



## National AfCFTA Implementation Strategy for the Federal Government of Somalia

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## Foreword

**Minister of the Federal Government of Somalia Ministry of Commerce and Industry**

**H.E. Hon. Jibril Abdirashid Haji Abdi**

The African Continental Free Trade Area (AfCFTA) is an initiative by African countries to create a single market for goods and services, free movement of people and capital, and to promote economic integration across the continent. The AfCFTA is one of the most significant milestones in Africa's economic development and has the potential to significantly boost the continent's growth prospects in particularly Somalia.

The AfCFTA will create a market of over 1.2 billion people and a combined GDP of over \$3 trillion. By removing tariffs and non-tariff barriers to trade, businesses in participating countries will have access to a much larger market, which will lead to increased trade and investment opportunities. Job creation: The AfCFTA is expected to create millions of jobs in Africa, particularly in industries such as agriculture, manufacturing, and services. Increased competitiveness: By creating a larger market and promoting competition, the AfCFTA will encourage businesses to become more efficient and innovative, which will help to boost productivity and competitiveness. Somalia needs more than any other country in Africa to achieve the goals of economic growth, job creation, poverty alleviation, and to find lasting peace and stability, so the implementation of this agreement means that we will achieve all these goals.

The AfCFTA presents both opportunities and challenges for African countries. To address these challenges and realize the full benefits of the agreement, The federal government of Somalia is working to address non-tariff barriers, invest in infrastructure, build capacity, support SMEs, and collaborate with other governments.

The successful implementation of the African Continental Free Trade Area (AfCFTA) requires strong commitment and support from governments across the continent. The federal Government of Somalia will put in place the necessary policies and regulations, invest in infrastructure, support SMEs, collaborate with other governments, and engage with the public to ensure the success of the agreement.

I would like to express my sincere gratitude and recognition for the invaluable contributions you have made towards the successful implementation of AfCFTA. the successful implementation of AfCFTA requires the collaboration and commitment of a wide range of stakeholders, including governments, businesses, trade unions, civil society groups, and many others. Each of you has played a critical role in shaping the implementation strategy, providing feedback, and advocating for policies that align with your interests and goals.

**Jibril Abdirashid Haji Abdi**  
**Minister of Commerce and Industry**



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## List of abbreviations

Acronym	Long Form	Acronym	Long Form
3D	3 Dimensional	KII	Key Informant Interview
ACP	African, Caribbean, and Pacific	M&E	Monitoring and Evaluation
ADBIM	Analogue-to-Digital Broadcast Migration	MOCI	Ministry of Commerce & Industry
ADF	African Development Fund	MVA	Manufacturing Value Added
AfCAC	African Civil Aviation Commission	NAFTA	North American Free Trade Agreement
AfCFTA	African Continental Free Trade Area	NBS	National Bureau of Statistics
AfDB	African Development Bank	NDP-9	Ninth National Development Plan
Afri Exim Bank	African Export-Import Bank	NDP-8	Eighth National Development Plan
Agro	Agriculture	NEC	National Economic Council
AI	Artificial Intelligence	NIPS	National Investment Promotion Strategy
AIDA	Accelerated Industrial Development for Africa	No.	Number
ARII	Africa Regional Integration Index	NTBs	Non-tariff barriers
ARIPO	African Regional Intellectual Property Organization	NTFC	National Trade Facilitation Committee
ARSO	African Organization for Standardization	NTMs	Non-Tariff Measures
ATEX	African Trade Exchange	OAPI	Organization Africaine de la propriete (African intellectual Property Organization)
ATO	African trade Observatory	OAU	Organization for African Unity
AU	African Union	ODI	Overseas Development Institute
AUC	African Union Commission	OECD	Organization for Economic Cooperation and Development
AVRIVA	Accelerating Virtual-Resilient Integration for a Vibrant Africa	OECD-DAC	Organization for Economic Cooperation and Development's Development Assistance Committee
B2C	Business to Consumer	OIF	Organization Internationale de la Francophonie
BIAT	Boosting Intra African Trade	OSBPs	One stop Border Posts
BITs	Bilateral Investment Treaties	PIDA	Program Infrastructure Development for Africa
CBS	Central Bank of Somalia	PPP	Public Private Partnership
CFTA	Continental Free Trade Area	PS	Private Sector
COMESA	Common Market for Eastern and Southern Africa	PTA Bank	Trade and development Bank for Eastern and Southern Africa
Covid-19	Coronavirus of 2019	PWDs	People living with Disabilities
DB	Doing Business	RECs	Regional Economic Communities
Dec.	December	RoA	Rest of Africa
DIFTZ	Djibouti International Free Trade Zone	RoO	Rules of Origin
DRC	Democratic Republic of the Congo	ROW	Rest of the World
DSM	Dispute Settlement Mechanism	SAATM	Single African Air Transport Market
EABC	East African Business Council	SADC	The Southern African Development Community
EAC	East African Community	SDGs	Sustainable Development Goals
EAC Sec	East African Community Secretariat	SDM	Single Digital Market
EACA	East African Community Competition Authority	SDRF	Somalia Development and Reconstruction Facility
EACJ	East African Court of Justice	SEZs	Special Economic Zones
EALA	East African Legislative Assembly	SIF	Somali Infrastructure Fund
EASDM	East African Single Digital Market	SMEs	Small and Medium Entreprises
ECA	Economic Commission for Africa	SNIS	Somalia National Infrastructure Strategy
E-commerce	Electronic Commerce	SOBS	Somalia Bureau of Standards
E-government	Electronic government	SOMINVEST	Somalia investment promotion office
EPZs	Export Processing Zones	SPS	Sanitary and phytosanitary
E-trade	Electronic Trade	TBT	Technical Barriers to Trade
EU	European Union	TFTA	Tripartite Free Trade Area
FCDO	Foreign, Commonwealth & Development Office	TIFA	Trade and Investment Framework Agreements
FDI	Foreign Direct Investment	TMEA	TradeMark Africa



FGS	Federal Government of Somalia	ToC	Theory of Change
FIB	Foreign Investment Board	TRIPS	Trade Related Intellectual Property Rights
FIL	Foreign Investment Law	TSNA	Transport Sector Needs Assessment
FMP	Free Movement of Persons	UK	United Kingdom
FT	Financial Times	UN	United Nations
GDP	Gross Domestic product	UN	United Nations International Trade Statistics
		COMTRADE	
GETS	Growth and Economic Transformation Strategy	UNCTAD	United Nations Conference on Trade and Development
GNI	Gross National Income	UNDP	United Nations development Programme
IBID	"Ibidem" or in the same place	UNECA	United Nations Economic Commission for Africa
ICBT	Informal cross-border trade	UNIDO	United Nations Industrial Development Organization
ICJ	International Court of Justice	US	United States
ICT	Information and Communications Technology	USA	United States of America
IDP	Internally displaced people	USD	United states Dollar
IFC	International Finance Corporation	WBDB	World Bank Doing Business
ILO	International Labour Organization	WBG	World Bank Group
IMF	International Monetary Fund	WTO	World Trade Organization
IoT	Internet of Things		
IP	Intellectual Property		
IPRs	Intellectual Property Rights		
IT	Information Technology		
ITC	International Trade Centre		



## Executive Summary

**This strategy was developed to help the Federal Government of Somalia (FGS) to kick-start its national AfCFTA implementation.** The elaboration of the strategy involved the implementation of a three-pronged methodology – private sector AfCFTA perceptions survey; key informant interviews with stakeholders in Somalia, the region, and beyond; and review of extensive literature on the AfCFTA and review of secondary data sources.

The AfCFTA promises a virtuous circle of greater market opportunities, triggering more trade and investment, and allowing greater value addition and productivity growth – leading to decent job creation and inclusive growth, and thus further enlarged markets. But for the full benefits of the AfCFTA to accrue to African countries and citizens, numerous additional policy enablers – measures, reforms, and investment – are also key, not least in infrastructure, transport corridors and logistics, as well as reforms to improve the business climate in African countries.

Despite high-level political momentum around the AfCFTA, its ultimate success depends on African States not only ratifying, but fully implementing and complying with the AfCFTA, while also investing in the necessary enablers. Several constraints and opportunities have been identified and addressed in the strategy.

### Opportunities identified

The AfCFTA presents a range of opportunities for Somalia. These include the following:

- **Political drive to implement** – one of the key reasons for the slow pace of African integration has been the lack of political drive to implement agreements and initiatives. The newly elected Federal government has indicated the importance of international continental and regional trade integration. The AfCFTA agreements has been approved by cabinet and is now being tabled at the newly elected parliament. The new President has indicated the importance of regional integration initiatives by appointing an envoy to the East African Community (EAC) to oversee and fast track Somalia’s application to join the EAC. At continental level, there is strong political awareness and drive to implement the agreement, as demonstrated by (i) the speed and number of ratifications; and (ii) number of countries developing AfCFTA implementation strategies. Somalia is well placed to benefit from this drive to reform and harmonize African trade.
- **Ease of harmonization** – The East African Community (EAC) is one of the most integrated regional economic communities on the African continent. The EAC has the lead the way in the implementation of far-reaching regional trade reforms that have driven significant intra-community trade. Somalia has now joined the EAC, hence it is able to adopt and benefit from tried and tested trade policy and legislation that would ease harmonization of both regional and continental trade frameworks. For example, the region has established frameworks for trade facilitation and coordination that have helped reduce the cost of trading in the EAC.
- **Access to technical expertise** – Somalia has large young and educated diaspora keen to return and contribute to its development and fill the capacity and skills gaps. Somalia can also call on an East African pool of technical experts with regional experience in supporting the implementation of trade related reforms / strategies.
- **Leverage trade infrastructure and corridors** – There are significant infrastructure upgrades and trade corridors that have been established in the region which Somalia can leverage to enhance its access to the continent. For example, the Mombasa-Kigali Corridor comprises the Mombasa Port, the Mombasa-Nairobi railway network, and over 1,700 km of roads that link both cities. Mombasa is Africa’s fifth-busiest port the main trade gateway for the Eastern Africa region



connecting Somalia with EAC members states - Kenya, Uganda, South Sudan, Rwanda, Burundi, and DRC. The transformation of the Berbera corridor into an economic hub is being hailed as a game changer for the country's livestock-based, remittance-dependent economy. Integration of Somalia into these trade corridors will provide access to markets, connecting adjoining countries, transit countries and providing access to seaports for landlocked countries.

- **Interest in financing the AfCFTA** – The AfCFTA carries such significance and importance to African countries and to the rest of the world. The long-term benefits of the AfCFTA to the continent have helped attract finance from its Pan-African institutions such as the AfDB, Afrieximbank, PTA Bank, Africa Finance corporation, etc. to support the implementation of various components of the agreement. Additionally, there is a host of multilateral organisations that have expressed an interest and are providing funding for the AfCFTA at continental, regional and national levels. Most of the finance is targeted at addressing the more than funding gap of up to \$100 billion for infrastructure that would open the continent to increased and sustain internal trade. Somalia has already tapped some of this funding for its trade related infrastructure.
- **Women and youth stand to gain** – in Somalia, the region and continent women dominate informal cross border trade. According to the Economic Commission for Africa (ECA), women account for around 70% of informal cross- border traders in Africa<sup>1</sup>. Tariff reductions under the AfCFTA will enable informal women traders to operate through formal channels, bringing better protection. The removal of non-tariff barriers (NTBs) will address the numerous barriers that have continued to affect and limit trading opportunities for women. The AfCFTA has now added a women and youth in trade protocol to the phase two AfCFTA negotiations to ensure that these important demographic groups actively participate and benefit from the AfCFTA.
- **Drive job creation** - the AfCFTA represents an opportunity for firms to access new markets. In Somalia, increased intra African trade is expected to create new opportunities and jobs in sectors like agro-processing, light manufacturing, fishing, meat processing, transport and logistics including shipping etc. These jobs are critical in helping the Somalia meet its growing demand for jobs as well as facilitating social cohesion and peace.
- **Contribute to reducing poverty** – an assessment by the World Bank (2020) of the impact of the AfCFTA on poverty on the continent suggests that its implementation will boost regional income by 7% or \$450 billion, speed up wage growth for women, and lift 30 million people out of extreme poverty by 2035<sup>2</sup>. Wages for both skilled and unskilled workers will also be boosted by about 10%<sup>3</sup>.

### Constraints to be addressed.

There are number of challenges outlined in the ToC. These are summarised in this section but are addressed in detail in Part B of the strategy;

- **Security and governance** – The security situation within Somalia over the last five years has greatly improved with the African Union Mission in Somalia (AMISOM) and its replacement the African Union Transition Mission in Somalia (ATMIS). Nevertheless, perceptions of insecurity continue to affect views on whether the country is open for trade or a safe destination for FDI. Similarly, the crippling debt (estimated at \$3.8 billion<sup>4</sup> or 66% of GDP<sup>5</sup> in Q1 2023) continues to affect the ability to finance its development. Additionally, the country is still under UN sanctions

<sup>1</sup> [https://au.int/sites/default/files/documents/36085-doc-qa\\_cfta\\_en\\_rev15march.pdf](https://au.int/sites/default/files/documents/36085-doc-qa_cfta_en_rev15march.pdf)

<sup>2</sup> WBG (202) The AfCFTA – economic and distributional effects

<sup>3</sup> ibid

<sup>4</sup> [https://mof.gov.so/sites/default/files/Publications/Public%20debt%20bulletin%20report\\_QI%2C%202023.pdf](https://mof.gov.so/sites/default/files/Publications/Public%20debt%20bulletin%20report_QI%2C%202023.pdf)

<sup>5</sup> <https://www.reuters.com/world/africa/imf-reaches-staff-agreement-with-somalia-eyes-debt-forgiveness-late-2023-2022-10-18/>



and other sanctions regimes<sup>6</sup> imposed by the US, UK and EU which continue to restrict the ability to trade and affect financial transactions. Border disputes with neighbouring countries continue to affect the flow of trade and limit the growth of some sectors of the economy. For example, the maritime border dispute<sup>7</sup> with Kenya limits the potential of the fisheries sector and Somalia's efforts to exploit its oil and gas resources within its exclusive economic zone.

- **Slow pace of accession or ratification of trade agreements** – Somalia signed the AfCFTA agreements on the 26 March 2018 and the treaty was then approved by cabinet on the 14<sup>th</sup> August 2020. The treaty is now awaiting parliamentary approval before the instrument of ratification is then deposited with the AUC<sup>8</sup>.
- **Low existing level of Somalia trade with the African continent** – The majority of Somalia's trade is with countries in the gulf where it exports livestock and other agricultural produce. In 2018, the United Arab Emirates, Oman, Saudi Arabia, China, and Japan together accounted for 81 percent of total Somalia's exports<sup>9</sup>. The bulk of its imports are also sourced from Asia and the middle east. Over time, Kenya, India, and, more recently, China displaced Europe and the United States as Somalia's most important import suppliers<sup>10</sup>. Trade with other African countries (Kenya, Ethiopia and Djibouti) is mainly informal and hence there are limited records on its value and composition. In the survey conducted for this strategy, 57% businesses located in Somalia found it difficult to export to other Africa countries while 50% found it difficult to import from other African countries<sup>11</sup>.
- **Fractured internal market** – Discussions with private sectors representative bodies indicate that numerous Non-Tariff Barriers (NTBs) affect the movement of goods from one federal state to another thus restricting trade and increasing the costs of trading. Low levels of market integration and limited control over tax administration in some of the federal states has created parallel tax regimes which fracture the internal market. From the survey conducted for this strategy, Somalia firms listed the following as the top five barriers they encounter while exporting – unnecessary customs controls (20%); multiple testing agencies (14%); excessive documentation (14%); compliance with standards (12%); and unnecessary roadblock and random checks (10%)<sup>12</sup>.
- **Low level of industrialisation and value addition** – most of Somalia's exports have limited value addition. The top export (livestock) constitutes 26% of exports over the last five years. These exports are of live animals with minimal value addition. Livestock exports have been vulnerable to import bans that trade partners impose during outbreaks of animal diseases, notably the ban by Saudi Arabia in 2000–09<sup>13</sup>. Somalia's export crops also face the additional challenge of high post-harvest losses due to limited processing and storage capacity.
- **Low level of awareness of the AfCFTA** – the survey conducted for this strategy revealed that there is a very low level of awareness of the AfCFTA in the Somalia business community in Somalia compared to its diaspora. The results of the survey indicate that 73% of Somali businesses located

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<sup>6</sup> Sanctions were imposed to deprive Al Shabab of revenue sources and access to arms.

<sup>7</sup> After seven years of growing resentment over the issue, the ICJ ruled that there was no de facto maritime boundary, effectively rejecting most of Kenya's claims - <https://issafrica.org/iss-today/icj-draws-the-line-in-kenya-and-somalias-troubled-waters>

<sup>8</sup> Ratification was delayed by the recently concluded presidential elections

<sup>9</sup> WBG (2021) Trade as an Engine of Growth in Somalia: Constraints and Opportunities

<sup>10</sup> Ibid

<sup>11</sup> FGS (2022) AfCFTA perceptions Survey of the Somalia business community

<sup>12</sup> Ibid

<sup>13</sup> Ibid



in Somalia had a low level of awareness of the AfCFTA compared to a high level of awareness (77%) for Somalia business in the diaspora (Kenya, Uganda, and South Sudan)<sup>14</sup>.

- **Poor trade infrastructure** – The conflict and insecurity in Somalia has negatively impacted its trade infrastructure and its ability to effectively connect to the African market. Key road, port and air transport infrastructure needs to be upgraded to support the flow of trade between Somalia and the RoA. The links between the well-established trade corridors in the region can and should be prioritized to open opportunities for trade expansion and diversification. In the survey, Somali firms were asked to indicate what were the key challenges in effective implementation of the AfCFTA. Fourteen percent of the firms surveyed indicated that a key challenge would be limited shipping lines from Somalia to other African ports; 11% cited inadequate connectivity between Somalia and other African markets; 11% highlighted inadequate border infrastructure; and 9% mentioned the inadequate air connectivity between Somali and other African countries<sup>15</sup>. In total, 45% of the firms surveyed highlighted infrastructure related challenges that would limit their access to the African market under the AfCFTA.
- **Lack of requisite trade laws, policies, and regulations** – while Somalia has in recent years made significant progress in updating its trade laws and regulations more still needs to be done to align them to the regional trade agreements it has entered or plan to ratify. To support efforts to improve industrial capacity, the current standards regime and regulations need to be updated. The FGS has set up the standards agency which is a positive step however it needs both capacity and support in updating the regulatory regime.
- **Limited availability of trade data** – this is major constraint to effective trade policy on the AfCFTA. The FGS has set up the national statistics agency and made efforts to improve data collection and reporting. Nevertheless, there is limited data on the composition of Somalia's trade, the scale, value, and volume of its informal trade and more specifically, limited data on the potential trading opportunities in African markets that Somalia could harness or exploit.
- **Inclusive participation in trade** – Formal trading in Somalia like in many African countries is dominated by men with women, youth, and persons with disabilities (PWDs) relegated to low level production or to the informal trade – areas with limited income generation potential. Women and youth traders are also less likely to be equipped with the appropriate skills, technology and resources that would enable them to benefit from trade liberalization. These groups continue to suffer from invisibility, stigmatization, violence, harassment, poor working conditions, and a lack of recognition of their economic contribution<sup>16</sup>. The benefits under the Agreement for women and youth are not automatic, and there must be a better understanding of what is required at the national and regional levels to enhance women and youth participation and beneficiation.<sup>17</sup>

### Intervention pillars

- **Pillar 1: Fast tracking accession and ratification of treaties** – aims to address fast-track the pace of ratification of the AfCFTA, FMP, and SAATM. Where relevant implementation activities in this pillar should be aligned with the accession to the WTO and the EAC. A two-track process not only delivers coherence, but it would also save time.

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<sup>14</sup> Ibid

<sup>15</sup> FGS (2022) AfCFTA perceptions Survey of the Somalia business community

<sup>16</sup> Ibid

<sup>17</sup> UNDP (2020) The Futures Report – Making the AfCFTA work for women and youth



- **Pillar 2: Aligning domestic policy & legislation with AfCFTA** - provides a set of interventions that Somalia should implement to align its domestic trade policy and legislation with what has been negotiated on the AfCFTA – Trade in goods and services, and DSM.
- **Pillar 3: Aligning regulation & standards with AfCFTA**– addresses the gaps and opportunities identified between the current Somalia regulatory and standards regime with what has thus far been negotiated under the AfCFTA.
- **Pillar 4: Upgrade Infrastructure to boost Somalia’s trade with Africa**– Identifies opportunities to align and link Somalia’s national trade infrastructure with existing trade corridors in the region and other market access infrastructure – seaports, airports etc.
- **Pillar 5: Enhancing Somalia’s industrial capacity under the AfCFTA** – Highlights the opportunities to increase domestic value addition to key primary products and how these value-added products could expand and diversify Somalia’s exports.
- **Pillar 6 -: Enhancing market access & trade facilitation under the AfCFTA** – identifies opportunities for trade facilitation and market access reforms that would reduce the cost of trade and enhance Somalia’s exports to the RoA.
- **Pillar 7 - Strengthening capacity to deliver national AfCFTA implementation strategy** – identifies capacity and technical assistance required to support the FGS in its efforts to implement AfCFTA reforms.
- **Pillar 8 - Enhancing Somalia’s capacity to implement Phase II AfCFTA protocols** – Provide the evidence base needed to Somalia to develop implementation strategies for phase two protocols.
- **Pillar 9 – Enhancing trade opportunities** - covers the analysis of the potential new areas where Somalia can enhance its trade and market access opportunities.

**For the strategy to deliver inclusive outcomes, implementation needs to consider the mainstreaming of the following:**

- **Equitable participation by all (women, youth and PWD)** – Trade can play an important role in creating opportunities for often marginalized groups like women, youth and PWDs to benefit and enhance their livelihoods. Nevertheless, is also important to recognize that these groups are often left out of trade and if they are involved, they are relegated to aspects of the trade value chain - where there are fewer returns or benefits. In implementing this strategy, it is important to understand how various barriers that affected these groups and limit their effective participation in trade are addressed in every intervention.
- **Embed equitable digitization across all interventions** - The success of AfCFTA depends on how effectively the continent and members states (in particular) embrace the use of technology and digital innovations to simplify trade and reduce the cost of trading. Key technologies like the Internet of Things (IoT), Artificial Intelligence (AI), Blockchain and Big Data must be central to the monitoring and evaluation on the performance of intra-Africa trade. Through these technologies, the continent can capture the trade movements across the continent, international trade data and capital movements, fiscal statistics and more importantly, food production and consumption, to understand the supply chains and exploit the continent’s land and labour resources. Somalia is already on the path to digitizing its trade with the implementation of the (i) online trade information portal, (ii) the online business registration and licensing system, (iii) the launch of the customs revenue systems are all strong signs of the importance the FGS has given to the use of technology and digital platforms.
- **Compliance with international practice on safe trade** – The covid 19 pandemic highlighted how easily trade can be disrupted by global pandemics. In addition, trade reforms that facilitate the free movement of people and goods can also be exploited by nefarious entities to undertake illegal activities such as smuggling, trafficking of people and drugs, slave labour etc. Somalia has a



significant amount of its trade that is informal especially at its land borders with Kenya, Ethiopia, and Djibouti. This trade is important to millions of traders and small business owners and if disrupted by illegal activities, then their livelihoods will be significantly impacted. It is therefore important that these potential negative effects of trade are considered and adequately addressed when implementing this strategy to ensure the smooth flow of trade and its resulting benefits.

- **Embed climate resilience and environmental safeguards in all interventions** - Climate change is expected to have severe impacts across the globe – rising temperatures and seas, unpredictable weather, all of which will severely disrupt economic activity and life as we know it. Most of the African economies are still agrarian based and dependent and hence changes in climate will have a significant impact. Most Africa agriculture is still rain-fed and hence susceptible to climate variability – droughts and floods. Somalia is one of the most climate distressed countries on the continent. Over the last 30 years, it has experienced cyclical periods of droughts which have affected its agriculture sector on which it depends for trade and incomes for millions of its people. As such, it is imperative that the implementation of this AfCFTA and other trade strategies do not encourage, and support trade related economic activities that would undermine Somalia's climate resilience and environmental safeguards.

**In summary the following are proposed as policy and other actions to be implemented.**

The table 1 below provides a summary of proposed actions for the FGS, MOCI and trade related ministries and agencies – and their partners – to consider and implement as part of the efforts to ensure Somalia is positioned to maximise the benefits of the AfCFTA while at the same time having a coherent approach to minimising the risks.



## Somalia National AfCFTA Implementation Strategy - Policy Action Plan

Figure 1: Issues and policy matrix

Issues identified	Policy actions
<b>Somalia trade &amp; macroeconomic situational analysis</b>	
<ul style="list-style-type: none"> <li>Chronic and unsustainable trade deficit. This is currently financed by remittance flows which are susceptible and vulnerable to global shocks, for example COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>Implementing the AfCFTA will offer Somalia opportunities to expand its access to the African market and in turn generate export revenue and taxes to increase its domestic revenue collection.</li> </ul>
<ul style="list-style-type: none"> <li>Poor domestic resource mobilisation.</li> </ul>	<ul style="list-style-type: none"> <li>Trade related reforms, including the implementation of customs systems and trade facilitation reforms, should increase domestic revenue collection.</li> </ul>
<ul style="list-style-type: none"> <li>Limited exports, with poor export diversification. Somalia's exports are mainly comprised of live animals and raw agricultural goods.</li> </ul>	<ul style="list-style-type: none"> <li>Opening of the regional export market through implementation of the AfCFTA, targeting specific African export markets for value added exports in livestock and agro-processing.</li> </ul>
<b>Private sector knowledge and awareness of the AfCFTA</b>	
<ul style="list-style-type: none"> <li>EAC is a key African market for both Somali exports and imports.</li> </ul>	<ul style="list-style-type: none"> <li>Fast tracking the harmonisation of the Somalia trade regime with the EAC would enhance its integration in to the AfCFTA and the continental market.</li> </ul>
<ul style="list-style-type: none"> <li>Trade facilitation remains a key barrier both for exporters and importers. Barriers include (i) unnecessary customs controls; (ii) multiple testing agencies; (iii) excessive data and documents collection; (iv) compliance with standard; and (v) unnecessary roadblocks and random checks.</li> </ul>	<ul style="list-style-type: none"> <li>FSG working with the private sector to conduct three audits on NTBs that traders face when importing or exporting via Road, Air and Sea, coordinated by NTFC.</li> <li>MOCI and relevant bodies to undertake a review of existing trade compliance procedures and requirements &amp; mapping of entire importing and exporting journey with the view to simplifying and digitising them.</li> </ul>
<ul style="list-style-type: none"> <li>Low level of awareness of the AfCFTA and its associated costs and benefits</li> </ul>	<ul style="list-style-type: none"> <li>MOCI to develop a civil society education and communications strategy that would increase the knowledge and awareness of the AfCFTA &amp; EAC.</li> <li>MOCI to work closely with other government ministries and agencies to build knowledge and awareness of the AfCFTA within the FGS.</li> <li>MOCI to work with private sector representative organisations to continue to build awareness and knowledge of the costs and benefits of the AfCFTA.</li> </ul>
<ul style="list-style-type: none"> <li>Visa access and air connectivity are critical for Somali companies looking to access the African market</li> </ul>	<ul style="list-style-type: none"> <li>Develop roadmap for FMP &amp; SAATM ratification to speed up ratification.</li> </ul>



<ul style="list-style-type: none"> <li>● Enhanced access to shipping lines is vital for Somalis to exploit market opportunities along the East African Coast and the Indian ocean states.</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to FastTrack implementation of National Blue Economy Strategy.</li> </ul>
<ul style="list-style-type: none"> <li>● Targeted and consistent engagement with the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>● Enhance participation of private sector in NTFC through platforms where specific reforms can be discussed and implemented with private sector input on trade and industrial policy.</li> </ul>
<p><b><i>Pillar 1: Fast tracking accession and ratification of treaties</i></b></p>	
<ul style="list-style-type: none"> <li>● Somalia is yet to ratify the AfCFTA agreement by depositing the instruments of the ratification with the AUC</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to Fasttrack ratification process in the parliament</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia has signed the FMP Protocol but has not made progress to move to ratification. Somalia needs to make the case for FMP ratification. Where there are concerns, these need to be addressed and the benefits of ratification outlined to facilitate the process.</li> </ul>	<ul style="list-style-type: none"> <li>● Develop roadmap for FGS ratification</li> <li>● A study to model the costs and benefits of ratification of the FMP – full, partial, and non-ratification. These will help policy makers at all levels fully internalize the opportunity cost of non-ratification.</li> <li>● FGS Ministry of Foreign Affairs &amp; International Cooperation to implement a strategy to push for visa reciprocity that would open effective visa liberalisation between Somalia and the rest of Africa.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia is ranked as one of the least compliant countries with regards to the implementation of the SATAAM protocol and liberalization measures</li> </ul>	<ul style="list-style-type: none"> <li>● FGS and SCAA Authority should work with AFCAC to create greater awareness of the SAATM</li> <li>● MoCI, Ministry of Transport &amp; Aviation, Ministry of Foreign Affairs &amp; International Cooperation to develop action plan to develop National Aviation/Air transport policy</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia has no aviation competition and consumer protection legislation which is a prerequisite for SATAAM implementation</li> </ul>	<ul style="list-style-type: none"> <li>● FGS and SCAA to work with AFAC to seek support in developing the aviation competition and consumer protection legislation</li> </ul>
<ul style="list-style-type: none"> <li>● Limited understanding of the costs and benefits of liberalizing the Somalia air transport market</li> </ul>	<ul style="list-style-type: none"> <li>● SCAA to undertake an assessment of the costs and benefits of liberalizing the Somali aviation sector to promote increased intra-African connectivity and travel</li> </ul>
<p><b><i>Pillar 2: Aligning Domestic policy and legislation with AfCFTA</i></b></p>	
<ul style="list-style-type: none"> <li>● Multiplicity of customs codes across Somalia’s federal states which prevents effective trade facilitation and harmonisation with the rest of Africa</li> </ul>	<ul style="list-style-type: none"> <li>● Map custom codes and custom processes differences across federal states and seek to harmonise codes, systems, and procedures</li> </ul>
<ul style="list-style-type: none"> <li>● Not clear that Somalia’s new customs code is harmonised with AfCFTA tariff regime</li> </ul>	<ul style="list-style-type: none"> <li>● Ministry of Finance, Revenue Department, to map and harmonise unified Somali customs code with EAC and AfCFTA frameworks and a pathway to AfCFTA tariff harmonisation</li> </ul>



<ul style="list-style-type: none"> <li>● AfCFTA lists of the sensitive and excluded products yet to be agreed hence an opportunity for Somalia to engage and influence the negotiations</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop a schedule of sensitive and excluded product lines for the AfCFTA, in consultation with federal state government agencies and the private sector</li> </ul>
<ul style="list-style-type: none"> <li>● The treatment of intermediate goods under the AfCFTA is not yet clear.</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to review its new industrial strategy to clarify it would be affected should agreements be reached on the treatment of intermediate goods in the AfCFTA.</li> </ul>
<ul style="list-style-type: none"> <li>● Lack of customs systems interconnectivity may hamper the trade with RoA</li> </ul>	<ul style="list-style-type: none"> <li>● SOMCAS to be connected to regional customs systems to facilitate smooth customs trade and data sharing with will reduce customs revenue leakages</li> </ul>
<ul style="list-style-type: none"> <li>● Numerous NTBs have been identified in the perception survey</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation digital platforms that monitor and facilitate trade. Systems like the electronic single window, electronic cargo tracking, NTB monitoring and resolution platforms.</li> </ul>
<ul style="list-style-type: none"> <li>● Gaps in harmonisation of Somalia's trade legislation with regional and international frameworks <ul style="list-style-type: none"> <li>a) Trade in goods &amp; services</li> <li>b) IP, competition, investment, digital trade, and women &amp; youth</li> </ul> </li> <li>● There is limited awareness and lack of capacity &amp; technical expertise across government to deliver on the above.</li> </ul>	<ul style="list-style-type: none"> <li>● Comprehensive mapping of current trade legislation against the various agreements that Somalia is negotiating (WTO, EAC, COMESA, AfCFTA)</li> </ul>
<ul style="list-style-type: none"> <li>● Underdeveloped policies &amp; strategies and implementation (trade, industrial strategy, investment)</li> </ul>	<ul style="list-style-type: none"> <li>● Mapping status and gaps of existing policies and strategies</li> <li>● MOCI to publish to other government departments the strategies that they have developed to aid cross-ministerial cooperation.</li> <li>● Initiate consultation process on current and new policies/strategy reforms across government.</li> <li>● Coordination &amp; harmonisation of policy and strategy implementation to achieve coherency across government</li> </ul>
<ul style="list-style-type: none"> <li>● Underdeveloped incentive frameworks to promote trade &amp; industrialisation</li> </ul>	<ul style="list-style-type: none"> <li>● Comprehensive study to map current incentives to promote trade &amp; industrialisation with a specific focus on gaps that need to be addressed</li> </ul>
<ul style="list-style-type: none"> <li>● Limited evidence to support development of good policy &amp; legislation, with disparate trade related databases</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a roadmap on how trade related government bodies can improve the collection, reporting and access to trade data</li> </ul>
<ul style="list-style-type: none"> <li>● Limited awareness of existing policy &amp; legislation</li> </ul>	<ul style="list-style-type: none"> <li>● Develop action plan on how to increase awareness of trade policy and reforms across all segments of society</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia can adopt &amp; benefit from tried and tested trade policy &amp; legislation in the region &amp; ease of harmonisation with already established trade frameworks</li> </ul>	<ul style="list-style-type: none"> <li>● Compile examples of good policy &amp; practice that has delivered improved trade &amp; industrial performance in the region</li> </ul>



<ul style="list-style-type: none"> <li>● Significant interest from international &amp; donor community to support policy and legislation reform</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to develop a costed trade reform action plan to be shared with potential development partners/donors interested in supporting trade related reforms, using MoCI annual workplan</li> </ul>
<b><i>Pillar 3: Aligning regulation &amp; standards with AfCFTA</i></b>	
<ul style="list-style-type: none"> <li>● Current trade related regulation and standards lag regional &amp; international good practice.</li> </ul>	<ul style="list-style-type: none"> <li>● Map gaps between domestic and African standards (with ARSO &amp; ASO)</li> <li>● Prioritise harmonisation of Somali standards with regional standards – upon EAC accession, Somalia will be able to adopt EAC standards as a member state</li> </ul>
<ul style="list-style-type: none"> <li>● Underdeveloped domestic standards to facilitate internal trade</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI &amp; SOBS to undertake a common-sense assessment of what a domestic standards regime should look like to facilitate value addition</li> </ul>
<ul style="list-style-type: none"> <li>● Limited capacity within established trade regulation &amp; standards agencies to develop &amp; administer regulations and standards</li> </ul>	<ul style="list-style-type: none"> <li>● SOBS to identify technical assistance required to develop and regulate Somalia’s domestic &amp; international standards regime.</li> <li>● Fastrack full ISO membership</li> <li>● Expand scope of support from ARSO, beyond technical assistance</li> </ul>
<ul style="list-style-type: none"> <li>● Limited evidence base to support development of regulations and standards</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a repository of standards regulations and related data that would facilitate reforms</li> </ul>
<ul style="list-style-type: none"> <li>● Limited awareness of existing regulations &amp; standards</li> </ul>	<ul style="list-style-type: none"> <li>● SOBS to push standards agenda within government by publishing quarterly updates on progress being made on standards reforms &amp; hosting national conferences with key stakeholders.</li> <li>● SOBS to increase awareness of standards reforms and compliance to private sector – providing regular workshops with traders.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia National Quality Infrastructure policy is currently under development</li> </ul>	<ul style="list-style-type: none"> <li>● Develop sector specific action plan to implement the Somalia National Quality Infrastructure policy</li> </ul>
<ul style="list-style-type: none"> <li>● SOBS is not yet accredited and requires technical assistance to achieve accreditation</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a roadmap outlining the reforms and investment required to upgrade SOBS labs to meet international accreditation standards.</li> <li>● Develop a human resource gaps analysis &amp; action plan to build domestic technical capacity to implement both domestic and international standards</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia in a position to benefit from and adopt tried and tested regulations and standards &amp; ease of harmonisation with already established trade frameworks</li> </ul>	<ul style="list-style-type: none"> <li>● Request examples of good policy &amp; practice that has delivered improved standards and regulation in the region from ASSO &amp; ASO</li> </ul>
<b><i>Pillar 4: Infrastructure to boost Somalia’s trade with Africa</i></b>	
<ul style="list-style-type: none"> <li>● No specific prioritization of trade infrastructure in the SNIS 2019-2063</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with key ministries involved in infrastructure planning to identify infrastructure needs to facilitate regional trade from existing policy framework (SNIS 2019- 2063; Somalia TSNA &amp; Investment Programme)</li> </ul>



<ul style="list-style-type: none"> <li>● Insecurity along Somalia’s traditional trade routes increases costs and limits opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>● Map key security related bottlenecks in Somalia’s main trade routes/corridors</li> </ul>
<ul style="list-style-type: none"> <li>● Diaspora has shown interest in supporting Somalia’s growth however there is no concerted efforts to tap into their expertise.</li> </ul>	<ul style="list-style-type: none"> <li>● Explore opportunities to build domestic capacity, including diaspora investment, to participate in infrastructure development/upgrading/rehabilitation</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia needs to enhance its road infrastructure connectivity to established regional trade corridors</li> </ul>	<ul style="list-style-type: none"> <li>● identify gaps in Somalia’s infrastructure connectivity with established regional trade corridors and develop action plan to connect developing regional trade corridors with Somalia</li> </ul>
<ul style="list-style-type: none"> <li>● No clear estimation of the cost and value of trade infrastructure needed to improve access to markets</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with key ministries involved in infrastructure planning to draw from SNIS 2019- 2063 and Somalia TSNA &amp; Investment Programme to quantify regional trade related infrastructure gaps</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia’s main port is rapidly reaching its full capacity utilization. Other ports around the country are underdeveloped and yet they have significant potential</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with main port authorities, &amp; key industries involved in infrastructure planning, to identify opportunities to maximise utilisation of existing ports</li> </ul>
<ul style="list-style-type: none"> <li>● No available mapping of potential strategies for trade infrastructure development.</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI &amp; key industries involved in infrastructure planning to identify potential and existing partners that will support development/upgrading/rehabilitation of its regional trade related infrastructure</li> </ul>
<b><i>Pillar 5: Enhancing Somalia’s industrial capacity under the AfCFTA</i></b>	
<ul style="list-style-type: none"> <li>● Industrial strategy has been developed however it lacks and implementation action plan</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop an action plan to implement recommendations in existing industrial strategy</li> </ul>
<ul style="list-style-type: none"> <li>● There is an ongoing push to support industrialisation. This would require the divesture of government owned industrial assets. There is no PPP law that would provide an alternative option to outright sale of these assets</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to fast-track development of Somalia PPP law with a view to facilitating the disposal of redundant state industrial assets.</li> </ul>
<ul style="list-style-type: none"> <li>● Feedback from new investors in the industrial sector indicate the lack of awareness of the incentives available to them</li> </ul>	<ul style="list-style-type: none"> <li>● Operationalise incentives national investment policy that would drive FDI &amp; DDI towards industrialisation, including SEZs</li> </ul>
<ul style="list-style-type: none"> <li>● Industrial strategy does not clearly articulate the approach to tapping into regional value chains</li> </ul>	<ul style="list-style-type: none"> <li>● Assessment of how Somalia’s industries could be linked into regional value chains so to access technology and expand industrial capacity that generates growth across sectors, including SEZs</li> </ul>
<ul style="list-style-type: none"> <li>● There is little or no data on industrial output that would facilitate decision making especially in relation to incentives for the sector</li> </ul>	<ul style="list-style-type: none"> <li>● Develop framework that enhances industrial data collection that will facilitate implementation of policy and strategies</li> </ul>



<ul style="list-style-type: none"> <li>● No existing strategy to guide value addition in the agriculture and livestock sector</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a national agro-processing strategy linked to off-setting imports and expanding value added exports in sectors where Somalia has a comparative advantage (livestock, fisheries)</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia doesn't have a strategy that would guide its policy to reduce its trade deficit and its policy to increase domestic industrial capacity</li> </ul>	<ul style="list-style-type: none"> <li>● Identify opportunities for import substitution that could be addressed through industrial policy and strategies</li> </ul>
<ul style="list-style-type: none"> <li>● There are opportunities for Somalia to export value added goods in agriculture, livestock, and fisheries. These opportunities need to be assessed and communicated to the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>● Identify opportunities where Somalia has a comparative advantage in exporting value added goods</li> </ul>
<b>Pillar 6: Market access and trade facilitation</b>	
<ul style="list-style-type: none"> <li>● Significant NTBs and NTMs (non-tariff measures) in Somalia's internal and domestic, regional &amp; ROW &amp; no mechanism in place to monitor NTBs &amp; NTMs (reporting &amp; addressing)</li> </ul>	<ul style="list-style-type: none"> <li>● Diagnostic study on NTBs &amp; NTMs affecting Somalia's trade</li> <li>● Develop a digital framework for reporting and resolving NTBs</li> <li>● Establish NTB monitoring committee as a sub-set of NTFC (including port, airport, revenue and customs, border force, and security authorities)</li> </ul>
<ul style="list-style-type: none"> <li>● High cost of trade – transportation, procedures</li> </ul>	<ul style="list-style-type: none"> <li>● Audit to ascertain the true cost of trading across Somalia's borders (land, air, and sea)</li> </ul>
<ul style="list-style-type: none"> <li>● High levels of informal trade with immediate neighbours</li> </ul>	<ul style="list-style-type: none"> <li>● Ascertain value, levels, and composition of informal trade with Somalia's immediate neighbours.</li> <li>● Develop a simplified trade regime (STR) to support ICBT</li> </ul>
<ul style="list-style-type: none"> <li>● Lack of data on ICBT</li> </ul>	<ul style="list-style-type: none"> <li>● Develop framework for collecting and reporting ICBT data at land borders</li> </ul>
<ul style="list-style-type: none"> <li>● Enforcement and compliance with domestic regional and international trade standards</li> </ul>	<ul style="list-style-type: none"> <li>● Harmonising domestic, regional, and continental standards to facilitate Somalia's market access</li> </ul>
<ul style="list-style-type: none"> <li>● High cost of market entry and high cost of trade facilitation, with lack of data to support market access strategies and address trade facilitation barriers</li> </ul>	<ul style="list-style-type: none"> <li>● Undertake assessment of the costs of accessing new markets in the region (Indian Ocean States – Mauritius, Seychelles, and Madagascar, and states on East African coastlines – Mozambique and Tanzania)</li> </ul>
<ul style="list-style-type: none"> <li>● Established digital trade information portal addressing trade facilitation barriers</li> </ul>	<ul style="list-style-type: none"> <li>● Expand existing trade information portal to provide a framework for identifying trade facilitation barriers</li> </ul>
<ul style="list-style-type: none"> <li>● Established framework for trade facilitation coordination</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthen the mandate and decision-making power of Somalia's National Trade Facilitation Committee (NTFC)</li> </ul>
<b>Pillar 7: Strengthening capacity to deliver Somalia's National AfCFTA Implementation Strategy</b>	



<ul style="list-style-type: none"> <li>● Consultations indicate that FGS will need support to enhance its capacity and capability to negotiate the phase 2 protocols</li> </ul>	<ul style="list-style-type: none"> <li>● Identify capacity gaps linked to Phase II AfCFTA negotiations.</li> <li>● Enhance and widen training on trade related policy across FGS ministries and agencies</li> </ul>
<ul style="list-style-type: none"> <li>● The NTFC needs technical assistance to strengthen its ability to coordinate trade reforms across government and the private sector</li> </ul>	<ul style="list-style-type: none"> <li>● Seek funding to support technical assistance to the NTFC</li> </ul>
<ul style="list-style-type: none"> <li>● No centralized or digitized trade data reporting framework</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with National Bureau of Statistics to develop a digitised &amp; centralised reporting framework for trade data</li> </ul>
<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Identify diaspora trade, investment, and industrialisation expertise to facilitate Somalia's implementation of national and AfCFTA trade strategies</li> </ul>
<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Identify opportunities to leverage African regional integration experts to support the implementation of Somalia's AfCFTA National Strategy</li> </ul>
<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Identify prioritised technical assistance gaps that could be funded by the donor/international community</li> </ul>
<p><b><i>Pillar 8: Enhancing Somalia's capacity to implement Phase II AfCFTA Protocols</i></b></p>	
<ul style="list-style-type: none"> <li>● Current IP law &amp; regulatory framework is outdated</li> </ul>	<ul style="list-style-type: none"> <li>● Develop IP policy strategy and legal framework</li> </ul>
<ul style="list-style-type: none"> <li>● No entity in place to regulate and manage IP</li> </ul>	<ul style="list-style-type: none"> <li>● Assess most appropriate entity to regulate the sector, learning from regional examples</li> </ul>
<ul style="list-style-type: none"> <li>● Awareness of AfCFTA IP protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI organise workshops for stakeholders across and outside government to validate its IP negotiating paper</li> </ul>
<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA IP protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify IP priorities that would a) inform Somalia's IP policy and strategy b) support the development of both institutional and regulatory IP frameworks</li> </ul>
<ul style="list-style-type: none"> <li>● FIL is established (legal framework) and investment policy &amp; strategies are under development, but no clear roadmap on how these will be aligned to the AfCFTA protocol on investment</li> </ul>	<ul style="list-style-type: none"> <li>● Develop an AfCFTA investment strategy paper focused on intra-African FDI opportunities</li> </ul>
<ul style="list-style-type: none"> <li>● No current specific or articulated strategy to attract Somali diaspora in Africa to invest</li> </ul>	<ul style="list-style-type: none"> <li>● Ensure that Somalia's National Diaspora Policy (SNDP-22) includes a chapter on attracting investment from its diaspora in Africa for strategy development.</li> <li>● Fastrack development of Somalia Diaspora Investment Policy</li> </ul>
<ul style="list-style-type: none"> <li>● Awareness of AfCFTA investment protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to organise workshops for stakeholders across and outside government to validate its AfCFTA investment strategy</li> </ul>



<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA investment protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify investment priority areas of alignment between Somalia’s investment frameworks and what is being proposed under the AfCFTA</li> </ul>
<ul style="list-style-type: none"> <li>● No competition law and related regulatory framework</li> </ul>	<ul style="list-style-type: none"> <li>● Develop competition legislation &amp; regulation</li> </ul>
<ul style="list-style-type: none"> <li>● Awareness of AfCFTA competition protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI organise workshops for stakeholders across and outside government to validate its competition strategy</li> </ul>
<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA competition protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify competition priority areas of alignment between Somalia’s competition priorities and what has been agreed under the AfCFTA competition protocol</li> </ul>
<ul style="list-style-type: none"> <li>● There is no e-commerce policy, strategy, and law but they are currently being drafted</li> </ul>	<ul style="list-style-type: none"> <li>● Develop an AfCFTA digital trade protocol strategy focused on digital trade opportunities in Africa</li> </ul>
<ul style="list-style-type: none"> <li>● Awareness of AfCFTA digital trade protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI &amp; MOCT to organise workshops for stakeholders across and outside government to validate its digital trade strategy</li> </ul>
<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA Digital trade Protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify digital priority areas of alignment between Somalia’s digital trade priorities and what is being proposed under the AfCFTA</li> </ul>
<ul style="list-style-type: none"> <li>● No specific or articulated policy &amp; strategy to address participation of women and youth in trade (formal &amp; ICBT)</li> </ul>	<ul style="list-style-type: none"> <li>● Develop an AfCFTA women and youth in trade protocol position paper focused on opportunities to improve the participation of women and youth in trade in Africa (formal &amp; ICBT)</li> </ul>
<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA Women and Youth in trade protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify women and youth in trade priority areas of alignment between Somalia’s priorities and develop a strategy</li> </ul>
<b><i>Pillar 9: Enhancing trade opportunities</i></b>	
<ul style="list-style-type: none"> <li>● National Blue Economy Strategy is in place but needs an Action plan and coordination forum to ensure its effective implementation</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a BES action plan and set up an institutional coordination platform that will oversee the implementation of reforms contained in the strategy</li> </ul>
<ul style="list-style-type: none"> <li>● Current Somalia port infrastructure needs investment to order to improve functionality and efficiency. The port at Mogadishu is rapidly reaching its operational capacity</li> </ul>	<ul style="list-style-type: none"> <li>● FGS needs to develop a national port development strategy that prioritises the investment required; investment options i.e., PPP etc, and operational models</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia’s shipping sector is underdeveloped with low levels of investment. Somalia had not developed a national shipping line that would enhance its access to the African continent and trade</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to develop a national shipping development strategy that would help guide and incentivise investment in the sector</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia doesn’t have a systematic record of marine information critical to guiding and informing policy development and reforms that would unlock its maritime resource potential</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to develop a comprehensive maritime database that will allow the collection of several maritime indicators as well as a comprehensive resource base where data for both natural and human capital aspects are to be evaluated and quantified.</li> </ul>



<ul style="list-style-type: none"> <li>● Somalia's BE potential affected by insecurity and risk perceptions. Maritime border disputes are constraining the ability to exploit its maritime resources</li> </ul>	<ul style="list-style-type: none"> <li>● Improve regional peace and security: This will foster the development of all the Blue Economy</li> <li>● sectors, including easing tensions linked to maritime boundaries.</li> </ul>
<ul style="list-style-type: none"> <li>● Limited value addition in the key blue economy subsectors specifically fishing. Most of Somalis fish exports have little or no value add.</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to develop a value addition strategy that would guide investments by both the public and private sector to maximise the value addition capacity and capability in Somalia's fishing sector</li> </ul>
<ul style="list-style-type: none"> <li>● Capacity constraints within the marine and shipping sectors undermines the ability to implement good governance</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to seek support from international maritime agencies willing to help build the capacity of its blue economy ministries and agencies</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia's tourism potential is limited by security concerns and the lack of appropriate infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>● Developing strong inter-sectoral linkages is necessary to ensure greater capture of tourists' expenditures. This will facilitate the transfer of economic benefits from the sector to the local communities thereby contributing to improved livelihoods and poverty reduction</li> </ul>
<ul style="list-style-type: none"> <li>● Industrial policy is in place, however, there is no strategy to guide implementation</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI develop an industrialisation strategy that operationalises the recently developed industrial policy</li> </ul>
<ul style="list-style-type: none"> <li>● The industrial policy alluded to promoting Made in Somalia however, there is no specific strategy on how this objective will be achieved</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop a domestic market recapture strategy that clearly outlines how the Made in Somalia will be operationalised</li> </ul>
<ul style="list-style-type: none"> <li>● No local content policy to drive local value addition</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a national local content strategy that will develop an incentive structure for local value addition</li> </ul>
<ul style="list-style-type: none"> <li>● SEZ Act is in place but it's not clear whether there is a policy of strategy to guide and drive implementation.</li> </ul>	<ul style="list-style-type: none"> <li>● Develop SEZ Policy and Strategy</li> </ul>
<ul style="list-style-type: none"> <li>● No diagnostic of which sectors and product lines will be prioritised in the domestic industrial promotion</li> </ul>	<ul style="list-style-type: none"> <li>● Undertake a study to inform the prioritisation of sectors and product lines that would form the basis for the investor attraction</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia does not have an ICBT policy or strategy and yet a significant amount of trade takes place at this informal level</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop ICBT policy and strategy</li> </ul>
<ul style="list-style-type: none"> <li>● There is very little data on cross border trade which limits the development of effective policies to guide the trade and maximise the benefits for all</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to work with relevant federal states and FGS ministries and agencies to agree a framework for collecting and reporting ICBT data</li> <li>● Strengthen/establish ICBT data collection and analytical capacities at key border points to gauge ICBTs contribution to the economy.</li> </ul>



<ul style="list-style-type: none"> <li>● It's not clear that any simplified trade regime is in operation at the key border points where ICBT trade is taking place – Somalia's borders with Kenya, Ethiopia and Djibouti</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to review regional STRs and their applicability at the relevant borders to facilitate trade.</li> </ul>
<ul style="list-style-type: none"> <li>● Women and youth continue to face challenges in trading across borders</li> </ul>	<ul style="list-style-type: none"> <li>● Prioritize a gender and youth-based approach to ICBT which address some of the pervasive constraints that afflict women and youth participation in trade.</li> </ul>
<ul style="list-style-type: none"> <li>● Intensification of cross border policy dialogue will build an understanding of local cross border dynamics.</li> </ul>	<ul style="list-style-type: none"> <li>● Mainstream ICBT in national and regional economic policy dialogues.</li> </ul>
<ul style="list-style-type: none"> <li>● Cross border payments systems remain a challenge</li> </ul>	<ul style="list-style-type: none"> <li>● The promotion of suitable financing solutions is of critical importance for informal and small-scale traders. Traders without bank accounts are often locked out of formal processes. Electronic payment systems for cross-border payments can cut the security risks for informal traders and represent an opportunity to formalise trade.</li> </ul>
<p><i>Cross Cutting Pillar interventions</i></p>	
<ul style="list-style-type: none"> <li>● Ensure equal participation of women in AfCFTA national coordinating &amp; oversight structures.</li> </ul>	<ul style="list-style-type: none"> <li>● Consult and ensure the equal participation of women-led organisations across sectors in all AfCFTA national coordinating structures, including <i>inter alia</i> National AfCFTA Committee, charged with coordinating AfCFTA implementation across Government &amp; National Trade Facilitation Committee.</li> </ul>
<ul style="list-style-type: none"> <li>● Build the export and trading capacity of women-led business in the AfCFTA</li> </ul>	<ul style="list-style-type: none"> <li>● Develop and implement AfCFTA export-ready capacity development and training programmes for women entrepreneurs.</li> <li>● Design context-specific business and entrepreneurship management programmes to strengthen women's entrepreneurial skills, including through business development, leadership, mentorship, and networking.</li> </ul>
<ul style="list-style-type: none"> <li>● Empower women in regional value chains, corporate supply chains and public procurement</li> </ul>	<ul style="list-style-type: none"> <li>● Prioritize opportunities for women in high-value regional value chains: understand the terms of involvement for women by conducting gender-focused sectoral value chain analysis to determine with accuracy where women and men are in various segments of the value chain.</li> <li>● Improve access to education, specialized skills, vocational and on-the-job training that respond to identified causes of persistent gender-occupational segregation.</li> <li>● Explore public-private sector partnerships that connect women-owned SMEs to regional markets by becoming certified suppliers of corporate supply chains.</li> <li>● Design gender-responsive public procurement policies that integrate women-owned businesses in public procurement supply chains.</li> </ul>



<ul style="list-style-type: none"> <li>● Close the gender gap in access to finance</li> </ul>	<ul style="list-style-type: none"> <li>● Improve women-owned businesses access to finance to grow their businesses, including through a range of innovative financing instruments ranging from micro-loans to venture capital.</li> <li>● Collaborate with financial institutions to provide low-interest loans for women entrepreneurs. Collaborate with commercial and microfinance banks and other partners on digital financial services and products.</li> </ul>
<ul style="list-style-type: none"> <li>● Design and implement a gender-responsive trade facilitation agenda (including digital trade facilitation)</li> </ul>	<ul style="list-style-type: none"> <li>● Identify trade facilitation measures to improve the safety and boost the participation, especially of women traders, in small-scale cross-border trade. Measures could include improved security lighting as well as “at the border” infrastructure, such as proper storage, health, and sanitary facilities. Implement gender sensitive training to customs officers and border officials at ports of entry and exit.</li> </ul>
<ul style="list-style-type: none"> <li>● Improved access to e-commerce and digital trade solutions</li> </ul>	<ul style="list-style-type: none"> <li>● Develop and expand ICT and digital infrastructure.</li> <li>● Support women’s participation in e-commerce through bridging the gender digital divide and addressing digital illiteracy and lack of digital skills as one of the main drivers of the gender digital divide, and a particular constraint to women’s participation in ecommerce.</li> <li>● Implement digital trade solutions, including e-transactions and e-payments, to improve efficiency in cross-border trade. Online payments such as mobile apps for small-scale cross-border traders, e-logistics, and e-legislation are examples of digital trade solutions proposed to improve efficiency in cross-border trade.</li> <li>● Implement digital literacy, education, and skills to support the equal participation of women entrepreneurs, small-scale and informal cross border traders in digital trade platforms to facilitate intra-African trade.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia does not have legislation to regulate data and consumer protection, data transfer, cybersecurity, and electronic transactions.</li> </ul>	<ul style="list-style-type: none"> <li>● Need to Fasttrack Somalia’s digital economy legislation.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia does not have a digital market strategy or E-Commerce strategy</li> </ul>	<ul style="list-style-type: none"> <li>● Align the development of digital market strategy or E-commerce strategy with development on the digital trade protocol of the AfCFTA</li> </ul>
<ul style="list-style-type: none"> <li>● Climate change poses a significant risk to the Somalia’s ability to expand agriculture and livestock production</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with the relevant ministries to develop a strategy on how production can be expanded without causing adverse effects on arable land and rangelands</li> </ul>
<ul style="list-style-type: none"> <li>● Scaling up agriculture crop production may increase water insecurity</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with relevant ministries, agencies and private sector to introduce technology that can conserve water or plant varieties that are less water intensive</li> </ul>



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# Somalia AfCFTA Implementation Strategy

## Introduction

### Objectives of the Somalia AfCFTA National Implementation Strategy

**There are five objectives outlined for the implementation of the strategy;**

- Provide a framework through which the Federal Government of Somalia (FGS) will support and facilitate the implementation of the AfCFTA across the Federal Republic of Somalia (hereinafter referred to as Somalia).
- Assess whether the structural and legal reforms within the Federal Republic of Somalia are adequate to effectively implement the AfCFTA agreement and identify what changes may be required.
- Highlight the constraints, gaps, and opportunities to the alignment of the FGS and AfCFTA trade frameworks that would unlock (i) market opportunities; (ii) prioritization of sectors/industry clusters and products for trade; and (iii) regional value chains development
- Provide strategic and policy recommendations on how best to improve the implementation of the AfCFTA within the Federal Republic of Somalia, with a view to promoting trade performance, competitiveness, digitalization and investments.
- Develop an implementation action plan / workplan

## Part A: Understanding of the Context

**This section provides a brief overview of the history and context within which the AfCFTA strategy was developed and will be implemented.** The section provides a situational analysis of the AfCFTA and the results of survey of the Somali private sector.

