

General People's Committee
Decree No. (20) of 1429 FBP
on establishing of the General Authority for Free Zones

The General People's Committee,

Upon review of:

- Law No. (10) of 1959 AD on free zones;
- Law No. (38) of 1968 AD on exports;
- Law No. (65) of 1970 AD on merchants and commercial companies and the supervision thereof, and amendments thereto;
- Law No. (64) of 1971 AD on imports;
- Customs Law No. (67) of 1972 AD and amendments thereto;
- Law No. (21) of 1985 AD on establishing a joint-stock company for ports;
- Law No. (12) of 1989 AD exempting Arab products from customs tax;
- Law No. (9) of 1992 AD on engaging in economic activity;
- Law No. (20) of 1992 AD on exempting goods having an Arab origin from the import restrictions set out in Law No. (64) of 1971 AD;
- Law No. (1) of 1993 AD on banks, money, and credit;
- Law No. (1) of 1425 FBP on the rules of procedure of the People's Congresses and the People's Committees;
- Law No. (4) of 1426 FBP on regulating import and distribution activities;
- Law No. (5) of 1425 FBP on encouraging the investment of foreign capital;
- Based on the submission of the Secretary of the General People's Committee for Economy and Commerce in his Letter No. (2.15.7900) dated 2/12/1428 FBP;
- The approval of the Secretariat of the General People's Committee during its twenty-second ordinary meeting of 1428 FBP;

has decreed:

Chapter (1)
General Definitions

Article (1)

The following words and expressions shall have the meanings set out next to each, unless indicated otherwise by the context:

1. Free Zone: Any part of the territory of the Great Jamahiriya identified under law and designated for the conduct of commercial and industrial operations, exchange of goods, and provision of services free of customs, tax, and monetary restrictions, in accordance with the legislation regulating free zones.
2. General Authority: The General Authority for Industrial Areas.
3. Secretary: Secretary of the General People's Committee for Economy and Trade.
4. General Director: The General Director of the General Authority for Industrial Areas.

5. Board: The Administrative Board of the General Authority for Industrial Areas.
6. Goods and services: All goods, materials, and services of any type.
7. Invested capital: Foreign currency transferred to the free zone and the instruments, equipment, materials, goods, and supplies necessary to establish and operate or expand any project in the free zone.

Chapter (2)

Establishment of the General Authority for Free Zones

Article (2)

Pursuant to this Decree, a general authority called the “General Authority for Free Zones” shall be established, affiliated to the General People's Committee for Economy and Commerce. The Authority shall be a legal entity with financial autonomy. The Authority’s main headquarters shall be in the city of Misrata, and the Authority may establish branches at any location inside the Great Jamahiriya.

Article (3)

The Authority shall manage the zones established under a decree from the Secretary of the General People's Committee for Economy and Trade, in accordance with Law No. (10) of 1959 AD, taking into consideration the systems established by the Customs Authority for the entry and exit of goods, the registration thereof, the examination of documents, and the monitoring and guarding of free zones.

The Authority shall have the right to supervise the activities established in the free zones and work to improve commercial, industrial, and service activity therein in the interest of the national economy, as well as those desiring to engage in commercial, industrial, and service activities therein. In doing such, it may assume the following duties in particular:

1. Manage, invest in, and improve free zones and develop international commercial trading, transit trade, and export industries.
2. Study the establishment or abolishment of local or joint free zones.
3. Study the laws, regulations, and decrees on local and foreign investment in free zones and submit any proposals thereon.
4. Coordinate with the competent bodies on applying the laws and regulations to ensure that the goals of free zones are achieved and that they are liberalised.
5. Study offers submitted by Libyan and foreign investors in the free zone and submit suggestions thereon.
6. Establish the various utilities and facilities necessary for the free zones and develop them to achieve growth and prosperity.
7. Provide all modern means of communication and transport and all services necessary to manage commercial, industrial, and service activity inside the free zones.
8. Organize entry and exit from free zones, in coordination with the competent authorities.
9. Allocate, lease, and utilise lands and real estate for economic activities in the free zones.
10. Adopt all measures to protect the free zones and ensure they achieve their goals.

