Federal Government of Somalia
Ministry of Finance

Somali Customs Strategic Plan

2024 *to* 2027

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ABBREVIATIONS

ACV	WTO Agreement on Customs Valuation
CoCI	Chamber of Commerce & industry
COMESA	Common Market for Eastern and Southern Africa
CRATES	Customs Reform and Trade Enhancement in Somalia
CRV	Customs Reference Value
CTTF	Customs, Trade and Transport Forum
DDP-9	Somalia National Development Plan 2020 to 2024
EAC	East African Community
FGS	Federal Government of Somalia
FMS	Federal Member State
FRS	Federal Republic of Somalia
HIPC	Heavily Indebted Poor Countries
HR	Human Resources
HS	Harmonised System
HQ	Headquarter
IBM	Integrated Border Management
ICT	Information and Communication Technology
ISO	International Organization for Standardization
JSS	Federal State of Jubbaland
KPI	Key Performance Indicators
MoCI	Ministry of Commerce and Industry
MoF	Ministry of Finance

MoFED	Ministry of Finance and Economic Development
MoU	Memoranda of Understanding
NCC	National Consultative Council
PAFTA	Pan-Arab Free Trade Agreement
PCA	Post Clearance Security
PCMIS	Port Customs Management Information System
PCS	Puntland Customs System
PMM	Performance Measurement and Monitoring
PSS	Federal State of Puntland
RKC	Revised Kyoto Convention
SCRR	Somali Customs Reform Roadmap
SOMCAS	Somali Customs Automated System
SOPs	Standard Operating Procedures
STIP	Somali Trade Information Portal
SWSS	South-West State of Somalia
TFA	Trade Facilitation Agreement
TNA	Training Needs Analysis
ToT	Training of Trainers
TRS	Time Release Study
TWG	Technical Working Group
WCO	World Customs Organization
WTO	World Trade Organization

MESSAGE FROM THE MINISTER OF FINANCE

The Federal Government of Somalia has developed this Somali Customs Strategic Plan for the years 2024 to 2027. This plan represents an important milestone in our ongoing efforts to modernize and strengthen the Somali Customs Department, a critical institution for securing our nation's economic future.

Over the past several years, we have witnessed remarkable progress in rebuilding and enhancing customs operations across Somalia. The introduction of Somali Customs Automated System (SOMCAS), the harmonization of customs policies and regulations, and the commitment to aligning with international standards have all contributed to a steady increase in domestic revenue collection. However, we recognize that significant challenges remain, and more work is needed to fully realize the potential of our Customs Department.

This strategic plan outlines a comprehensive and ambitious roadmap to optimize revenue collection, enhance enforcement and security, improve organizational efficiency, facilitate trade, and deepen regional and international integration. Moreover, the plan is designed not just to boost revenue, but to enhance Somalia's economic competitiveness on the global stage. By pursuing these strategic objectives, we aim to position the Somali Customs as a formidable institution, capable of supporting sustainable economic growth, safeguarding our borders, job creation, and improved living standards for all Somalis.

The successful implementation of this plan will require unwavering leadership, genuine partnerships, and a whole-of-government approach. I am confident that, with the dedicated efforts of our customs officials, the support of our international partners, and the commitment of the Somali people, we will make significant strides in transforming our Customs Department into a modern, efficient, and customer-centric organization.

I would like to express my sincere gratitude to all those who have contributed to the development of this strategic plan. Your insights, expertise, and passion for improving Somali Customs have been invaluable.

Together, let us embark on this journey to strengthen our nation's economic foundations and secure a prosperous future for all Somalis.

Mr. Bihi Iman Egeh

Minister of Finance

Federal Republic of Somalia

MESSAGE FROM THE DIRECTOR GENERAL OF REVENUE

This Somali Customs Strategic Plan for 2024-2027 represents a critical milestone in our ongoing efforts to strengthen Somalia's customs administration and enhance revenue mobilization. This comprehensive plan outlines our strategic vision and key objectives to elevate the performance and effectiveness of the Somali Customs Automated System (SOMCAS).

Over the past decade, customs operations have undergone substantial advancements and transformative evolution, facilitated by the implementation of innovative policies, legislative enhancements, and the adoption of modern technological systems. In line with the Customs Act of 2020, new regulations, including the tariff schedule and Declaration and Valuation Regulations, have been introduced. Somali Customs has historically focused on capacity building, conducting training events for both customs officials and the private sector to address key reform areas identified in the SCRR, covering topics like HS Code, WTO Valuation methods, and Risk Management. These achievements have laid the groundwork for future advancement, and this strategic blueprint will serve as a roadmap to guide us forward.

The strategic objectives outlined in this plan aim to modernize the Somali Customs Department, enhancing its efficiency and service orientation. This modernization will support the Federal Government's goals of broadening the tax base, reducing dependence on external grants, and investing in vital public services and infrastructure. Somali Customs will continuously review and adapt legislation to align with EAC instruments and international standards from the WCO and WTO. Establishing a dedicated Classification, Valuation, and Rules of Origin Unit in all states will improve oversight and ensure accurate customs revenue calculations, facilitating the adoption of EAC Customs laws and regulations throughout the implementation of this plan.

This strategic plan aims to enhance vital public services and boost the country's productive capacity through improved security and trade facilitation. Enforcing the Rule of Origin is crucial for maintaining customs revenue after implementing preferential duties within the EAC and other agreements like PAFTA. To ensure higher compliance, Somali Customs will undertake a sustained program of reform and modernization, including improving service delivery standards, educating traders and the public on their obligations and expectations, and reducing non-compliance through risk management and enforcement programs. Key initiatives will focus on promoting voluntary revenue compliance via targeted awareness campaigns, transparent communication, streamlined procedures, technology integration (like SOMCAS), incentive programs, and capacity-building efforts.

As the Director General of Revenue, I am deeply appreciative of the dedication and unwavering efforts of our customs officials across the country. This strategic plan is a testament to their commitment, and I am confident that with its effective execution, we will witness tangible improvements in customs performance and its contribution to national development.

Gratitude is extended to the Ministry of Finance, the Customs Department, and our stakeholders for their vital contributions to this strategic plan. We also acknowledge the donor community's support, particularly from the UK Foreign, Commonwealth and Development Office through the CRATES and PREMIS2 projects.

Together, we will build a Somali Customs Department that exemplifies excellence, efficiency, and integrity, serving as a cornerstone for the economic and social progress of our nation.

Mr. Feisal M. Hashi

Director General of Revenue

Ministry of Finance

MESSAGE FROM THE DIRECTOR OF CUSTOMS

As the Director of Customs, I am pleased to address our stakeholders and the citizens of Somalia through this strategic plan for 2024 to 2027. This plan marks a pivotal moment in our journey towards transforming Somali Customs into a benchmark of efficiency, transparency, and service excellence within the region and beyond.

Our mission is clear: to safeguard our national borders, facilitate trade, and enhance our economic security through effective customs administration. We have embarked on significant reforms aimed at modernizing our operations, adopting new technologies, and aligning our practices with international standards. The implementation of the Somali Customs Automated System (SOMCAS) has been a major milestone, significantly improving our operational efficiency and data management capabilities.

These advancements are not just about keeping pace with global trends; they are about setting the stage for economic growth, attracting foreign investment, and increasing our participation in international trade. As we streamline processes and strengthen our regulatory framework, we also focus on building the capacity of our staff. Our team is our greatest asset, and investing in their training and development is essential for maintaining the integrity and professionalism of our services.

Collaboration remains a cornerstone of our strategy. We are committed to working closely with other government agencies, international partners, and the private sector to ensure that our customs operations contribute to a stable and prosperous economic environment in Somalia. Through these partnerships, we aim to enhance compliance, streamline trade procedures, and deliver services that meet the needs of all stakeholders.

As we move forward, I am confident in our direction and the strategies we have laid out in this plan. Our goals are ambitious, but with the continued support and dedication of our customs staff and partners, I believe they are within our reach.

Mr. Abukar Sh. Ahmed Mursal

Director of Customs

SUMMARY OF THE PLAN

1. INTRODUCTION

1.1 Somali Customs Trajectory

Investing in a nation's Customs Department (CD), especially during its formative stages, can yield remarkable results. An illustrative example can be found in Somalia's early years of independence.[1] Between 1960 and 1969, the country received substantial subsidies from both Britain and Italy to support its transitional period. These subsidies amounted to more than thirty-one percent of Somalia's budget during the first three years of its independence. The budget encompassed a five-year plan and over US$100 million in loans and grants aimed at fostering investment and infrastructure development[2]. The underlying idea was to improve port accessibility, anticipating an increase in customs revenue through elevated livestock and plantation crop exports. The results were indeed positive, as Somalia successfully entered the international livestock market, doubling the value and volume of livestock exports, surpassing even its leading export, bananas, at that time[3].

Those stated gains were sadly hindered by the twenty-plus years of civil war as today Somalia grapples with inadequate public service provision, leading to a lack of citizen motivation to pay taxes. The country's debt-to-GDP ratio is yet less than 4%, the lowest in Africa and well below the 15% benchmark set for global revenue mobilization of the developing countries[4]. Relying heavily on grants and Customs revenue, Somalia's limited revenue sources overlook the potential of direct taxation crucial for state development. Decades of conflict have left Somalia's economic and social infrastructure in ruins, fostering a norm of tax evasion and turning the formal economy into an informal sector.

Between 2007 and 2012, Somalia embarked on the crucial task of

1 Chapin Metz, H. (1993). Somalia : a country study. Washington, D.C.: Federal Research Divsion, Library of Congress.

2 Chapin Metz, H. (1993). Somalia : a country study. Washington, D.C.: Federal Research Divsion, Library of Congress.

3 Chapin Metz, H. (1993). Somalia : a country study. Washington, D.C.: Federal Research Divsion, Library of Congress.

4 Khan, O. K. S. S., & Khan, O. K. S. S. (2023, October 2). Customs reforms help Somalia increase tax revenue despite COVID-19 and fragility. World Bank Blogs. https://blogs.worldbank.org/governance/Customs-reforms-help-somalia-increase-tax-revenue-despite-covid-19-and-fragility#:~:text=Somalia%20has%20brought%20tax%20revenue,after%20a%20decline%20in%202020.&text=Despite%20the%20steady%20progress%20achieved,at%204.4%20percent%20of%20GDP.

reestablishing customs operations following the civil war. The government introduced a specific duty tariff, deployed former customs officials in key locations such as Mogadishu and Kismayo, and began manual operations. In 2013, the Port Customs Management Information System (PCMIS) was launched, facilitating the upload of a revised tariff. Additionally, basic customs training commenced during this period. Subsequently, in 2017, discussions on customs harmonization began, resulting in the agreement of a uniform tax rate for khat and tobacco.

Nevertheless, there is a promising opportunity to replicate the successes made in the 60s, 70s, and 80s through investments in modernizing the Customs Department. Between 2018 and 2022, the Ministry of Finance (MoF), Revenue Directorate, led initiatives focused on enhancing customs practices in Somalia. These efforts were aimed at aligning customs operations with international standards, resulting in a substantial increase in domestic revenue. These reforms have primarily concentrated on; customs policy, legislation and regulations, the application of automated and transparent customs systems, developing organizational capability within the Customs Department and improving customs communication systems.

During this period, Somali Customs have made significant progress in all four areas, Customs Regulations regarding valuation and declarations were introduced in 2023 and the Somali Customs Automated System (SOMCAS) has been introduced at ports and airports in Mogadishu and Kismayo, with a Customs Tariff containing the codes and nomenclature of the World Customs Organization (WCO) Harmonized System (HS) and ad valorum duty rates aligned with the East African Community (EAC) external tariff. Between 2012 and 2023, multiple trainings have been provided to customs and the business sector, and improvements in communications include the development of a customs website and the creation of social media accounts, including X (formally known as Twitter) and Facebook. Further detail on reforms achieved by Somali Customs can be found in Section 4 of this Plan.

Despite substantial progress, it's crucial to acknowledge the challenges that arose, particularly the delays in the implementation of the SOMCAS system. Additional training, functional reviews, and a comprehensive overhaul of business processes were necessary to address several technical setbacks.

