



**REPUBLIC OF
SOMALILAND**



**Ministry of
Energy &
Minerals**



**MINING AND
MINERALS
POLICY**
- 2025 -



We welcome the business elites, financial organizations and international exploration and mining companies to experience Somaliland's re-energized investment climate:

Strategic location

At the Red Sea - Gulf of Aden with close proximity to the Bab El Mandeb strait.

A very progressive and investor friendly mining and minerals governance architecture (Somaliland Mining Act, Mining Regulations and Mining Policy)

Rich and diverse

geology with vast mineral resource endowment, Somaliland is on the Mozambique belt (high value gemstones and other base minerals- industrial minerals such as gold, lead, zinc, tantalite-Columbite, tin, quartz crystals as well as marble, limestone, dolomites and gypsum)

Well-developed social and physical infrastructure (ports, int'l airports, seamless road network, well-developed ICT & telecoms).

Market-driven shilling exchange rate

One stop shop to enable ease of doing business

Increased investment incentives and friendly fiscal regime

- Protection and promotion of agreements
- Bilateral treaties
- Trade agreements
- Corporate tax at a 10% flat rate
- Payroll tax also at a flat rate of 6%
- Sales tax at 5%
- 3 year exemption from corporate tax
- Tax exemption from imports of investment machinery and equipment.
- Special royalty considerations (reduction, suspension and deferred royalty payments)
- Preferential agreements (mineral agreements with stability clauses, profit/benefit sharing agreements)

Foreword



Somaliland offers plenty of growth opportunities as the country looks to diversify away from livestock production and export as the dominant mainstay of the economy. While all economic pillars and associated sectors bear equal significance for Somaliland, the energy and extractives are critical to realising the nation's economic growth.

Over the past few years, the country has made significant progress in laying the foundation for large-scale Investments, both domestic as well as foreign. The Government has made tremendous effort to promote trade and investments, marked by a commitment and a strategic approach to governing the economy in a way that does not stifle dynamism and growth. For foreign investors, this means little interference in terms of the establishment and disposal of enterprises as well as repatriation of capital.

Whilst Somaliland is a nascent and fledgling mining jurisdiction, the perfect combination of the country's geological prospectivity, political, economic and fiscal stability, and recent infrastructural developments such as the expansion and modernization of the Berbera Port and road corridor, have made Somaliland an emerging and attractive mining destination. These factors coupled with recent discoveries of minerals and exploration for hydrocarbons have seen an increasing number of foreign mining companies making enquiries or seeking for licences and mineral rights concessions in Somaliland.

Somaliland sits on the prolific Mozambique belt as other key mining jurisdictions in Africa. Meanwhile, over the last two years we have witnessed an increasing interest from Somaliland citizens seeking to venture into exploration and mining activities albeit in small-scale project development. The process by which mining companies acquire a license and mineral rights concessions in Somaliland is fair, transparent and equal for both local and international companies. Our immediate priority as Government is to ensure that we have an adequate and enabling policy framework, legislation, regulatory and fiscal regime in place, in order to facilitate the development of mining and minerals sector in Somaliland.

Somaliland Mining Act, Mining Regulations and this Mining and Minerals Policy provide decidedly positive environment and incentives to investors in the mining and minerals sector in Somaliland. The fiscal terms provided to investors under the Mining Act as well as the Finance Act are quite attractive and compare favourably with other mining jurisdictions. For instance, capital allowances are much higher for mining companies in the first years after setting up and embarking on exploration work. This gives relief in terms of taxes paid in the early years of commencing operations.

Furthermore, the royalty regulations under the Mining Act provide for stability clauses under the mineral agreements as well as suspension, reduction and deferral of royalty payments in special circumstances which are additional incentives.

**H.E. Hon. Eng. Ahmed Jama Barre
Minister for Energy and Minerals**

Our comprehensive and responsive new mining governance architecture is aimed at ensuring that investments in the mining and minerals sector in Somaliland is not only attractive but also successful. Our intention is to support your decision to invest in the mining and minerals sector in Somaliland and to ensure that the benefits of such Investments are shared in an equitable and balanced manner between the government and people of Somaliland on the one hand and the investor on the other. We therefore invite you to experience our robust and friendly investment climate. Join us in making this sector a success.

Acknowledgement



The Somaliland Mining and Minerals Policy is a real fit and a barometer for growth and investment opportunities. The Policy provides important features, analysis and insights to assist those with the desire for more exploration as well as for other industry stakeholders in the mining and minerals sector in Somaliland. It is aimed at ensuring that we attain highly productive yields in mining businesses and investments and overall advancement of the industry.

Many individuals have put a great deal of effort in the development of this Policy document. I wish to express our gratitude to all those who contributed to the development of the Mining and Minerals Policy. We are greatly indebted to the Hon. Jama Haji Mahamoud Egal, former Minister for Energy & Minerals, for providing overall strategic direction, guidance and oversight in the preparation of this policy document. We acknowledge and emensley appreciate the critical role and strategic oversight of Hon. Abdilahi Farh Abdi, Minister for Energy & Minerals, who has enabled continuation and completion of this project. He has enabled Somaliland to achieve the dream of having a progressive Mining and Mineral policy which will go along way in harsening of the potential of the mining and mineral sector.

The dedicated role and technical stewardship of Omer Yusuf Omer, the former Director of Minerals is greatly appreciated. We also acknowledge the involvement and engagement of the technical staff of the Directorate of Minerals who provided useful inputs especially with regards to ensuring local context.

In addition, it is noteworthy to mention and gratifying to note the participation and input of Ahmed Mahamoud Adan, Director for Petroleum as well as other key technical staff from various Directorates in the Ministry including Energy and Petroleum. The advice from the legal experts in the Ministry especially in ensuring cross-referencing with various Somaliland laws were quiet helpful.

Lastly but not least, I would like to express our profound gratitude to Abdirahman Ismail, Senior Consultant on Energy & Extractives and the lead consultant for the development of this Policy for his crucial role and for investing a great deal of effort and time guiding the Ministry's technical team in this undertaking.

Abdirahman was assisted by Yassien Abdillahi and Elisha Moseti Ratemo in the research work and collating material resources while Boniface Gor and the Digimatt Solutions Limited team in the graphic design, formatting and printing of the Policy.

It is our hope that the Somaliland Mining and Minerals Policy will provide useful information and guidance to prospective investors in this sector in Somaliland and that this will lead to increased number of exploration and mining concessions.

Shu'ayb Osman Mohamoud
Director General for Energy and Minerals

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CHAPTER

1



Introduction

1.1 Background

Somaliland is a sovereign and independent state. Somaliland got her independence from Great Britain on 26th June, 1960 and joined Somalia in a voluntary union on 1st July, 1960, barely a week after earning independence statehood.

Somaliland has had a stable democratic government for the past 3 decade and is in a path of social, political and economic home-grown reconciliation reconstruction and development since reclaiming and re-asserting independence and withdrawal from the failed union with Somalia in 1991.

Somaliland is seeking international recognition in order to be and contribute more positively as a member of the community of nations. Somaliland meets all requirements for statehood under international law.

Somaliland's interior covers a total of 176,120 square kilometer. The country has a coastline of 850 kilometers with Djibouti to the west, Ethiopia to the south, Somalia to the east and the Gulf of Aden to the north. The country is divided into three main topographical zones, roughly split on an east-west axis called the Oogo, the Guban and the Hawd plateaus. Somaliland has a projected population of 4.2 million people in 2020.

In order to ensure economic growth, social progress and development, Somaliland has embarked on an effort to improve the policy, legislative and regulatory environment to create an enabling environment to attract foreign investments and financial inflows. The country's capacity to mobilize revenue, allocate and account for public funds has improved tremendously. In addition, the country continues to work with various international partners in efforts to render Somaliland more private-foreign investment friendly. These investment climate reform processes have in many contexts ensured the country's business environment is friendly, competitive, stable, transparent and equitable.

Somaliland has a favorable geological setting for mineral resources and potential for world-class discoveries as the country sits on paths of the Mozambique orogenic belt which is the source of diverse and high value gemstones, precious

1.2 Policy Context

These mineral resources when exploited in an environmentally sustainable and socially responsible manner can diversify the economy of the country. Economic diversification by investing responsibly in the extractives sector is expected to generate more revenue for the Government to invest in physical and social infrastructure, in order to promote human development, social progress, economic growth and overall development.

The Constitution of Somaliland 2000 vests mineral resources in the National Government in trust for the people of Somaliland. A new mining code with enabling regulations has been developed as part of a scheme to improve and advance the governance architecture and management of the mining



Ahmed Saeed Mohamed,
Department Director for Minerals

metals as well as other base minerals. There is high potential for deposits of tin, copper, tantalite-columbite, manganese, lead, iron ore and platinum group elements (PGE) as well as gold-bearing veins. There are also large deposit of construction minerals such as marble, limestone and dolomites. Somaliland has substantial deposits of gypsum thought to be one of the highest reserves in the world. Recently there have been a number of foreign companies and an increasing number of small scale local miners operating in gemstones, copper, jade and gold.

and minerals sector. The National Vision 2030 of Somaliland has identified mining as one of seven priority sectors which are critical to the economic development agenda.

The mining industry is an international business involving complex global investments, financing mechanisms and mineral markets, hence the need for this policy to be put into a global, regional and local contexts. At the continental level, the African Heads of State and Government adopted the African Mining Vision in 2009, which is a continental blue print aimed at positioning mining as a key driver of Africa's socio-economic development. This policy are draws from and is anchored on the Africa mining vision (AMV).