### AfCFTA situational analysis

#### Historical context

**With the Treaty of Abuja in 1991, the Member States of the Organisation for African Unity (OAU) agreed on a road map for the creation of a common African market.** To accelerate the implementation of the Treaty and strengthen regional integration, the African Union (AU) Trade Ministers agreed to establish an African Continental Free Trade Area (AfCFTA). The AfCFTA has since been a flagship programme of the AU and AfCFTA negotiations were launched in June 2015.

**On the 21st of March 2018, AU member States took an important step towards the long-term goal of creating a single African market.** Fifty- four of the fifty-five member States of the African Union signed the Agreement establishing the AfCFTA), and the AfCFTA has 47 state parties as of November 2023. The agreement is aimed at further deepening the integration of African economies and thereby enhancing industrialisation, intra African trade, and the sustainable development of the continent as outlined in the African Union's Agenda 2063<sup>18</sup>.

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<sup>18</sup> African Union Agenda 2063 - is a strategic framework for the socio-economic transformation of the continent over the next 50 years. Its builds on, and seeks to accelerate the implementation of past and existing continental initiatives for growth and sustainable development. <https://au.int/en/agenda2063>



**The scope of the AfCFTA Agreement covers trade in goods, trade in services, investment, intellectual property rights, competition policy, digital trade, and women and youth in trade.** This wide scope of the AfCFTA moves it beyond the requirements of a traditional free trade area, which generally envisages the elimination of tariffs and quotas on trade in goods and other non-tariff measures and is expected to make the Agreement a key contributor to the economic integration of Africa.

### The significance of the African Continental Free Trade Area

The AfCFTA will be the largest free trade area in the world in terms of the number of participating countries. Some of its expected benefits include<sup>19</sup>:

- Increasing trade among African countries which currently ranges between 15-18% of exports.
- Stimulate production through the development of regional value chains, to ensure that manufacturing, agro processing and other activities across the continent are stimulated to supply the market.
- USD 450 billion income boost in Africa by 2035: a 7% gain.<sup>20</sup>
- Strengthen the capacities of African companies to access and supply world markets.
- Strengthen African's economic and commercial diplomacy.

**The AfCFTA is further expected to catalyse Africa's industrial transformation while boosting trade and investment between countries and RECs in line with the AU Agenda 2063 for "The Africa We Want".**

The AfCFTA is complemented by other continental initiatives, including the:

- Protocol on Free Movement of Persons, Right to Residence and Right to Establishment, expected to promote free movement of people, and
- The Single African Air Transport Market (SAATM) anticipated to lead to improvement in continental air transportation and to contribute to increasing Africa's global share of the aviation industry.

### Key features of the AfCFTA

**A key feature of the AfCFTA is that it aims to create a continental free trade area (CFTA).** The AfCFTA aims to boost intra-African trade by providing a comprehensive and mutually beneficial trade agreement among the member States, covering trade in goods and services, investment, intellectual property rights and competition policy. In a free trade area, members agree to remove or reduce trade barriers, import quotas and tariffs, with the goal of increasing intra-regional trade in goods and services.

**The AfCFTA agreement sets a clear roadmap to achieving integration with the RECs playing an important part in its implementation.** The Preamble to the AfCFTA Agreement says the RECs are building blocks "towards the establishment of the African Continental Free Trade Area". RECs are important for the successful implementation of the AfCFTA Agreement not only because of their ability to coordinate negotiating positions and provide support to member States for implementation, but also because they can mediate disagreements between member States. Nonetheless, it will be important over the next few years to clearly define the roles and responsibilities of the RECs and what happens (to the RECs) when the AfCFTA achieves a much deeper level of integration.

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<sup>19</sup> <https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched>

<sup>20</sup> <https://www.worldbank.org/en/news/press-release/2020/07/27/african-continental-free-trade-area>



**The multiplicity of membership of African countries in regional economic communities has created different levels of integration (free trade areas vs customs unions vs monetary unions).** As a result, different trade regimes, rules of origin, tariffs or standards etc, - continue to restrict trade. Implementation of the AfCFTA should therefore take into consideration existing frameworks (where there is already deeper level of integration) and seek to address or encourage harmonisation of these agreements if it is to have a meaningful impact on increasing intra-regional trade on the continent. The ARII 2019 report found that overall integration on the African continent is low<sup>21</sup>. The high score of only 0.625 shows that even the top performer has the potential to boost integration and tap its benefits. The disparity in countries' performance is significant, particularly on the productive and infrastructure dimensions. Most countries fare best on the free movement of people and macroeconomic dimensions<sup>22</sup>.

### What it covers – protocols and annexes

Negotiations on the various protocols to the agreement have been organized in two phases;

- Phase 1 – covering the framework AfCFTA Agreement itself and the protocols on trade in goods, trade services, and the rules and procedures for dispute settlement.
- Phase 2 – covering intellectual property rights, investment, competition policy, digital trade, and women and youth in trade.

Table 1 below provides a breakdown of the coverage of the AfCFTA and the status of the negotiations.

*Table 1: Coverage of the AfCFTA*

Phase s	What is covered – protocols	What is covered – Annexes	Status
Phase 1	i. Trade in Goods, ii. Trade in Services, and iii. Dispute Settlement mechanism.	<p><b>Goods</b></p> <ul style="list-style-type: none"> <li>i. Schedule of tariff concessions</li> <li>ii. Rules of origin</li> <li>iii. Customs Co-operation and Mutual Administrative Assistance</li> <li>iv. Trade Facilitation</li> <li>v. Non-Tariff Barriers</li> <li>vi. Technical Barriers to Trade</li> <li>vii. Sanitary and Phytosanitary Measures</li> <li>viii. Transit</li> <li>ix. Trade remedies: Guidelines on implementation Trade Remedies</li> </ul> <p><b>Services</b></p> <ul style="list-style-type: none"> <li>i. Schedule of Specific Commitments</li> <li>ii. MFN exemptions</li> <li>iii. Air Transport Services</li> <li>iv. List of priority sectors</li> </ul>	The AfCFTA Agreement and Phase I Protocols are already in force since 30 May 2019 (when the 22nd instrument of ratification was deposited <sup>23</sup> , but the negotiations on tariff reductions, rules of origin and the specifics for trade in the priority services sectors have not been completed. It was hoped that preferential trade under the AfCFTA would commence on 1 July 2020. That date was postponed as a consequence of COVID-19 to 1 <sup>st</sup> January 2021. The treaty has now been operationalised with countries trading based on the tariff schedules and RoO agreed.

<sup>21</sup> With countries averaging a score of 0.327 (Scores are calculated on a scale of 0 (not at all integrated) to 1 (entirely integrated)).

<sup>22</sup> AUC, AfDB, UNECA (2019) Africa Regional Integration Index (ARII)

<sup>23</sup> As required by Art 23 of the AfCFTA treaty



		v. Framework document on Regulatory Cooperation <b>Rules and Procedures on the Settlement of Disputes</b> i. Working Procedures of the Panel ii. Expert Review iii. Code of Conduct for Arbitrators and Panelists	
Phase 2	Phase II negotiations in the following areas: Intellectual Property Rights, Investment, Competition Policy, Digital Trade, and Women and Youth in Trade.		As of November 2023, negotiations on Phase II protocols are close to completion. The first three of these protocols – on investment, intellectual property rights, and competition policy – were adopted by the AU Assembly at its meeting in February 2023. The remaining two protocols, on digital trade and on women and youth in trade, are expected to be tabled before the AU Assembly at its meeting in early 2024. i.

Source: Compiles from various AUC

### Status of ratification and implementation

**The AfCFTA treaty entered into force on 30 May 2019, 30 days after 22 countries had deposited their instruments of ratification<sup>24</sup>.** As of November 2023, 47 of the 54 signatories (80%) have deposited their instruments of ratification. Somalia has started its domestic ratification process with its cabinet approving the treaty. The next stage is the parliamentary approval of the AfCFTA Agreement which will then be followed by the deposit of the instruments of ratification with the AUC.

**The operational phase was launched in Niamey at the on the 7th of July 2019, and was characterised by the adoption of five key instruments<sup>25</sup>;**

- **The Rules of Origin:** A regime governing the conditions under which a product or service can be traded duty free across the region
- **The Tariff concessions:** Trade in Goods, State Parties committed to reduce tariffs on 90% of goods traded among themselves in equal annual instalments until they are eliminated within 5 years for non-Least Developed Countries (LCDs) and 10 years for Least Developed Countries. For an additional 7% of ‘Sensitive’ goods, tariffs will be eliminated within 10 years for non-LDCs and 13 years for LDCs. A final 3% of ‘Excluded’ products are to retain their tariffs to allow flexibilities for State Parties with sensitivities but will be subject to review every five years.
- **The online mechanism on monitoring,** reporting and elimination of non-tariff barriers, NTBs: NTBs are a great hindrance to intra African trade whether physical, like poor infrastructure, or administrative like the behaviour of customs officials. These are to be monitored with a view to ensuring they are eliminated.

<sup>24</sup> According to Article 23 of the Agreement, entry into force occurs 30 days after the 22nd instrument of ratification is deposited with the Chairperson of the African Union Commission (AUC) – the designated depositary for this purpose.

<sup>25</sup> <https://au.int/en/articles/operational-phase-african-continental-free-trade-area-launched>



- **The Pan-African payment and settlement system:** To facilitate payments on time and in full, by ensuring that payments are made in local currency and at the end of the year there'll be net settlements in foreign exchange. With the certainty of payments, there will be confidence in the system.
- **The African Trade Observatory:** A trade information portal to address hindrances to trade in Africa due to lack of information about opportunities, trade statistics as well as information about exporters and importers in countries. The trade observatory will have all this information and other relevant data which will be provided by AU member States

The start of trading was planned for the 1<sup>st</sup> of July 2020, however, was delayed by the COVID-19 pandemic. Trading commenced as of 1<sup>st</sup> January 2021. In October 2022, the AfCFTA State Parties and the AfCFTA Secretariat launched the Guided Trade Initiative (GTI) under which eight countries started trading under the terms of the AfCFTA. These countries are Ghana, Kenya, Rwanda, Tanzania, Egypt, Mauritius, Cameroon and Tunisia. The number of countries participating in the GTI as well as the number of covered products has expanded since.

## Somalia – AfCFTA: Situational Analysis

### Context

**Somalia has been rebuilding state institutions and the economy since the end of the devastating civil war.** The civil war (1991 – 2012) led to complete state collapse, with huge loss of human, institutional and physical capital. A provisional constitution was adopted in August 2012, reforming Somalia as a federation and the establishing the Transitional Federal Government. In September 2012, Somalia moved from a transitional government to a globally recognized government – the FGS. The current government was elected in May 2022.

**Despite Somalia's strong efforts in rebuilding state capabilities, large and sustained investments in human and physical capital are needed to improve resilience and support inclusive growth.** Close to 70 percent of the population lives on less than US\$1.90 a day, and challenges are exacerbated by the large number of internally displaced persons. Growth is insufficient to reduce poverty and address large social needs, including job creation.<sup>26</sup>

**In addition, Somalia is highly vulnerable to climate shocks that aggravate food insecurity. Challenges have recently been exacerbated by a prolonged drought that has intensified since 2021,** compounded by global food supply and price pressures. Food insecurity has drastically worsened since 2022. Nearly 8.3 million people (an estimated 49% of the population) across Somalia are expected to experience high levels of acute food insecurity between April and June 2023, worsening from 4.8 million people in March 2022.<sup>27</sup>

**Addressing security risks is a top priority for the newly elected government, as the security situation in Somalia remains fragile.** The government has announced a new strategy to combat Al-Shabaab, that still dominates in some parts of the countryside.<sup>28</sup>

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<sup>26</sup> NEC Policy Brief 'Macroeconomic Polices for Growth & Transformation in Somalia' (2022); IMF County Report No. 22/375, 'Somalia' (December, 2022).

<sup>27</sup> IPC 'Somalia: Acute Food Insecurity Snapshot (October 2022 – June 2023)  
[https://www.ipcinfo.org/fileadmin/user\\_upload/ipcinfo/docs/IPC\\_Somalia\\_Acute\\_Food\\_Insecurity\\_Snapshot\\_Oct2022Jun2023.pdf](https://www.ipcinfo.org/fileadmin/user_upload/ipcinfo/docs/IPC_Somalia_Acute_Food_Insecurity_Snapshot_Oct2022Jun2023.pdf).

<sup>28</sup> IMF County Report No. 22/375, 'Somalia' (December, 2022).



## Macroeconomic context

Since 2017, political and economic reforms have helped to stabilise the economy and provide enabling conditions for national growth and economic transformation. Somalia has revived key economic institutions and ministries and focused on building institutional capacity for the existing ones, for example, the Centra Bank of Somalia. Progress has also been made in terms of the rejuvenation of the private sector, urbanisation, the growing use of digital technologies and money transfers, and planned investments in key sectors.<sup>29</sup>

**Somalia’s economy rebounded by 2.9% in 2021, following a contraction in in 2020 due to the onset of the COVID-19 pandemic** (see figure 2, table). This growth was largely driven by household consumption and private investment, supported by high remittance inflows and credit growth. However, economic activity in 2022 was downgraded to 1.9%, aligned to slower global growth, the impact of the drought, and slowing remittance inflows (see table 2). Growth for 2023 is forecasted as 3.1% but this is subject to considerable uncertainty (see table 2).

**In the medium-term, growth is forecasted to reach 4.1% in 2027, supported by structural reforms and increased financing** (see table 2). However, the ongoing impact of COVID-19 and climate shocks are expected to impact Somalia’s growth and hamper poverty reduction efforts.<sup>30</sup>

Table 2: Somalia's National Income and Prices, 2017- 2021 (USD Millions)

	2017	2018	2019	2020	2021
Household final consumption	10,343	10,518	11,792	11,809	12,304
Government final consumption	486	495	529	595	676
Gross fixed capital formation	954	1,168	1,292	1,340	1,770
Exports of goods and services	994	1,119	1,131	1,178	1,532
of which: livestock	288	311	406	402	523
Minus: Imports of goods and services	4,624	5,122	5,423	5,818	6,544
GDP at purchasers' prices	8,152	8,178	9,320	9,104	9,739
GDP per capita, US Dollars	599	585	648	616	641

Source: Somalia: Technical Assistance Report-National Accounts Statistics Mission; IMF Country Report No. 23/364; May

### Key features of Somalia’s current growth model

Notwithstanding the potential and progress made, Somalia’s economy remains vulnerable and requires economic transformation. **Somalia’s Ninth National Development Plan 2020 – 2024 (NDP-9) and the Growth and Economic Transformation Strategy (GETS) provide an articulation of the country’s current growth model.**

- **NDP-9** builds on the prior NDP-8 which was a landmark document for Somalia. It captures the country’s aspirations for equitable growth, poverty reduction, security, and stability. It is focused on delivering transformation across three pillars: Governance, Security & Rule of Law, and Economic.
  - **The Inclusive and Accountable Politics and Reconciliation pillar (Pillar 1)** understands Somalia’s efforts towards lasting poverty reduction are contingent on a stable and inclusive

<sup>29</sup> NEC Policy Brief ‘Trade and Infrastructure in Somalia’ (2022).

<sup>30</sup>IMF County Report No. 22/375, ‘Somalia’ (December,2022).



- political system. The goal is to: (i) deepen the federalization process; (ii) stabilize and establish local governance; (iii) finalise, ratify, and implement the constitution; (iv) prepare and conduct fair and credible elections 2024; (v) implement the national reconciliation framework/process; (vi) develop institutional capacity.
- **The Improved Security and Rule of Law pillar (Pillar 2)** understands the contributors of conflict, injustice to poverty in Somalia, and the provision of security and strengthened rule of law are seen as urgent priorities for the country's overarching development. The goal is: (i) reform and strengthen the security sector; and (ii) strengthen the rule of law through improving the corrections systems, reforming the judicial system & judiciary, strengthening the capacity of the police forces, improving equitable access to justice, and protecting the most vulnerable, embedding human rights, and strengthening anti-corruption.
  - **The Economic Development pillar (Pillar 3)** seeks to transform the economy and induce growth by improving resilience in traditional industries, diversifying the economy, and the increased role of the government in improving the functioning of the market. The goal is to: (i) develop an enabling business environment; (ii) regulate the market; (iii) invest in de-risking traditional markets; (iv) large-scale employment in traditional industries; (v) food security; (vi) invest in supporting utilities; (vii) diversification of the economy through investment, skills training, and formalizing the informal sector.
- **GETS** nascent strategic plan articulates Somalia's aspiration to achieve middle-income status by 2050, focused on rebuilding secure, stable, and democratic country to accelerate long-term economic growth. The 5<sup>th</sup> National Economic Policy forum on GETS focused on the following priority areas<sup>31</sup>:
    - Policies for Growth and Economic Transformation
    - Trade and Economic Infrastructure Development
    - Domestic Resource Mobilisation and Institutional Development
    - Access to Finance and Financial Inclusion
    - Agriculture, Food Security and Environmental Sustainability
    - Climate Change Adaption and Building Human Resilience
    - Social Sector (Education and Health) with focus on Women and Youth

### Governance structure and trade ecosystem

**Somalia is governed as a federal parliamentary republic** – with the President as the head of state, and the Prime Minister as the head of government, appointed by the President with the approval of parliament. **According to the 2012 Constitution, the state is composed of two levels of government:**

- (a) Federal Government Level
- (b) Federal Member States Level, comprised of the Federal Member State government, and the local governments.<sup>32</sup>

International agreements are negotiated at the federal government level. Where the Federal Government must consult the Federal Member States on negotiations relating to international trade and treaties, Federal Member State governments are expected to adopt and implement Federal Government policy. It must be acknowledged that some Federal Member State governments have taken a very active self-governance posture. This has a significant influence on trade *within* Somalia. Across the Federal Member

<sup>31</sup> National Economic Council (NEC): Outcomes of the 5<sup>th</sup> National Economic Policy Forum on Growth and Economic Transformation Strategy (GETS). <https://nec.gov.so/outcomes-of-the-5th-national-economic-policy-forum-on-growth-and-economic-transformation-strategy-gets/>.

<sup>32</sup> 2012. The Federal Republic of Somalia: Provisional Constitution. <http://hrlibrary.umn.edu/research/Somalia-Constitution2012.pdf>.



States, there are different import and export taxes, fees, tariffs, and charges.<sup>33</sup> This results in a fragmented internal trade market, with associated significant transactional costs and disperse trade revenue collection. Table 3 below maps the trade ecosystem in Somalia and the roles of and responsibilities of FGS entities.

Table 3: Somalia's trade ecosystem

FGS Entity	Role/responsibilities
Parliament	Ratify treaties and trade legislation
Cabinet (Council of ministers appointed by the Prime Minister)	Main role is to endorse policies and produce Ministerial decrees from each office. The cabinet passes policies as a policy maker which are then sent to the parliament for approval.
Ministry of Commerce & Industry (MOCI)	Formulate trade policies, strategies, and guidelines, including incentives
National Trade Facilitation Committee	Coordination and consultation body to facilitate the implementation of trade reforms
Ministry of Finance	Formulate financial policies and economic planning that includes trade incentives and customs revenue targets
Revenue & Customs Authority	Implement tax policy on behalf of the Ministry of finance
Somali Bureau of Standards (SOBS)	Develop, harmonise and regulate trade standards that facilitate the growth of the industrial sector
Port Authorities	Manage ports in an effective and efficient manner that facilitates trade
SOMINVEST	Advocate for the elaboration of investments incentives that would attract FDI and Trade

Source: Authors compilation from primary data

### Trade performance

**Somalia's economy is primarily composed of household final consumption expenditure** (estimated as equivalent to 141% of GDP in 2021) and the imports of goods and services.<sup>34</sup> This reflects the country's dependence on remittances that finance household consumption and imports (see table 4).

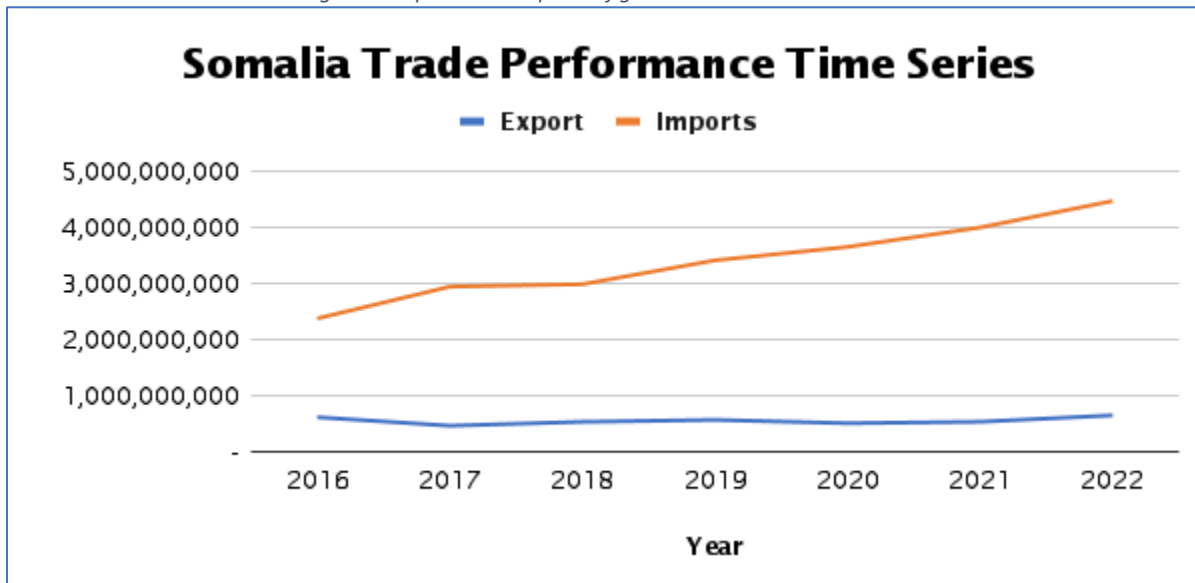
**Somalia's trading position has not significantly improved in recent years.** This is attributed to several factors including: international sanctions imposed on it; an underdeveloped industrial base; perceptions about its trade and investments climate; poor trade infrastructure etc. As a result, Somalia has a large and chronic trade deficit, see figure 1. IMF data estimates Somalia's negative trade balance at -70.3 (% of GDP) for 2022 (see table 4). This is currently forecasted to persist over the period 2023 – 2027 and must be addressed (see table 4).

<sup>33</sup> Primary data collection (KII).

<sup>34</sup> National Bureau of Statistics (NBS) of Somalia (2022).



Figure 1: Exports and Imports of goods and services 2016-2022



Source: National Bureau of Statistics (NBS) of Somalia, 2022

Table 4: Somalia's Balance of Payments, 2019-2027

	2019	2020	2021	2022	2023	2024	2025	2026	2027
	Est.				Proj.				
<b>Balance of payments</b>	<b>(Percent of GDP)</b>								
Current account balance	-10.4	-10.8	-17.1	-15.9	-13.6	-14.8	-15.3	-15.1	-15
Trade balance	-63.5	-64.1	-70.9	-70.3	-69.3	-68.7	-68.7	-68.6	-68.5
Exports of goods and services	17.3	14.1	17.2	16.7	16.8	16.8	16.9	17	17
Imports of goods and services	80.8	78.2	88	87.1	86.1	85.6	85.6	85.5	85.5
Remittances	24.3	23.5	27.3	27.3	27.8	28	28	28	28
Grants	29.4	30.3	27	27.7	28.5	26.3	25.9	25.9	25.9
Foreign Direct Investment	6.9	7.8	8	7.8	7.8	7.8	7.8	8	8
External debt 8/	81.9	57.2	45.3	41.2	6.4	9.1	10	10.6	11.1

Source: IMF Somalia Country Report No. 22/375 (December,2022)

### Trade composition

#### Exports

**Export diversification and limited value addition remain a challenge, as live animals and primary agricultural products continue to dominate Somalia's exports** (see figure 5,6 & table 3). According to the latest International Trade Centre, these products accounted for 60% of good exports, on average, over the period 2017-2021 (see Table 5). Of these exports, live animals remain the most significant, making up 26% of exported products in 2021 (see Figure 2), although this has reduced from a high of 52% in 2017 (see table 5). Although precious metals have emerged as an important export in the past few decades, the export sector remains substantially supply constrained and undiversified.<sup>35</sup> Somalia's export revenues only accounted for 20% of GDP in 2021, consistent with the average of 19% for the period 2012 – 2019.

<sup>35</sup> Ibid.



This is indicative of the low level, and low value, of Somalia's exports and suggests minimal supply side expansion (see figure 5).<sup>36</sup>

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<sup>36</sup> The large decline in export value from 2020 – 2021 is likely a result of the prolonged drought.



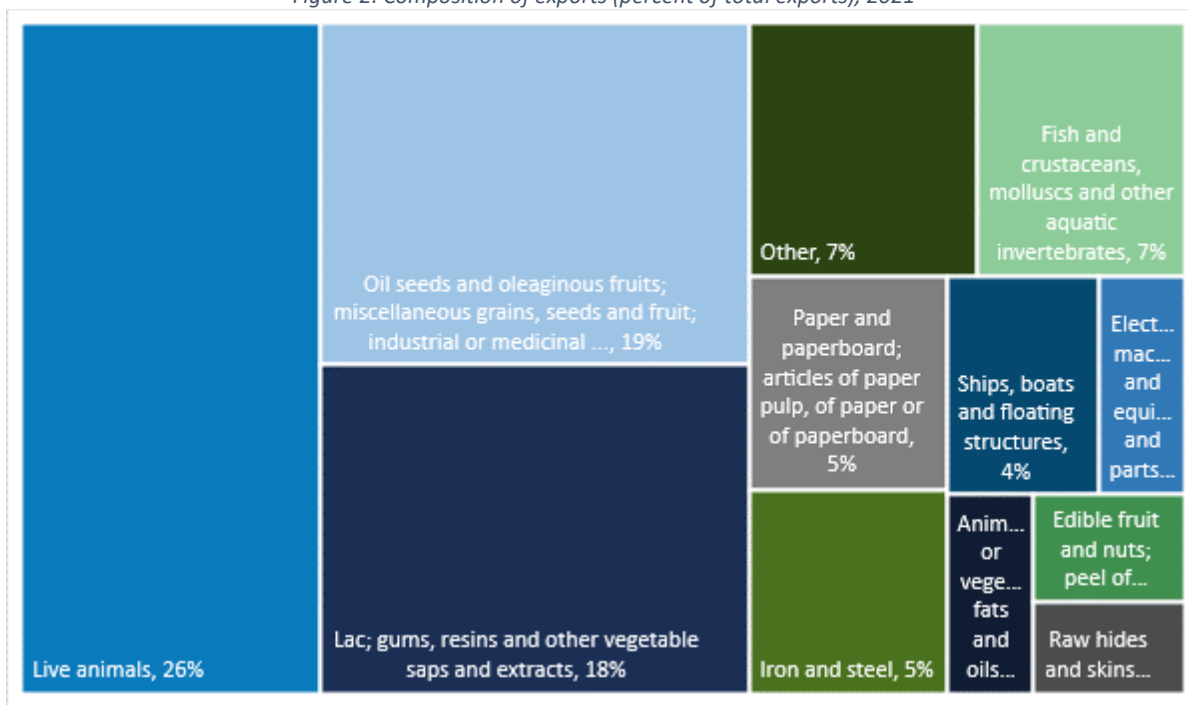
Table 5: Composition & value of exports 2017-2021 (USD thousand)

Product label	Exported value in 2017	% value	Exported value in 2018	% value	Exported value in 2019	% value	Exported value in 2020	% value	Exported value in 2021	% value
<b>All products</b>	<b>426,263</b>		<b>488,735</b>		<b>418,037</b>		<b>295,938</b>		<b>165,839</b>	
Live animals	220042	52%	218595	45%	90078	22%	69422	23%	42781	26%
Seeds & fruits	5750	1%	20050	4%	43417	10%	22608	8%	31111	19%
Lac; gums, resins and other vegetable saps and extracts	27147	6%	37188	8%	36185	9%	26731	9%	29838	18%
Fish and crustaceans, molluscs and other aquatic invertebrates	30714	7%	38521	8%	36153	9%	26998	9%	11123	7%
Paper and paperboard; articles of paper pulp, of paper or of paperboard	1	0%	3	0%	1864	0%	3878	1%	8991	5%
Iron and steel	125	0%	289	0%	134	0%	382	0%	8608	5%
Ships, boats and floating structures	4432	1%	2922	1%	2	0%	3318	1%	7047	4%
Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	2293	1%	6664	1%	6194	1%	3006	1%	3995	2%
Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal ...	727	0%	1504	0%	3241	1%	6329	2%	3686	2%
Edible fruit and nuts; peel of citrus fruit or melons	18194	4%	8201	2%	9705	2%	10546	4%	3413	2%
Raw hides and skins (other than furskins) and leather	5156	1%	4931	1%	3557	1%	2305	1%	2953	2%
Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	1251	0%	1654	0%	489	0%	1037	0%	2437	1%
Copper and articles thereof	538	0%	2157	0%	1099	0%	375	0%	1648	1%
Essential oils and resinoids; perfumery, cosmetic or toilet preparations	964	0%	2083	0%	1801	0%	1969	1%	1490	1%
Aircraft, spacecraft, and parts thereof	238	0%	389	0%	855	0%	332	0%	1074	1%
Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	100308	24%	128065	26%	174415	42%	111402	38%	784	0%
All other exported goods	8376	2%	15503	3%	8841	2%	5294	2%	4839	3%

Source: International Trade Centre Trade Map database



Figure 2: Composition of exports (percent of total exports), 2021



Source: International Trade Centre Trade Map database

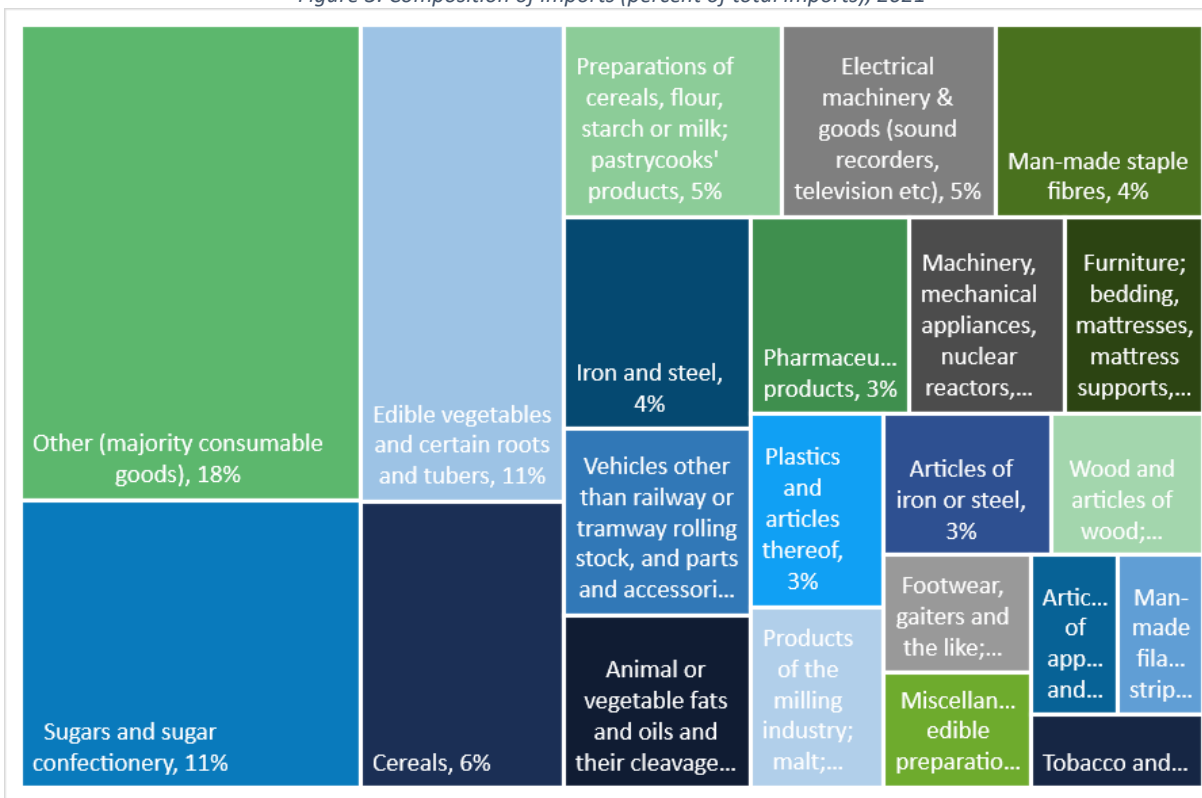
### Imports

**Somalia's imports are mainly driven by food, beverages, and other consumer goods.** This marks a shift from industrial to consumer imports post 1990 – following the conflict which destroyed Somalia's productive capacity and dramatically reduced public and private sector investment in industry.<sup>37</sup> In 2021, sugars and confectionary (11%), vegetables/roots (11%), cereals (6%), preparation of cereals starch or milk (5%), and electrical goods (5%), comprised Somalia's top five imports (see figure 7). The import of manufacturing inputs is very low.

<sup>37</sup> World Bank. 2021. Trade as an Engine of Growth in Somalia: Constraints and Opportunities. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/36662> License: CC BY 3.0 IGO.



Figure 3: Composition of imports (percent of total imports), 2021



Source: International Trade Centre Trade Map database

#### Direction of trade

**The origin and destination countries of Somalia's imports and exports largely lie outside of Africa, with current low levels of intra-African trade.** Over the period 2017 – 2021, the main importing markets for Somalia's exports include Saudi Arabia, India, France, Bulgaria, China, Japan, and Turkey.<sup>38</sup> For the same period, Somalia's most important suppliers include China, India, Ethiopia, Turkey, and Kenya.<sup>39</sup> This demonstrates Somali's trade (imports and exports) generally orients towards Middle Eastern, Asian, and regional markets.

**Of Somalia's trade with the continent, its immediate neighbours Kenya and Ethiopia feature among both the country's top export and import markets** (see figure 8 & 9). Most recent (2021) data indicates that Somalia's top five African export markets are Senegal (28%), Egypt (23%), Mozambique (17%), Kenya (17%), and Ethiopia (8%) (see figure 8).<sup>40</sup> Somalia's most significant sources of African imports are much more heavily concentrated, with Ethiopia accounting for 64% of all African imports in 2021 (see figure 9). This is followed by imports from Kenya (22%), Egypt (11%), and South Africa (2%).

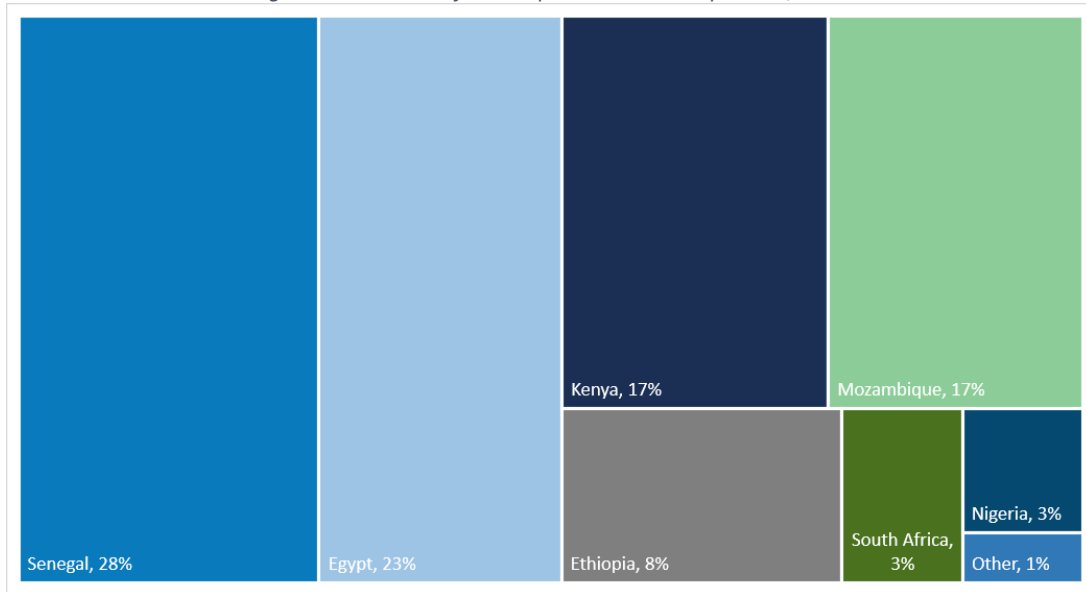
<sup>38</sup> ITC Trade Map Database

<sup>39</sup> Ibid.

<sup>40</sup> Senegal is not likely Somalia's top export partner, reflecting difficulties in obtaining accurate trade data for Somalia.

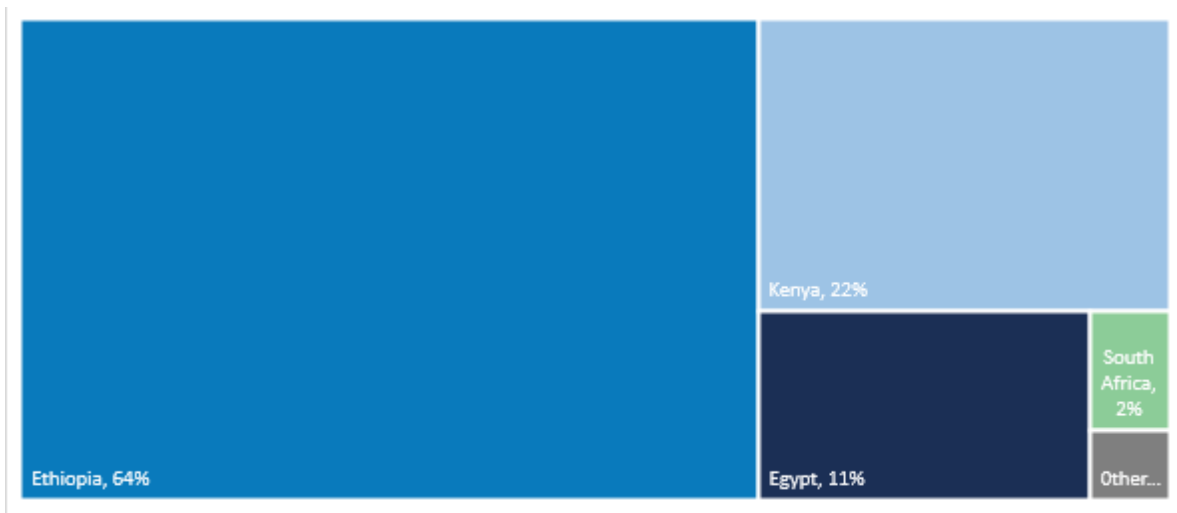


Figure 4: Somalia's African export markets composition, 2021



Source: International Trade Map Trade Map database

Figure 9: Somalia African import source markets



Source: International Trade Map Trade Map database

**Conversely, informal cross-border trade (ICBT) is dominated by Somalia's direct neighbours in the Horn of Africa:** Djibouti, Ethiopia, and Kenya, trading livestock, agricultural goods, foodstuffs, and Khat. For example, the Dadaab refugee camps form an important – and substantial – informal trading hub at the Somalia – Kenya border. Indeed, ICBT is a prominent phenomenon across the continent, where, for certain products and countries, the value of ICBT may meet or exceed that of formal trade.

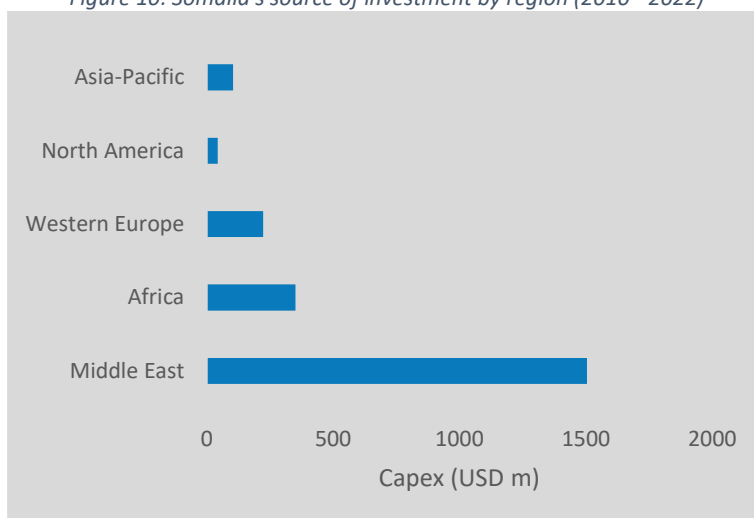


## Investment

**Accounting for foreign direct investment (FDI) as a proportion of GDP, Somalia is performing well, reaching an estimated high of 8% in 2021** (see table 4). This is likely indicative of the FGS' positive attitude towards the attraction and protection of FDI, at both the federal and regional level.

**The Middle East is Somalia's largest source of capex**, over the period 2010 – 2022 (see figure 11). This is not surprising given Somalia's close economic and cultural ties to the region. **Africa is Somalia's next most significant source of FDI**, providing USD 351.5m in capex since 2010 (see figure 10). Of African sourced FDI, the majority is flowing to the communications and financial services sectors, with Djibouti, Mauritius, Kenya, Egypt and Ethiopia as Somalia's most important African investor countries (see table 6).<sup>41</sup>

Figure 10: Somalia's source of investment by region (2010 - 2022)



Source: Financial Times Ltd, fDi Markets

Table 6: Somalia's sources of African investment (2010-2022)

African source Country	Capex (USD m)	Number of Projects	Jobs Created	Key Sectors
Djibouti	209	2	138	Communications
Mauritius	105	1	69	Communications
Kenya	19	2	44	Financial services
Egypt	10	1	22	Financial services
Ethiopia	10	1	22	Financial services

Source: Financial Times Ltd, fDi Markets

<sup>41</sup> Figures estimates from Financial Times fDi Markets project data not FDI as registered by Central Bank of Somalia.



## Policy Actions

Table 5 below outlines the emerging key issues and proposed policy actions.

*Table 7: Somalia trade & macroeconomic situational analysis*

Issue identified	Proposed policy action	Outputs	Outcomes	Ownership/lead entity	Proposed source of funding
Chronic and unsustainable trade deficit. This is currently financed by remittance flows which are susceptible and vulnerable to global shocks, for example COVID-19 pandemic.	Implementing the AfCFTA will offer Somalia opportunities to expand its access to the African market and in turn generate export revenue and taxes to increase its domestic revenue collection.	Increased export revenue	Reduced trade deficit	MoCI working with NTFC to coordinate all players involved in implementation of the strategy.	Mixed - FGS budget and a range of donors.
Poor domestic resource mobilisation.	Trade related reforms, including the implementation customs systems and trade facilitation reforms, should increase domestic revenue collection.	Reduced transactional costs	Reduced cost of trade	MoCI working with Ministry of Finance, Revenue and Customs departments.	External - Trade Mark Africa, World Customs Organisation (WCO), UNCTAD, ITC, and bi-lateral donors working on trade.
Limited exports, with poor export diversification. Somalia's exports are mainly comprised of live animals and raw agricultural goods.	Opening of the regional export market through implementation of the AfCFTA, targeting specific African export markets for value added exports in livestock and agro-processing.	Increased exports to African countries	Expanded access to markets	MoCI working with Ministries associated with export diversification (Ministry of Agriculture & Irrigation, Ministry of Petroleum & Mineral Resources, Ministry of Ports & Marine Transport, Ministry of Fisheries & Marine Resources).	Mixed - FGS budget, Afrexim Bank, UNDP, ITC.



## Somalia – AfCFTA: Private Sector Perceptions of the AfCFTA

### Objectives and scope of the survey

**The private sector is expected to play a leading role in the implementation of the AfCFTA.** There can be no AfCFTA without the full participation of African economic operators - namely, private-sector players, who must make use of the agreement. Consequently, in the development of this strategy, a survey of the Somali private sector was undertaken. The scope of the survey covered the following;

- **Awareness of the AfCFTA** – whether the private sector knows the AfCFTA and how it can be leveraged to grow their businesses/investments.  
**Benefits, costs, challenges, and risks of the AfCFTA** – whether the AfCFTA presents opportunities and risks for some businesses in the region.
- **Stakeholder engagement** – whether the private sector has been consulted on the current and future negotiations and the need of having a structured mechanism for engagement.
- **Required support**- Support that is necessary for the private sector to realise the benefits of the AfCFTA.
- **Role of the private sector** – The role that the private sector envisages to play in ensuring the materialization of the foreseen benefits.

The findings of the survey were expected to inform this strategy and help improve FGS policy makers awareness of this important feedback that would influence the effective operationalization of the AfCFTA in Somalia.

### Coverage of the survey

Following consultations with FGS, the survey was restricted to respondents from Somalia and the Somali diaspora in Kenya, South Sudan, and Uganda.

- The survey aimed to gather perceptions on the level of awareness, opportunities, constraints, and critical reforms needed to maximise the benefits of the AfCFTA.
- The survey was undertaken from July 2022 to August 2022.
- The Online survey received 174 responses across Somalia, Kenya, South Sudan, and Uganda.

### Survey characteristics

The survey targeted 300 respondents from Somalia and the 3 designated diaspora communities; the 174 responses represent 34% of the targeted sample. This is a good outcome given that online surveys tend to have very low response rates (less than 10%). Figure 12 below provides an illustration of the survey sample. The following findings are worth highlighting;

- Only 29 Somalia-based businesses responded to the survey even though the survey questionnaire had been translated into Somali. The highest number of respondents were Somali businesses in Kenya and South Sudan
- A significant number (78%) of the firms surveyed operated across the region with 18% operating in Somalia only. Similarly, 41% and 34% of businesses have been in operation for less than 5 and 10 years respectively.
- Somalia-based businesses are mainly focused on the domestic market while those in the diaspora as expected are more regionally focused. Twenty eight percent of the firms were in the wholesale and trade sectors followed by energy (16%), trade and logistics 14% and healthcare 11%.



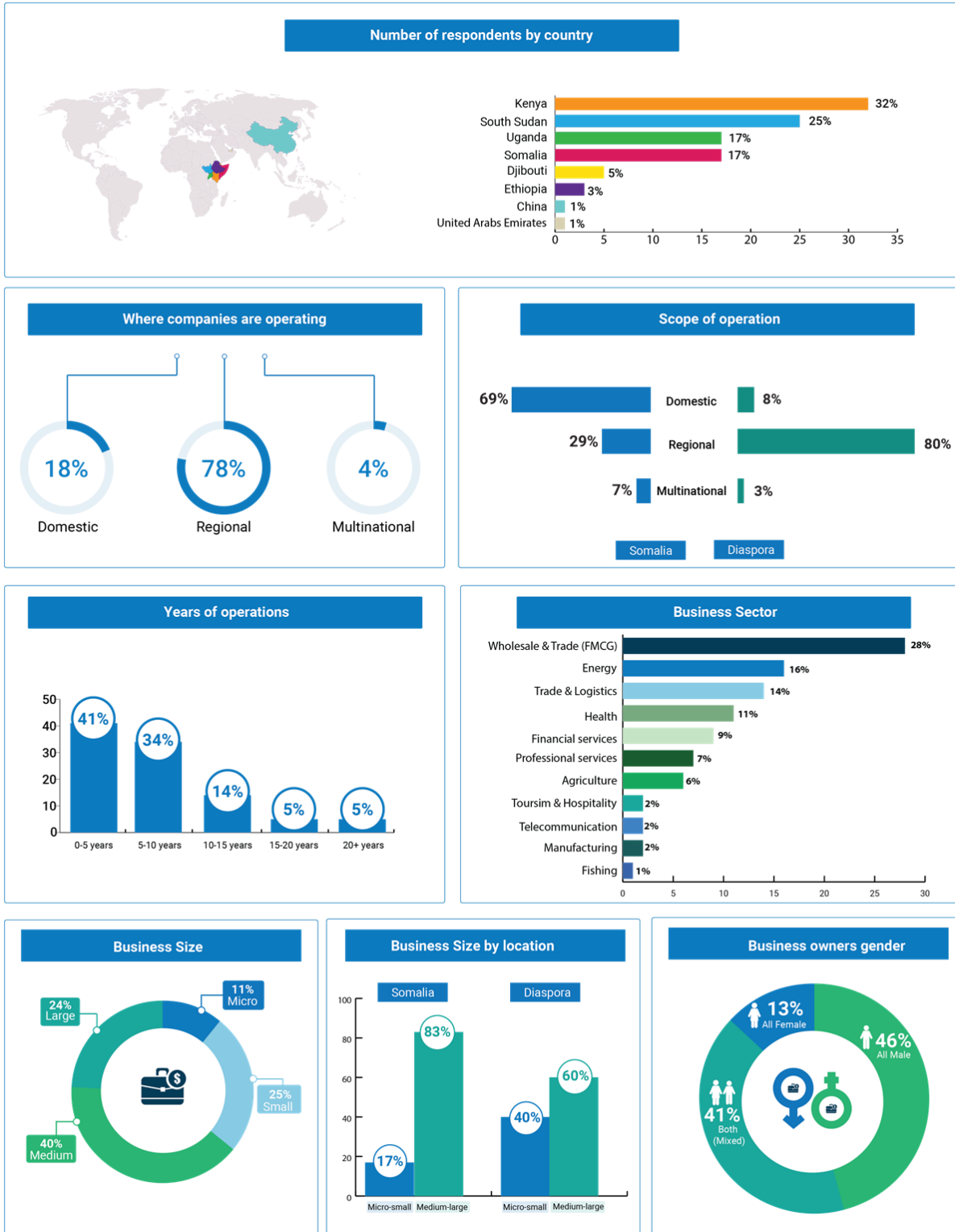
- Most firms surveyed were medium to large<sup>42</sup> in terms of annual turnover, 83% of the firms surveyed in Somalia falling the medium to large category compared to 60% in the diaspora.
- The number of female owned businesses that responded is quite low at 13%

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<sup>42</sup> Based on the FGS classification of firm's size Micro (\$5-10K) small (\$10-50K) medium (\$50-100K) Large (100k plus).



Figure 6 Survey Sample Characteristics



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd



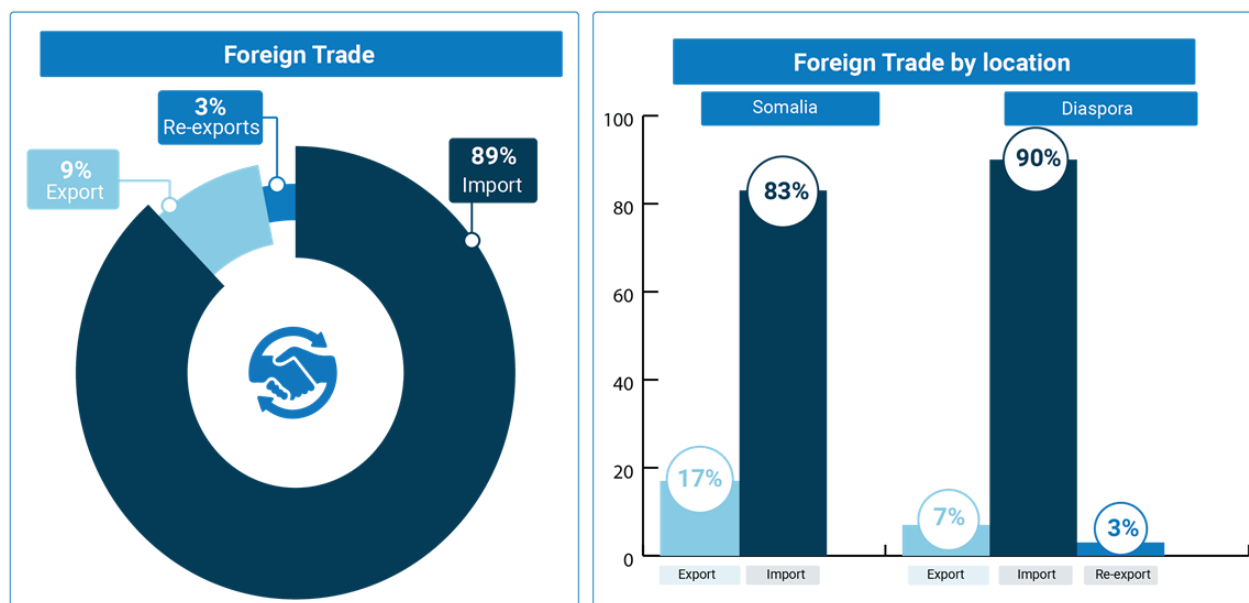
## Key results from the survey

**The full survey report and its detailed findings are available as an annex to this report.** In summary, the following are relevant to the elaboration of this strategy and action plan.

### Balance of trade

**Imports account for an overwhelming proportion of trade activity** - of the firms surveyed, 89% indicated that they engage in imports, 9% exports and 3% re-exports – figure 13. There is no difference between Somali based and diaspora firms regarding the type of trade activity they engage in. The findings are consistent with the fact that imports are equivalent to 80% of Somalia’s GDP.

Figure 7: Type of trade activity (including by location)



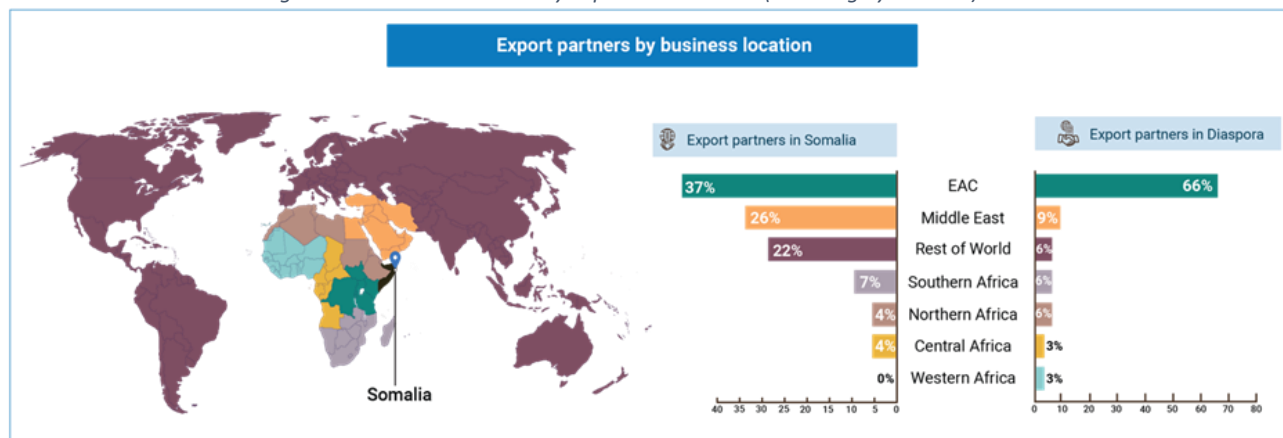
Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

### Exporters perspective

**EAC is the main export market** - of the firms that had exported before, 53% indicated that they had exported to the EAC – see figure 14. This correlates with the fact that the majority (78%) of the firms surveyed operate regionally in East Africa. The findings also indicate that the Middle East (15%) is an important export partner which can be attributed to Somalia’s longstanding trade links and strong cultural ties to the region. Both Somali based and foreign-based firms, do not have significant export trade with other African regions outside the EAC. The low level of trade to these destinations is an opportunity for Somalia to address under the AfCFTA.



