transferred abroad." This interval can be cut to 3 years or extended to 7 years at the discretion of the Committee on Foreign Investment. The Somali law also says that interest and dividends can only be repatriated at a rate of 30% of the registered capital per year. The law allows the investor to carry over and accumulate the unused portion of the 30%. Any transferred profits are subject to withholding taxes.

7. A second major area for comparison is the treatment of tax incentives. Many countries in the sample provide several forms of tax incentives to encourage foreign investment. It is difficult to rank these laws in terms of generosity to investors, but it is safe to say that the Somali code seems to be the most discretionary of those in the sample. Any time it is in the "public interest", the Minister of Finance can grant "total or partial exemption" from the various applicable taxes (See Annex I, Table 2).

8. Other laws relating to foreign investment, including ownership restrictions, exchange controls, and other legal requirements are not spelled out in Law #7 and must thus be assumed to be negotiable. One section of the Somali code requires that no firm "shall employ non-Somalis where suitably qualified Somalis are available." Most LDC's impose a similar employment restriction.

9. However, even though the Somali law is similar to those of other developing countries, there are several components of the law that could worry potential investors. Two articles provide the government with the means to expropriate and nationalize private property during wartime, or when the action is in the "public interest." No real definition is given for "the public interest" and no limitations are provided in the law. In addition, no definitions are given as to what kinds of "equitable compensation" should be paid at the time of expropriation.

10. It should be recalled that Law #7 was drafted in the mid-70's and passed into law in 1977. It thus reflects the 1977 posture toward private foreign investment. Even so, it is not much different than that of other African countries, though it is perhaps less explicit on important subjects. In any case, as noted in the text, most countries tend to be flexible in the presence of a significant foreign investment, so the formal legislation, no matter how forbidding on paper, usually provides no real obstacle to a genuinely interested investor.

The attached study, "Key Juridical Information for Private Investments in Somalia," was prepared by the German government. It summarizes the provisions of a recent German-Somali investment treaty and surveys Somalia's existing laws on foreign investment. (See Annex I , Attachment).

ATTACHMENT TO ANNEX I

KEY JURIDICAL INFORMATION FOR PRIVATE INVESTMENTS
IN SOMALIA

A Study Prepared by
The German Economic Cooperation Company¹

March 1982

(Unofficial Translation)

¹ The German Economic Cooperation Company (Development Company), Inc. - DEG - is the financing institution of the Federal Republic of Germany for the promotion of establishments of enterprises on a partnership basis and expansions of German firms in developing countries.

1. Capital Protection and Legislation on Investment

1.1. Agreements Under International Law

1.1.1. Treaty for Promotion of Investments

A treaty for the promotion and mutual protection of capital investments was concluded between the Federal Republic of Germany and the Somali Democratic Republic on 27 November 1981.

The treaty still needs to be ratified by both parties; it is to come into effect one month after exchange of documents of ratification. According to Article 9 of the treaty capital investments effected before the treaty comes into effect are also to enjoy its protection.

Essentially the treaty provides:

- Capital investments of one treaty party in the sovereign territory of the other party are expressly encouraged (Article 1) and are given equal treatment with domestic capital investments (Article 2).

- Article 4 provides a comprehensive protection of the capital investments of the other treaty party. The concept capital investment also embraces property rights, participation in companies, their earnings, claims to money (repayment of loans), dividends, and interest.

- Article 4 Section 2 regulates the comprehensive property protection. Expropriation and measures similar to expropriation are permissible only in the public interest and in return for adequate compensation. The compensation is interest-bearing and must be actually negotiable and freely transferable. Due course of law is made available.

- Article 5 guarantees free transfer of all payments connected with a capital investment.

1.2. Constitution

The constitution that came into effect in 1979 (thus far there is no translation from the Somali) guarantees in principle the right to private property (Article 28). This right ends where it comes in conflict with the public interest. According to the constitution the government is responsible for determining when that is the case; it also decides how private property expropriated in the public interest is to be adequately compensated for. The repatriation of compensation payments is guaranteed.

1.3. Law No. 7 of 29 January 1977 on Foreign Investments (the Investment Law)

This law is the basis for every investment by foreigners in Somalia. In principle foreigners must get the approval of the State Planning Commission before effecting an investment (Article 1 of the Investment Law).

If the intended investment is accorded the status of a "productive enterprise," special privileges provided in the law become applicable.

According to Article 5 of the law "productive enterprises" include all enterprises which benefit the Somali economy by production or services or contribute to the development of agriculture, animal husbandry, fisheries, industry, hotel-keeping, the transportation system, the power industry, and the infrastructure (in the broadest sense). Similarly, all operations in the field of petroleum and mineral exploration count as productive enterprises. The decision whether an investment is a "productive enterprise" is up to the Committee on Foreign Investment.