1.3 Policy Rationale

1.3.1 Somaliland National Vision 2030

Since its inception in 2011, the Somaliland National Vision 2030 has provided commonly owned goals concerning Somaliland's future and enabling the country to take ownership of her developmental agenda. The vision continues to inspire the nation and its leadership to pursue a development trajectory anchored on a stable, democratic and prosperous country.

The vision enables resource mobilization and the means to overcome development challenges aimed at reducing

poverty and attaining higher standards of living. Development partners are expected to align their support and interventions with national priorities and aspirations.

The mining sector is among the seven priority sectors identified as crucial to the development agenda of Somaliland. The vision envisages to establishment over state with the strong mining sector that exploits the rich mineral resource of the country and to stimulate economic growth contribute to increased revenues and overall development.

1.3.2 National Development Plan (NDP)

The National Development Plan (NDP) sets to achieve poverty reduction through economic opportunities and coordinated investments in youth, services, production and infrastructure. The NDP is also aimed at increasing resilience against the effects of climate change through improved management of the environment, strategic water management, food security and diversification of the economy. In addition, the NDP is underpinned by the need to ensure the human rights of every citizen are maintained through good governance, equal access to social services and economic inclusion.

The National Development Plan II (NDPII) recognizes the extractives sector as a critical foundation for Somaliland's current and future socioeconomic development. While all economic pillars and associated sectors bear equal significance for Somaliland, the Government has identified the extractive sector especially mining and minerals as the most critical in realizing the nation's aspirations for a diversified economy and quick growth.

This Mining and Minerals Policy alongside the new Somaliland Mining Code and Mining Regulations are aimed at providing policy, legislative and regulatory frameworks aimed at significantly improving and enhancing the mining governance architecture in Somaliland.

This overarching mining and minerals policy is a shift away from addressing issues affecting the mining sector in an ad hoc manner. The Mining Policy is expected to address the challenges facing the mining and minerals sector in Somaliland which included lack of predictability and certainty hence low investments in the sector. The policy is therefore expected to provide clear guidance for sustainable and profitable and beneficial mineral resources in Somaliland.

This Policy will address gaps that have existed in the mining sector and align the industry's strategic direction with the Somaliland Constitution, Somaliland vision 2030, Somaliland National Development Plan (NDPII) and the African Mining Vision as well as industry best practices. It is aimed at strengthening the institutional framework for mining and mineral sector and address governance and operational issues as well as environmental protection, equity, mineral value addition, post mine closure activities, capacity development and mainstreaming of artisanal and small-scale mining This Policy will promote the use of appropriate technologies including geo-spatial technology and airborne geo-physical surveying in order to enhance information on the country's mineral potential and increase investments in the mining and minerals sector.





CHAPTER

2



Situational Analysis

2.1 Economic Context, Infrastructure Development and other Enablers

Over the last twenty years, Somaliland's economy has undergone through important transformation. The livestock sector which was traditionally the dominant sector of the economy has continued to face challenges including from a range of man-made and natural calamities. The factors that have been challenging to the livestock economy include increasing cycles of recurrent droughts due to climate change as well as restrictions in leading export markets. Whilst livestock exports remains the mainstay of the economy, accounting for nearly a third of Government's total revenue, there has been a new policy shift and economic development trajectory paving the way for diversification of the economy.

This has led to the development of a range of new sectors and industries including tele-communications, construction/real estate and other service sectors which are more resilient. Although relatively less developed, agricultural

2.2.1 Economic infrastructure

Somaliland's economy is characterized and operates on the principles of economic liberalism, free enterprise, competition and minimum regulation and interference by Government in order not to stifle dynamism and growth. Government has made it easy for foreign investors to establish businesses, dispose enterprises and repatriate profits and capital.

In 2016, the Dubai Port (DP) World was awarded a 30-year concession to expand, modernize and manage the Berbera port in an investment deal worth approximately USD442 Million. The agreement with the DP World includes developing the Berbera Corridor from the port of Berbera to the Ethiopian border. This project is well underway.

production and fisheries are among additional sectors currently attracting private investments. Moreover, there is resurgence in the exports of frankincense, myrrh and gum Arabic which are traditionally major export activities in the eastern part of the country.

Somaliland's strategic location on the Gulf of Aden and its close proximity to the Bab El Mandeb strait which hosts a third of the world's maritime and trade traffic makes it an attractive destination for trade and investment. On account of its strategic location, Somaliland has attracted a number of major trade and development deals. In 2012 Somaliland Government awarded concessions for exploration of oil and gas to four international companies namely Genel Energy, Plc (UK-Turkey), DNO International, OSA (Norway), RAK Gas, LLC (Dubai) and Ansan WIKFS.

A number of multilateral and bilateral donors and strategic partners including the EU and other bilateral donors have provided long-standing support in the areas of market access and the creation of a competitive, sustainable and inclusive market.

Somaliland is served by a number of international airline carriers with daily flights from Hargeisa to various capitals. Meanwhile, the government with assistance of partners is making investments in roads, ports and airports as well as enabling and facilitating private expansion of tele-communications and other ICT infrastructure.

2.2 The Mining Code and Regulations

Somaliland has not had a mining and minerals policy before. This mining and minerals policy is aimed primarily at maximizing the national economic benefits from the development of the national minerals resources. Over the past few years, the Ministry of Energy and Minerals embarked on the development of a national mining code and regulations.

The mining code is designed to be relevant to the needs of a modern mining sector and is intended to improve the mining governance architecture. The aim is to have a transparent, stable and predictable mining regime which is attractive to both domestic and foreign investors and increases revenue for the government.

The Mining Code and Regulation are designed to address changing industry needs and trends and also conform to international best practices. Furthermore, the Code deals with deficiencies in the old mining and minerals regime which excluded certain minerals from the mining jurisdiction such as quarrying and construction minerals, salt and gaseous minerals.

In the past, the licensing process was based on ad-hoc administrative procedures and discretionary powers of the licensing authority. There were no elaborate guidelines on licensing timelines, verification of technical and financial capabilities of applicants to undertake exploration and

mining operations. Oversight mechanisms for health and safety including mine closure and use of explosives and for environmental protection were weak or non-existent. This led the process to be open to manipulation by speculators who either sell or hoard mineral rights for financial gains.

The key features introduced by the new mining code include a four tier royalty sharing framework between the different levels of government (Central Government, the regions and districts) and mining communities. In addition, elaborate safeguards on local content (employment and training of Somaliland citizens as well as procurement of local goods and services) have been introduced in the Act. Furthermore, corporate social responsibility (CSR) has been made mandatory under the mining code and given an elaborate structure. CSR has been restructured to become Community Development Agreements (CDA-s) which are formal agreements to be entered into between the government (Ministry responsible for mining and minerals), mining companies and affected communities. CDAs obligate mining companies to allocate 1 percent of their gross annual revenues or agreed cash lump-sum to communities directly affected by mining operations. Meanwhile nineteen (19) mining regulations have been developed to enable implementation and to give effect to the Somaliland Mining Act.

2.3 Access to Land for Exploration and Mining

The Constitution of Somaliland vests minerals on the National Government in trust for the people. At the same time, it sanctifies rights to property including land. Mineral operations are undertaken on, in and or under land surface. However, with regard to mining and mineral activities, the Mining Act supersedes all other statutes on land use. The Mining Act takes special consideration for certain reserve lands such as cultural heritage and religious sites, designated national forest reserves, national game parks and reserves, water catchment areas etc. These areas are generally excluded from issuance of mineral rights concessions.

The Mining Act and Regulations ensure:

- Fair application on the acquisition of land rights for mineral operations and the obligations regarding resettlement of land owners and lawful occupiers.
- Transparent and predictable procedures in the assessment of compensation claims and the disputes concerning compensation.

- Healthy co-existence between various land users for mining and other forms of economic activities particularly agriculture (crop husbandry and nomadic pastoralism) and forestry

2.4 Geological Data and Information

This policy seeks to guide the transparent, equitable and optimal exploration and exploitation of mineral resources to achieve sustainable growth and socio-economic development. It is designed to support and address the complex linkages that must be unlocked to make mineral resources developmental. Therefore, the need for Geological and geo-spatial information for governance and developmental outcomes cannot be gainsaid.

While Somaliland geology is rich and the country has immense mineral endowments, this remains under-explored

and under-exploited largely due to inadequate investment in acquisition, processing and dissemination of geological and mineral data of the country. Insufficient geological data is one of the key hindrances in attracting investments to the sector. Improved geological data and mining information systems to underpin investments in explorations and mining is critical to unlock Somaliland's minerals potential in order to attract investments in the sector.

2.5 Mineral Marketing and Value Addition

Somaliland is endowed with rich mineral resources ranging from gemstones, precious metals, base metals, industrial and construction minerals amongst others. This necessitates the policy focus on the development and promotion of extractive industries and mineral value addition as these resources have a high potential to generate wealth and contribute to socio-economic transformation of the country. Their exploitation has, however, been limited and largely based on production of mineral commodities for export without further processing to add value in the form of intermediate goods or final products.

Somaliland's effort to promote investment in the extractives sector faces a number of challenges, including;

- Lack of comprehensive information on mineral resources potential
- Inadequate capacity in terms of capital, skills, and technology.

The focus is therefore, a formulation of a programme of measures aimed at improving the regulation and development of the extractive and mineral processing industries, with a view to ensuring more economically integrated and evenly spread industrialization in the country.