These issues have been more recently tackled, leading to significant advancements. Nevertheless, ongoing challenges persist in maintaining these achievements, underscoring the importance of this Strategic Plan, which aims to build upon these successes.

1.2 Link Between Somali Customs Strategic Plan and other Strategic Documents

The Strategic Plan aligns with three key pillars outlined in the Somalia National Development Plan 2020 to 2024 (NDP-9): Inclusive Politics (Pillar 1), Security and Rule of Law (Pillar 2), and Economic Development (Pillar 3). It draws guidance from various sources, including the 2018 Thomas Cantens paper titled 'Roadmap on the Modernisation of Somali Customs', the Somali Customs Reform Roadmap (SCRR), and a Functional Review of the Federal Government of Somalia (FGS) Customs Department. Additionally, insights from Training Needs Analyses (TNA) in FGS and the Jubbaland (JSS) Customs Departments, conducted in 2023, including a TNA conducted for Puntland in 2019 and 2020 have informed its development. Moreover, the strategy has been shaped by a 2024 EAC Policy Paper, research materials on the impact of Somalia's accession to the EAC, and international conventions such as the WCO Revised Kyoto Convention (RKC) and the WCO Safe Framework of Standards. Furthermore, it considers the World Trade Organization (WTO) Trade Facilitation Agreement (TFA). Importantly, the Customs Strategic Plan will contribute to the formulation of the Somali Tax Policy and Administration Roadmap.

1.3 Improved Structure of FGS Customs

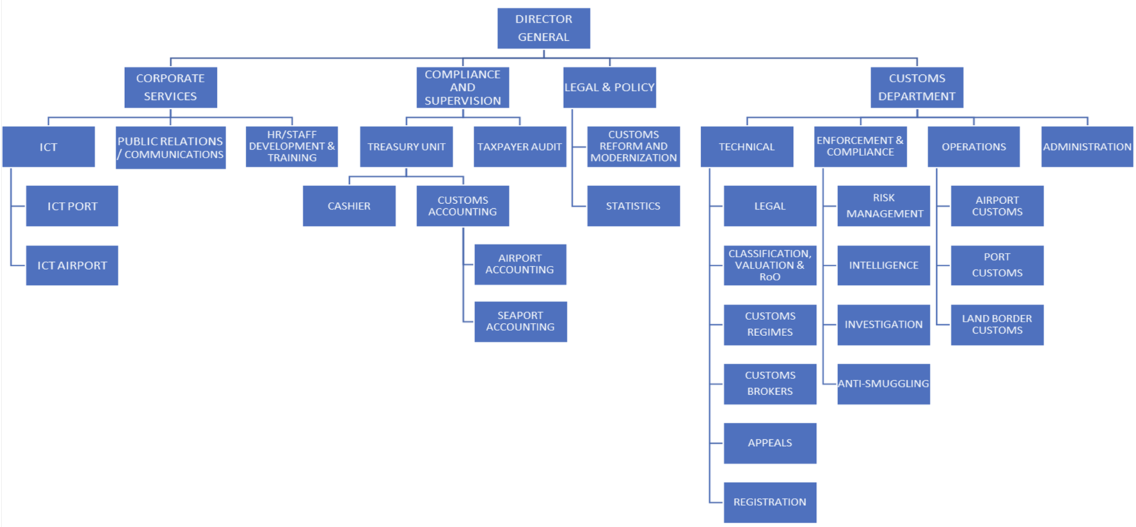
The Functional Review of the FGS Customs Department (CD) referred to in section 1.2 was completed with the objective to help decision-making to better allocate Human Resources (HR) in Customs, and included:

- An analysis of staff numbers, grading and pay scales, education levels, years of experience, age, gender, and training.
- Making recommendations on staffing and revised organogram taking into account organizational structure of a customs department in a low-

capacity environment.

Recommendations related to HR functions have been incorporated in the interventions under Strategic Objective 3: Organizational Development and Efficiency.

When assessing the recommendations for improving the Customs structure, the review team developed a structure that meets the requirement for the CD to align with government policy for the introduction of a Revenue Authority; and also provides a structure that allows the CD to develop capacity in key functions required through EAC accession and supporting the implementation of this Plan. Following a discussion with the FGS DG Revenue, the following structure was agreed:



2. SITUATIONAL ANALYSIS

2.1 Economic Environment

Real GDP growth in Somalia rebounded to 3.1% in 2023 after a challenging period marked by severe drought and fluctuating commodity prices[1]. However, amidst this economic recovery, trade dynamics remain a critical area of focus. An examination of Somali Customs trade data spanning from 2013 to 2022 reveals noteworthy trends.

Export figures, while exhibiting fluctuations, showcased a notable decline from 2017 to 2021 before experiencing a resurgence in 2022, reaching $567.6 million. In contrast, imports consistently rose over the same period, peaking at $4.45 billion in 2022. This persistent trade deficit, estimated at 58% of GDP, underscores the challenges posed by import dependency and the need for concerted efforts to enhance export productivity.[2]

Despite these challenges, Somalia has embarked on strategic initiatives to strengthen its trade landscape. Accession to the EAC in December 2023 presents opportunities for expanded trade partnerships and regional integration, aligning with Somalia's commitment to robust economic recovery and collaborative regional efforts, however, there will be potential revenue loss if the rules of origin are not enforced.

Furthermore, Somalia's accession to the EAC, Pan-Arab Free Trade Agreement (PAFTA), a reactivation of membership to the WCO, plus aspirations to join the WTO, underscores its dedication to global trade standards and practices. These milestones position Somalia as an active participant in the international trade community, fostering opportunities for sustainable development and attracting international investments.

Significantly, the achievements of Somali Customs have contributed to Somalia reaching the completion point under the Heavily Indebted Poor Countries (HIPC) Initiative. According to the World Bank, this reduces the country's debt to $600 million from a high of $5.2 billion and results in a decline of Somalia's external debt from 64% of GDP in 2018 to less than 6%.

1 World Bank. (2023, October). Somalia MPO - thedocs.worldbank.org. World Bank. https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-som.pdf

2 World Bank. (2023, October). Somalia MPO - thedocs.worldbank.org. World Bank. https://thedocs.worldbank.org/en/doc/bae48ff2fefc5a869546775b3f010735-0500062021/related/mpo-som.pdf

However, events in the Gulf of Aden have significantly affected Somalia's trade dynamics, influencing maritime routes and shipping lanes in the region. These disruptions have resulted in delays, price fluctuations, and interruptions in the flow of goods to and from Somalia, highlighting the consequences on trade.

In the face of these persistent challenges, including poverty and food insecurity, Somalia remains steadfast in its commitment to implementing reforms supporting growth, food security, and essential services. Leveraging trade as a catalyst for economic resilience and prosperity will be pivotal in shaping Somalia's path towards a prosperous future.

2.1.1 Assessing Somali Customs: Department Overview and Revenue Performance

The Somalia Customs Department plays a pivotal role in regulating and facilitating international trade, ensuring compliance with customs laws and regulations, and collecting customs duties, taxes, and fees. Responsible for enforcing import and export controls, the department plays a vital role in managing trade operations within the country. Somalia's strategic location along the Gulf of Aden and the Indian Ocean has historically positioned it as a significant hub for trade, with ancient maritime routes connecting Africa, Asia, and Europe.

The Federal Government holds ultimate responsibility for customs legislation, policies, and procedures, ensuring harmonization throughout the Federal Republic. As Somalia seeks to revitalize its economy and enhance its trade activities, customs modernization and efficiency are paramount. The implementation of new technologies and streamlined processes, alongside capacity-building initiatives, are crucial for customs to adapt to evolving trade dynamics and contribute effectively to economic recovery. By fostering transparency, efficiency, and compliance, customs can play a pivotal role in rebuilding Somalia's economy and restoring its position as a key player in international trade.

2.1.1.1 Mogadishu Customs

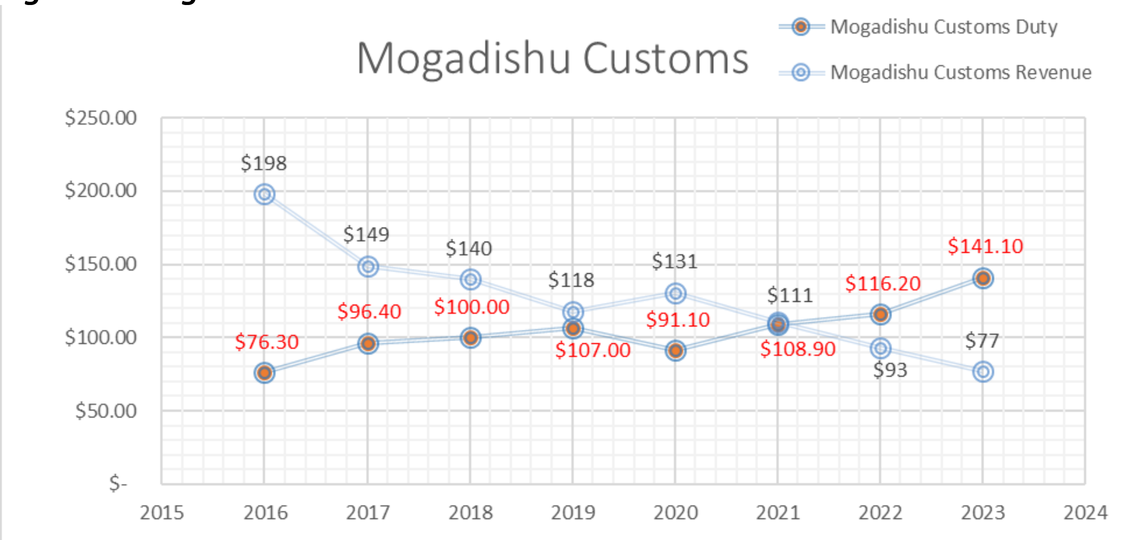
Mogadishu, the capital of Somalia, stands as a vital nexus for international trade and travel, housing both the Mogadishu seaport and airport. Despite years of conflict and instability, these infrastructures have persevered, facilitating commerce, connecting Somalia to global markets, and fostering economic growth. Efforts to modernize and rehabilitate the port, including the construction of new berths and installation of modern cargo handling equipment, have bolstered its capacity and efficiency.

These transportation hubs attract major shipping lines and airlines, playing a pivotal role in Somalia's international trade and connectivity. Shipping giants like Maersk Line, MSC, and CMA-CGM operate regularly in the port, establishing crucial links for imports and exports. Simultaneously, Mogadishu International Airport hosts significant airlines such as Turkish Airlines, Ethiopian Airlines, and Qatar Airways, facilitating passenger and cargo movement to diverse global destinations.

Meanwhile, Mogadishu Customs has embarked on a transformative journey, modernizing operations and enhancing capacity. The introduction of electronic customs systems, exemplified by implementing SOMCAS in February 2022, alongside the current Port Customs Management Information System (PCMIS), has driven efficiency and transparency while reducing corruption opportunities.

Mogadishu's import landscape saw China emerge as the primary trading partner, closely followed by the UAE and India. These developments underscore the collective efforts of Somali Customs Departments in enhancing revenue performance and facilitating trade amidst evolving global dynamics.

Figure 1: Mogadishu Customs Revenue



Similarly, the Somali Customs Department has undergone significant reforms, marking a notable improvement in revenue generation. Analysis of recent customs revenue trends over the past eight years reveals the Department's resilience and adaptability. While facing a steep decline in revenue losses in 2020, attributed mainly to the global pandemic, the department has shown a gradual recovery, surpassing previous records from 2016. These performances highlight the effectiveness of ongoing reforms and underscore the importance of proactive measures in mitigating revenue risks amidst global uncertainties.

2.1.1.2 Jubbaland Customs

Kismayo, the commercial center of JSS, is a significant hub for trade and commerce. Jubbaland is home to various transportation infrastructures, including an airport, seaport, and six land border crossings. These entry points facilitate both formal and informal cross-border trade, contributing to the economic activities in the region.

Kismayo Airport, opened in 1974, is an important transportation hub that connects the city to domestic and international destinations. It plays a crucial role in facilitating passenger travel and cargo transportation. Several airlines operate regular flights to and from Kismayo, providing connectivity to other cities within Somalia and beyond. The airport serves as a gateway for business and leisure travel, supporting economic activities and promoting tourism in the region.