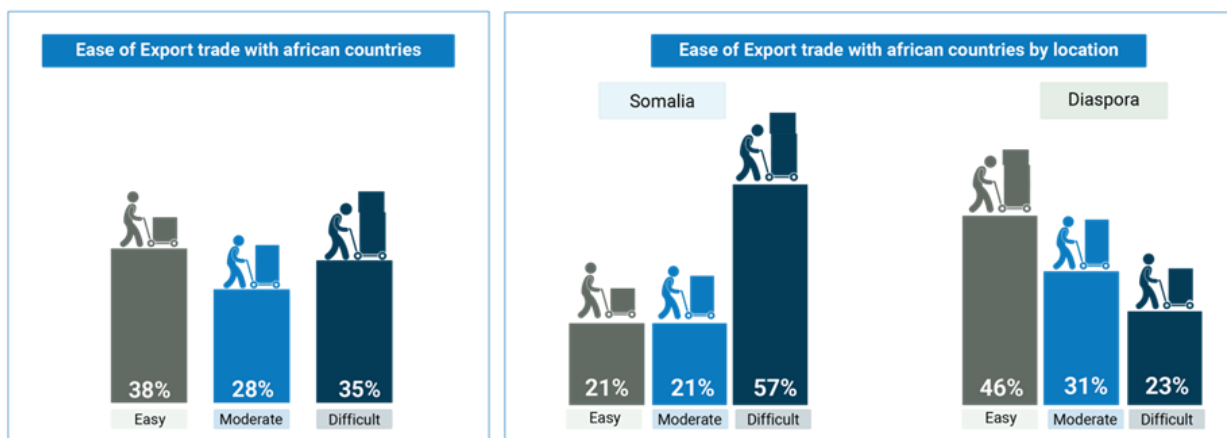
Figure 8: Somali businesses key export destinations (including by location)



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

**Difficulty in exporting to RoA** – respondents were asked to rate their exporting experience when accessing African export markets. At the macro level (disaggregation between Somalia based vs diaspora) there is no significant difference with 38% of firms having an easy experience compared to 35% who indicated that their exporting experience was difficult – figure 15. When the responses are disaggregated based on location of the respondent, it is clear that Somalia based firms faced significant difficulties in accessing the RoA market while those Somali owned firms based in the diaspora find it easier to trade with the rest of the continent – see figure 15. We also analysed whether the exporting experience differed based on firm size and no of years in operation.

Figure 9: Experience in exporting to RoA



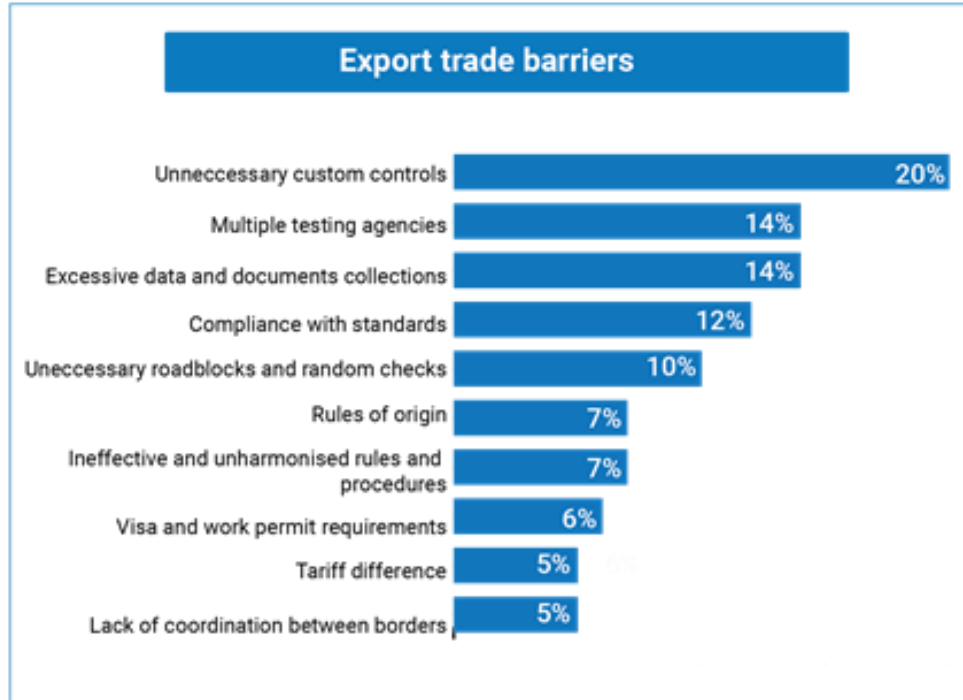
Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

**Export barriers identified** – firms were asked to indicate what were the key barriers that affected their ability to access the African market. Across both groups, the most significant export restrictions/barriers are (i) unnecessary customs controls (20%); (ii) multiple testing agencies (14%); (iii) excessive data and documents collection (14%); (iv) compliance with standards (12%); and (v) unnecessary roadblocks and random checks (10%) – see figure 16. Exporters based in Somalia highlighted both unnecessary customs controls and multiple testing agencies as top two barriers but in addition highlighted compliance with



standards and visa /work permit requirements as key barriers that affect them. For Somali exporters in the EAC, their barriers in accessing the Somali market are like those highlighted above – see figure 17.  
 Figure 10: Restrictions / barriers encountered while exporting

Figure 11: Trade restriction / barriers affecting diaspora exports to Somalia



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Figure 12: Export barriers by location



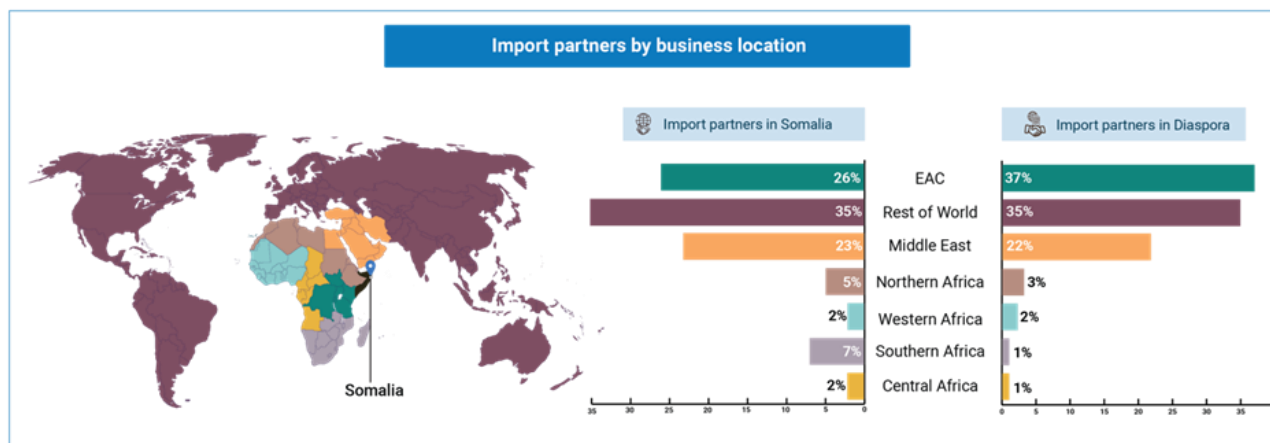
Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd



### Importer's perspective

**Direction of import trade – EAC, Rest of the World, and the Middle East are the main source of imports.** – see figure 18 The other regional communities in African represent a very small component of Somalia's imports. This highlights the need to develop these markets under the AfCFTA to further diversify Somalia imports sourcing. The RoW is the primary source of imports for Somali based traders followed by the EAC and Middle East. For Somali traders based in the EAC, their primary source of imports is the EAC countries (– see figure 18), and this is mainly due to the customs union where imports cross the border tariff free.

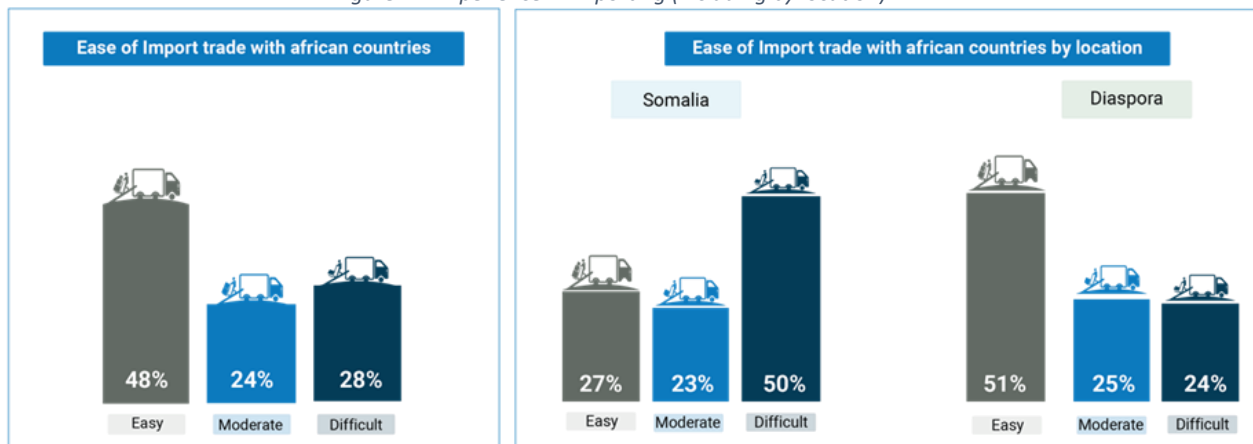
Figure 13: Somali businesses key import sources (including by location)



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

**Difficulty in importing from RoA – 48% of all Somali firms involved in importing indicate that it's easy to import – figure 19.** When the data is further disaggregated by location, it's clear that it is roughly twice as difficult for Somali-based firms to import than it is for firms in the diaspora – see figure 19. Firms located in the EAC have benefited from the extensive trade facilitation reforms that have been implemented over the last 20 years. These reforms have led to significant reductions in trading times and costs.

Figure 14: Experience in importing (including by location)



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

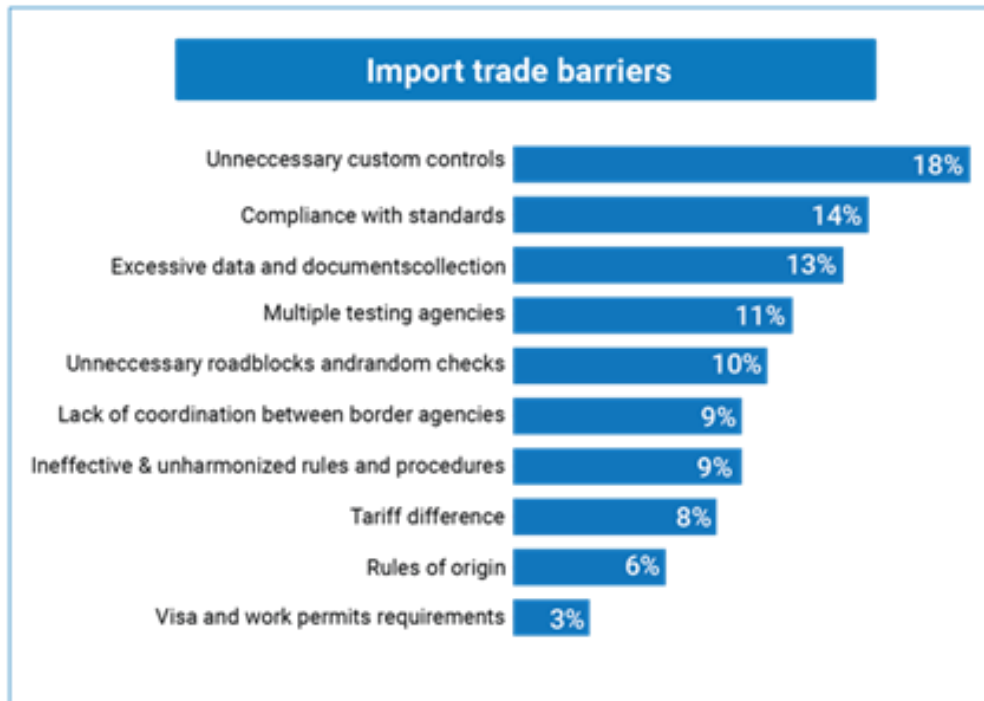
### Import barriers identified

Respondents were asked to highlight the barriers they face when importing. Across both groups, the main import barriers are like those reported in export trade. These include, (i) unnecessary customs controls



(18%); (ii) compliance with standards (14%); (iii) excessive data and documents collection (13%); (iv) multiple testing agencies (11%); (v) and unnecessary roadblocks and random checks (10%) – see figure 20. When the data is disaggregated for location, firms based in Somalia highlight (i) unnecessary customs controls (17%); (ii) Multiple testing agencies (15%); (iii) work permit and visa requirements (11%); and (iv) unnecessary roadblocks and random checks (9%) – see figure 21.

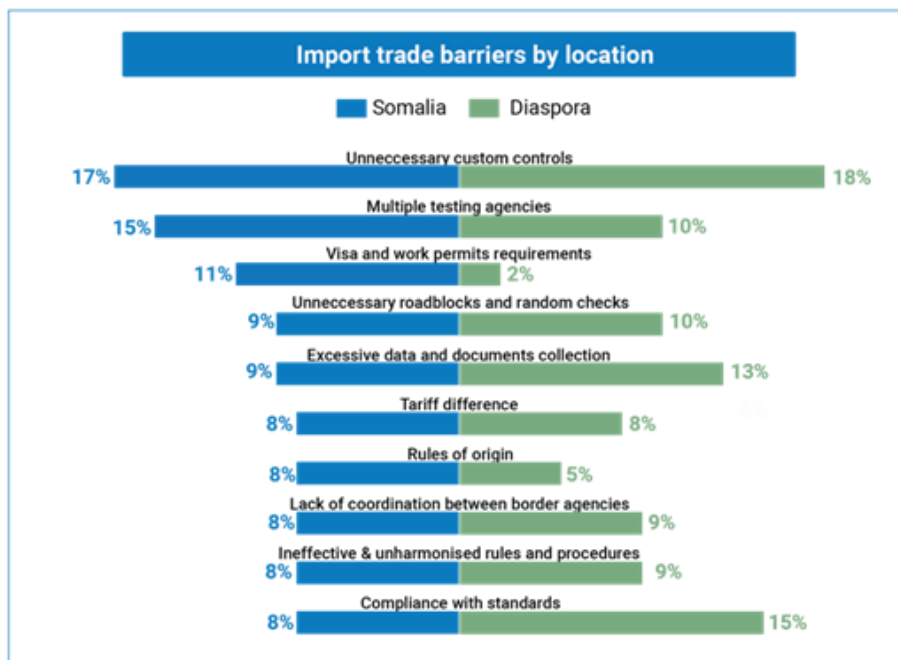
Figure 15: Import barriers identified



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd



Figure 16: import barriers identified by location

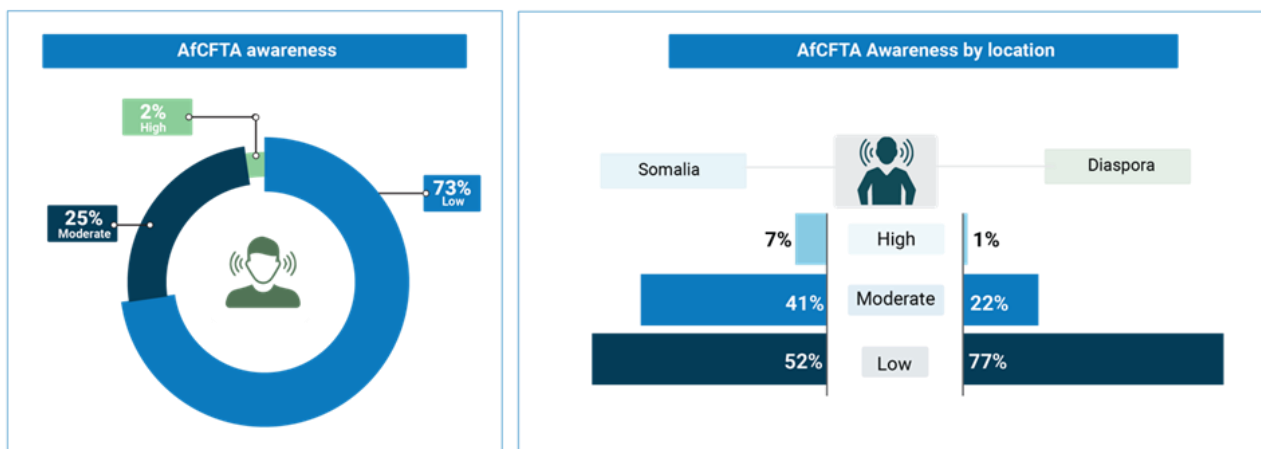


Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

### Trading firms’ awareness of the AfCFTA

Seventy three percent of firms in Somalia and those in the diaspora indicated unanimously that they had a low awareness of the AfCFTA. When the data is broken down by location, it is surprising that the lack of awareness is higher in the diaspora (77%) than it is with firms based in Somalia (52%) – figure 22.

Figure 17: Awareness of the AfCFTA (incl by location)



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

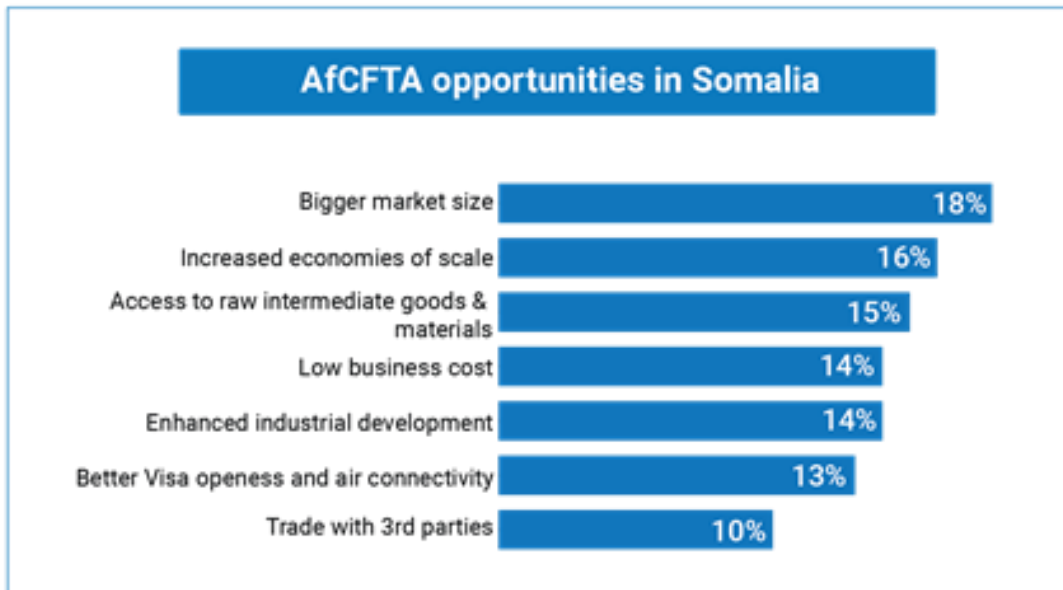
### Perceptions of opportunities and challenges of the AfCFTA

**Opportunities – the private sector recognizes the bigger market size (18%) as a key potential benefit from the AfCFTA**, followed by increased economies of scale (16%), access to raw/intermediate goods (15%), low business costs (14%) and enhanced industrial development (14%) - figure 23. These potential gains from the AfCFTA are largely driven by the increased and improved access that Somali traders will have once the AfCFTA has been ratified in implemented in Somalia. However, when separating Somali



firms from diaspora firms, better visa openness and air-connectivity was the second most important perceived opportunity at 19% - figure 24. Firms in the diaspora highlight enhanced industrial development as the third most important opportunity under the AfCFTA.

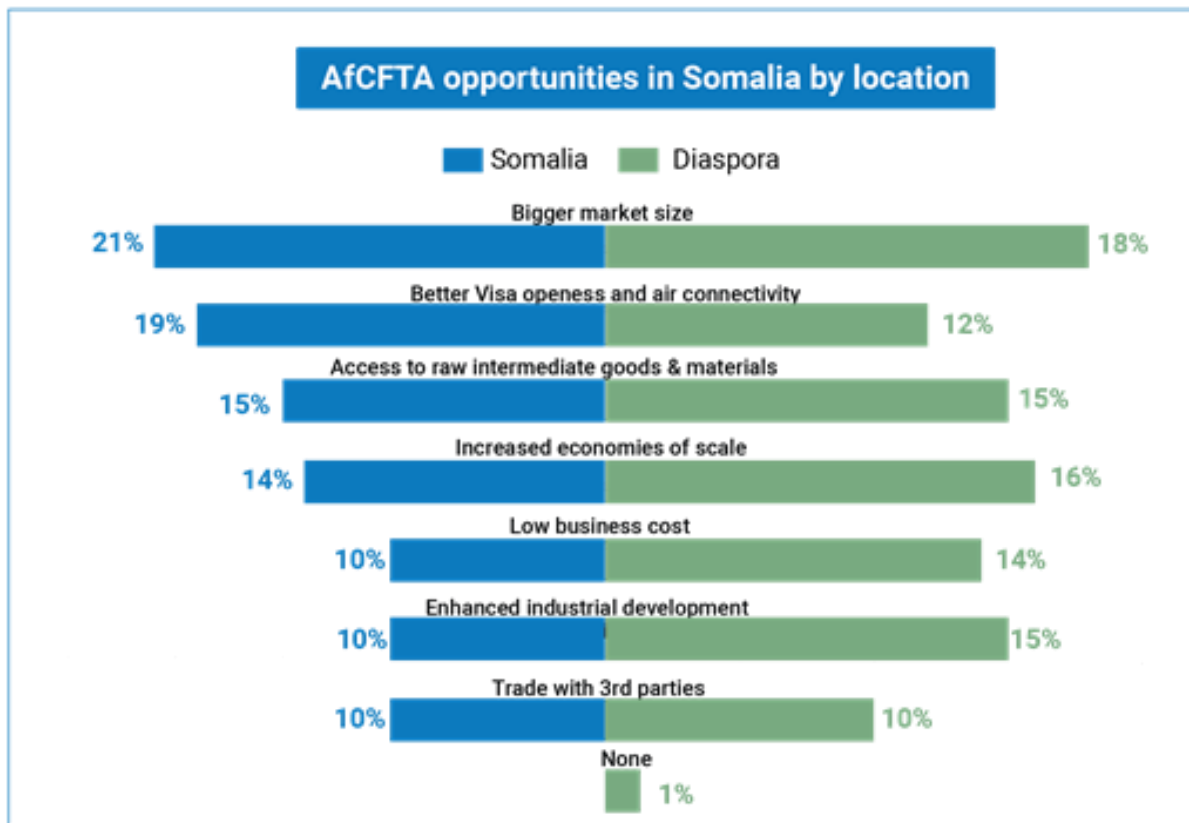
Figure 18: Perceptions of the opportunities under the AfCFTA



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd



Figure 19: Perceptions of the opportunities under the AfCFTA by location



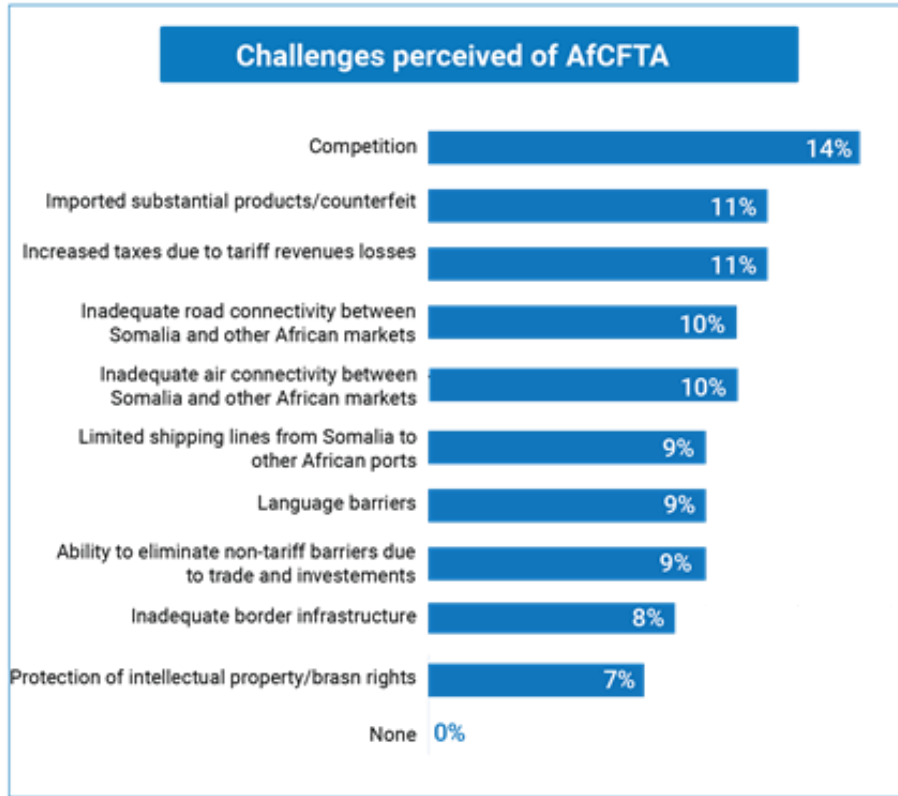
Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

**Challenges** – as with most trade agreements, there will be winners and losers from the AfCFTA as well. From the survey, firms highlighted (i) increased competition (14%); influx of imports and counterfeits (11%); (iii) increased taxes due to tariff revenue losses (11%) and infrastructure connectivity challenges (roads, air and Sea) – (combined 32%) as the leading challenges they anticipate will emerge from the implementation of the AfCFTA – figure 25. When the data is disaggregated by location, some interesting perceptions emerge- figure 26.

- Firms located in Somalia highlight; (i) limited shipping lines to access African ports (14%); (ii) increased competition (14%), influx of imports and counterfeits (13%) as the three most important challenges of implementing the AfCFTA
- Conversely, Somali owned firms located in the diaspora cited; (i) increased competition (14%); (ii) Inadequate air connectivity between Somalia and other Africa markets (11%); and (iii) increased taxes due to tariff revenue losses (11%) as the key challenges that would emerge from the implementation of the AfCFTA.

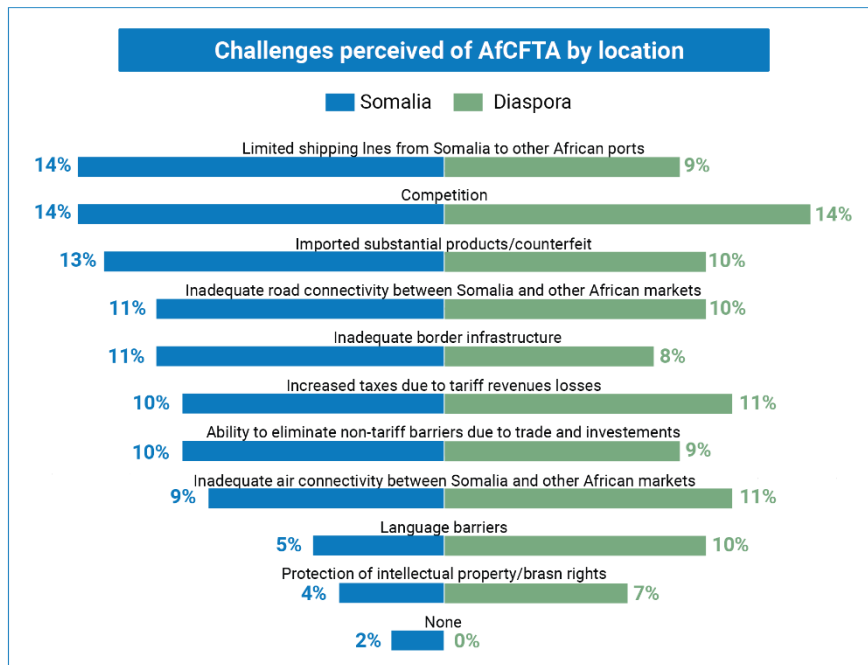


Figure 20: Perceptions of the challenges under the AfCFTA (incl by location)



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Figure 21: Perceptions of the challenges under the AfCFTA by location

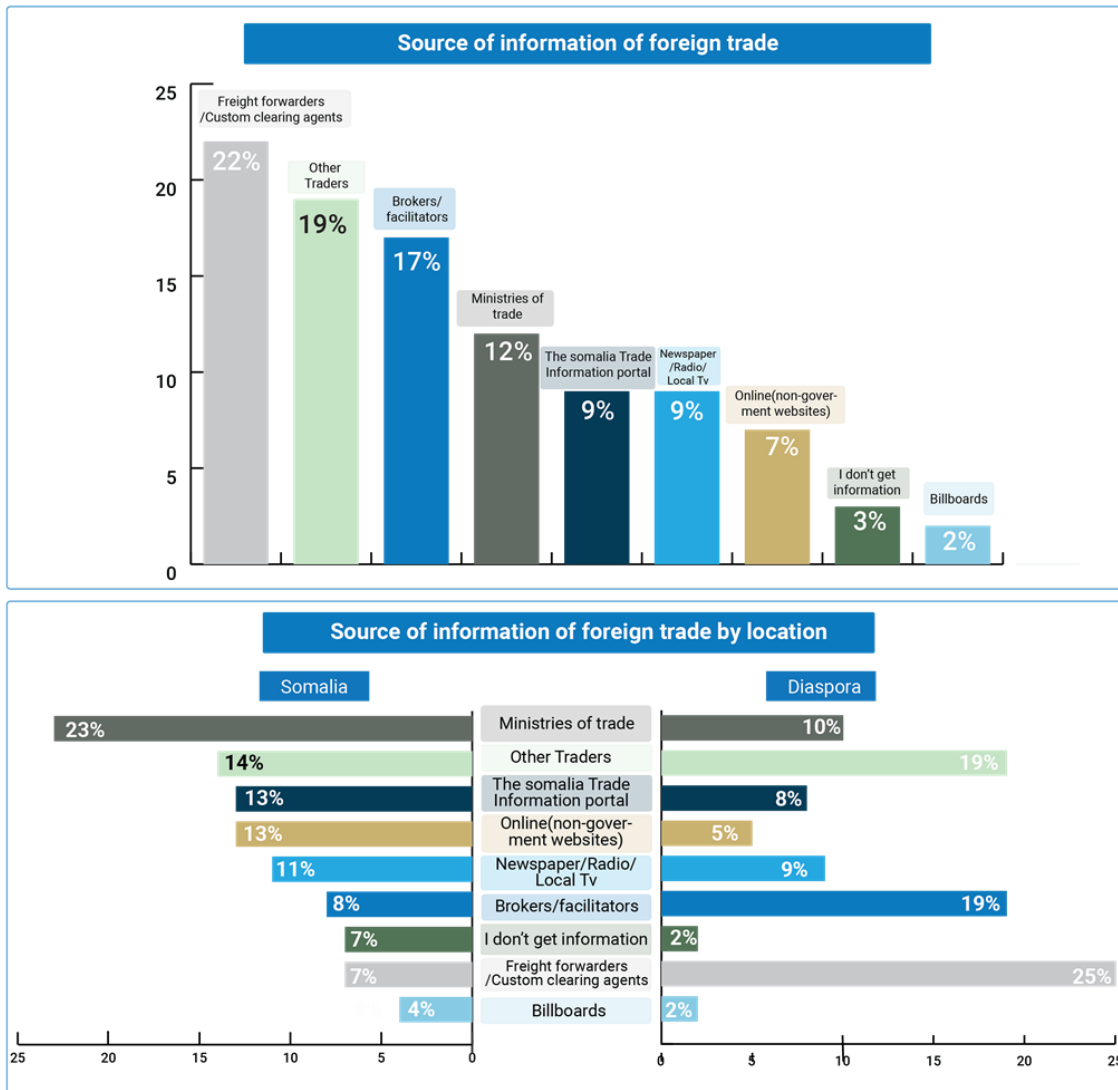




### Sources of Information of the AfCFTA

When asked what the main sources of information were, firms involved in international trade indicated their top three main sources were; (i) freight forwarding and customs clearance agents (22%); (ii) other traders (19%); (iii) brokers and facilitators (17%) – figure 27. When the data is disaggregated for location trading firms based in Somalia relied on (i) the Ministry of Trade and Industry (23%) other traders (14% and (iii) the Somalia trade information portal (13%). This finding suggests that the interventions promoted by the FGS through the MOCI have been effective in creating awareness of the AfCFTA. Traders in the diaspora highlight their main sources as freight forwarding and customs clearance agents, other traders, brokers and facilitators.

Figure 22: Sources of information of the AfCFTA

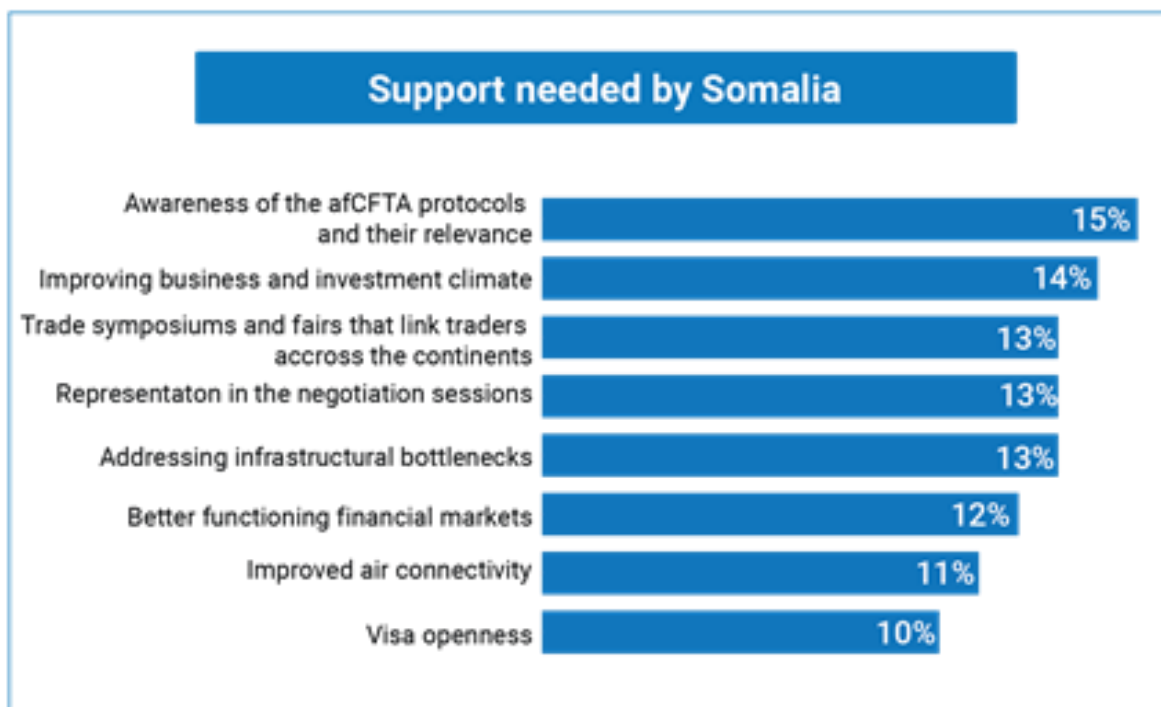




### Support required to benefit from the AfCFTA

Firms were also asked to indicate the type of support they would need to leverage and maximize the benefits of the AfCFTA. Firms both in Somalia and the diaspora cited the following four intervention as critical to their beneficiation from the AfCFTA; (i) increased awareness of the AfCFTA protocols and their relevance (15%); (ii) improving business and investment climate (14%); (iii) Trade linkages via trade fairs and symposiums (13%); (iv) Private sector representation at AfCFTA negotiations (13%); (v) and addressing infrastructure bottlenecks (13%) – figure 28. When the data is disaggregated by location, firms based in Somalia cite visa openness as the most important support requested to benefit from the AfCFTA. In contrast diaspora firms prioritise addressing infrastructure bottlenecks – see figure 29.

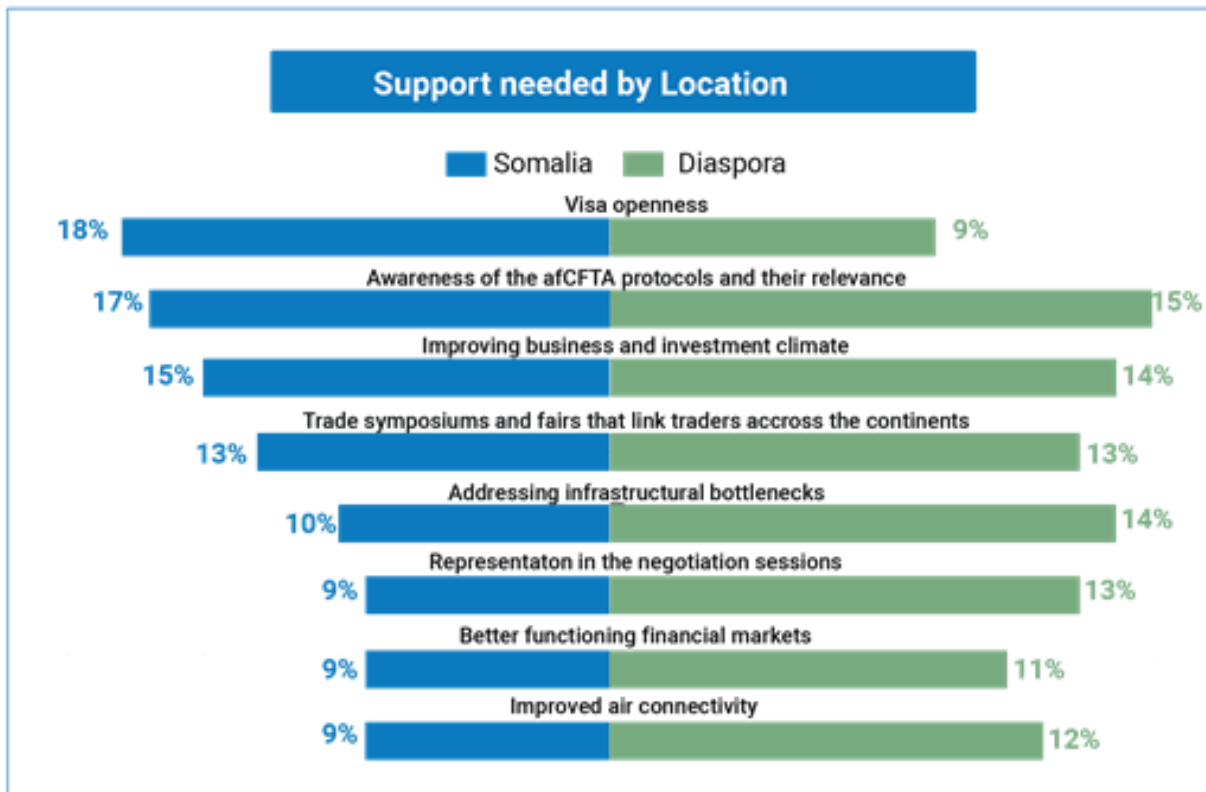
Figure 23: Support required to benefit from the AfCFTA (incl location)



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd



Figure 24: Support required to benefit from the AfCFTA by location



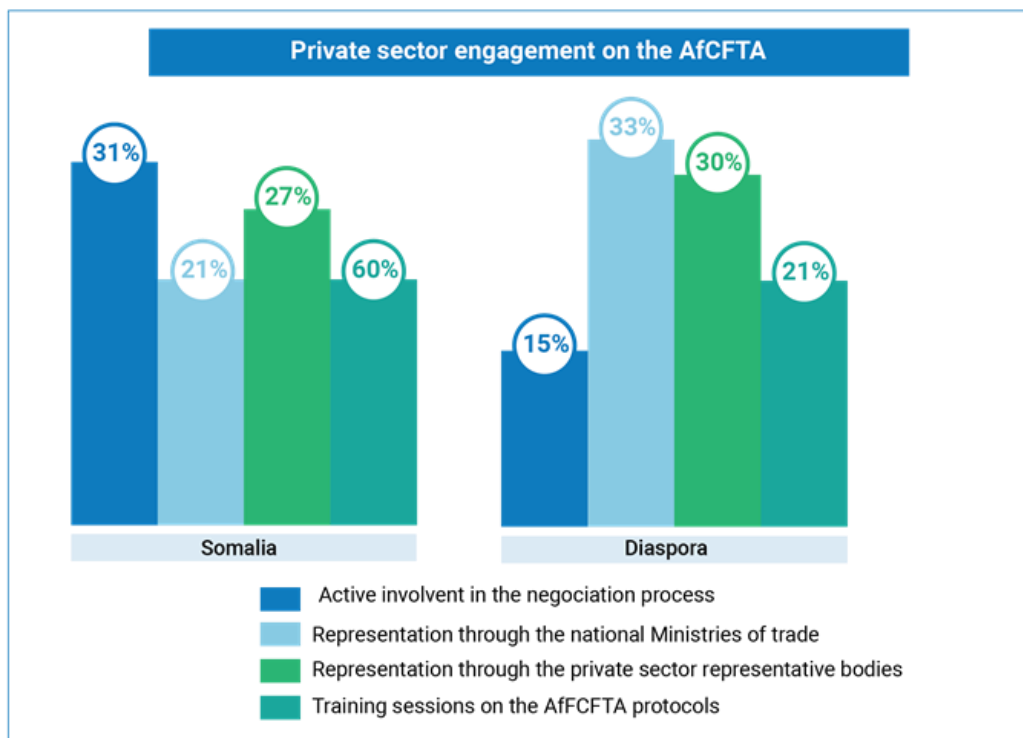
Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

### How should FGS engage with the private sector?

Engaging the private sector in the negotiation and implementation of the AfCFTA is critical to building ownership and generating greater awareness for the costs and benefits of the agreement. Firms were asked to indicate the best way in which they should be engaged. Most firms opted for (i) representation through the ministry of trade (31%) and (ii) representation through their industry / sector representative bodies (30%). When the results are disaggregated by location, Somali based firms prefer active engagement in negotiations and representation by their industry of sector bodies. Firms in the diaspora prefer representation through national ministries of trade and private sector representative bodies – figure 30.



Figure 25: Private sector preferences for AfCFTA engagement



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

### Policy Actions:

Table 6 below outlines the emerging issues and proposed policy actions

Table 8: Private sector knowledge and awareness of the AfCFTA

Issue identified	Proposed policy action	Outputs	Outcomes	Ownership/lead entity	Proposed source of funding
EAC is a key African market for both Somali exports and imports.	Fast tracking the accession negotiations to the EAC would enhance Somalia's market access in this important region:	Roadmap for EAC accession.	Harmonisation of trade regimes with the EAC	MoCI working with Prime Minister's Office (Economic Development Pillar) & parliamentary committee	Internal – FGS budget
Trade facilitation remains a key barrier both for exporters and importers. Barriers include (i) unnecessary customs controls; (ii) multiple testing agencies; (iii) excessive data	FGS working with the private sector to conduct three audits on NTBs that traders face when importing or exporting via Road, Air and Sea, coordinated by NTFC.	(i) prioritised NTB removal action plan (ii) NTB reporting platform.	Reduced cost of trade	MoCI working with NTFC & federal member states	External – Trade Mark Africa
	MOCI and relevant bodies to	Simplification of trade procedures	Digitised trade process that		



and documents collection; (iv) compliance with standard; and (v) unnecessary roadblocks and random checks.	undertake a review of existing trade compliance procedures and requirements & mapping of entire importing and exporting journey with the view to simplifying and digitising them.	and documentation	reduce time and cost		
Low level of awareness of the AfCFTA and its associated costs and benefits	<p>MOCI to develop a civil society education and communications strategy that would increase the knowledge and awareness of the AfCFTA &amp; EAC.</p> <p>MOCI to work closely with other government ministries and agencies to build knowledge and awareness of the AfCFTA within the FGS.</p> <p>MOCI to work with private sector representative organisations to continue to build awareness and knowledge of the costs and benefits of the AfCFTA.</p>	AfCFTA communication strategy	Increased awareness of the AfCFTA at all levels – government, private sector, and society as a whole	MoCI working with NTFC	Mixed – FGS budget, and UNECA
Visa access and air connectivity are critical for Somali companies looking to access the African market	Develop roadmap for FMP & SAATM ratification to speed up ratification.	FMP and SAATM ratification roadmaps	Increased number of arrivals and improved connectivity with the continent	<p>FMP: Ministry of Foreign Affairs working with MoCI</p> <p>SAATM: Somalia Civil Aviation Authority (SCAA) working with MoCI</p>	<p>FMP: Internal – FGS budget</p> <p>SAATM: External - IATA and African Civil Aviation Commission (AFCAC)</p>
Enhanced access to shipping lines is vital for Somalis to exploit market opportunities along the East African Coast	FGS to FastTrack implementation of National Blue Economy Strategy.	NBES implementation plan	Increased flow of exports and income from blue economy activities	Ministry of Fisheries and Marine Resources	Mixed – FGS budget, AfDB, UNECA



and the Indian ocean states.					
Targeted and consistent engagement with the private sector.	Enhance participation of private sector in NTFC through platforms where specific reforms can be discussed and implemented with private sector input on trade and industrial policy.	AfCFTA Private sector engagement strategy	Increased level of awareness of the AfCFTA among the private sector	MoCI working with Somalia Chamber of Commerce and Civil Society	Mixed – FGS budget, Trade Mark Africa

Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd



# Part B: Somalia National AfCFTA Strategic Intervention Framework:

## Vision of the strategy

The vision outlined for this strategy is aligned with the Somalia National Development Plan 2020 to 2024 (NDP-9)<sup>43</sup> which charts the nation's path towards economic growth and poverty reduction. Specifically, the inclusive growth pillar that outlines a specific objective of “Sustaining economic growth and provide greater employment opportunities by transforming traditional industries, such as livestock and crop production, and adapting them to climate change, while inducing growth in the private sector”. The AfCFTA has been touted as the best opportunity for Africa to realise its vision of creating a single market which in turn drives economic growth and development on the continent for all its people. As such, both the EDP 9 and the goals of the AfCFTA are aligned and provide the basis and inspiration for the vision outlined for this national implementation strategy. The proposed mission statement is;

***A resilient economy supported by the effective implementation of the AfCFTA that facilitates sustainable livelihoods for all***

## Mission of the strategy

To deliver on the vision outlined above, the FGS would need to leverage its organs and institutions facilitate and broker effective implementation of the AfCFTA at National level while aligning reforms and interventions with regional and continental trade frameworks. Consequently, the proposed mission statement is;

***Facilitating vibrant, value added and diversified trade between Somalia and the rest of Africa which in turn delivers a resilient national economy while contributing to poverty reduction for all segments of Somali society.***

## Objectives of the strategy

The objectives of the strategy are;

1. To provide a framework that will guide the implementation of the AfCFTA in Somalia
2. To provide the FGS with the evidence base needed as it participates in the negotiations of the remaining protocols of the AfCFTA agreement
3. To help MOCI and other FGS ministries and agencies understand their roles in the alignment and implementation of the AfCFTA

## Theory of change (ToC)

The dynamics of implementing the Somalia National AfCFTA Strategy and the proposed policy and strategy recommendations require an understanding of the challenges that currently limit the growth of Somalia's trade with the rest of Africa. Equally, there are several opportunities that Somalia could exploit that would increase its capacity, value and volume of trade with the ROA. The challenges and opportunities identified have emerged from the extensive feedback received from the (i) key informant interviews, (ii) the Somalia private sector perception survey of (domestic and diaspora), and (iii) the review of literature which

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<sup>43</sup> MPIED (2020) Somalia National Development Plan 2020 to 2024 (NDP-9) - The Path to a Just, Stable and Prosperous Somalia



included the national policies, strategies, and literature from other multilateral institutions<sup>44</sup>. The ToC presented in figure 31 below attempts to explain how these challenges and opportunities can be addressed / exploited to deliver the type of impact that the AfCFTA has been envisioned to deliver for countries in the continent. Part C of this strategy provides a diagnostic of some of these challenges and opportunities by assessing how the current Somalia national trade regime and regulatory framework is positioned to facilitate the effective implementation of the AfCFTA and in doing so maximise the benefits for the country and its people. The elements of the ToC are discussed below.

### Key Opportunities

The AfCFTA presents a range of opportunities for Somalia. These include the following:

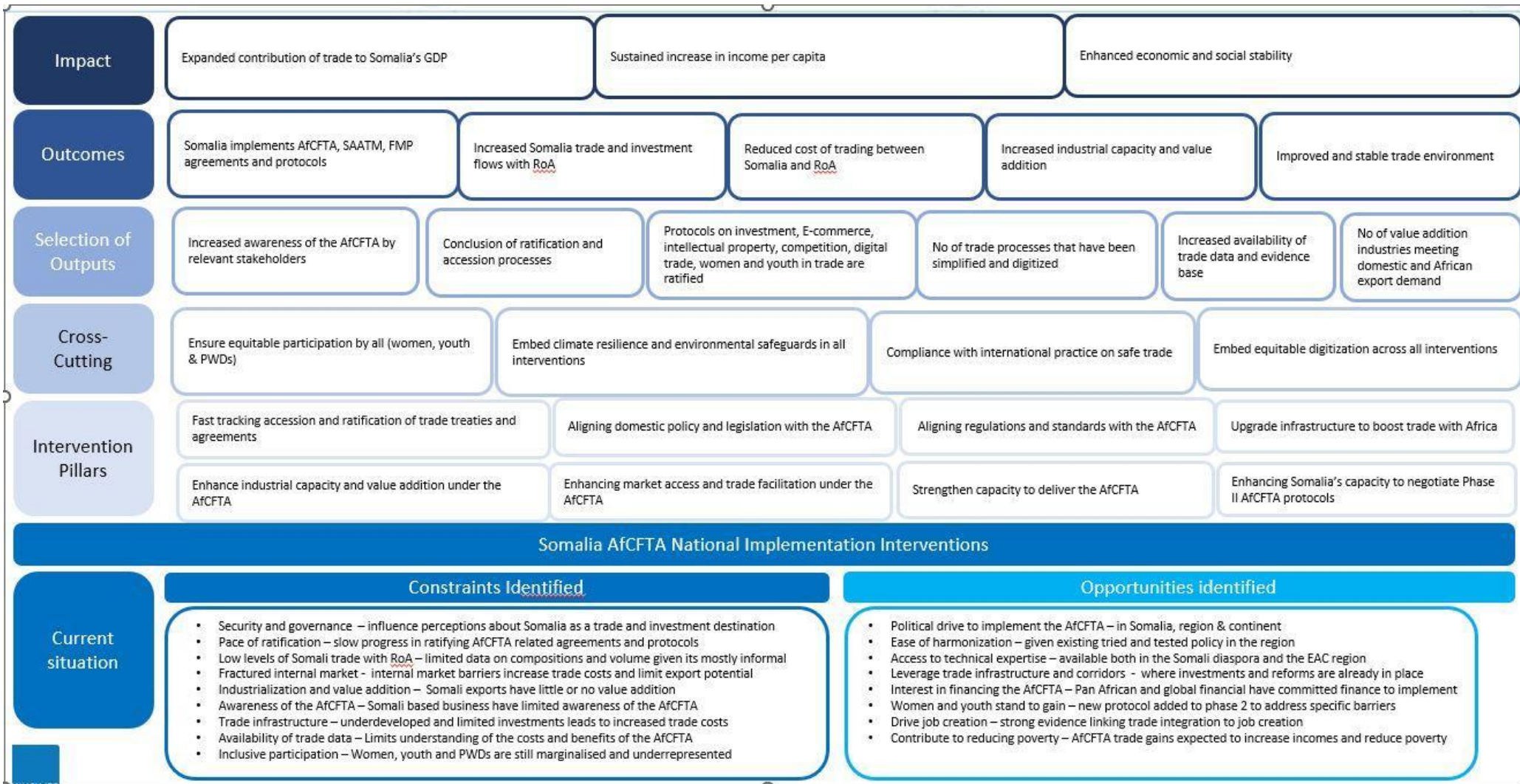
- **Political drive to implement** – one of the key reasons for the slow pace of African integration has been the lack of political drive to implement agreements and initiatives. The newly elected Federal government has indicated the importance international continental and regional trade integration. The AfCFTA agreements has been approved by cabinet and is now being tables at the newly elected parliament. The new President has indicated the importance of regional integration initiatives by appointing an envoy to the EAC to oversee and FastTrack Somalia application to join the EAC by July 2022. At continental level, there is strong political awareness and drive to implement as demonstrated by (i) the speed and number of ratifications; and (ii) number of countries developing AfCFTA implementation strategies. Somalia is well placed to benefit from this drive to reform and harmonize African trade.
- **Ease of harmonization** – The East African region is one of the most integrated regional economic communities. The EAC has the lead the way in the implementation of far-reaching regional trade reforms that have driven significant intra-community trade. With Somalia seeking to join the EAC, it would be able to adopt and benefit from tried and tested trade policy and legislation that would ease harmonization of both regional and continental trade frameworks. For example, the region has established frameworks for trade facilitation and coordination that have helped reduce the cost of trading in the EAC.
- **Access to technical expertise** – Somalia has large young and educated diaspora keen to return and contribute to its development and fill the capacity and skills gaps. Somalia can also call on an East African pool of technical experts with regional experience in supporting the implementation of trade related reforms / strategies.
- **Leverage trade infrastructure and corridors** – There are significant infrastructure upgrades and trade corridors that have been established in the region which Somalia can leverage to enhance its access to the continent. For example, the Mombasa-Kigali Corridor comprises the Mombasa Port, the Mombasa-Nairobi railway network, and over 1,700 km of roads that link both cities. Mombasa is Africa’s fifth-busiest port the main trade gateway for the Eastern Africa region connecting Somalia with EAC members states - Kenya, Uganda, South Sudan, Rwanda, Burundi and DRC. The transformation of the Berbera corridor into an economic hub is being hailed as a game changer for the country's livestock-based, remittance-dependent economy. Integration of Somalia into these trade corridors will provide access to markets, connecting adjoining countries, transit countries and providing access to seaports for landlocked countries.

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<sup>44</sup> World bank, IMF, UNIDO etc



Figure 26 Proposed Theory of Change





- **Interest in financing the AfCFTA** – The AfCFTA carries such significance and importance to African countries and to the rest of the world. The long-term benefits of the AfCFTA to the continent have helped attract finance from its Pan-African institutions such as the AfDB, Afri-Exim bank, PTA Bank, Africa Finance corporation etc to support the implementation of various components of the agreement. Additionally, there is a host of multilateral organisations that have expressed an interest and are providing funding for the AfCFTA at continental, regional and national levels. Most of the finance is targeted at addressing the more than funding gap of up to \$100 billion for infrastructure that would open the continent to increased and sustain internal trade. Somalis has already tapped some of this funding for its trade related infrastructure.
- **Women and youth stand to gain** – in Somalia, the region and continent women dominate cross border trade. According to the Economic Commission for Africa (ECA), women account for around 70% of informal cross- border traders in Africa<sup>45</sup>. Tariff reductions under the AfCFTA will enable informal women traders to operate through formal channels, bringing better protection. The removal of non-tariff barriers (NTBs) will address the numerous barriers that have continued to affect and limit trading opportunities for women. The AUC has now added women and youth in trade protocol to the phase two AfCFTA negotiations to ensure that these important demographic groups actively participate and benefit from the AfCFTA. Somalia is well placed to participate in the development and negotiation of this important protocol.
- **Drive job creation** - the AfCFTA will be the opportunity to close the gender income gap, and the opportunity for SMEs to access new markets. This is significant, since small and medium-sized enterprises account for 90% of jobs in Africa. In Somalia, increased intra African trade is expected to create new opportunities and jobs in sectors like agro-processing, light manufacturing, fishing, meat processing, transport and logistics including shipping etc. These jobs are critical in helping the Somalia meet its growing demand for jobs as well as facilitating social cohesion and peace.
- **Contribute to reducing poverty** – assessment of the impact of the AfCFTA on poverty on the continent indicate that its implementation would boost regional income by 7% or \$450 billion, speed up wage growth for women, and lift 30 million people out of extreme poverty by 2035<sup>46</sup>. Wages for both skilled and unskilled workers will also be boosted by 10.3% for unskilled workers, and 9.8% for skilled workers<sup>47</sup>.

## Key Challenges

There are number of challenges outlined in the ToC. These are summarised in this section but are addressed in detail in Part B of the strategy;

- **Security and governance** – The security situation within Somalia over the last five years continues to affect perceptions on whether the country is open for trade or a safe destination for FDI. The country is still under UN sanctions and other sanctions regimes imposed by the US, UK and EU which continue to restrict the ability to trade and effect financial transactions. In addition, border disputes with neighbouring countries continue to affect the flow of trade and limit the growth of some sectors of the economy. For example, the maritime border dispute<sup>48</sup> with Kenya limits the potential of the fisheries sector and Somalia's efforts to exploits its oil and gas resources within its exclusive economic zone. While Somalia has improved its DB ranking with significant reforms, the country in 2020 was still ranked 190<sup>th</sup> which suggest that the business environment is still difficult and may affect investors' confidence.

