



Analysis and Roadmap to Establish a **Simplified Trade Regime (STR)** for Somalia and Ethiopia

Reporting Consultant: Veepin Bhowon



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Analysis and Roadmap to Establish a Simplified Trade Regime (STR) for Somalia and Ethiopia

Draft Final Report

Reporting Consultant: Veepin Bhowon

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LIST OF ACRONYMS

AfTra	Africa Trade Fund
COMESA	Common Market for Eastern and Southern Africa
CBT	Cross Border Trade
CBTA	Cross Border Trade Association
CoO	Certificate of Origin
DIA	Designated Issuing Authority
DRC	Democratic Republic of Congo
EAC	East Africa Community
EU	European Union
GVT	Government
HoA	Horn of Africa
FTA	Free Trade Area
ICBT	Informal Cross-Border Trade
MS	Member State
MoCI	Ministry of Commerce and Industry
NTBs	Non-tariff Barriers
OSBP	One Stop Border Post
PS	Private Sector
REFORM	Regional Food and Risk Management Programme
RKC	Revised Kyoto Convention
ROO	Rules of Origin
SADC	Southern African Development Community
SARIS	Somalia Agricultural Inspection and Regulatory Services
SCO	Simplified Certificate of Origin
SCD	Simplified Customs Document
SPDI	Support to Policy Dialogue on the Investment Climate in Somalia
SPS	Sanitary and Phytosanitary
STR	Simplified Trade Regime
SSCBT	Small Scale Cross Border Trade
SSCBTs	Small Scale Cross Border Traders
TFA	Trade Facilitation Agreement
TBT	Technical Barriers to Trade
TfP	Trading for Peace Regional
TID	Trade Information Desk
TOR	Terms of Reference
TIDO	Trade Information Desk Officer
WCO	World Customs Organisation
WTO	World Trade Organisation



1. Introduction

Informal Cross Border Trade (ICBT) accounts for a significant and growing proportion of trade in the Horn of Africa (HoA). It plays a major role in meeting consumption demands, providing a livelihood for large numbers of people, including disadvantaged and marginalised groups.

According to some estimates¹, ICBT flows in the HoA region are so high that their value even exceeds official trade².

The relevance of ICBT for the economy of the HoA is such that in June 2022, the Ministers of Finance of Somalia, Ethiopia, Kenya, and Djibouti endorsed a regional Trade Facilitation Roadmap which recognizes the need to put in place specific policy actions to facilitate this sector. This document proposes a simplification and harmonization of trade documentation and procedures applicable at borders, in the belief that this can provide a channel for the formalisation of informal traders³.

This study has been commissioned under the EU-funded “Support to Policy Dialogue on the Investment Climate in Somalia” (SPDI) Project. It aims at clarifying characteristics, nature and size of small-scale cross-border trade (SSCBTs) at two key border posts between Somalia and Ethiopia, namely: Tog-Wajaale and Dollow, located respectively 230 Km. from the Berbera port and 470 km. from Mogadishu respectively. It also proposes a strategy to facilitate this sector, with recommendations aimed at encouraging its transition to the formal economy.

1.1 Background

Giving a precise definition of ICBT is difficult, because patterns and practices followed by SSCBTs vary from one border to the other. For the purposes of this study, the term refers to the flow of goods that is not captured by Customs official statistics, for reasons which can vary. Goods, for instance, can be traded from one country to another by using unofficial routes, to evade customs and

¹ See Brenton P., Edjigu H., “A Review of Cross-Border Trade in the Horn of Africa”, World Bank, 2021, available at: <https://documents1.worldbank.org/curated/en/574271634241813677/pdf/A-Review-of-Cross-Border-Trade-in-the-Horn-of-Africa.pdf>

² For what concerns the ICBT between Ethiopia and Somalia, see: Abdi, M. M., “Regularly Irregular, varieties of informal trading in the Ethiopia - Somaliland borderlands”, Rift Valley Institute 2021, available at: <https://riftvalley.net/sites/default/files/publication-documents/RVI%202021.10.18%20Regularly%20Irregular.pdf>

³ For what concerns the ICBT between Ethiopia and Somalia, see: Abdi, M. M., “Regularly Irregular, varieties of informal trading in the Ethiopia - Somaliland borderlands”, Rift Valley Institute 2021, available at: <https://riftvalley.net/sites/default/files/publication-documents/RVI%202021.10.18%20Regularly%20Irregular.pdf>

other border controls. In other cases, it may happen that such flows - although channelled through official border posts - are not registered (partially or completely) by customs authorities. This is, for instance, the case when goods are traded in small quantities and have a particularly low value⁴.

There are many reasons why traders prefer to trade their goods informally. They may have a limited understanding of cross-border regulations and procedures, or it is possible that the process for obtaining the documentation for their export is too long or costly. Also, it may be that the requirements for their entry into the importing country are too strict or expensive to meet.

The Simplified Trade Regime (STR) aims at addressing these challenges. It responds to the need to simplify those administrative burdens at borders that often turn informal trade away from compliance, particularly SSCBTs. Currently, two Regional Economic Communities (REC) in Africa have adopted an STR: the Common Market for Eastern and Southern Africa (COMESA) and the Eastern Africa Community (EAC)⁵. As Ethiopia and Somalia are both members of COMESA, they have the opportunity to leverage on the regulation already developed by such RECs for introducing an STR in their respective legal systems⁶.