The Kismayo Seaport, established in 1964 and located along the Indian Ocean, is a vital hub for maritime trade. It serves as a gateway for importing and exporting goods, connecting Kismayo to various international markets. The seaport handles various commodities, including general cargo, containerized goods, and bulk shipments. It plays a crucial role in facilitating the importation of essential goods and the export of local products, contributing to the region's economic growth.

The land border crossings, including Raaskambooni, Kulbiyow, Elwak, Dhobley, Baladxawa with Kenya, and Dollow with Ethiopia, facilitate trade and the movement of people between Somalia, Ethiopia, and Kenya.

The absence of Government officials in these border crossings led to the prevalence of informal cross-border trade, which, although contributes to the local economy and provides livelihood opportunities for many individuals, poses challenges regarding revenue collection, border control, and regulation enforcement. Efforts have been made to address this challenge, and the JSS Customs Department, in collaboration with other government agencies and international organizations, is working to establish control of these border crossings and promote formal trade. These efforts aim to balance facilitating legitimate trade and regulate cross-border activities.

A pivotal transition occurred in 2022 when the JSS Ministry of Finance and Economic Development (MoFED) assumed control of customs operations at Kismayo Port, supplanting the Port Authority. This transition precipitated operational reforms, procedural changes, the onboarding of new staff, the integration of customs with the charter of accounts, and the systemization of the tax collection system.

The strategic staff overhaul resulted in the recruitment of a younger, more qualified workforce proficient in IT. These newly appointed staff members underwent foundational customs courses as part of a capacity-building initiative. While commendable progress has been achieved, the transformative nature of these reforms necessitates additional training. The ongoing demand for skilled personnel underscores the dynamic nature of the reform process in Jubbaland.

Since the MoFED takeover, the Kismayo Customs Department has been undergoing a transformative journey by implementing SOMCAS. This strategic move is geared towards enhancing customs processes to facilitate smoother and more efficient trade operations. SOMCAS represents a pioneering venture for Kismayo Customs, marking its inaugural foray into a comprehensive automated system for managing and overseeing customs procedures. This technological adoption is anticipated to bring about positive transformations, fostering streamlined processes, and contributing to the overall facilitation of trade activities in the region.

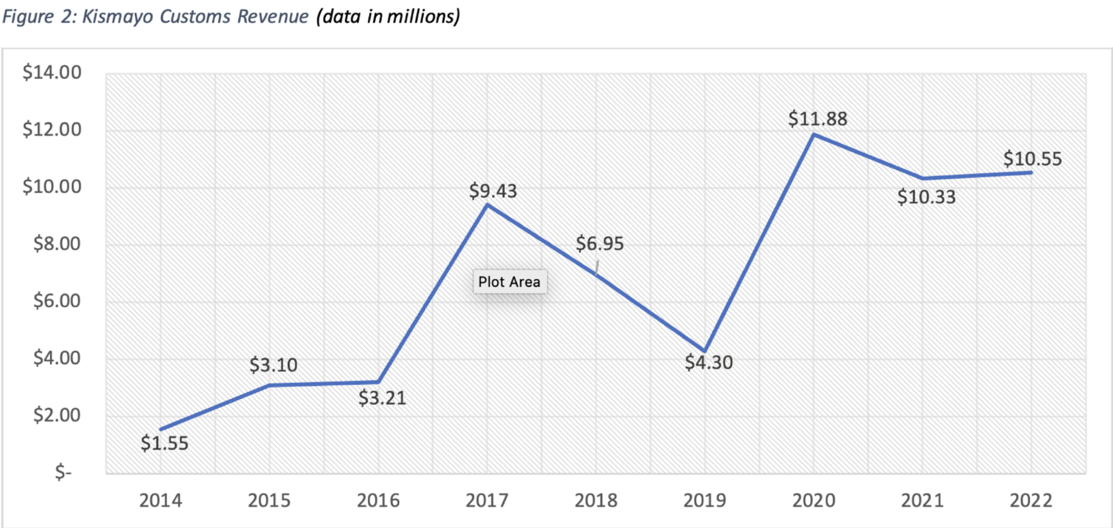
Considering the customs revenue trends at Kismayo Port, it becomes evident that the department has experienced a significant upsurge in revenue since 2019, despite the formidable global economic challenges presented by the pandemic. This surge can be ascribed to various contributing factors.

Firstly, the initiation of recording Khat duties in 2019 likely played a significant role in the boost of revenue. Khat, a commonly imported commodity, contributed substantially to the overall customs revenue once it began to be accurately recorded. Moreover, the introduction of Import Inspection Fees in 2019 provided an additional revenue stream, further contributing to the overall increase in customs revenue at the port.

Despite fluctuations in other fees and duties, import duties remained relatively stable over the years, consistently contributing to the customs revenue.

However, it's noteworthy that there was a decrease in Port Docking Fees from 2018 to 2019, which may have been influenced by various factors such as changes in port policies or reduced maritime activity during that period.

Figure 2: Kismayo Customs Revenue



In summary, the rise in customs revenue at Kismayo from 2019 onwards can be primarily attributed to the accurate recording of Khat duties and the introduction of Import Inspection Fees, despite the challenging global economic conditions. In light of the ongoing modernization and digitization efforts through the implementation of SOMCAS at Kismayo Port and Airport, it is expected that the positive trajectory of customs revenue will continue to ascend. The adoption of SOMCAS signifies a strategic leap forward for Kismayo Customs, ushering in an era of enhanced efficiency and effectiveness in customs procedures. By streamlining processes and embracing automation, SOMCAS promises to further facilitate smoother and more efficient trade operations, ultimately bolstering revenue generation at the port. As Kismayo Customs embarks on this transformative journey, marked by technological advancements and progressive reforms, the outlook for continued revenue growth appears promising, underlining the port's pivotal role as a key economic engine in the region.

2.1.1.3 Puntland Customs

Puntland is poised for substantial reforms and modernization efforts within the customs domain. The initial phase of these reforms will be confined to Bossaso airport and seaport, along with Garowe airport, within the scope of this plan.

In Puntland, efforts have been made in risk management compliance, capacity building through training, tariff remodeling, and active participation in early-stage SOMCAS discussions.

Puntland significantly contributes to the country's trade dynamics. The state has four crucial customs zones, each playing a strategic role in facilitating international trade and connectivity. These zones include Garowe Airport, Bosaso Airport, Bosaso Seaport, Garacad, and Turdibi Galdogob—a land border crossing with Ethiopia. In addition to these zones other traditional zones are, at the moment, inoperable but have the structure available to construct from in the future – they are Eyl, Laasqoray, Hafoon, Bandar-Beyle, Qandala, and Calula.

Bosaso Seaport, established in 1989, has gradually evolved into a burgeoning trade hub along the Gulf of Aden and the Indian Ocean. Despite its current capacity limitations, the port has become instrumental in regional trade, attracting mid-sized vessels and boats as its primary users. Major shipping lines may not currently operate at this port due to capacity constraints. The management of Bosaso Seaport falls under the purview of DP World, a renowned port authority. The customs clearance process at the port is facilitated through a local system known as Puntland Customs System (PCS).

Puntland has embarked on a transformative journey in alignment with global demands and to keep pace with international standards, like the reformative endeavors witnessed in Jubbaland and Mogadishu. This journey signifies a commitment to modernize operations, enhance efficiency, and align with contemporary trade practices. While the land border at Turdibi Galdogob has historically been characterized by informal trade, the gradual establishment of customs presence indicates a shift towards more formalized and regulated trade activities.

2.1.1.4 Galmudug Customs

Situated north of Mogadishu and south of Puntland, Galmudug state in Somalia occupies a strategic geographical position, bordered by Ethiopia to the west and the Indian Ocean to the east. In a significant development in

2023, Galmudug opened a seaport in Hobyo town, marking a notable addition to Somalia's evolving customs landscape. This state boasts a land border with Ethiopia, contributing to its regional connectivity and trade dynamics. The Hobyo seaport, having commenced operations, represents the latest expansion in Somalia's customs zones. Notably, this port is distinctive in its current operational scope, primarily engaging in trade activities with boats and handling non-containerized goods. While the port is a promising addition to Somalia's trade infrastructure, it currently lacks a designated system for customs operations.

Galmudug also boasts several significant land borders with Ethiopia, including Balanbale, Ballicade, and Abudwak. These border crossings are recognized for their predominant imports of fuel and cement. Additionally, Qaydar serves as an Ethiopian Customs and immigration border checkpoint. It is worth mentioning that Mareeg seaport, although currently not active, is a traditional port.

The absence of a dedicated system implies that the Hobyo seaport must embark on a transformative journey to align itself with established practices and standards observed by other ports across the country. This journey involves adopting modernized customs processes, electronic systems, and regulatory frameworks that facilitate efficient and transparent trade operations. As Galmudug state navigates this transformative path, the Hobyo seaport holds the potential to grow into a crucial hub for regional trade, contributing to economic development and fostering connections within the East African region.

2.1.1.5 South-West Customs

The South-West State of Somalia (SWSS), positioned between Ethiopia to the west and the Indian Ocean to the east, faces distinct challenges and opportunities in managing its customs' operations. Two vital land borders with Ethiopia, located at Yeed and Elbarde, define the region's strategic significance. Despite the importance of these border locations, the absence of formal customs presence has given rise to a flourishing informal trade environment. Currently, local authorities handle tax collections in Yeed and Elbarde, contributing to a dynamic trade landscape that demands careful consideration in crafting effective customs strategies. The prevalence of informal trade in Yeed and Elbarde underscores the resilience and adaptability of local economies. However, the informal nature of these trade activities poses challenges related to revenue collection, regulation, and customs control. The SWSS Customs Department must acknowledge and address these dynamics to establish practices that align with the economic realities of the state.

In the absence of formal customs infrastructure in Yeed and Elbarde, tax collections have been decentralized, with local authorities taking on this responsibility. This decentralized approach adds complexity to the customs landscape in South-West State, necessitating collaborative efforts between the SWSS Customs Department and local administrations for streamlined revenue collection and regulatory enforcement.

SWSS also possesses noteworthy ports in Marka, Barawe, and Jaziira, albeit on a smaller scale. While these ports are generally inactive, they occasionally engage in limited import and export activities.

Regarding air transport, SWSS currently lacks an international airport dedicated to customs operations. While this poses challenges for air trade facilitation, it also presents opportunities for strategic planning to seamlessly integrate air transport into the customs framework. Exploring options for international air transport connectivity will be crucial for enhancing the overall customs capabilities of SWSS. It is worth mentioning that the Baidoa airport currently carries international cargo, including khat.

2.1.1.6 Hirshabelle Customs

Hirshabelle currently lacks the infrastructure for an efficient customs framework or specific goals. The absence of a seaport or international airport hinders customs development. Once these infrastructures are in place, the region aims to explore modernization, seeking international support and regional collaborations for tailored solutions that foster economic growth and connectivity in Somali Customs operations. Despite these challenges, Hirshabelle boasts two significant airports: Jowhar Airport and Beledweyne Airport. These airports facilitate direct imports of Khat from Nairobi.

Additionally, Feerfeer, a notable land border with Ethiopia, plays a crucial role in importing Khat and household items from Ethiopia. Ceel Macan also used to be an active and thriving seaport but was eventually closed due to the reopening of the Mogadishu seaport in 2006.

2.2 Political Environment

Somalia has navigated a multifaceted political landscape characterized by periods of instability and conflict. The nation endured a protracted civil war, commencing in the early 1990s, culminating in the collapse of the central government. Subsequent years saw the emergence of autonomous regions and a significant stride towards political rehabilitation with the inception of a federal system in 2012. Under this federal structure, the Federal Republic of Somalia (FRS) implemented decentralization measures, empowering semi-autonomous regions to govern specific domains independently. This intricate equilibrium between centralized authority and regional autonomy aims to cultivate stability and foster inclusive governance.

The recent lifting of the arms embargo bears substantial implications for Somalia's security dynamics, emblematic of the international community's confidence in the nation's capacity to uphold stability and manage arms responsibly. This strategic development empowers Somalia to confront security challenges adeptly, nurturing an environment conducive to sustainable development and investment. Despite celebrating these achievements, Somalia remains cognizant of persistent hurdles, underscoring the imperative to fortify institutions, alleviate poverty, and ensure inclusive governance. International cooperation and support remain pivotal in Somalia's trajectory towards enduring stability and prosperity, harmonizing with the objectives delineated in the Customs Strategic Plan.