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<sup>45</sup> [https://au.int/sites/default/files/documents/36085-doc-qa\\_cfta\\_en\\_rev15march.pdf](https://au.int/sites/default/files/documents/36085-doc-qa_cfta_en_rev15march.pdf)

<sup>46</sup> WBG (202) The AfCFTA – economic and distributional effects

<sup>47</sup> *ibid*

<sup>48</sup> After seven years of growing resentment over the issue, the ICJ ruled that there was no de facto maritime boundary, effectively rejecting most of Kenya's claims - <https://issafrica.org/iss-today/icj-draws-the-line-in-kenya-and-somalias-troubled-waters>



- **Slow pace of accession or ratification of trade agreements** – Somalia signed the AfCFTA agreements on the 21<sup>st</sup> March 2018 and the treaty was then approved by cabinet on the 14<sup>th</sup> August 2020. The treaty is now awaiting parliamentary approval before the instrument of ratification is then deposited with the AUC<sup>49</sup>. As on November 2022, Somalia is listed as “awaiting confirmation of the approval of the ratification” on the Tralac AfCFTA ratification barometer<sup>50</sup>.
- **Low level of Somalia trade with RoA** – The majority of Somalia's trade is with countries in the Gulf where it exports livestock and other agricultural produce. In 2018, the United Arab Emirates, Oman, Saudi Arabia, China, and Japan together accounted for 81 percent of total Somalia's exports<sup>51</sup>. The bulk of its imports are also sourced from Asia and the Middle East. Over time, Kenya, India, and, more recently, China displaced Europe and the United States as Somalia's most important import suppliers<sup>52</sup>. Trade with other African countries (Kenya, Ethiopia and Djibouti) is mainly informal and hence limited records on its value and composition. In the survey conducted for this strategy, 57% businesses located in Somalia found it difficult to export to other African countries while 50% found it difficult to import from other African countries<sup>53</sup>. Availability of trade statistics remains a key challenge and will continue to affect good policy making.
- **Fractured internal market** – Discussions with private sectors representative bodies indicate that numerous NTBs affect the movement of goods from one federal state to another thus restricting trade and increasing the costs of trading. Low levels of market integration and limited FGS control over tax administration in some of the federal states has created parallel tax regimes which fracture the internal market. From the survey conducted for this strategy, Somalia firms listed the following as the top five barriers they encounter when exporting – unnecessary customs controls (20%); multiple testing agencies (14%); excessive documentation (14%); compliance with standards (12%); and unnecessary roadblock and random checks (10%)<sup>54</sup>.
- **Low level of industrialisation and value addition** – Most of Somalia's exports have limited value addition. The top export (livestock) constitutes 25% of exports over the last five years. These exports are of live animals with minimal value addition. Livestock exports have been vulnerable to import bans that trade partners impose during outbreaks of animal diseases, notably the ban by Saudi Arabia in 2000–09<sup>55</sup>. Somalia's export crops also face the additional challenge of high post-harvest losses due to limited processing and storage capacity.
- **Low level of awareness of the AfCFTA** – The survey conducted for this strategy revealed that there is a very low level of awareness of the AfCFTA in the Somalia business community in Somalia compared to its diaspora. The results of the survey indicate that 73% of Somali businesses located in Somalia had a low level of awareness of the AfCFTA compared to a high level of awareness (77%) for Somalia business in the diaspora (Kenya, Uganda, and South Sudan)<sup>56</sup>.
- **Poor trade infrastructure** – The conflict and insecurity in Somalia has negatively impacted its trade infrastructure and its ability to effectively connect to the African market. Key road, port and air transport infrastructure needs to be upgraded to support the flow of trade between Somalia and the RoA. The links between the well-established trade corridors in the region can and should be prioritized to open opportunities for trade expansion and diversification. In the survey, Somali

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<sup>49</sup> Ratification was delayed by the recently concluded presidential elections

<sup>50</sup> <https://www.tralac.org/resources/infographic/13795-status-of-afcfta-ratification.html>

<sup>51</sup> WBG (2021) Trade as an Engine of Growth in Somalia: Constraints and Opportunities

<sup>52</sup> Ibid

<sup>53</sup> FGS (2022) AfCFTA perceptions Survey of the Somalia business community

<sup>54</sup> Ibid

<sup>55</sup> Ibid

<sup>56</sup> Ibid



firms were asked to indicate what were the key challenges in effective implementation of the AfCFTA. Fourteen percent of the firms surveyed indicated that a key challenge would be limited shipping lines from Somalia to other African ports; 11% cited inadequate connectivity between Somalia and other African markets; 11% highlighted inadequate border infrastructure; and 9% mentioned the inadequate air connectivity between Somali and other African countries<sup>57</sup>. In total, 45% of the firms surveyed highlighted infrastructure related challenges that would limit their access to the African market under the AfCFTA.

- **Lack of requisite trade laws, policies, and regulations** – while Somalia has in recent years made significant progress in updating its trade laws and regulations more still needs to be done to align them to the regional trade agreements it has entered or plan to ratify. To support efforts to improve industrial capacity, the current standards regime and regulations need to be updated. The FGS has set up the standards agency which is a positive step however it needs both capacity and support in updating the regulatory regime.
- **Limited availability of trade data** – this is a major constraint to effective trade policy on the AfCFTA. The FGS has set up the national statistics agency and made efforts to improve data collection and reporting. Nevertheless, there is limited data on the composition of Somalia's trade, the scale, value and volume of its informal trade and more specifically, limited data on the potential trading opportunities in African markets that Somalia could harness or exploit.
- **Inclusive participation in trade** – Formal trading in Somalia like in many African countries is dominated by men with women, youth, and PWDs relegated to low level production or to the informal trade – areas with limited income generation potential. Although trade can serve as a catalyst to promote greater gender equality, it is not gender neutral. Women and men are impacted differently due to differences in economic representation and various social inequalities. For example, the Somalia societal construct means that women and youth traders are less likely to be equipped with the appropriate skills, technology and resources that would enable them to benefit from trade liberalization. These groups continue to suffer from invisibility, stigmatization, violence, harassment, poor working conditions, and a lack of recognition for their economic contribution<sup>58</sup>. The benefits under the Agreement for women and youth are not automatic, and there must be a better understanding of what is required at the national and regional levels to enhance women and youth participation and beneficiation<sup>59</sup>.

### Intervention pillars

- **Pillar 1: Fast tracking accession and ratification of treaties** – aims to address fast-track the pace of ratification of the AfCFTA, FMP, and SAATM. Where relevant implementation activities in this pillar should align with the accession to the WTO and the EAC. A two-track process not only delivers coherence, but it would also save time.
- **Pillar 2: Aligning domestic policy & legislation with AfCFTA** - provides a set of interventions that Somalia should implement to align its domestic trade policy and legislation with what has been negotiated on the AfCFTA – Trade in goods and services, and DSM.
- **Pillar 3: Aligning regulation & standards with AfCFTA**– addresses the gaps and opportunities identified between the current Somalia regulatory and standards regime with what has thus far been negotiated under the AfCFTA.

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<sup>57</sup> FGS (2022) AfCFTA perceptions Survey of the Somalia business community

<sup>58</sup> Ibid

<sup>59</sup> UNDP (2020) The Futures Report – Making the AfCFTA work for women and youth



- **Pillar 4: Upgrade Infrastructure to boost Somalia’s trade with Africa**– Identifies opportunities to align and link Somalia’s national trade infrastructure with existing trade corridors in the region and other market access infrastructure – seaports, airports etc.
- **Pillar 5: Enhancing Somalia’s industrial capacity under the AfCFTA** – highlights the opportunities to increase domestic value addition to key primary products and how these value-added products could expand and diversify Somalia’s exports
- **Pillar 6 -: Enhancing market access & trade facilitation under the AfCFTA** – identifies opportunities for trade facilitation and market access reforms that would reduce the cost of trade and enhance Somalia’s exports to the RoA.
- **Pillar 7 - Strengthening capacity to deliver national AfCFTA implementation strategy** – identifies capacity and technical assistance required to support the FGS in its efforts to implement AfCFTA reforms
- **Pillar 8 - Enhancing Somalia’s capacity to implement Phase II AfCFTA protocols** – Provide the evidence base needed to Somalia to actively and effectively to implement the phase two protocols.
- **Pillar 9 – Enhancing trade opportunities** – outlines three key focus areas where Somalia can enhance its trade and industrial development under the AfCFTA.

### Cross cutting themes

Implementation of the EAC-AfCFTA strategy need to consider the mainstreaming of the following for the strategy to deliver inclusive outcomes for members States and the region.

- **Equitable participation by all (women, youth and PWD)** – Trade can play an important role in creating opportunities for often marginalized groups like women, youth and PWDs to benefit and enhance their livelihoods. Nevertheless, is also important to recognize that these groups are often left out of trade and if they are involved, they are relegated to aspects of the trade value chain - where there are fewer returns or benefits. In implementing this strategy it’s important to understand how various barriers that affected these groups and limit their effective participation in trade are addressed in every intervention.
- **Embed equitable digitization across all interventions** - The success of AfCFTA depends on how effectively the continent and members states (in particular) embrace the use of technology and digital innovations to simplify trade and reduce the cost of trading. key technologies like the Internet of Things (IoT), Artificial Intelligence (AI), Blockchain and Big Data must be central to the monitoring and evaluation on the performance of intra-Africa trade. Through these technologies, the continent can capture the trade movements across the continent, international trade data and capital movements, fiscal statistics and more importantly, food production and consumption, to understand the supply chains and exploit the continent’s land and labour resources. Somalia is already on the path to digitizing its trade with the implementation of the (i) online trade information portal, (ii) the online business registration and licensing system, (iii) the launch of the customs revenue systems are all strong signs of the importance the FGS has given to the use of technology and digital platforms.
- **Compliance with international practice on safe trade** – The covid 19 pandemic highlighted how easily trade can be disrupted by global pandemics. In addition, trade reforms that facilitate the free movement of people and goods can also be exploited by nefarious entities to undertake illegal activities such as smuggling, trafficking of people and drugs, slave labour etc. Somalia has a significant amount of its trade that is informal especially at its land borders with Kenya, Ethiopia and Djibouti. This trade is important to millions of women and small business owners and if disrupted by illegal activities, then their livelihoods will be significantly impacted. It’s therefore



important that these potential negative effects of trade are considered and adequately addressed when implementing this strategy in order to ensure the smooth flow of trade and its resulting benefits.

- **Embed climate resilience and environmental safeguards in all interventions** - Climate change is expected to have severe impacts across the globe – rising temperatures and seas, unpredictable weather, all of which will severely disrupt economic activity and life as we know it. Most of the African Economies are still agrarian based and dependent and hence changes in climate will have a significant impact. Most Africa agriculture is still rain fed and hence susceptible to climate variability – droughts and floods. Somalia is one of the most climate distressed countries on the continent. Over the last 30 years, it has experienced cyclical periods of droughts which have affected its agriculture sector on which it depends for trade and incomes for millions of its people. As such, it's imperative that the implementation of this AfCFTA and other trade strategies do not encourage, and support trade related economic activities that would undermine Somalia's climate resilience and environmental safeguards.

## Outputs

The outputs statements outlined below are not conclusive given that extensive reforms and interventions will need to be implemented to make the AfCFTA a tangible and practical reality within Somalia.

### **Output 1 - Increased awareness of the AfCFTA by all relevant stakeholders**

The perceptions survey conducted for this strategy has provided evidence of the significant gap that still needs to be addressed to increase awareness of the AfCFTA. A large swathe of the Somalia private sector has indicated that they need more information on the operational and technical instruments of the AfCFTA. This lack of awareness is bound to limit and reduce interest and participation in intra Africa trade and those companies that take advantage of the free trade area that has been created. It is therefore important for a sustained and coherent awareness and communication strategy to be implemented to forestall the potential underutilisation of the AfCFTA trade framework.

### **Output 2 – Conclusion of ratification and accession processes**

NTBs and NTMs remain a major barrier to increasing the levels of intra-African trade and investments. UNCTAD (2018) estimates that NTBs are at least three times more restrictive than regular customs duties<sup>60</sup>. The report suggests that African countries could gain US\$ 20 billion in GDP growth by tackling such barriers at the continental level<sup>61</sup>. Somalia has embarked on several trade reforms reduce the incidence of NTBs and to facilitate the flows of trade. The ratification of the AfCFTA and other related regional trade agreements should help address the NTBs that arise from the variance between Somali trade regime and that of the AfCFTA to unlock trade potential and or competitiveness.

### **Output 3 – Protocols on investment, competition, digital trade, Intellectual Property and women and youth in trade are agreed and ratified**

The ongoing phase two AfCFTA negotiations on investment competition, digital trade, Intellectual property and women and youth in trade are critical to unlocking the long-term potential of the continent's economies especially in relation to diversification, industrialisation, and increased value addition. In particular, the COVID- 19 pandemic has highlighted the importance of e-commerce, digital trade, and payments systems. The focus on digital trade will include efforts to speed up customs clearance

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<sup>60</sup> UNCTAD (2018) Lifting the CFTA and ACP trade to another level: UCTAD research paper No 14

<sup>61</sup> Ibid



procedures between countries, with border delays currently slowing down regional trade. Equally, the implementation of the investment, competition and IP protocols would help drive increased intra Africa trade in goods and services that would provide the platform for the recovery from the pandemic. The specific protocol on women and youth in trade will ensure that their effective participation and beneficiation are locked into the treaty.

#### **Output 4 – No of laws enacted, policies and strategies developed to enhance AfCFTA trade**

There are several gaps in Somalia's trade framework that need to be filled and or aligned with the AfCFTA if Somalia is to expand its trade with the rest of the continent. This strategy has identified these reform areas or opportunity to enact new trade policies that would enhance Somalis active participation in intra-African trade. Examples, include (i) implementing ICBT trade policies and regimes that facilitate this important trade and provide data critical to its effective management and regulation; (ii) aligning domestic standards to regional and continental standards that would enhance market access but also limit unscrupulous activities like dumping.

#### **Output 5 – Increased availability of trade data and evidence base**

There is limited availability of trade data to support policy making. Somalia has identified this a gap that needs to be addressed. The interventions proposed in this strategy will need to include components that strengthen or create opportunities to enhance the availability of data of create the evidence base needed to support policy development and implementation.

#### **Output 6 – No of trade processes that have been simplified and digitised.**

Trade facilitation that focuses on simplification and digitisation of the trade experience has the potential to transform Somalia trade competitiveness. Somalia has already made progress on this front with the introduction of the trade information portal, the customs reform processes that are being implemented to improve enforcement mechanisms at major ports and airports, while strengthening the capacity of the customs administration.

#### **Output 7 – No of value addition industries meeting domestic and export demand.**

The Somalia National Development Plan 2020 to 2024 highlights the need to develop its value addition capacity especially in sectors where it has a competitive and comparative advantage – for example livestock, crop, and fish processing. There is a need to develop a manufacturing's strategy that incentivises domestic capacity to add value which in turn creates the capacity to export and reduce the unsustainable trade deficit.

### **Outcome statements**

The following outcome statements are proposed and would be further detailed in results framework section of this report. They are expected to provide an indication of the medium-term results achieved following the effective implementation of the EAC- AfCFTA strategy.

#### **Outcome 1 – Somalia ratifies AfCFTA, SAATM, FMP**

Somalia is in the process of ratifying the AfCFTA and other associated agreements – FMP and the SAATM. The Free Movement of Persons (FMP) protocol is key to the effective implementation of the AfCFTA and the realisation of the benefits that would accrue for African economies and people. Compared to other continental type regional economic communities, intra-African travel is significantly restricted by visa requirements. Somalia already has one of the most liberalised visa regimes in Africa. It offers a visa on



arrival for 52 of the 54 African countries and yet this has not been reciprocated<sup>62</sup>. Somalians only enjoy visa free travel to 3 countries, receive visa on arrival in 11 countries and are required to apply for visas before travel for 39 countries. This situation affects the ability of Somali traders, businessmen and investors to access markets and opportunities on the continent and needs to be resolved if the AfCFTA is to deliver tangible benefits for them and the country. Ratification of the FMP protocol will precipitate the provision of reciprocal visa regimes between member countries that have ratified the agreement. Similarly, SAATM aims to liberalise civil aviation in Africa and be an impetus to the continent's economic integration and the free movement of people. Open skies in Africa will contribute to general aviation sector economic growth with those in the service, management and maintenance industries receiving a boost. By ratifying the agreement Somalia will be able to harmonise its air service agreements and increase opportunities to enhance its access to the rest of the continent. This strategy highlights the need to these reforms to be fast-tracked to ensure uniform beneficiation for communities in the region.

### **Outcome 2 - Increased Somalia trade and investment flows with the African Continent**

The bulk of Somalia's trade is with countries outside the continent. Trade represents almost 50% of GDP with imports contributing 40% and exports 10% in 2019<sup>63</sup>. The top export markets are Saudi Arabia, Oman, United Arab Emirates, and Yemen, with Djibouti the only African country in the top ten export destinations. The top import origins of Somalia are the United Arab Emirates (30%), Ethiopia (12%), India (9%), China (7%), while Kenya and Oman have a share of (6%) of Somali Imports<sup>64</sup>. In this case Kenya and Ethiopia are in the top ten import sourcing markets for Somalia. According to UNCTAD, FDI inflows into Somalia reached US\$ 384 million in 2017 (UNCTAD 2018 World Investment Report), bringing Somalia back to a level not seen since the late 1980s. Existing FDI stock amounted to US\$ 1.7.

billion in 2016, increasing to US\$ 2.1 billion in 2017<sup>65</sup>. From the investment perspective the bulk of Somalia's FDI is recorded as remittances which is mainly destined to the real-estate, communications, transport, and warehousing sectors<sup>66</sup>. The major sources of remittances in Somalia are North America and Europe, especially the UK, with Kenya as the leading African source. Nevertheless, the bulk of large-scale FDI funding large projects is mainly from sources outside Africa. It is therefore clear that limited trade and investments flows between Somalia and Africa are an opportunity to be leveraged and exploited under the AfCFTA. Harmonisation of trading and investments frameworks under the AfCFTA would open the countries to increased trade and attract FDI vital to its socioeconomic growth and development.

### **Outcome 3 - Reduced cost of trading between Somalia and Rest of the World**

Somalia has over the years faced significant barriers to trade that have resulted in high cost of trade which in turn have affected its trade competitiveness. Some of these constraints include internal insecurity, poor trade infrastructure, NTBs etc, all of which drive up the cost of importing and exporting. There are no specific studies that have been undertaken to estimate the time and cost to export in Somalia. Somalia is ranked 164<sup>th</sup> in the trading across borders indicator in the WB DB index 2020. From the perceptions survey for this strategy, most Somali businesses surveyed indicated that NTBs exist, and they were affecting both imports and exports. Trade facilitation reforms under the AfCFTA would provide the basis for unlocking Somalia's trade potential and ability to enter new markets on the back of improved trade competitiveness. The World Bank has estimated that of the \$450 billion in income gains from AfCFTA,

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<sup>62</sup> AfDB (2021) Africa Visa Openness Index

<sup>63</sup> CBS (2019) Somalia's trade statistics 2010 – 2018

<sup>64</sup> Ibid

<sup>65</sup> FGS (2022) National Investment Promotion Strategy (NIPS) To Promote an Enterprise-Driven Development

<sup>66</sup> FT (2021) FDI markets database



\$292 billion would come from stronger trade facilitation measures to reduce red tape and simplify customs procedures<sup>67</sup>. These gains will require major efforts by countries to reduce the burden on businesses and traders to cross borders, quickly, safely, and with minimal interference by officials.

#### **Outcome 4 - Increased industrial capacity and value addition.**

The NDP 9 highlights the importance of ramping up value addition in key sectors where Somalia has a comparative advantage – agro-processing, livestock processing, light manufacturing as one of the solutions to reducing its unsustainable trade deficit and rebuilding industrial capacity. The NIPS highlights the focus on enhancing manufacturing capacity to realize significant export volumes, create more jobs and make the concept of ‘Made in Somalia’ a reality<sup>68</sup>. Increased manufacturing and value added capacity not only helps address the growing and unsustainable trade deficit, but it also opens up opportunities for Somalia to export its value-added products like frozen fish, processed livestock and crop products to markets on the African continent where there is demand for them. The AfCFTA aims to create the environment and trade framework that facilitates the growth of intra-African trade. By liberalising trade in goods and services, it aims to unlock the potential to access economies of scale, expand operations cross-border and develop regional value chains that increasingly embed African inputs. Furthermore, by accessing a unified continental market, different stages of industrial production along the value chain can be outsourced to various countries within the free trade area depending on their respective comparative advantages<sup>69</sup>. Resulting outcome would be a thriving trade in intermediate products which can then easily be reimported into the country of origin for further intermediate and final processing.

#### **Outcome 5 – Improved and stable trade environment**

Political and economic reforms are gradually creating a stable environment for economic growth. While the country is still battling with an insurgency, political reforms have helped stabilize the economy and provide a basis for economic transformation. These policy reforms also provide the foundation for effective governance of international trade and financial flows. The WBG (2021) notes that federal and state governments have developed a common import tariff schedule, with goods classified according to the Harmonized System, that will be applied at all ports of entry, and they are working to modernize customs administration<sup>70</sup>. Somalia is entering into regional and international trade arrangements. It returned to the Common Market for Eastern and Southern Africa (COMESA) in 2018 even though the treaty still needs to be ratified. It is currently actively working on its accession to the WTO, has applied to join the East Africa Community, and in 2020 the Somali cabinet approved the Africa Continental Free Trade Area (AfCFTA) treaty – yet to be ratified. These reforms and initiatives indicate a serious effort to create an enabling environment that would facilitate economic growth with trade playing an important part in the growth agenda.

### **Impact statements**

The vision and mission outlined above speak of the important role of the AfCFTA in catalysing growth and contributing to improving the welfare and livelihoods of African countries like Somalia. As such, the impact statements are designed to provide a framework from which the effective implementation of the national AfCFTA strategy can be assessed. The following impact statements are proposed.

#### **Impact 1 – Expanded contribution of trade to Somalia’s GDP**

<sup>67</sup> WBG (2020) The African Continental Free Trade Area: Economic and Distributional Effects

<sup>68</sup> FGS (2022) National Investment promotion strategy (NIPS)

<sup>69</sup> Ibid

<sup>70</sup> WBG (2021) Trade as an Engine of Growth in Somalia: Constraints and Opportunities



The Somali economy has been on the road to recovery following a period of insurgency that affected economic activity and in turn growth and development. Additionally, persistent drought has affected key sectors like agriculture and livestock which are the mainstay of Somalia's exports to the ROW. Over the last five years (2017-2021) the economy has grown at an average of 3%.<sup>71</sup> In 2023, on average, exports equivalent to 16.8% of GDP and imports 86% of GDP<sup>72</sup> The economy recovered from recession in 2020 to register estimated GDP growth of 2.0% in 2021, driven by private consumption and livestock exports. Multiple shocks including floods, locust invasions, and COVID- 19 curtailed the pace of recovery and increased poverty<sup>73</sup>. It is worth noting that the country faces a growing and unsustainable trade deficit which if not addressed (mainly through increased exports) will continue to exacerbate its current account deficit. The AfDB predicts that GDP growth is projected at 3.0% in 2022 and 3.6.% in 2023, driven by private consumption and recovery in livestock exports<sup>74</sup>. These growth prospects are at risk given the following;

- Inflation was 6.8% in 2022 due to higher food and oil prices because of the Russia–Ukraine conflict and drought<sup>75</sup>.
- High oil prices will also affect energy supply, considering Somalia's dependency on fossil fuels for electricity generation.
- Undiversified exports are a key source of external vulnerabilities, despite the recovery in livestock exports and other financial inflows. The current account deficit is projected to reach 14.9% of GDP in 2022 and 12.8% in 2023<sup>76</sup>.

Consequently, Implementation of the strategy could provide the basis for increased trade expansion and increased revenue generation to help address some of the risks highlighted above. As such, the best way to assess the long-term impact of the strategy is its contribution to national growth recovery.

## **Impact 2 - Sustained increase in income per capita and reduction in poverty**

The insecurity that Somalia has faced since the late 1990's led significant decline in incomes and rising poverty levels. This situation has been further exacerbated by persistent droughts which impact its most important economic sector – agriculture where the bulk of the population is employed. A 2022 report by the FGS (on the progress it had made in implementing the SDGs) indicated that 69% of the population live below the poverty line (\$1.50 a day) comprising, nearly seven out of 10 Somalis<sup>77</sup>. The NDP 9 (2020) notes that the majority of those affected by poverty are nomadic pastoralists, agro-pastoralists, and residents of internally displaced people (IDP) settlements<sup>78</sup>. Poverty in Somalia is driven by political fragility, conflict, insecurity and exacerbated by climate emergencies<sup>79</sup>. The IMF in 2023 revised the GDP figures and as a result the per capita income at \$641<sup>80</sup>. Enhancing production and value addition in crop agriculture, fisheries, and livestock for the domestic and export market, will impact millions of Somalians. Rebuilding agro-processing and manufacturing capacity would create thousands of jobs while enhancing access to African markets would increase incomes of those involved in the export value chains. Consequently, the

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<sup>71</sup> National Bureau of Statistics (NBS) of Somalia data (authors calculations)

<sup>72</sup> IMF (2023) Somalia IMF Country Report No. 23/187 May 2023

<sup>73</sup> (AfDB 2022) African Economic Outlook 2022 - Somalia Economic Outlook

<sup>74</sup> ibid

<sup>75</sup> ibid

<sup>76</sup> ibid

<sup>77</sup> FGS(2022) SDG Voluntary National Review report 2022. It refers to data for 2017.

<sup>78</sup> MPIED (2020) Somalia National Development Plan 2020 to 2024 (NDP-9) - The Path to a Just, Stable and Prosperous Somalia

<sup>79</sup> FGS(2022) SDG Voluntary National Review report 2022

<sup>80</sup> IMF (2023) Somalia – IMF Country Report No. 23/364 May 2023



impact of the strategy can in part be measured by the sustained increase in incomes of those involved in export driven industries.

### **Impact 3 – Enhanced economic and social stability.**

Increased trade can contribute positively to enhancing Somalia’s political and social stability. A more open and diversified economy would create opportunities for job creation, increased incomes, and tax revenue generation. Increased value addition and enhanced market access driven by the ratification and the implementation of the AfCFTA, would help deliver more sustained and inclusive growth and socioeconomic development. Improve trade relations with the RoA would enhance and support improved political ties and create conditions for greater regional stability.

### **Assumptions at impact and outcome levels**

The assumptions explain the logic behind the strategy and the causal links attributed to the trade and social impacts that the AfCFTA is expected to deliver for Somalia. There several assumptions underlying the achievement of the impact goals outlined above. These include the following;

- Somalia ratifies the AfCFTA agreement and initiates its implementation.
- Somalia continues its trade integration by ratifying the COMESA trade agreement – an important step towards harmonisation at the REC level.
- Somalia completes its accession to the WTO and the EAC



# PART C: Intervention Pillars

This section of the strategy provides an in-depth analysis the (i) current state of play; (ii) proposed interventions and related outcomes following the implementation of the reforms.

## Pillar 1: Fast tracking accession and ratification of treaties

When the AfCFTA was signed in March 2018 in Kigali, two other agreements were also signed, and member States were invited to ratify them – Free Movement of Persons Protocol and the Single African Air Transport Agreement. To date, progress has been made in relation to all three agreements. However, there are some gaps and issues that still need to be addressed. Under this Pillar of the strategy, we propose several policy recommendations that seek to focus efforts on ratification of the above-mentioned agreements / protocols.

### AfCFTA Ratification

As indicated in Part A (AfCFTA situational analysis), as of October 2022, 44 countries have deposited their instruments of ratification. Somalia's cabinet has approved the AfCFTA treaty for ratification, but it is yet to deposit its ratification with the AUC. There is strong political will – and consensus – on the importance of the AfCFTA in Somalia and it is crucial that completing the ratification process remains a priority.

### FMP Ratification

The objective of the protocol was to facilitate the implementation of the Treaty establishing the African Economic Community (AEC) by providing the progressive implementation of the free movement of persons, right of residency, and right of establishment. The Free Movement of Persons (FMP) protocol is key to the effective implementation of the AfCFTA and the realisation of the benefits that would accrue for its economies and its people. To date only four African countries have fully ratified the FMP protocol – Mali, Rwanda, Niger, Sao Tome, and Principe<sup>81</sup>. Somalia like many other countries signed the agreement on the 21<sup>st</sup> of March 2018 in Kigali but has not yet made progress in moving towards ratification.

Compared to other continental type regional economic communities, intra-African travel is significantly restricted by visa requirements. There has however been significant improvement over the past six years. This is despite a slight drop in Africa's visa openness levels in 2021, after some governments temporarily reversed their liberal visa regimes in response to the COVID-19 pandemic. The 2021 Africa Visa Openness Report revealed that:<sup>82</sup>

- Across Africa's RECs, 2021 saw a slight regression in visa openness, parallel to the general trend for African countries. However, reciprocity scores have improved significantly from 2016-2019. In 2021, EAC, ECOWAS, SADC and AMU practiced open reciprocity the most.
- East Africa is one of the most open regional economic communities on the continent, with 6 of the 20 most visa-open countries in East Africa, including Somalia, Comoros, Rwanda, Seychelles, Tanzania, and Uganda.<sup>83</sup>
- In 2021, Somalia ranked 16<sup>th</sup> by visa openness in Africa, allowing 52 African countries visa on arrival. Somalia also offers e-visas.

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<sup>81</sup> AUC (2020) Status report on the ratification of the FMP

<sup>82</sup> AFDB (2021) Africa Visa Openness Report 2021

<sup>83</sup> *ibid*



- Visa on arrival is an effective way for Somalia – and other countries – to encourage the free movement of people on the continent. And, easing visa restrictions is expected to boost intra-African trade, tourism, and investment flows, while at the same time facilitating the implementation of the AfCFTA.

The African Regional Integration Index has an indicator that measures a country has ratified the Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment. Based this index, Somalia is one of the best performers in the with citizens from all 53 African countries able to obtain a visa on arrival which means its has adhered to the Free Movement of Persons Protocol (Kigali)<sup>84</sup>.

### The Single African Air Transport Market (SAATM)

Air transport services connectivity remains vital for African regional and economic development and to reap the full benefits of AfCFTA. SAATM aims to liberalise civil aviation in Africa and be an impetus to the continent's economic integration and the free movement of people. The implementation of the 1999 Yamoussoukro decision has been slow and hence the signing of the SAATM was welcomed as the sign of renewed emphasis on creating open skies on the continent.

SAATM was launched on 28 January 2018 and currently has 34-member state signatures to the Solemn Commitment.<sup>85</sup> These countries represent over 80% of the existing aviation market in Africa. In addition, 18 out of the 34 member States have signed a Memorandum of Implementation<sup>86</sup> to remove restrictions in existing Bilateral Air Services Agreements (BASAs) that are contrary to the Yamoussoukro Decision<sup>87</sup> (YD). Somalia is yet to sign the SAATM.

The Institutional support for the implementation of the Single African Air Transport Market (SAATM) is the first multilateral support received by the African Civil Aviation Commission (AFCAC). The SAATM is considered as a crucial logistic infrastructure and a facilitator for the successful operation of the African Continental Free Trade Area (AfCFTA) complemented by the Protocol on the Free Movement of People and Goods and the African passport. Under SAATM, any current or future air service agreement signed between any or all the 34 member States, must be YD compliant and must meet the below requirements<sup>88</sup>:

- Free exercise of 1st, 2nd, 3rd, 4th and 5th freedom traffic to Eligible Airlines;
- Liberalized air tariffs;
- Unrestricted frequency and capacity;
- Full liberalization of cargo services;
- Recognition of the powers and function of the Executing Agency – African Civil Aviation Commission.
- Adhere to the uniform rules for fair competition, consumer protection and other regulations.

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<sup>84</sup> UNECA (2019) Africa regional integration framework

<sup>85</sup> <https://www.iata.org/en/about/worldwide/ame/saatm/>

<sup>86</sup> Ibid

<sup>87</sup> The Decision promotes the removal of all restrictions on access, capacity, frequency, and tariffs and the exercise of first, second, third, fourth and fifth freedom rights.

<sup>88</sup> SATAAM website -



## Somalia Perspective

Somalia has a widespread air transport sector with 22 airlines operating in the country. Of these, 16 are domestic airlines plying domestic routes with 6 international airlines. The country has more than 30 airports and airstrips that serve domestic and international routes. Consultations with SCAA highlight the following as key challenges Somali airline operators face in accessing the continental market;

- High operating costs – Somalia and the African continent in general have some of the highest fuel and ground handling costs.
- High air navigations costs – when overflying the airspace of African countries. For example, Sudan charges \$2,000 compared to Kenya \$150-200, Somalia \$275 and Ethiopia \$95.
- Unfair competition – national airlines on the continent receive significant subsidies which give them an unfair advantage vis a vis private airline.
- Airport infrastructure and service – African airports lack the standards equipment and infrastructure needed to facilitate efficient operations. Lack of proper facilitation at airports drives up the operating costs

### Compliance with SATAAM

Somalia was listed as one of the states with less than 15 BASAs and was ranked last with 0% compliance – see figure 34 below. Even though Somalia is not yet a signatory of the SATAAM, the SCAA continues to implement the objectives and reforms under the agreement.

Figure 28: Summary of BASA Compliance with YD per state

Morocco	9%	Low Compliance
Seychelles	8%	Low Compliance
Libya	8%	Low Compliance
Burundi	6%	Low Compliance
Uganda	4%	Low Compliance
Somalia	0%	Low Compliance

Source IATA (2021) Continental study on SATAAM & communication strategy for SATAAM advocacy

The IATA study also simulated the potential benefits that would accrue following the liberalization of African BASAs. The study found that intra-African air traffic would increase by 51%, from 31.2 million to 47.1 million. This represents an additional 15.9 million passenger trips that currently are unable to take place for reasons of cost, flight availability or service convenience<sup>89</sup>. The traffic increases in each country are a function of how much liberalization has already taken place, the conditions of the aviation sector and general economic conditions. The highest percentage increases are projected for Central African Republic (102%), Angola (95%), Guinea-Bissau (94%), Algeria (94%) and Sudan (84%) and Democratic Republic of the Congo (82%) due to in part to the limited air service and restrictive BASAs the countries have currently<sup>90</sup>.

Based on the above, Somalia could significantly benefit from liberalisation of its air transport market. The SCAA expects the ratification of the AfCFTA and the SATAAM would lead to the following;

- Increased trade and investment

<sup>89</sup> AITA (2021) Continental study on SATAAM & communication strategy for SATAAM advocacy

<sup>90</sup> Ibid



- Increased job creation – direct and indirect
- Boost tourism and domestic resource mobilization
- Increased competition and reduced prices of travellers
- Enhanced air transport infrastructure

## Policy Actions

Table 8 below outlines the emerging issues and proposed policy actions.

*Table 9: Ratification policy actions*

Issue identified	Proposed policy action	Output	Outcome	Ownership/ lead entity	Proposed source of funding
Somalia is yet to ratify the AfCFTA agreement	FGS to Fasttrack ratification process in the parliament	Parliamentary approval of the AfCFTA	Ratification instruments deposited	MoCI	FSG budget
Somalia has signed the FMP Protocol but has not made progress to move to ratification. Somalia needs to make the case for FMP ratification. Where there are concerns, these need to be addressed and the benefits of ratification outlined to facilitate the process.	Develop roadmap for FGS ratification A study to model the costs and benefits of ratification of the FMP – full, partial, and non-ratification. These will help policy makers at all levels fully internalize the opportunity cost of non-ratification. FGS Ministry of Foreign Affairs & International Cooperation to implement a strategy to push for visa reciprocity that would open up effective visa liberalisation between Somalia and the rest of Africa.	FMP protocol ratified by parliament Cost and benefits of FMP ratification quantified Reciprocity strategy developed	Somalia citizens experience improved visa free travel across the continent	Ministry of foreign affairs	FSG Budget
Somalia is ranked as one of the least compliant countries with regards to the implementation of the SATAAM protocol and liberalization measures	FGS and SCAA Authority should work with AFCAC to create greater awareness of the SAATM	SAATM awareness strategy developed	Somalia Aviation sector reforms deliver reduced cost and increased connectivity with RoA	Ministry of Transport and Civil Aviation (MOTCA)	FSG budget and AFCAC
	MoCI, Ministry of Transport &	National Aviation	Somalia aviation is regulated to	Ministry of Transport and	FSG budget and AFCAC



	Aviation, Ministry of Foreign Affairs & International Cooperation to develop action plan to develop National Aviation/Air transport policy	transport policy developed	international standards	Civil Aviation (MOTCA)	
Somalia has no aviation competition and consumer protection legislation which is a prerequisite for SATAAM implementation	FGS and SCAA to work with AFAC to seek support in developing the aviation competition and consumer protection legislation	Aviation consumer protection legislation developed	Somalia aviation is regulated to international standards	Ministry of Transport and Civil Aviation (MOTCA)	FSG budget and AFCAC
Limited understanding of the costs and benefits of liberalizing the Somalia air transport market	SCAA to undertake an assessment of the costs and benefits of liberalizing the Somali aviation sector to promote increased intra-African connectivity and travel	Study on the cost and benefits of aviation sector liberalisation	Aviation sector reforms deliver reduced costs, increased traffic and better connectivity to RoA	SCAA working with AFCAC	Mixed – FGS budget, AFCAC, UNECA



## Pillar 2: Aligning Domestic policy and legislation with AfCFTA

The AfCFTA negotiations on the trade in goods and services began in 2015 and concluded in 2018. However, negotiations on national schedules of tariff concessions and particularly on rules of origin (RoO) have taken much longer to conclude. As a result, so far only limited actual preferential trade has taken place under the terms of the AfCFTA, and even that only because of the Guided Trade Initiative (GTI) that was launched in October 2022.

### Status of trade in goods

#### Tariffs

**Trading has commenced among the GTI participating countries.**<sup>91</sup> As part of the initiative, it selected eight countries to provisionally start trading goods under the AfCFTA on a pilot basis. The countries include Rwanda, Cameroon, Egypt, Ghana, Kenya, Mauritius, Tanzania, and Tunisia. The AfCFTA chose these countries because their tariff offers on goods have been fully approved and officially published. The Secretariat assists these countries to test AfCFTA rules and procedures on pre-selected goods traded among the eight Guided Trade Initiative countries. The AfCFTA Secretariat also published an eTariff book on its website which reflects tariff commitments for AfCFTA parties with approved and officially published tariff schedules.

**At the AfCFTA, there is no agreement on a list of sensitive and exclusion products.** The agreement aims for 7% for sensitive products and 3% for exclusion. Instead, each country selects its own sensitive and exclusion list and submits its draft schedules for technical verification by the AfCFTA Secretariat.

**Somalia published its customs act in 2020 and updated its tariff code at the HS 6 level.** This is an important step towards creating certainty in the application of customs regime in addition to enhancing the government's ability to increase domestic resource mobilization. It is not yet clear whether this code has been aligned with regional customs regimes like COMESA or aligned with the EAC customs framework.

#### Rules of Origin

**Progress has also been made in the AfCFTA negotiations on the RoOs.** Rules of origin ensure the preferential market access negotiated is granted to goods wholly produced or 'substantially transformed' in an AfCFTA member state and not somewhere else and simply trans-shipped through a member state. Annex 2 of the compiled annexes on the establishment of the continental free trade area provides the detailed definitions and guidelines on how the RoO will be implemented.

**The latest indications are the progress made in the with 87.7% of agreed tariff lines<sup>92</sup> as of February 2022.** The Secretariat has also published a rules of origin manual describing the rules for the tariff lines where there is agreement among AfCFTA parties. There are still some important aspects of the RoOs to be agreed. There is still an ongoing debate on the percentage of value addition with some countries like South Africa pushing for 30-40% threshold. South Africa's position is that AfCFTA Rules of Origin must

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<sup>91</sup> [https://au.int/sites/default/files/decisions/41583-Assembly\\_AU\\_Dec\\_813-838\\_XXXV\\_E.pdf](https://au.int/sites/default/files/decisions/41583-Assembly_AU_Dec_813-838_XXXV_E.pdf)

<sup>92</sup> [https://au.int/sites/default/files/decisions/41583-Assembly\\_AU\\_Dec\\_813-838\\_XXXV\\_E.pdf](https://au.int/sites/default/files/decisions/41583-Assembly_AU_Dec_813-838_XXXV_E.pdf)



enable and strengthen *'Made in Africa, Grown in Africa, Designed in Africa'* outcomes<sup>93</sup>. The certification process, product specific rules, and minimum information requirements have all been outlined.

**Somalia has the ratified the COMESA trade agreement, however it's not clear whether it has ratified the rules of origin protocol.** If Somalia is to facilitate its harmonization of its national trade regime with the AfCFTA, then the ratification of the COMESA protocol provides a stepping stone. Additionally, the effective implementation of the newly minted industrialization strategy will depend on alignment between the national rules on local content vis a vis what has been stipulated by COMESA of which Somalia is a signatory.

## Trade facilitation

**Simplifying and digitising customs procedures under the AfCFTA is expected to deliver significant benefits for the continent.** The World Bank has estimated that of the \$450 billion in income gains from AfCFTA, \$292 billion would come from the elimination of tariffs, the reduction of NTBs (by 75% in their scenario – which is very high), and by additional trade facilitation.<sup>94</sup> Annex 3 articles 3, 4, and 5 outline the approach on the harmonization, simplification, and digitization of customs procedures and systems<sup>95</sup>.

**The African customs landscape is characterised by multitude of customs systems in operation.** The lack of Customs systems interconnectivity coupled with delays and inaccuracies in the paper-based exchange of cross-border trade data between Customs administrations continues to negatively hamper trade facilitation and regional integration efforts on the African continent<sup>96</sup>. The situation translates into unsatisfied traders, unreliable trade statistics, controversies around Member States' allocations from the common revenue pool, and high revenue leakage risks<sup>97</sup>.

**Harmonisation, upgrading and interoperability of customs systems** and procedures is vital to facilitating intra-REC trade. Clearly, the RECs are not at the same level in terms of customs modernization. This may limit the ability of RECs and countries to trade effectively given the different stages of development of their customs and border management systems.

**The private sector perceptions survey conducted for this strategy has highlighted several NTBs that are affecting Somalia's trade.** The barriers identified affect both exporter and importers leading to a high cost of trading in addition to reduced competitiveness – see figure 34 and 35.

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<sup>93</sup> <https://www.engineeringnews.co.za/article/rules-of-origin-a-key-issue-for-continuing-african-free-trade-area-talks-2020-10-28>

<sup>94</sup> WBG (2020) The African Continental Free Trade Area: Economic and Distributional Effects

<sup>95</sup> TRALAC (2018) AUC-RECs Customs Coordination Committee -

<sup>96</sup> WCO News - Customs systems interconnectivity: the challenges and opportunities for Customs administrations in the SACU region - <https://mag.wcoomd.org/magazine/wco-news-85/interconnectivity-sacu-region/>

<sup>97</sup> Ibid

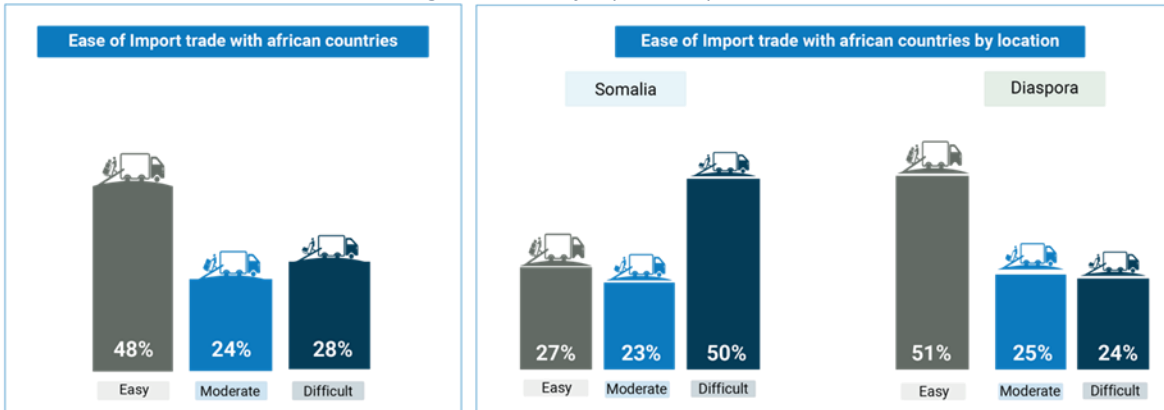


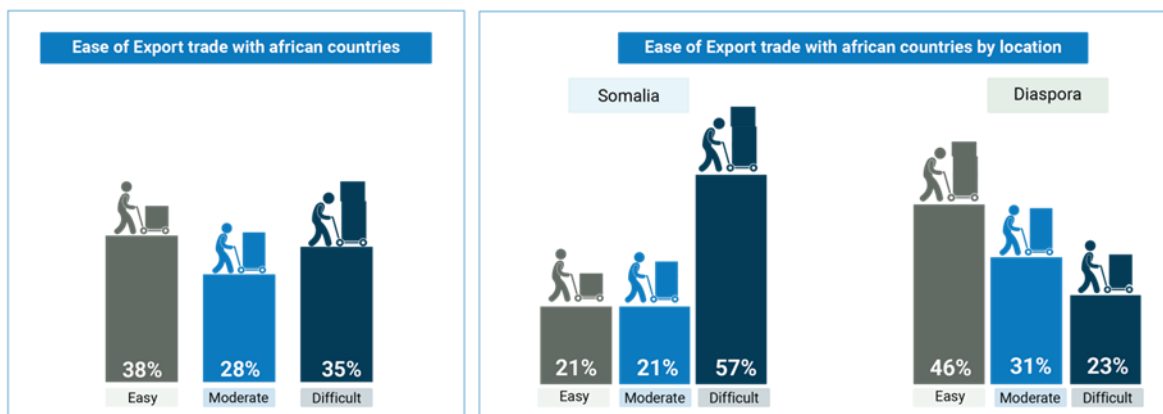
Figure 29: NTBs identified affecting export trade



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Figure 30: Ease of import or export trade





Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

**The FGS is also committed to reducing NTBS that drive up the cost of trading.** It has recently introduced a single administrative document which is used to control import and export of goods in and out of Somalia. The document is used to facilitate import and export and is aligned with a similar document in use in the EAC. Similarly, it has developed its own customs management system - Somali Customs Automated System (SOMCAS). In addition, FGS has implemented the Somalia trade information portal to facilitate cross-border trade and provide more transparent trade information for businesses which in turn would reduce the cost of trading for both importers and exporters.

### Status of trade in services

**Services trade is important from a development perspective for various reasons.** A range of services – from finance to telecommunications or logistics – are essential to facilitate all other economic activities and are therefore critical to economies’ overall competitiveness and growth. Access to affordable and efficient services, through trade and investment, benefits all other economic sectors and improves export performance in manufacturing and agriculture.

**Services account for 54% of African GDP and for 75% of Greenfield Foreign Direct Investment (FDI) to the continent<sup>98</sup>.** The service sector is also an important and growing source of employment. While agriculture remains the major source of employment for Africans, in countries such as Angola, South Africa or Mauritius the service sector employs more than 60% of the working population<sup>99</sup>. Services such as ICT, marketing, transport, or distribution play an important part in the value-added to the manufacturing, mining, and agricultural sectors.

**The AfCFTA Protocol in Trade in Services envisions a liberalised African Services market which shall be achieved by gradually eliminating restrictions that are incompatible with the AfCFTA Agreement.** As part of the AfCFTA, the Protocol on Trade in Services is a first step in the direction of service liberalisation. Five of the eight officially recognized African Regional Economic Communities (RECs) have negotiated regional services agreements or policies (COMESA, EAC, ECCAS, ECOWAS and SADC). The latest information on the progress in the negotiations is as follows;

- The negotiations on Trade in Services in the five priority sectors: business, communication, financial, transport and tourism services are ongoing, and it is agreed that they would submit

<sup>98</sup> Keller (2019) AfCFTA and Trade in Services for development – GIZ discussion paper

<sup>99</sup> Ibid



their Schedules of Specific commitments on the five (5) sectors by June 2022<sup>100</sup>. It's not clear whether this deadline has been met.

- The AfCFTA website indicates that 48 member states having submitted offers on their schedules of specific commitments<sup>101</sup>.
- Forty-eight initial and revised offers from both State and non-State Parties currently being considered and the request/offer process being at an advanced stage.
- Negotiations of the remaining seven sectors<sup>102</sup> will follow and should be completed by 31st December 2022 as indicated in the decision taken at the 13<sup>th</sup> Extraordinary Session of the Assembly on the AfCFTA<sup>103</sup>.

## Somalia trade in services

While the services sector contribution to GDP and exports may be low, its none the less important to growth, and economic diversification. The challenge in assessing the importance of services for Somalia in the context of the AfCFTA, is the limited data and analysis of its service sector and exports. In the elaboration of this strategy, we have identified financial services a potential area of interest. Somalia's financial sector is vibrant and has produced continental and global financial services firms like Dahabshiil. Dahabshiil has transformed the money transfer business in Africa and in many ways is already facilitating trade payment transactions. It would be useful for the FGS to assess whether money transfer platforms like Dahabshiil can be used to facilitate and effect cross border trade payments.

## Policy Actions

Table 8 below outlines the emerging issues and proposed policy actions.

*Table 10: Trade in goods policy actions*

Issue identified	Proposed policy action	Outputs	Outcomes	Ownership/ lead entity	Proposed source of funding
Multiplicity of customs codes across Somalia's federal states which prevents effective trade facilitation and harmonisation with the rest of Africa	Map custom codes and custom processes differences across federal states and seek to harmonise codes, systems and procedures	Unified set of customs codes and processes across the federal states	Reduced compliance costs and more trade facilitation	Ministry of Finance, Revenue Department working with Federal States	Mixed – FGS budget, World Customs Organisation (WCO)
Not clear that Somalia's new customs code is harmonised with AfCFTA tariff regime	Ministry of Finance, Revenue Department, to map and harmonise unified Somali customs code with EAC and AfCFTA frameworks and a pathway to AfCFTA tariff harmonisation	Harmonised customs code	Increased revenue collection because of growth in trade	Ministry of Finance, Revenue Department & MoCI	Internal – FGS budget
AfCFTA lists of the sensitive and excluded products yet to be agreed hence an opportunity for	MoCI to develop a schedule of sensitive and excluded product lines for the AfCFTA, in	Approved and validated list of sensitive	Improved domestic industrial capacity	MoCI	Internal – FGS budget

<sup>100</sup> [https://au.int/sites/default/files/newsevents/workingdocuments/39710-wd-ext\\_assembly\\_au\\_2\\_xiii\\_e.pdf](https://au.int/sites/default/files/newsevents/workingdocuments/39710-wd-ext_assembly_au_2_xiii_e.pdf)

<sup>101</sup> <https://au-afcfta.org/trade-areas/trade-in-services/> - accessed on 26-11- 2023

<sup>102</sup> Construction, distribution, education, energy, environmental, health and social services.

<sup>103</sup> [https://au.int/sites/default/files/newsevents/workingdocuments/39710-wd-ext\\_assembly\\_au\\_2\\_xiii\\_e.pdf](https://au.int/sites/default/files/newsevents/workingdocuments/39710-wd-ext_assembly_au_2_xiii_e.pdf)



Somalia to engage and influence the negotiations	consultation with federal state government agencies and the private sector	and excluded products				
The treatment of intermediate goods under the AfCFTA is not yet clear.	FGS to review its new industrial strategy to clarify it would be affected should agreements be reached on the treatment of intermediate goods in the AfCFTA.	Industrial strategy provides clarity on the treatment of intermediate goods	Reduced cost of industrial	MoCI working with Ministry and Finance & SOMINVEST	Mixed – FGS budget, UNIDO	
Lack of customs systems interconnectivity may hamper the trade with RoA	SOMCAS to be connected to regional customs systems to facilitate smooth customs trade and data sharing with will reduce customs revenue leakages	Switch linking SOCAS to regional customs systems is active	More efficient customs management	Ministry of Finance, Revenue & Customs Department(s) working with MoCI	FGS budget and WCO	
Numerous NTBs have been identified in the perception survey	Implementation digital platforms that monitor and facilitate trade. Systems like the electronic single window, electronic cargo tracking, NTB monitoring and resolution platforms.	electronic single window, electronic cargo tracking, NTB monitoring and resolution platforms.	More efficient customs management	MoCI working with Ministry of Finance, Revenue & Customs Department(s), Port authorities, Border Controls and other related entities	Mixed – FGS Budget, Trade Mark Africa, WCO	

In addition to the above policy actions, table 9 below provides some additional policy interventions aimed at getting Somalia ready for the implementation of the AfCFTA.



Table 11: Mapping constraints and opportunities - policy and legislation

Constraints	Proposed policy intervention	Output	Outcome
<p>Gaps in harmonisation of Somalia's trade legislation with regional and international frameworks</p> <p>c) Trade in goods &amp; services</p> <p>d) IP, competition, investment, digital trade, and women &amp; youth</p> <p>There is limited awareness and lack of capacity &amp; technical expertise across government to deliver on the above.</p>	<ul style="list-style-type: none"> <li>- Comprehensive mapping of current trade legislation against the various agreements that Somalia is negotiating (WTO, EAC, COMESA, AfCFTA)</li> </ul>	<ul style="list-style-type: none"> <li>- Compendium of reforms to be implemented</li> </ul>	<ul style="list-style-type: none"> <li>- Updated and harmonised trading regime</li> <li>- Development of regulatory framework covering all trade related laws &amp; regulations</li> <li>- Institutional capacity dedicated to trade in goods and trades in services, e.g. established export promotion and IP agencies</li> </ul>
<p>Underdeveloped policies &amp; strategies and implementation (trade, industrial strategy, investment)</p>	<ul style="list-style-type: none"> <li>- Mapping status and gaps of existing policies and strategies</li> <li>- MOCI to publish to other government departments the strategies that they have developed to aid cross-ministerial cooperation</li> <li>- Initiate consultation process on current and new policies/strategy reforms across government</li> <li>- Coordination &amp; harmonisation of policy and strategy implementation in order to achieve coherency across government</li> </ul>	<ul style="list-style-type: none"> <li>- Compendium of reforms to be implemented</li> </ul>	<ul style="list-style-type: none"> <li>- More structured approach to improving Somalia's trading &amp; investment environment</li> </ul>
<p>Underdeveloped incentive frameworks to promote trade &amp; industrialisation</p>	<ul style="list-style-type: none"> <li>- Comprehensive study to map current incentives to promote trade &amp; industrialisation with a specific focus on gaps that need to be addressed</li> </ul>	<ul style="list-style-type: none"> <li>- Effective implementation of investment law &amp; regulations</li> </ul>	<ul style="list-style-type: none"> <li>- More conducive investment environment that attracts DDI &amp; FDI towards the trade and industrial sector</li> </ul>
<p>Limited evidence base to support development of good policy &amp; legislation, with disparate trade related databases</p>	<ul style="list-style-type: none"> <li>- Develop a roadmap on how trade related government bodies can improve the collection, reporting and access to trade data</li> </ul>	<ul style="list-style-type: none"> <li>- Recommendations in the roadmap implemented</li> </ul>	<ul style="list-style-type: none"> <li>- More robust trade database that meets international standards &amp; facilitates trade policy</li> </ul>
<p>Limited awareness of existing policy &amp; legislation</p>	<ul style="list-style-type: none"> <li>- Develop action plan on how to increase awareness of trade policy and reforms across all segments of society</li> </ul>	<ul style="list-style-type: none"> <li>- Number of actions implemented</li> </ul>	<ul style="list-style-type: none"> <li>- Increased awareness of Somalia's trade policy and frameworks (survey)</li> </ul>
<b>Opportunities</b>			
<p>Somalia can adopt &amp; benefit from tried and tested trade policy &amp; legislation in the region &amp; ease of harmonisation with already established trade frameworks</p>	<ul style="list-style-type: none"> <li>- Compile examples of good policy &amp; practice that has delivered improved trade &amp; industrial performance in the region</li> </ul>	<ul style="list-style-type: none"> <li>- Number of policies and legislation that could be adopted to Somalia's context</li> </ul>	<ul style="list-style-type: none"> <li>- Improved harmonisation of Somali's trade regime with the continent</li> </ul>
<p>Significant interest from international &amp; donor community to support policy and legislation reform</p>	<ul style="list-style-type: none"> <li>- MOCI to develop a costed trade reform action plan to be shared with potential development</li> </ul>	<ul style="list-style-type: none"> <li>- Funding secured to implement the action plan</li> </ul>	<ul style="list-style-type: none"> <li>- Improved business environment that facilitates trade and industrialisation</li> </ul>



	partners/donors interested in supporting trade related reforms, using MoCI annual workplan		
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## Pillar 3: Aligning regulation & standards with AfCFTA

### Sanitary and phytosanitary measures in the AfCFTA

**Standards involve and provide solutions to technical and commercial problems relating to products and services that repeatedly arise in relations between economic partners<sup>104</sup>.** They cover a range of areas, including product specifications, measurement, testing and analysis methods, labelling and packaging, management, evaluation, and compliance. The elimination of technical barriers to trade and the adoption of unified standards is critical to enhancing intra-African trade. The barriers plaguing intra-Africa trade are mostly of a regulatory nature and include customs operations and border documentation requirements, rules of origin documentation, pre-shipment inspections, sanitary and phytosanitary measures (SPS) and Technical Barriers to Trade (TBTs)<sup>105</sup>.