COMESA launched an STR in 2010 to allow SSCBTs traders to benefit from an exoneration from payment of customs duties for transactions under a threshold value initially of US\$ 500, which successively increased to US\$ 1,000 in 2011 and to US\$ 2,000 in 2014. The STR is applicable to goods which appear on a Common list mutually agreed by countries.

A necessary requirement for the application of the STR, is that the States concerned must be members of the COMESA Free Trade Area (FTA). However, States not participating to such FTA have the option of adopting an STR “equivalent” under specially concluded bilateral agreements. This is the case with Somalia and Ethiopia, two countries that currently do not participate in the COMESA FTA, and whose volumes of goods traded informally at the borders are particularly high.

⁴ This situation for instance is quite common for agricultural and horticultural commodities.

⁵ With regard to the Southern African Development Community (SADC), despite art. 14 of the SADC Protocol Trade expressly recognises the right of member States to adopt measures that are necessary to facilitate the simplification and harmonisation of trade documentation and procedures, this Regional Economic Community has not yet operationalised an STR. For more details, see Mafurutu, R. “SADC Simplified Trade Regime: Tracing developments and implementation progress”, TRALAC (Trade Law Centre), 30 June 2022.

⁶ Such regulation is represented by the COMESA Protocol on Rules of Origin, which governs the STR at the section 3.13.1 (https://www.comesa.int/wp-content/uploads/2022/01/COMESA_Protocol-on-Rules-of-Origin.pdf)

1.2 Overall objective

The overall objective of the study is to better understand the composition and value of ICBT between Somalia and Ethiopia, in order to develop a strategy aimed at encouraging the transition of SSCBTs to the formal economy through a simplification of border procedures and formalities for such traders.

1.3 Specific objectives

Based on a thorough assessment of options and best practices, and of stakeholders' needs and preferences in the COMESA region, a framework is proposed for the implementation of an STR equivalent between Somalia and Ethiopia at the border crossing points of Tog-Wajaale and Dollow. At these sites, different scenarios/options are considered, according to the nature and characteristics of ICBT (e.g., nature of goods, frequency of transactions, average values of goods, etc.).

In addition, a background document outlining the characteristics and benefits of such a STR scheme is developed within this study for political communication purposes.

1.4 Deliverables

The deliverables that the project aims to achieve are the following:

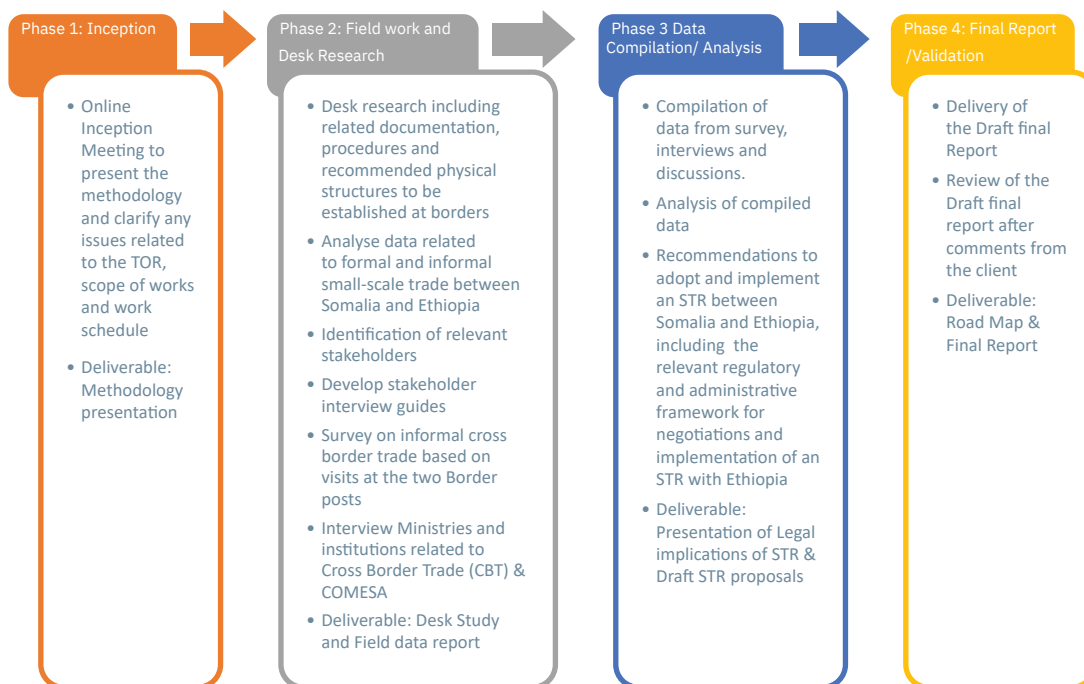
- Develop a desk study on the COMESA STR, with recommendations on the steps to follow for the implementation of an STR between Somalia and Ethiopia at the border crossing points of Tog-Wajaale and Dollow ;
- Conduct surveys at the Tog-Wajaale and Dollow border posts to assess size, nature and characteristics of SSCBT;
- Draft a summary report on the study visits and related assessments;
- First draft STR proposals;
- Second draft STR proposals;
- Draft roadmap for national implementation;
- Presentation of the Draft Road Map at Validation Workshop;
- Revised final report responding to any comments provided from presentations.