Currently, the country has little to no strategy for marketing, promotion and value-addition of minerals. The few minerals mined are exported in raw form and as a result, the country does not harness maximum returns for its mineral wealth. The low level of value addition of minerals is attributable to inadequate expertise, under- development in the minerals processing industry, lack of appropriate technology and high energy costs. There have been limited initiatives towards branding, promotion and marketing the country locally, regionally and internationally as a preferred mining destination.

2.5.1 Key Policy Objectives and Interventions for Mineral Promotion, Value Addition and Marketing

The production of value-added mineral and metal products is an important source of jobs for citizens of Somaliland, especially as the primary production of mineral and metal commodities becomes increasingly globalized. Through its science and technology programs, the Government shall provide assistance to this sector in its efforts to achieve sustainable development goals, for example, in the areas of environmental quality, safety, and the efficient use of energy and materials.

The Government will continue to provide assistance to the value-added sector, including the following activities:

- i. Implementing a collaborative technology partnerships program to enhance technological innovation, competitiveness, and productivity;
- ii. Developing, in partnership with industry, technologies to improve the manufacturing processes for, and the performance of, mineral and metal-based products.
- iii. To establish and strengthen national capabilities in industrial mineral management, extraction, prospecting, processing and marketing.

- iv. To improve knowledge and information on availability and utilization of mineral resources through appropriate information collection, dissemination and exchange mechanisms both locally and internationally.
- v. To provide an assessment of the necessary complimentary infrastructure support which is necessary for investment in mineral processing (access to affordable and reliable energy, special economic zones, road infrastructure linking mineral belts with processing centres)
- vi. Assessment of the nation's mineral resource potential and their regional spread and options for development and utilization in each region.
- vii. A diagnostic assessment of institutional strengths and weaknesses that hinder the utilization of available mineral resources and institute measures to alleviate such constrains both at national and sub-national levels.
- viii. Development of promotional materials i.e. inventory and project profiles of mineral resource space and their potential industrial utilization as well as available incentives.



2.6 Institutional and Human Capacity Development

The Government of Somaliland recognizes the potential of institutional and human capacity development to contribute to the country's economic development. This is demonstrated through series of reforms the Ministry of Energy and Minerals has embarked on culminating in the development of a Somaliland Mining Act and Mining Regulations as well as this Mining Policy. These critical actions which are enablers to capacity development are under-pinned by the formalization of artisanal and small-scale mining and the promotion of local content.

The link between capacity development and poverty reduction is well recognized. Institutional capacity building is not only essential for national development, but also crucial in the realization of Sustainable Development Goals (SDGs).

Good governance structures, skills of personnel and capacity of agencies managing the mining and mineral sector are critical to successfully apply legislation and regulatory frameworks. High levels of transparency are key to attracting and retaining increased investments in the mineral sector.

The main components of institutional and human capacity development shall provide for;

- i. Capacity building to restructure and strengthen the Ministry of Energy and Minerals towards Mining Law enforcement. This includes organization and staffing of key technical and administrative units with new staff, training of staff, new work procedures and processes as well as supply of equipment and rehabilitation of facilities.
- ii. Proper computer-based minerals information systems including back office application, filing and records and computer-based mineral rights register shall be established. Ultimately, the goal is to establish a fully-fledged and functional online transactional mining and minerals cadaster.

- iii. Geological infrastructure which includes the preparation of digital geological maps and development of a database for compilation/ update of geological information shall be established.
- iv. Geophysical airborne survey to support geological mapping shall be implemented with component for final processing and printing of digital maps.
- v. Environmental management systems to improve capacity building at the Ministry for monitoring and enforcement of environmental regulations with linkages to the Ministry of Environment.

Somaliland must compete as never before to attract investment capital to sustain its minerals and metals industry. In this regard, all government ministries are expected to work together to ensure that a positive investment climate is maintained. As a consequence, the Government shall make series of commitments in the spheres of finance and taxation, regulatory efficiency, and investment and export promotion.

The mining sector is a highly technical field which requires specialized skills and well-structured equipped institutions. Currently, data acquisition and regulation of the industry are lumped under one department (Mines and Geology). This arrangement undermines efficiency and effectiveness since the two mandates experience different challenges. The existing arrangement also lack relevant supporting institutions hence affecting enforcement, compliance and service delivery.

For a long time, the country has had no institutions for training in mining and related fields. This has resulted in capacity gaps within the sector as the few trained abroad have often fallen victims to brain drain. This has been further exacerbated by the fact that the industry is poorly incentivized.

2.7 Sustainable Exploitation of Mineral Resources.

Due to dynamics of economic growth in many countries around the world which has seen excessively intense and uncontrolled use of natural resources, the critical need to reduce these unfavorable phenomena through sustainable exploitation and use of natural resources has become an integral part of mineral development policy. This hallmark of policy is aimed at ensuring further existence of life on earth while ensuring the need to meet basic needs of all people and those of future generations through sustainable development of natural resources.

The implementation of **sustainable development** as envisaged in this policy aims at the integration of activities in the following three key areas:

- Technical and economic activities ensuring **economic growth**.

- Ecological, ensuring the **protection of natural resources** and the environment.
- **Social responsibility**, which entails care for the employee at the workplace and community development in the area of the mining environment.

Sustainable development is an ongoing process and not a temporary undertaking which requires the means and strategy for achieving them in all the three areas above. Hence, the emphasis of one area leads to a crisis across the entire area of mining activity.

Economic growth is aimed at achieving long-term sustainability both in terms of planned production volumes, meeting the needs of industry, achieving economic efficiency obtained from the sale of the excavated minerals as well as balancing with the interest of the government and communities.

Protection of natural resources and of the environment means concern for the earth and protection of her resources through rational acquisition, by mitigating against depletion. This also means taking measures that minimize the negative impact of the different processes related to the extraction of mineral resources on the various forms of the geological and natural environment on the surface.

Social responsibility, taking into consideration the nature of mining environment, this means above all ensuring safe working conditions, but also concern the social aspects of mining, including the families of miners, the mining environment, mining communities etc.

In practice, every mining activity disturbs more or less, the conditions of the natural environment. These changes include the following:

- i. Deformations of ground surface in the form of subsidence, horizontal deformations, discontinuous deformations, seismicity induced by mining activities,
- ii. Various changes of water relations,
- iii. Impoverishment of the soil,

- iv. Emission of gas and dust,
- v. Noise pollution.

This policy envisages and underlines the necessity to develop technologies for extracting mineral resources so as to eliminate or minimize the negative effects of mining processes. It's also aimed at promoting the development of technologies to repair the effects of mining so as to restore the lands used for further use (development and implementation of technologies for the reclamation of post-mining areas)

It should be emphasized the activity of mining plants regarding the care of natural environment is one of the most important elements of the social responsibility of mine operators. Meanwhile, the concept of health and safety in mining includes a number of inter-related elements including technical, social, organizational and legal measures. Their level and degree of implementation form what is called the best practices and have a decisive impact on safety.

Public awareness that mineral resources are non-renewable assets, is, unfortunately, low and therefore improvements or changes to the situation in this area is another key challenge and an important focus of this policy.

2.8 Recycling of Minerals and Metals

As Somaliland gears to join the league of mining destinations with expected increase in minerals exploration and exploitation, the mining and minerals industry is expected to play an essential role in Somaliland's economy by providing jobs and skills becoming the economic foundation for communities. These expected contributions cannot be over emphasized for they will be an important part of the economic and social fabric of Somaliland society. As we look ahead into the future of Somaliland's minerals and metals industry, dramatic changes will occur, brought about by several challenges including most importantly concerns about the state of our natural environment and the need to achieve sustainable development.

This policy shall pursue an elaborate process of consultation with a broad-spectrum of actors and stakeholders in the country including various relevant government agencies, industry players, civil society organizations, and representatives of communities in mining areas.

The policy sets out elaborate parameters for decision making on minerals and metals including a recognition of the need for sound science, the importance of global markets, and the benefits of both regulatory and non-regulatory approaches in pursuing environmental protection.

It commits the government of Somaliland to continue efforts to secure international mineral investments and notes the importance of a fiscal and tax environment that recognizes the special challenges of the industry and its global context.

This policy builds on other important commitments and initiative of the Government that relate to national development as contained in the Somaliland National Vision

2030, the National Development Plan (NDPII) as well as the Public Finance Management Act (PFM) which are all expected to work in synergy, convergence, and complementarity.

The Government remains cognizant of its international obligations and will continue to consult with the industry and other stakeholders in deliberations on the appropriate management of recyclable materials. In approaching these discussions, and without prejudice to their outcome, the Government will follow a risk-based approach to the regulatory management of recyclable metals and metal-bearing materials.

Given these substantial benefits to the country, the Government, within its jurisdictional responsibilities and resources, shall:

- i. work with the industry and other stakeholders to enhance the efficiency and effectiveness of regulations and remove unnecessary impediments to recycling;
- ii. promote a more efficient metals recycling industry through better collection systems and technological advances in separation and recovery processes;
- iii. encourage the development of products that take into account recyclability in their design; and
- iv. promote, in both domestic and international fora, common approaches to the definition of waste that underline the need to differentiate between metal-bearing recyclable materials destined for recovery operations on the one hand, and wastes destined for final disposal on the other.

2.9 Gender and Child Labour

Artisanal and small-scale mining (ASM) continues to proliferate in many parts of Somaliland as a large number of rural people get involved in the sub-sector. Child labourers and women are increasingly participating in this “male-dominated” economic pursuit.