**The AfCFTA Agreement makes relevant provisions for the progressive elimination of technical barriers to trade, notably in Article 4 (a) of the Framework Agreement and Article 2 (b) of the protocol on trade in goods.** These provisions cover standards, technical regulations, conformity assessment procedures and sanitary and phytosanitary measures. They fall under Annexes 6 and 7 (Technical Barriers to Trade (TBT) and Sanitary and Phytosanitary Measures (SPS)) of the Protocol on Trade in Goods. These annexes highlight the harmonization of standards for the facilitation of trade between states.

**Most of the African economies are heavily dependent on the agriculture sector given its importance for food security, employment, and a source of livelihoods for millions of people.** The AU has adopted the Sanitary and Phytosanitary (SPS) Policy Framework that seeks to strengthen efficiencies in intra-African trade under AfCFTA through harmonization of SPS standards & border processes, sharing of information, technical capacity<sup>106</sup>. Annex 7 of AfCFTA aims to protect countries from risks and facilitate trade; guided by the WTO SPS Agreement and ISSB standards. Policy Framework seeks to align African SPS systems strongly and consistently with international science-based standards, helping to operationalize Annex 7 of AfCFTA<sup>107</sup>.

**The ongoing discussions and negotiations on handling agriculture produce within the AfCFTA in relation to sensitive and excluded products, food commodities and food security.** To date, no agreement has been reached on the treatment of sensitive products and countries will be presenting their offers on what these items will be. There is a view that this list should be limited to a very small number of staple food products<sup>108</sup>. However, governments may be tempted to classify key commodities as “sensitive” or protect them in other ways (use phytosanitary measures), which would hamper trade in high-volume commodities<sup>109</sup>. Consequently, the treatment and implementation of phytosanitary measures will need to be handled carefully given the importance of agriculture exports and food security concerns.

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<sup>104</sup> Diop (2019) Standards in the AfCFTA – She trades policy brief

<sup>105</sup> UNCTAD Report 2019 on Economic Development in Africa

<sup>106</sup> AU (2020) The African Union Sanitary and Phytosanitary (SPS) Policy Framework for Africa

<sup>107</sup> Ibid

<sup>108</sup> FAO (2020) The African Continental Free Trade Area Agreement and agricultural development: challenges and prospects - FSN Forum in Africa - No.15

<sup>109</sup> Ibid



## Institutional framework for harmonisation at continental level

**ARSO was established with the specific mandate of harmonizing African standards and procedures to reduce TBTs.** This in turn would drive growth in intra African and international trade in addition to enhancing industrialization across the continent. To achieve the objective of eliminating technical barriers to trade, ARSO should be the central instrument for harmonized and accepted standards in all Member States<sup>110</sup>.

## The Somalia perspective

**Somalia is seeking to increase the level of value addition of the crop and livestock production.** To support this increased value addition objectives, Somalia will have to comply with Sanitary and Phytosanitary standards in the various exports market it will be targeting. Somalia is a major exporter of live animals to the RoO and to some African markets. With the current plan to increase the level of domestic value addition on its livestock production it would be important to have an assessment of the country's compliance with global and regional SPS standards.

## Constraints

Following years of political crisis, Somalia's standards regulation and legislation is outdated and in need of reform. Consultations with stakeholders in Somalia (SoBS) and on the Continent (ARSO) indicate that;

- The country's trade related standards legislations and regulatory framework lags regional and international good practice.
- The underdeveloped standards regime has limited the capacity to add value domestically let alone meet the export market requirements.
- While the FGS has established the Somali Bureau of standards (SoBS), the organisation is still in its infancy and lacks the technical capacity to develop and administer regulations and standards.
- There is limited evidence base (lack of data) to support the development of regulations and standards and their implementation.
- Consultations with the private sector also indicated that there was limited awareness of existing regulations and standards.

## Opportunities

The negotiations on the AfCFTA stands are still ongoing and provide an opportunity for Somalia to engage either directly through its membership of ARSO or indirectly through its role as a non-state party in the negotiations. Consultations have highlighted the following opportunities;

- Negotiations on standards are not yet finalised and hence Somalia still has an opportunity to effectively participate and influence the process.
- Somalia is also able to benefit from and adopt tried and tested regulations and standards with already established standards in COMESA or EAC.
- There is significant interest from international organisations and ARSO to support the development and implementation of domestic standards that are aligned to the AfCFTA and global standards regimes.

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<sup>110</sup> Diop (2019) Standards in the AfCFTA – She trades policy brief



Table 10 below maps the key issues identified and subsequent policy actions that have emerged.



Table 12: Constraints and opportunities - Standards

Issue Identified	Proposed policy intervention	Output	Outcome	Ownership/ lead entity	Proposed source of funding
	<b>Constraints</b>				
Current trade related regulation and standards lag regional & international good practice	<ul style="list-style-type: none"> <li>- Map gaps between domestic and African standards (with ARSO &amp; ASO)</li> <li>- Prioritise harmonisation of Somali standards with regional standards – upon EAC accession, Somalia will be able to adopt EAC standards as a member state</li> </ul>	<ul style="list-style-type: none"> <li>- Series of prioritised standards reforms to be implemented by various agencies in Somalia</li> </ul>	<ul style="list-style-type: none"> <li>- Harmonised standards regime meeting African/international standards that facilitates Somalia's exports to the continent</li> </ul>	SOBS working with MoCI	Mixed – FGS budget, ARSO, International Organization for Standardization (ISO), Standards and Metrology Institute for Islamic Countries (SMIC)
Underdeveloped domestic standards to facilitate internal trade	<ul style="list-style-type: none"> <li>- MOCI &amp; SOBS to undertake a common-sense assessment of what a domestic standards regime should look like to facilitate value addition</li> </ul>	<ul style="list-style-type: none"> <li>- Prioritised &amp; validated domestic standards reforms to be implemented &amp; regulated</li> </ul>	<ul style="list-style-type: none"> <li>- Increased domestic value addition facilitated by effective implementation of standards regime</li> </ul>	SOBS working with MoCI	Internal - FGS budget
Limited capacity within established trade regulation & standards agencies to develop & administer regulations and standards	<ul style="list-style-type: none"> <li>- SOBS to identify technical assistance required to develop and regulate Somalia's domestic &amp; international standards regime</li> <li>- Fastrack full ISO membership</li> <li>- Expand scope of support from ARSO, beyond technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>- Number of new standards developed &amp; approved</li> <li>- Number of SOBS officials trained on development and regulation of standards</li> </ul>	<ul style="list-style-type: none"> <li>- Improved quality of standards regulation and compliance</li> </ul>	SOBS working with MoCI	Mixed - FGS budget, ARSO
Limited evidence base to support development of regulations and standards	<ul style="list-style-type: none"> <li>- Develop a repository of standards regulations and related data that would facilitate reforms</li> </ul>	<ul style="list-style-type: none"> <li>- Functioning database</li> </ul>	<ul style="list-style-type: none"> <li>- Improved quality of centralised standards data accessible via database</li> </ul>	MoCI working with SOBS	Internal - FGS budget
Limited awareness of existing regulations & standards	<ul style="list-style-type: none"> <li>- SOBS to push standards agenda within government by publishing quarterly updates on progress being made on standards reforms &amp; hosting national conferences with key stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>- Quarterly SOBS cross-ministerial &amp; private sector publication highlighting progress being made on standards reforms</li> <li>- Number of standards training workshops</li> </ul>	<ul style="list-style-type: none"> <li>- Enhanced awareness of importance of standards in expanding Somalia's trade and industrial profile</li> </ul>	SOBS working with MoCI and Somalia Chamber of Commerce	Internal – FGS budget



	<ul style="list-style-type: none"> <li>- SOBS to increase awareness of standards reforms and compliance to private sector – providing regular workshops with traders.</li> </ul>	<p>conducted with private sector</p>			
<p>Somalia National Quality Infrastructure policy is currently under development</p> <p>SOBS is not yet accredited and requires technical assistance to achieve accreditation</p>	<ul style="list-style-type: none"> <li>- Develop sector specific action plan to implement the Somalia National Quality Infrastructure policy</li> <li>- Develop a roadmap outlining the reforms and investment required to upgrade SOBS labs to meet international accreditation standards</li> <li>- Develop a human resource gaps analysis &amp; action plan to build domestic technical capacity to implement both domestic and international standards</li> </ul>	<ul style="list-style-type: none"> <li>- Somalia National Quality Infrastructure policy</li> <li>- SOBS achieves African and international accreditation</li> </ul>	<ul style="list-style-type: none"> <li>- Improved strategic management of quality standards</li> <li>- Improved capacity to regulate quality standards in Somalia</li> </ul>	<p>SOBS working with MoCI</p> <p>SOBS</p>	<p>Mixed – FGS budget, UNIDO</p> <p>External – Trade Mark Africa, Afreximbank, AfDB</p>
<p><b>Opportunities</b></p> <p>Somalia in a position to benefit from and adopt tried and tested regulations and standards &amp; ease of harmonisation with already established trade frameworks</p>	<ul style="list-style-type: none"> <li>- Request examples of good policy &amp; practice that has delivered improved standards and regulation in the region from ASSO &amp; ASO</li> </ul>	<ul style="list-style-type: none"> <li>- Identified roadmap for standards reforms developed from examples</li> </ul>	<ul style="list-style-type: none"> <li>- Alignment and harmonisation of Somalia’s standards regime with continental good practice</li> </ul>	<p>SOBS</p>	<p>Internal - FGS budget</p>



## Pillar 4: Infrastructure to boost Somalia's trade with Africa

This pillar provides an analysis of Somalia's current trade infrastructure, and the proposed policy interventions necessary for Somalia to maximise the opportunities arising from the implementation of the AfCFTA.

### Situational analysis

**NDP-9 outlines Somalia's strategic commitment to take advantage of regional economic opportunities/developments and advance National Priority projects for the Horn of Africa Cooperation Initiatives that position Somalia as a strategic hub for trade and ICT in the Horn of Africa region.**<sup>111</sup> There is an existing policy ecosystem for the development and rehabilitation of the country's infrastructure, with corresponding funding mechanisms. This may be leveraged to orient specific outputs and outcomes towards enhanced regional trade under the AfCFTA.

### National Infrastructure Strategy & needs assessment

**The Somalia National Infrastructure Strategy (SNIS) (2019- 2063) has been developed** in a consultative process with stakeholders from national and local authorities, civil society, and international development partners.<sup>112</sup> The overall objective of SNIS (2019 – 2063) is to prioritise needs for infrastructure reconstruction to achieve priority improvements in the country, following an assessment of the current state of infrastructure (see below).<sup>113</sup>

According to the SNIS (2019-2063), national infrastructure planning in Somalia at least the following key ministries:<sup>114</sup>

- Ministry of Public Works, Housing and Reconstruction (incl. roads authority)
- Ministry of Energy & Water Resources
- Ministry of Transport & Civil Aviation
- Ministry of Ports & Marine Transport
- Ministry of Post, Telecommunication and technology
- Directorate of Environment the Office of the Prime Minister

**Somalia's Transport Sector Needs Assessment (TSNA) and Investment Programme (2016) has also been developed by FGS and the African Development Bank (AfDB), and now championed by SomInvest.**<sup>115</sup> It focuses on demand-based planning for roads, aviation, and ports in Somalia, and provide a comprehensive costed baseline for Somalia's National Investment Promotion Strategy.<sup>116</sup>

### Infrastructure financing

**The Somali Infrastructure Fund (SIF) (multi-partner fund) was operationalised in 2016 and is administered by the AfDB.** It's stated goal is to support and accelerate Somalia's inclusive and sustainable

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<sup>111</sup> <https://sominvest.gov.so/key-sectors/transport-infrastructure/>

<sup>112</sup> FGS Inter-ministerial Public Works Coordination Mechanism, *Somalia National Infrastructure Strategy (SNIS) 2019- 2063* (2018)

<sup>113</sup> Ibid

<sup>114</sup> Ibid

<sup>115</sup> AfDB, *Somalia Transport Sector Needs Assessment & Investment Programme* (2016); <https://sominvest.gov.so/key-sectors/transport-infrastructure/>

<sup>116</sup> <https://sominvest.gov.so/key-sectors/transport-infrastructure/>



economic recovery, peace, and state building within the context of AfDB’s Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019).<sup>117</sup> The SIF’s focus is the rehabilitation and development of infrastructure, and related skills development and institutional capacity building.<sup>118</sup> The SIF is governed through the Somalia Development and Reconstruction Facility (SDRF) and aligned with NDP-9.

**Transport is one of the SIF’s priority sectors** (alongside energy, water & sanitation, and ICT). A needs assessment has been completed for each priority sector. The findings from the assessment have been consolidated and discussed with the FGS and other stakeholders to develop an initial (five-year) project pipeline – roughly USD 350 million – to be financed.<sup>119</sup> Table 11 below details current trade related infrastructure financing commitments and projects in Somalia:

Table 13: Somalia Infrastructure Funding Projects

Project/ financing commitment	Value of Project (USD million)	Funder
Regional Transport Infrastructure	58m	World Bank
Road Infrastructure Programme	-	AfDB
Horn of Africa Infrastructure Integration Project for Somalia to prepare a spatially coordinated investment pipeline of economic corridor projects, and to strengthen the national government’s management of selected sectors	63m	World Bank
Somali Roads & Bridges Network Projects (listed by SDRF) <sup>120</sup>	-	
Upgrading of Sinay Market, Mogadishu (USD 125,000)	0.125m	SIDA
Somalia Regional Corridors Infrastructure Programme (SRCIP) including rehabilitation and construction of four priority roads identified for intervention	-	AfDB
Construction of Hobyo Port (USD 170 million)	170m	Mwani Qatar
Construction of Garacad Port (new container terminal new container terminal under construction in the town of Garacad in Somalia. The new port has been planned to open the horn of Africa, central Somalia and the south-eastern region of Ethiopia to more accessible trade routes)	-	
Construction of Barawe Airport	-	

## Trade related constraints

### Antiquated & delapidated trade infrastructure.

Following the collapse of an effective federal government in 1991, Somalia’s current trade related infrastructure – road, air, and sea – is antiquated and delapidated, leading to a poverty of effective trade infrastructure with the rest of the continent. The ongoing conflict has significantly hampered the country’s ability to develop and rehabilitate transport infrastructure towards improving the country’s regional – and internal – trade logistics and interconnectivity. Specifically, this has limited Somalia’s connectedness to established corridors in the region that link neighbouring countries, namely Ethiopia, Kenya, and Djibouti.

Entrenched insecurity in Somalia has also created several security related bottlenecks across Somalia’s trade routes, thereby limiting the trade – regional and internal – maximising potential of existing infrastructure. Table 12 provides a summary of the current condition of Somalia’s current road & bridges network, ports and airports, whose development/rehabilitation has been limited by the above

<sup>117</sup> <https://www.afdb.org/en/topics-and-sectors/initiatives-partnerships/multi-partner-somalia-infrastructure-fund-sif>

<sup>118</sup> Ibid

<sup>119</sup> <https://www.afdb.org/en/news-and-events/afdb-approves-somalia-infrastructure-fund-16274>

<sup>120</sup> <https://mpwr.gov.so/en/projects/>



constraints. Poor quality trade infrastructure lengthens the time for delivery and increase shipping costs of goods, which in turn influences purchasing decisions.

Table 14: Current condition of Somalia's land, air & sea infrastructure

Road & Bridges Network	Ports	Airports
<p><b>Poor network but adequate coverage</b></p> <ul style="list-style-type: none"> <li>- 21,933km network coverage but in poor condition</li> <li>- Only 13% paved (2,860km)</li> <li>- Condition of paved roads is poor</li> <li>- 7,310km feeder roads (secondary &amp; coastal) selected for prioritisation under the TSNA</li> <li>- Many roads &amp; bridges deplorable condition, requiring urgent rehabilitation to facilitate movement of goods and people (farmers especially constrained by current bridge conditions)</li> </ul>	<p><b>Fairly good condition but underutilised coastline</b></p> <ul style="list-style-type: none"> <li>- 4 major deep-water ports constructed in 1980s: Mogadishu, Berbera, Kismayo &amp; Bossaso and 12 minor ports</li> <li>- Only Mogadishu &amp; Berbera handle significant volumes of traffic/trade</li> <li>- Lack of diversification of ports towards livestock/agriculture exports &amp; service ports</li> <li>- Ports do not specifically serve Somalia's neighbouring countries</li> </ul>	<p><b>Poor &amp; variable service, repair &amp; quality</b></p> <ul style="list-style-type: none"> <li>- 6 main airports: Mogadishu, Berbera, Hargeisa &amp; Bassaso (recently upgraded)</li> <li>- 22 airlines operating (16 domestic &amp; 6 international)</li> <li>- Airlines hampered by poor quality of runways, night landing &amp; air navigation equipment.</li> <li>- 7 major feeder airports but only 2 have paved runways.</li> <li>- Estimated of total of 60 airstrips, airfields, &amp; airports in Somalia</li> </ul>

Source: AfDB, Somalia Transport Sector Needs Assessment & Investment Programme (2016);

Poor quality roads and inefficient custom procedures tend to lengthen the time for delivery and increase shipping costs, which in turn influences purchasing decisions. Strong efforts and commitment are required to realize the infrastructure capacity and benefits outlined in the AU BIAT and PIDA action plans.

### Poor regional connectivity

**Somalia is poorly connected to existing infrastructure and established trade corridors in the region.**

According to the TSNA, the only established trade corridor linking Somalia with East Africa – and the continent at large – is the Berbera-Addis Ababa Corridor (linking Addis Ababa to South Sudan in the north, and Mombasa via Nairobi in the South).<sup>121</sup> This constrains Somalia's ability to participate in regional trade – limiting the flow, and increasing the cost, of trade with its immediate neighbours.

### Significant infrastructure funding deficit

**In addition, there remains a significant trade infrastructure funding deficit (quantify) to target trade related infrastructure development and rehabilitation, with limited domestic capacity to implement infrastructure investments and participate in infrastructure upgrading.** In addition, this contributes to forex leakages which are already persistent in Somalia.

<sup>121</sup> AfDB, Somalia Transport Sector Needs Assessment & Investment Programme (2016)



## Opportunities under the AfCFTA

### Regional trade corridors

As already identified under the TSNA and Investment Programme (2016), there is significant opportunity for Somalia to prioritise the development of regional infrastructure networks via connecting to established trade corridors – and trade corridor programmes – in the horn of Africa (see table 13).<sup>122</sup> More efficient trade connectivity between Somalia and neighbouring Kenya, Ethiopia, Djibouti, and South Sudan, is a critical first step to enable Somalia to exploit local export markets, and should spur further growth in regional trade under the AfCFTA. Somalia’s latest infrastructure connectivity gap analysis – TSNA and Investment Programme (2016) – cites the Berbera–Hargeisa–Addis Ababa and the Kismayo–Liboi–Nairobi corridors as the most opportune for investment.<sup>123</sup>

Table 15: Horn of Africa trade corridors

Southern Corridor	Central Corridor	Northern Corridor	Berbera and Djibouti Corridor	LAPSSET Corridor
Kismayo, Lamu and Mogadishu Corridor: Ethiopia (Negeyle – Filtu – Suftu) to Somalia (Mogadishu – Baidoa – Dolo) and (Kismayo – El-Wak – Mandera) to Kenya (Lamu – Isiolo – Wajir – Mandera)	Mogadishu, and Bossasso Corridor: Ethiopia (Ginir – Gode) to Somalia (Mogadishu – Baladweyn – Ferfer) and (Tuurdibi – Galdogob – Galkacyo – Bossasso) to Ethiopia (Kebridhar – Warder – Turdibi) and (Ferber – Warder – Aware – Hargessa) to Djibouti (Djibouti Port – HollHoll – Dewele)	Assab and Djibouti Corridor: Ethiopia (Adama – Awash) and (Manda – Bure) to Eritrea (Bure – Assab) to Djibouti (Galafi – Dikhil – Djibouti Port) and (Balho – Tajoura Port)	Ethiopia (Harar – Jigjiga) and (Dire-dawa – Meiso) to Somalia (Togochale – Berbera) to Djibouti (Loyada – Borema – Hargessa)	Kenya Lamu Port –South Sudan- Ethiopia

Source: SomInvest

### Underutilised deep seaports

Unlike Somalia’s road and air infrastructure, the infrastructure of Somalia’s four main ports is in good condition. The opportunity lies in maximising the utilisation – and operating performance – of these existing ports and leveraging Somalia’s vast coastline to facilitate an expansion in regional trade. Some of the opportunities already identified under SNIS and the TSNA and Investment Programme (2016) include:<sup>124</sup>

- Modernisation/improvement of port equipment
- Improvement of port handling speed & reduction of port handling costs
- Spare capacity of existing ports (capacity of the berths at Mogadishu and Berbera, where almost all cargo is handled, is well above that necessary for current traffic levels)
- Underutilised 3000km shoreline (the longest in Africa)

<sup>122</sup> Ibid

<sup>123</sup> Ibid

<sup>124</sup> FGS Inter-ministerial Public Works Coordination Mechanism, *Somalia National Infrastructure Strategy (SNIS) 2019- 2063* (2018); AfDB, *Somalia Transport Sector Needs Assessment & Investment Programme* (2016).



## Financing infrastructure development programmes

There are numerous partners in the international community providing financing and support for trade related infrastructure programmes in the region, providing Somalia with several infrastructure financing opportunities and options. Some key examples are listed below (see table 14).

Table 16: Infrastructure financing opportunities

Partner	Infrastructure development programme
IFC	IFC's strategy focuses on helping develop assets such as a reliable power supply and transport networks such as roads, which are essential for economic growth and sustainability and for improving the quality of life of the people living within and across the communities they serve.
AfDB	The <b>Africa50 fund</b> was established by African governments and the African Development Bank to help bridge Africa's infrastructure funding gap by facilitating project development, mobilizing public and private sector finance, and investing in infrastructure on the continent. Africa50 focuses on medium-to large-scale projects that have a significant development impact and that provide an appropriate risk-adjusted return to investors.
Chinese government/development banks	<b>The Belt and Road Initiative</b>
G20 Compact with Africa (CwA)	Demand driven initiative to improve attractiveness of private investment in Africa, including in infrastructure.
AU Commission in partnership with UNECA African Development Bank and the NEPAD Planning and Coordinating Agency	<b>Programme for Infrastructure Development in Africa (PIDA)</b> . PIDA provides a common framework for African stakeholders to build the infrastructure necessary for more integrated transport, energy, ICT and transboundary water networks to boost trade, spark growth and create jobs.
Private Infrastructure Development Group (PIDG)	The Emerging Africa Infrastructure Fund (EAIF). provide long-term commercial debt to deliver inclusive and impactful infrastructure projects in Africa.
U.S. Trade and Development Agency (USTDA)	USTDA works globally to link U.S. businesses to export opportunities by funding project preparation and partnership building to support sustainable infrastructure and foster economic growth in partner countries

In addition, the FGS should consider how to harness Somalia's significant remittances flows to support the development of trade related infrastructure. This could be integrated in the Somalia's national diaspora policy framework (SNDP-2022) and explored through, for example infrastructure remittance bond<sup>125</sup>. Given Africa's economic development needs, such as building roads, strengthening telecommunications networks, and improving access to electricity, diaspora bonds can help to kick-start long-term and costly projects.

## Proposed policy interventions, outputs, and outcomes

Table 15 below outlines the proposed policy actions, outputs, and outcomes – emerging from issues raised in the above analysis – towards boosting Somalia's trade with Africa through trade infrastructure development and rehabilitation.

Table 17: Infrastructure Policy Action, Outputs, and Outcomes

Proposed policy action	Output	Outcome	Ownership/ lead entity	Proposed source of funding
MOCI to work with key ministries involved in infrastructure planning to identify infrastructure needs to	Prioritised costed list of regional trade related infrastructure to be	Improve trade logistics that increases the flow	MoCI working with Ministry of	External – allocated budget

<sup>125</sup> Rwanda's Agaciro Fund [5], which has relied on philanthropic donations from the diaspora, and is being developed as a sovereign wealth fund with a strong investment element.



facilitate regional trade from existing policy framework (SNIS 2019- 2063; Somalia TSNA & Investment Programme)	developed/upgraded/rehabilitated	and reduces the cost of regional trade	Public Works & Reconstruction	with external donors
Map key security related bottlenecks in Somalia's main trade routes/corridors	Real-time digitised trade corridor map of the condition of trade routes in Somalia	Great awareness of security related bottlenecks across Somalia's trade routes/corridors	MoCI	Mixed – FGS budget, World Bank
Explore opportunities to build domestic capacity, including diaspora investment, to participate in infrastructure development/upgrading/rehabilitation	Published list of regional trade infrastructure development opportunities for domestic and diaspora investment	Reduced forex leakages associated with the development of trade related infrastructure	MoCI working with SOMINVEST	Internal – FGS budget
Building on existing policy framework, MOCI to work with key ministries involved in infrastructure planning, and external entities such as TMEA and AfDB, to a) identify gaps in Somalia's infrastructure connectivity with established regional trade corridors b) develop action plan to connect developing regional trade corridors with Somalia	-Updated prioritised list of regional connectivity gaps to be addressed with support from public & private sector - Identified action plan to connect Somalia with trade corridors in the region	Improved trade logistics/connectivity that increases the flow, and reduces the cost, of trade with Somalia's neighbouring countries	Ministry of Public Works & Reconstruction	External – World Bank, AfDB, Trade & Development Bank
MOCI to work with key ministries involved in infrastructure planning to draw from SNIS 2019- 2063 and Somalia TSNA & Investment Programme to quantify regional trade related infrastructure gaps	Updated, validated & prioritised list of regional trade related infrastructure gaps for development/upgrading/rehabilitation	More efficient trade routes/corridors that facilitates flow of goods at reduced costs, both regionally & domestically	Ministry of Public Works & Reconstruction working with MoCI	Internal – FGS budget
MOCI to work with main port authorities, & key industries involved in infrastructure planning, to identify opportunities to maximise utilisation of existing ports	Series of prioritised actions to be implemented	Expanded trade, specifically regional, through Somalia's four main ports	MoCI working with port authorities & private sector	External – World Bank, AfDB
MOCI & key industries involved in infrastructure planning to identify potential and existing partners that will support development/upgrading/rehabilitation of its regional trade related infrastructure	Potential partners identified to contribute to the delivery of the regional trade/corridor action plan	Improved infrastructure that increases the flow, and reduces the cost, of trade, both regionally & domestically	MoCI working with Ministry of Public Works & Reconstruction	External – World Bank, AfDB



## Pillar 5: Enhancing Somalia's industrial capacity under the AfCFTA

This pillar provides an assessment of Somalia's current industrial capacity, and the proposed policy actions necessary for Somalia to increase domestic value addition and develop/rehabilitate export-oriented industrial capacity under the AfCFTA.

### Industrialisation in the AfCFTA

**Promoting industrialisation is one of the main objectives of the AfCFTA.** By facilitating intra-African trade and creating an integrated African market of 1.4 billion people, the AfCFTA aims to provide opportunities for African countries, industries, and firms to diversify, specialise and benefit from economies of scale, allowing them to become more productive and competitive. The commercial opportunities and competitive pressures unleashed by the AfCFTA should also stimulate increased domestic and foreign direct investment, which in turn should foster technological upgrading – an important driver of industrialisation<sup>126</sup>.

**Under the AfCFTA negotiations, there has been limited engagement on the industrialization agenda.** There different protocols will help address or create the environment supportive of the industrialization agenda<sup>127</sup> but at this point there is no structural engagement with industrial development in the AfCFTA. The AUC developed the Plan of Action for the Accelerated Industrial Development for Africa (AIDA) with the specific goal of clearly articulating the role of industrialization in Africa's development and the achievement of AU's Agenda 2063<sup>128</sup>.

**The interplay between regional (or continental) integration and national industrial policies is not always harmonious<sup>129</sup>.** Many African countries already have industrial policies, and the policy tools they use often conflict with the goals of regional trade integration. The AfCFTA should include industrial strategic frameworks that aims to develop coherent and coordinated industrial policies at the regional and national level e.g., incentives for special economic zones (SEZs) and Industrial parks that reduces the race to the bottom.

### Situational analysis

**Somalia is transitioning from a state-owned industrial policy to a more liberalised industrial policy.** In the 1960s, most of Somalia's industries were nationalised, with roughly 80% state-owned in 1978.<sup>130</sup> Poor management gave rise to the decline of the country's industries, and the collapse of central government in 1991 resulted in their destruction. The FGS has subsequently initiated the privatisation of state-owned industries and enterprises.

**Somalia's Industrial Development Policy (2030) has been developed** by MOCI and approved by Cabinet in 2021. The industrial implementation strategy is also currently under development. Both are guided by NDP-9's economic development strategy (Pillar 3). The overall objective of the Industrial Development Policy is to enhance Somalia's productivity, boost growth and employment opportunities, and extend

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<sup>126</sup> <https://ecdpm.org/talking-points/african-continental-free-trade-area-afcfta-politics-industrialisation/>

<sup>127</sup> Trade in Goods, Trade in Services, Intellectual Property Rights, Competition, Investment

<sup>128</sup> <https://au.int/en/ti/aida/about>

<sup>129</sup> <https://ecdpm.org/talking-points/african-continental-free-trade-area-afcfta-politics-industrialisation/>

<sup>130</sup> Ibid.



prosperity to all Somalis.<sup>131</sup> Opportunities within the livestock, the livestock, agriculture, and fisheries industries are highlighted as key to achieving this.

**A key focus of Somalia's industrial policy and strategy framework is to strengthen and re-build local industrial and manufacturing capacity; and increase Somalia's capacity to produce, and drive foreign demand for, industrial value-addition exports.** This is to reduce Somalia's chronic trade deficit and heavy dependence on imported intermediate and final products. As such, Somalia seeks to drive both export-oriented industrialisation (EOI) and import-substitution industrialisation on a dual track.<sup>132</sup>

**Somalia's industrial policy legislative framework is also at the initial stages of development,** with work commenced on the Industrial Development Act and Public Private Partnership (PPP) law. The Industrial Development Act will provide the legal framework for the development of domestic industrial capacity and include specific legislation for the setting up on industrial, special economic, and export processing zones. The PPP law should help shape a conducive legislative environment and framework to support the flow of public and private investment in Somalia's industrial sector.

#### Trade related constraints

##### *Very low levels of industrial capacity & value addition*

**Industrial production in Somalia is dominated by small-scale industries, with limited value addition.** This is reflected the composition of Somalia's trade. Most Somalia's exports are raw goods: live animals, seeds & fruits, lac, gums and resins, fish and crustaceans, animal and vegetable fats/oils, fruit and nuts, and raw hides and skins.

**Between 2017 – 2021, these raw good product classifications accounted for an average of 64% of the total value of Somalia's exports** (see table 3, section A).<sup>133</sup> In the absence of domestic industry and production, Somalia is a significant importer of manufactured intermediate and finished goods. Current estimates from the National Bureau of Statistics of Somalia suggest that the country's annual import bill is 86% of GDP.<sup>134</sup>

**There is clear recognition and consensus within MOCI – and across the FGS – that the current trade deficit is crippling and unsustainable** and must be addressed as Somalia opens its market to intra-African trade under the AfCFTA. As such, the development and implementation of Somalia's industrial policy – emphasising substantial gains in domestic industrial production and value addition – is a priority across several selected sectors.

##### *Limited inter-and-intra-sectoral forward & backward linkages*

**The manufacturing sector is particularly effective at generating inter-and intra-sectoral forward and backward linkages, creating large multiplier effects,** which can act as the main vectors through which manufacturing can catalyse sustained economic growth. Given Somalia's current industrial profile, such linkages between industry and interconnected economic activities are limited. In the implementation of its industrial policies, Somalia may look to foreign firms (FDI) to create backward and forward linkages,

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<sup>131</sup> FGS Ministry of Commerce and Industry, *Somalia Industrial Development Policy*, (2020)

<sup>132</sup> NEC Policy Brief, *Macroeconomic policies for growth and transformation in Somalia*. [https://nec.gov.so/wp-content/uploads/2022/09/P1-Policy-Brief\\_-Macropolicies\\_Ali.pdf](https://nec.gov.so/wp-content/uploads/2022/09/P1-Policy-Brief_-Macropolicies_Ali.pdf).

<sup>133</sup> ICT Trade Map Data

<sup>134</sup> National Bureau of Statistics (NBS) of Somalia, 2022

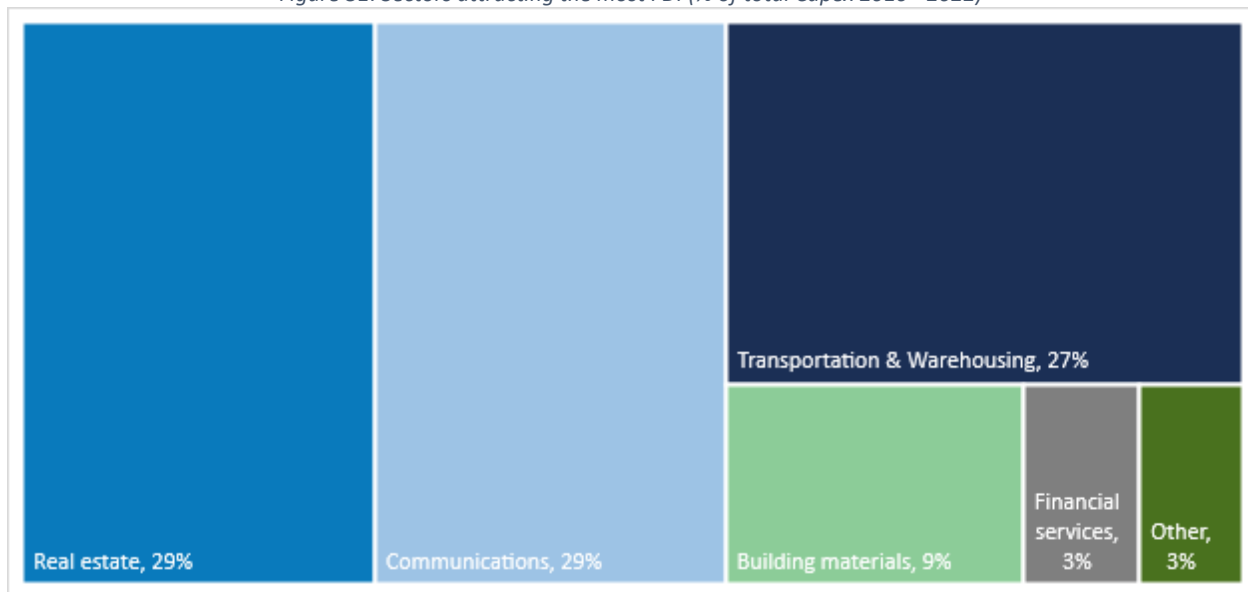


from foreign investors to the domestic economy, that support efforts to improve the country’s trade imbalance and catalyse industrialisation. Targeted FDI to the industrial sector can stimulate local production and the development of domestic supply chains through backward local sourcing inputs, generate technology transfers, and develop forward channels to local distributions and regional value chains.

#### *Low levels of investment*

**Subsequently, Somalia’s industrial sector must attract high levels of investment** to drive the country’s industrial policy aims to spur and support economic growth, employment, import-substitution, and export development. Currently, there are low levels of FDI and domestic direct investment (DDI) flowing to Somalia’s manufacturing sectors and productive industries. Current estimates suggest that over the period 2010 – 2022, the real estate (29%) and communications (29%) sectors have attracted the most FDI (see figure 36). This is followed by the transportation & warehousing (27%) and building materials (9%) sectors, demonstrating investments in import servicing – the movement and storage of finished goods – given Somalia’s high import bill, rather than manufacturing-oriented investment.

Figure 31: Sectors attracting the most FDI (% of total Capex 2010 - 2022)



Source: Financial Times Ltd, fDi Markets

#### *Redundant privatised assets*

**In addition, several Somalia’s industrial assets remain redundant following the privatisation of Somalia’s industries.** This further constrains the industrial capacity potential of Somalia – its ability to move into-value addition sectors and tap into regional (and global) value chains.

#### *Lack of industrial data to support policy/strategy implementation*

**Targeted policies, measures, and reforms that strengthen industrial production and export growth in Somalia must be supported by industrial data.** Currently, the FGS does not have the capacity to collect adequate data nor require specific industries – either operating for the domestic or export market – to report timely and complete data. Such data gaps in productive industries weaken the effective implementation of Somalia’s industrial policy and strategies.



Opportunities under the AfCFTA

*Value added agriculture (livestock & crops) & the blue economy (fisheries) for export*

**Somalia has the greatest opportunities for value addition, and export trade & diversification potential, in agriculture (livestock & crops) and the blue economy (fishing).** These are areas where Somalia currently has a comparative advantage. Under the AfCFTA, the targeting of untapped African markets for these products presents huge opportunities for Somalia.

#### *Livestock*

**The targeting of African meat and dairy markets provides significant opportunities for Somalia to add value to its dairy and livestock products for export under the AfCFTA.** Somalia is a considerable livestock producer with a total livestock population of almost 40,000,000 (including camels, cattle, sheep, and goat).<sup>135</sup> Despite this, Somalia is a significant importer of dairy-based products. Hence, there is huge potential to attract investments in developing domestic dairy processing capabilities – canning, packaging, branding & marketing – and the production and supply of fresh milk. The development of Somalia’s meat and leather (hides and skins) processing capabilities also have huge potential to drive value addition and export diversification in Somalia.

#### *Crops*

**Un-cultivated land, and high levels of post-harvest losses, present opportunities for Somalia to diversify crop production and expand its domestic agro-processing and storage capabilities towards value added exports.**

#### *Fisheries*

**There is strong growth in the demand for locally produced fish in Africa.** With 3,333 kilometres of coastline – the largest on the continent – Somalia is well positioned to exploit such demand and supply frozen fish and value-added fish export products to untapped regional markets. This requires the formalisation of Somalia’s blue economy and the development and advancement of the fisheries supply chain.

**The FGS is already making progress in this direction.** In 2019, the Ministry of Fisheries and Marine Resources granted 31 fishing licenses to the China Overseas Fishing Association to improve sector regulation, and to generate revenues. The Ministry has also reserved 24 nautical miles (44 km) of coastline for local fishermen, supporting the commencement of formal fish exports to Kenya.<sup>136</sup> Table 16 below details specific investment opportunities to drive export expansion and value-addition in fisheries, as already identified by SomInvest.

*Table 18: Key value addition & diversification opportunities for exports*

<b>Livestock</b>	<b>Crops</b>	<b>Fisheries</b>
<ul style="list-style-type: none"> <li>- Investment in milk processing</li> <li>- Investment in dairy farming</li> <li>- Investments inlotfeeding</li> <li>- Investments in Meat processing plants</li> <li>- Diagnoses, Vaccinates, Treats livestock</li> </ul>	<ul style="list-style-type: none"> <li>- Investments in Agricultural equipment leasing services in partnership with Somali commercial banks</li> <li>- Establishment of Agro-processing industries and expansion of existing ones, particularly investments in the sesame value chain (hulling, hosting, tahini etc)</li> </ul>	<ul style="list-style-type: none"> <li>- Value chain development</li> <li>- Investment in deep sea fishing</li> <li>- Marine products cold storage</li> </ul>

<sup>135</sup> <https://sominvest.gov.so/key-sectors/livestock/>

<sup>136</sup> <https://sominvest.gov.so/key-sectors/fisheries/>



<ul style="list-style-type: none"> <li>- Poultry Farms- Hatcheries for the production of chicken for both domestic consumptions are under-exploited</li> <li>- Compound Animal Feed Processing Plant for poultry, beef and dairy</li> <li>- Investments in Leather processing and Manufacturing of leather products</li> </ul>	<ul style="list-style-type: none"> <li>- Establishment of agricultural processing zones and industrial parks to add value to farm produce</li> <li>- Irrigation infrastructure development and management at Shabelle and Juba valleys</li> <li>- Investments in Sugar Processing</li> <li>- Dried and fresh lemon/ lime value chain sector investment</li> <li>- Investment to expand Banana &amp; Tomato Production and Processing</li> <li>- Date palm and cowpea value chain sectors investment</li> <li>- Honey production</li> <li>- Frankincense value chain and export investment</li> <li>- Cotton production and value chain investment</li> <li>- Investments in pesticides controls services</li> <li>- Cold storage/refrigerated transport for perishable products</li> <li>- Investments in Green houses</li> <li>- Investments in large scale irrigation schemes and services to enhance agricultural productivity</li> </ul>	<ul style="list-style-type: none"> <li>- Marine resource processing</li> <li>- Boat building and repairs</li> <li>- Marine skill development centers</li> <li>- Marine equipment and supplies</li> <li>- Investments in marine product packaging</li> <li>- Investments in fishing and Aquaculture farming</li> </ul>
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Source: SomInvest

**The identification and publication of such opportunities must now be supported by a specific industrial incentive regime** – tax exemptions, tax reductions, subsidies, or long-term interest-free financial support – and reform of the legislative and regulatory investment framework that facilitate investment towards value-addition in priority sectors. Both have been identified in chapter 18 of the Industrial Development Policy and their implementation must now be prioritised.<sup>137</sup> This model and regime must also favour targeted investments for export markets in the medium term to long term.

#### *Import-substitution to address trade deficit*

**A clear strategy on import substitution – in addition to building industrial and manufacturing export capacity – will be required as Somalia implements the AfCFTA.** Specifically in the context of Somalia’s chronic import-dependency and weak industrial base, initial emphasis must be placed on the import substitution of (first) both raw and intermediate goods. The institution of import restrictions – for example, custom duties and import bands on selected goods – that encourage the development of Somalia’s domestic productive capacity is a necessary first step. This should allow Somali firms to develop productive capacity, and test their products in the domestic market, prior to seeking export markets that require the meeting of strict regional and international standards. As such, import substitution must be a steppingstone for Somalia to reach the EAC export market, and then the wider African market in the AfCFTA.

#### *Special economic zones*

**Continued efforts to develop industrial and special economic zones (SEZs) in Somalia will be necessary to support industrial capacity and drive export-led growth.** SEZs can be a highly effective instrument to attract FDI and DDI through incentive structures, build domestic industrial capacity, and develop

<sup>137</sup> FGS Ministry of Commerce and Industry, *Somalia Industrial Development Policy*, (2020); <https://sominvest.gov.so/key-sectors/manufacturing/>



manufacturing hubs for exporting purposes. With the support of UNIDO, Somalia is working in a phased approach to establish SEZs in federal member states.<sup>138</sup> A strategic framework for the development of SEZs has already been finalised and approved by the Council of Ministers in 2021, with a National Preferability Study for the development of SEZs completed in 2022.<sup>139</sup> Core areas of the six point action plan include: prioritise the development of SEZs (1), standardise processes and establish transactions and advisory support services (2), establish guidelines on environment and social management (3), establish fiscal legal, and institutional & regulatory system (4), raise finance (5), and encourage private sector participation (6).<sup>140</sup> Progress towards completion of the action plan must consider specific opportunities under the AfCFTA. This includes, for example, the strategic location of SEZs near Somalia’s ports that are ideally positioned to serve African markets along the East African seacoast.

### Public-Private partnerships

**Public-private partnerships (PPPs) are an important mechanism to drive major capital investment** in the development of Somalia’s industrial base and productive capacities, with both private and public investment and support necessary to meet such investment needs. PPPs provide a key opportunity to engage the private sector in supporting the rejuvenation and rehabilitation of state owned, or redundant industrial assets, that have been inactive since the country’s industrial collapse and subsequent move towards privatisation. This is especially given the need to address perceived high investment risks in Somalia.

### Proposed policy interventions, outputs, and outcomes

Table 17 below outlines the proposed policy actions, outputs, and outcomes, emerging from the above assessment towards enhancing Somalia’s industrial capacity under the AfCFTA.

Table 19: Enhanced Industrial Capacity Policy Actions, Outputs & Outcomes

Proposed policy action	Output	Outcome	Ownership/ lead entity	Proposed source of funding
MoCI to develop an action plan to implement recommendations in existing industrial strategy	Series of prioritised actions with clear allocation of responsibilities & sources of financing for implementation	Greater clarity on Somalia’s industrial development agenda	MoCI working with private sector	Internal – FGS budget
MoCI to fast-track development of Somalia PPP law with a view to facilitating the disposal of redundant state industrial assets.	Agreements reached with assets owners to revive industrial production	Increased industrial production capacity	MoCI working with SOMINVEST and private sector	External – UNECA
Operationalise incentives national investment policy that would drive FDI & DDI towards industrialisation, including SEZs	Industrial incentive regime established to facilitate increased value addition in priority sectors	Increased investment in industrial capacity in priority sectors	MoCI working with Ministry of Finance, Revenue and Customs Department(s), and SOMINVEST	Mixed – FGS budget, UNCTAD

<sup>138</sup> UNIDO PSDP appealed interventions: macro level (2022 – 2025)

<sup>139</sup> UNIDO Somalia Programme (2022)

<sup>140</sup> Ibid



Assessment of how Somalia's industries could be linked into regional value chains so to access technology and expand industrial capacity that generates growth across sectors, including SEZs	Action plan of identified opportunities for Somalia to link into regional value chains and included in industrial policy	Integration into regional value chains – strengthening domestic industrial capacity	MoCI working with private sector	External – UNIDO, UNCTAD
Develop framework that facilitates industrial data collection that will facilitate implementation of policy and strategies	Roadmap for implementing increased industrial data collection	Improved enabling environment for industrial investment and more informed industrial policy making	MoCI & SNBS working with private sector	External – UNIDO
Develop a national agro-processing strategy linked to off-setting imports and expanding value added exports in sectors where Somalia has a comparative advantage (livestock, fisheries)	Action plan for ramping up agro-processing capacity in Somalia	Reduced post-harvest losses increased value and exports	MoCI working with Ministries of Agriculture, Livestock, Fisheries & Blue Economy	External – FAO, IFAD
Identify opportunities for import substitution that could be addressed through industrial policy and strategies	Import substitution strategy with identified product lines	Reduced trade deficit & forex leakages	MoCI	External – UNIDO
Identify opportunities where Somalia has a comparative advantage in exporting value added goods	Export development strategy (EOI)	Increased intra-regional exports, market access, industrial capacity, and forex	MoCI	External – UNCTAD



## Pillar 6: Market access and trade facilitation

### Importance of market access

The AfCFTA seeks to create a single African market of 1.3 billion people where goods, services, investments, technology and people can move freely. Increasingly global market access is determined by multilateral and bilateral trade agreements that grant preferential access to those that participate. There is wealth of literature that highlights Africa's low levels of participation in global trade and the low levels of intra African trade. For example, UNCTAD's 2018 assessment indicates that Africa accounts for less than 3% of global trade. Most of this trade is in commodities and natural resources with minimal participation in global value chains which today are driving the trade in goods and services. Similarly, Africa's intra-regional trade performance (15%) falls behind other regional comparators - Europe (67%), Asia (58%), North America (48%) and Latin America (20%) – see table 18. While earlier statistics around Africa's intra-regional trade are not inaccurate, they only, however, account for the continent's formal trade; leaving other equally important sectors and factors out. For instance, when accounting for both formal and informal sectors, Mold (2022) estimates Africa's intra-regional trade between 27-32 percent on average. Using these same factors, the African Union estimates the figures at 20 percent. Other factors include excluding sales of mineral fuels UNCTA (2022) Africa's share of global import (estimated at 3%) and the complimentary between its export and import. When taken for these and other factors the continent's intra-regional trade is much higher than conservative traditional estimates (between 14%-16%) such as (UNCTA, 2021).

Table 20: African trade with RoW versus intra-african trade

	Trade with rest of the world (\$ millions)			Intra- Africa trade (\$ millions )		
	2015	2016	2017	2015	2016	2017
<b>Imports</b>	499	455	491	68.7	57.4	62.4
<b>Exports</b>	365	339	420	68.6	63.9	68.0

Source: Extracted from ITC trade map

Africa's poor performance can be explained by a number of factors;

- Most African countries are still heavily dependent on commodity exports with limited diversification or value addition.
- Trading with Africa is still costly compared to other regions. In particular, the cost of moving goods from the interior to the ports is expensive and hence makes African exports uncompetitive.
- Poor infrastructure (roads, rail, air, water) hampers trade between Africa countries and increases cost of trading with the rest of the world.
- The multiplicity membership of African regional economic communities and their overlapping nature inadvertently creates new tariff and non-tariff barriers that limit both intra and extra regional trade.
- While there has been improvement in industrial policy, it has not been coordinated at regional and continental level. This has therefore made it difficult for African countries to add value to their exports or develop local industries that could participate in global value chains.

### Importance of trade facilitation

Regional integration is crucial to reducing non-tariff barriers and improving cross-border infrastructure and coordination, which in turn reduce trade costs and improve trade performance. A key commitment in all RECs is the reduction or elimination of any impediments to trade. These impediments include both



tariff and non-tariff barriers (NTBs). The latter is of specific interest given that tariffs in the region have fallen because of various rounds of WTO led tariff reductions. As such, most trade facilitation measures are targeted at eliminating or reducing NTBs; harmonisation of trade regimes, building capacity of institutions responsible for trade, building infrastructure to facilitate trade, leveraging technology to simplify and re-engineer systems and procedures and ensuring inclusive outcomes in the implementation of trade policy.

### The Somalia perspective

**The Somalia private sector perception survey has highlighted the numerous NTBs that are affecting its trade both internally and with the rest of the continent.** Firms have highlighted several trade facilitation barriers that constraint their access to markets (both domestic and foreign) that would need to be eliminated.

### Constraints

The consultations undertaken for this strategy highlighted the following constraints.

- There are significant NTBs, NTMs that affect Somalia's with no mechanism in place to monitor these barriers for relevant authorities to address them.
- Consultations also revealed that because of the NTBs the cost of trading in Somalia was high compared to other countries in the region.
- Lack of compliance and enforcement of domestic, regional, and international standards which then restricts market access.
- High level of informal trade and given the security situation in parts of borderlands in Somalia, the FGS has limited ability to record this trade. There is a view that Somalia's trade with the rest of the continent is understated given the lack of data on trade that has been moved informally across border.
- The NTBs identified in the survey reduce the competitiveness of Somalian exports and hence limit their ability to enter new markets. Additionally, there is a lack of data to support market access strategies and trade facilitation reforms.

### Opportunities

Somalia has made progress towards addressing the trade facilitation barriers that limit its ability to access new markets. Some examples of these reforms include the (i) NTFC, (ii) STIP and (iii) the SOMCAS. In addition, the following initiatives have been implemented in the EAC and have delivered significant returns in terms of reducing time and costs. One of the most effective ways of facilitating trade is the standardisation and simplification of trade procedures to deliver greater efficiency (time) and reduce transaction cost associated with a paper-based system. ICT for trade is crucial to trade facilitation for three main reasons; it improves,

- the efficiency with which trade transactions are handled, improving transparency and accountability, reducing the cost of human interfaces, eliminating delays and reducing the scope for corrupt interactions between traders and officials.
- coordination between different actors in the trade management process, particularly between government agencies within supply chain model between producers and consumers;
- the information and knowledge about trade processes and markets which are available to businesses, enabling them to manage consignments more efficiently and to enter new markets at lower risk.

There are several software platforms that have been designed to help deliver the time and costs savings in international and regional trade. These include the following;



- **Electronic data interchange (EDI)** – refers to the systems designed to automate customs systems to expedite the clearance, and thereby transit, of goods while improving identification of suspect consignments and raising revenue collection rates. Examples include the ASYCUDA customs management system or tailored systems such as the Kenya Revenue Platform or the Tanzania Customs Integrated System (TANCIS).
- **Electronic single window (ESW)** - provides the key to simplifying cross-border trade and the enhancement of real-time information sharing and exchange between customs and other border agencies and private sector stakeholders. It enables the business community to submit documents<sup>141</sup> to different regulatory agencies through a single point compared to the previous cumbersome and time-consuming practice where they had to move from one place to another. Examples include the Rwanda and Uganda Electronic Single Windows (RESW & UESW).
- **Electronic Cargo tracking systems (ECTS)** – facilitates the tracking of goods in transit to their destination and thereby addressing the risks associated with theft and dumping of transit cargo. In both cases, if not addressed they have the potential to significantly increase the cost of trade and undermine the integrity of the trading system.

Several evaluations have been undertaken to assess the impact of these ICT4trade trade facilitation interventions. We present two case studies of the impact of the ESW in Rwanda and the ECTS in Uganda (see table 19).

Table 21: examples of the Impact of trade facilitation reforms

Country & date	Cost \$	Nature of intervention	Evaluation results
Rwanda 2012	\$3.3 m	<p><b>RESW</b></p> <p>Prior to its implementation, importer, exporter and clearing agents had to submit different documentation to a range of government agencies to facilitate the processing and release of their goods from customs.</p> <p>To date, the EWS brings together 12 types of processes, 28 government agencies (Rwanda, region and international), and 520 clearing firms. It's also linked to banks, insurance and telecom operators.</p>	<p>A 2015 evaluation of the estimated that as much as US\$18 million had been saved in trade costs and reduction of delays<sup>142</sup>.</p> <p>Prior to its implementation, it took 11 days to clear goods through customs. Post implementation it now takes 1.5 days for both imports and exports.</p> <p>The elimination for importers of the US\$50 fee associated with securing a tax exemption certificate delivered savings of US\$2.6m<sup>143</sup></p> <p>Productivity gains were estimated at US\$6M a year for transporters and other logistics providers<sup>144</sup>.</p>
Uganda 2013	\$1.8 m	<p><b>UECTS</b></p> <p>The UECTS was implemented to (i) curb rampant diversion of goods in transit and related corruption; (ii) provide customs with a real-time tracking mechanism; reduced the risk and cost associated with escorting cargo.</p> <p>The system uses a GPS seal to monitor the movement of the cargo from the start to the destination. Any</p>	<p>An impact evaluation of the UECTS estimated that between May 2014 and October 2015, \$1.1m in savings associated with cargo escorts alone.</p> <p>Transit time was reduced from 7 days to 2 days as real-time monitoring meant there was no room for transit time wastage. In addition,</p>

<sup>141</sup> Such documents include customs declarations, applications for import/export permits, and certificates of origin.

<sup>142</sup> TMEA (2015) Formative evaluation of the RESW

<sup>143</sup> IFC (2017) Smart Lessons Brief - Taking Advantage of a Window of Opportunity: The Rwanda Electronic Single Window for Trade Efficiency

<sup>144</sup> An increase in the productivity of assets as a result of shorter turnaround times for clearance of goods as well as savings associated with lower parking fees, demurrage costs, warehousing rent and storage penalties.



		violations trigger an alert that informs the URA of a diversion or tampering with the seal / cargo.	<p>there were reduced fuel and driver facilitation costs.</p> <p>Reduced demurrage charges as cargo left on time given the elimination of escorts.</p> <p>Given the reduced risk, the private sector was now in a better position to negotiate reduced insurance premiums given that they now had real-time tracking of their cargo.</p> <p>Manufacturers benefited from the elimination of transit dumping which was a key concern that affected the viability of their business models.</p>
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Table 20 below provides a summary of the proposed interventions for this strategy based on the primary and secondary data collection.