Politically, Somalia is transitioning to become the eighth member of the EAC, heralding a progression towards sustainable development. Recurrent droughts have exacerbated food insecurity and displacement, accentuating the pivotal role of humanitarian aid. Furthermore, the focus of the Somali National Consultative Council (NCC) meetings on customs, revenue, and fiscal federalism has played a crucial role in driving customs reform efforts.

The agreements reached during NCC sessions have been instrumental in fostering dialogue and cooperation among stakeholders. Additionally, these agreements have created a conducive environment for customs harmonization.

Interactions on both regional and global scales are integral to shaping Somalia's political landscape and influencing policies and alliances. The Ministry of Commerce and Industry (MoCI) plays a key role in spearheading trade policies aimed at enhancing economic resilience and fostering international partnerships. One such initiative is the Somali Trade Information Portal (STIP), which operates under the MoCI, providing a comprehensive platform for traders and foreign investors. Through STIP, users can access vital information on legal documents, including laws, regulations, policies, and government circulars. Additionally, STIP offers details on various measures such as licensing requirements, permits, certifications, and inspection procedures, streamlining regulatory processes. Overall, these efforts contribute to Somalia's competitiveness in the global arena and support its economic development goals.

2.3 PESTLE Analysis

Table 1: PESTEL Analysis

PESTEL ANALYSIS		
Factor		Implications
P Political	Political stability	Favorable - A stable political climate creates an environment conducive to consistent customs operations, thereby attracting investments and enhancing operational efficiency. Maintaining amicable relations among stakeholders is crucial for advancing the modernization endeavors of Customs Departments across Somalia, a task that demands additional effort in its current state.
	Challenges in Interstate Relations	The absence of harmonization poses a challenge to the smooth flow of cross-border trade, potentially resulting in delays and inconsistencies in Customs procedures.
	Regional geopolitical tensions	Regional disparities can present challenges in harmonizing customs procedures, potentially resulting in disparate enforcement standards that disrupt the smooth flow and efficiency of trade. Recent maritime disputes in the Awdal region serve as one example, while tensions affecting global trade in the Red Sea and Gulf of Aden exemplify additional complexities, amidst many other scenarios.
Factor		Implications

E **Economic**	Fiscal Federalism	Disparities in economic resources among regions may impact revenue collection and uniformity in customs regulations and enforcement.
	Global economic crisis	Economic downturns can lead to reduced trade volumes, impacting revenue collection for the Customs Departments.
	Trade Agreements	Adherence to trade agreements may necessitate customs reforms, potentially streamlining processes but also demanding resources for compliance.
	Factor	**Implications**
S **Social**	Perception of government expenditure	Public discontent could lead to budget constraints, affecting resource allocation and potentially hindering customs modernization efforts.
	Public Trust	Positive public trust enhances cooperation, compliance, and streamlined customs operations, fostering a partnership between the Customs Department and the public. However, customs authorities must remain vigilant against corruption perceptions, which can erode trust and impede modernization efforts.

	Factor	Implications
	Gender Imbalance	Addressing gender disparities in the customs workforce enhances inclusivity, diversity, and overall organizational effectiveness. Promoting gender equality not only improves internal dynamics but also positively influences public perception, portraying the Customs Department as an institution committed to equity and fairness.
	Socioeconomic disparities	Socioeconomic disparities pose challenges for customs, affecting trade volumes and revenue collection. However, addressing these differences offers opportunities for implementing tailored policies that contribute to more equitable economic development.

T Techno logical	Improving Information and Communication Technology (ICT) systems	Enhanced systems can streamline customs procedures but might require substantial investments and staff training.
	Limited IT expertise	Although there are very capable IT staff that are currently in position to support the department in its endeavours there's still some need for more IT experts. Failure to tackle these issues could lead to operational complications in customs systems operations.
	Big Data and AI	The integration of Big Data and AI technologies presents opportunities for enhanced efficiency and decision-making in customs operations. However, successful implementation requires investments in infrastructure and staff training. Additionally, cybersecurity measures must be strengthened to mitigate potential risks.
	Cybersecurity threats	The absence of stringent cybersecurity measures not only jeopardizes data integrity and trade security but also presents an imminent threat of substantial revenue losses and severe disruptions in logistics. It is imperative to enhance and fortify cybersecurity protocols to mitigate these serious risks effectively.
	Factor	**Implications**

E Environmental	Climate-related challenges	Increased frequency of extreme weather events can disrupt trade routes and infrastructure, impacting the movement of goods and potentially causing delays in customs operations.
	Environmental sustainability regulations	Adherence to international environmental standards may necessitate alterations in trade practices, potentially affecting customs procedures and requiring resource allocation for compliance.
	Factor	**Implications**
L Legal	Effective legislation	Outdated and unitary laws and regulations, particularly within the Somali Customs Act, may lead to uncertainties in customs rules and enforcement, potentially giving rise to inconsistencies and legal challenges. Modernizing legislations is essential to address these issues and promote clarity in Customs procedures, particularly within the context of the Somali Customs Act.
	Enforcement	Weak enforcement can encourage illicit trade and smuggling, impacting revenue collection and compromising security.
	Regulatory reforms	New or amended regulations can streamline customs processes but require effective implementation and enforcement mechanisms to ensure compliance.
	Anti-corruption legislation	Strengthening anti-corruption measures within customs operations is essential to enhance transparency and trust, facilitating smoother trade processes and revenue collection.

2.4 Technological Environment

Since 2007, Somali Customs has progressed from using basic Excel spreadsheets for its goods declaration processes, marking modest beginnings in its technological journey. By 2013, customs transitioned towards a more sophisticated system with the implementation of PCMIS in Mogadishu and PCS in Puntland. PCMIS and PCS have provided basic automated processing of goods declarations like duty calculations, reporting, online manifest upload, and physical inspection module (examiners).

SOMCAS represents a significant leap forward in modernizing customs operations, tailored to meet the unique needs and preferences of Somali Customs and introduces various features needed to support the customs clearance process. These include:

- Handling of customs declarations of any type (both cargo and goods declarations).
- Assessing the duties, taxes, fees, and any other charges that are applied in relation to the trade of goods.
- Payment of customs debt occurred and related accounting procedures.
- Handling of suspense customs procedures including customs warehousing, processing programs and transit.
- Management tools for maintenance and periodical updates of tariffs.
- A Risk Management function is integrated with the declaration processing to enable customs to apply controls based on selectivity.
- A flexible valuation control tool along with the maintenance and update facilities.
- A set of pre-defined reports containing information about foreign trade transactions that can be used for financial, and economic analysis and planning.
- A module for Passenger Manifest and calculation of passenger-related charges and fees.

The system uses the international codes and standards developed by the International Organization for Standardization (ISO), WCO Data Model, and the United Nations.

As we near full implementation, SOMCAS stands as a testament to our commitment to enhanced efficiency, transparency, and compliance within our operations.

Crafted with intricate detail, SOMCAS integrates robust features designed to streamline clearance processes, facilitate trade, and ensure regulatory compliance. Its user-friendly interfaces promise seamless interactions for all stakeholders involved in trade activities.

As we approach full implementation, the Customs Department is dedicated to maximizing the potential of SOMCAS. We are developing comprehensive training programs, user guides, and support mechanisms to facilitate a smooth transition and optimize the system's utilization. Moreover, SOMCAS reflects Somali Customs' embrace of technological advancements while prioritizing security and resilience. We are implementing continuous updates, robust cybersecurity measures, and scalability considerations to safeguard the system's integrity amidst evolving technological landscapes.

The imminent full integration of SOMCAS heralds a new era in Somali Customs' operations, underscoring our commitment to innovative solutions that promote efficiency, transparency, and collaboration, all while catering to the distinct needs of our customs processes.

2.5 Legal Environment

The current tax system in Somalia operates under a legal framework that draws from various sources, including provisions outlined in the 2012 Provisional Constitution and pre-1990 legal statutes. Originating as far back as the 1960s, these statutes were established during Somalia's earlier period as a unitary state. According to the 2012 Constitution, the responsibility for revenue collection is allocated to the level of government where it can be most effectively managed (Article 50)[3]. The Provisional Constitution also

3 Raballand, G., & Knebelmann, J. (2021, February). Domestic Resource Mobilization in Somalia. https://documents1.worldbank.org/curated/en/121391596804622057/pdf/

dictates that existing laws, unless completely revised, remain in effect. Consequently, there has been minimal alteration to tax rates, valuation methods, and the classification of taxable goods over the past several decades. Notable tax laws within this framework include Law No. 1 of March 31, 1961, governing Customs; Legislative Decree No. 5 of November 1966, which addresses direct taxes; and Law No. 2 of January 7, 1984, concerning sales tax.[4]

In 2019, Somalia promulgated the Revenue Administration Act, aiming to enhance tax administration. The implementation of this law, along with supportive measures, is anticipated to bolster revenue collection, although starting from a relatively low level. The resolution to strengthen compliance with financial laws, which enforces this revenue act, was signed by the Prime Minister in 2023.

In 2020, the FGS amalgamated the Customs Law 1961 and Tariff Decree 1969, and the Somali Customs Act 2020 was enacted, amid numerous appeals to return it to the parliamentary chamber for a more comprehensive evaluation and fine-tuning to align with the evolving needs of the modern Customs Department.

In alignment with the Customs Act of 2020, certain regulations have been officially endorsed, such as the tariff schedule, Declaration Regulations, and Valuation Regulations. Additionally, several regulations have been prepared and are waiting to be approved by the Minister. These regulations, alongside their comprehensive definitions, aim to bolster the implementation of the Act and provide the legal basis for reforms in Somali Customs, and include:

- The **Tariff** and the **Schedule to the Tariff** (due to the merging of the 1961 and 1969 legislation, there is some uncertainty about the legal effect of the Tariff, so the regulation re-enforces the legality)
- **Customs Broker Licensing** (which provides for customs brokers who would untimely be "trusted" intermediaries between importers and

Domestic-Resource-Mobilization-in-Somalia.pdf

4 Raballand, G., & Knebelmann, J. (2021, February). Domestic Resource Mobilization in Somalia. https://documents1.worldbank.org/curated/en/121391596804622057/pdf/Domestic-Resource-Mobilization-in-Somalia.pdf

customs)

- **Refunds** (to enable refunds of overpaid duty)
- **Prohibited Imports and Exports** (with the specific content largely to be determined by the MoF as a matter of policy)
- **Collection of Duties, Taxes, Fees and Charges** (which specifies which additional amounts may be collected by customs during the importation process, and the remittance of such amounts to the ministry/agency etc. responsible for its imposition)
- **Enforcement** (which provides for a basic set of powers for customs in relation to search of persons and premises, demands for information, and for penalties/offences, etc).
- **Cross-border transportation of cash and bearer negotiable instruments**

Accession to the EAC requires Somalia to adopt the EAC Customs Act and Regulations, however this will likely be a lengthy process. The above regulations provide an immediate alignment with some of the provisions of the EAC legislation.

There is a lack of harmonization in legislation across the FGS and FMSs, as the FMSs have yet to adopt the 2020 Act and regulations. To provide the legal basis for the implementation of reforms under this plan, the FMSs will be required to promulgate the Customs Act 2020 and supporting regulations, before proceeding with the adoption of EAC legislation.

2.6 SWOT Analysis

Table 2: SWOT Analysis

Strengths	Weaknesses
• Ongoing and completed capacity building programs in customs. • Demonstrated adaptability and openness to change within the Customs Departments. • Strong commitment from both the FGS and FMSs to embrace reform initiatives. • Continued reliance on Customs Revenue as a primary income source for the FGS and FMSs, ensuring financial stability.	• Insufficient modern office facilities and equipment at airports, seaports, and land border crossing points, hindering efficient customs operations. • Limited coordination and information sharing within the Customs Department. • Limited human and financial resources allocated to customs operations, posing challenges in meeting demands.