Article 2 of the law accords to the state and/or parastatal institutions the right to acquire a participating interest in enterprises of foreigners in Somalia. The nature of such a state participation is regulated by contract between the parties.

According to the law, foreign investments (in the form of foreign capital, machinery, equipment, materials, patents, licenses, trademarks--Article 17 of the law) enjoy:

1.3.1. Protection of Property

Foreign capital investments effected with the approval of the State Planning Commission, according to Article 17, Sections 1 and 2, enjoy the same treatment as is accorded to local investments.

According to Article 17 Section 3 of the law, the property is expressly protected against expropriation (except in cases of the public interest), nationalization, or other measures similar to expropriation.

In case of expropriation an adequate compensation-- in accordance with the constitution--is guaranteed by this law as well.

1.3.2. Guarantee of Transfer and Retransfer

In the case of "productive capital investments":

Capital sums, interest, and loan repayments are transferable abroad up to the amount of 30 percent annually of the capital brought in. Unused transfer rights can be carried forward to the next three years.

The capital brought in (participation) is transferable in the same currency as a rule for 5 years (in exceptional cases 3 years) after its importation (Article 8).

Earnings on capital, and interest, can be reinvested and upon simple notification of the Committee on Foreign Investment automatically enjoy the same status as capital imported from abroad. If the reinvestment exceeds the original investment, approval of the Committee on Foreign Investment is required (Article 9).

All capital transfers must be made through the Central Bank or one of the banks authorized by it (Article 21 of the law).

The Central Bank can permit the carrying of an account abroad for handling previously determined payment transactions (such as payment for machines bought abroad).

The Central Bank can allow exporting concerns to open "non-resident accounts," which are kept in foreign currency. These concerns are then no longer subject to the general foreign exchange allotment system.

This advantage given to exporting firms over importing firms is a matter of controversy at the Central Bank.

In the case of "non-productive enterprises" or foreign investments which do not fit in with Somalia's economic development plans:

Capital sums and interest are transferable up to an annual amount of 10 percent of the capital invested in shares or loans.

Such capital transfer is not allowed until at least 7 years after registration of its importation and extends over 3 years (Article 14 of the law).

Investments effected in accordance with the Investment Law need no further permission from the Central Bank of capital transfers.

1.3.3. Investment Incentives

-Fixation of Tariff and Tax Rates (Article 15 Section 1 of the law).

The rates of tariffs, direct taxes, and other levies prevailing at the time of registration of the investment are binding for the first 10 years (only in the case of "productive enterprises").

-Exemption from Levies (Article 15 Section 2 of the Law)

For investments that are in the national interest the finance minister can grant complete or partial exemption from import duties, export duties, excise duties, income taxes, and municipal levies for up to 5 years (only in the case of "productive enterprises").

-Expatriate Permits (Article 17 of the Law)

Appropriate residence permits and work permits are granted to indispensable foreign professional and technical personnel. Fifty percent (where justification is shown, 75 percent) of their incomes as well as social security contributions is transferable abroad. There is a legal obligation to restrict the employment of foreigners to experts and to eliminate it over the intermediate term.

1.3.4. Licensing Procedure

The foreign investor addresses his investment application, with the exact title and detailed exposition of the investment project, to the State Planning Commission (Article 1 of the Law).

The State Planning Commission forwards the application within 45 days after receipt to the Committee on Foreign Investment. This consists of the chairman of the State Planning Commission, who is always the representative of the Ministry of National Planning, as chairman, and of the directors general of the Ministry of Finance, the Ministry of Industry, the Ministry of Fisheries, the Central Bank, the Development Bank, and the Commercial Bank (Article 2 of the Law).

This committee decides on the investment project in accordance with the Investment Law and the plans for the economic development of the country, in consultation with the relevant ministries or other competent authorities if the case so requires (Article 4 of the Law).

Not less than 60 days after the investor's application the State Planning Commission conveys the decision of the Committee on Foreign Investment to the applicant (Article 6 Section 1 of the Law).

If the planned investment has as its object the establishment, expansion, renovation, or reactivation of a firm, the State Planning Commission will register the investment not less than 90 days after application. From that date on, the investment enjoys the privileges of this law. The founding of the company under the corporation law can now take place.

The approval of the investment includes all permits required for the organization and operation of an industrial firm.

1.3.5. Other Provisions of the Investment Law

So-called "Somali companies" acceptance of foreign funds is restricted; if Somali investors hold more than 30 percent of the capital of such a company, the borrowing must not exceed 75 percent of the company capital. If a public institution is a participant in the capital, borrowing of foreign funds is allowed up to the level of the company capital.