2. Methodology

The methodology used in developing this report consisted of a 4 phased approach which is summarised in the diagram below:

Figure 1. Methodology



The Inception phase (Phase 1) started with a kick-off meeting between the Consultants, the Somali Ministry of Commerce and Industry (MoCI), the EU Delegation to Somalia, and an SPDI representative. The meeting focused on the objectives of the study and the methodology to be followed for its implementation. It was also an opportunity for the Consultants to gather further suggestions and comments to enrich their analysis.

The desk work performed as part of Phase 2 focussed on the analysis of the existing literature, studies and reports related to the implementation of the STR, especially in the COMESA region, given its crucial role in pioneering and promoting the STR.

The main documents reviewed included:

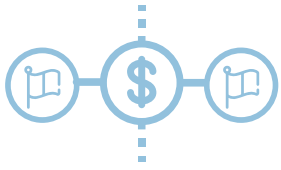
- a) the Minutes of Meetings of the COMESA Council of Ministers relative to the STR (which provided the various elements discussed during bilateral meetings in the process of the creation of the COMESA STR);
- b) the Report 'Design of a Regional Programme for COMESA on Small Scale Cross Border Trade' (IMANI Development International Ltd, 2022). Reports of the COMESA Council of Ministers and the Regional Food and Risk Management Programme (REFORM). REFORM was the first programme to support

- the implementation of the STR in 7 countries from 2009 to 2011;
- c) the Report of the Joint Validation Workshop on the Sustainability Plan of Trade Information Desks and on their Impact on Women in cross-Border Trade.
- d) the report on the Sustainability Plan of the Trade Information Desks
- e) a Study on the Sustainability of Trade Information Desk (TIDs) Offices at The Great Lakes Trade Facilitation Project (GLTFP) Borders;
- f) the Terms of Reference (TOR) for the TIDOs,
- g) the Law Establishing the STR in the DRC
- h) A report on the “Informal Cross Border Trade in Africa”.

The field work in Phase 2 consisted of a survey on SSCBT carried out in Dollow and Tog-Wajaale, supplemented by interviews with officials of the Federal and State Ministries of Trade, Revenue Authorities, Immigration, Ministry of Agriculture and Police. A team of 4 enumerators and one supervisor was deployed across the two border posts and a total of 624 traders were interviewed (298 in Tog-Wajaale and 344 in Dollow). Interviews were conducted by using questionnaires specifically designed to collect quantitative and qualitative information regarding ICBT at these borders. Guiding questions were also used in interviews. The gender composition of the interviewed samples is shown in the table below:

Border crossing point	% males	% females
Tog-Wajaale	30%	70%
Dollow	46%	54%

Phase 3 dealt with the analysis of data obtained from the desk research and the field work carried out during the Phase 2. The draft report comprising recommendations for the implementation of a STR between Somalia and Ethiopia is presented at the end of this report. The recommendations also include a roadmap for negotiation and implementation of the STR with Ethiopia. The Phase 4 will consist in the submission of the Draft final Reports to the client for collecting comments and feedback that will be incorporated in a final report. The findings of such a report will be presented during a workshop planned for May 2023.



3. The STR and its components

“Small-scale cross-border trade can play a fundamental role in contributing to poverty reduction and food security across Africa¹” and is considered as a “major feature of African economic and social landscapes²” as it “supports livelihoods and creates employment, including for disadvantaged and marginalised groups³”. Efficient cross border trade can be achieved if free movement of people, goods and services are enhanced. In Africa, 30-40% of cross border traded is estimated to be informal⁴ and dominated by small scale traders with a majority (70%⁵) being women traders who are self-employed and derive incomes to sustain their families. Those involved in cross border trade face several obstacles at the border which include: “poor facilities, cumbersome processes, weak governance, payment of undue fees, harassment, bribery, and corruption⁶”. Additional challenges faced by SSCBTs include: “supply-side barriers, such as: misinformation about border regulations, procedures, and regulations, and documentary requirements, reduced knowledge of their rights and obligations, limited literacy and entrepreneurial skills, among others.⁷

In view of the above constraints and considering the importance of cross border trade in the region’s economy, COMESA developed and launched the STR in 2010. Its aim is to encourage formalization of ICBT by putting in place instruments and mechanisms tailored to the trading requirements of small-scale traders that are decentralised to border areas, where informal trade is rampant⁸. The STR was also set up to reduce costs as well as time for crossing borders of SSCBT. To simplify customs clearance procedures, documents such as the Simplified Certificate of Origin (SCO) and the Simplified Customs Document (SCD), as well as tools like the Trade Information Desks (TIDs) have been developed. To enhance the sensitisation and use of the STR by SSCBT, Cross Border Traders Associations have also been established in COMESA Member States implementing the STR namely Burundi, Kenya, Malawi, Rwanda, Uganda, Zambia, and Zimbabwe.

¹ Brenton, P. and Soprano C., Small-scale cross-border trade in Africa: Why it matters and how it should be supported, Bridges Africa, 5 June 2018.

² Ibid.

³ Ibid.

⁴ Stuart, J., Informal Cross Border Trade in Africa in a Time of Pandemic, 7 April 2020, available at: https://www.tralac.org/blog/article/14487-informal-cross-border-trade-in-africa-in-a-time-of-pandemic.html#_ftn1.

⁵ UNDP/AFCFETA, The Futures Report. Making the AfCFTA work for women and youth, 2020.

⁶ Zarrilli, S., UNCTAD, and Mariana Lopez, GSMA, Leveraging digital solutions to seize the potential of informal cross-border, April 2020.

⁷ Ibid.