Article (4)

The Authority shall have an administrative board formed as follows:

1. Secretary of the General People's Committee for Economy and Commerce, Secretary
2. General Secretary of the People's Committee for Communication and Transport
3. General Secretary of the General People's Committee for Industry and Mining
4. General Secretary of the General People's Committee for Justice and Public Security
5. General Secretary of the General People's Committee for Foreign Liaison and International Cooperation
6. General Director of the Customs Authority
7. General Director of the Authority for Promoting Investment
8. Two persons holding expertise in economic activities selected by the Secretary, whose remuneration shall be set out under a decree issued by the General People's Committee based on the proposal of the Secretary of the General People's Committee for Economy and Commerce, as members.

Article (5)

The Authority's administrative board shall handle the affairs of the free zones and supervise the activities thereof and shall have the broadest powers and competencies necessary for such, in particular:

- Establish the general policy for the Authority and the regulations governing investment activity in the free zones.
- Study applications for licenses to invest in the free zones by establishing and assigning industrial, commercial, and service projects, and refer those it deems necessary to the general director of the Customs Authority to issue the licenses.
- Determine and collect compensation for the various services provided inside the free zones, such as handling and storage services, as well as lease amounts for the facilities and properties therein.
- Establish systems to issue licences for entering, exiting, and residing in the free zone, and establish the necessary arrangements for insurance, social solidarity, and health services, in coordination with the competent bodies.
- Approve the Authority's annual draft budget and balance sheet.
- Approve the Authority's administrative and financial regulations.
- Approve loan agreements.

Article (6)

The administrative board may form one or more committees from its members and entrust them with certain competencies. It may also entrust certain competencies to the board secretary or one of the board's members.

Article (7)

The Authority's bylaws shall be issued under a decree from the Secretary of the General People's Committee for Economy and Commerce.

Article (8)

The administrative board shall formulate internal regulations setting out its work method and manner of holding its meetings.

Article (9)

The Authority shall have a general director appointed to the position under a decree from the General People's Committee based on a submission from the secretary.

Article (10)

The Authority's general director shall assume the following duties and powers:

- Implement the Authority's general policy as set out by the administrative board and the decrees thereof.
- Manage the free zones and supervise the workers therein and improve the work system in accordance with the systems and regulations in force.
- Supervise and oversee the implementation of projects.
- Prepare the draft estimated budget and submit it to the board.
- Prepare periodic financial and administrative reports on the Authority's activity and submit them to the board for review.
- Propose the Authority's administrative and financial regulations and submit them to the board.
- Represent the Authority before the courts and in its relations with third parties.
- Any other matters delegated thereto by the administrative board.

Chapter (3) Investment in Free Zones

Article (11)

The following activities may be performed in the free zones:

- a. Storage of transit goods and national goods prepared for export abroad and foreign goods imported for storage in the free zone, without prejudice to the regulations in force on prohibited goods.
- b. Sorting, cleaning, mixing, and blending processes, even of domestic goods, and repacking and similar operations that change the state of the goods located in the free zone according to the requirements of commercial traffic, and ensure their preparation in a manner that meets market demand.
- c. Any assembly, processing, identification, or other processes or industries requiring free zone benefits.
- d. Engaging in any profession required by the activities or services needed by workers inside the free zone.

Article (12)

Based on a submission from the Authority's general director, the general director of the Customs Authority shall issue licenses to establish export, commercial, or financial industrial projects and to store and prepare goods. He shall also permit the exercise of trades required

by the activities inside the free zone and the export of services, provided such is approved by the secretary. In all cases, the licenses must include a statement of the license objectives and term.