• Effective support from international donors in Customs Reform and Modernization, including contributions from the World Bank, IMF, FCDO, Denmark, EU, and USAID. • The presence of a well-established Customs Training Academy in Mogadishu. • Introduction of modern customs automated system providing capacity for improving customs control and facilitation. • Improved revenue data through SOMCAS, providing more accurate data for revenue reporting and forecasting. • Establishment of a Technical Working Group dedicated to driving reform and modernization efforts. • ntroduction of the WCO Harmonized Coding System in FGS and FMSs, facilitating standardized procedures. • Establishments of Customs Trade and Transport Forums in FGS and JSS, enhancing relations with stakeholders and improving collaboration in customs reforms.	• Weak performance monitoring and evaluation systems, hindering the ability to assess and improve customs processes. • Absence of agreements with neighboring countries on mutual administrative assistance and information exchange, limiting cooperation. • Weak organizational structure within the Customs Department, leading to inefficiencies and unclear responsibilities. • Limited national visibility of the Ministry, affecting its influence and effectiveness. • Slow adoption of ICT, hindering modernization efforts. • Weak administrative support services, impacting overall efficiency and effectiveness. • Absence of merit-based development opportunities for employees, potentially affecting morale and performance. • Lack of approved written procedures, guidance, and instructions for customs officers, contributing to ambiguity and inconsistency.

• Improved communications systems keeping trade informed of customs requirements and new reform activities.	• Inadequate legislation to encompass modern customs practices based on international standards, hindering efficiency and effectiveness. • Limited preventive capacity (Intelligence, Investigation, and anti-smuggling) due to organizational capacity constraints and insufficient powers of enforcement, increasing vulnerability to illegal activities. • Presence of unregulated customs brokers, posing risks to transparency and compliance. • Lack of formal cooperation at Border Crossing Points, impeding Integrated Border Management efforts. • Lack of trade facilitation measures to encourage trade compliance. • Limited technology for detecting smuggling activities, posing challenges in maintaining security and revenue protection.

Opportunities	Threats
• Utilization of ICT, news media, and social media for improved communication and outreach. • Consideration of mutual reengagement in the customs reform process by FGS and FMSs. • Modernization of Customs Legislation to align with international best practices. • Economic advancement of Somalia, presenting opportunities for increased trade and revenue generation. • Planned full implementation of SOMCAS in 2024, which can streamline customs processes and enhance efficiency. • Potential for uniformity of customs procedures in both the FGS and FMSs, fostering consistency and ease of operations. • Development of a National Risk Management Strategy to enhance risk assessment and management capabilities	• Security concerns related to terrorist threats and smuggling due to inadequate border control measures, posing risks to national security. • Fragile regional stability, which can disrupt trade and customs operations. • Variations in Customs laws, regulations, and procedures across regions, leading to fragmentation and inconsistencies in enforcement. • Importers' reluctance to adhere to tax regulations due to outdated and complex tax laws, leading to revenue losses. • Informal trade at uncontrolled border points, allowing goods to bypass customs duties. • Weak enforcement controls for revenue collection and accountability, increasing the risk of revenue leakage and corruption. • Unpredictable environmental factors, such as natural disasters, affecting customs operations and trade flows.

• rganizational restructuring to include Headquarter (HQ) functions supporting the operational aspect of customs, improving coordination and efficiency. • Strengthening internal compliance measures through the development of a code of conduct and internal audit processes. • Reinforcing compliance in the business community through engagement platforms, such as the customs, Trade and Transport Forum (CTTF). • Enhancing compliance in the declaration process through initiatives such as Customs Broker licensing, Post Clearance Audit, and modern customs legislation. • Introduction of Integrated Border Management to improve coordination and efficiency at border crossings. • Reengaging as an active member of the WCO and actively participating in WCO training, meetings and forums.	• Limited stakeholder knowledge, impacting collaboration and coordination efforts. • Social and political dynamics affecting the recruitment process, potentially leading to staffing challenges. • Reduction in customs revenue due to external factors such as pandemics, economic downturns, or trade disruptions. • Decrease in customs revenue due to limitations in airport and seaport infrastructure, hindering revenue generation opportunities. • Corruption at various levels and interference by other Government agencies, undermining transparency, and integrity in customs operations.

• Continued well-coordinated cooperation and capacity-building assistance from donors, supporting ongoing reform efforts. • Use of ICT to assist customs in detecting smuggling activities, enhancing security and revenue protection efforts. • Accession to EAC, PAFTA, WTO, etc, leading to opportunities for capacity building and data exchange agreements.	

2.7 Stakeholder Analysis

The Customs Departments' stakeholders include organizations or individuals involved in the movement of goods and people across the borders of Somalia. Somali Customs are determined to build positive relations with our stakeholders to improve co-operation and compliance. Key stakeholders are shown in the following table:

Table 3: Stakeholder Analysis

STAKEHOLDER	ROLE/FUNCTION	NEEDS & EXPECTATION
Ports Authorities	Responsible for overseeing and managing port operations.	Efficient customs processes for timely cargo handling.
Importers and Exporters	Business entities/persons engaged in international trade.	Streamlined and transparent customs processes to facilitate trade.

Brokers and Clearance Agencies	Facilitating customs clearance on behalf of importers/exporters.	Clarity and efficiency in customs procedures for effective service provision. Conformity with customs rules.
Carriers (Shipping Lines/ Airlines)	Facilitating the transportation of goods via maritime and air routes.	Efficient customs clearance to minimize port/airport congestion and optimize schedules.
Ministry of Commerce & Industry	Formulating trade policies and regulations.	Alignment of customs procedures with national trade objectives.
Chamber of Commerce & industry (CoCI)	Representing business interests and promoting trade.	Effective customs practices supporting business growth.
Ministry of Ports & Marine Transport	Overseeing port-related policies and infrastructure.	Integration of customs procedures with overall port management.
Ministry of Transport and Aviation	Responsible for transportation policies and infrastructure.	Coordinated customs processes to optimize transport logistics.
Ministry of Security	Ensuring national security, including border control.	Customs procedures that enhance security without hindering trade facilitation.
Ministry of Health	Overseeing health-related regulations and ensuring compliance with health standards for imported goods.	Customs procedures that safeguard public health and prevent the entry of harmful products.

Ministry of Agriculture	Responsible for agricultural policies and ensuring compliance with agricultural standards for imported and exported goods.	Streamlined customs processes to facilitate the timely clearance of perishable goods and prevent delays in agricultural trade.
Immigration	Managing the entry and exit of individuals at borders.	Efficient customs procedures that facilitate the smooth movement of travelers while maintaining border security.
Ministry of Environment	Responsible for environmental regulations and ensuring compliance with environmental standards for imported goods.	Customs procedures that prevent the entry of hazardous materials and promote sustainable trade practices.
Regional Organizations (EAC, COMESA, PAFTA)	Promoting economic integration and cooperation.	Harmonized customs practices for regional trade facilitation.
International Organizations (WTO, WCO)	Setting global trade standards and facilitating international cooperation.	Adherence to international trade norms and collaboration on customs best practices.
Financial Institutions	Providing financial services related to international trade.	Predictable and transparent customs processes for risk assessment.
Federal Member States	Representing regional interests and collaborating on national policies.	Alignment of customs procedures with regional and national trade objectives.

Bureau of Standards	Setting and enforcing product quality and safety standards.	Adherence to customs procedures that ensure compliance with quality standards and facilitate trade.
Fiscal Police (Turbitaria)	Enforcing fiscal laws and regulations related to customs and trade.	Effective customs procedures to prevent smuggling and revenue leakage.
Financial Reporting Centre	The Financial Reporting Centre oversees financial transactions to combat money laundering and terrorist financing, analyzes and disseminates financial intelligence, and ensures compliance with international and domestic anti-money laundering regulations.	The Financial Reporting Centre requires timely and accurate reporting of suspicious transactions from the Customs Department, seeks access to comprehensive financial data for analysis, expects collaboration with customs for enhanced anti-money laundering and counter financial terrorism measures, and anticipates customs' compliance with regulations and best practices in reporting.
International Development Partners	Engaged in development projects and humanitarian assistance.	Customs procedures that facilitate the smooth flow of humanitarian aid and support development initiatives.

2.8 Customs Reform Journey

This Strategic Plan has been formulated with consideration to the progress or reforms in Somali Customs. Key achievements in reforms are listed below:

Key Achievement 1: Establishment of TWG and intergovernmental committees and the customs, transportation and trade forum.

In 2018, the Director Generals from the FGS, JSS and PSS approved the ToR for the TWG and established a program of quarterly meetings. The TWG served as a pivotal platform, facilitating quarterly gatherings for all states to collaboratively discuss and assess the progress of reforms against the SCRR. Notably, the TWG played a crucial role in sustaining the reform process throughout the project, monitoring the progress of the customs reforms, and addressing challenges that could have derailed the reform journey. The TWG was not functional in most parts of 2022 but was later re-established, signaling the commitment to progress the customs reform. This committee will provide essential technical leadership, oversight, and decision-making in driving forward the ongoing customs reform program. Somalia also instituted a Customs Trade Forum in 2023 and established Intergovernmental Fiscal Federalism in 2015.

Key Achievement 2: Capacity Building.

To sustain capacity-building activities in the FGS and FMS's, Training of Trainer (ToT) courses were designed to equip customs with the necessary skills and knowledge to cascade down or train other customs officers effectively. Customs officers in FGS, JSS and PSS benefitted from the ToT training to empower them with advanced knowledge and skills, cultivating a cadre of highly proficient professionals within customs.

Somali Customs has a long history of providing capacity building in customs and the private sector when Somali Customs conducted multiple training events targeting both customs and the business sector, which were strategically designed to address key reform areas identified within the SCRR, covering crucial topics such as HS Code, WTO Valuation methods, Risk Management, Tariff Modeling, cargo inspection, SOMCAS, public relations and communications. Preceding the initiation of these training events were comprehensive TNAs conducted across various regions of Somalia. These analyses played a pivotal role in identifying training priorities tailored to the specific needs of customs staff, ensuring precise alignment with the objectives outlined in the SCRR.

To further bolster capacity building, a Customs Training Academy was established in Mogadishu to provide modern training facilities and a training curriculum has been developed and will be reviewed in the first year of this Plan.

Key Achievement 3: Introducing valuation and classification of goods through the modelling of tariffs from specific to ad valorem and the introduction of the WCO HS System for Commodity Description and Coding.

In a significant achievement for the Somalia Customs Department, the MoF approved, adopted, and officially published the Somali Tariff (schedule) in June 2022. This crucial development, accessible on the Ministry's website, marked a pivotal step towards aligning Somali Customs practices with international standards and facilitating a more transparent and streamlined trade environment. The newly established Tariff adopts the coding and nomenclature of the WCO HS Code, a globally recognized standard for tariff classification. Moreover, the Tariff incorporates standardized units of measurement, moving away from traditional measurements based on 'packages' and 'boxes,' thereby enhancing precision and clarity in customs declarations.

Notably, the Tariff introduces 'ad valorem' duty rates that align with the EAC external tariff. However, it's essential to highlight that the duty rates outlined in the Tariff are applied to a schedule of Customs Reference Values (CRVs). This approach differs from the customary international standards of valuation under the World Trade Organization (WTO) and EAC, which typically require customs duties to be calculated using the transaction values, as indicated on invoices and other commercial/transport documents. Recognizing this departure, the Customs Strategic Plan will seek to address and align the valuation methods with international standards in the upcoming phases of the reform journey.

Key Achievement 4: Ensuring that the legislative basis supports the introduction of the Customs Declaration and providing guidance and training to Customs officers and the trading community.

In the pre-reform era, Somali Customs operated under the Customs Law 1961 and the Tariff Legislation 1968. However, in a transformative move in 2020, the FGS MoF unified these two legislative frameworks, giving rise to the Amended Customs Act 2020. To complement the implementation of the Customs Act 2020, a set of new regulations was drafted. These regulations, designed to fortify the legal framework introduced by the 2020 Act, these regulations include:

- The Tariff and the Schedule to the Tariff
- Customs Declaration Regulations
- Customs Valuation Regulations
- Customs Broker Licensing Regulations
- Customs Enforcement Regulations
- Customs Prohibited Imports and Exports Regulations
- Customs Refund Regulations; and
- Customs Collection of Taxes, Fees, and Charges Regulations.