⁸ <https://www.comesa.int/programme-activities-trade-liberalization/>

3.1 The implementation of the STR in the COMESA region

For a long time, SSCBTs have not been benefiting from preferential tariffs offered under the COMESA FTA. Small traders argued that they were unable to obtain a Certificate of Origin (CoO) from the capitals, as they normally operate from remote border areas. Consequently, they pushed on a simplification of the requirements for obtaining such a document.

In November 1999, the COMESA 8th Council of Ministers decided that:

- Some procedures had to be explored to cater for small consignments that do not require any document in the country of exportation to ensure that such consignments enjoy COMESA preferential treatment if they are entitled to;
- small-scale traders had to be treated as bona fide traders by COMESA MSs' authorities; and,
- there was a need for capacity building and a development of awareness of all customs procedures for small scale traders.

At first, COMESA Member States (MS) agreed to facilitate small-scale border traders who import originating goods of a commercial nature within a threshold of US\$ 500, to benefit from preferential tariffs by using a simplified form of CoO and a simplified customs declaration form. Subsequently, the MSs agreed to progressively increase such threshold up to US\$ 2,000.

3.2 Origin of the STR

At the COMESA Business Summit and Exhibition held in Kigali, Rwanda on May 2007, the Ministers responsible for trade agreed to introduce a COMESA STR. The objective was to fast-track the implementation of simplified documentation and border procedures for small-scale traders engaged in cross-border operations. The STR was first applied to a series of goods appearing on a common list, such as maize, rice, beans and traditional food crops such as cassava, as well as cotton and dairy products. The threshold applicable under the simplified system was limited to consignments of US\$ 500 or below for goods which are produced in the region. The purpose for this initiative was facilitate “formal” agricultural trade in the region and reduce the incidence of informal cross-border trade which represented an important share of intra-COMESA trade. The Simplified Trade Regime was initially implemented on a pilot basis in 2008 in a 10 selected countries and border posts (Burundi, DR of Congo, Ethiopia, Kenya, Malawi, Rwanda, Sudan, Uganda, Zambia and Zimbabwe) and planned to be extended to all COMESA countries. The implementation of the COMESA Simplified Trade Regime started through a combination of programmes such as the Trading for Peace (TfP) programme and the Regional Food Security and Risk Management (REFORM) Programme.

The COMESA TfP was financed by the African Development Bank through a grant from the Africa Trade Fund (AfTra). The main objective of the TfP was to

consolidate peace in post-conflict areas, especially the Great Lakes Region by encouraging interaction and building trust between communities through the facilitation and formalization of cross border trade.

The Regional Food Security and Risk Management Programme's (REFORM) overall objective was that of contributing to the sustainable reduction of vulnerability to food insecurity and poverty in Eastern and Southern Africa. The Cross Border Trade (CBT) project was a component of the REFORM programme which was implemented between 2008 and 2011 and aimed at achieving the following objectives: a) setting up and effectively operating cross-border Trade Desks; b) strengthening Cross Border Trade Associations (CBTAs) or similar institutions; c) facilitating the implementation of the STR and d) supporting CBTAs/border agencies to provide feedback when elaborating trade policies.

Through the REFORM project, seven countries started implementing the STR from 2010 to 2011. The initiative was particularly successful as it received support from CBTAs. The REFORM project further assisted in the implementation of the STR by MS through the establishment of about 18 Trade Information Desks (under direct supervision of the national CBTAs) at all implementing borders in the region. Capacity building of traders via targeted trainings for Association executives, youth and women members as well as provision of equipment and office infrastructure for smooth operations of TIDs and national CBTA offices were also part of the assistance provided under the REFORM project.

3.3 STR Legal Framework

The legal basis for the STR is the General Agreement on Tariffs and Trade (GATT), Article VIII, which states: 1 (c) *“the contracting parties [...] recognize the need for minimizing the incidence and complexity of import and export formalities and for decreasing and simplifying import and export documentation requirements”*.

The World Trade Organisation (WTO) Trade Facilitation Agreement (TFA), entered into force on 22 February 2017, further mandates WTO Members (art.10.1.1) to review import, export, and transit formalities and documentation requirements so to ensure: (a) a rapid release and clearance of goods, particularly perishable goods and (b) a reduction of time and cost of compliance for traders and operators.

The STR is also aligned with the World Customs Organisation (WCO) Revised Kyoto Convention (RKC) on the Simplification and Harmonization of Customs Procedures, an international agreement which is widely recognised as a blueprint for effective, predictable and efficient customs procedures. The RKC allows Customs to exonerate from payment of customs duties and taxes for transactions under a minimum value and/or when the amount of duties and taxes is under a minimum threshold to be specified by the national legislation, while the World Customs Organisation Guidelines to the Revised Kyoto Convention state that the collection and payment of duties and taxes should not be required for negligible amounts of revenue that incur costly paperwork, both

for Customs and the importer/exporter⁹.

In the COMESA region, the STR is aligned with the COMESA Treaty, which at Chapter 6 urges Member States to cooperate in trade liberalisation and development, while Chapter 9 relates to the simplification and harmonisation of trade documents and procedures which is the aim of the STR.