As the Government continues to consider mining to be among the emerging drivers of the economy, ASM is expected to further expand in scope and volume of productions. There is therefore, the need for policy to address the broader context of mining in the country particularly with the respect to the involvement of women and children in this sub-sector. An increasing number of children and women are engaged in low-cost, low-tech, labour-intensive excavation and processing of minerals. A clear distinction can be made between industrial and large-scale (usually licensed) mining on the one hand, and artisanal and small-scale (often unlicensed) mining on the other. Small-scale mining also includes all lower segments of mining (both non-mechanized and mechanized) that are not conventional industrial mining operations.

It is difficult to make estimates on the number of children working in mines due to a lack of clear data on the topic and the lack of uniformed definitions on what constitutes child labour. Moreover, ASM is by definition informal and often illegal, thus practitioners operate in secret making assessment of this menace to be difficult.

Some of the risks of child labour include:

- Work which, by its nature or the circumstances in which it's carried out is likely to harm the health, safety or morals of the children.
- Work which exposes children to physical, psycho-social or other forms of abuse.
- Work underground, underwater, at dangerous heights, or in confined spaces.
- Work with dangerous machinery, equipment and tools, or which involve the manual handling or transport of heavy loads.
- Work in an unhealthy environment which may, for example, expose children to hazardous substances, agents or processes or to temperatures, noise levels or vibrations damaging to their health.
- Work under particularly difficult conditions such as work for long hours or during the night or work where the child is unreasonably confined to the premises of the employer.

Hazardous work represents the largest category of the worst forms of child labour. These forms of child labour are considered to be the most harmful and lead to adverse effects on the child's safety, physical or mental health and the moral development.

Many studies around the world have revealed that the extractive industries have different impacts upon men and women in a variety of ways. This policy focuses on the important need to try to understand those impacts and to determine mitigation measures and programmes needed to address them. Gender mainstreaming is the inclusion of both men's and women's perspectives in designing policy and carrying out its implementation with the goal that policy or programme being delivered will be gender sensitive.

This policy aims at enabling gender equality and gender mainstreaming as part of the solution to inform decision making to improve gender balance in the mining industry.

Women, including those in communities are often seen as being more vulnerable in each of the mining development stages- from exploration to closure. They are at risk of being excluded from employment and the consultation process and are affected differently by mining operations due to their gender-related roles.

Some of the measures that shall be instituted under this policy include:

- Implementation of gender-blind policy by mining companies and using gender-sensitive approaches in their policy-design and operations.
- Providing same access for men and women in terms of recruitment, promotion, and career development.
- Provision of gender-sensitive facilities and personal protective equipment to make women comfortable working in the field.
- Diversity policy in employment by encouraging more women's participation
- Targeting a certain percentage of women representation without neglecting individual competence.
- Participation of men in trainings to stop sub-conscious bias and all forms of harassment at the workplace.
- Trainings to both men and women in gender related issues.

The Ministry of Energy and Minerals shall work closely with the Ministry of Employment, Social and Family Affairs to ensure that appropriate child labour laws in the mining industry are enacted and enforced. Together with the relevant institutions, the Ministry will monitor and report the levels of child labour in the mining sector to curtail the vice.

2.10 Artisanal and Small-Scale Mining (ASM)

Artisanal and small-scale mining (ASM) is a complex and diversified sector that includes poor, informal individual miners seeking to eke out or supplement a subsistence livelihood to small scale, formal, commercial mining activities that can produce minerals in a more respectable and structured way. Most times ASM operators work outside the legal and formal frameworks. This policy aims at ensuring the contributions of ASM to sustainable development are acknowledged, appreciated and supported by the Government, development partners and other actors including the private sector.

Some of the policy measures shall include:

- Creating clear legal frameworks and regulatory mechanisms to facilitate the organization of ASM, access to Mineral rights and ensuing obligations for ASM,
- Providing technical support to build capacity of ASM,
- Developing and replicating formalization strategies on the basis of lessons learned,

2.10.1 Financing of ASM Activities

One of the most fundamental constraints that hinders the ability of ASM to upgrade their operations and have better returns is the lack of financial capacity and support. With limited cash on hand, ASM find it hard to invest on equipment and supplies without access to credit. Financing for mining operations is a key pre-requisite for sustainable development.

Currently, artisanal and small-scale miners rely on what is sometimes referred to as predatory lenders for materials and supplies which obligates them to sell their commodities, particularly gold and gemstones to these lenders at below-market prices. This creates a cycle of dependency that is a barrier to their achieving optimal benefit from mining activities.

By strengthening their access to financing and credit, greater profitability is realized as miners will use best practices in their mining operations and also participate in the broader market, eventually this gives greater stability to the mining and minerals sector.

A pre-requisite for many financing systems and lenders includes the requirement to have property rights and assets including mineral licenses as collateral security. Given that most ASM often lack collateral and do not qualify for conventional commercial credit, this policy seeks to address their needs through a variety of measures and strategies including:

- Formalization and legalization of ASM activities and issuing them with licenses and permits which they can present to lenders,
- Establishing public loan programmes and /or community-based private financing (create revolving funds),

- Facilitating and devising mechanisms to enable access to financing and credit,
- Encouraging initiatives for standards and certification of ASM “Fair trade”, conflict-free minerals to harmonize and grow in scale,
- Legalizing and formalizing ASM operations through licencing and permitting,
- Designation of dedicated zones for ASM,
- Provision of technical training to improve productivity, safeguarding the environment and for compliance with health and safety standards,
- Strengthening, monitoring and enforcing laws on child labour in ASM operations,
- Strengthening the role and security of women involved in ASM.

- Public private partnerships (PPP),
- Providing non-loan financial assistance,
- In kind assistance,
- Commercial bank loans,
- Establishing mining and minerals saving and credit cooperative societies (SACCOs),
- Micro-finance funds

These schemes shall be based on low-cost of loans and designed to be revolving funds that allow the creation of a constant flow of credit. The revolving funds shall focus on small loans to specific targets, primarily for financing mine development, equipment acquisition and emergency-response efforts. All the above schemes are aimed at providing financial support and enabling access to affordable credit to ASM.



2.10.2 Strategic Actions and Partnerships

Elaborate and strategic partnerships shall be created between the Government, development partners including bi-lateral and multi-lateral funders, non-governmental organizations (NGOs) as well as banks and other financial institutions in order to support mining and minerals sector.

Specific initiatives shall include:

- Government and its various partners and actors work with miners to develop improved financial management practices in order to reduce their reliance on predatory lenders,
- Create rights in the form of mineral licenses and permits for formalization of the sector,
- Work with banks to establish lines of credit for miners. The Government shall negotiate with banks to give

miners easy access (a special means) to financially support them for equipment purchase, mine development, processing plant set up, emergency loan, equipment hire-purchase schemes, buyer/ credit schemes etc,

- Work with miners to develop revolving community finance and credit savings schemes that generates funds which can be used to make loans (SACCOs).

Every effort shall be made to ensure that credit or loans are not used as "donations or gifts", because providing capital for free can create distortions and dependency that would be difficult to correct in future. In view of the fact that the country's population is Muslim, loan and credit schemes shall take into account Shariah compliance schemes and consider the ability of the miners to pay back when setting loan limits and repayment periods.

To this end, this policy shall:

- Promote participatory and collaborative approaches for local communities to engage in decision making relating to mine planning, development and de-commissioning.
- Enhance sustainable livelihoods in mining communities.
- Ensure respect of the rights of communities that host mineral resources.
- Eliminate discrimination in employment selection process based on gender, ethnicity, disability or social status.
- Further promote the protection of children's rights and other human rights in mining and minerals sector.

The Somaliland Mining Act, Mining and Mineral Policy and Mining Regulations have elaborate local content measures. And these measures are expected to leverage the current and growing interest in investment in mining in Somaliland which is expected to have a transformational impact in terms of diversifying growth, jobs and wealth creation.

The Somaliland Government through the Ministry of Energy and Minerals shall endeavor to facilitate the establishment and strengthening of collaboration platforms and communities of practice linking policy makers, companies, academics, civil society advocates to share and create knowledge around local content development in the mining and minerals sector. This shall be a one-stop-shop for current debates, peer exchanges, events and critical research that will allow the delivery of better results and local content. The essence of this policy is to build an active forum for mutually beneficial knowledge exchange to enable experts to implement the best local content solutions.

2.11 Local Participation

Public participation is a central pillar of any policy, legislative and regulations making process. This is a fundamental pillar of national values and principle of good governance including democracy and participation of the people, inclusivity, integrity, transparency and accountability. Public participation shall respect the freedom of all participants so as to enhance the participation of the people in the exercise of powers of the State and in making decisions affecting them.

In order to ensure effective public participation, the Ministry of Energy and Minerals shall put in place elaborate structures and mechanism to ensure participation in the adoption of this policy is open to all citizens, stakeholders and actors without discrimination and have safeguards against domination of the consultation by any one group.

2.12 Local Content

Local content is the value that an extraction project brings to the local community, region, or national economy beyond the resource revenues. The thrust of this policy is to encourage local content through requirements and targets written in national laws and individual contracts. Local content is aimed at leveraging the extractive value chain to generate sustained and inclusive growth through economic diversification. Local content has the potential to stimulate broad-based economic development and social progress at the various levels which is necessary to alleviate poverty, achieve prosperity and ensure sustainable economic and social outcomes.

2.2.0 Fiscal Regime

Fiscal terms for mining in Somaliland are covered under the Somaliland Mining Act, Somaliland Mining Regulations and the Somaliland Revenue Act, Somaliland Customs Act and the PFM Act.