Significantly, the Customs Declaration and Customs Valuation regulations have already been promulgated by the FGS MoF in the first quarter of 2023 and made available on the Ministry's website. However, the remaining regulations are yet to be formally signed.

Upon the promulgation of all regulations, harmonized across all jurisdictions, Somali Customs will progress toward alignment with EAC legislation. This alignment is a key activity in the Customs Strategic Plan and will ultimately lead to the full adoption of EAC Customs laws and regulations over the course of this plan.

Key Achievement 5: The Digitalization of Somali Customs

From 2007 to 2012, Somalia undertook significant efforts to rebuild its customs operations post-civil war. This included the implementation of a specific duty tariff, the deployment of former customs officials in strategic areas like Mogadishu and Kismayo, and the initiation of manual operations. In 2013, the introduction of the Port Customs Management Information System (PCMIS) facilitated the updating of tariff information, coinciding with the commencement of basic customs training. Later, in 2017, discussions on customs harmonization led to the establishment of a uniform tax rate for khat and tobacco.

From 2007 to 2012, Somalia undertook significant efforts to rebuild its customs operations post-civil war. This included the implementation of a specific duty tariff, the deployment of former customs officials in strategic areas like Mogadishu and Kismayo, and the initiation of manual operations. In 2013, the introduction of the Port Customs Management Information System (PCMIS) facilitated the updating of tariff information, coinciding with the commencement of basic customs training. Later, in 2017, discussions on customs harmonization led to the establishment of a uniform tax rate for khat and tobacco.In 2020, Somali Customs, through the TWG, approved the development of a bespoke Customs IT system to incorporate all functions of a Customs Declaration processing system to implement efficient Customs practices. The developer, Infotech, worked with the customs and development partners to develop the SOMCAS system through 2021 and a pilot phase was initiated in February 2022 at Mogadishu Port and Airport, with the system operating alongside the PCMIS.

In December 2022, a review of SOMCAS was completed by customs with our reform partner to identify the steps required to fully adopt the system in Mogadishu. These steps included refresher training to customs and the business community, improvements to the integrated SOMCAS Tariff and minor improvements in the system.

Through 2023, the FGS MoF has completed an intense programme of activities to address the issues identified during the review. This has enabled FGS to meet the World Bank Recurrent Costs and Reform Financing (RCRF) III Performance Based Conditions 1, namely to 'Operationalize the Customs Automated System at the ports and airports of Mogadishu' in October 2023.

Significant progress in the implementation of SOMCAS has been achieved by JSS Customs. The JSS MoF have been proactive in engaging with the Kismayo private sector to agree implementation in a very short period. The SOMCAS Manifest Module has been fully implemented in JSS, with cargo manifests at Kismayo Port and Airport being submitted in SOMCAS. The SOMCAS Declaration Module is currently in pilot phase at Kismayo Airport and Port, with all declarations now submitted in SOMCAS, and a gradual implementation of valuation and inspection modules in process.

SOMCAS contains an integrated tariff which harmonizes HS Codes, goods descriptions, and units of measurements. Harmonization of CRVs across the jurisdictions is required to enable Somali Customs to implement a single duty tariff, a difficult task due to significant differences in CRVs between the states. To harmonize CRVs with those approved by the FGS MoF, a phased harmonization process has been agreed, with JSS raising selected CRVs to match the FGS CRVs. This approach led to the IMF to agree Somali Customs reached the HIPC Completion point floating trigger (5), which is to 'Adopt and apply a single import duty tariff schedule at all ports in the Federal Republic of Somalia had been met. The continued harmonization of CRVs will be progressed through a new Joint SOMCAS Management Committee, created between FGS and JSS to jointly agree future changes in SOMCAS and the integrated tariff.

SOMCAS has also introduced risk-based cargo interventions through the SOMCAS selectivity module. Although at an early stage, it is expected this area will expand through the further development of risk management to target non-compliance and introduce trade facilitation benefits to compliant traders.

SOMCAS has resulted in a refinement of business processes of FGS and JSS, and new SOMCAS Business Processes and Standard Operating Procedures (SOPs) have been approved by FGS and JSS, harmonizing business processes across the two jurisdictions. This systematic approach improves efficiency, consistency, transparency and compliance at every stage of our operations.

Key Achievement 6: Strengthening Stakeholder Engagement

Somali Customs have intensified its engagement with stakeholders through diverse initiatives, including inviting stakeholders to commemorate International Customs Day events and hosting trainings for the private sector. In a groundbreaking move to improve engagement with other government agencies and the private sector, FGS and JSS launched Customs Trade and Transport Forums in the last quarter of 2023. The Forums provide the platform for regular dialogue between the MoF and their stakeholders in government and the private sector involved in international trade to encourage a climate of shared responsibility and ownership towards developing reforms in customs. Through enhanced engagement, Somali Customs endeavors to cultivate stronger partnerships and promote mutual understanding within the customs community, ultimately contributing to smoother trade and transport operations.

Somali Customs have made significant progress in communications, with the development of customs websites, managed by internal communications teams. The websites provide information on customs legislation and publications include a number of materials relating to SOMCAS, including instruction manuals and information. Customs have also set up social media accounts, such as X (formally known as Twitter), LinkedIn, YouTube, and Facebook accounts which they use to announce new reforms, events and achievements.

Key Achievement 7: Restructuring and Organizational Development

FGS Customs has embarked on a comprehensive restructuring initiative, focusing on the implementation of new codes of conduct and ethical standards. Additionally, significant investments have been made in providing IT equipment such as desktops, iPads, printers, and server rooms that operate the SOMCAS system.

A recent Functional Review of FGS Customs provided recommendations for new structure of the Customs Department, strengthening management and reporting lines and introducing new functions to improve the Departments capabilities to introduce further reforms aligned with the objectives of the SCRR and this Strategic Plan, providing the department with the building blocks to reach its goal of becoming a modern, effective Customs Administration.

3. VISION, MISSION, AND VALUES

Vision:

”Our Vision is to transform our customs administration into a modern, highly efficient organization that provides exceptional professional services to all stakeholders. We will achieve this by embracing international best practices, maximizing revenue collection, trade facilitation and safeguarding our borders. Our ultimate goal is to lead the customs administration and position it as a prominent within the region and globe, driving economic growth and trade excellence.”

Mission:

”Our mission is to commit to the protection of our society, the fair enforcement of customs law, and the sustainable promotion of economic development. We achieve this by fostering compliance, facilitating trade, and encouraging innovation. Our dedication to these principles defines our commitment to the people we serve and the prosperity of our nation.”

Values:

“Committed to excellence in customs operations, upholding professionalism, fairness, and innovation, we ensure efficient, ethical service delivery for all stakeholders.”

4. STRATEGIC OBJECTIVES AND PRIORITY INTERVENTIONS

The Somali Customs Strategic Plan recognizes and addresses the operational challenges confronting the Somali Customs landscape. This plan serves as a comprehensive framework aimed at bolstering the efficiency, transparency, and overall effectiveness of customs operations throughout the FRS. Aligned with international standards, particularly those set by the WCO, the plan identifies five strategic objectives. These objectives are the result of a thorough examination of past customs performances and a strategic analysis of the operating environment.

These strategic objectives, along with their associated priority areas, collectively establish a roadmap for Somali Customs spanning from 2024 to 2027. The plan charts a course towards cultivating a modern, efficient, transparent, and collaborative customs environment. The strategy is slated to be in effect for three years, commencing in April 2024 and concluding in March 2027. Importantly, this document is dynamic, designed to be a living guide that can be adapted to address emerging priorities.

Outlined below is a summary of the strategic objectives and their corresponding interventions aimed at realization. These objectives encompass optimizing revenue collection, enforcement, security and societal protection, organizational development, and efficiency, enhancing trade facilitation and economic competitiveness, and facilitating regional and international integration.

Strategic Objective 1: Optimizing Revenue Collection

The paramount goal of optimizing revenue collection takes center stage in the Somali Customs Strategic Plan, driven by the critical need to fortify financial resources for national development. A robust revenue collection system is the linchpin of economic stability, providing crucial funds for essential public services, infrastructure development, and poverty alleviation initiatives. This strategic objective underscores the Somali Customs' commitment to implementing modern and efficient revenue collection mechanisms, utilizing technology, streamlined processes, and strategic collaborations. The rationale is firmly grounded in the belief that a well-optimized revenue collection framework ensures fiscal sustainability, empowering the government to meet the evolving needs of its citizens and fostering socio-economic progress and stability. Customs is expected to collect 173.7 million of customs revenue in 2024 and 22.6 million of sales tax on imported goods.

Priority interventions:

1. **Legislative Alignment**: Somali Customs will continually review and strengthen customs legislation, adapt it with EAC instruments and international standards set by the WCO and WTO. This ensures a legal framework consistent with global best practices. This priority intervention cuts across Strategic Objective 2: Enforcement and Compliance.

2. **SOMCAS Implementation:** Full implementation of SOMCAS as the sole system in all Customs Administrations will harmonize and enhance revenue collection systems across the FRS. The end-to-end SOMCAS system provides a streamlined and efficient platform for customs operations, contributing to more accurate and timely revenue collection. Selectivity performed through the Risk Management module will enable customs to target non-compliance more efficiently, leading to improved revenue yields. This priority intervention cuts across all strategic objectives.

   To progress full SOMCAS implementation, Somali Customs will work with reform implementing partners to develop a Roadmap for full handover of the system to the FGS, including ensuring that national IT experts have the capacity to fully manage the system.

3. **Classification, Valuation and Rules of Origin:** Improving the capacity of customs in these core customs functions is crucial in improving the revenue collection process. Establishing a dedicated Classification, Valuation and Rules of Origin Unit in all states will enhance oversight of these key elements in the accurate calculation of customs revenue. Additionally, by 2027, Somali Customs will begin implementation of the WTO Agreement on Customs Valuation (ACV) by establishing the transaction value (invoice) of goods as the primary method of valuation of imported goods, further enhancing revenue collection capabilities and ensuring consistency in customs valuation practices. Enforcing Rule of Origin is important to keep the customs revenue base after implementing preferential treatments on duties between member states of the EAC and other international agreements such as PAFTA. This priority intervention cuts across Strategic Objective 3: Organizational Development and Efficiency.

4. **Risk Management**: The application of risk management principles provides a means of achieving balance between ‘facilitation’ and ‘control’, whilst acknowledging limited resources and increased volume of cross-border traffic. Implementing a risk-based strategy for customs enables managers to target non-compliance by deploying resources to areas that will yield highest results in terms of both revenue collection and interdiction of prohibited or restricted goods, whilst providing trade facilitation benefits to compliant trade. A risk management strategy will be developed that is based on the

international best practices and fully compliant with the Revised Kyoto Convention, WCO guidelines and the SAFE Framework of Standards. The strategy will, however, be tailored to suit the specific needs and requirements of Somalia. A dedicated Risk Management Unit will be established to implement and monitor the strategy and oversee risk management principles in customs operations. This priority intervention cuts across Strategic Objectives 2: Enforcement and Compliance, Strategic Objective 3: Organizational Development and Efficiency, and Strategic Objective 4: Enhance Trade Facilitation and Economic Competitiveness.

5. **Voluntary Revenue Compliance:** Promoting and increasing voluntary revenue compliance among stakeholders is a key focus. Through targeted awareness campaigns, transparent communication channels, streamlined procedures, technology integration like SOMCAS, incentive programs, and capacity-building initiatives, Somali Customs aims to encourage a culture of adherence with customs rules, while regular audits and assessments identify areas for improvement, collectively creating an environment conducive to fair and effective revenue practices. This priority intervention cuts across Strategic Objective 2: Enforcement and Compliance. Additionally, by 2027, Somali Customs will fully implement the Ad-Valorem system, further enhancing revenue collection capabilities and ensuring consistency in customs valuation practices.

Strategic Objective 2: Enforcement, Security and Protection of Society

The Somali Customs Strategic Plan embodies a holistic approach aimed at collecting the maximum revenue available through the application of contemporary enforcement techniques that both facilitate legitimate trade and target non-compliance. A compliance strategy will be developed that makes fundamental changes to the way customs applies its control and enforcement measures, including strengthening customs legislation, adoption of risk management techniques, targeting non-compliance through intelligence-driven interventions and introducing audit-based controls. Voluntary compliance will be enhanced through the engagement of communities through compliance education.