In addition, Article 69 of the COMESA Treaty stipulates that *“Member States agree to simplify and harmonize their trade documents and procedures [...] so as to facilitate trade in goods and services within the Common Market by: (a) reducing to a minimum the number of trade documents and copies thereof; (b) reducing to a minimum the number of national bodies required to handle documents referred to in sub-paragraph (a) of this paragraph; and (c) harmonizing the nature of the information to be contained in documents referred to in sub-paragraph (a) of this paragraph.”*

The implementation of the STR in the COMESA region has been accompanied by the development of a series of accompanying measures which include the following¹⁰:

1. Assistance in the establishment of CBTAs or similar business associations at borders of the COMESA member States to provide support services on STR utilisation.
2. Compilation of inventories of gender-disaggregated statistical data and of analyses to inform better trade policy-making processes at national and regional level.
3. Construction of gender-sensitive basic border infrastructures for small-scale traders, such as TIDs cross-border markets. In particular, the construction of regulated cross-border markets placed under the control of security agencies, is a solution that can increase the connection between small traders and customers in border areas. Such markets also guarantee the safety of traders and reduce product losses, especially in perishable stock, because of the high opportunities of sale that they generate¹¹. These structures, therefore, create an incentive for SSCBTs to use formal border posts, in lieu of informal (illicit) crossings where the above conditions are typically lacking.¹²

⁹ Desiderio, D., Alikhani, I., Trade integration and facilitation reforms in the Horn of Africa and way forward, Support to Horn of Africa Initiative on Regional Integration and Economic Development (2019/413262/1), November 2020

¹⁰ EUD, Description of the Action the COMESA Cross Border Trade Initiative: Facilitating small – scale trade across the borders

¹¹ Imani Development, Review of Existing Schemes to Facilitate the Cross-Border Movement of Traders in the COMESA Region, 2022.

¹² Hamoui, Z., Addressing the Trade Facilitation Challenge in the Context of the AfCFTA: Views from West Africa, United Nations Economic Commission for Africa, African Trade Policy Centre, Essays Series on Gender and Trade, 2023, Available at: <https://repository.uneca.org/bitstream/handle/10855/49479/b12027777.pdf?sequence=1&isAllowed=y>

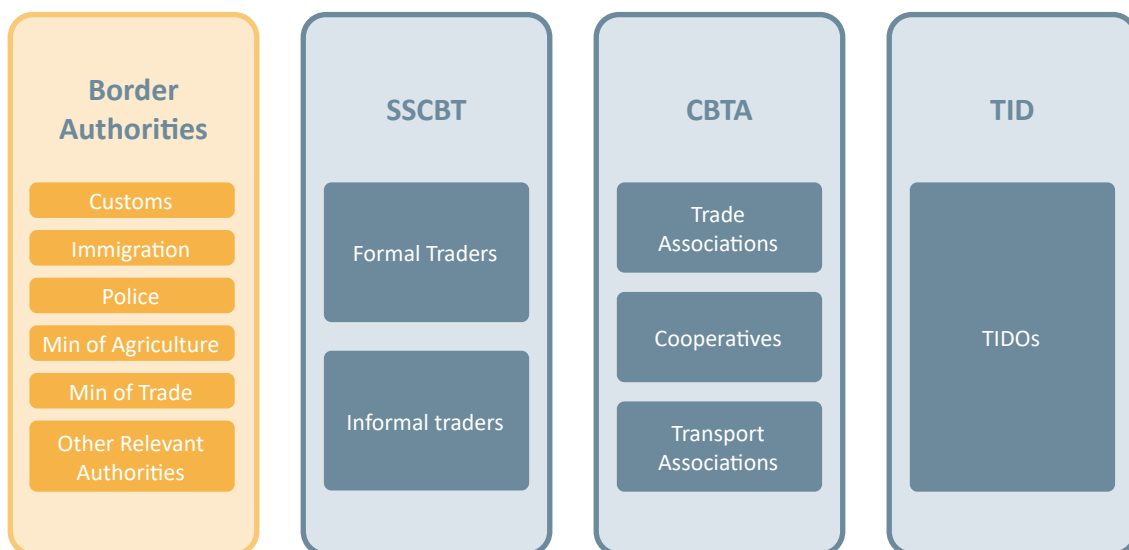
3.3 Stakeholders involved in the STR implementation

The figure below provides a graphic representation of all stakeholders that are generally involved in the implementation of an STR. They have been classified under a colour coded system to differentiate between government and private sector-operated entities.

The government stakeholders comprise the border authorities which are Customs, Immigration, Police and other relevant Ministries in charge of health, sanitary, phytosanitary, agricultural, quality or other controls conducted on goods. With regards to phytosanitary controls, it is worth mentioning that Somalia is in early stages of establishing the competent authority, the Somalia Agricultural Inspection and Regulatory Services (SARIS) for plant health controls¹³. The country also has put in place veterinary controls but delivery of official controls, including export certification and import inspections, remain weak.

The private sector stakeholders are the SSCBTs, who comprise both formal and informal traders. CBTAs are umbrella organisations represented by trade associations, cooperatives, and transporters associations whose role remains key in managing the trade information Desks (TIDs) as the officers operating them. TIDs are private sector-operated entities where TIDOs provide information services to border post users.

Figure 2. Composition of Stakeholder involved in the implementation of the STR



¹³ The SARIS Five Year plan has been developed under the “Support to Policy Dialogue on the Investment Climate in Somalia” (SPDI) Project.

3.4 How the COMESA STR works

The figure below provides an indication of the key steps that are involved in the implementation of the STR.