Table 22: Proposed policy interventions - Market access and trade facilitation

Issue Identified	Proposed policy intervention	Output	Outcome	Ownership/lead entity	Proposed source of funding
<b>Constraints</b>					
Significant NTBs and NTMs (non-tariff measures) in Somalia's internal and domestic, regional & ROW & no mechanism in place to monitor NTBs & NTMs (reporting & addressing)	<ul style="list-style-type: none"> <li>- Diagnostic study on NTBs &amp; NTMs affecting Somalia's trade</li> <li>- Develop a digital framework for reporting and resolving NTBs</li> <li>- Establish NTB monitoring committee as a sub-set of NTFC (including port, airport, revenue and customs, border force, and security authorities)</li> </ul>	<ul style="list-style-type: none"> <li>- Roadmap on how to address and resolve NTBs and NTMs</li> <li>- Digital NTBs reporting mechanism developed</li> <li>- Functioning NTB monitoring committee</li> </ul>	<ul style="list-style-type: none"> <li>- Increased flow and reduced cost of trade</li> </ul>	MoCI working with NTFC NTB sub-committee	External – World Bank
High cost of trade – transportation, procedures	<ul style="list-style-type: none"> <li>- Audit to ascertain the true cost of trading across Somalia's borders (land, air, and sea)</li> </ul>	<ul style="list-style-type: none"> <li>- Roadmap on policy and strategic interventions to address and reduce unnecessary trade transport costs</li> </ul>	<ul style="list-style-type: none"> <li>- Reduced time and cost of trading and</li> </ul>	MoCI	External – World Bank
High levels of informal trade with immediate neighbours	<ul style="list-style-type: none"> <li>- Ascertain value, levels, and composition of informal trade with Somalia's immediate neighbours</li> <li>- Develop a simplified trade regime (STR) to support ICBT</li> </ul>	<ul style="list-style-type: none"> <li>- Annual publication on the value and composition of ICBT</li> <li>- Somalia's STR harmonised with EAC, COMESA and AfCFTA</li> </ul>	<ul style="list-style-type: none"> <li>- Increased awareness of the value of ICBT and role in supporting border communities</li> </ul>	MoCI working with Central Bank of Somalia and SNBS	External – World Bank, IFC, Trade Mark Africa
Lack of data on ICBT	<ul style="list-style-type: none"> <li>- Develop framework for collecting and reporting ICBT data at land borders</li> </ul>	<ul style="list-style-type: none"> <li>- Disaggregated trade data that accurately records the</li> </ul>	<ul style="list-style-type: none"> <li>- Improved visibility of Somalia's informal trade that facilitates</li> </ul>	MoCI working with SNBS	Internal – FGS budget



		composition of Somalia's trade	more informed policy making		
Enforcement and compliance with domestic regional and international trade standards	- Harmonising domestic, regional, and continental standards to facilitate Somalia's market access	- Roadmap of prioritised standards to be harmonised	- Reduced cost of market entry and increased market access	MoCI & SOBS	External – ARSO
High cost of market entry and high cost of trade facilitation, with lack of data to support market access strategies and address trade facilitation barriers	- Undertake assessment of the costs of accessing new markets in the region (Indian Ocean States – Mauritius, Seychelles, and Madagascar, and states on East African coastlines – Mozambique and Tanzania)	- Market entry studies for identified countries	- Greater awareness of costs and benefits of accessing new markets	MoCI working with private sector	External – World Bank
<b>Opportunities</b>					
Established digital trade information portal addressing trade facilitation barriers	- Expand existing trade information portal to provide a framework for identifying trade facilitation barriers	- Introduce electronic single window to improve customs management and efficiency	- Reduced time and cost of trade	MoCI working with a range of related agencies	External – World Bank, Trade Mark Africa
Established framework for trade facilitation coordination	- Strengthen the mandate and decision-making power of Somalia's National Trade Facilitation Committee (NTFC)	- Number of trade related issues resolved through the NTFC	- Improved trading environment that enhances Somalia's ability to export and access new markets	MoCI working with private sector and all trade related government entities	Mixed – FGS budget, UNECA, Trade Mark Africa



## Pillar 7: Strengthening capacity to deliver Somalia's National AfCFTA Implementation Strategy

### Situational analysis

**Somalia's institutional environment remains at an early stage of development, with limited capacity and coordination to deliver the regional integration agenda under the AfCFTA.** This includes the country's weak centralised data and statistics management. Following the collapse of the government in 1991, Somalia experienced a period of protracted statelessness until 2004. Transitional governance ensued from 2004 – 2012. Since 2012, the FGS – the post-transitional government – has built up institutional and administrative capacity, particularly in Mogadishu. However, inevitably, this remains limited and constrained given the ongoing conflict and prior collapse of all state institutions.

**Therefore, NDP-9 specifically articulates institutional capacity development as a key cross-cutting imperative,** seeking the provision of fair and effective governance. Pillar 1 outlines interventions for the strengthening of government capacity, including the operations of core government, local government, and relevant political institutions. This includes a focus on enhanced evidence-based policy making, given the data constraints.

### Trade related constraints

#### Limited capacity in trade related functions

**There is a clear call and need for extensive capacity building in several trade related functions across MOCI and the FGS.** Somalia's institutional capacity to develop and effectively negotiate trade related agreements, and implement trade related policy, strategies, reforms, and regulations & standards – across the FGS and federal states – remains low. This impacts the speed and effectiveness of Somalia's ratification, negotiation, and implementation of the AfCFTA, WTO, EAC and COMESA. Technical assistance and capacity building is required in all trade related government ministries and agencies. Specific areas requiring further, and targeted, support include:

- Ratification of all trade related agreements
- AfCFTA goods and services tariff schedules
- Effective participation in ongoing AfCFTA phase II negotiations
- Understanding and focus on the African market (given Somalia's traditional extracontinental trade focus)

#### *Limited trade coordination platform (National Trade Facilitation Committee)*

Somalia established a national trade facilitation platform in 2020 – the National Trade Facilitation Committee (NTFC). Its membership is composed of trade related institutions in both the public and private sector. In its infancy, the platform is weak due a lack of cooperation between committee representatives and has so far been ineffective in facilitating the implementation of trade strategies and reforms. It is also constrained as a mere coordinating mechanism, without any decision-making powers.

**To be effective, the NTFC needs to be strengthened and given clear decision-making mandate.** Examples of good practice in the EAC are national trade coordination committees which are the key drivers of reforms (EAC trade related reforms) and more recently, what has been recommended under the AfCFTA is the creation of amalgamation of the recommended AfCFTA coordination platform with the existing



national trade platform. From regional examples, success of these coordination platforms depends on effective resourcing (technical assistance and financial).

### *Lack of/underdeveloped centralised trade repository*

**Although the collection of statistical trade data has improved over the years, Somalia lacks a centralised and digitised trade data repository.** This is indicative of the severe data collection and statistical management constraints that persist across the FGS.

**The collection and management of trade related data is dispersed and fragmented across trade related government ministries and agencies, without the coordination and capacity to centralize and digitise databases.** Somalia’s Revenue and Customs Authority – working closely with MOCI – manages the largest trade database (import/export and all related activities). The Central Bank of Somalia reports that trade data is available on some other platforms, but that it is a compilation of different datasets that needs to be extrapolated. Current practices create difficulties in the accessibility and visibility of complete and centralised trade data that would facilitate national trade facilitation.

### *Opportunities under the AfCFTA*

#### *Access to technical experts & significant donor interest to support capacity building*

**Somalia has large young and educated diaspora keen to return and contribute to its development and fill the capacity, skills, and coordination gaps. Somalia can also benefit from the large pool of East African experts** experienced in supporting the implementation of trade related policy, reforms, and strategies, namely the EAC and the AfCFTA.

**In addition, there are numerous opportunities for the FGS to leverage significant interest from the donor and international community to provide Somalia with technical and capacity building support,** particularly in relation to the regional integration agenda and the AfCFTA. Key examples include TMEA, ARSO, UNIDO and the World Bank & IFC. For example, the World Bank/IFC, in conjunction with the Trade Policy Centre in Africa, is launching online trade courses for various civil servants in trade related ministries/agencies in Somalia.

### *Proposed policy interventions, outputs, and outcomes*

Table 21 below outlines the proposed policy actions, outputs, and outcomes, emerging from the above assessment of Somalia’s institutional capacity to deliver the AfCFTA National Implementation Strategy.

*Table 23: Capacity & Coordination Policy Actions, Outputs & Outcomes*

<b>Proposed policy action</b>	<b>Output</b>	<b>Outcome</b>	<b>Ownership/lead entity</b>	<b>Proposed source of funding</b>
<ul style="list-style-type: none"> <li>- Identify capacity gaps linked to Phase II AfCFTA negotiations.</li> <li>- Enhance and widen training on trade related policy across FGS ministries and agencies</li> </ul>	<ul style="list-style-type: none"> <li>- Identified technical assistance requirements for Phase II negotiations.</li> <li>- Increased number of FGS civil servants receiving trade</li> </ul>	Improved capacity for Somalia to participate effectively in AfCFTA negotiations and implementation.	MoCI working with UNECA	External – UNECA



	capacity development			
Seek funding to support technical assistance to the NTFC	Funding secured and technical assistance in place	More effective coordination of trade policy	MoCI working with UNECA	External – UNECA
MOCI to work with National Bureau of Statistics to develop a digitised & centralised reporting framework for trade data	Updated trade dataset	Improved visibility and quality of Somalia's trade data that informs policy & effective implementation of the AfCFTA	MoCI working with SNBS and UNCTAD	Mixed – FGS budget, UNCTAD, ITC
Identify diaspora trade, investment, and industrialisation expertise to facilitate Somalia's implementation of national and AfCFTA trade strategies	Developed a database Somali expertise that can fulfil its technical assistance needs	Improved access to vital technical assistance to implement AfCFTA policy	MoCI working with SOMINVEST and Ministry of Foreign Affairs & International Cooperation	Mixed – FGS budget, IFC, FCDO
Identify opportunities to leverage African regional integration experts to support the implementation of Somalia's AfCFTA National Strategy	Pool of experts identified to support different aspects of the AfCFTA implementation process	Improved access to vital technical assistance to implement AfCFTA policy	MoCI working with UNECA	Mixed – FGS budget, UNECA
Identify prioritised technical assistance gaps that could be funded by the donor/international community	Technical assistance funds committed to support implementation of the AfCFTA	Enhanced implementation of the AfCFTA in Somalia	MoCI	Internal – FGS budget



## Pillar 8: Enhancing Somalia's capacity to implement Phase II AfCFTA Protocols

**This section provides a forward look at the key issues – constraints and opportunities – that need to be addressed to facilitate Somalia's effective implementation of the AfCFTA Phase II Protocol .** This second phase covers the following trade areas: Intellectual Property Rights (IPRs), Investment, Competition Policy, Digital Trade, and Women and Youth in Trade.

**Although Somalia has not yet ratified the AfCFTA, the provisions of the AfCFTA still allow Non-State Parties, like Somalia, to participate in phase II negotiations.** This is to hasten the process of harmonisation between states that have ratified the AfCFTA and that have not yet ratified.

The first option is for Somalia to ratify the AfCFTA and start the process of aligning its national trade and investment policy, legislation, regulation, and standards to the AfCFTA. A quicker route would be to finalise Somalia's accession to the EAC which already has an established and harmonised framework with two thirds of the countries in the continent under the TFTA which brings together the EAC, COMESA and SADC.

### Intellectual Property Rights Protocol

**IPRs are territorial in nature, which means that national laws regulate the conditions for their acquisition, maintenance, and enforcement<sup>145</sup>.** Intellectual property (IP) laws may be used as a tool to stimulate innovation and facilitate development through disclosure and transfer of knowledge and know-how.

**African firms have not registered enough intellectual property, and the continent is a net consumer of exported IP.** Africa lags globally in its number of registered patents, registering only 1,330 patents by residents in 2017, compared to a high of 592,508 in Asia<sup>146</sup>. Furthermore, patents are more frequently registered by non-residents than by residents<sup>147</sup>. The net effect is a lack of innovation at the macro and meso levels which in turn affects productivity and technology adoption.

### Intellectual property in the AfCFTA

**Article 4 of the AfCFTA Agreement prescribes the cooperation of State parties on investment, intellectual property rights and competition policy.** The inclusion of investment, IPRs and competition policy in the AfCFTA architecture is apt. Poorly calibrated IPR and investment regimes and anti-competitive practices can undermine the benefits of trade liberalization<sup>148</sup>. Finalization of the IPRs Protocol holds the promise of a home-grown, single, coherent and Africa-centred IP regime. The effective protection and promotion of IPR is an integral part of the industrialisation and economic transformation of African economies.

**There are several intellectual property frameworks in Africa at continental, regional and national levels.** These include the proposed Pan-African Intellectual Property Office, the African Regional Intellectual Property Organization (ARIPO), the African Intellectual Property Organization (Organisation Africaine de

<sup>145</sup> <https://www.un.org/africarenewal/magazine/january-2021/afcfta-how-intellectual-property-rights-can-help-create-jobs>

<sup>146</sup> Madden (2020) Figure of the week: Patent policies and their effects on African innovation; Brookings Africa In focus Series

<sup>147</sup> Ibid

<sup>148</sup> [https://www.wipo.int/wipo\\_magazine/en/2020/04/article\\_0005.html](https://www.wipo.int/wipo_magazine/en/2020/04/article_0005.html)



la Propriété (OAPI)), the East African Community Regional Intellectual Property Policy on the Utilization of Public Health-Related WTO-TRIPS Flexibilities and the Approximation of National Intellectual Property Legislation and the IP Policy of the Common Market for Eastern and Southern Africa (COMESA).

**Made in Africa criteria guidelines are also provided by ARSO.** These have been published to help State and Non-State parties confirm to IP issues.<sup>149</sup>

**The plethora of institutions is an indication of the potential overlapping jurisdiction and the inevitable confusion it causes in the trading environment.** The AfCFTA IPR Protocol affords AU member States the opportunity to reflect on how best to achieve policy coherence within and among these initiatives. This could harmonize the fragmented IP landscape of today while safeguarding national policy space on key issues, strengthen the hands of African negotiators in international forums and even help propel currently deadlocked international negotiations towards the finish line<sup>150</sup>.

### Why the IPR protocol is important

- The IPR Protocol can help AU member States ensure that IP policy is applied in a manner that is supportive of Africa's developmental goals.
- The AfCFTA's IPR Protocol affords AU member States the opportunity to prioritize areas of comparative advantage for African countries in an international IP instrument.
- Furthermore, it can be used to promote IP rules and standards that are calibrated to the continent's level of industrialization and in line with the AfCFTA's objectives.
- The IPR Protocol can serve as a catalyst for technology transfer, technology diffusion and the economic transformation of Africa's economy from one that is primary resource-based, to one that is driven by knowledge, information, and ideas<sup>151</sup>.

**In May 2021, the Committee on Intellectual Property Rights was established by the Council of Ministers of Trade and State Parties to facilitate the negotiation of the Protocol on IPRs.** At its first meeting in September 2021, the Committee adopted its Terms of Reference and the Modalities for Negotiating the Protocol on IPRs.<sup>152</sup> The committee also decided to hold capacity building activities on critical issues relating to IPRs in preparation for the negotiations and development of the IPRs Protocol.<sup>153</sup> The negotiators will benefit from the work previously done by the African Regional Economic Communities (the RECs) and by dedicated African organisations dealing with IPR. There is an opportunity now to develop a systematic and comprehensive approach for blending IPR issues into the fabric of the AfCFTA agenda.

### FGS approach on intellectual property

**Currently there is no policy or institution established to regulate or enforce intellectual property in Somalia.** What is in existence is the outdated 1955 trademark law, which was amended in 1975 and 1987, with a plan to have a draft IP law and office. Given that Somalia is not yet a member of the WTO, it has not been able to adopt WTO rules on IP. Consequently, Somalia requires significant support in a)

<sup>149</sup> Primary data

<sup>150</sup> Wendland (2020) The Draft Protocol on Intellectual Property Rights to The African Continental Free Trade Agreement (Afcfta): Annotations on Genetic Resources, Traditional Knowledge and Cultural Expressions

<sup>151</sup> [https://www.wipo.int/wipo\\_magazine/en/2020/04/article\\_0005.html](https://www.wipo.int/wipo_magazine/en/2020/04/article_0005.html)

<sup>152</sup> <https://au-afcfta.org/trade-areas/intellectual-property-rights-iprs/>

<sup>153</sup> Ibid

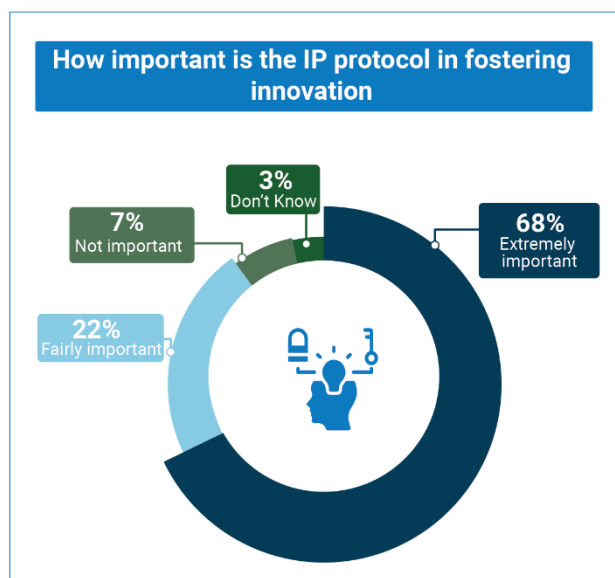


identifying its IP priorities that would inform an IP its policy, strategy and legal framework, b) negotiating IP frameworks both at the AfCFTA and the EAC (when ratification processes are complete), and c) support the development of both institutional and regulatory IP frameworks.

#### Private sector perceptions on intellectual property

**The private sector perceptions survey for this strategy suggests that Somali businesses (90%) – in Somalia and the diaspora – consider the intellectual property protocol as important in fostering innovation (see figure 37).** It would be important for the FSG to consult with the private sector on the best approach to the implementation of the IPR protocol.

Figure SEQ Figure 1\* ARABIC 32: Private sector perceived importance of IP Protocol



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Table 22 below outlines the emerging issues – constraints and opportunities – and proposed policy actions, outputs and outcomes that have emerged from consultations with key stakeholders towards Somalia’s effective implementation of the IPRs protocol.

Table 24: IPRs Protocol Issues Identified, Proposed Policy Actions, Outputs & Outcomes

Issues identified	Proposed policy actions	Output	Outcome	Ownership/lead entity	Proposed source of funding
		<b>Constraints</b>			
Current IP law & regulatory framework is outdated	Develop IP policy strategy and legal framework	IP Policy strategy and legislation	Creates a conducive environment for innovation and industrialisation	MoCI working with African Regional Intellectual Property Organization (ARIPO)	External – ARIPO, World Intellectual Property Organisation (WIPO), WTO



No entity in place to regulate and manage IP	Assess most appropriate entity to regulate the sector, learning from regional examples	IP entity established	Creates a stable and predictable environment for innovation and protection of IP rights	MoCI working with ARIPO	Internal – FGS budget
Awareness of AfCFTA IP protocol across FGS	MOCI organise workshops for stakeholders across and outside government to validate its IP negotiating paper	Validated negotiating paper	Unified position across public and private sector on AfCFTA IP policy	MoCI	Internal – FGS budget

#### Opportunities

Implementation of the AfCFTA IP protocol	Identify IP priorities that would a) inform Somalia’s IP policy and strategy b) support the development of both institutional and regulatory IP frameworks	Strategy articulating Somalia’s AfCFTA IP priorities	Effective implementation of the AfCFTA IP protocol	MoCI working with ARIPO	Internal – FGS budget
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## Investment Protocol

**Foreign direct investment (FDI) flows to Africa reached \$83 billion in 2021 – a record – from \$39 billion in 2020.**<sup>154</sup> This accounted for 5.2% of global FDI.<sup>155</sup> Whilst rebounding from below 3% in 2017, the proportion of global FDI that Africa attracts remains low.<sup>156</sup> In 2020, UNECA conducted a study to understand the drivers of intra African investments flows. The study found that trade openness, infrastructure and the performance of the logistics and business environment influence the attraction of investment within Africa.<sup>157</sup> Based on existing evidence, the study underscores the potentially synergic relationship between investment and trade in Africa, if efforts are made to ensure that trade and investment are facilitated jointly and through relevant policies and regulation.

**African FDI flows are dominated by investment from outside the continent with limited information available in intra-African FDI flows.** However, intra-African investment is increasing. The AfDB estimated that between 2006 and 2016, intra-African greenfield investments grew from USD4 billion to USD10 billion, while the number of intra-regional mergers and acquisitions doubled, growing from 238 deals in 2006 to more than 418 in 2016.<sup>158</sup> According to Financial Times data, value of intra-African greenfield investment has increased by 6% between 2016 and 2021, accounting for 15% of total FDI into African in 2021.<sup>159</sup> Intra-Africa investment has been driven by private sector companies and in many cases, has been linked with (i) regional integration and (ii) national efforts to improve the investment climate. There are numerous examples of these – Shoprite checkers, MTN, Standard Bank from South Africa, Dangote Cement from Nigeria to name a few. The growing population, and in particular the middle class, have also encouraged African investors to venture out of their traditional domestic and regional markets into other parts of the continent. Nevertheless, the majority of FDI flowing to Africa remains from outside the continent.

<sup>154</sup> UNIDO (2022) World Investment Report

<sup>155</sup> Ibid

<sup>156</sup> Ibid

<sup>157</sup> UNECA (2020) Drivers for boosting intra-African flows towards Africa’s transformation

<sup>158</sup> AfDB (2017) Africa to Africa investment – A first look

<sup>159</sup> Financial Times Ltd, fDi Markets ([www.fdimarkets.com](http://www.fdimarkets.com))



**Under the AfCFTA, deeper integration (beyond trade) is expected to boost FDI in Africa significantly,** allowing investors access to a single, unified market of 1.3 billion people. According to a recent World Bank study, FDI in Africa is expected to increase by between 111 – 159%, resulting from both increases in intra-African FDI (between 54 – 68%) and a rise in FDI inflows to Africa from the rest of the world (between 86 – 122%).<sup>160</sup>

#### Investment in the AfCFTA

**Article 4c of the AfCFTA outlines the specific objective to cooperate on investment.**<sup>161</sup> As such a separate protocol on investment is being negotiated in phase II. Article 3 of the Trade in Services protocol outlines a specific objective to foster domestic and foreign investments<sup>162</sup>. The AfCFTA aims to deepen economic relationships between African countries by negotiating provisions aimed at increasing bilateral investment. The Protocol is expected to establish a transparent and harmonised continental legal framework on investment that accounts for the interests of State Parties and investors.

**Most African countries have negotiated bilateral investment treaties (BITs) among themselves and with non-African countries.** Some estimates indicate that African countries have signed over 1,000 BITs which amounted to 27% of the global numbers signed<sup>163</sup>. In general, these aim to liberalise flows and eliminate investment restrictions between countries; and to provide a space and/or procedure to resolve investment-related disputes that may arise between entities in the signatory countries<sup>164</sup>. The BITs have been touted as a prerequisite for FDI investment on the continent given the risks associated with the investment climate. There is limited evidence on whether BITs have been effective in attracting investment to the continent<sup>165</sup>. Studies on determinants of foreign direct investment (FDI) confirm that other factors – such as market size and growth, the availability of natural resources, and the quality of hard and soft infrastructure – tend to be far more important to investors than investment treaties when making the decision to invest<sup>166</sup>.

**The negotiations on the AfCFTA investment protocol began in September 2021,** following the establishment of the Committee on Investment in May 2021. The protocol was approved in February 2023, alongside the protocols on competition and IPR. The AfCFTA Secretariat has also facilitated capacity-building engagements and regional stakeholder engagements to bring together views on what issues should be tackled/included in the Protocol.<sup>167</sup>

**The Investment Protocol is based on the pan-African code. Key elements and focus areas outlined in the zero draft include:**<sup>168</sup>

- Investment promotion, facilitation, and protection standards (Chapter 2)

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<sup>160</sup> World Bank Group, *Making the Most of the African Continental Free Trade Area, Leveraging Trade and Foreign Direct Investment to Boost Growth and Reduce Poverty* (2022). <https://documents1.worldbank.org/curated/en/099305006222230294/pdf/P1722320bf22cd02c09f2b0b3b320afc4a7.pdf>

<sup>161</sup> AfCFTA Treaty

<sup>162</sup> AfCFTA trade in services protocol

<sup>163</sup> Yao (2014) *Third World Resurgence* No. 290/291, October/November 2014, pp 5-7

<sup>164</sup> ODI (2020) AfCFTA investment negotiations: Notes on concepts

<sup>165</sup> CCSI (2018) *Cost-and-Benefits-of-Investment-Treaties-Practical-Considerations-for-States*; CCSI policy paper March 218

<sup>166</sup> *ibid*

<sup>167</sup> *ibid*

<sup>168</sup> AfCFTA, *ZERO DRAFT Protocol on Investment to the Agreement Establishing the African Continental Free Trade Area*, (2021)

<https://www.tralac.org/documents/resources/cfta/4613-protocol-on-investment-to-the-agreement-establishing-the-afcfta-zero-draft-november-2021/file.html>



- Development-related issues (Chapter 3)
- Investor obligations (Chapter 4)
- Institutional arrangements (Chapter 5)

### FGS approach on investment

**Somalia passed a Foreign Investment Law (FIL) in 2015, that has now been implemented, on the protection and promotion of foreign investments.**<sup>169</sup> Under the law, priority is given to foreign investments in the areas of agriculture, livestock, fishing, mineral resources, and industrial activities.<sup>170</sup> The FIL guarantees:<sup>171</sup>

- Foreign investors equal treatment to domestic investors
- Fair compensation in the event of expropriation, international arbitration of disputes between the investors and the FGS
- Right to remit profits and access foreign exchange
- Investment and tax incentives for foreign investors

**The FIL established the Foreign Investment Board (FIB) as the highest investment policy making body in the country. Article 6 of the FIL (2015) also established the Somalia Investment Promotion Office (SOMINVEST),** at the Ministry of Planning, Investment and Economic Development, as a statutory body to promote foreign investment, provide support and aftercare services, advocate continuously for a better investment climate as well as rebrand Somalia positively.<sup>172</sup> SOMINVEST provides a repository of investment opportunities in Somalia, including detailed information on key sectors and investment avenues, regulations and legislation, to facilitate and boost FDI inflows.

**Somalia's National Investment Policy and National Investment Promotion Strategy (NIPS) are also currently being drafted/finalised and expected to be implemented within the next 12 months.** Specific sectors of emphasis are agriculture, livestock, fisheries, the industrial sector (value addition), telecommunications, and financial services. Within Africa, Somalia currently has one BIT with Egypt (1982). It has also signed up to the COMESA Investment Agreement (2007) and the COMESA-US TIFA (2001) (treaties with investment provisions).<sup>173</sup>

**With the Protocol finalised, Somalia will have to align/harmonise its FIL/investment code – and overarching investment framework – with the AfCFTA Investment Protocol.** In addition, should the FGS complete the ratification of the EAC, it may benefit from adoption of the EAC investment code. This currently guides investments within the customs union and is also harmonised with the COMESA investment code under the TFTA.

### Private sector perceptions on investment

**An enhanced framework for intra-African investment – through the protocol – will be key to driving the expansion of Somali businesses in new and existing African markets.** It follows that 94% of the firms

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<sup>169</sup> <https://sominvest.gov.so/why-invest/>

<sup>170</sup> US Department of State, 2020 Investment Climate Statements: Somalia <https://www.state.gov/reports/2020-investment-climate-statements/somalia/#:~:text=The%20country%20passed%20an%20Investment,advantages%20and%20guarantees%20against%20expropriation>

<sup>171</sup> <https://sominvest.gov.so/why-invest/>

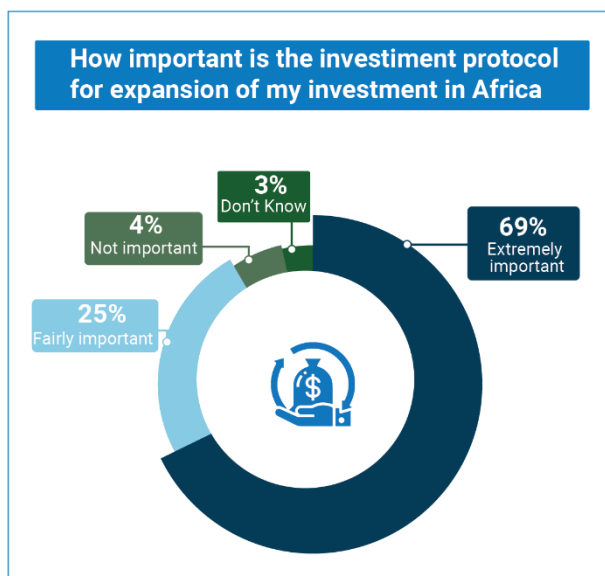
<sup>172</sup> Ibid

<sup>173</sup> <https://investmentpolicy.unctad.org/international-investment-agreements/countries/194/somalia>



surveyed (in Somalia and the Somali diaspora) consider the investment protocol as important, with 69% indicating its extreme importance, and 25% viewing it as important (see figure 38). It may be expected for the number of firms who consider it extremely important to be even higher. This presents opportunities for further communications on the protocol and the expected improved investment opportunities for the development of Somali businesses under the AfCFTA.

Figure 33: Private sector perceived importance of Investment Protocol



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Table 24 below outlines the emerging issues – constraint and opportunities – proposed policy actions, outputs, and outcomes that have emerged from an assessment of Somalia’s readiness for effective participation on the ongoing Investment Protocol negotiations.

Table 25: Table 26: Investment Protocol Issues Identified, Proposed Policy Actions, Outputs & Outcomes

Issue identified	Proposed policy action	Output	Outcome	Ownership/lead entity	Proposed source of funding
		<b>Constraints</b>			
FIL is established (legal framework) and investment policy & strategies are under development, but no clear roadmap on how these will be aligned to the AfCFTA protocol on investment	Develop an AfCFTA investment protocol negotiating position paper focused on intra-African FDI opportunities	AfCFTA investment protocol position paper	Harmonising Somalia’s investment regime with the continental regime	SOMINVEST	Internal – SOMINVEST budget



No current specific or articulated strategy to attract Somali diaspora in Africa to invest	<ul style="list-style-type: none"> <li>- Ensure that Somalia's National Diaspora Policy (SNDP-22) includes a chapter on attracting investment from its diaspora in Africa for strategy development</li> <li>- Fastrack development of Somalia Diaspora Investment Policy</li> </ul>	Africa diaspora investment strategy	Increased investment from Somalia's African diaspora	SOMINVEST working with Ministry of Foreign Affairs & International Cooperation and Ministry of Planning & International Cooperation	Internal – FGS budget
Awareness of AfCFTA investment protocol across FGS	MOCI to organise workshops for stakeholders across and outside government to validate its investment negotiating paper	Validated negotiating paper	Unified position across public and private sector on AfCFTA investment policy	MoCI working with SOMINVEST	Internal – FGS budget
<b>Opportunities</b>					
Implementation of the AfCFTA Investment protocol	Identify investment priority areas of alignment between Somalia's investment frameworks and what is being proposed under the AfCFTA	Strategy articulating Somalia's AfCFTA intra-African investment priorities	Effective implementation of AfCFTA investment protocol	MoCI working with SOMINVEST participation	Internal – FGS budget

## Competition Protocol

**Deeper integration in Africa, achieved by reducing tariff and non-tariff barriers, enables firms to adopt strategies and engage in business that transcend national borders.** Cross-border business linkages are also the foundation for regional value chain development. With these developments, comes the need to adopt regional and even continental market governance approaches to ensure that restrictive or anti-competitive practices that have cross-border effects do not erode these benefits. Competition law is an essential component of market and, overall economic governance. Its aim is to promote competition, to enhance market outcomes for consumers and firms.

## Competition in the AfCFTA

**Article 4c of the AfCFTA also outlines the commitment to cooperate on competition policy.** The Protocol on Competition is important to ensure that the AfCFTA's liberalisation and integration benefits are not negated. One of the general objectives of the AfCFTA<sup>174</sup> is to enhance the competitiveness of the economies of Member States within the continent and the global market. Indeed, the Protocol on Trade in Services contains provisions relating to monopolies and anti-competitive business practices<sup>175</sup>.

<sup>174</sup> Ibid

<sup>175</sup> Articles 11 and 12, Protocol on Trade in Services



**Competition policy in Africa is developing rapidly, and Member States will have extensive materials to draw on, since many African countries have introduced or are in the process of introducing competition legislation.** Some African countries, such as South Africa and Kenya, have a well-developed competition law and active enforcement, and South Africa, having had competition legislation for some twenty years, also has an extensive body of case law<sup>176</sup>. The signing of the AfCFTA treaty appears to have galvanised Ghana, for one, to progress its competition legislation its accompanying policy were set to be urgently considered by the Ghanaian Cabinet<sup>177</sup>.

**In negotiating the Competition Policy Protocol, State and Non-State Parties will also be able to draw on the experience of regional economic communities.** COMESA's Competition Commission has been in operation for approximately six years. While their focus began with merger control, they have since moved to considering anti-competitive practices within and affecting the COMESA Common Investment Area. The interplay between national and regional bodies, for example between Kenya and COMESA in relation to competition jurisdiction, has caused some confusion and concern in the past. It is to be hoped that the AfCFTA will provide a continental framework for addressing this multi layered landscape. The negotiations on the competition protocol have been completed.<sup>178</sup>

#### FGS approach on competition

**Currently there is no national competition anti-trust laws in Somalia.**<sup>179</sup> It is necessary for Somalia begin to establish a legal and regulatory framework, particularly as competition in the region identifies, and will intensify further.

**However, as a member of COMESA, Somalia has – by default – signed up to COMESA's framework for competition** – the COMESA Competition Regulations of 2004, with a corresponding COMESA Competition Commission operationalised in 2013.<sup>180</sup> The core mandate of the Commission is to enforce the provisions of the Regulations with regard to trade between Member States and promote competition within COMESA through monitoring and investigating anti-competitive practices of undertakings of cross-border transactions in the common market, and mediating disputes between Member States concerning anti-competitive conduct.<sup>181</sup> The COMESA competition framework is one of the building blocks for the framework being negotiated at the AfCFTA level.

#### Private sector perceptions on competition

**The overwhelming majority (90%) of surveyed Somali businesses – in Somalia and the diaspora – view the competition protocol as important,** with 71% considering it extremely important (see figure 39). The survey results suggest Somali firms are attuned to the importance of issues of competition in the continental market, and that may be addressed through the protocol.

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<sup>176</sup> Hogan Lovells (2019) Report on the African Continental Free Trade Agreement 2019 - Implications for the continent

<sup>177</sup> Ibid

<sup>178</sup> <https://au-afcfta.org/trade-areas/competition-policy/>

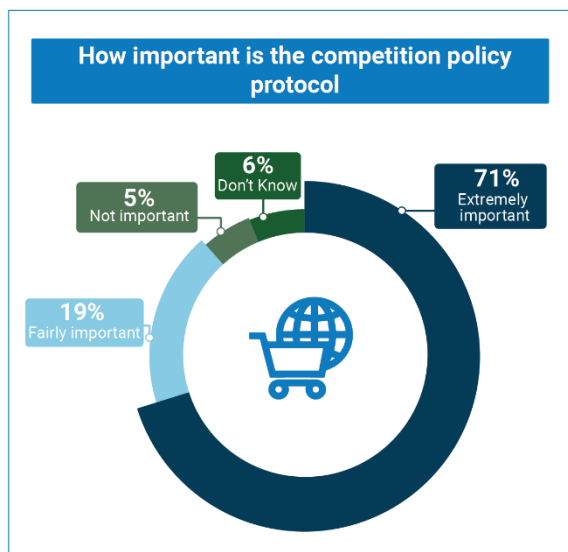
<sup>179</sup> <https://www.state.gov/reports/2020-investment-climate-statements/somalia/>

<sup>180</sup> <https://www.comesacompetition.org/background/>

<sup>181</sup> Ibid.



Figure SEQ Figure 1\* ARABIC 34: Private sector perceived importance of Competition Protocol



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Table 25 below outlines the emerging issues – constraints and opportunities – proposed policy actions, outputs, and outcomes regarding the development of competition legislative and regulatory frameworks in Somalia and active implementation of the Competition Protocol.

Table 27: Competition Protocol Issues Identified, Proposed Policy Actions, Outputs & Outcomes

Issue identified	Proposed policy action	Output	Outcome	Ownership/lead entity	Proposed source of funding
<b>Constraints</b>					
No competition law and related regulatory framework	Develop competition legislation & regulation	Law and regulations developed	More stable and predictable competitive environment	MoCI working with World Bank	External – World Bank & IFC
Awareness of AfCFTA competition protocol across FGS	MoCI organise workshops for stakeholders across and outside government to validate its competition negotiating paper	Validated negotiating paper	Unified position across public and private sector on AfCFTA competition policy	MoCI	Internal – FGS budget
<b>Opportunities</b>					
Implementation of AfCFTA competition policy protocol	- Identify competition priority areas of alignment between Somalia's competition priorities and what is being proposed under the AfCFTA	- Strategy articulating Somalia's AfCFTA competition priorities	- Effective implementation of AfCFTA competition policy protocol	MoCI working with private sector	Internal – FGS budget



## Digital Trade Protocol

**Global trade in goods and services is rapidly moving to online platforms.** The largest retailers and shopping platforms (Amazon, Ebay, Alibaba, Netflix, Pinduoduo, etc) are all online and are rapidly changing the way we consume and pay for our consumption. International trade and its logistics have also been transformed, and this is bound to continue at a very rapid pace. Consequently, international trade agreements and RECs worldwide are scrambling to adjust to this new reality and how best to harness and promote the growth of digital trade.

### Digital trade in the AfCFTA

**The AU recognised the importance of digital trade as critical to boosting intra-African trade and in 2020 approved the development of a digital trade Protocol, now named the Digital Trade Protocol.** In May 2021, the Council of Ministers established the Committee – consisting of all State Parties – on Digital Trade to coordinate and facilitate the upcoming negotiations of the Protocol.<sup>182</sup> This presents a unique opportunity for African countries to collectively established common positions on digital trade issues, harmonise digital economy regulations and leverage the benefits of digital trade.

**At continental level, the digital trade agenda is captured in the African Union Convention on Cybersecurity and Personal Data Protection (2014) and the African Union Digital Transformation Strategy (2020-2030).** The Convention sets out standards, principles, and actions to be taken by AU member States in the areas of digital trade, electronic contracts, personal data protection, electronic advertising, and security of electronic transactions. However, the Convention is not immediately binding- it requires ratification by fifteen countries to become a binding and actionable instrument<sup>183</sup>. As of June 2020, there were five ratifications<sup>184</sup>. The African Union Digital Transformation Strategy (2020-2030) presents policy objectives related to digital trade including;

- the creation of a continental digital single market aligned with the AfCFTA; the emergence of an enabling regulatory framework for digital trade at continental level;
- the creation of a single African payments area; and solutions to challenges such as parcel delivery and payments.

The African Union Digital Transformation Strategy is to be actualised by implementing strategies at national level.

### Why digital trade is important

**The case for digital trade is also linked to the infrastructure constraints that continue to hamper intra African trade and connectivity.** Travelling by air between many African countries requires a transit in Europe; the long distances involved makes inter sub-regional road transport impossible; and there are very few cross-border railway links, such as are common in Europe. Digital trade provides platform for maximising the domestic and regional African markets utilising the existing transport links and connections.

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<sup>182</sup> <https://au-afcfta.org/trade-areas/digital-trade/>

<sup>183</sup> <https://www.tralac.org/blog/article/14692-an-agenda-for-the-afcfta-protocol-on-e-commerce.html>

<sup>184</sup> Ibid



**Africa's growing and youthful population, middle class and mobile phone penetration rates are strong indicators of the potential for Digital trade.** United Nations Conference on Trade and Development (UNCTAD); Business-to- Consumer (B2C) e-commerce index for 2018, indicates that Africa's digital trade market was worth approximately \$5.7 billion in 2017, representing less than 0.5% of the region's entire gross domestic product (GDP) and far below the global average which is more than 4%. McKinsey Global estimates that the value of e-commerce operations in Africa could reach \$75 billion by 2025<sup>185</sup>. The immense growth in the mobile market and the expansion of the middle class signifies that Africa's e-commerce market has promising prospects, even though many challenges still constrain the region's e-commerce market from fully burgeoning.

**Africa's e-commerce market could be worth more if more than half of the region's population adopt online shopping.** Currently, the prevalence of cybercrime in Africa has discouraged a large proportion of the population, specifically internet users from shopping online. Most internet users do not trust transactions on online shopping platforms; this situation partly accounts for the low patronage of online shopping platforms.

**E-commerce provides the opportunity to develop domestic and regional value chains** – the significant improvements in national and regional infrastructure have created conditions for increased cross border trade. As such, ecommerce has the potential of helping Africa and the EAC region finally address the holy grail on how to build and develop sustainable regional value chains. The AfCFTA goals of harmonizing trade frameworks across the continent is an important catalyst for the emergence of these regional and continental value chains.

**Digitizing other sectors of the economy is critical** - Several sectors such as agriculture, health, transport, and energy are ready to benefit from digitalization. Combining digitalization in non-financial industries with financial infrastructure such as mobile money will reach businesses and individuals which otherwise couldn't be reached. The overall result contributes to the economic empowerment of individuals, communities, and businesses.

**Coordination of trade infrastructure** - Aligning the development of infrastructure in every African country with the strategic framework of the African Continental Free Trade Area (AfCFTA), countries in Africa will benefit from intra-African trade that will be facilitated by e-commerce. Providing appropriate logistics and integrating e-commerce markets in Africa will increase the value of the region's e-commerce market.

#### FGS on digital trade & its importance to Somalia

**Under the Ministry of Communication & Technology (MOCT), the FGS perceives digital trade as a key opportunity growth and stability of Somalia, especially in the context of the regional market.** There is current no digital trade policy, strategy, or legislative framework, but they are under development. Here, the EAC provides examples of what types of policies, strategies and legislation may be adapted for the Somali context.

**With the strength of the entrepreneurial and dynamic private sector in Somalia, there has been a substantial rise in the number of e-commerce platforms operational in the country.** Soomar – a digital shopping site – provides a key example of Somalia's first and largest e-commerce platform. Much of the diaspora already doing business with the African market also operate in the e-commerce space.

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<sup>185</sup> McKinsey & Company (2019) How e-commerce supports African business growth

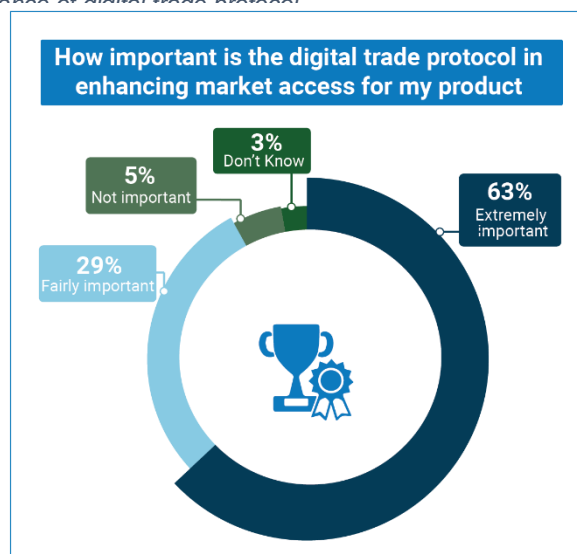


**There is huge potential for e-commerce to accelerate the development of Somali businesses in the African market, providing an easier entry point though increased efficiency and reduced costs of operation.** It also allows businesses to participate in new activities, such as data and records processing, customer service and call centers, and software application development. More importantly it provides an opportunity to participate in trade without having significant upfront costs (rent, and other locational costs). As such, the digitisation of trade payment systems that drive online local, regional, and international trade is a key priority for MOCT.

Private sector perceptions on digital trade

**The results of the survey also indicate the importance and growth of digital trade,** across both Somali and diaspora businesses. Firms were asked whether they viewed the digital trade protocol as important in enhancing market access for their products. 92% indicated its importance, with the majority (63%) considering it as extremely important, and 29% as important (see figure 40). This calls for high private sector engagement on upcoming negotiations.

Figure SEQ Figure \\* ARABIC 35: Private sector perceived importance of digital trade protocol



Source: Somali Private sector Perceptions Survey - October 2022 – Vanguard Economics Ltd

Table 26 below outlines the emerging issues – constraints and opportunities – proposed policy actions, outputs, and outcomes regarding the development digital trade positioning in Somalia and active engagement on the Digital Trade Protocol.

Table 28: Digital Trade Protocol Issues Identified, Proposed Policy Actions, Outputs & Outcomes

Issue identified	Proposed policy action	Output	Outcome	Ownership/lead entity	Proposed source of funding
<b>Constraints</b>					
There is no e-commerce policy, strategy,	Develop an AfCFTA digital trade protocol negotiating position	AfCFTA digital trade protocol position paper	Harmonising Somalia's digital trade regime	MoCT working with MoCI	External – UNCTAD & WTO



and law but they are currently being drafted	paper focused on digital trade opportunities in Africa		with the continental regime		
Awareness of AfCFTA digital trade protocol across FGS	MOCI & MOCT to organise workshops for stakeholders across and outside government to validate its competition negotiating paper	Validated negotiating paper	Unified position across public and private sector on AfCFTA digital trade policy	MoCT and MoCI working with Somalia Chamber of Commerce	Internal – FGS budget
<b>Opportunities</b>					
Ongoing AfCFTA digital trade policy negotiations that Somalia can influence	Identify competition priority areas of alignment between Somalia’s digital trade priorities and what is being proposed under the AfCFTA	Document articulating Somalia’s AfCFTA digital trade priorities and negotiating position	Effective participation in AfCFTA digital policy negotiations	MoCI working with private sector	Internal – FGS budget

## Women and Youth in Trade Protocol

**Supporting women and young Africans in trade is essential in addressing systemic and practical trade-related issues and challenges in the context of informal and formal trade in Africa.**<sup>186</sup> The participation of women and youth is often not carefully considered when trade agreements are negotiated and implemented, but a centred continental approach, with appropriate legal arrangements, is necessary to remove the specific constraints faced by women and youth traders. This is particularly in relation to the participation of women in ICBT. Studies indicate that women dominate ICBT and face significant difficulties, including harassment and access to finance.

## Women and Youth in Trade in the AfCFTA

**The AU has now approved the development of a specific Protocol on Women and Youth in Trade, recognising the importance of such an instrument.** The protocol is a much-needed instrument following the AU’s commitment to “broaden inclusiveness in the operation of the AfCFTA through interventions that support young Africans, women, and Small and Medium Enterprises (SMEs) as well as integrating informal cross-border traders into the formal economy by implementing the simplified trade regime”.<sup>187</sup> As such, the Protocol is expected to address the specific constraints and barriers women and youth face when trading on the continent by creating an environment that allows women and youth to utilise the AfCFTA by accessing wider markets, improving their competitiveness, and participating in regional value chains.<sup>188</sup>

**The AfCFTA Secretariat is now undertaking preparatory work towards the negotiations and development of the AfCFTA Protocol on Women and Youth in Trade.**<sup>189</sup> As of May 2022, consultations have been held in 26 countries and additional consultations are ongoing.<sup>190</sup> These consultations provide women and youth in trade a platform to express their opinion, voice their concerns

<sup>186</sup> <https://www.tralac.org/blog/article/15667-women-in-trade-in-the-afcfta-what-the-protocol-provide.html>

<sup>187</sup> <https://au-afcfta.org/trade-areas/women-in-trade/>

<sup>188</sup> Ibid.

<sup>189</sup> Ibid.

<sup>190</sup> Ibid.



and needs, and thereby actively participating in the development of the Protocol on Women and Youth in Trade.<sup>191</sup>

#### FGS on Women and Youth in Trade

**Somalia has a young population, with over 75% below the age of 35. The unemployment rate among Somalia’s youth is very high. Women face additional – and significant – challenges in accessing employment, and they remain dominant in ICBT.** Currently, there is an insufficient evidence base to address these issues, with very limited studies on the needs of Somalia’s women and youth.

**Somalia has developed a National Youth Policy (NYP), with a key priority area on youth employment. However, there is no specific policy/strategy framework to address the participation of women and youth in trade in Somalia.** This would be developed with the support of the Ministry of Women and Human Rights and the Ministry of Youth and Sports, but both entities are yet to be engaged on the AfCFTA specifically. There is an understanding, particularly from the Ministry of Youth and Sports, that there is a need for collaboration with MOCI to understand and develop Somalia’s positioning on the Protocol. As such, consultations with these ministries on their involvement in the Protocol negotiation process is a key priority.

Table 27 below outlines the emerging issues – constraints and opportunities – proposed policy actions, outputs, and outcomes regarding the development of Somalia’s positioning on Women and Youth in trade and ability to actively engage on the Protocol.

*Table 29: Women & Youth in Trade Protocol Issues Identified, Proposed Policy Actions, Outputs & Outcomes*

Constraints	Proposed policy intervention	Output	Outcome	Ownership/lead entity	Proposed source of funding
<b>Constraints</b>					
No specific or articulated policy & strategy to address participation of women and youth in trade (formal & ICBT)	- Develop an AfCFTA women and youth in trade protocol position paper focused on opportunities to improve the participation of women and youth in trade in Africa (formal & ICBT)	- AfCFTA women and youth in trade consultation position paper	- Increased participation of Somali women and youth trading with the continent	MoCI working with Ministry of Women & Human Rights and Ministry of Youth & Sports	External – UNECA, UN Women, Trade Mark Africa, SIDA, MaterCard Foundation
<b>Opportunities</b>					
Ongoing AfCFTA digital trade policy consultations that Somalia can participate in	- Identify women and youth in trade priority areas of alignment between Somalia’s priorities and what is being proposed under the AfCFTA	- Document articulating Somalia’s AfCFTA women and youth in trade priorities	- Effective participation in AfCFTA women and youth in trade consultations	MoCI working with Ministry of Women & Human Rights and Ministry of Youth & Sports	External – UNECA, UN Women, Trade Mark Africa, SIDA, MaterCard Foundation

<sup>191</sup> Ibid.



## Pillar 9: Enhancing trade opportunities

This pillar covers the analysis of the potential new areas where Somalia can enhance its trade and market access opportunities. The analysis covers the blue economy, cross border trade, and industrialisation. Policy and strategic interventions in these areas will allow Somalia to address its unsustainable trade deficit while enhancing its value addition industrial capacity and export potential arising from the implementation of the AfCFTA.

### The Blue Economy

The World Bank defines the blue economy as the **“sustainable use of ocean resources for economic growth, improved livelihoods, and jobs while preserving the health of ocean ecosystem.”**<sup>192</sup> The African continent is endowed with massive aquatic and marine resources including oceans, seas, rivers, and lakes with potential for blue economy growth. The continent has 38 coastal states and several island states such as Cape Verde, Sao Tomé and Príncipe, Mauritius, Seychelles, Madagascar and the Comoros. Collectively African coastal and island states encompass vast ocean territories of an estimated 13 million km<sup>2</sup>. These water bodies and wetlands are certainly of strategic importance to the continent and provide opportunities for fisheries, aquaculture, shipping, coastal tourism, offshore oil and gas energy mobilization and other blue economy related activities.

### The African Blue Economy

**The African Union Commission recognises the importance of the blue economy to the continent’s development and economic transformation.** African blue economy sectors in 2018 generated a value of USD 296 billion with 49 million jobs. It is projected that by 2030, figures will be respectively USD 405 billion and 57 million jobs while in 2063 estimates would respectively be USD 576 billion of value created and 78 million of jobs<sup>193</sup>. Consequently, the commission developed the Africa Blue Economy Strategy to help its members states develop policies and strategies that would sustainably exploit / develop their blue economy resources. The strategy focuses on the strategy focusses on five critical blue economy sectors, considered as thematic areas as follows;

- Fisheries, aquaculture, and ecosystems conservation
- Shipping, transportation, and trade
- Sustainable energy, extractive minerals, gas, innovative industries
- Environmental sustainability, climate change and coastal infrastructure
- Governance, Institutions, and social actions

### The AfCFTA and the Blue Economy

**Implementation of the AfCFTA is expected to help African countries sustainably exploit their blue economy resources.** The removal of trade and tariff barriers will improve intra African market access, reduce trade costs and enhance domestic and regional value-added manufacturing targeted at African markets. For example, investment in improving port facilities across the continent is expected to Africa seaport performance and competitiveness. A PricewaterhouseCoopers report estimates that a 25% improvement in port performance could increase GDP by 2%<sup>194</sup>. Similarly, having a merchant fleet provides means of transport, connectivity to global trade and livelihoods to people in the industry. Only a

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<sup>192</sup> WBG (2022) Overview - Blue Economy for Resilient Africa Program: Operational Brief.

<sup>193</sup> AUC (2019) Africa Blue Economy Strategy

<sup>194</sup> PricewaterhouseCoopers, Strengthening Africa’s gateway to Trade (PWC, 2018).



few African countries can boast of having a national fleet (such as Algeria, Egypt and Ethiopia). The existence of national shipping companies makes it possible to effectively transport the country's foreign trade. This is one of the key constraints limiting the expansion of intra African trade.

**The Trade in services protocol of the AfCFTA includes negotiations on liberalisation of transport services.** Currently, State Parties are engaged in rigorous negotiations under the Committee of Trade in Services of which the first round of negotiations is currently ongoing under five (5) priority sectors, namely, Business Services; Communication Services; Financial Services; Transport Services, and Tourism and Travel-related Services; with 48 initial and revised offers from both State and non-State Parties currently being considered and the request/offer process being at a fairly advanced stage.

### Blue Economy under IGAD

**The Intergovernmental Authority on Development (IGAD) in Eastern Africa was created in 1996 and has 8 member states including Somalia.** The IGAD Vision of the Blue Economy is an inclusive and sustainable Blue Economy that significantly contributes to the Horn of Africa's transformation<sup>195</sup>. More specifically, the IGAD Blue Economy Strategy aims to:

- improve the implementation of the BE in all IGAD members States;
- contribute to the implementation of the Africa Blue Economy Strategy
- develop strong unifying regional BE initiatives;
- increase cooperation and regional integration by using the BE as a catalyst to stimulate a converging dynamic of interests and efforts.

**The strategy highlights a number of constraints limiting the ability of its members state to maximize the potential of their blue economy resources.** These constraints include the following;

- Insufficient structuring of the implementation of Blue Economy
- Lack of knowledge of blue potential
- Absence of accounting for Blue Economy activities and components i.e., Blue Economy contribution to creating added value and creating jobs.
- Too little added value creation ¾ IGAD Member States export many raw materials (fish, minerals, oils, etc.), unprocessed and very little processed products.
- Nutritional deficit - Food exports often occur at the expense of the nutritional needs of the local population.
- The absence of integrated and prospective approach to marine ecosystems and spatiotemporal management tools

### Somalia's Blue Economy Strategy

**Somalia is endowed with vast Blue Economy (BE) potential that if well managed could bring real economic transformation.** Somalia also has the longest coastline of mainland African countries about 3,333km coastline, with an estimated shelf area (depth 0 - 200 m) of 32,500km. The Exclusive Economic Zone (EEZ) of Somalia extending 200 nautical miles (NM) covers 1,05,500 km<sup>2</sup> in the Indian Ocean 604 fish species, 420 commercial fish species, with an annual economic value of \$135m<sup>196</sup>. In addition, the country has three permanent rivers (Shabelle, Juba and Dhawo), four commercial ports, eleven jetty ports, and more sixty natural fish land sites<sup>197</sup>.

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<sup>195</sup> IGAD (2020) Regional Blue Economy Strategy and Implementation Plan for 5 years (2021-2025)

<sup>196</sup> FGS (2022) National Blue Economy Strategy and Implementation Plan 2023-2027 (2<sup>nd</sup> draft)

<sup>197</sup> ibid



**With the support of IGAD, the FGS has developed a national blue economy strategy.** With its key location along main international shipping routes, some 3,300 kilometres of coastline and extensive sea-based resources, Somalia's maritime domain is widely considered as providing immense economic opportunities in the 'Blue Economy.' the NBES provides not only a guideline for the implementation of BE relative activities; but also, a governance framework and implementation plan to achieve optimal BE generated economies. In this regard, the strategy is intended to help in effectively translating policies into concrete actions. The strategy has identified the following constraints.