Prioritizing intra-agency and cross-border collaboration and information exchange underscores a commitment to local and international partnerships, intelligence sharing, and streamlined trade processes.

The inclusion of enforcement measures, such as post-clearance audits, concentrates on minimizing revenue leakage and ensuring financial accountability. The strategic emphasis on intelligence strengthening and enhanced data analytics demonstrates a proactive approach to managing risks, combating illicit trade, and enhancing overall societal security. The commitment to innovative approaches in combating various forms of illicit trade underscores the Customs Department's dedication to addressing evolving challenges, fostering a secure, compliant, and cooperative business environment.

Priority interventions:

1. **Strengthening Customs Legislation**: This theme underscores the importance of implementing modern Customs legislation, aligning regulatory frameworks with contemporary trade practices to ensure efficiency, compliance, enforcement, and social protection. Enforcement Regulations that are awaiting promulgation will provide an immediate strengthening of legislation and will enable Somali Customs to develop enforcement strategies needed to target non-compliance, until full alignment with EAC legislation is achieved.

2. **Targeting Non- Compliance:** Somali Customs will improve its enforcement capacity to target non-compliance, including measures such as the development of seizure procedures to penalize offences contrary to customs legislation and Post Clearance Audit (PCA) techniques focused on minimizing revenue leakage and ensuring accurate declarations. Enhancing enforcement and compliance measures aims to address non-compliance effectively in the goods clearance process. Compliance will be enhanced by the professionalization of Brokers through the introduction of a Customs Broker Licensing regime. Mandatory training, examinations, and ongoing professional development signify a commitment to elevating the skillset and efficiency of Brokers, contributing to a more proficient service to trade.

3. **Community Engagement and Compliance** Education: Emphasizing a community-centric approach, the Customs Strategic Plan integrates both community engagement and compliance education as essential components of its overarching objectives. Through various programs, the plan aims to engage with local communities and enhance awareness regarding customs regulations, thereby fostering voluntary compliance among traders. These educational initiatives are designed to cultivate a culture of understanding, cooperation, police collaboration, health and safety awareness, and community involvement. To achieve high levels of compliance, the plan underscores the importance of multifaceted education initiatives. Comprehensive programs will utilize diverse mediums such as videos, posters, guides, manuals, trainings, and open events to educate traders and enhance their awareness and understanding of customs regulations. This strategic commitment aligns with the plan's broader goals, contributing to the harmonization of trade operations and the establishment of a more compliant

and cooperative business community.

4. **Integrated Border Management:** Somali Customs understands the significance and advantages of sharing data and information with partner agencies, and its role in securing and protecting Somalia from terrorism, criminality and revenue leakage and fraud. Somali Customs will enter into Memoranda of Understanding (MoU) with the partner agencies, to develop the concept of Integrated Border Management (IBM). The MoU will identify and specify exactly what data and information and by what means it will be shared. This intervention cuts across Strategic Objective 4: Enhance Trade Facilitation and Economic Competitiveness.

5. **Cross-Border Collaboration and Information Exchange:** Emphasizing international collaboration, this theme focuses on establishing mutual administrative agreements with national Customs Administrations of neighbouring countries. Strengthening data and information exchange strategies fosters collaboration with customs administrations, enhancing border security and trade facilitation. This intervention cuts across Strategic Objective 4: Enhance Trade Facilitation and Economic Competitiveness.

6. **Intelligence Strengthening and Enhanced Data Analytics:** The commitment to reinforcing intelligence through advanced data analytics involves creating comprehensive economic operator profiles and utilizing technical targeting and detection capabilities. This significantly bolsters intelligence efforts against illicit trade activities, non-compliance, and under-valuation enhancing societal security.

Strategic Objective 3: Organizational Development and Efficiency

The ability of Somali Customs to optimize revenue, strengthen compliance, protect society, and foster regional growth relies heavily on organizational efficiency and effectiveness in implementing modernized systems and procedures. The Somali Customs' strategic objective of Organizational Development and Efficiency aims to fortify the integrity, professionalism, and human capital within the Somali Customs administrations. Under this strategic objective, Somali Customs commits to transforming into an efficient, dynamic, and forward-thinking organization. The objective addresses key themes such as operational excellence, capacity building, ethical practices, public outreach, strategic decision-making, revenue maximization, and proactive compliance, aiming for comprehensive organizational development and efficiency. This positioning enables it to meet future challenges and significantly contribute to Somalia's economic and trade landscape.

Priority interventions:

1. **Performance Management:** Performance management and measurement are ongoing processes of ascertaining how well, or how poorly, an organization is achieving its goals and objectives. Performance management is a positive element in any modernization programme and leads to improvement in reforms, efficiency, cost awareness and effectiveness. Performance within any organization can broadly be considered at three separate levels:

- at the strategic level, where the overall 'health' of the organization can be evaluated across a series of key indicators, such as financial performance, customer satisfaction, management and staff competencies, integrity, etc.
- at the operational level, where efficiency of output production is the focus of measurement.
- at the individual staff member level, where personal performance can be measured against pre-determined standards and objectives.

Somali Customs will improve effectiveness throughout the organization and key performance indicators (KPIs) will be introduced to provide evidence of progress towards objectives and Management Controls will be introduced to provide a documented, auditable management plan for customs operational staff to enhance overall personnel management, fostering greater accountability and efficiency.

2. **Organizational Structure and Decision-Making**: Additionally, the plan envisions establishing an organizational structure empowering the Customs Department to make autonomous decisions with the Minister's approval. A new structure, recommended in the 2023 Functional Review of Customs improves reporting lines and provides for new functions to enhance the capacity of customs to implement reforms identified in this Plan, including Risk Management and Classification, Valuation and Rules of Origin functions.

3. **Human Resources**: The 2023 Functional Review of FGS Customs identified the need for further development of Human Resource (HR) functions. The monitoring of staff performance will be enhanced through the development of job descriptions for all positions in the Customs Department. A staff appraisal system will be introduced to monitor staff performance and enable good performance to be recognized and poor performance to be addressed.

4. **Capacity Building and Staff Development**: Advocating for comprehensive

training programs through the development of a training curriculum that addresses management, operational and technical training requirements, this Plan aims to empower customs officials with requisite skills and knowledge. Annual TNAs will identify evolving capacities within the Customs Department and future training needs. Internal workshops will facilitate knowledge-sharing, and recognition programs will foster a culture of excellence among staff.

5. **Public Outreach and Image Improvement:** Improving public perception is a key focus, with the plan outlining an outreach program to enhance awareness and perception. Annual perception studies will address concerns raised by the public, ensuring continuous improvement. A positive image cultivates a cooperative relationship with the private sector and stakeholders, encouraging voluntary adherence to customs regulations. The pursuit of a positive image is strategic, influencing compliance, economic growth, and the overall effectiveness of the Customs Department.

6. **Gender Equality:** The commitment to gender equality is an important part of the Somali Customs Department's Strategic Plan. This commitment ensures a safe, secure, and healthy work environment, with equal representation of female staff in capacity building and training initiatives, recognizing the pivotal role women play in the growth and efficiency of the Customs Department.

Strategic Objective 4: Enhance Trade Facilitation and Economic Competitiveness

This strategic objective within the Somali Customs plan strives to streamline and improve processes, regulations, and infrastructure, fostering the smooth and efficient movement of people and goods across borders. The goal is to implement measures that reduce barriers, enhance compliance, and encourage a competitive environment, ultimately contributing to Somalia's economic growth and competitiveness in the global marketplace. This commitment is rooted in reducing delays and enhancing accessibility to foster a dynamic and interconnected regional environment. Employing streamlined customs procedures and embracing modern technologies aims to facilitate the expeditious movement of travelers and cargo, contributing significantly to promoting regional trade and economic activities. This continuous effort underscores the Somali Customs' dedication to creating an environment conducive to smooth cross-border interactions, bolstering economic growth, and fostering positive relations with neighbouring nations. Priority Interventions identified in Strategic Objectives 1 and 2 that impact trade facilitation include full implementation of SOMCAS, the development of Risk Management, IBM and Cross-Border Collaboration and Information Exchange.

Priority interventions:

1. **Strengthening SOMCAS Implementation**: Focus on effectively implementing SOMCAS to simplify and streamline customs clearance processes, ultimately reducing costs and delays for traders. Time Release Studies (TRS) will be conducted annually to measure the efficiency of the goods clearance process through customs. Additionally, Somali Customs will develop and provide comprehensive guidance materials and manuals covering all technical areas related to customs procedures. This initiative aims to enhance trade understanding and improve declarations' accuracy, ultimately reducing processing time. Somali Customs will develop options for introducing electronic payment systems to further enhance efficiency and alleviate the burden on traders by providing convenient and secure payment methods.

2. **Private Sector Collaboration:** The Somali Customs department is dedicated to strengthening a robust private-public partnership, prioritizing efforts to overcome obstacles impeding trade facilitation. Through establishing regular consultative forums between customs authorities and businesses, strengthening Customs and Trade Transport Forums, and creating open feedback mechanisms, Somali Customs aims to fortify the collaboration between the public and private sector. This creates an environment conducive to trade facilitation, contributing to the economic development of Somalia.

3. **Enhance Customs Communication and Public Relations:** Continuously enhancing MoF/Customs websites in each state aims to establish a comprehensive information hub for the public and traders. Publishing all relevant legal instruments and tariff information provides stakeholders with predictability and transparency.

4. **Implementation of WTO TFA Measures**: As part of the 2024-2 027 Somali Customs Strategic Plan, there will be a proactive effort to implement measures outlined in the World Trade Organization (WTO) Trade Facilitation Agreement (TFA). This strategic approach aligns with EAC and international trade standards, reinforcing the commitment to efficiency, transparency, and compliance in Somali Customs operations.

Strategic Objective 5: Facilitate Regional and International Integration

In the pursuit of facilitating regional and international integration, Somalia, as a recent member of the EAC and PAFTA actively works towards fostering closer ties with internal and external partners. Key areas for achieving this objective during this Strategic Plan period include:

1. **Benchmarking Tours and Study Visits**: The Somali Customs will prioritize benchmarking tours to PAFTA, EAC, and other regional partner states. These tours will focus on national organizational structures for implementing respective treaties and protocols, such as the National Monitoring Committee on Non-Tariff Barriers, Competition Authority, and Trade Remedies Agency for EAC. Areas of focus also include the national legal and regulatory framework, inter-governmental coordination, the role of the private sector (e.g., customs clearing and forwarding agents associations), and capacity-building requirements at policy and administrative levels.

2. **Participation in Regional & Global Organizations:** Actively engaging in the activities and forums of regional organizations and bodies, Somali Customs will contribute to discussions, share experiences, and participate in joint initiatives promoting integration. This involvement aims to facilitate information exchange, provide regular updates, and foster collaborative efforts enhancing regional understanding and cooperation. During these engagements, efforts will be made to establish robust mechanisms for real-time updates on trade policies, regulations, and emerging trends with regional and international counterparts.

5. PARTNERSHIPS, LEADERSHIP AND COORDINATION

Effective partnerships, visionary and strong leadership, and seamless coordination are foundational pillars of the Somali Customs Strategic Plan. The success of this ambitious plan relies on collaborative efforts, strategic alliances, and cohesive leadership across various levels of the customs ecosystem.

1.Minister of Finance:

The Ministers of Finance of the FGS and FMSs occupy central positions in guiding customs operations with strategic directives and policy oversight. Their leadership serves to align financial policies with customs strategies, fostering fiscal sustainability and driving economic growth.

2.Director General of Revenue:

At the helm of revenue management, the Director General of Revenue plays a pivotal role in shaping the financial landscape of the nation. Their leadership is crucial in aligning revenue collection strategies with the broader goals of economic development. Close collaboration with Customs Directors ensures a unified approach towards optimizing revenue collection mechanisms and implementing strategic interventions.

3.Director of Customs:

As the head of customs operations, the Director of Customs provides strategic direction and oversees the implementation of the Customs Strategic Plan. Their leadership involves coordinating with key stakeholders, managing resources, and ensuring that the Customs Departments operate in accordance with international standards. The Director of Customs is instrumental in fostering a culture of compliance, efficiency, and innovation.