Figure 3. Key Steps to be undertaken by SSCBTs in order to use the STR



3.5 Advantages of the STR based on lessons learnt from COMESA

The main advantages that the COMESA STR generates for SSCBTs can be summarized as follows:

- i. SSCBTs can trade duty-free and quota-free also if the countries applying the STR do not participate to the COMESA FTA;
- ii. Clear and simplified clearing procedures leading to lower costs and time of clearing goods.
- iii. Clear and better knowledge of their rights and obligations, as well as of clearing procedures, resulting in a reduction of bribes paid to border officials.

- iv. It discourages smuggling as goods enter in the importing country free of customs duty.
- v. Reduced incidence of harassment, corruption, and seizure and loss of goods; and
- vi. Reduced transaction costs at border and time have a positive impact on lowering prices of goods which advantages the end consumer and contributes to increasing the earnings for the traders.
- vii. Increased confidence in engaging in trading activities and expanding their businesses.
- viii. Increased profit margin for SSCBTs.

Advantages for States:

- i. Increased trade, which implies more goods will be produced locally leading to employment creation, higher earnings and income. The overall impact is improved standard of living of the people in the COMESA region.
- ii. Reduction of informal trade leading to formalization of trading activities
- iii. Increased collection of revenue by COMESA countries to finance their national development as informal trade upgrades to formal trade.
- iv. Better collection of quality trade statistics by Trade Information Desks, which will help to improve policymakers' planning and decision-making processes.

3.6 Lessons learnt from COMESA's implementation of the STR

The main lessons that can be learnt from support provided to SSCBTs in the implementation of the COMESA STR can be summarised as follows:

- The different patterns and practices followed by SSCBTs at the different borders call for a border specific approach (no "one-size fits all").
- Local buy-in and ownership are essential for the success of the STR.
- COMESA surveys report some positive results in terms of quicker clearance, reduced costs, and improved data capture on small-scale cross-border trade flows.
- The main challenges that the STR still have to face include inconsistent application of the rules and procedures, the lack of information/awareness by targeted stakeholders, the limitations of the system in terms of thresholds value and products coverage as well as the persistence of other taxes and Non-tariff Barriers (NTBs).
- Trade Information Desk Officers (TIDOs) deployed at border posts have often proven to be very useful not only in providing trade information and helping traders with the clearance of their goods, but also for trust-building and mediation.
- Among the numerous constraints faced by small traders, evidence abounds that SPS measures implemented by Governments often tend to have a restrictive effect on small-scale cross-border trade flows.
- There is also a need to invest extensively and continuously on the

provision of information (using the right communication tools such as radio and TV in local languages) and to conduct advocacy, sensitisation, and training activities on a sustained way for both traders and border officials on existing regulations and procedures as well as on their respective rights and obligations.

- Incentives and collective approaches are instrumental to build progressive trust and confidence.
- Cross-Border Traders Associations (CBTAs) (and similar organisations such as women in business associations) play a key role in promoting cross-border trade, defending traders' rights, and providing various information and services to their members. They create an important "sense of belonging" for traders.
- Trade Associations especially for SSCBTs are inexistent in many countries and where they do exist. They often have very weak capacity and resources and therefore require support to become sustainable over time, with an emphasis also on local antennas at the borders. During the pilot implementation of the STR in some COMESA borders, the initiative was financially supported by the EU especially for covering the TIDOs salaries.
- Most of TIDOs positions in the COMESA were covered by women. Having a woman in this role enabled better interaction with women SSCBTs who represent the majority of SSCBTs.

3.6.1. Takeaways for the Somali/ Ethiopian case

The main element that should be considered in implementing a STR at the Dollow and Tog-Wajaale borders is the buy-in from both the government side and the private sector side. The success of the STR greatly depends on how committed the government is and how the private sector and border authorities work together in facilitating its application.

Implementing the STR will have positive effects in terms of quicker clearance and reduced costs. Moreover, the implementation of such scheme will allow governments to collect better-quality data on small-scale cross-border trade flows.

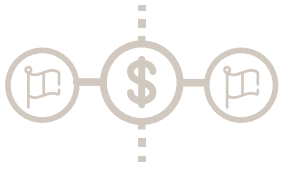
However, it has to be noted that even when the STR is in place, challenges such as inconsistent application of regulations, the lack of information/awareness by targeted stakeholders and the constant application of NTBs will have to be anticipated and taken into account.

Somali and Ethiopian border authorities have to be informed on SPS and Technical Barriers to Trade (TBT) requirements that are applicable to SSCBTs so that they do not constitute unnecessary NTBs.

On the other hand, the private sector on both sides of the borders has to be well organised to be able to set up SSCBT Traders Associations and TIDs.

The STR is planned for implementation between Ethiopia and Kenya at the Moyale border post. However, substantial communication and sensitization campaigns are necessary for increasing awareness for both public and private stakeholders at Tog-Wajaale and Dollow borders.

In addition, continuous capacity building programmes for border officials, SCBT and TIDO should be on the agenda.



4. Implementing the STR at Somalia-Ethiopia borders

The STR is normally applicable to countries of regional groupings that are parties to an FTA. However, also those that are not members to the same FTA can put in place an “STR equivalent” at their respective borders by adopting a specific bilateral arrangement. The Democratic Republic of Congo (DRC) is, for instance, an example of a country that recently negotiated an STR with its neighbour Burundi (for goods with a value of USD 500 per batch or less), despite not participating to the COMESA FTA¹. Somalia and Ethiopia can therefore follow a similar scheme.