Article (13)

The administrative board shall establish detailed rules on the requirements for investing in economic activities licensed in the free zones, as well as the standards that must be observed when engaging in such activities.

Article (14)

Free zone investors must perform the following:

1. Keep regular books and accounts on the project.
2. Prepare an annual budget and a profit and loss statement certified by a certified public accountant.

Article (15)

Licenses may be withdrawn under a decree from the general director of the Customs Authority based on a submission from the Authority's general director in the following circumstances:

- Violation of the general provisions contained in the law on free zones and the regulations in force.
- Repeat violations.

In all cases, these decrees must be approved by the secretary.

Article (16)

Investors may file grievances against administrative measures taken against them, provided the grievance request is submitted to the administrative board within thirty days from the date the party filing the grievance was notified of the decision issued against them.

The committee shall forward the grievance accompanied by its opinion to the secretary within two weeks from the date the grievance in question was submitted.

In all cases, the secretary's decision on the grievance shall be final.

Article (17)

Without prejudice to the legislation in force criminalising or prohibiting the trade of certain goods, goods imported to or exported from a free zone shall not be subject to any restriction in terms of the period in which they remain there. They shall also not be subject to any customs duties and taxes or import and export regulations and procedures thereof. Projects shall be allowed to export their products without restrictions and without being required to enter them in the exporters register.

They shall also not be subject to any fees or taxes with the exception of the fees for the services provided thereto.

All tools, machinery, instruments, materials, stationary, furniture, and transportation required for the authorised facilities in the free zones shall be exempt from customs and other taxes.

Article (18)

Customs fees and taxes shall be paid on goods withdrawn from free zones for local consumption as if they were imported from abroad, in accordance with their status post-manufacturing, without prejudice to the procedures regulating imports and monetary oversight. These taxes and fees shall be paid on goods that contain local components according to the percentage of foreign components used in the manufacturing thereof based on the value of such components.

Under a decision from the general director, products not suitable for export produced by manufacturing operations in the free zone may be brought in, provided the set customs taxes and fees are paid thereon.

In all cases, goods withdrawn from the free zone for local consumption shall be subject to health and agricultural quarantine procedures.

Article (19)

Industrial investment projects and other commercial investment projects and services permitted in the free zones and the profits thereof shall enjoy the exemptions and benefits set out in the aforementioned Law No. (5) of 1426 FBP on encouraging the investment of foreign capital, in particular:

- a. Exemption of machinery, equipment, and devices necessary for the project's implementation from all customs fees and taxes and taxes with similar effect.
- b. Exemption of equipment, spare parts, and raw materials necessary for the project's operation from all customs fees and taxes on imports and the other taxes and fees with similar effect.
- c. Exemption of projects from income tax on its activities for a period of five years from the date production or work begins, according to the nature of the project. This period may be extended for an additional three-year period under a decree from the General People's Committee based on a proposal from the secretary.

Profits from the project's activity shall also enjoy these exemptions if they are reinvested, and investors shall be entitled to carry over losses sustained by the project during the exemption years to subsequent years.

Article (20)

Projects established in the free zones may not be nationalised, expropriated, subjected to compulsory appropriation, seized, placed under sequestration or custody, frozen, or subjected to any action with the same effect except under law or judicial order and in return for immediate and just compensation provided such just measures are adopted when the measure

is adopted. Compensation may be transferred in convertible currencies within a period of not more than one year at the prevailing exchange rate at the time of the transfer.

Article (21)

Movement of funds between the free zone and outside the Great Jamahiriya, including entry, exit, storage, goods and materials manufacturing operations, and monetary operations within the zone shall not be subject to any monetary oversight regulations or restrictions, whether such operations take place between national or international investors.

Article (22)

Capital invested in the free zone and profits resulting therefrom may be transferred outside the Great Jamahiriya in accordance with Article (12) of the aforementioned Law No. (5) of 1426 FBP and the implementing regulations thereof.