The Mining Act provides for assessment of fees for licenses, permits and other activities related to exploration and mining. In addition, the Mining Act makes provision for royalties to the Government with respect to extracted minerals and is guided by regulations issued by the minister in charge of mining and minerals from time to time. Different royalty rates apply to different minerals.

The Government of Somaliland is seized with the fact that the fiscal regime (taxes, royalties, levies, fees, other charges and incentives) governing the country's mining and minerals sector is a key factor in determining mining companies' investments in exploration and mining projects. Thus, the Government aims at ensuring a balance between the interests of the country with those of mining companies. Somaliland's fiscal regime aims at ensuring equitable returns to the Government and providing clear fiscal guidelines specific to the industry.

The government has put in place a set of tools to determine how revenues from mining projects are shared between the Government and mining companies. These various fiscal tools include: royalties, taxes and production sharing agreements. The choice of tools the Government employs in the mining and minerals sector depends on balancing

2.2.1 Fiscal Terms

Fiscal terms for the mining and mineral sector in Somaliland is covered under the Somaliland Mining Act, Somaliland revenue Act, Somaliland Customs Act and the PFM Act.

2.2.2 Fees

The Somaliland Mining Act and Mining Regulations provide for mechanisms to assess fees, levies and other charges related to exploration, mining and dealings in minerals.

2.2.3 Royalties

The Somaliland Mining Act and Mining Regulations make provision for royalties to the Government at the various levels (central, regional and district) as well as communities affected/impacted by mining and mineral activities with respect to minerals extracted.

In this regard, the ministry responsible for mining and minerals shall from time to time stipulate the amount of royalty payable for a particular mineral and their respective pay-points such as Ex-mine gate or F.O.B.

Different rates apply to different minerals. The minister responsible for mining and minerals shall publish royalty rates in legal notices or official gazette notices which are publicly available. This information shall also be available in the ministry's official website.

of a number of factors including how the State hopes to receive the revenues, how to share the investment risk, how to respond to changes in profitability and how strongly to promote new investments.

Somaliland is a nascent but fledgling mining jurisdiction with an attractive geology. This has seen growing interest from both domestic and foreign companies seeking licenses and concessions for exploration and mining. This calls for a strong but transparent, stable and predictable fiscal regime designed to ensure that Somaliland attracts investments in the mining and minerals sector while at the same time maximizing revenues from the sector for economic growth and development.

In this regard, this policy shall ensure:

- Equitable sharing of the financial and developmental benefits of mining and minerals between the people of Somaliland and investors.
- Economic empowerment of Somaliland citizens by generating opportunity for local ownership and entrepreneurship in the mining and minerals sector.
- Sharing of royalties between the state and communities affected by mining
- Optimization of revenues generated from royalties, fees, levies and other charges as well as taxes.



2.2.4 Special Royalty Payment Considerations

The Somaliland Mining Act and Mining Regulations on Royalties Provide for special considerations such as Royalty Reductions, suspensions and deferred Royalty Payments in special and specific circumstances. These special royalty payment considerations are an added incentive to the basket of incentives.

Similarly, the Somaliland Mining Act and Mining Regulations provide for preferential arrangements under Mineral Agreements and profit/ benefit sharing Agreements between Somaliland Government and mining companies.

Such agreements provide for stability clauses and other incentives.

2.2.5 Monetary, Fiscal and Tax Policy environment and incentives

Whilst Somaliland's official currency and legal tender is the Somaliland Shilling whose exchange rate against the US dollar and other international currency is set and determined by market forces of demand and supply. The US dollars is in wide use and circulation as an un-official currency in the country.

Somaliland offers un-rivaled incentive to investors by allowing un-limited repatriation of foreign currency.

The inflation rate is low at a single digit of about 4% currently.

2.2.6 Tax Incentives

Cooperate tax is currently at a flat rate of 10%, while payroll tax is also at a flat rate of 6%. Meanwhile sales tax is 5%.

Other tax incentives include a 3yr tax exemption from corporation tax and tax exemption from imports of investments machinery and equipment.

CHAPTER

3



Policy Framework, Guiding Principles, Objectives and Strategies

3.1 Over-arching Policy Goal

The overarching policy goal of this is a written declaration of frameworks, principles and strategies that will guide the Government on the management of the mining and

minerals sector for economic growth and socio-economic development.

3.2 Policy Objectives and Guiding Principles

The following have been identified as a key policy objectives and guiding principles of the Mining and Minerals Policy:

- Maximize the national economic benefit from the development of mineral resources through diversifying the country's minerals production to promote a more sustainable economy.
- Optimize revenue generation through taxes, royalties, levies and other charges.
- Inter-generational equity and sustainable utilization of mineral resources.
- Integrating sound environmental protection, safety and health considerations in mineral resources development.
- Enhance capacity of state institutions and strengthen inter-agency collaboration in the management and development of mineral resources.
- Equitable and transparent access to mineral resources and benefit sharing.
- Promote social harmony between the mining companies and communities affected by mining.
- Generate adequate geo-scientific data to promote investments through enhancement of acquisition, processing and dissemination of geological and minerals data.
- Ensure transparency, accountability and public participation.
- Development of horizontal and vertical linkages to the other sectors of the economy.
- Provide a strategy for marketing, promotion and value-addition of minerals.
- Formalization and support to ASM operations.
- Developing a legislative and regulatory environment which is simple, stable, transparent and predictable and which provides benefit to the Government, investors and communities affected and impacted by mining and minerals activities.
- Promoting local content in terms of procuring of local goods and services as well as employment and training of Somaliland citizens.

3.3 Policy Strategies

3.3.1 Improving the mining and minerals governance architecture

STRATEGY 1:

Put in place a simple, stable, predictable, transparent and efficient legislative and regulatory framework for the mining and minerals sector.

Mineral resources belong to The People of Somaliland in common, and their stewardship is entrusted to the Government in accordance with the governing provisions of The Somaliland Constitution and Somaliland Mining Act. Under this framework, the House of Representatives of the Somaliland Parliament may make specific laws governing rights and interests of Mining companies.

The Ministry responsible for mining and minerals shall retain responsibility for the overall management of Somaliland's

mineral resources and policy-making, including the grant of mineral rights. The minister is responsible for day-to-day administration and is authorized to perform a range of specific duties and functions, including undertaking matters relating to minerals policy and the granting of mineral rights.

In the implementation of this policy, the minister shall ensure collaboration with the ministries and agencies responsible for environmental management, trade, finance, labour and the Attorney General among others.

3.3.2 Concession Management and Mineral Rights Allocation

Strategy 2:

Develop a transparent licensing system which will enable the efficient management of concessions and allocation of mineral rights.

A principal tool for the management of national mineral resources is a system of allocating rights to mining companies and persons to carry out minerals exploration and mining operations while at the same time performing explicit and enforceable obligations. The objective of a licensing system is to allocate mineral rights, in areas not proscribed, to those best able to generate improved knowledge about the mineral endowments in general, to delineate mineralization of commercial value and to carry out commercial production and supply of minerals in an efficient and responsible manner.

This objective can be best achieved through the establishment of a standardized licensing system, with the legislative, regulatory and administrative arrangements. Standardization enables mineral operations to be conducted on a level playing field and investment decisions to be based on factors that can be predicted and planned for. It also enhances the capacity of the mining authorities to administer the system efficiently and transparently. This, in turn, forms the basis for accountability to the People and the Parliament.

3.3.3 Geological Data and Information

Strategy 3:

Enhance collection, storage, access and dissemination to geological data.

Due to increased interest in the mining sector, there is a need to provide accurate and timely geological data and information. A large part of the country has not been surveyed to determine the mineral potential, thus the need for enhanced exploration. The information collected will enable the Government to identify more precisely potential mineralized zones. The data on mineralization will be hosted in a geo-data Bank and will be available to different stakeholders depending on need and user access rights arrangements.

This will also ensure that the sector has what it takes to attract and motivate well qualified professionals and firms. Projects to establish the extent of the country's mineralization through regional air-borne geophysical surveys and other surveys shall be continuously pursued.

To afford Citizens of Somaliland geo-science and other mining students opportunities to undertake practical training, mining companies will be expected to offer attachments and internships to students from the country's tertiary educational institutions. Appropriate guidelines and conditions for such attachments and internships shall be developed in collaboration with relevant institutions.

Provision of detailed geo-scientific information involves a lot of resource commitments, therefore, there is need to commercialize this to provide incentive for its sustainability.

3.3.4 Access to Land for Mining.

Strategy 4:

Develop legislative and regulatory mechanisms for accessing land for mineral development.

The Government of Somaliland recognizes that a critical factor in supporting a sustainable exploration and mining environment is maximizing access to land to enable continued exploration that will lead to new discoveries.

is critical to ensure consistency in procedures for access to land and security of tenure in order to commit to higher risks for investments.

Access to land for exploration also allows for the realization of new scientific understanding and new technologies that can be applied under differing social, economic or environmental climates. New economic discoveries usually occur after many years of significant investments into exploratory field surveys and targeted drilling programmes.

For many of the differing land uses, access to land is critical for Somaliland's long-term sustainability and international competitiveness.

The entire territory of the Republic of Somaliland belongs to the Government of Somaliland (as indicated in Article 12, Clause 1 of the Constitution). Land in the Republic of Somaliland is governed under the Land Management Act.