Prior to implementing an STR, a number of elements have to be in place. They are summarized in the figure 4 below. Although not presented in a specific hierarchical order, it is essential that such elements are already in place at the scheduled implementation date of the STR, otherwise its purpose is likely to be undermined.

Figure 4. Key Elements necessary for setting up an STR.



¹ COMESA, Burundi, DR Congo set to rollout out Simplified Trade Regime, 17 September 2021, available at: <https://www.comesa.int/burundi-dr-congo-set-to-rollout-out-simplified-trade-regime/>

Each of the above elements is paired in the following table with the corresponding actions that the respective governments need to take for STR implementation to be successful. The third column indicates the typology of stakeholders that should be involved in these tasks.

Table 1. STR elements and actions required at national level

Key elements for the implementation of the STR	Actions to be undertaken by participating MS	Stakeholders Involved
Common list of goods	The Common List needs to be mutually elaborated, negotiated and agreed by implementing countries.	PS & GVT
Threshold amount (US\$2000 in COMESA);	Needs to be mutually decided in the case of Somalia and Ethiopia or adopt the COMESA Threshold.	PS & GVT
Simplified certificate of origin (SCO)	The COMESA SCO could be used as a model	GVT
Simplified customs document (SCD)	The COMESA SCD could be used as a model.	GVT
The STR Agreement	Enactment of the STR agreement by both countries and including the common list of products, the threshold amount, and the certificates required.	GVT
Coordinated Border Management;	MOU should be signed between both countries' Authorities for the implementation of the STR (Customs, Immigration, Ministries of Agriculture and Health). A Charter for CBT should also be elaborated.	GVT
Existence of Trade Associations	Creation of SSCBT Associations where they do not exist and/or reinforce the existing ones.	PS
Trade Information Desk Offices.	To be established in collaboration with the private sector operators.	PS
Charter for Cross Border Traders	To be developed by both Governments (Ministries responsible for trade) and the private sector (Chambers of Commerce).	GVT

*PS: Private Sector/ GVT: Government



4.1 Common list of approved products:

- Somali and Ethiopian authorities responsible for trade (Ministries of Trade) and their respective Customs have to negotiate and agree a Common list of originating goods corresponding to the products that are mostly traded at the border points. Goods in this list should be exonerated from a CoO.
- The Common List consists of products that are known to be originating from the two bordering countries by the STR and are either “wholly produced”, or manufactured in their territories according to the COMESA Protocol on Rules of Origin. This list, however, should not be considered as exclusive, as other products should be allowed to benefit from the STR, provided that their local origin is certified by the SSCBT with an SCO.
- Originating goods manufactured in either Somalia or Ethiopia should be produced by a manufacturer who is registered at the Ministry of Trade, Customs Department or relevant Authorities.
- The common list of products should be distributed to all the Somali and Ethiopian customs offices in Dollow and Tog-Wajale who will use this information to grant the preferential tariff treatment, authenticate exonerating traders from the production of a simplified certificate of origin. Other goods originating from Somalia or Ethiopia but not included in the Common List will require an SCO.
- An example of an Agreed Common List of Products between DRC and Zambia is found in Annex2.

4.2 COMESA Simplified Certificate of Origin

- The Simplified Certificate of Origin (SCO), compared to the Standard COMESA Certificate of Origin involves simpler procedures and processes in its application and issuance (see picture below); and
- The SCO has fewer data requirements compared to the standard COMESA Certificate of Origin (ROO Certificate).

Figure 5. COMESA Simplified Certificate of Origin

 COMESA SIMPLIFIED CERTIFICATE OF ORIGIN/CERTIFICAT SIMPLIFIE D'ORIGINE DU COMESA 	
(For goods of a value not exceeding US\$2000/Pour les Marchandises dont la Valeur en Douane ne Depasse pas US\$2000)	
Exporter (name, full address, country) Exportateur (nom, adresse complete, pays)	Reference Number Numéro de Référence
Importer (name, full address, country) Importateur (nom, adresse complete, pays)	Country in which the products are originating Pays d'origine de la marchandise
Description of goods Description des marchandises	No. and type of packages Value Quantité et nombre de colis Valeur
Declaration by Exporter Déclaration de l'exportateur I, the undersigned Mr/Mrs/Ms Declare that the goods described above have been produced in accordance with the COMESA Rules of Origin in/Declare que les marchandises décrites ci-haut sont produites en conformité avec les règles d'origine du COMESA	Customs Endorsement Approbation par les services de Douane I, the undersigned, hereby endorse the exporter's declaration and certify that the goods qualify under the COMESA Rules of Origin/Je, soussigné, approuve par le présent la déclaration de l'exportateur et certifie que les marchandises se conforment aux règles d'origine du COMESA
Signature Place/Lieu Date	Signature Name of Customs Officer/ Nom de l'officier de douane Date
Official Stamp/Seau Officiel	Customs Office and Official Stamp Bureau de Douane et Seau Officiel

4.3 The COMESA Simplified Customs Document

Similar to the SCO, the COMESA simplified Customs Document is a simplified version of the standard customs document which enables the SSCBT to declare their goods to Customs more easily. A sample of such document is below.