- **Fisheries sector constraints** – the fisheries and aquatic sector is one of Somalia's most important natural resources. Its sustainable exploitation is critical to inclusive and poverty alleviation development. There are number of constraints that limit the ability of the sector to effectively maximise its potential (export and value addition). These include the following.
  - Insufficient relevant policies, strategies, and regulation: resulting impediments in effective 19 management and sustainable use of the aquatic resources.
  - Inadequate landing facilities: resulting difficulties to offload fish and obtain supplies (food, fuel, ice, gears, etc.)
  - Lack of cold chain infrastructure: resulting increase of fish post-harvest losses and decrease opportunities to meet market demands.
  - Lack of value addition: resulting low profit and quality
  - Limited enforcement capacity and weak governance: resulting unsatisfactory use of resources and incorrect application of fisheries legislation and regulations.
- **Marine trade infrastructure** – Somalia location offers an important gateway to eastern and Central Africa if its trade related infrastructure is developed. The country is therefore situated at the entry and departure point of one of the most principal international commercial shipping lanes in the world such as the Suez Canal and via the Cape, which makes the county's ports strategic importance. The following constraints were identified in the elaboration of the NNBS 2023-2027.
  - Inadequate maritime infrastructure: resulting low capacity to handle the volume of arriving different types of vessels which need cargo, transshipment, bunkering, storage facilities.
  - Limited number of commercial ports to meet the demand for inter-regional trade: resulting loss of trade opportunities.
  - Lack of technologies and human skilled personnel: resulting negatively in handling, unloading, and storing goods from vessels in efficient and timely manner
  - Lack of required IT infrastructure and limited port communications: resulting weak flow of information and communication with vessels and between different units/departments in the port, impacting their chain of operations.
- **Tourism** – Somalia has significant tourism potential. The long scenic coastline, rich biodiversity, and favourable climate make makes the country an ideal country for tourism development. The tourism industry of Somalia was traditionally noted for its numerous historical sites, beautiful beaches, mountain ranges and national parks. Unfortunately, during the civil war in the early 1990s, the tremendous and untapped tourism potentials of the country shut down operations. To effectively develop its blue tourism potential, Somalia will need to address the following constraints.
  - Insufficient blue tourism policies, strategies and regulations: resulting delay in effective management of blue tourism opportunities
  - Lack of promotion and marketing for tourism potential resources: resulting tourism attractions not promoted, therefore number of tourists is impacted



- Inadequate infrastructure: resulting no tourism progress
- Security concerns that have affected both tourism investment and arrivals
- **Inland water resources** - Sources of water from rivers in Somalia are mainly confined in the two rivers, Shebelle (2,526 km) and Juba (1,808 Km), which pass through the Southern portion of the country<sup>198</sup>. The two rivers remain the food basket of two million and half Somali people and water about other five million herds – livestock. The Somalia agriculture sector is heavily dependent on sustainable management of its water resources both for irrigation and human consumption. Constraints identified in the NBES include the following;
  - Climate volatility: resulting rising temperature and variation in precipitation patterns which leads to increasing frequency of droughts and water scarcity
  - Insufficient water resources policies, strategies and regulations: resulting delay in effective management and exploitation of aquatic resources
  - Limited regulations for private water supplies: resulting expensive water prices,
  - Water Contamination and pollution: resulting micro-biological elements and contamination of unprotected wells
  - Poor water quality: resulting high salinity level over the required standard for drinking water
  - Poor water infrastructure and management: resulting economic water scarcity which could affects the economic, education and health sectors
- **Offshore oil and gas** - Somalia’s petroleum potential is vital for the country’s future socio-economic development and hence a key to its national development plan. The sector in fact; holds hopes for economic diversification from the BE potential of oil and gas extractions and therefore more sustainable revenue streams could contribute to an inclusive economic development of the country. In addition to the revenue from licensing and royalties, Somalia can also potentially meet its fuel consumption and therefore do without imports in the future, if the necessary infrastructure when the is well managed and developed. Thus, the development of petroleum sector will likely have a positive impact on the structure of existing domestic industries and markets, especially energy and transport markets. Constraints identified include;
  - Insufficient legislation, policies, and regulations
  - Lack of technical and human capacity
  - International boundary disputes with neighbouring countries
  - The transition to electric cars which would reduce demand for petroleum based products

## Issues and policy recommendations

Table 29 below outlines the summary of emerging issues and proposed policy actions.

*Table 29: Blue Economy Policy Actions*

Issue identified	Proposed policy action	Outputs	Outcomes	Ownership/lead entity	Proposed source of funding
National Blue Economy Strategy is in place but needs an Action plan and coordination forum to ensure its effective implementation	Develop a BES action plan and set up an institutional coordination platform that will oversee the implementation of	BES action plan BES steering committee	Effective implementation and coordination of the BES strategy	MoCI and ministry of Fisheries and Blue economy	FGS budget

<sup>198</sup> Ibid



	reforms contained in the strategy				
Current Somalia port infrastructure needs investment to order to improve functionality and efficiency. The port at Mogadishu is rapidly reaching its operational capacity	FGS needs to develop a national port development strategy that prioritises the investment required; investment options i.e., PPP etc, and operational models	National Port development strategy	Investment attracted to finance key port infrastructure	Ministry of Ports	FGS budget and AfDB
Somalia's shipping sector is underdeveloped with low levels of investment. Somalia had not developed a national shipping line that would enhance its access to the African continent and trade	FGS to develop a national shipping development strategy that would help guide and incentivise investment in the sector	National shipping development strategy	Investment attracted to Somalia shipping sector	Ministry of Ports and shipping	FGS budget and AfDB
Somalia doesn't have a systematic record of marine information critical to guiding and informing policy development and reforms that would unlock its maritime resource potential	FGS to develop a comprehensive maritime database that will allow the collection of several maritime indicators as well as a comprehensive resource base where data for both natural and human capital aspects are to be evaluated and quantified.	Maritime database developed	Improved data to support policy reform and implementation	Ministry of Fisheries and Blue economy	FGS budget and AfDB
Somalia's BE potential affected by insecurity and risk perceptions. Maritime border disputes are constraining the ability to exploit its maritime resources	Improve regional peace and security: This will foster the development of all the Blue Economy sectors, including easing tensions linked to maritime boundaries.	Resolution of maritime border disputes	Sustainable exploitation of Somalia blue economy resources	Ministry of Fisheries and Blue economy Ministry of Fisheries and Blue economy	FGS budget and AfDB
Limited value addition in the key blue economy subsectors specifically fishing. Most of Somalis fish exports have little or no value add.	FGS to develop a value addition strategy that would guide investments by both the public and private sector to maximise the value addition capacity and capability in Somalia's fishing sector	Blue economy Value chain strategy			
Capacity constraints within the marine and shipping sectors undermines the ability to implement good governance	FGS to seek support from international maritime agencies willing to help build the capacity of its blue economy ministries and agencies	Capacity building plan			
Somalia's tourism potential is limited by security concerns and the lack of appropriate infrastructure	Developing strong inter-sectoral linkages is necessary to ensure greater capture of tourists' expenditures. This will facilitate the				



	transfer of economic benefits from the sector to the local communities thereby contributing to improved livelihoods and poverty reduction				
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## Industrialization

**Promoting industrialisation is one of the main objectives of the AfCFTA.** By facilitating intra-African trade and creating an integrated African market of 1.2 billion people, the AfCFTA aims to provide opportunities for African countries, industries, and firms to diversify, specialise and benefit from economies of scale, allowing them to become more productive and competitive. The commercial opportunities and competitive pressures unleashed by the AfCFTA should also stimulate increased domestic and foreign direct investment, which in turn should foster technological upgrading – an important driver of industrialisation<sup>199</sup>.

### Industrialisation in the AfCFTA

**Under the AfCFTA negotiations, there has been limited engagement on the industrialization agenda.** There are different protocols that will help address or create the environment supportive of the industrialization agenda<sup>200</sup> but at this point there is no structural engagement with industrial development in the AfCFTA. The AUC developed the Plan of Action for the Accelerated Industrial Development for Africa (AIDA) with the specific goal of clearly articulating the role of industrialization in Africa’s development and the achievement of AUs Agenda 2063<sup>201</sup>.

**The interplay between regional (or continental) integration and national industrial policies is not always harmonious<sup>202</sup>.** Many African countries already have industrial policies, and the policy tools they use often conflict with the goals of regional trade integration. The AfCFTA should include industrial strategic framework that aims to develop coherent and coordinated industrial policies at the regional and national level e.g., incentives for EPZs SEZs and Industrial parks that reduces the race to the bottom.

**To maximise gains from the AfCFTA, they should also complement it with efforts to improve trade-related infrastructure and address non-tariff barriers to intra-African trade,** including inefficient customs practices. Analysis from the International Monetary Fund<sup>203</sup> suggests that addressing infrastructure needs and non-tariff barriers could have a much bigger impact on intra-African trade than tariff liberalisation under the AfCFTA.

### Somalia industrialisation perspective

**Over the thirty years of civil war Somalia’s industrial sector has been destroyed and starved of investment.** As a result, Somalia has one of the largest trade defects in Africa - Somalia recorded a trade deficit of 3147.63 USD Million in 2021. Somalia’s systemic trade deficit is the result of the country’s dependency on imports of food, fuel, construction materials and manufactured goods. Main exports are: livestock, bananas, skins, fish, charcoal and scrap metal. Somalia main trading partners are the United Arab Emirates, Yemen, and Oman.

<sup>199</sup> <https://ecdpm.org/talking-points/african-continental-free-trade-area-afcfta-politics-industrialisation/>

<sup>200</sup> Trade in Goods, Trade in Services, Intellectual Property Rights, Competition, Investment

<sup>201</sup> <https://au.int/en/ti/aida/about>

<sup>202</sup> <https://ecdpm.org/talking-points/african-continental-free-trade-area-afcfta-politics-industrialisation/>

<sup>203</sup> IMF 2019 Regional economic outlook. Sub-Saharan Africa: recovery amid elevated uncertainty.



**Manufacturing sector is one of the crucial sectors, the Federal Government of Somalia is promoting** to realize significant export volumes, create more jobs and make the concept of ‘Made in Somalia’ a reality. Locally manufactured goods should be competitive and offer additional value to increase local consumption. To realise this vision, the FGS through the MoCI has develop a national industrialisation policy that aims to clearly articulate how Somalia will revamp its industrial sector to help address its unsustainable trade deficit.

**The key pillars of the Industrial development policy are (i) the promotion of local production and (ii) expansion of exports of value-added goods<sup>204</sup>.** The policy aims to boost economic growth; enhance productivity; increase employment; and improve livelihoods of all Somalians. The objectives of the policy are overall very inwards looking however, there is a recognition that developing domestic industrial capacity will in the long run enhance Somalia’s capacity to export. Other objectives include;

- Protection of local products from unchecked imports that exacerbate the trade deficit.
- Promoting product-based investment that expands exports and creates employment opportunities.
- Protecting nascent and small-scale industries that are strategic to livelihoods and security.
- Creating a resilient economy through diversifies industrial production.
- Regulatory reforms that address constraints in local production, manufacturing, investment, exports, standards, and marketing both domestic and international.

### Issues and policy actions

For Somalia to benefit from the AfCFTA, it would need to ensure that the implementation of its industrial policy is aligned with the market access and trade facilitation reforms currently being introduced in the AfCFTA. Table 14 below outlines the emerging issues and proposed policy actions that were discussed with various stakeholders in the process of elaborating this strategy. The list policy actions outlined below are in addition to those outlined the Somalia Industrial Development Policy 2020 (see table 30).

*Table 30: Industrialisation Policy Actions*

Issue identified	Proposed policy action	Outputs	Outcomes	Ownership/lead entity	Proposed source of funding
Industrial policy is in place, however, there is no strategy to guide implementation	MoCI develop an industrialisation strategy that operationalises the recently developed industrial policy	Industrial strategy	Increased investments in the industrial sector Increased industrial output	MoCI	FGS budget and UNIDO
The industrial policy alluded to promoting Made in Somalia however, there is no specific strategy on how this objective will be achieved	MoCI to develop a domestic market recapture strategy that clearly outlines how the Made in Somalia will be operationalised	Made in Somalia strategy	Reduction in the trade deficit  Increased no of goods	MoCI and Private sector	FGS budget and UNIDO

<sup>204</sup> FGS (2020) Somalia Industrial Development Policy 2020



			produced in Somalia		
No local content policy to drive local value addition	Develop a national local content strategy that will develop an incentive structure for local value addition	Local content strategy	Increased % of local content in products made in Somalia	MoCI	FGS budget and UNIDO
SEZ Act is in place but it's not clear whether there is a policy of strategy to guide and drive implementation.	Develop SEZ Policy and Strategy	SEZ policy and strategy developed	Increased value of FDI in Somalia SEZs	MoCI and Sominvest	FGS budget and UNIDO
No diagnostic of which sectors and product lines will be prioritised in the domestic industrial promotion	Undertake a study to inform the prioritisation of sectors and product lines that would form the basis for the investor attraction	Domestic industrial promotion strategy	Increased number of products produced in Somalia's industries	MoCI	FGS budget and UNIDO

## Informal Cross border trade

**The AfCFTA is expected to provide an economic boost of US\$3.4 trillion to the continent, which is even more critical given the socioeconomic impact COVID-19 is having across Africa.** Nevertheless, it will only live up to its potential if the benefits from intracontinental trade are inclusive for all Africans. While the AfCFTA promises to boost intra-Africa trade as whole, little is said on the impact it will have on Informal Cross Border Trade (ICBT)<sup>205</sup> which is pre-dominantly led by women<sup>206</sup>. ICBT is defined as the small-scale cross-border trade of legitimate subsistence goods and services, which intentionally or unintentionally evades taxation and other procedures set by governments, and often goes unrecorded into official national statistics.

**Intra African trade is normally listed at 15-16% well below that of Europe (73%) and Asia (52%).** These numbers with respect to Africa maybe undercounted given the paucity of data on ICBT. ICBT's contribution to total intra-African trade varies significantly across the region, but is particularly prevalent in Western and Eastern Africa, where ICBT accounts for as much as 42% and 80%, respectively, of total trade between some countries<sup>207</sup>. The magnitude of these estimates implies that ICBT is a critical feature of Africa's trade landscape that has neither been considered in balance of payment statistics nor drawn upon to inform the design of trade and industrial policies<sup>208</sup>.

**ICBT is typified by its small-scale and provides opportunities to poorer communities that formal trade in some cases might not offer.** These informal traders are often poor women and men, with no land title. If not the producers themselves, they link farmers to markets in the border towns, who might not have had the same opportunity through formal channels.

<sup>205</sup> Globally, ICBT is defined as trade between neighboring countries conducted by vulnerable, small, unregistered traders.

<sup>206</sup> <https://www.africportal.org/features/women-without-borders-what-the-afcfta-can-do-for-botswanas-informal-cross-border-traders/>

<sup>207</sup> Afriexim bank (2020) - African Trade Report 2020 Informal Cross-Border Trade in Africa in the Context of the AfCFTA

<sup>208</sup> ibid



**ICBT, mainly informal, plays an important role in poverty reduction** as it provides viable trading opportunities for many of the poorest, particularly women, who are the most active traders along intra-African borders. Informal trade enables individuals to participate in income generating activities, with low start-up capital. The start-up capital is mostly taken from household resources, where loans from associations, vendors and banks are relatively limited<sup>209</sup>.

**ICBT activity has a multiplier impact on stakeholders** through increased direct income and organisation (especially in cooperatives), indirect income (through suppliers and service providers within the value chain) and induced economic income (through the higher circulation of wealth through the economy, from one producer to a consumer and so on).

- Direct employment of traders – this is intensified where income is invested in assets such as land, education, and health.
- There is an indirect impact on stakeholders that are part of the ICBT ‘value chain’, felt intensely in local districts to the borders.
- ICBT also has an induced impact via a multiplier on economic activity with expenditure.

### ICBT in the AfCFTA

**By reducing tariffs, AfCFTA makes it more affordable for informal traders to operate through formal channels, which offer more protection.** This can be further enhanced by simplified trading regimes for small traders, such as the Simplified Trade Regime in the Common Market for Eastern and Southern Africa (COMESA), which provides a simplified clearing procedure alongside reduced import duties that provide help to small-scale traders.

**The STR targets specifically small traders who regularly transact in low-value consignments and who are exempted from customs duties and other related taxes.** The STR is meant to benefit the small-scale cross-border traders in employment creation, food security and promotion of cross-pollination of goods within the regions. The STR consist more generally of four main instruments, namely: a simplified customs document, a simplified certificate of origin, a common list of products and a threshold for the value of the consignment.

**The AfCFTA does not include an STR that would support ICBT and women who dominate this type of trade.** Nevertheless, STRs have been developed for COMESA and EAC. Funding from the AfDB has supported the development of TFTA STR which means the harmonisation of the EAC, COMESA and SADC regimes. These frameworks provide a useful starting point for the development of an AfCFTA STR.

### ICBT in IGAD

**In 2022, IGAD of which Somalia is a member has outlined its new Regional Trade Policy (2022-2026)<sup>210</sup>.** The IGAD Regional Trade Policy’s vision is to foster market-driven, development-oriented, and sustainable trade in the IGAD region, capable of catalysing expanded economic growth, reducing poverty, ensuring food security, and attaining improved living standards in the region. The overarching objective of the policy is to promote sustainable growth and development of the IGAD Member States by raising the standard of living of their people through closer economic integration. Specifically, the trade policy aims to;

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<sup>209</sup> Dr Nene Morisho Mwanabiningo (International Alert), Deriving Maximum Benefit from Small-Scale Cross Border Trade Between DRC and Rwanda, September 2015

<sup>210</sup> IGAD (2022) IGAD Regional Trade Policy 2022-2026



- create an open and unified regional economic space to boost intra-IGAD trade by creating the necessary enabling environment and removing obstacles for trade in goods and services;
- create coherence among national trade policies of IGAD Member States;
- help IGAD Member States implement their obligations arising from regional trade agreements, in particular the AfCFTA; and to
- promote creation of an enabling environment for foreign and domestic investment.

**IGAD has also developed a framework to guide members states in creating and supporting inclusive and safe ICBT<sup>211</sup>.** The core objectives of the policy framework are to;

- Ensure a coherent understanding of ICBT contributions to livelihoods and economic well-being of borderland communities;
- Enhance greater ICBT-CBSG policy convergence and harmonization between IGAD member states;
- Strengthen border security systems and supporting trade facilitation at border crossing points (BCPs);
- Promote the participation of borderland communities in policy consultations to ensure that Cross-border trade and security-related decisions are enriched, and borderland communities' interests and concerns promoted; and
- Ensure availability and access to consistent, timely and reliable data and analysis on cross-border economic exchanges and ICBT.

**The ICBT policy framework is aligned with important gains made in formulation and harmonization of trade policies at regional and continental levels through the Common Market for East and Southern Africa (COMESA) as well as African Continental Free Trade Area (AfCFTA).**

*Table 31: ICBT Policy Actions*

Issue identified	Proposed policy action	Outputs	Outcomes	Ownership/lead entity	Proposed source of funding
Somalia does not have an ICBT policy or strategy and yet a significant amount of trade takes place at this informal level	MoCI to develop ICBT policy and strategy	ICBT policy and strategy developed	CBT quantified	MoCI & Somalia Customs and revenue department	FGS and FCDO
There is very little data on cross border trade which limits the development of effective policies to guide the trade and maximise the benefits for all	MoCI to work with relevant federal states and FGS ministries and agencies to agree a framework for collecting and reporting ICBT data  Strengthen/establish ICBT data collection and analytical capacities at key border points to gauge ICBTs contribution to the economy.	ICBT data collection framework	ICBT data available for all who need it	MoCI and Federal states	FGS and FCDO

<sup>211</sup> IGAD (2018) Policy Framework on the nexus between Informal Cross-Border Trade & Cross-Border Security Governance



It's not clear that any simplified trade regime is in operation at the key border points where ICBT trade is taking place – Somalia's borders with Kenya, Ethiopia and Djibouti	MoCI to review regional STRs and their applicability at the relevant borders to facilitate trade.	EAC and IGAD STR implementation strategy	Increased value of ICBT recorded at borders where the STR is in force	MoCI & Somalia Customs and revenue department	FGS and FCDO
Women and youth continue to face challenges in trading across borders	Prioritize a gender and youth-based approach to ICBT which address some of the pervasive constraints that afflict women and youth participation in trade.	Women and youth in ICBT strategy developed	Increased number of women and youth engaged in CBT	MoCI and Ministries of youth and women	FGS and Sida
Intensification of cross border policy dialogue will build an understanding of local cross border dynamics.	Mainstream ICBT in national and regional economic policy dialogues.	Number of meetings held on ICBT facilitation	Increased volume of ICBT recorded at Somalia's borders	MoCI & Somalia Customs and revenue department	FGS budget
Cross border payments systems remain a challenge	The promotion of suitable financing solutions is of critical importance for informal and small-scale traders. Traders without bank accounts are often locked out of formal processes. Electronic payment systems for cross-border payments can cut the security risks for informal traders and represent an opportunity to formalise trade.	Electronic CBT payments system developed	Value of payments made using the digital payments system	MoCI & Somalia Customs and revenue department	FGS budget



## Cross cutting theme – Inclusion - women youth and PWD

The participation of key segments of Africa population (women, youth and people with disabilities) is a prerequisite for successful and inclusive AfCFTA. The participation of these groups in trade is often not carefully considered when trade agreements are negotiated and implemented. Studies on ICBT indicate that women dominate this trade and face significant difficulties – harassment, access to finance, corruption etc.

### Inclusion in the AfCFTA

- **The AfCFTA agreement does not have a specific Annex on gender<sup>212</sup>**, however as one of its general objectives, the AfCFTA commits to “promote and attain sustainable and inclusive socio-economic development, gender equality and structural transformation of the State Parties.” Thus, ensuring that gender equality is promoted in all AfCFTA processes is at the heart of the agreement.
- **Article 27 (2) (d) of the AfCFTA Protocol on Trade in Services refers to improving the export capacity of formal and informal service suppliers, with particular attention to micro, small and medium-sized operators and “women and youth service suppliers”.** It is important to emphasize that the needs, challenges, and capabilities for these groups are different and hence should be addressed separately. Indeed, women and men face several gender-distinct barriers that must be addressed in order to ensure gender-equitable outcomes in AfCFTA implementation.
- **While the AfCFTA offers a major opportunity for women, gains will not be automatic.** Advancing women’s equal participation in the AfCFTA requires considering the implications of gender inequalities and removing identified inequalities and gender-based trade barriers, most often experienced disproportionately by women, in the design of gender-responsive AfCFTA policies and complementary measures. As part of this process, it will be necessary to understand how to leverage key provisions in the AfCFTA Agreement to ensure gender-equitable outcomes in AfCFTA implementation.
- **A key study by UN Women<sup>213</sup> has identified opportunities in the AfCFTA where gender could be mainstreamed.** The Protocol on Trade in Goods, the Protocol on Trade in Services, the Protocol on Rules of Origin and the Protocol on the Free Movement of People. These provisions offer a variety of economic opportunities to women entrepreneurs as follows;
  - AfCFTA provisions that adopt preferential trade regimes for small-scale trade, including its annex on customs cooperation, should include simplified measures that can accommodate a small volume of consignments and implement specific trade permits and visa regimes for small traders, as well as reduce other taxes such as the value-added tax and import and export taxes.
  - The AfCFTA’s provisions for tariff measures to facilitate small-scale trade are likely to address WICBT challenges regarding corruption. Such provisions should aim at progressive elimination of tariff and import duties for goods and commodities that are mostly traded by WICBT. This also requires an extensive common list for low-value exports for improved market access with specific importance to cross-border traders.
  - On gender and public procurement, the AfCFTA’s implementation should consider strengthening public procurement systems as a vehicle for creating wealth for growing small and medium-sized enterprises (SMEs) or women-owned businesses.

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<sup>212</sup> It is expected that negotiations on a gender annex are expected to commence this year (2021)

<sup>213</sup> UN Women (2019) Opportunities for women Entrepreneurs in the Context of the African Continental Free Trade Area



- The AfCFTA agreement is likely to foster industrialization and regional competitiveness through the creation of regional value chains and improved agro-processing. The success of such value chains will, however, depend on addressing identified key challenges to women's effective participation in them. As part of this process, it will be necessary to understand the terms of involvement for women by conducting gender-focused sectoral value chain analysis to determine with accuracy where women and men are in various segments of the value chain.
- AfCFTA implementation also requires strong monitoring mechanisms for systematic collection of gender-disaggregated data on cross-border trade flows.
- **The AfCFTA places significant emphasis on growth, industrialization, and job creation all of which have relevance for Africa youth.** In addition, the protocol FMP and the creation of the single aviation market on the continent have significant resonance for the bulging youth population – the ability to be able to find jobs and opportunities not only in their country but across the continent.
- **The demand for jobs is rising and will continue to be the main socio-economic governance challenge for most Africa governments.** The Mo Ibrahim Foundation estimated that 1m unemployed youth enter the labour market each month and by 2030, it is expected that 30 million youth will be entering the African labour market each year<sup>214</sup>. In sub-Saharan Africa alone, while 18 million jobs need to be created annually to absorb new entries in the labour market, only 3 million formal jobs are currently being created<sup>215</sup>. It is estimated however that only 4% of new entrants between 2010 and 2020 have been able to find waged work in industry, and 21% in services<sup>216</sup>.
- **The Era of the 4<sup>th</sup> industrial revolution<sup>217</sup> means a transition away from tradition employment creation sectors like agriculture, industry to service and technology-based sectors.** In fact, there are signs that Africa is already experiencing a premature de-industrialisation. According to the 2019 African Economic Outlook (AEO)<sup>218</sup>, the reallocation of labour has mainly tilted towards services. Industry's shares of employment and value added to GDP have grown very slowly. In this sense, Africa's window for a labour-intensive industrialisation is closing much faster than previously expected. On the one hand, the number of people employed per unit of manufacturing output is declining due to the fast spread of technology. Consequently, the jobs of the future will be significantly technology based and, in the services, and e-commerce sectors.
- **People with disabilities (PWD) have an important role and contribution to make in Africa's socio- economic development.** It is crucial to ensure PWDs inclusive and active participation in the AfCFTA as outlined in the Protocol to the African Charter on Human and Peoples' Rights on the Rights of Persons with Disabilities in Africa (referred to as the Africa Disability Protocol). Some of the best examples of PWDs inclusion in trade can be found in East Africa at the border between Rwanda and DRC, where they are very active in informal cross border trade.

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<sup>214</sup> Mo Ibrahim report (2019) Africa's youth: jobs or migration? Demography, economic prospects, and mobility

<sup>215</sup> Mo Ibrahim report (2019) Africa's youth: jobs or migration? Demography, economic prospects, and mobility

<sup>216</sup> Ibid

<sup>217</sup> The 4th Industrial Revolution is largely driven by four specific technological developments: high-speed mobile Internet, AI and automation, the use of big data analytics, and cloud technology.

<sup>218</sup> AfDB (2019) Africa Economic Outlook - Developing Africa's workforce for the future



## Somalia perspective

**Somalia population comprises of a significant youth and adolescent population with under half (45.6%) of the population being less than 15 years and around three-quarters (75%) of the population being less than 30 years old.** In 2019, the International Labour Organization (ILO) estimated the labour force participation of men (15-64) to be 73.6% while women's (15-64) labour force participation rate was estimated to be 23.1% with the figures remaining relatively unchanged over the past 10 years<sup>219</sup>. About 49% of currently employed women aged 15-49 are self-employed (FGS, 2020c). As a result of the conflict, many women became the sole breadwinners and providers of the household, and the drivers of enterprise creation in Somalia (UN Women, 2016). Agriculture remains the biggest employer of both men and women at 79.2% and 83.9% of the labour force respectively.

**Life for women and girls in Somalia is challenging.** Somalia ranks fourth lowest for gender equality globally, maternal, and infant mortality rates are some of the highest in the world, and early marriage is prevalent<sup>220</sup>. Given the male-dominated clan system and the absence of a systematic approach to promote inclusivity, Somali women largely remain excluded from key political and decision-making processes, despite the complex they continue to play in conflict, peace, and security. They continue to remain underrepresented within national and regional decision and making policy-making bodies<sup>221</sup>.

## Women in trade

**The traditional role of women in the Somali economy was selling in market places;** a position at the bottom of the value chain. The post-colonial era also improved the situation for women, as they were able to expand from the marketplace into the import and export industry. Currently, Somalia's leading commodities for export are meat, hides, skins, dairy products, bananas, frankincense, and myrrh. Women have been able to engage in the trade of these products alongside their male counterparts. It has been estimated that Somali women comprise over 60 percent of business owners. Their businesses include microenterprises as well as medium to large-scale operations and others connected to the diaspora. Women-owned medium to large-scale businesses are concentrated around the import of clothes, cosmetics, furniture and perfumes. Women are especially active in the informal economy as petty traders (about 70%) and have also crept into typical male sub-sectors within the informal economy including: khat sales, currency exchange, and the fuel trade (AfdB & UN Women, forthcoming).

## Youth in trade

**Somalia youth face many challenges and there are a lot of factors affecting youth,** such as limited employment opportunities/unemployment, violence and insecurity, low education quality, corruption and injustice, and political and administrative institutions dominated by adults in which youth are underrepresented<sup>222</sup>. A large proportion of the youth population in Somalia comes from rural areas (pastoralists and agro-pastoralists) and are moving to the urban areas (cities) when the quality of their livelihoods degraded due to famine and droughts which also affected the national economy since their production was vital. These youth have limited education and marketable skills for entering the work force within the country and overseas.

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<sup>219</sup> ILO (2019)

<sup>220</sup> <https://africa.unwomen.org/en/where-we-are/eastern-and-southern-africa/somalia>

<sup>221</sup> Ibid.

<sup>222</sup> FGS (2020) The National Youth Policy of The Federal Government of Somalia



## Inclusive participation

Somalia's ratifications and implementation of the AfCFTA is expected to and should create opportunities for women and youth to actively participate and benefit from trade. For example, inclusive Informal cross border trade and E-commerce can be used to address the job and opportunity challenges faced by women, youth and PWDs. An AfCFTA STR that provides preferential treatment for women, youth, and PWDs would ensure their active participation and beneficiation in both formal and informal trade. Equally e-commerce can provide a level playing field where some of the unique barriers faced by the often-marginalised groups are eliminated or the costs of participating are significantly lowered. However, it will be important to consider the gender digital divide and the need to address poor digital literacy and a lack of digital skills as one of the main drivers of the gender digital divide, and as a particular constraint to women's participation in e-commerce.

The upcoming negotiation of the women and youth protocol offers Somalia the opportunity to participate in the negotiations in addition to developing its own inclusive trade policies and strategies. There are numerous examples of interventions that have been implemented in the EAC that have unlocked the potential of women and youth in trade. It would be important for Somali to start by reviewing its existing trade policy and strategies to assess how effectively the empower women and youth to participate.

Table 32 below details the corresponding issues identified and emerging policy actions.

Table 32: Gender Policy Actions

Issue identified	Proposed policy action	Ownership/lead entity	Proposed source of funding
Ensure equal participation of women in AfCFTA national coordinating & oversight structures	Consult and ensure the equal participation of women-led organisations across sectors in all AfCFTA national coordinating structures, including <i>inter alia</i> National AfCFTA Committee, charged with coordinating AfCFTA implementation across Government & National Trade Facilitation Committee.	MoCI working with Ministry of Women & Human Rights and Ministry of Youth & Sports	External - UNECA, UN Women, Trademark Africa, SIDA, MasterCard Foundation
Build the export and trading capacity of women-led business in the AfCFTA	Develop and implement AfCFTA export-ready capacity development and training programmes for women entrepreneurs. Design context-specific business and entrepreneurship management programmes to strengthen women's entrepreneurial skills, including through business development, leadership, mentorship, and networking.		
Empower women in regional value chains, corporate supply chains and public procurement	Prioritize opportunities for women in high-value regional value chains: understand the terms of involvement for women by conducting gender-focused sectoral value chain analysis to determine with accuracy where women and men are in various segments of the value chain.  Improve access to education, specialized skills, vocational and on-the-job training that respond to identified causes of persistent gender-occupational segregation.  Explore public-private sector partnerships that connect women-owned SMEs to regional markets by		



	<p>becoming certified suppliers of corporate supply chains.</p> <p>Design gender-responsive public procurement policies that integrate women-owned businesses in public procurement supply chains.</p>		
Close the gender gap in access to finance	<p>Improve women-owned businesses access to finance to grow their businesses, including through a range of innovative financing instruments ranging from micro-loans to venture capital.</p> <p>Collaborate with financial institutions to provide low-interest loans for women entrepreneurs. Collaborate with commercial and microfinance banks and other partners on digital financial services and products.</p>		
Design and implement a gender-responsive trade facilitation agenda (including digital trade facilitation)	<p>Identify trade facilitation measures to improve the safety and boost the participation, especially of women traders, in small-scale cross-border trade. Measures could include improved security lighting as well as “at the border” infrastructure, such as proper storage, health, and sanitary facilities. Implement gender sensitive training to customs officers and border officials at ports of entry and exit.</p>		
Improved access to e-commerce and digital trade solutions	<p>Develop and expand ICT and digital infrastructure.</p> <p>Support women’s participation in e-commerce through bridging the gender digital divide and addressing digital illiteracy and lack of digital skills as one of the main drivers of the gender digital divide, and a particular constraint to women’s participation in ecommerce.</p> <p>Implement digital trade solutions, including e-transactions and e-payments, to improve efficiency in cross-border trade. Online payments such as mobile apps for small-scale cross-border traders, e-logistics, and e-legislation are examples of digital trade solutions proposed to improve efficiency in cross-border trade.</p> <p>Implement digital literacy, education, and skills to support the equal participation of women entrepreneurs, small-scale and informal cross border traders in digital trade platforms to facilitate intra-African trade.</p>		



## Cross cutting theme – Leveraging Technology

### Importance of digitization

**Digitization is disrupting global trade** - the emergence of 4<sup>th</sup> industrial revolution i.e., cloud computing, Internet of Things (IoT) and advanced technology has become relevant for 21st century trade in terms of both goods and services. The increasing impact of digitization reveals that African economies should be harnessing digital trade to encourage sector- wide economic development.

**The potential for digital trade to drive economic development and transformation in Africa remains largely unexplored.** With the African Continental Free Trade Area (AfCFTA), which came into effect on 1<sup>st</sup> January 2021, there is now wider scope to pursue regional strategies to develop Africa’s digital economy. While e-commerce is thriving in some African countries, for example the mobile money market boom in Kenya and the robust growth of e-commerce platforms in Nigeria, these good outcomes are often confined to the domestic market with limited regional success.

**Digital trade, and its benefits for development can be derived in two ways;**

- **Firstly, through e-commerce, that is, the use of digital platforms to facilitate trade in goods and services capable of both physical and digital delivery.** The opportunities for African economies come through the increased connectivity of both local and foreign markets.
  - Growing internet use in Africa has been instrumental in providing an alternative route to market for SMEs and entrepreneurs who were previously hindered by the lack of connectivity, high transaction costs and information asymmetries.
  - E- commerce offers firms and entrepreneurs visibility at a low cost and businesses are increasingly able to leverage social medial platforms to market their products and services.
  - Increased connectivity also reduces the proximity barriers previously encountered when accessing new markets, especially for services capable of digital delivery.
- **Secondly, digital trade extends to the use of innovative technologies to enhance overall economic efficiency and productivity.** The diffusion of digital technologies in sectors of prime importance for African countries, such as manufacturing and agriculture, could increase productivity and efficiency, making these sectors more competitive.
  - For instance, the combination of IoT, big data and cloud computing for precision agriculture results in more accurate crop and weather monitoring.
  - Further, productivity and efficiency in manufacturing can be increased by automation, robotics and 3D printing.
  - And increased digitization in manufacturing will intensify the demand for ICT services and business services, which are intermediaries in the production process.

**Regional and cross-border investment in infrastructure is critical.** The rise in use of digital platforms does not reduce the need for traditional means of delivery - trade logistics still matter for digital trade. Poor quality roads and inefficient custom procedures tend to lengthen the time for delivery and increase shipping costs, which in turn influences purchasing decisions. Strong efforts and commitment are required to realize the infrastructure capacity and benefits outlined in the AU BIAT and PIDA action plans.

### Somalia perspective

**Somalia has a thriving E-commerce sector that has capitalised on the insecurity in the country to develop innovative online market solutions.** Long beset by civil war, Somalia was among the last African



nations to go online. Internet penetration remains low, high poverty levels persist, there’s lack of a strong central authority, weak regulatory policies, besides the absence of addresses and well-labelled streets, which is bound to create logistical inefficiencies for start-ups<sup>223</sup>.

**Despite this, or perhaps because of these challenges, the Horn of Africa nation is experiencing a strong rise in digital businesses**, with local entrepreneurs building businesses that are disrupting existing trade models and transforming the way people shop<sup>224</sup>. The covid 19 pandemic boosted the sector with consumers using online platforms to source goods and services and then relying on the growing number of delivery companies to get the products and services to the consumer. In Somali cities like Mogadishu, Hargeisa, and Garowe, there’s an emerging e-commerce market, with founders establishing consumer-to-consumer, business-to-business, or business-to-consumer applications that allow for the purchase and dispatch of products or services. Together, these platforms are encouraging a budding tech sector, getting more people online, creating some much-needed jobs, and are attracting the attention of local angel investors—even if that’s on a smaller scale<sup>225</sup>.

**Somalia does not have a digital market strategy, nor has it developed an E-commerce strategy.** The Ministry of Communication Technology (MoCT) is the lead Federal Government body mandated to formulate national policies, laws, and regulations related to postal services, telecommunications, and information and communications technology (ICT). The MoCT championed and supported the adoption of a foundational National Communications Law in 2017, which lays the basis for a competitive and enabling legal and regulatory environment for ICT services. However, Somalia still lacks many of the other foundational legal frameworks considered critical for developing a vibrant digital economy.

**The MoCT is currently also a key beneficiary of a World Bank-financed project, the Somalia Capacity Advancement, Livelihoods and Entrepreneurship through Digital Uplift Project (SCALED-UP).** The program seeks to strengthen government’s capacity to support wider access of digital-enabled services, where ensuring that the enabling legal framework is in place to support scale up in digital services is seen as critical. This project has three components. 1) The first component, Strengthening Institutions, is focused on stabilizing core government functions enabling access to services for individuals and businesses. 2) The second component, Enabling Financial and Digital Services, focuses on increasing individuals’ and businesses’ access to services that expand economic opportunities and help restore resilience in a gender-sensitive manner. 3) The third component, Project Management and Coordination, aims to fund project management and coordination activities<sup>226</sup>.

Table 33 below summaries the corresponding issues identified and emerging policy actions.

*Table 33: Technology Policy Actions*

Issues identified	Proposed policy action	Ownership/lead entity	Proposed source of funding
Somalia does not have legislation to regulate data and consumer protection, data transfer, cybersecurity, and electronic transactions.	Need to Fasttrack Somalia’s digital economy legislation.	MoCI and MoCT working with private sector	Internal – FGS Budget

<sup>223</sup> <https://qz.com/africa/1428066/somalias-e-commerce-start-ups-gullivery-saami-online-thrive>

<sup>224</sup> Ibid

<sup>225</sup> Ibid

<sup>226</sup> <https://projects.worldbank.org/en/projects-operations/project-detail/P168115?lang=en>



Somalia doesn't not have a digital market strategy or E-Commerce strategy	Align the development of digital market strategy or E-commerce strategy with development on the digital trade protocol of the AfCFTA	MoCI	Internal – FGS Budget
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## Cross cutting theme - Climate and environment

### Climate and trade

**Climate change is expected to have severe impacts across the globe** – rising temperatures and seas, unpredictable weather, all of which will severely disrupt economic activity and life as we know it. Most of the African Economies are still agrarian based and dependent and hence changes in climate will have a significant impact. Most African agriculture is still rain fed and hence susceptible to climate variability – droughts and floods.

- **The expansion of global trade and the increasing integration of global value chains raise questions about how trade and the environment interact with each other.** Trade can have both positive and negative effects on the environment<sup>227</sup>.
  - Economic growth resulting from trade expansion can have an obvious direct impact on the environment by increasing pollution or degrading natural resources. In addition, trade liberalisation may lead to specialisation in pollution-intensive activities in some countries if environmental policy stringency differs across countries
  - However, increased trade can in turn, by supporting economic growth, development, and social welfare, contribute to a greater capacity to manage the environment more effectively - improve access to new technologies that make local production processes more efficient by diminishing the use of inputs such as energy, water, and other environmentally harmful substances. Similarly, trade and investment liberalisation can provide firms with incentives to adopt more stringent environmental standards.
  - Direct consequences of climate change on trade could come from more frequent extreme weather events and rising sea levels. Supply, transport, and distribution chains infrastructure are likely to become more vulnerable to disruptions due to climate change. Maritime shipping, which accounts for around 80% of global trade by volume, could experience negative consequences, for instance from more frequent port closures due to extreme events.
  - More importantly, climate change is expected to decrease the productivity of all production factors (i.e., labour, capital, and land), which will ultimately result in output losses and a decrease in the volume of global trade.

### Climate in the AfCFTA

- **One of the key priorities of the AfCFTA is to implement a sustainable development to comply and reach the Sustainable Development Goals (SDGs)** adopted in the 2030 Agenda for Sustainable Development. Climate Change consequences are negatively affecting African countries. The constant rise of temperatures is increasing the frequency and length of droughts, threatening water resources. Thus, the agriculture and public health sectors are heavily affected.

### Somalia Perspective

**Somalia is heavily dependent on agriculture and livestock exports both of which are very susceptible to climate impacts.** Agriculture contributes to 75% of GDP and 93% of exports. The growth and viability of both sectors is threatened by increased temperatures and frequency of droughts. Expanding these key sectors through increased access to the Africa market will have climate and environmental impacts.

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<sup>227</sup> OECD - How are trade and environmental sustainability compatible? <https://www.oecd.org/trade/topics/trade-and-the-environment/>



Table 34 below details the issues identified and emerging policy actions.

*Table 34: Climate and Environment Policy Actions*

<b>Issues identified</b>	<b>Proposed policy action</b>	<b>Ownership/lead entity</b>	<b>Proposed source of funding</b>
Climate change poses a significant risk to the Somalia's ability to expand agriculture and livestock production	MOCI to work with the relevant ministries to develop a strategy on how production can be expanded without causing adverse effects on arable land and rangelands	Ministry of Agriculture & Irrigation, Ministry of Livestock & Fishery Development, Ministry of Environment & Climate Change working with MoCI	External - UNEP, UNECA, EU, FAO, IFAD, GCF
Scaling up agriculture crop production may increase water insecurity	MOCI to work with relevant ministries, agencies and private sector to introduce technology that can conserve water or plant varieties that are less water intensive	Ministry of Agriculture & Irrigation, Ministry of Livestock & Fisheries	External - UNEP, UNECA, EU, FAO, IFAD, GCF



## Cross cutting theme – Safe trade

The global trade and investment regime has a profound impact on human rights, given that the promotion of economic growth may not lead to inclusive, sustainable and equitable development outcomes. Trade and investment regimes also overlap and interface with intellectual property, transfer of technology, climate change, and energy regimes. There are a number of issues to consider when thinking about safe trade;

### Trade and human rights

In 2017, the United Nations Economic Commission for Africa, the Office of the High Commissioner for Human Rights and the Friedrich-Ebert-Stiftung office in Geneva developed an ex-ante human rights impact assessment (HRIA) of the African Continental Free Trade Area (AfCFTA)<sup>228</sup>. The report highlighted the interdependence and interrelationship between human rights, trade and sustainable development, by focussing on possible impacts on specific sets of rights (right to work, social security, adequate standard of living and right to food) and populations (women, youth, small-scale farmers and informal cross-border traders). The assessment made visible the situation of populations who would be left behind if trade negotiators only considered estimated economic growth without evaluating the potential distribution of the impacts and benefits of AfCFTA<sup>229</sup>. In implementing the national AfCFTA strategy, it would be important for the FGS to ensure the rights and targeted populations outlined above are enforced and they are included actively in the implementation process.

### Trade and pandemics

COVID-19 containment measures (lockdowns, border closures, and social distancing) led to global demand and supply shocks. The pandemic has disrupted trade in the across the world including in Somalia with new border health checks leading to lengthy transport times. The pandemic illustrated the need to plan and have contingent health measures in pace that would not disrupt trade but keep trade logistics working and border open for trade. For example, in East Africa, during the height of the pandemic, TMEA and working with the EAC members States implemented a SAFE trade initiative that supported governments to undertake critical measures along the transport and trade routes that ensured trade continued safely while protecting livelihoods. Transport and trade routes were believed to be major infection conduits and presented a significant threat to the entire region, disrupting health, the economy, and regional and national supply chains. As a result, movement of cargo resumed and the region got back to trading which then facilitated the flow of vital supplies both for the pandemic but also for consumption.

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<sup>228</sup> UNECA (2017) Human Rights and the African Continental Free Trade Area - Taking Stock and Navigating the Way Forward

<sup>229</sup> Ibid



## Results framework

From the Theory of Change in the strategic intervention section, we proposed several impacts, outcome, and output statements. Table 35 below provides a suggestion of potential indicators that can be used in the results framework for this strategy. The statements are already defined in strategic intervention section and hence will not be duplicated here.

*Table 35: Proposed Performance Indicators*

Measure	Statement	Proposed indicators	Sources of data
Impact 1	Expand contribution of trade to Somalia's GDP	Trade as % of GDP with disaggregation for the federal states	Somalis central bank data Ministry of Finance Somalia National Bureau of Statistics IFC Somalia annual report World Bank Data Bank
Impact 2	Sustained increase in Somalia's income per capita and reduction in poverty	Aggregated average GDP per-capita with disaggregation for the federal states National poverty rates (poverty headcount ratio) for the federal states	Somalia National Bureau of Statistics World Bank Data Bank World bank Poverty database
Impact 3	Enhanced Economic and social stability	Economic – growth of the economy as measured by GDP  Social – price stability as measured by inflation	Somalis central bank data Ministry of Finance Somalia National Bureau of Statistics
Outcome 1	Somalia implements AfCFTA, SAATM, FMP agreements and protocols.	AfCFTA - Date of deposit of AfCFTA instruments of ratification SATAAM - % number of YD concrete measures implemented. FMP – Ranking on the AfDB visa openness index	AfCFTA Secretariat AFCAC SATAAM implementation tracker AfDB Africa Visa openness index
Outcome 2	Reduced cost of trading between Somalia and RoA	Reduction in the number of NTBs and NTMs reported on all modes of transportation – road, air and sea Cost of shipping a 20 and 40ft container to and from Somalia	MOCI reports NTFC reports Non-Tariff Barriers online reporting, monitoring, and eliminating mechanism. African trade observatory dashboard
Outcome 3	Increased Somalia trade and investment flows with RoA	Value of Somalia's trade with RoA disaggregated by REC Value of FDI inflows from RoA % Reduction in the trade deficit	Somalis central bank data Ministry of Finance Somalia National Bureau of Statistics SOMINVEST
Outcome 4	Increased industrial capacity and value addition	Share of manufacturing value added MVA per capita at national level	Somalia National Bureau of Statistics MOCI data
Outcome 5	Improved and stable trade environment	% Number of businesses reporting a positive business climate Value of DDI committed to the trade and industry sector Value of remittances committed to the trade and industry sector	Somalia National Bureau of Statistics MOCI data SOMINVEST



## Monitoring & Evaluation and Learning

The results framework above has provided several proposed indicators that can be used to measure the impact of the implementation of the strategy. The list of indicators is not conclusive but provides guidance on a practical and tangible way of measuring the progress that will have been achieved. The strategy is expected to be implemented over a 5-year period starting in 2023. We propose the following approach to monitoring, evaluation and learning.

- **Monitoring the progress in implementation** – this could be done on an annual basis using the results framework provided above. This can be converted into a log frame which then provides annual targets / milestones to be achieved. Gender and inclusion indicators and outcomes should be clearly defined and mainstreamed across all programmes that emerge from the strategy. This should start from initial design through to evaluation. These should look beyond sex, age or disability disaggregated data and seek to address additional key barriers captured in qualitative insights gathered from beneficiaries. An annual assessment should be undertaken, and a report written to outline the progress made against the indicators. The reports can then be used to inform and guide the ongoing implementation of the strategy.
- **Evaluation of the strategy** – this should be done at the mid and end term of the strategy. The evaluation will mainly focus on whether the implementation of the strategy is delivering on the outcome and impact statements outlined in the results framework. The overall approach adopted in measuring impact at the intervention level should focus on the OECD-DAC evaluation criteria: Relevance, Effectiveness, Efficiency, Impact and Sustainability. Approaches to evaluation should be participatory in terms of target stakeholders and beneficiaries of the AfCFTA to understand the full impact of the implementation of the AfCFTA
- **Lessons and impact stories** – this would be an important way of tangibly demonstrating the impact of the strategy to stakeholders. Given the low level of awareness of the AfCFTA coupled with the significant policy engagement that will be required to make it a reality, it is important that a learning strategy is developed. This together with the communications and dissemination strategy will be vital in helping shape the discussion on the implementation of the AfCFTA.



## Communication and visibility framework

**Consultations with stakeholders and the private sector survey have outlined the need to develop a revamped and effective approach to communicating the AfCFTA to its key stakeholders.** Now that trading has started more than ever an effective communications plan will be required to not only build knowledge and awareness but also to educate those involved in AfCFTA related trade on their roles and responsibilities in making these important agreements function effectively. In creating a communication and visibility strategy the following will need to be considered.

### Communicating reforms in the strategy

- **Work closely with the private sector through their representative bodies.** Concentrated effort to understand their views. For example, work with the PS to develop joint opinion pieces aimed at communicating the importance of the reforms and help advocate for faster implementation of reforms.
- **Need to focus on the youth and women as a key demographic** and focus on the jobs and employment. Need to use the social media platforms and influencers. Youth and female empowerment are critical.
- **Share the lessons learned and what could have been done better.** Need to ensure a robust M&E structure that helps understand what has been achieved. This will help to build the credibility that drives the reform process.

### Improving awareness of the AfCFTA within Somalia

- **Simplify the trade information in a way that it can be effectively communicated** to a range of stakeholders. The context and its framing are critical in getting the message across. Using motion graphics, infographics, and short videos to distil at a quick glance to stakeholders. Checking back to see how the messages were received and how effective they were.
- **Work closely with the media to inform the wider public on the costs and benefits of the trade related reforms.** The media tools and channels have evolved and hence a multimedia approach to target the audiences needs to be mapped out.
- **Ensure there is ownership of messaging by both governments and the regional institutions.** These institutions must be seen as the drivers for the change, and they are driving the reforms. For example, in the implementation of the Safetrade initiative - regional electronic cargo and driver tracking system - TMEA did most of the work. However, it was sold as an EAC reform which has then facilitated the success in addressing the impact of covid19 on trade in the region.
- **Messaging must be at different levels** - need to focus on the private sector as the key drivers of the reforms at the national level. Need to manage expectations but still have numerous challenges and in the case of the AfCFTA there is a need to ensure that the challenges are effectively communicated in order not to lose the momentum.



## Budget Framework

### Approach to funding the strategy

**The elaboration of this Somalia National AfCFTA Strategy has taken place at a time when the COVID--19 global pandemics has impacted both global trade and growth.** Resources at both the national and regional level have been constrained while at the same time those organisations that used to support trade infrastructure and capacity building investments, have experienced severe cuts to budgets or reallocation to support COVID- 19 mitigation efforts. The above notwithstanding, trade and the AfCFTA is still viewed as a key component of the post COVID- 19 recovery. There is still strong interest at national and international level to support the implementation of the AfCFTA. Consequently, this document is expected to help its key funders to understand what strategy aims to achieve over the next five years and hence serve as a tool for its fundraising efforts.

**It is understood that the policy interventions outlined in this strategy will be competing with other national policy priorities like the humanitarian situation brought on by the drought that the country is experiencing.** That said, trade, services, investment, and ecommerce sectors play a critical and vital role in growth, employment, job creation and in enhancing and securing the livelihoods of millions of Somalians. The key is to be able to sell the strategy as an important and integral part of the country's post covid 19 and drought recovery plan. Taking this approach would open more avenues of funding from a range of bilateral and multilateral partners who may not traditionally support the trade sectors but recognise the linkages and important role trade and the AfCFTA can play in the recovery efforts. As with any strategy, it is inevitable that prioritisation will have to be implemented in the allocation of the scarce resources that the strategy may attract.

**Financing AfCFTA implementation will require a combination of interventions at national, regional, and continental levels.** Consultations with the MOCI and other stakeholders that have been funding trade related interventions in Somalia (and in the EAC region) indicate that there is an appetite and interest to support the implementation of this strategy. Table 36 below provides a mapping of bilateral and multilateral stakeholder that are funding trade related interventions and could be approached to support the implementation of components of this strategy.