This is why for the exploration and mining operations, a predictable policy, legislative and regulatory environment

3.3.4.1 Urban Land

The main law governing land in towns and other urban areas is the Urban Land Management Law (LN: 17/2001) which has since been amended in 2008. The issue of land ownership especially in towns and urban centers has been

acknowledged as being extremely controversial and is often one of the factors that lead to public order problems.

Local authorities have the power to grant title to urban land.

3.3.4.2 Agricultural Land

Agricultural land is governed under the Agricultural Land Ownership Law (LN: 08/1999).

3.3.4.2.1 Rural/Range Land

Agricultural land is governed under the Agricultural Land Ownership Law (LN: 08/1999).

3.3.4.2.2 Land for Mining

Land is a critical resource for development particularly for the mining and mineral sector. An elaborate land policy and land tenure system is necessary to ensure security of mineral rights tenements without which meaningful investments can not take place. Land is generally an emotive issue and a source of resource conflicts. The Mining Act provides safeguards to the mining industry by providing mining rights concessions.

be categorized as follows:

- a. Public Land
- b. Private Land
- c. Community Trust Land(Rural rangelands)

Land tenure and use is divided into:

1. Urban Land
2. Agricultural Land
3. Rural/rangelands

In order to deal with and resolve conflicts and contestations about land, Somaliland has established a special land tribunal comprising of eight key ministries representing various development sectors. According to the Somaliland constitution, all land belongs to the state. Broadly land can

3.3.4.2.3 Surface Rights vs. Mineral Rights

The Somaliland Mining Law contends that all minerals belong to The People of Somaliland and shall be held in trust by the Government. As a result, land owners under various categories of land ownership in the Republic of Somaliland have ownership of surface rights which does not give them express ownership of mineral rights.

The People of Somaliland, the Government shall endeavor to facilitate acquisition of land by applicants of mineral rights. Access to land for exploration and mining may entail compensation, relocation and resettlement of the affected land owners and occupiers. As a result, the Government shall ensure prompt, just and adequate compensation to the affected. Where relocation and resettlement are unavoidable, they will be done with due regard to basic human rights, as enshrined in the Constitution, international standards and best practices. These issues require multi-sectoral interventions and there shall be concerted efforts to involve relevant institutions and stakeholders.

In order to acquire either a surface or mineral right one has to pursue the necessary application and acquisition procedures and processes which are held and managed by different governance arrangements.

In order to promote exploration and mining activities so as to unlock the country's mineral potential for the benefit of

3.3.5 Environmental Regulations in Exploration and Mining

Strategy 5:
Achieve a sustainable and well governed mining sector that deploys exploitation of minerals in an environmentally friendly, socially responsible and appreciated by the surrounding communities.

This strategy aims to frame environmental and social issues associated with exploration and mining such as land use policies and practices and to make sure there are clear enforcement and coherent policies, legislations, and regulations on land use, including criteria for determining for

a particular use which is factored and takes into account the social and environmental problems generated by mining.

The strategy shall deal with direct environmental and social challenges such as displacement of communities and disruption of livelihoods, pollution of water bodies and

ground water, social conflicts, post mine closure issues, community and workers health, safety and gender.

Major challenges in the sector including implementation of environmental laws and frameworks, the instruments and institutions for impact assessment and relations between mining companies, the Government and communities shall be addressed through elaborate legislation and regulation.

Government's objective is to achieve a socially acceptable balance, within the environmental regulatory framework, between mining and the physical and human environment and to ensure that internationally accepted standards of environmental protection are observed by all participants in the mining and minerals sector.

3.3.6 Health and Safety

Strategy 6:
Achieve an acceptable balance between mining and health and safety precautions to ensure that the sector operates within the approved (national and where necessary international) standards of health, safety and human rights protection.

The Government of Somaliland appreciates and recognizes the fact that there are generally hazards associated with working in many industries including mining. Mining industry has always been ranked among the ones that have the most dangerous working environments. Underground mining is a highly dangerous and hostile environment. This strategy therefore shall ensure the creation of safe workplaces that reduce these challenges so that mining can be conducted and sustained in a safe working environment.

The Somaliland Mining Act and Mining Regulations outline and provide for penalties for breaches of those obligations aimed at preventing such unsafe situations.

The various mining operations in Somaliland pose different types of health and safety hazards. The minerals and mining policy seeks to implement measures and systems to reduce mine-related deaths, injuries and diseases. It is recognized that both surface and underground operations, if not well managed, have the potential to result in workplace fatalities, injuries and diseases. The introduction of use of cyanides and mercury for gold processing in particular has introduced new risk factors within the mining industry. Surface mining operations have brought mining into proximity with the mining communities thereby creating new health and safety risks.

There are two main sources to ensure and define the standards of occupational safety and health for mining operations in Somaliland. These are Somaliland Mining Act and the Environment Health and Safety regulations. Several other regulations complement this role of ensuring health and safety. These include the mining regulations on the use of explosives as well as the mining regulations on radioactive elements.

In spite of the fact that the law provides for the regularization of artisanal and small-scale mining operations, much of the activity in the area remains outside the law. There are generally unacceptable levels of fatalities and serious workplace injuries at artisanal and small-scale mining operations (ASM). Improvements in the regulation of the sector and mainstreaming of activities within it shall be the focus of this policy.

The Mining Act and these regulations provide elaborate frameworks including for responsibility and obligations to maintain safe and healthy workplaces at mining operations and for protection of people at work from hazards as well as protecting neighboring communities.

These legislations and regulations define the standards of occupational health and safety in mining operations including measures for handling, use, transportation and storage of dangerous goods and hazardous substances. They also outline obligations for each group including employees, employers, contractors, people involved in the design, supply, installation of plant as well as on the transportation, use, and handling of explosives and hazardous substances.

The policy objective is to ensure that all mining activities in the country are conducted in such a manner as to protect the physical environment, the workers and the general public. This will be achieved through compliance with applicable environment, health and safety laws and regulations and the development and implementation of comprehensive monitoring and auditing systems and procedures.

3.3.7 The Fiscal Regime

Strategy 7: *Develop and implement a stable, transparent, predictable and competitive fiscal regime.*

Mineral resources are owned by The People of Somaliland and held in trust by the Government. Royalty is compensation for the minerals extracted. It is not a tax. Rather it's a fair return to the citizens of Somaliland for the loss of their non-renewable mineral resources.

Somaliland's royalty regime provides industry with a straight forward, transparent, stable and predictable arrangement. A fair, consistent and appropriate value of mineral resources shall be applied when royalty is calculated, regardless of where or how a commodity is sold.

This strategy aims at ensuring that Government receives a fair return of royalties. As necessary and on a case by case basis, mechanisms for adjustments including reduction, suspension and deferral of royalty payments shall be applied as contained in the royalty regulations.

This Policy Strategy aims at addressing two key challenges including:

- a. How to design the best and most balanced revenue sharing arrangements between host country and investors; and
- b. How to manage revenues for the greater public benefit.

The principal features of the fiscal regime for mining are as follows:

- A standardized and transparent fiscal regime which takes account of international trends and enables investors to predict and plan for fiscal obligations. Such standardization also enhances the ability of mining authorities to administer the regime efficiently and effectively.

3.3.8 Mineral Promotion and Value Addition

Strategy 8: *Develop mechanisms for promotion of investments in mining and value addition.*

Value addition and beneficiation has been embraced by many countries including in Africa as a possible root to industrialization. This policy strategy aims at elaborating measures necessary to leverage investments in mining for industrial development and wealth creation. It considers the necessary steps for expanding mineral exports beyond raw materials and instead advocates for value addition and beneficiation of exports.

In addition, the strategy seeks to deploy complimentary measures including product diversification, trade restrictions, local content requirements and fiscal policies.

- Mineral royalty, methods of determination of amounts due and procedures for payment set by Government from time to time under the applicable law and regulations;
- Corporate income tax, the methods of determination of amounts due and procedures for payment set out in the relevant tax legislation;
- Other fiscal imposts, the methods of determination of amounts due and procedures for payment set out in the relevant tax legislation;
- Provision for Government to enter into agreements with the holder of a mining concessions regarding the stabilization of some fiscal elements up to a specified maximum period.
- Provision for mandatory Government participating interest in mining operations such as free carried interests.
- Charges and levies including by other entities such as local authorities and other government agencies.

Government seeks also to minimize the cost to mining companies associated with preventing and mitigating adverse impacts on the environment and local communities by providing under the relevant tax legislation for approved expenditures associated with environmental protection and site restoration to be treated as deductible for tax purposes.

Licensing and other related fees shall be kept rationalized to preserve their value through appropriate indexation.

Somaliland Government will review the constraints facing value-addition production in the country in order to meet the needs of an evolving manufacturing sector as well as the global demand for finished goods more effectively.

The Government through this policy aims at taking a similar integrated approach in other resource sectors to promote value addition and will work with industry to promote exports in areas such as enhanced mineral production and mining, smelting and refining technology.

The Somaliland Mining Act and Mining Regulations are aimed at trying to get the best out of the mining and minerals

sector. The objectives of these regulations are to convey the following strategic objectives.

- Promote value addition to products and services
- Expand on diversity of products and goods
- Reduce cost of production and distribution.
- Create sustainable employment
- Proliferate and expand new businesses

3.3.9 Maximizing Benefits from Mining

Strategy 9: *Pursue a responsive regulatory framework that ensures benefits accruing from the mining sector are maximized for greater socio-economic development.*

The Government of Somaliland through this policy strategy seeks to foster development of a thriving mining sector that guarantees maximum benefits to The People of Somaliland and contributes to economic growth, social progress and overall sustainable economic development.