So-called "foreign companies"--to judge by the wording of the law--are not subject to these limitations. All acquisitions of capital and long-term borrowing, however, are to be reported to the Ministry of Finance. Borrowing abroad is subject in principle to the approval of the Committee on Foreign Investment.

The registration of the foreign capital investment is irrevocable in principle. The privileges of the Investment Law cease to apply if the company develops no activities of any kind within a year after registration and cannot show that this is not the fault of the company, or if a firm interrupts its business activity for more than a year.

1.3.6. Note

Because of the relatively small investment activity of foreigners in the industrial sector, there is little experience thus far with the Investment Law. The involvement of the most varied government agencies and institutions complicates the course of the licensing procedure.

The competence of the Committee on Foreign Investment is comprehensive. The fields of discretion in regard to the granting of investment permits and investment incentives are largely determined by the aims and intentions of the Five-Year-Plan.

The catalog of investment incentives listed in the law appears to be expansible depending on the national economic interests in an investment.

Thus far no regulations have been issued to implement the law.

2. Civil, Commercial, and Company Law

The Somali Civil Code now in force (Law No. 37 of 2 June 1973; *Bolletino Ufficiale*, 1973, pp. 569 et seq.) contains in its civil law portion, in addition to the original Italian law, elements of Egyptian civil law. On the other hand, the corporation law portion is largely identical with the Italian *Codice Commerciale*.

2.1. Forms of Company

2.1.1. Simple Company (*Società Semplice*) Article 2251 et seq., Cciv [Codice Civile; Civil Code]

2.1.2. Public Corporation, Article 2291 et seq., Cciv

2.1.3. Simple Limited Partnership, Article 2313 et seq., Cciv

2.1.4. Limited Partnership With Shares of Stock, Article 2462 et seq., Cciv

The above forms of company hardly come into consideration, for reasons having to do with the laws governing liability.

2.1.5. Corporation (Società per Azioni), Article 2325 et seq., CCiv

In the case of the corporation, only the company is liable for the obligations of the company, with its property (Article 2325).

Founding of a Corporation:

The founding agreement (constitution) (Article 2328) is formalized before a notary public. It must contain:

-The original participants, the firm name, the company headquarters, the amount of the capital subscribed and paid up, the par value, number, and kind of shares, value of the contributions and claims made in kind, regulations concerning the distribution of profits, number and managers and statement of who represents the firm, number of members of the board of directors, and length of life of the corporation.

The statutes, or articles of association, which contain stipulations as to the company's line of business, are, even though they are the subject of a separate notarized document, a supplementary part of the constitution and must be attached to it.

For the founding of a corporation, it is necessary that

- The total company capital has been subscribed,
- At least 3/10 of the capital subscribed has been paid in to a bank in money, and
- All official permits are in hand.

The notary who has witnessed and received the constitution of the company transmits it within 30 days to the office of the regional court. The judge of the regional court initials the founding documents and transmits them to the attorney general for consideration. The latter makes sure that the documents are in accordance with Somali law. The judge of the regional court thereupon orders what is called the convalidation of the company and its entry in the registry.

The company constitution is deposited and registered with the office of the regional court.

With the entry in the register the company obtains the status of a body corporate.

For the transactions carried out in the name of the company before its entry in the register, those who carried out said transactions have unlimited liability as general debtors as regards third parties (Article 2331).

The corporation can also be founded by public subscription on the basis of a prospectus.

Executives and Executive Organs of the Corporation:

Regular meeting (convenes annually and rules on the approval of the balance sheet, the election of officers and of the members and chairman of the board of supervisors, the setting of the compensation of the officers and of members of the board of supervisors, matters of business that are reserved to it by the constitution, and on the responsibility of the officers and the directors) (Article 2364).

The special general meeting decides in particular on changes in the articles of association or constitution of the corporation (Article 2365).

Protection of the minority is guaranteed:
Stockholders who represent at least 1/5 of the company capital can force a general meeting (Article 2367).

The regular general meeting has a quorum present when at least half of the company capital is represented. The regular general meeting decides by a simple majority provided the constitution does not provide for a specially defined majority.

If more than half of the company capital is represented at a special general meeting, a quorum is present (Article 2368).

Directors:

If the management of the company is entrusted to more than one person, said persons constitute the board of directors (Article 2380). The directors represent the company (Article 2384).

Board of Supervisors:

The board of supervisors consists of three or five regular members, who may be stockholders or non-stockholders. In addition there should be two deputy members (Article 2397). The board of supervisors supervises the management of the company (Article 2403); it meets at least once a quarter (Article 2404).