4.Customs Technical Working Group:

The TWG plays a crucial role in Somalia's Customs Strategic Plan, providing national oversight and fostering consensus decision-making to harmonize customs operations. With representatives, including the Director Generals of

FGS and FMSs, the TWG ensures customs practices align with national goals. Its consensual decision-making approach involves collaborative discussions to formulate policies, address challenges, and optimize customs efficiency. The TWG strategically plans capacity-building programs, issue resolutions, and harmonization strategies, contributing to a seamless and consistent national customs environment. The TWG embodies unity, transparency, and effective governance, working collectively to shape a future where customs operations align with the aspirations and priorities of the FRS.

5.Customs Reform Team:

The Customs Reform Team acts as the driving force behind the transformative initiatives outlined in the Strategic Plan. This multidisciplinary team collaborates with internal and external partners to ensure the successful execution of strategic objectives. Their role involves continuous assessment, adaptation, and innovation to address challenges and capitalize on emerging opportunities.

6.Operational Staff - Seaport & Airport Managers:

Operational staff, including Seaport and Airport Managers, are essential components of the customs machinery. Their day-to-day activities directly impact trade facilitation and revenue collection. Close coordination with these operational staff ensures that the strategic objectives are translated into effective on-the-ground actions. Their feedback and insights contribute to adaptive management and operational efficiency.

7.Joint SOMCAS and Tariff Committee between FGS and FMS:

The Joint SOMCAS and Tariff Committee serves as a collaborative platform between the FGS and FMSs. This committee is crucial in ensuring a harmonized approach to SOMCAS and tariff-related decisions. Coordinated efforts ensure a standardized approach to customs procedures, contributing to a seamless and integrated customs environment across the nation.

8.Collaborative Leadership Approach:

The Strategic Plan promotes a collaborative leadership approach where the Director Generals of Revenue, Directors of Customs, Customs Reform Teams and operational staff work together. Regular consultations, joint decision-making forums, and information-sharing mechanisms foster a cohesive and aligned customs ecosystem.

9.Strategic Partnerships:

Strategic partnerships with national stakeholders, international organizations and Customs Departments of neighbouring countries are prioritized externally. These partnerships enhance information exchange, provide technical assistance, and contribute to aligning customs practices with global standards. The Customs Department will actively engage in forums and initiatives that promote regional and international collaboration.

6. MONITORING AND EVALUATION

The success of the Somali Customs Strategic Plan (2024-2027) hinges on a robust performance measurement and monitoring (PMM) framework designed to ensure effective implementation, measure progress, and facilitate adaptive management. The PMM is dynamic and responsive, ensuring the Somali Customs Strategic Plan remains aligned with its objectives, adapts to evolving challenges, and contributes to enhancing customs efficiency, security, and societal protection. Key components of the PMM framework include:

1. **Clear Key Performance Indicators (KPIs)**: Developing well-defined KPIs aligned with each strategic objective and action item is fundamental. These indicators serve as measurable benchmarks, facilitating the assessment of progress and success.

2. **egular Progress Assessments:** Periodic evaluations will be conducted to review the implementation status of strategic actions. These assessments provide insights into achievements, challenges, and areas requiring adaptation, allowing for informed decision-making.

3. **Real-time Monitoring Systems**: Implementation will be supported by real-time monitoring systems, providing continuous insights into the execution of planned activities. This ensures timely identification of issues and facilitates prompt corrective measures.

4. **Data-Driven Decision-Making:** A commitment to data-driven decision-making is central to the performance measurement framework. Accurate and up-to-date data will be collected and analyzed to inform strategic adjustments and optimize outcomes.

5. **Stakeholder Engagement:** Regular consultations with key stakeholders, including government entities, private sector partners, and international organizations, will be integral. Stakeholder feedback will contribute to performance assessments and strategy refinement.

6. **Adaptive Management Approach:** The framework embraces an adaptive management approach, allowing flexibility in response to changing circumstances. Periodic reviews will assess the relevance of strategies, enabling adjustments based on emerging trends.

7. **Capacity Building Evaluation**: The effectiveness of capacity-building initiatives for customs officials and related personnel will be continually assessed. This includes regular feedback on training programs and identifying areas for skill enhancement.

8. **Public Perception Studies**: Annual perception studies will gauge public sentiment towards the Customs Department. This feedback is invaluable for shaping public relations strategies and enhancing trust in customs operations.

9. **Compliance and Enforcement Metrics**: The framework includes metrics to evaluate the effectiveness of compliance and enforcement measures. Assessment areas encompass revenue collection, reduction of illicit trade, and improvements in customs procedures.

7. IMPLEMENTATION MATRIX

This section contains strategic interventions targets and key performance indicators. Implementation Workplans will be developed for the FGS and FMSs identifying specific activities, timeframes and responsibilities for each intervention.

Table 4: Implementation Matrix

Strategic Objective 1: Optimizing Revenue Collection			
Priority Interventions	**Targets**	**Year of Impleme ntation**	**Key Performance, Quantitative and Qualitive Indicators (or Performance Measurements)**
Legislative Alignment	Ensure alignment of Customs legislation with international best practice.	Years 1-3	• Completion of legislative review with EAC instruments. • Number of workshops on legislative alignment. • Number of aligned legal provisions.
SOMCAS Implementation	Achieve full implementation of SOMCAS.	Year 1	• SOMCAS confirmed as sole processing system.
			• Selectivity introduced through the SOMCAS Risk Management Module.
			• Roadmap developed for handover of SOMCAS to FGS.
		Years 1-3	• Training of MoF IT experts.
Tariff Classification, Valuation and Rules of Origin Unit	Establish a dedicated unit for accurate classification and valuation of goods.	Year 1	• ToR approved.
			• Unit established.
			• Staff trained.
			• SoPs approved.
	Update the Customs Tariff Nomenclature to 2022 HS 2022 Edition	Year 1	• Customs Tariff Updated.
	Implement WTO ACV transaction method as primary method of valuation of goods.	Year 1	• Impact study completed. • Action Plan developed.
		Year 3	• Transaction value implemented.

Risk Management	Develop Risk Management Strategy	Year 1	• Strategy approved.
	Establish Risk Management Unit	Year 1	• ToR approved. • Unit established. • Staff trained. • SoPs approved.
	Monitor performance of Risk Management Unit	Years 1-3	• Number of Risk Profiles developed in SOMCAS. • Number of offences identified through Profiles.
Voluntary Revenue Compliance	Encourage voluntary compliance for revenue collection.	Years 1-3	• Number of Risk Profiles developed in SOMCAS. • Number of offences identified through Profiles.

Strategic Objective 2. Enforcement Security and Protection of Society

Priority Interventions	Targets	Year of Implementation	Key Performance, Quantitative and Qualitive Indicators (or Performance Measurements)
Strengthening Customs Legislation	Review and modernize Customs legislation for enhanced compliance.	Year 1	• All current draft Regulations signed by MoF.

Targeting non-compliance	Approval and implementation of seizure procedures.	Year 1	• Seizure procedures implemented. • Number of seizures. • Additional revenue collected.
	Post Clearance Audit (PCA)	Year 2	• Transactional PCA Teams established in operational areas. • Training provided. • Number of revenue uplifts or seizures identified.
	Professionalization of Brokers	Year 1	• Broker Licensing Regulations promulgated. • Number of training events held. • Number of licensed Brokers
Community Engagement and Compliance Education	Engage communities and enhance compliance through education.	Years 1-3	• Increase in community awareness programs. • Open events held. • Posters /Information leaflets/manuals developed.
Integrated Border Management	Implement comprehensive border security measures.	Year 3	• •Border Management MoU signed.
Cross-Border Collaboration and Information Exchange	Strengthen collaboration and information exchange with bordering countries.	Year 3	• •Information exchange agreements signed.
Intelligence Strengthening and Enhanced Data Analytics	Establishment of Intelligence Unit.	Year 2	• ToRs approved. • Unit established. • Staff trained. • SoPs approved.
	Monitoring performance of Intelligence Unit.	Years 2-3	• Number of cases identified.

Strategic Objective 3. Organizational Development and Efficiency

Priority Interventions	Targets	Year of Implementation	Key Performance, Quantitative and Qualitive Indicators (or Performance Measurements)
Performance Management	Improve operational efficiency and enhance performance.	Years 1-3	Performance monitoring reports completed.
	Management Controls Systems in place.	Year 2	• Management Control programme approved. • Training to managers provided. • Monthly reports completed by managers.
Organizational Structure and Decision-Making	Enhance organizational structure and decision-making processes.	Year 1	• Structure review completed. • Recommendations implemented.
Human Resources	Development of Job Descriptions for all positions in the Customs Department.	Year 1	• Job Descriptions approved. • Guidance to job holders developed.
	Introduction of staff appraisal system to monitor staff performance.	Year 1	• Staff Appraisal system approved. • Training provided.
	Policy for incentives to reward good performance approved.	Year 1	• Policy approved and implemented. • Number of incentives awarded.
Capacity Building and Staff Development	Develop training curriculum.	Year 1	• Training curriculum approved.
	Conduct TNAs	Year 1	• TNA report completed
	Provide prioritized training following recommendations of TNAs.	Tears 1-3	• Training events provided
Public Outreach and Image Improvement	Enhance public outreach and improve the Customs department's image.	Years 1-3	• Public perception studies completed.

Gender Equality	Promote gender equality.	Year 1	• Gender diversity training courses provided. • Increase in percentage of female participants in training. • Participation of female Customs officers in Women in Government programme.

Strategic Objective 4. Enhance Trade Facilitation and Economic Competitiveness

Priority Interventions	Targets	Year of Implementation	Key Performance, Quantitative and Qualitive Indicators (or Performance Measurements)
Strengthening SOMCAS Implementation	Strengthen the implementation of SOMCAS.	Years 1-3	• Guidance material and manuals reviewed and updated. • Completion of Time Release Study. • Annual reduction in processing time of goods through Customs.
	Introduce electronic payment systems.	Year 2	• Electronic payment system introduced.
Private Sector Collaboration	Establish regular meetings of the Customs Trade and Transport Forum	Years 1-3	• Reports of Forum meetings. • Recommendations progressed.
Enhance the MoF and Customs Websites	Improve the MoF and Customs websites for better user experience.	Years 1-3	• User satisfaction with the Customs website. • Feedback from public.
Implementation of WTO TFA Measures	Implement measures in line with WTO TFA.	Years 1-3	• Successful implementation of WTO TFA measures. • Reduction in trade barriers.

Strategic Objective 5. Facilitate Regional and International Integration			
Priority Interventions	**Targets**	**Year of Implementation**	**Key Performance, Quantitative and Qualitive Indicators (or Performance Measurements)**
Benchmarking Tours and Study Visits	Conduct benchmarking tours to PAFTA, EAC, other regional partner states and international organizations.	Years 1-3	• Number of tours completed. • Reports submitted to MoF. • Successful implementation of recommendations from reports.
Participation in Regional & Global Organizations	Actively engaging in the activities and forums of regional organizations and bodies, including reactivation of WCO membership and participation in accession to WTO.	Years 1-3	• WCO membership reactivated • Number of meetings in accession process to WTO. • Reports of events attended.

8. CONCLUSION

This plan is developed within the context of the government's continuing determination to expand and improve the delivery of vital services to Somalis and to enhance the productive base of the country through improved security and trade facilitation.

For the Somali Customs to provide the financial means for the government to achieve its goals, the cornerstone of all the department's plans must improve their level of compliance to customs law, policy and procedures, and continue to train staff to deliver an exceptional product.

To ensure higher levels of compliance, Somali Customs over the next few years will embark on a sustained program of reform and modernization, improving its service delivery standards, educating traders and the public on their obligations and expectations of them and reducing non-compliance through risk management and enforcement programs.

At the heart of all these efforts is its people, whose commitment to its nationwide operations will ultimately result in better compliance, increased trade facilitation, improved revenue collections and finally enhanced organizational efficiency and effectiveness.

While tangible gains have been made, there is considerably more to be done and this plan reflects the continuation of this journey towards reform and modernization for the next three years and replaces the Somali Customs Reform Roadmap.

Federal Government of Somalia

Ministry of Finance