Table 36: Mapping potential sources of funding for AfCFTA implementation

Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
AfDB	<ul style="list-style-type: none"> <li>● Infrastructure (Water and sanitation, Energy, Roads, etc.)</li> <li>● General development finance support to Member States at bilateral level</li> <li>● Providing budget to the AfCFTA secretariat</li> <li>● AfCFTA institutional support</li> <li>● Partnering with AfCFTA secretariat to stimulate industrial initiatives and programmes</li> <li>● Support in AfCFTA effective implementation</li> <li>● Increase in the economic and social integration projects to break the trade barriers</li> <li>● Supporting in the development of a framework for the AfCFTA academy</li> <li>● The AfCFTA Secretariat Signs Protocol of Agreement with The African Development Fund For \$11 Million Institutional Support Project For Effective Implementation of The AfCFTA</li> </ul>	<ul style="list-style-type: none"> <li>● Support to mobilize the private sector to contribute more effectively to the implementation of the AfCFTA Agreement</li> <li>● Fight against terrorism</li> <li>● Support in promotion of agriculture</li> <li>● Support in economic diversification</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is a member of the AfDB</li> <li>● Somalia can be supported at national level-Technically and financially</li> <li>● Somalia has been given by AfDF (A subsidiary of AfDB) a \$ 5.4 millions to build food security.</li> <li>● by AfDF (A subsidiary of AfDB) approved \$4.3 million grant to Somalia for statistics development</li> <li>● AfDB supported Somalia in improving its internal revenue collection.</li> <li>● AfDB is a partner in Somalia infrastructure Fund (SIF) called AfDB multi-partner infrastructure fund and this fund received US\$3 million from IsDB - The SIF's goal is to support and accelerate Somalia's inclusive and sustainable economic recovery, peace and state building within the context of AfDB's Strategy for Addressing Fragility and Building Resilience in Africa (2014-2019). The focus of the SIF is the rehabilitation and development of infrastructure, and related skills development and institutional capacity building.</li> <li>● African Development Bank Group signs \$28.8 million grant deal with Somalia for road and water projects</li> <li>● Capacity building</li> <li>● Support in water infrastructure development in Somalia</li> <li>● Strengthening institutions for reduction of proliferation of small arms.</li> <li>● Approval of a \$5.4 million grant to build food security</li> <li>● Support on adaptation to climate change</li> <li>● Road infrastructure programme</li> <li>● Technical assistance a capacity building for setting up regulatory authority for energy sector</li> </ul>
Trade and development Bank (TDB)	<ul style="list-style-type: none"> <li>● social and economic infrastructure</li> <li>● Trade promotion</li> <li>● Socio-economic development</li> <li>● Regional economic integration</li> </ul>	<ul style="list-style-type: none"> <li>● The Project and Infrastructure Finance business support TDB's mission to advance regional growth - higher export efficiency and the generation of forex via strategic investment in transport and logistics; and in general, supporting local ownership, import substitution, creation of employment, strengthening of value chains, increase in production, and promotion of trade and regional integration, including cross-border trade via infrastructure.</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is a member of the Eastern and Southern Africa Trade and development Bank- The project's main Beneficiaries are the Trade and Development Bank (PTA Bank) regional member States, namely: Burundi, Comoros, China, Djibouti, Egypt, Eritrea, Ethiopia, Kenya, Malawi, Mauritius, Rwanda, Somalia, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.</li> <li>● Somalia can be supported at national level-Technically and financially</li> <li>●</li> </ul>



Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
Afrexim Bank	<ul style="list-style-type: none"> <li>● Providing budget support to the AfCFTA Secretariat,</li> <li>● AfCFTA Adjustment Facility</li> <li>● Pan-African Payments and Settlements System,</li> <li>● African Trade Exchange (ATEX) in collaboration with UNECA,</li> <li>● Continental Transit Guarantee Scheme,</li> <li>● Intra-African Trade Fair editions</li> <li>● It supports businesses at country level to trade continentally using a dual approach: it includes a free online component on the Afreximbank Academy, while ITC facilitates in-country workshops to train business owners, business support organizations and government stakeholders.</li> <li>● Afreximbank offers a range of financing programmes, solutions and advisory services to support the expansion, diversification, promotion and development of intra- and extra-African trade and trade development project</li> <li>● Focuses on private and public loans and it classifies public loans as “As”</li> <li>● Trade Information and Advisory Services</li> <li>● Capacity building</li> </ul>	<ul style="list-style-type: none"> <li>● General support to Member States at bilateral level</li> <li>● Trade finance</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is not a member of the Afrexim Bank.</li> <li>● Somalia can be supported at national level-Technically and financially</li> <li>●</li> </ul>
Trademark	<ul style="list-style-type: none"> <li>● Trade facilitation reforms</li> <li>● Trade Infrastructure – OSBPs, Border markets,</li> <li>● ICT4Trade infrastructure</li> <li>● Research and capacity building</li> <li>● Trade policy</li> <li>● Standards and SPS</li> <li>● Business Competitiveness</li> <li>● Women in trade</li> <li>● Sustainable and Inclusive trade</li> <li>● Safe trade emergency facility programme</li> </ul>	<ul style="list-style-type: none"> <li>● Support countries private sector institutions to perform better.</li> </ul>	<ul style="list-style-type: none"> <li>● Trademark works in Somaliland</li> <li>● Can support projects at the national level-Technically and financially</li> <li>● Trademark East Africa invested together with ADFD and DPW into transport and trade infrastructure in Somaliland in 2016.</li> <li>● Trademark improves the efficiency of doing trade in Somaliland. - By Improving efficiency and capacity building and logistics networks, reduced nob tariff barriers and developing standards</li> </ul>
UNDP	<ul style="list-style-type: none"> <li>● Direct support to the AfCFTA Secretariat through a financial grant of US\$3 million. This will enhance AfCFTA Secretariat advocacy among policy makers, business, civil society, academia, youth and other stakeholders.</li> <li>● Capacity building</li> <li>● Partnership signed between AfCFTA secretariat and UNDP to support the largest trade area towards inclusive growth in Africa</li> <li>● UNDP’s interventions are realized through direct support to inclusive trade integration through collaboration with the AfCFTA Secretariat and actions focusing on small-scale businesses (mainly women- and youth- led businesses), including those operating at the borderlands.</li> <li>● UNDP’s Africa Regional Programme (2018-2021) has provided support to the AfCFTA at national, regional, and continental</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthening the readiness of small businesses to participate in AfCFTA marketplaces</li> <li>● UNDP supported Uganda to bring the AfCFTA to life</li> <li>● Support governments to create awareness on the country’s trade policy and market access potential linked to the AfCFTA.</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is a member of the UNDP</li> <li>● Can support projects at the national level</li> <li>● Supports the Somalis in drought proofing Somali’s rangelands</li> <li>● programmes help the Somali government and people access the skills, technology and funding they need to drive their own development in areas including climate adaptation and mitigation, gender empowerment, the rule of law, national and local governance, job creation and skill development, innovation, peacebuilding and more.</li> </ul>



Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
	<p>levels. This support included collaboration with the African Union Commission, the AfCFTA Secretariat in Accra, Ghana, Regional Economic Communities, Countries, Private Sector, and Academia. This support contributed to ensuring, inter alia, that regional growth and structural transformation is inclusive, transformational, and sustainable with reduced economic inequalities. The program was anchored using a ‘regional lens’ that promotes a coordinated approach and coherence between regional and national level interventions that align to regional frameworks and policies across Africa. Specifically, this program seeks to provide direct support at the national level, in coordination with partners, to the public and private sectors, to ensure that the opportunities in the AfCFTA can be maximized.</p> <ul style="list-style-type: none"> <li>● The United Nations Development Programme (UNDP) and the International Trade Centre (ITC) team up to empower African small businesses, women and young entrepreneurs to leverage the African Continental Free Trade Area (AfCFTA) and expand cross-continental business opportunities.</li> <li>● As AfCFTA States Parties start trading under the AfCFTA on 1 January 2021, UNDP continues to strengthen implementation of Africa’s integration agenda through an AfCFTA regional project for the period 2022- 2025 and national level interventions. These efforts are expected to make contribution to Africa’s structural economic transformation – accelerating industrialization, value addition, diversification, and sustainable economic and social empowerment. Dedicated actions are deployed to support, at national, regional, and continental levels, strengthening the capacities of women and youth-owned enterprises to utilize the AfCFTA.</li> <li>● Supports AfCFTA for women entrepreneurs to be included in the implementation of AfCFTA.</li> <li>● Promotion of free trade</li> </ul>		
UNIDO	<ul style="list-style-type: none"> <li>● Development and harmonization of industrial policy</li> <li>● Building capacity on intellectual property</li> <li>● AfCFTA awareness campaigns</li> <li>● Advocacy on the need for deepening private sector engagement and commitment.</li> <li>● Promotion of the green hydrogen economy and the pan African trade.</li> <li>● Trade capacity building</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is a member of UNIDO.</li> <li>● Can support projects at the national level</li> <li>● Partnering for stability and recovery in Somalia</li> <li>● Agro-technology development for economic growth in South and Central Somalia</li> <li>● Productive sectors development programme for Somalia</li> <li>● Business incubators to support entrepreneurship and MSME creation in Somalia</li> <li>● UNIDO promotes a partnership in delivering agromechanization trainings</li> <li>● UNIDO and UNDP are working together to support MSME development and access to finance in Somalia</li> </ul>



Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
			<ul style="list-style-type: none"> <li>● UNIDO launches the Somalia chapter of BIC Africa to develop Somalia Business Incubators Ecosystem</li> <li>● UNIDO and ITPO Italy support Somalia at Macfrut 2022 fruit and vegetables exhibition in Italy</li> <li>● Facilitate in the partnership of the Somali private sector and other international companies.</li> <li>● UNIDO and UNDP Somalia works together to provide access to finance for small businesses in Beletweyne(Somalia)</li> <li>● UNIDO Somalia funded by AICS through the Enterprise Development Unit (EDU), kick-starts TVET in Kismayo to enhance skills in demand in the labour market</li> <li>● UNIDO boosts confidence and investments of local manufacturing capacities</li> <li>● UNIDO supports one-on-one business counselling programme</li> <li>● UNIDO offers Somali businesses opportunities for international partnerships</li> <li>● Somalia experts from Somalia EDUs network, Somalia Chamber of Commerce and Industry, IBS Bank, Sominvest and Federal Ministry of Commerce and Industry, among others, receive UNIDO's Computer Model for Feasibility Analysis and Reporting (COMFAR) training</li> <li>●</li> </ul>
UNECA	<ul style="list-style-type: none"> <li>● Capacity building and research</li> <li>● Technical support to the AfCFTA negotiations while deploying efforts to support policy making towards an effective implementation.</li> <li>● Supporting African countries to develop National Strategies to implement the AfCFTA Agreement through gender mainstreaming in the AfCFTA implementation.</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● we support the AfCFTA national strategies implementation in our Member Countries by harmonizing customs codes with new tariff provisions, applying rules of origin, and training AfCFTA national stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is a member of UNECA.</li> <li>● Can support projects at the national level</li> </ul>
UNCTAD	<ul style="list-style-type: none"> <li>● Online mechanism for the Reporting, Monitoring and Elimination of Non-Tariff Barriers;</li> <li>● Technical support to the AfCFTA negotiations while deploying efforts to support policy making towards an effective implementation.</li> <li>● Supports African forum for national trade facilitation</li> <li>● Africa e-trade</li> <li>● Helping African countries to fight against illicit financial flows ad trade in Africa.</li> <li>● Contribute to achieving structural transformation for inclusive and sustainable development in the subregion, with a focus on deepening regional integration.</li> <li>● Economic and social information systems in support of sustainable development and regional integration in Africa</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Somalia is a member of UNCTAD</li> <li>● Can support projects at the national level</li> </ul>



Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
	<ul style="list-style-type: none"> <li>● E-government core indicators</li> <li>● Strengthening entrepreneurship and the private sector</li> <li>● Deepening regional integration and trade for structural transformation</li> <li>● Promoting services exports and reviewing services policies</li> <li>● Providing technical assistance in trade-in-services statistics</li> <li>● Building capacities in trade in services</li> <li>● Building capacities in industrial policymaking</li> </ul>		
ITC	<ul style="list-style-type: none"> <li>● African Trade Observatory and online Tariff Negotiations Portal;</li> <li>● Capacity building and advisory services that will enhance a continental business environment, strengthen national and regional trade support institutions and improve the competitiveness of MSMEs, women and youth.</li> <li>● Enabled hybrid workshops between AfCFTA secretariat and other key stakeholders for AfCFTA to communicate the opportunities offered by a single market and the barriers to overcome.</li> <li>● Supporting in the sensitization and engagement of the private sector into the AfCFTA.</li> <li>● Creating a ONE TRADE AFRICA programme</li> <li>● Has products relevant for the AfCFTA implementation.</li> <li>● Thematic workshops on the rules of origin and other topics which are included in phase 2 of the negotiations (digital trade and investment)</li> <li>● Awareness of the AfCFTA opportunities for MSMEs, women and youth through HYBRID EVENTS.</li> <li>● ITC's partnership with the African Export-Import Bank (Afreximbank) supports innovative, green finance solutions, strengthens Africa's creative economy through tailored trainings – with 5,000 small businesses skilled so far – and promotes African business opportunities within the Caribbean region.</li> <li>● Through its SME Trade Academy, ITC and Afreximbank developed an e-learning course on How to Export with the AfCFTA</li> <li>● In its continued commitment to further intra-African export potential, Afreximbank has teamed up with ITC to support small businesses, especially women and youth entrepreneurs, to make the most of the Free Trade Area.</li> <li>● Through the trainings, entrepreneurs can easily find tailored market opportunities for their businesses, identifying the highest export potential for their products and how to capitalize on potential financing opportunities. The trainees also have access to trade financing and trade facilitation interventions offered by Afreximbank to support intra-African</li> </ul>	<ul style="list-style-type: none"> <li>● Since 2021, a number of activities aiming at contributing to outputs 1 and 3 were launched. The last workshop took place on 30 March 2021 in Rabat with the Arab Maghreb Union (AMU) and Egypt to explain the benefits of the AfCFTA to MSMEs, women and youth entrepreneurs in North Africa</li> <li>● Training sessions on E-commerce and trade and market intelligence as well as on How to export under the AfCFTA were delivered.</li> <li>● ITC has also organized another hybrid workshop in Harare with the Ministry of trade, ZimTrade and OWIT. The meeting has focused on market access opportunities for women entrepreneurs under the AfCFTA regime.</li> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● ITC is doing some activities in Somalia</li> <li>● Can support projects at the national level</li> </ul>



Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
	<p>trade. Over 5,000 small businesses have been trained so far. Next to English and French, the training will soon be available in Arabic and Portuguese as well.</p> <ul style="list-style-type: none"> <li>● It supports businesses at country level to trade continentally using a dual approach: it includes a free online component on the Afreximbank Academy, while ITC facilitates in-country workshops to train business owners, business support organizations and government stakeholders.</li> </ul>		
AfroChampions Initiative	<ul style="list-style-type: none"> <li>● Has already committed through its members a US\$ one million budget to support an AfCFTA outreach and advocacy campaign.</li> <li>● Coming up with a Trillion Dollar Investment Framework,</li> <li>● The Accelerating Virtual-Resilient Integration for a Vibrant Africa (AVRIVA), and</li> <li>● Other IT solutions and private sector led programmes for enhancing investment and trade, safe and smart travel as well as virtual diplomacy;</li> <li>● African entrepreneurs leveraging the Afrochampions platform to bring forward proposals and ideas to inform the implementation of the AfCFTA.</li> <li>● TradeMark East Africa (TMEA) and the AfroChampions Initiative (ACI) have this evening signed a partnership agreement committing to provide support to governments and the private sector in realising the Africa Continental Free Trade Area</li> <li>● Promotion of the AfCFTA</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● AfroChampions Initiative works with African countries.</li> <li>● Can support projects at the national level</li> </ul>
Africa eTrade Group	<ul style="list-style-type: none"> <li>● The Sokokuu Africa eCommerce platform which aims at registering 250 thousand Small and Medium Enterprises (SMEs) on their platform by the end of March 2021 and 6 million SMEs and 22 million jobs by the end of 2023</li> <li>● This platform will enable African countries to exchange commercial documents such as the certificate of origin and the phytosanitary certificate which will help accelerate and improve reliability of processing of trade documents</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● Can support projects at the national level</li> </ul>
<p>Development partners The European Union, German Government through Gesellschaft fur Internationale Zusammenarbeit (GIZ) and Physikalisch-Technische Bundesanstalt (PTB), the Danish Government, the Canadian Governemnt, the USA, the Australian Government, the UK Government through FCDO and</p>	<ul style="list-style-type: none"> <li>● A multitude of financial and technical support to the AfCFTA process and implementation</li> </ul>	<ul style="list-style-type: none"> <li>●</li> </ul>	<ul style="list-style-type: none"> <li>● The government of italy contributes additional us\$2 million to the psdp to boost job creation, access to economic opportunities for youth and women, promote msme development and strengthen governance to boost economic growth in somalia.</li> <li>●</li> </ul>



Entity	Specific areas of support for AfCFTA	Support at national level for AfCFTA	Relevance for Somalia
ODI, French Government through Expertise France, Commonwealth Secretariat, the Organization International de la Francophonie (OIF),			



## Risk management framework

Implementation of the AfCFTA in Somalia has and will continue face several challenges that the MOCI and other trade related ministries in the FGS will need to address if the agreement is to deliver the expected benefits for all (see table 37).

Table 37: Risk mitigation matrix

Type of risk	Description	Approach to mitigation
Strategic	FGS and the federal states may not demonstrate the level of commitment needed to ensure the success of the AfCFTA.	Continuous communication and visibility, advocacy, and engagement with key stakeholders during the implementation of the strategy to secure and maintain political buy in.
		Consulting fully with the stakeholders so that the strategy remains relevant to their needs.
		Networking and establishing meaningful partnerships in support of delivery of the strategy
Economic	Some sectors will benefit more than others from the implementation of the AfCFTA.	The strategy should clearly demonstrate the long-term benefits of sustainable trade policies to the private sector.
Developmental	Some segments of the Somali population are left out of the beneficitation of the AfCFTA – youth, women, and PWDs.  The strategy fails to result in delivering on aspects of the SDGs to which Somalia has made commitments - gender, environment, climate change);	MOCI to mainstream youth, gender and PWDs in the implementation of the strategy.
Operational	FGS is unable to raise enough funding to implement the strategy	MOCI need to draw up a funding strategy that will help raise financial support and commitment to support implementation at both the regional and national levels.
	Delays in the ratification of AfCFTA and its protocols and annexes	MOCI working with trade related ministries in the FGS implement an effective strategy that will help inform policy makers of the cost and benefits of ratification
	Delays in the ratification of key agreements like the FMP and SAATM	MOCI working with trade related ministries in the FGS implement an effective strategy that will help inform policy makers of the cost and benefits of ratification
	Poor visibility of the impacts and benefits of the strategy	Follow Proactive, timely and planned communication and visibility actions throughout the duration of the strategy
Technical	Delayed progress in the implementation of the AfCFTA that could impact the usefulness of the strategy	Effective coordination between the MOCI working with trade related ministries in the FGS and the AfCFTA Sec to ensure the AfCFTA negotiations are concluded by early 2023 and ratifications follows as per agreed timetable
Political	Lack of political will both in FGS and at Federal state level to drive the ratification and facilitate the implementation of the AfCFTA	MOCI to coordinate with the Federal states on how to keep politician, policy makers and the Somali public of the costs and benefits of the AfCFTA. Need to generate a high level of awareness of the AfCFTA



## Institutional arrangements for the implementation

Multilateral trade arrangements like the AfCFTA require institutions to coordinate the activities of the Member States, to ensure uniformity in compliance, and to monitor implementation. Implementation of the AfCFTA will require effective coordination at both the continental, regional and national levels. It's important to note that it's the members States that sign the AfCFTA agreement and hence are the parties bound by the treaty's obligations. Nevertheless, the AfCFTA agreement recognises the important role that the RECs must play in supporting and facilitating the implementation of the agreement. Consequently, at each level the following governance arrangements are in place or are in the process of being implemented

### Continental level governance

The governance framework for the implementation of the AfCFTA is outlined in the treaty and has been covered in the introductory section of this strategy. In summary, the institutional framework for its implementation consists of the;

- **Assembly of the Heads of State and Government of the AU** is the highest decision-making organ of the AU, they have the exclusive authority to adopt interpretations of this Agreement on the recommendation of the Council of Ministers. The decision to adopt an interpretation shall be taken by consensus.
- **Council of Ministers** (consisting of the Ministers of Trade of the State Parties) report to the Assembly through the Executive Council. The Council of Ministers meet twice a year in ordinary session and may meet as and when necessary, in extraordinary sessions. Decisions taken by the Council of Ministers, while acting within its mandate, shall be binding on State Parties. Decisions that have legal, structural, or financial implications shall be binding on State Parties upon their adoption by the Assembly. The State Parties shall take such measures as are necessary to implement the decisions of the Council of Ministers.
- **Committee of Senior Trade Officials** (consisting of Permanent or Principal Secretaries or other officials designated by each State Party) The committee is tasked to monitor and keep under constant review and ensure proper functioning and development of the AfCFTA in accordance with the provisions of this Agreement; etc. Subject to directions given by the Council of Ministers, the Committee of Senior Trade Officials shall meet at least twice a year and shall operate in accordance with the rules of procedures as adopted by the Council of Ministers. The Committee shall submit its report, which may include recommendations, to the Council of Ministers following its meetings. The RECs shall be represented in the Committee of Senior Trade Officials, in an advisory capacity.
- **AfCFTA Secretariat** is the administrative organ to coordinate the implementation of the AfCFTA. The Secretariat is responsible for convening meetings, monitoring, and evaluating the implementation process and other duties assigned to it by the Committee of Senior Officials, Council of Ministers, and the AU Assembly.

**The AfCFTA treaty in its preamble acknowledges the existing RECs and Free Trade Areas as building blocs towards the establishment of the African Continental Free Trade Area (AfCFTA).** Nevertheless, the treaty ambiguous on the RECs in its governance arrangements. This omission and its potential implications in the effective implementation of the AfCFTA has been recognised. At the 33rd Ordinary Session of the African Union Assembly of Heads of State and Government held in February 2020 it was agreed that the AfCFTA Secretariat, the Commission, and the Secretariats of the Regional Economic Communities to develop a Framework of Collaboration to enhance complementarity, synergies, and alignment of programme and activities and in the process, generate high impact results. At the 13th Extraordinary Session of the Assembly on the African Continental Free Trade Area (AfCFTA) on 5th December 2020 it



was agreed that the parties should conclude work on the collaboration framework by February 2021 and that upon its completion, the Framework of Collaboration will become an Appendix to the Protocol on the Relations between the African Union and the Regional Economic Communities. The ratification of this collaboration framework is expected to provide the legal framework for the RECs to have legal standing in the implementation of the AfCFTA. Without this framework, they only play a role through supporting their member state parties in agreed common positions on AfCFTA agenda.

### Regional level governance

Somalia has officially joined Common Market for Eastern and Southern Africa (COMESA) after having fulfilled the terms and conditions of accession, the country was a signatory and full member of the bloc, but it failed to negotiate this transition due to lack of a government as the civil war had engulfed the country in 1991. The government of Somalia is working on how the COMESA agreement should be ratified through the parliament.

### National level governance

State Parties are the signatories to the AfCFTA and other regional integration agreement. As such the implementation of the AfCFTA will require significant work at the national level to undertake negotiations, ratify those agreements and protocols, communicate the importance of the agreement to the domestic audience etc. The effectiveness of the AfCFTA is premised on the political will to domesticate it at member State level. Weak implementation will result in the delayed delivery of the benefits of the agreement.

### Role of cabinet

The cabinet is formally known as the Council of Ministers of the Federal Government of Somalia are appointed by the Prime Ministers. Their main role is to endorse policies and issue Ministerial decrees from each office (Ministries and Agencies). The cabinet passes policies as a policy maker which are then sent to the parliament for approval. The cabinet also proposed laws/acts to submit to the parliament for their approval. Usually the two house of the parliament (upper and lower houses) reads the laws/acts three times protocol before the presidents signs. For example, the AfCFTA agreements signed through the cabinet then waiting the parliament to read and ratify the agreement.

### Role of MOCI

The Ministry of Commerce and Industry (MoCI) of the Federal Government of Somalia is responsible trade promotion, investment climate, industrial and private sector development. the operational mandate is to formulate, review and support policies, strategies, plans and programs that promote and ensure expansion also the diversification of trade, cooperatives, environmentally sustainable industrialization, appropriate technology development and transfer to generate wealth for poverty eradication and benefit the country socially and economically.

### Role of National Trade Facilitation Committee (NTFC)

The National Trade Facilitation Committee (NTFC) is established in 2019 by the Prime Minister. The Ministry of Commerce and Industry proposed the economic sub-committee of the cabinet the importance of this committee, hence, prepared the terms of reference and the organizational structure. The mandate of the National Trade Facilitation Committee NTFSC is to:

- Act as a coordinative and consultative body, it means to coordinate public sector agencies and promote cooperation between the public, the private sector and international organizations on implementation of good trade practices.



- Champion of trade logistics reforms in consultation with the relevant entities, identify and spearhead policy, legal, administrative and institutional reforms to enhance trade.
- Monitor all the trade reforms, to track, evaluate and report to the Minister of Commerce and Industry for onward submission to Cabinet, the implementation of trade reforms and interventions benchmarked against international, regional and bilateral requirements.
- communicate trade reforms to increase public awareness of trade facilitation measures, practices and standards.

Membership of the NTFC consists of representatives of public sectors as follows:

- Prime Minister/Deputy Prime Minister (Chair),
- Minister of Commerce and Industry (Co-chair),
- Office of the President,
- Office of the Prime Minister,
- Ministry of Finance,
- Ministry of Foreign Affairs and International Cooperation,
- Ministry of Planning, Investment and Economic Development,
- Ministry of Agriculture and Irrigation,
- Ministry of Livestock and Forestry,
- Ministry of Fisheries and Marine Resources,
- Ministry of Transportation and Civil Aviation,
- Ministry of Port and Marine Transport,
- Ministry of Petroleum and Mineral Resources,
- Ministry of Water and Energy Resources,
- Ministry of Post and Telecommunications, State Attorney Office.

#### Implementation Mechanism.

State Parties are the signatories to the AfCFTA and other regional integration agreement. As such the implementation of the AfCFTA will require significant work at the national level to undertake negotiations, ratify those agreements and protocols, communicate the importance of the agreement to the domestic audience etc. The effectiveness of the AfCFTA is premised on the political will to domesticate it at member State level. Weak implementation will result in the delayed delivery of the benefits of the agreement. In Somalia, there two governance arrangements at the national level that are critical to;

- **Parliamentary (Upper House and Lower House)**– in each of the member States parliaments, there are committees at which all matters related to trade law formulation and implementation are discussed. In the case of Somalia, the two houses each one of them has a committee who oversees all the policies, laws and agreements with the relevant Ministry or agency. Trade issues in under the economic committee of the parliament who deals these issues. This is going to be one of the most important efforts Somalia’s ratification of the AfCFTA and for the amendment of domestic laws to align them with the objectives of the AfCFTA and other regional agreements.
- **Economic sub-committee of Cabinet/ National Trade Facilitation Committee** – this committees is part of the executive arms of government and are tasked with the formulation and implementation of trade policies, strategies, and implementation plans. They offer a whole of government coordination together with other key stakeholders.

The cabinet passes policies as a policy maker which are then sent to the parliament for approvals. The cabinet also proposed laws/acts to submit to the parliament for their approval. The NTFC also monitors all the trade reforms, to track, evaluate and report to the Minister of Commerce and



Industry for onward submission to Cabinet, the implementation of trade reforms and interventions benchmarked against international, regional and bilateral requirements. And finally communicate trade reforms to increase public awareness of trade facilitation measures, practices and standards.



## Somalia AfCFTA National Strategy Action Plan

Issues identified	Policy actions
<b>Somalia trade &amp; macroeconomic situational analysis</b>	
<ul style="list-style-type: none"> <li>Chronic and unsustainable trade deficit. This is currently financed by remittance flows which are susceptible and vulnerable to global shocks, for example COVID-19 pandemic.</li> </ul>	<ul style="list-style-type: none"> <li>Implementing the AfCFTA will offer Somalia opportunities to expand its access to the African market and in turn generate export revenue and taxes to increase its domestic revenue collection.</li> </ul>
<ul style="list-style-type: none"> <li>Poor domestic resource mobilisation.</li> </ul>	<ul style="list-style-type: none"> <li>Trade related reforms, including the implementation of customs systems and trade facilitation reforms, should increase domestic revenue collection.</li> </ul>
<ul style="list-style-type: none"> <li>Limited exports, with poor export diversification. Somalia's exports are mainly comprised of live animals and raw agricultural goods.</li> </ul>	<ul style="list-style-type: none"> <li>Opening of the regional export market through implementation of the AfCFTA, targeting specific African export markets for value added exports in livestock and agro-processing.</li> </ul>
<b>Private sector knowledge and awareness of the AfCFTA</b>	
<ul style="list-style-type: none"> <li>EAC is a key African market for both Somali exports and imports.</li> </ul>	<ul style="list-style-type: none"> <li>Fast tracking the harmonisation of the Somalia trade regime with the EAC would enhance its integration in to the AfCFTA and the continental market.</li> </ul>
<ul style="list-style-type: none"> <li>Trade facilitation remains a key barrier both for exporters and importers. Barriers include (i) unnecessary customs controls; (ii) multiple testing agencies; (iii) excessive data and documents collection; (iv) compliance with standard; and (v) unnecessary roadblocks and random checks.</li> </ul>	<ul style="list-style-type: none"> <li>FSG working with the private sector to conduct three audits on NTBs that traders face when importing or exporting via Road, Air and Sea, coordinated by NTFC.</li> <li>MOCI and relevant bodies to undertake a review of existing trade compliance procedures and requirements &amp; mapping of entire importing and exporting journey with the view to simplifying and digitising them.</li> </ul>
<ul style="list-style-type: none"> <li>Low level of awareness of the AfCFTA and its associated costs and benefits</li> </ul>	<ul style="list-style-type: none"> <li>MOCI to develop a civil society education and communications strategy that would increase the knowledge and awareness of the AfCFTA &amp; EAC.</li> <li>MOCI to work closely with other government ministries and agencies to build knowledge and awareness of the AfCFTA within the FGS.</li> <li>MOCI to work with private sector representative organisations to continue to build awareness and knowledge of the costs and benefits of the AfCFTA.</li> </ul>
<ul style="list-style-type: none"> <li>Visa access and air connectivity are critical for Somali companies looking to access the African market</li> </ul>	<ul style="list-style-type: none"> <li>Develop roadmap for FMP &amp; SAATM ratification to speed up ratification.</li> </ul>
<ul style="list-style-type: none"> <li>Enhanced access to shipping lines is vital for Somalis to exploit market opportunities along the East African Coast and the Indian ocean states.</li> </ul>	<ul style="list-style-type: none"> <li>FGS to FastTrack implementation of National Blue Economy Strategy.</li> </ul>
<ul style="list-style-type: none"> <li>Targeted and consistent engagement with the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>Enhance participation of private sector in NTFC through platforms where specific reforms can be discussed and implemented with private sector input on trade and industrial policy.</li> </ul>
<b>Pillar 1: Fast tracking accession and ratification of treaties</b>	



<ul style="list-style-type: none"> <li>● Somalia is yet to ratify the AfCFTA agreement by depositing the instruments of the ratification with the AUC</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to Fasttrack ratification process in the parliament</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia has signed the FMP Protocol but has not made progress to move to ratification. Somalia needs to make the case for FMP ratification. Where there are concerns, these need to be addressed and the benefits of ratification outlined to facilitate the process.</li> </ul>	<ul style="list-style-type: none"> <li>● Develop roadmap for FGS ratification</li> <li>● A study to model the costs and benefits of ratification of the FMP – full, partial, and non-ratification. These will help policy makers at all levels fully internalize the opportunity cost of non-ratification.</li> <li>● FGS Ministry of Foreign Affairs &amp; International Cooperation to implement a strategy to push for visa reciprocity that would open effective visa liberalisation between Somalia and the rest of Africa.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia is ranked as one of the least compliant countries with regards to the implementation of the SATAAM protocol and liberalization measures</li> </ul>	<ul style="list-style-type: none"> <li>● FGS and SCAA Authority should work with AFCAC to create greater awareness of the SAATM</li> <li>● MoCI, Ministry of Transport &amp; Aviation, Ministry of Foreign Affairs &amp; International Cooperation to develop action plan to develop National Aviation/Air transport policy</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia has no aviation competition and consumer protection legislation which is a prerequisite for SATAAM implementation</li> </ul>	<ul style="list-style-type: none"> <li>● FGS and SCAA to work with AFAC to seek support in developing the aviation competition and consumer protection legislation</li> </ul>
<ul style="list-style-type: none"> <li>● Limited understanding of the costs and benefits of liberalizing the Somalia air transport market</li> </ul>	<ul style="list-style-type: none"> <li>● SCAA to undertake an assessment of the costs and benefits of liberalizing the Somali aviation sector to promote increased intra-African connectivity and travel</li> </ul>
<p><b>Pillar 2: Aligning Domestic policy and legislation with AfCFTA</b></p>	
<ul style="list-style-type: none"> <li>● Multiplicity of customs codes across Somalia’s federal states which prevents effective trade facilitation and harmonisation with the rest of Africa</li> </ul>	<ul style="list-style-type: none"> <li>● Map custom codes and custom processes differences across federal states and seek to harmonise codes, systems, and procedures</li> </ul>
<ul style="list-style-type: none"> <li>● Not clear that Somalia’s new customs code is harmonised with AfCFTA tariff regime</li> </ul>	<ul style="list-style-type: none"> <li>● Ministry of Finance, Revenue Department, to map and harmonise unified Somali customs code with EAC and AfCFTA frameworks and a pathway to AfCFTA tariff harmonisation</li> </ul>
<ul style="list-style-type: none"> <li>● AfCFTA lists of the sensitive and excluded products yet to be agreed hence an opportunity for Somalia to engage and influence the negotiations</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop a schedule of sensitive and excluded product lines for the AfCFTA, in consultation with federal state government agencies and the private sector</li> </ul>
<ul style="list-style-type: none"> <li>● The treatment of intermediate goods under the AfCFTA is not yet clear.</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to review its new industrial strategy to clarify it would be affected should agreements be reached on the treatment of intermediate goods in the AfCFTA.</li> </ul>
<ul style="list-style-type: none"> <li>● Lack of customs systems interconnectivity may hamper the trade with RoA</li> </ul>	<ul style="list-style-type: none"> <li>● SOMCAS to be connected to regional customs systems to facilitate smooth customs trade and data sharing with will reduce customs revenue leakages</li> </ul>
<ul style="list-style-type: none"> <li>● Numerous NTBs have been identified in the perception survey</li> </ul>	<ul style="list-style-type: none"> <li>● Implementation digital platforms that monitor and facilitate trade. Systems like the electronic single window, electronic cargo tracking, NTB monitoring and resolution platforms.</li> </ul>
<ul style="list-style-type: none"> <li>● Gaps in harmonisation of Somalia’s trade legislation with regional and international frameworks</li> </ul>	<ul style="list-style-type: none"> <li>● Comprehensive mapping of current trade legislation against the various agreements that Somalia is negotiating (WTO, EAC, COMESA, AfCFTA)</li> </ul>
<ul style="list-style-type: none"> <li>e) Trade in goods &amp; services</li> <li>f) IP, competition, investment, digital trade, and women &amp; youth</li> </ul>	



<ul style="list-style-type: none"> <li>● There is limited awareness and lack of capacity &amp; technical expertise across government to deliver on the above.</li> </ul>	
<ul style="list-style-type: none"> <li>● Underdeveloped policies &amp; strategies and implementation (trade, industrial strategy, investment)</li> </ul>	<ul style="list-style-type: none"> <li>● Mapping status and gaps of existing policies and strategies</li> <li>● MOCI to publish to other government departments the strategies that they have developed to aid cross-ministerial cooperation.</li> <li>● Initiate consultation process on current and new policies/strategy reforms across government.</li> <li>● Coordination &amp; harmonisation of policy and strategy implementation to achieve coherency across government</li> </ul>
<ul style="list-style-type: none"> <li>● Underdeveloped incentive frameworks to promote trade &amp; industrialisation</li> </ul>	<ul style="list-style-type: none"> <li>● Comprehensive study to map current incentives to promote trade &amp; industrialisation with a specific focus on gaps that need to be addressed</li> </ul>
<ul style="list-style-type: none"> <li>● Limited evidence to support development of good policy &amp; legislation, with disparate trade related databases</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a roadmap on how trade related government bodies can improve the collection, reporting and access to trade data</li> </ul>
<ul style="list-style-type: none"> <li>● Limited awareness of existing policy &amp; legislation</li> </ul>	<ul style="list-style-type: none"> <li>● Develop action plan on how to increase awareness of trade policy and reforms across all segments of society</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia can adopt &amp; benefit from tried and tested trade policy &amp; legislation in the region &amp; ease of harmonisation with already established trade frameworks</li> </ul>	<ul style="list-style-type: none"> <li>● Compile examples of good policy &amp; practice that has delivered improved trade &amp; industrial performance in the region</li> </ul>
<ul style="list-style-type: none"> <li>● Significant interest from international &amp; donor community to support policy and legislation reform</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to develop a costed trade reform action plan to be shared with potential development partners/donors interested in supporting trade related reforms, using MoCI annual workplan</li> </ul>
<p><i>Pillar 3: Aligning regulation &amp; standards with AfCFTA</i></p>	
<ul style="list-style-type: none"> <li>● Current trade related regulation and standards lag regional &amp; international good practice.</li> </ul>	<ul style="list-style-type: none"> <li>● Map gaps between domestic and African standards (with ARSO &amp; ASO)</li> <li>● Prioritise harmonisation of Somali standards with regional standards – upon EAC accession, Somalia will be able to adopt EAC standards as a member state</li> </ul>
<ul style="list-style-type: none"> <li>● Underdeveloped domestic standards to facilitate internal trade</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI &amp; SOBS to undertake a common-sense assessment of what a domestic standards regime should look like to facilitate value addition</li> </ul>
<ul style="list-style-type: none"> <li>● Limited capacity within established trade regulation &amp; standards agencies to develop &amp; administer regulations and standards</li> </ul>	<ul style="list-style-type: none"> <li>● SOBS to identify technical assistance required to develop and regulate Somalia's domestic &amp; international standards regime.</li> <li>● Fastrack full ISO membership</li> <li>● Expand scope of support from ARSO, beyond technical assistance</li> </ul>
<ul style="list-style-type: none"> <li>● Limited evidence base to support development of regulations and standards</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a repository of standards regulations and related data that would facilitate reforms</li> </ul>
<ul style="list-style-type: none"> <li>● Limited awareness of existing regulations &amp; standards</li> </ul>	<ul style="list-style-type: none"> <li>● SOBS to push standards agenda within government by publishing quarterly updates on progress being made on standards reforms &amp; hosting national conferences with key stakeholders.</li> <li>● SOBS to increase awareness of standards reforms and compliance to private sector – providing regular workshops with traders.</li> </ul>



<ul style="list-style-type: none"> <li>● Somalia National Quality Infrastructure policy is currently under development</li> </ul>	<ul style="list-style-type: none"> <li>● Develop sector specific action plan to implement the Somalia National Quality Infrastructure policy</li> </ul>
<ul style="list-style-type: none"> <li>● SOBS is not yet accredited and requires technical assistance to achieve accreditation</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a roadmap outlining the reforms and investment required to upgrade SOBS labs to meet international accreditation standards.</li> <li>● Develop a human resource gaps analysis &amp; action plan to build domestic technical capacity to implement both domestic and international standards</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia in a position to benefit from and adopt tried and tested regulations and standards &amp; ease of harmonisation with already established trade frameworks</li> </ul>	<ul style="list-style-type: none"> <li>● Request examples of good policy &amp; practice that has delivered improved standards and regulation in the region from ASSO &amp; ASO</li> </ul>
<b><i>Pillar 4: Infrastructure to boost Somalia's trade with Africa</i></b>	
<ul style="list-style-type: none"> <li>● No specific prioritization of trade infrastructure in the SNIS 2019-2063</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with key ministries involved in infrastructure planning to identify infrastructure needs to facilitate regional trade from existing policy framework (SNIS 2019- 2063; Somalia TSNA &amp; Investment Programme)</li> </ul>
<ul style="list-style-type: none"> <li>● Insecurity along Somalia's traditional trade routes increases costs and limits opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>● Map key security related bottlenecks in Somalia's main trade routes/corridors</li> </ul>
<ul style="list-style-type: none"> <li>● Diaspora has shown interest in supporting Somalia's growth however there is no concerted efforts to tap into their expertise.</li> </ul>	<ul style="list-style-type: none"> <li>● Explore opportunities to build domestic capacity, including diaspora investment, to participate in infrastructure development/upgrading/rehabilitation</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia needs to enhance its road infrastructure connectivity to established regional trade corridors</li> </ul>	<ul style="list-style-type: none"> <li>● identify gaps in Somalia's infrastructure connectivity with established regional trade corridors and develop action plan to connect developing regional trade corridors with Somalia</li> </ul>
<ul style="list-style-type: none"> <li>● No clear estimation of the cost and value of trade infrastructure needed to improve access to markets</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with key ministries involved in infrastructure planning to draw from SNIS 2019- 2063 and Somalia TSNA &amp; Investment Programme to quantify regional trade related infrastructure gaps</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia's main port is rapidly reaching its full capacity utilization. Other ports around the country are underdeveloped and yet they have significant potential</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with main port authorities, &amp; key industries involved in infrastructure planning, to identify opportunities to maximise utilisation of existing ports</li> </ul>
<ul style="list-style-type: none"> <li>● No available mapping of potential strategies for trade infrastructure development.</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI &amp; key industries involved in infrastructure planning to identify potential and existing partners that will support development/upgrading/rehabilitation of its regional trade related infrastructure</li> </ul>
<b><i>Pillar 5: Enhancing Somalia's industrial capacity under the AfCFTA</i></b>	
<ul style="list-style-type: none"> <li>● Industrial strategy has been developed however it lacks and implementation action plan</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop an action plan to implement recommendations in existing industrial strategy</li> </ul>
<ul style="list-style-type: none"> <li>● There is an ongoing push to support industrialisation. This would require the divesture of government owned industrial assets. There is no PPP law that would provide an alternative option to outright sale of these assets</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to fast-track development of Somalia PPP law with a view to facilitating the disposal of redundant state industrial assets.</li> </ul>
<ul style="list-style-type: none"> <li>● Feedback from new investors in the industrial sector indicate the lack of awareness of the incentives available to them</li> </ul>	<ul style="list-style-type: none"> <li>● Operationalise incentives national investment policy that would drive FDI &amp; DDI towards industrialisation, including SEZs</li> </ul>
<ul style="list-style-type: none"> <li>● Industrial strategy does not clearly articulate the approach to tapping into regional value chains</li> </ul>	<ul style="list-style-type: none"> <li>● Assessment of how Somalia's industries could be linked into regional value chains so to access technology and expand industrial capacity that generates growth across sectors, including SEZs</li> </ul>



<ul style="list-style-type: none"> <li>● There is little or no data on industrial output that would facilitate decision making especially in relation to incentives for the sector</li> </ul>	<ul style="list-style-type: none"> <li>● Develop framework that enhances industrial data collection that will facilitate implementation of policy and strategies</li> </ul>
<ul style="list-style-type: none"> <li>● No existing strategy to guide value addition in the agriculture and livestock sector</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a national agro-processing strategy linked to off-setting imports and expanding value added exports in sectors where Somalia has a comparative advantage (livestock, fisheries)</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia doesn't have a strategy that would guide its policy to reduce its trade deficit and its policy to increase domestic industrial capacity</li> </ul>	<ul style="list-style-type: none"> <li>● Identify opportunities for import substitution that could be addressed through industrial policy and strategies</li> </ul>
<ul style="list-style-type: none"> <li>● There are opportunities for Somalia to export value added goods in agriculture, livestock, and fisheries. These opportunities need to be assessed and communicated to the private sector.</li> </ul>	<ul style="list-style-type: none"> <li>● Identify opportunities where Somalia has a comparative advantage in exporting value added goods</li> </ul>
<b><i>Pillar 6: Market access and trade facilitation</i></b>	
<ul style="list-style-type: none"> <li>● Significant NTBs and NTMs (non-tariff measures) in Somalia's internal and domestic, regional &amp; ROW &amp; no mechanism in place to monitor NTBs &amp; NTMs (reporting &amp; addressing)</li> </ul>	<ul style="list-style-type: none"> <li>● Diagnostic study on NTBs &amp; NTMs affecting Somalia's trade</li> <li>● Develop a digital framework for reporting and resolving NTBs</li> <li>● Establish NTB monitoring committee as a sub-set of NTFC (including port, airport, revenue and customs, border force, and security authorities)</li> </ul>
<ul style="list-style-type: none"> <li>● High cost of trade – transportation, procedures</li> </ul>	<ul style="list-style-type: none"> <li>● Audit to ascertain the true cost of trading across Somalia's borders (land, air, and sea)</li> </ul>
<ul style="list-style-type: none"> <li>● High levels of informal trade with immediate neighbours</li> </ul>	<ul style="list-style-type: none"> <li>● Ascertain value, levels, and composition of informal trade with Somalia's immediate neighbours.</li> <li>● Develop a simplified trade regime (STR) to support ICBT</li> </ul>
<ul style="list-style-type: none"> <li>● Lack of data on ICBT</li> </ul>	<ul style="list-style-type: none"> <li>● Develop framework for collecting and reporting ICBT data at land borders</li> </ul>
<ul style="list-style-type: none"> <li>● Enforcement and compliance with domestic regional and international trade standards</li> </ul>	<ul style="list-style-type: none"> <li>● Harmonising domestic, regional, and continental standards to facilitate Somalia's market access</li> </ul>
<ul style="list-style-type: none"> <li>● High cost of market entry and high cost of trade facilitation, with lack of data to support market access strategies and address trade facilitation barriers</li> </ul>	<ul style="list-style-type: none"> <li>● Undertake assessment of the costs of accessing new markets in the region (Indian Ocean States – Mauritius, Seychelles, and Madagascar, and states on East African coastlines – Mozambique and Tanzania)</li> </ul>
<ul style="list-style-type: none"> <li>● Established digital trade information portal addressing trade facilitation barriers</li> </ul>	<ul style="list-style-type: none"> <li>● Expand existing trade information portal to provide a framework for identifying trade facilitation barriers</li> </ul>
<ul style="list-style-type: none"> <li>● Established framework for trade facilitation coordination</li> </ul>	<ul style="list-style-type: none"> <li>● Strengthen the mandate and decision-making power of Somalia's National Trade Facilitation Committee (NTFC)</li> </ul>
<b><i>Pillar 7: Strengthening capacity to deliver Somalia's National AfCFTA Implementation Strategy</i></b>	
<ul style="list-style-type: none"> <li>● Consultations indicate that FGS will need support to enhance its capacity and capability to negotiate the phase 2 protocols</li> </ul>	<ul style="list-style-type: none"> <li>● Identify capacity gaps linked to Phase II AfCFTA negotiations.</li> <li>● Enhance and widen training on trade related policy across FGS ministries and agencies</li> </ul>
<ul style="list-style-type: none"> <li>● The NTFC needs technical assistance to strengthen its ability to coordinate trade reforms across government and the private sector</li> </ul>	<ul style="list-style-type: none"> <li>● Seek funding to support technical assistance to the NTFC</li> </ul>
<ul style="list-style-type: none"> <li>● No centralized or digitized trade data reporting framework</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with National Bureau of Statistics to develop a digitised &amp; centralised reporting framework for trade data</li> </ul>



<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Identify diaspora trade, investment, and industrialisation expertise to facilitate Somalia's implementation of national and AfCFTA trade strategies</li> </ul>
<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Identify opportunities to leverage African regional integration experts to support the implementation of Somalia's AfCFTA National Strategy</li> </ul>
<ul style="list-style-type: none"> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Identify prioritised technical assistance gaps that could be funded by the donor/international community</li> </ul>
<b><i>Pillar 8: Enhancing Somalia's capacity to implement Phase II AfCFTA Protocols</i></b>	
<ul style="list-style-type: none"> <li>• Current IP law &amp; regulatory framework is outdated</li> </ul>	<ul style="list-style-type: none"> <li>• Develop IP policy strategy and legal framework</li> </ul>
<ul style="list-style-type: none"> <li>• No entity in place to regulate and manage IP</li> </ul>	<ul style="list-style-type: none"> <li>• Assess most appropriate entity to regulate the sector, learning from regional examples</li> </ul>
<ul style="list-style-type: none"> <li>• Awareness of AfCFTA IP protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>• MOCI organise workshops for stakeholders across and outside government to validate its IP negotiating paper</li> </ul>
<ul style="list-style-type: none"> <li>• Implementation of the AfCFTA IP protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Identify IP priorities that would a) inform Somalia's IP policy and strategy b) support the development of both institutional and regulatory IP frameworks</li> </ul>
<ul style="list-style-type: none"> <li>• FIL is established (legal framework) and investment policy &amp; strategies are under development, but no clear roadmap on how these will be aligned to the AfCFTA protocol on investment</li> </ul>	<ul style="list-style-type: none"> <li>• Develop an AfCFTA investment strategy paper focused on intra-African FDI opportunities</li> </ul>
<ul style="list-style-type: none"> <li>• No current specific or articulated strategy to attract Somali diaspora in Africa to invest</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure that Somalia's National Diaspora Policy (SNDP-22) includes a chapter on attracting investment from its diaspora in Africa for strategy development.</li> <li>• Fast-track development of Somalia Diaspora Investment Policy</li> </ul>
<ul style="list-style-type: none"> <li>• Awareness of AfCFTA investment protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>• MOCI to organise workshops for stakeholders across and outside government to validate its AfCFTA investment strategy</li> </ul>
<ul style="list-style-type: none"> <li>• Implementation of the AfCFTA investment protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Identify investment priority areas of alignment between Somalia's investment frameworks and what is being proposed under the AfCFTA</li> </ul>
<ul style="list-style-type: none"> <li>• No competition law and related regulatory framework</li> </ul>	<ul style="list-style-type: none"> <li>• Develop competition legislation &amp; regulation</li> </ul>
<ul style="list-style-type: none"> <li>• Awareness of AfCFTA competition protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>• MOCI organise workshops for stakeholders across and outside government to validate its competition strategy</li> </ul>
<ul style="list-style-type: none"> <li>• Implementation of the AfCFTA competition protocol</li> </ul>	<ul style="list-style-type: none"> <li>• Identify competition priority areas of alignment between Somalia's competition priorities and what has been agreed under the AfCFTA competition protocol</li> </ul>
<ul style="list-style-type: none"> <li>• There is no e-commerce policy, strategy, and law but they are currently being drafted</li> </ul>	<ul style="list-style-type: none"> <li>• Develop an AfCFTA digital trade protocol strategy focused on digital trade opportunities in Africa</li> </ul>
<ul style="list-style-type: none"> <li>• Awareness of AfCFTA digital trade protocol across FGS</li> </ul>	<ul style="list-style-type: none"> <li>• MOCI &amp; MOCT to organise workshops for stakeholders across and outside government to validate its digital trade strategy</li> </ul>



<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA Digital trade Protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify digital priority areas of alignment between Somalia's digital trade priorities and what is being proposed under the AfCFTA</li> </ul>
<ul style="list-style-type: none"> <li>● No specific or articulated policy &amp; strategy to address participation of women and youth in trade (formal &amp; ICBT)</li> </ul>	<ul style="list-style-type: none"> <li>● Develop an AfCFTA women and youth in trade protocol position paper focused on opportunities to improve the participation of women and youth in trade in Africa (formal &amp; ICBT)</li> </ul>
<ul style="list-style-type: none"> <li>● Implementation of the AfCFTA Women and Youth in trade protocol</li> </ul>	<ul style="list-style-type: none"> <li>● Identify women and youth in trade priority areas of alignment between Somalia's priorities and develop a strategy</li> </ul>
<p><b>Pillar 9: Enhancing trade opportunities</b></p>	
<ul style="list-style-type: none"> <li>● National Blue Economy Strategy is in place but needs an Action plan and coordination forum to ensure its effective implementation</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a BES action plan and set up an institutional coordination platform that will oversee the implementation of reforms contained in the strategy</li> </ul>
<ul style="list-style-type: none"> <li>● Current Somalia port infrastructure needs investment to order to improve functionality and efficiency. The port at Mogadishu is rapidly reaching its operational capacity</li> </ul>	<ul style="list-style-type: none"> <li>● FGS needs to develop a national port development strategy that prioritises the investment required; investment options i.e., PPP etc, and operational models</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia's shipping sector is underdeveloped with low levels of investment. Somalia had not developed a national shipping line that would enhance its access to the African continent and trade</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to develop a national shipping development strategy that would help guide and incentivise investment in the sector</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia doesn't have a systematic record of marine information critical to guiding and informing policy development and reforms that would unlock its maritime resource potential</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to develop a comprehensive maritime database that will allow the collection of several maritime indicators as well as a comprehensive resource base where data for both natural and human capital aspects are to be evaluated and quantified.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia's BE potential affected by insecurity and risk perceptions. Maritime border disputes are constraining the ability to exploit its maritime resources</li> </ul>	<ul style="list-style-type: none"> <li>● Improve regional peace and security: This will foster the development of all the Blue Economy sectors, including easing tensions linked to maritime boundaries.</li> </ul>
<ul style="list-style-type: none"> <li>● Limited value addition in the key blue economy subsectors specifically fishing. Most of Somalis fish exports have little or no value add.</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to develop a value addition strategy that would guide investments by both the public and private sector to maximise the value addition capacity and capability in Somalia's fishing sector</li> </ul>
<ul style="list-style-type: none"> <li>● Capacity constraints within the marine and shipping sectors undermines the ability to implement good governance</li> </ul>	<ul style="list-style-type: none"> <li>● FGS to seek support from international maritime agencies willing to help build the capacity of its blue economy ministries and agencies</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia's tourism potential is limited by security concerns and the lack of appropriate infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>● Developing strong inter-sectoral linkages is necessary to ensure greater capture of tourists' expenditures. This will facilitate the transfer of economic benefits from the sector to the local communities thereby contributing to improved livelihoods and poverty reduction</li> </ul>
<ul style="list-style-type: none"> <li>● Industrial policy is in place, however, there is no strategy to guide implementation</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI develop an industrialisation strategy that operationalises the recently developed industrial policy</li> </ul>
<ul style="list-style-type: none"> <li>● The industrial policy alluded to promoting Made in Somalia however, there is no specific strategy on how this objective will be achieved</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop a domestic market recapture strategy that clearly outlines how the Made in Somalia will be operationalised</li> </ul>
<ul style="list-style-type: none"> <li>● No local content policy to drive local value addition</li> </ul>	<ul style="list-style-type: none"> <li>● Develop a national local content strategy that will develop an incentive structure for local value addition</li> </ul>



<ul style="list-style-type: none"> <li>● SEZ Act is in place but it's not clear whether there is a policy of strategy to guide and drive implementation.</li> </ul>	<ul style="list-style-type: none"> <li>● Develop SEZ Policy and Strategy</li> </ul>
<ul style="list-style-type: none"> <li>● No diagnostic of which sectors and product lines will be prioritised in the domestic industrial promotion</li> </ul>	<ul style="list-style-type: none"> <li>● Undertake a study to inform the prioritisation of sectors and product lines that would form the basis for the investor attraction</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia does not have an ICBT policy or strategy and yet a significant amount of trade takes place at this informal level</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to develop ICBT policy and strategy</li> </ul>
<ul style="list-style-type: none"> <li>● There is very little data on cross border trade which limits the development of effective policies to guide the trade and maximise the benefits for all</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to work with relevant federal states and FGS ministries and agencies to agree a framework for collecting and reporting ICBT data</li> <li>● Strengthen/establish ICBT data collection and analytical capacities at key border points to gauge ICBTs contribution to the economy.</li> </ul>
<ul style="list-style-type: none"> <li>● It's not clear that any simplified trade regime is in operation at the key border points where ICBT trade is taking place – Somalia's borders with Kenya, Ethiopia and Djibouti</li> </ul>	<ul style="list-style-type: none"> <li>● MoCI to review regional STRs and their applicability at the relevant borders to facilitate trade.</li> </ul>
<ul style="list-style-type: none"> <li>● Women and youth continue to face challenges in trading across borders</li> </ul>	<ul style="list-style-type: none"> <li>● Prioritize a gender and youth-based approach to ICBT which address some of the pervasive constraints that afflict women and youth participation in trade.</li> </ul>
<ul style="list-style-type: none"> <li>● Intensification of cross border policy dialogue will build an understanding of local cross border dynamics.</li> </ul>	<ul style="list-style-type: none"> <li>● Mainstream ICBT in national and regional economic policy dialogues.</li> </ul>
<ul style="list-style-type: none"> <li>● Cross border payments systems remain a challenge</li> </ul>	<ul style="list-style-type: none"> <li>● The promotion of suitable financing solutions is of critical importance for informal and small-scale traders. Traders without bank accounts are often locked out of formal processes. Electronic payment systems for cross-border payments can cut the security risks for informal traders and represent an opportunity to formalise trade.</li> </ul>
<p><i>Cross Cutting Pillar interventions</i></p>	
<ul style="list-style-type: none"> <li>● Ensure equal participation of women in AfCFTA national coordinating &amp; oversight structures.</li> </ul>	<ul style="list-style-type: none"> <li>● Consult and ensure the equal participation of women-led organisations across sectors in all AfCFTA national coordinating structures, including <i>inter alia</i> National AfCFTA Committee, charged with coordinating AfCFTA implementation across Government &amp; National Trade Facilitation Committee.</li> </ul>
<ul style="list-style-type: none"> <li>● Build the export and trading capacity of women-led business in the AfCFTA</li> </ul>	<ul style="list-style-type: none"> <li>● Develop and implement AfCFTA export-ready capacity development and training programmes for women entrepreneurs.</li> <li>● Design context-specific business and entrepreneurship management programmes to strengthen women's entrepreneurial skills, including through business development, leadership, mentorship, and networking.</li> </ul>
<ul style="list-style-type: none"> <li>● Empower women in regional value chains, corporate supply chains and public procurement</li> </ul>	<ul style="list-style-type: none"> <li>● Prioritize opportunities for women in high-value regional value chains: understand the terms of involvement for women by conducting gender-focused sectoral value chain analysis to determine with accuracy where women and men are in various segments of the value chain.</li> <li>● Improve access to education, specialized skills, vocational and on-the-job training that respond to identified causes of persistent gender-occupational segregation.</li> </ul>



	<ul style="list-style-type: none"> <li>● Explore public-private sector partnerships that connect women-owned SMEs to regional markets by becoming certified suppliers of corporate supply chains.</li> <li>● Design gender-responsive public procurement policies that integrate women-owned businesses in public procurement supply chains.</li> </ul>
<ul style="list-style-type: none"> <li>● Close the gender gap in access to finance</li> </ul>	<ul style="list-style-type: none"> <li>● Improve women-owned businesses access to finance to grow their businesses, including through a range of innovative financing instruments ranging from micro-loans to venture capital.</li> <li>● Collaborate with financial institutions to provide low-interest loans for women entrepreneurs. Collaborate with commercial and microfinance banks and other partners on digital financial services and products.</li> </ul>
<ul style="list-style-type: none"> <li>● Design and implement a gender-responsive trade facilitation agenda (including digital trade facilitation)</li> </ul>	<ul style="list-style-type: none"> <li>● Identify trade facilitation measures to improve the safety and boost the participation, especially of women traders, in small-scale cross-border trade. Measures could include improved security lighting as well as “at the border” infrastructure, such as proper storage, health, and sanitary facilities. Implement gender sensitive training to customs officers and border officials at ports of entry and exit.</li> </ul>
<ul style="list-style-type: none"> <li>● Improved access to e-commerce and digital trade solutions</li> </ul>	<ul style="list-style-type: none"> <li>● Develop and expand ICT and digital infrastructure.</li> <li>● Support women’s participation in e-commerce through bridging the gender digital divide and addressing digital illiteracy and lack of digital skills as one of the main drivers of the gender digital divide, and a particular constraint to women’s participation in ecommerce.</li> <li>● Implement digital trade solutions, including e-transactions and e-payments, to improve efficiency in cross-border trade. Online payments such as mobile apps for small-scale cross-border traders, e-logistics, and e-legislation are examples of digital trade solutions proposed to improve efficiency in cross-border trade.</li> <li>● Implement digital literacy, education, and skills to support the equal participation of women entrepreneurs, small-scale and informal cross border traders in digital trade platforms to facilitate intra-African trade.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia does not have legislation to regulate data and consumer protection, data transfer, cybersecurity, and electronic transactions.</li> </ul>	<ul style="list-style-type: none"> <li>● Need to Fasttrack Somalia’s digital economy legislation.</li> </ul>
<ul style="list-style-type: none"> <li>● Somalia does not have a digital market strategy or E-Commerce strategy</li> </ul>	<ul style="list-style-type: none"> <li>● Align the development of digital market strategy or E-commerce strategy with development on the digital trade protocol of the AfCFTA</li> </ul>
<ul style="list-style-type: none"> <li>● Climate change poses a significant risk to the Somalia’s ability to expand agriculture and livestock production</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with the relevant ministries to develop a strategy on how production can be expanded without causing adverse effects on arable land and rangelands</li> </ul>
<ul style="list-style-type: none"> <li>● Scaling up agriculture crop production may increase water insecurity</li> </ul>	<ul style="list-style-type: none"> <li>● MOCI to work with relevant ministries, agencies and private sector to introduce technology that can conserve water or plant varieties that are less water intensive</li> </ul>



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