2.1.6. Limited Liability Company (Società à Responsabilità Limitada), Article 2472 et seq., Cciv

In the limited liability company only the company is liable for obligations with its property.

The limited liability company is to be founded in a public document. Its content corresponds mutatis mutandis to that of the corporation. The formal steps in the founding of the limited liability company also correspond to those of the corporation (Article 2475).

The articles concerning the executives and executive officers of the corporation (general meeting and directors) also apply to the limited liability company. A board of supervisors is prescribed obligatorily only for limited liability companies with large capital funds (Article 2488). In such cases the corresponding regulations concerning the corporation are applicable.

Unlike the corporation, the limited liability company is not allowed to issue bonds.

The terms "foreign company" and "Somali company" which appear in the Investment Law (Law No. 7), Article 12, are alien to company law. They do not designate forms of companies, but rather give expression to the make-up of the capital and its subscription in foreign exchange.

2.2. Property Right Reservation

According to Article 427 of the Civil Code, it can be agreed in a credit arrangement that the transfer to the buyer of property rights is subject to a delay until complete payment of the purchase price, even though the article sold has been turned over to the buyer.

It is not clear, however, whether the reserved property right holds good when a third party acquires the object in good faith.

2.3. Real Property Law

According to Law No. 73 of 21 October 1975 soil and subsoil are property of the state. Pieces of ground can be obtained from the state on a concession basis (similar to perpetual lease). These transfers must be registered.

On concession land an annual ground rent must be paid to the Ministry of Agriculture.

The land registry is kept by the Ministry of Agriculture.

Land held by perpetual tenure can be encumbered by mortgages.

2.4. Mortgage Law

The mortgage (hipoteca), Article 2808 et seq., Cciv, gives the creditor the right to sell the objects which guarantee his claim and to satisfy his claim on a preferential basis from the resulting yield (Article 2808).

Essentially the following can be encumbered by mortgages: stationary articles of commerce with their furnishings (e.g. machinery), the usufruct of such articles, and the right of the person entitled under perpetual lease and that of the issuer to a piece of ground encumbered with a perpetual lease (Article 2810). The mortgage also extends to the buildings and other improvements of the mortgaged piece of property (Article 2811).

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Motor vehicles can also be mortgaged. These mortgages are entered in the Public Registry of Automobiles.

The mortgage is substantiated by a notarized document and is registered with the court of appeal that has local jurisdiction. It holds rank based on the time of its registration.

3. Court Procedure

Mutual recognition and execution of foreign court decisions is not guaranteed between the Federal Republic of Germany and Somalia. Consequently, German verdicts can be executed in Somalia only on the basis of a recognition procedure, which does not rule out the objective review of the German verdict. For that reason it makes no sense to agree on an exclusively German jurisdiction. On the other hand, litigation in Somalia is time-consuming and costly. The risk of litigation is calculable only to a certain extent. (Original jurisdiction: where the amount at issue is less than 3,000 Somali shillings, district court; over 3,000 Somali shillings, regional court; appeals are heard by the Court of Appeal; court of review is the Supreme Court.)

Decisions of foreign arbitration tribunals too, are only conditionally subject to execution in Somalia. (Somalia does not adhere to the U.N. agreement of 10 June 1958 on the recognition and execution of foreign arbitration findings.)

For that reason out-of-court settlement of legal disputes is desirable.

For disputes between investor and the government concerning the interpretation of the Investment Law (Law No. 7 of 29 January 1977), an arbitration procedure is provided under Article 18 of the law. The decision of the three-man court of arbitration is final.

There is no legal aid agreement between the Federal Republic of Germany and Somalia.

4. Taxation

4.1. Corporation Tax

All joint-stock companies registered in Somalia are subject to the corporation tax. The tax rate is uniformly 35 percent of the profit subject to tax (Law No. 3 of 19 February 1963 supplemented by Leg. Decree No. 26 of 5 November 1966).

In determining the income subject to tax (profit), all expenditures that went into the making of that profit are deductible. Write-offs can be claimed.

4.2. Double-Taxation Agreement

No double-taxation agreement between the FRG and Somalia exists.

5. Somalia's Membership in International Organizations

United Nations and U.N. specialized organizations and subordinate agencies such as ECA and UNCTAD

Group of 77

OAU [Organization of African Unity]

Islamic Conference

Arab League

Arab Economic Organization

Non-Aligned Countries Movement

Free-Trade Zone of Eastern and Southern Africa

Associate Member of the European Communities (ACP [African, Caribbean, and Pacific Countries])