Article (23)

Projects established in the free zone shall not be subject to registration procedures at the commercial registry or the registry of importers and exporters.

The Authority shall issue regulations on the procedures for registering therewith.

Article (24)

License holders shall pay an allowance to the Authority in consideration for the services they officially receive not to exceed 1% of the value of the goods brought into or out of the free zone for the project. Such fee shall be specified under a decree issued by the administrative board. Transit goods trade shall be subject to half of this fee.

Article (25)

In accordance with this Decree, licensees shall insure the buildings and equipment they use against all risks and shall remove such at their personal expense within the period specified by the Authority from the date the license term ends, unless the Authority decides to purchase such from them.

Article (26)

Project ownership may be transferred, in whole or in part, to another investor with the written agreement of the Authority and under the terms and conditions specified by the administrative board.

The new owner shall replace the previous owner in terms of rights, duties, and obligations ensuing under this Decree and the other legislation in force.

Chapter (4)

The Authority's Financial System

Article (27)

The Authority's fiscal year shall commence with the start of the State's fiscal year and end at the end thereof. The Authority's first fiscal year shall commence from the date this Decree enters into force and end at the end of the following fiscal year.

Article (28)

The Authority shall have an estimated budget prepared at least three months prior to the beginning of the fiscal year.

The Authority's financial regulations shall set out the procedures for preparing this budget as well as the terms and conditions related to its preparation, approval, and implementation.

Article (29)

The Authority's financial resources shall consist of:

1. Revenue from its activity.
2. Allocations made thereto in the State's general budget.
3. Loans obtained thereby.
4. Any other revenue approved by the General People's Committee.

Article (30)

The People's Oversight Authority shall inspect and audit the Authority in accordance with the law.

Article (31)

The Authority shall have bank accounts at commercial banks operating in the Great Jamahiriya, into which its funds shall be deposited in local and foreign currencies, as needed.

Article (32)

A banking system in local and foreign currencies shall be established in the free zones, contributing to the financing of various activities and providing all banking services required by the nature of the commercial, industrial, and service activities inside the zone, in accordance with the law. Licensees shall open bank accounts in accordance with this system.

Chapter (5)

General Provisions

Article (33)

The legislation in force in the Great Jamahiriya shall apply to free zones, and the Social Insurance Law applicable to workers in the Great Jamahiriya shall apply to Libyan workers in free zones. All laws in force on protecting commercial, industrial, literary, and technical property shall apply.

The board shall establish the executive rules necessary to apply the aforementioned provisions, in coordination with the competent bodies.

Article (34)

The Secretary of the General People's Committee for Economy and Trade shall issue the decrees regulating establishing companies and opening branches of foreign companies in the free zones, in line with the nature of these zones.

Article (35)

The Authority shall commence its activities by managing the free zone adjacent to the Misrata Sea Port. This zone shall be established under a decree from the secretary. All facilities, real estate, storage yards, and equipment in this zone and in any zone declared to be a free zone shall be transferred to the Authority in accordance with the arrangements adopted for this purpose.

Article (36)

The Authority may agree with investors or third parties to resolve any disputes that may arise between them through commercial arbitration.

Article (37)

National and foreign ships that enter the free zone for the purposes of work may obtain all navigational services required for the ships, be supplied with all marine equipment needed, and provided with food, fuel, oil and other materials requires. The Authority may suspend such services if it finds that they are used in an incorrect manner.

Article (38)

Residing in the free zone shall be prohibited except by special license from the general director of the Customs Authority, based on a submission from the Authority's general director, in accordance with the requirements imposed by the work, and specifying the lease value of the administrative buildings and the buildings allocated for temporary residence inside the free zone in accordance with the investment rules.

Article (39)

This Decree shall enter into force on the date of its issue and shall be published in the Official Gazette.

Issued on: 17 Shawwal

Corresponding to: 13 February 1429 FBP

General People's Committee – Libya