Through the Somaliland Mining Act and Mining Regulations, the Government has put in place and will continuously improve the governance architecture of the mining and minerals sector in order to promote local participation in the sector in terms of employment and training of Somaliland citizens, procurement of Somaliland goods and services as well as reasonable earnings from tax revenues, royalties, levies and other charges accruing from mining and mineral activities.

The guidelines and safeguards in the royalty regulations against transfer pricing as well as the Regulation on Reporting of Mining and Mineral Related Activities are aimed at countering revenue leakages through corruption or mismanagement and ensuring transparency.

This policy strategy is aligned with broader national development agenda and is aimed at building capacity and the prospects for sustainable long-term demand sufficient to support specialized goods and service industry.

Furthermore the local content strategies are aimed at spurring diversification by prioritizing development of skills transferable to other key sector.

In order to address the challenges of access to employment and skills and the inability to attract qualified and diverse talent into mining operations, this policy strategy aims at promoting the introduction of training and work-based learning opportunities in partnership between the Government, mining companies and local educational institutions. This way, mining companies can diversify their

- Employ means to strengthen the broader economy
- Compete effectively outside the commodity sector

The policy aims at creating an enabling environment for local beneficiaries. This shall be addressed through fiscal measures as well as dealing with other enablers such as policies, legislation and regulation. Other auxiliary services such as tariffs on electricity, physical infrastructure and other needs of the industry shall be addressed comprehensively.

workforce, tap into new talent pools and up-skill their staff.

In order to strengthen local and national links, mining operations which are prevalent in remote areas can create supply and labour relations which help integrate these mining areas with the national economy through infrastructure projects.

In sum, the policy strategy on maximizing benefits will attempt to address linkages, investment, and diversification underpinned by research, development and innovation as necessary ingredients for an industrialization policy-based value addition for mineral products.

The aim is to:

- i. Create a mining sector that catalyzes and contributes to broad-based growth through upstream, downstream, side stream and infrastructure linkages
- ii. To increase level of investment flows into mining and infrastructure projects to support broad socio-economic development.
- iii. Promote linkages development between research development and innovation in mining and other economic and social sectors, through knowledge creation, greater domestic financing and integrated approach to mineral development.
- iv. Maximize opportunities for mineral related education, training, career development and other support to empower Somaliland citizens to become owners and managers of mines and other professionals in the mining industry.

3.3.10 Mineral Benefit Sharing

Strategy 10:

Design mechanisms for sharing benefits accruing from exploitation of minerals between the Central Government, The Regions, Mining Districts (Localities) and Communities where mining activities are being undertaken.

The policy strategy aims at increasing the quantum value and increments derived from mining ventures and how they lead to development at the local levels including their impact on creation of local jobs, development of local capacities, improvement of local infrastructure and access to social amenities for local communities.

Similarly, the Government shall put in place and implement various schemes and benefits-sharing instruments aimed at generating more inclusive mining development projects. Regions, Districts, and local communities where mining takes place need to be assisted to successfully adapt and diversify their economies, thereby remaining prosperous over time.

Government in collaboration with industry will also continue to identify inputs which can be sourced locally for the mining industry. Somaliland entrepreneurs will be encouraged to produce and provide these inputs to the mining industry and to add value to the minerals produced.

Social performance requires mining companies to create alternative income-generating initiatives in the communities where they plan to operate. This is expected to cushion mining companies from disruptions to their operations by communities affected and impacted by mining operations.

3.3.10.1 Royalties Benefit Sharing

Mineral resources are a finite national asset and will inevitably be depleted. This policy aims at ensuring that minerals are (indirectly) sustainable through fiscal and mineral economic linkages. At the core of this policy strategy is the importance attached to the promotion of fiscal linkages whereby resource rents are re-invested into long term human, social, and physical infrastructure to replace the resource capital lost with new capital that can out-live mining.

In order to ensure a fair sharing of benefits from the mineral resources, the Government of Somaliland has put in place elaborate legislative and regulatory measures for the sharing of royalties accruing from mining and mineral activities between the Central Government, The Regions, Districts and communities affected by mining.

3.3.10.2 Community Development Agreements (CDA)

The Government of Somaliland is aware and appreciates the central and critical role of local communities in mining areas in the success of mining and mineral activities. The Government further appreciates that environmental and social costs of mining and mineral activities are often borne by communities, while project benefits tend to accrue in national capitals and global financial sectors leading to conflict between local communities and mining companies.

enter into community development agreements with local communities. Mining companies are mandated to negotiate in a well-structured manner and enter into Community Development Agreements (CDAs) with the Ministry on behalf of communities. The legislative and regulatory provisions of the CDAs are enforceable and have compliance and monitoring mechanisms to ensure implementation.

The usual voluntary and non-obligatory corporate social responsibility projects undertaken by mining companies hardly suffice to cushion local communities from the negative impact of mining activities. This situation acutely makes it necessary for the Government to put in place an obligatory and well-structured CSR programmes clearly defined in policy, legislation and regulation.

In this regard, the Government has put in place legislative and regulatory requirements for mining companies to



3.3.11 Local Equity Participation

Strategy 11:

Develop and implement mechanisms to enhance participation of Government (national and sub-national levels), affected communities and other stakeholders in mining investments.

The Government of Somaliland is desirous to ensure local equity participation to enable ownership and to provide an active role in mining and mineral activities for its citizens.

To this end, the measures in place include legislative and regulatory provisions to ensure:

- Establishment of a national mining corporation which shall be the investment arm of the Government in mining and minerals
- Free carried interest by the State
- Acquired paid for interest by the State
- Equity participation by citizens as individuals, associations or corporations.
- Joint ventures and partnership arrangements

3.3.12 Artisanal and Small-Scale Mining (ASM)

Strategy 12

Develop a framework for mainstreaming and formalizing artisanal and small scale mining (ASM).

The Government of Somaliland recognizes the pivotal role that artisanal and small-scale miners (ASM) play in the mining and minerals sector especially their contributions to the rural economies in the remote communities where they provide important sources for livelihoods.

In the same vein, Government also recognizes the challenges faced by ASM who are invariably caught in a poverty trap, as well as association with illegalities and dangerous practices which are a hazard to safety and health for themselves, for adjoining communities and to the environment. These challenges prevent ASM operators from reaching their developmental goals

This policy strategy aims at:

- Harnessing the potential of ASM to improve rural livelihood, to stimulate entrepreneurship in a socially-responsible manner and to promote local and integrated national development.
- Achieve a viable and sustainable ASM sector that contributes to growth and development.
- Transforming the ASM into an engine for sustainable development particularly in rural areas.
- Adequately addressing the challenges faced by the ASM sector through a series of well-targeted interventions
- Embedding ASM policy into a broad rural development strategy.
- Targeted ASM interventions to transform their operations into viable ones.
- Establish administrative structures for promoting and streamlining ASM activities.
- Ensuring access to finance, credit and marketing opportunities for ASM
- Involve all relevant stakeholders including Government institutions, development partners, banks/financial institution, private sector and civil society to support ASM.
- Reform national laws and policies to encourage ASM sub contracting, capacity development and mentoring programmes by well-established mining companies
- Designate and delineate special areas for ASM operations
- Facilitate and encourage formation of ASM cooperatives and associations.
- To manage land use conflicts in the context of artisanal and small-scale mining, the Ministry responsible for mining and minerals will develop standardized procedures, including adequate advance notice, and community participation in deliberations leading to the designation of special areas for ASM.
- To encourage the use of appropriate, affordable and safe technology, Government will continue to support acquisition of appropriate technology and innovations.
- To mitigate the negative impacts of ASM activities, Government will disseminate information to raise awareness of health, safety and environmental risks, and will periodically revise and disseminate occupational health and safety guidelines for ASM.
- Taking cognizance of the dynamic nature of mining, government will periodically review the regulatory framework within which artisanal and small-scale mining operations take place.

3.3.13 Gender, Youth and Inclusivity in mining

Strategy 13: *Develop and implement Frameworks, Structures and mechanisms that ensure equitable participation, ownership and decision-making mining value chains by women, youth, and disadvantaged groups*

The Government of Somaliland recognizes that there is a two-way flow between social performance and business performance. In this policy, social performance is broadly defined as the sum of stakeholder engagement, social impact and risk assessment, and social investment.

Social impact and risk assessment require a mining company to understand the risks, these include the positive and negative effects of the project on the people, and the propensity for conflict within the localities and the communities where they seek to explore and exploit for minerals. Mining companies therefore need to develop risk mitigation plans and exit strategies.

Social investment requires a plan that examines issues of corruption as well as ethics. Additionally, investors should understand that gender budgeting is a critical element of investment.

This policy strategy is aimed at providing a framework that links social and business performance in mining and minerals sector in order to mainstream these values in their businesses. Some of the specific strategies will include:

- Development and implementation of local training and education programmes in the mining and minerals sector for women, youth and other disadvantaged groups
- Develop and implement a community liaison framework to ensure the involvement of women, youth, persons with disabilities, marginalized communities and ethnic minorities in decisions, policies and programmes in the mining and minerals sector.
- Put in place measures and mechanisms to ensure equitable access to the benefits of resource development in the sector so that women, youth and persons living with disabilities are not unduly or unfairly excluded or placed at risk.
- Implement a framework that facilitates dialogue and exchange between and among the various mining stakeholders.



CHAPTER

4



Institutional Framework

4.0 Capacity Development

The Ministry of Energy and Minerals of the Republic of Somaliland is responsible for ensuring Somaliland's mining and minerals sector is developed and managed responsibly and sustainably for the benefit and on behalf of the People of Somaliland.

The Ministry is also responsible for the determination and collection of royalties, fees, levies and other charges and has a lead role in providing geo-scientific information, which supports private investment in resource exploration and development.

As the regulator for the extractives industries, the Ministry is the lead agency in coordinating, and over-sight of the implementation of a multi-agency policy, legal and regulatory frameworks. The Ministry ensures Somaliland's safety, health and environmental standards are in line with best practice and consistent with Somaliland's Constitution and other laws.

This Policy seeks to promote Somaliland's robust Mining Act and Regulations to facilitate the provision of geological data and innovative management of equitable and secure titles and concessions management systems in order to make Somaliland an attractive destination for investment in mining and minerals.

Capacity development is aimed at effectively utilizing, managing and sustaining institutional and human capital for the advancement of the mining and minerals sector. One of the key objectives is to ensure the effective and fair implementation of laws and regulation.

4.1 Institutional Arrangements

The mining industry shall be managed through the following Directorates, Sections, Units and specialized agencies;

- Geological Surveys;
- Mines;
- Licencing and Permitting
- Mineral Promotion and Value Addition;
- Internationally accredited Mineral Certification Laboratory and Geo-Data Bank;
- Mineral Control, Inspection and enforcement
- Mineral Audit;
- National Mining Corporation.
- National Mining Institute;
- Minerals Rights Evaluation Committee;
- Technical Committee; and
- Cartography and GIS.

Consequently, the Government shall put in place appropriate institutional arrangements to undertake the following:

- Provide comprehensive primary geo-data and geo-scientific information to reduce exploration risks for investors;
- Effectively and efficiently manage licensing and tenements, including maintenance of a mineral rights register;
- Develop and implement an attractive fiscal regime that enables promotion and retention of investment in the mining and minerals sector;
- Oversight, coordinate and regulate the mining industry, through inspections, compliance and enforcement;
- Monitor minerals production and earnings through a well-structured mineral audit mechanism;
- Promote mineral value addition and beneficiation;
- Provide accredited certified laboratory services;
- Put in place safety measures and mechanisms to ensure the importation, transportation, sale, use, storage and disposal of dangerous substances including explosives; and
- Establish a functional mechanism for stakeholder engagement and public consultation.



CHAPTER



Implementation Plan

5.0 Implementation Framework

The Ministry of Energy and Minerals is responsible for ensuring Somaliland mineral resource endowments are developed and managed responsibly and sustainably for the benefit of the people of Somaliland.

As a regulator for the extractives industries, the Ministry as the lead agency shall be charged with ensuring a seamless implementation of this Policy. In doing so, the Ministry shall deploy strategies including multi-agency collaboration and

5.1 Financing of the Policy

The implementation of this Policy requires substantial financial, human, technical and material resources. This therefore calls for innovative and multiplicity of financing mechanism for implementation.

The core funding of the activities of this Policy shall be financed from the appropriated national budgetary resources within

5.2 Monitoring and Evaluation (M&E)

In order to ensure and ascertain that implementation of the policy is on track and achieving the policy goals and objectives, an elaborate monitoring and evaluation mechanism shall

5.3 Review of the Policy

The Mining and Minerals sector is fast evolving and is affected by key global and regional dynamics, such as commodity market trends, innovations in the sector, etc. As a result, and in order to ensure and to be in tandem as well as conform

involvement of a broad-spectrum of stakeholders and actors including development partners, private sector as well as civil society organizations involved in advocacy matters in the extractives sector. In addition, the Ministry shall develop and deploy elaborate strategies for effective public consultation.

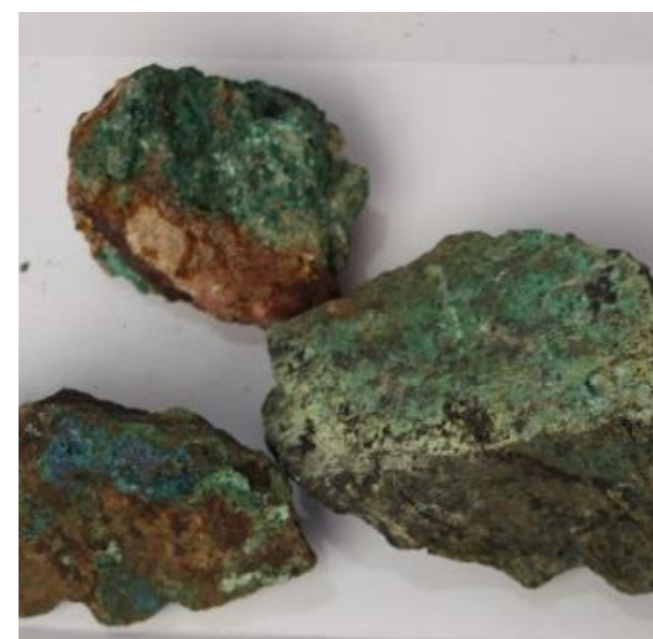
The annexed matrix shall guide the Ministry in the implementation of this Policy.

the Ministry. In addition, efforts shall be made to mobilize additional resources from the private sector through Public-Private Partnership (PPP). Similarly, development partners shall be engaged to provide support to the implementation of this policy.

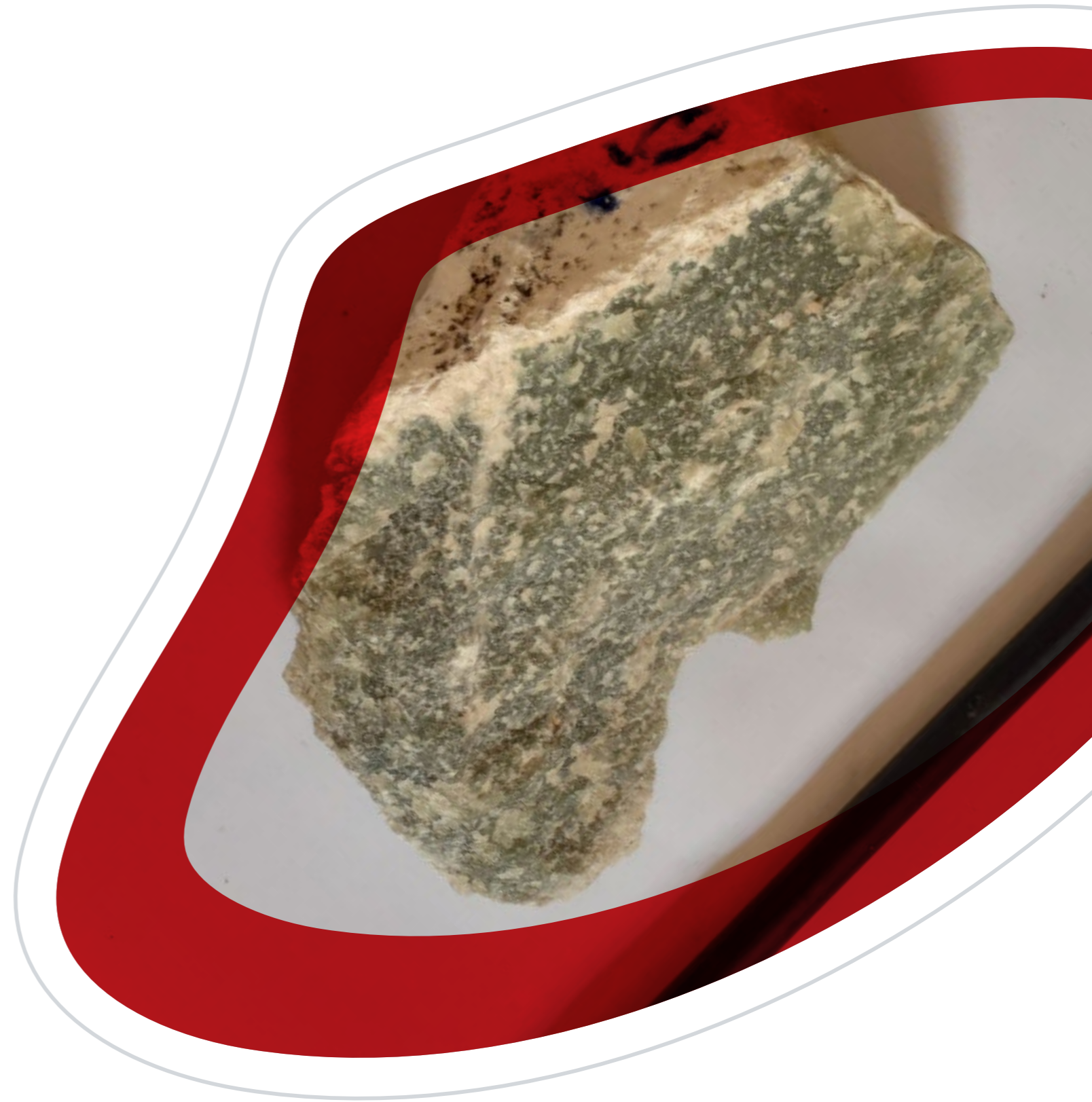
be put in place and implemented, with key performance indicators to guide the M&E plan.

to local, regional and international standards, best practices and dynamics, periodic reviews shall be undertaken at set intervals.

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CONTACT US

+252 634 436 412
+252 634 242 228
+252 634 248 458



minister.moem@sldgov.org
moem.dg@moem-sl.com
dom@moem-sl.com
<https://moem-sl.com/>



Director of Minerals
Ministry of Energy and Minerals
Republic of Somaliland