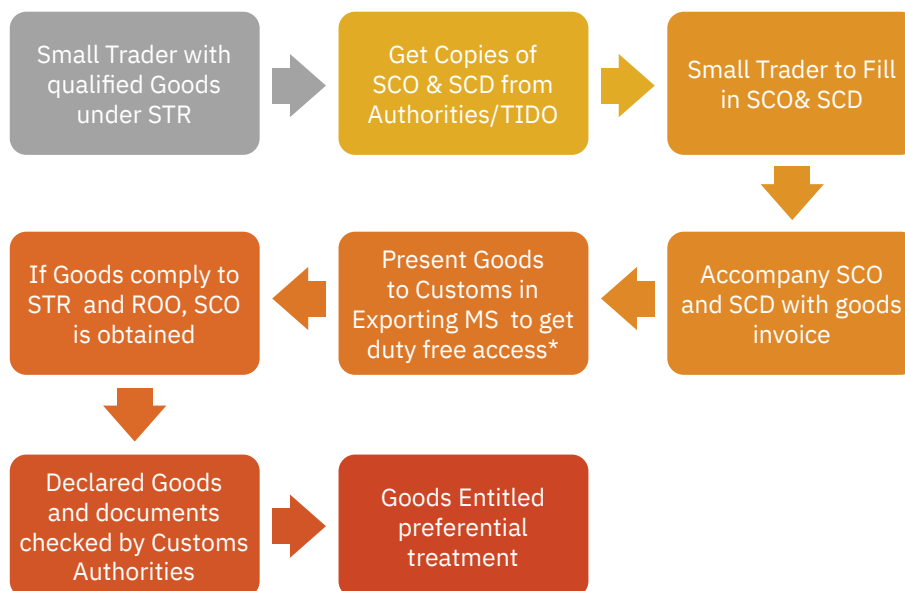
Figure 6. The COMESA Simplified Customs Document

COMESA SIMPLIFIED CUSTOMS DOCUMENT				
For goods of a value not exceeding US\$1,000				
PAYS			No.	0048
Name of Exporter		2		Port of Clearance
Name of Importer		4		Identification of Transport
Goods description		6	Quantity	7
Country of Origin		9	Country of Destination	10
				Value
FOR OFFICIAL USE				
Declaration No. & Date		12	HS Code (Commodity Code)	13
				Customs Value
DECLARATION BY EXPORTER/IMPORTER			15	
FOR OFFICIAL USE (Stamp)				
We _____ (exporter/importer) do hereby declare the information and particulars declared herein as true and complete. Signature _____ Date _____ Office _____ Tel/Fax _____				
VENUE INFORMATION				
16. Duty/Tax Type	17. Duty/Tax Base	18. Rate	19. Duty/Tax Due	20. Total/Duty Tax Due
Remarks				
Other Remarks				
<p>INSTRUCTIONS TO FILL OUT THIS FORM Simplified Customs Documents (SCD) is to be used only for commercial consignments whose total value is not more than US\$ 1000 equivalent</p> <p>Instructions on how to complete the form are given below:</p> <p>1. Name of Exporter Fill in the full names and address of the person/company exporting/supplying the product.</p> <p>2. Port of Clearance Fill in the name of the port or border post where goods are being cleared.</p> <p>3. Name of Importer Fill in the full names and address of the person/company importing the product.</p> <p>4. Identification of Transport Fill in the means being used to transport the products e.g. vehicles, motor cycle, bicycle etc.</p> <p>5. Goods Description Fill in the name of goods being exported/imported.</p> <p>6. Quantity Fill in the quantity of the products, e.g. number of drums, crates, boxes etc.</p> <p>7. Net Weight Fill in the total weight of the goods in kilograms.</p> <p>8. Country of Origin Fill in the name of the country where the goods originating or are manufactured. Not where they were purchased.</p> <p>9. Country of Destination Fill in the country to which you are going and where the goods will be finally sold.</p> <p>10. Value Fill in the value of goods.</p> <p>14. Declaration by Exporter/Importer Fill in the name of the person or company exporting/importing the product, sign and date.</p>				

Both Somalia and Ethiopia should use a similarly designed Simplified Customs Document (SCD) and Simplified Certificate of Origin (SCO) to facilitate the declaration of goods for SSCBTs. These documents should be translated into the local languages to enable traders to use them more efficiently.

4.4 Steps involved in getting a SCO and crossing the border

Figure 7: Process of obtaining and SCO and Crossing the border with the qualified goods



* If goods are part of the Common List there is no need to present the SCO

The above diagram is a graphical representation of the process a SSCBT typically goes through to get his SCO and export his goods across borders. The steps to be undertaken are the following:

- A SSCBT who intends to export goods across the border and whose consignment qualifies for preferential treatment should get copies of SCO and the SCD at the TIDs office or relevant border authorities (Customs) or TIDO.
- The SSCBT fills in the SCO and the SCD with all information required.
- The SCO and SCD are accompanied by the goods invoice and presented to the DIA or customs authority for authentication.
- Goods which qualify for the simplified procedures have to be confirmed by Customs in the exporting country. This is done by putting a reference number on the certificate, stamping and signing it. The certified SCO will entitle the goods to the preferential treatment in the importing MS.

Role of Customs Authorities in the importing MS:

- Customs authorities will check that the goods are part of the common list of approved goods (in which case an SCO is not required) otherwise all other originating goods that meet the ROO criteria will require an SCO;
- the signature and stamp appearing on the certificate should match those notified by the DIA or Customs Authority of the exporting MS, and;
- should the above conditions be met, the goods will be entitled to preferential treatment in the importing MS.

4.5 Importance of having a Coordinated Border Management for SSCBT

- The aim of Coordinated Border Management is to *improve efficiencies* at borders through streamlined, coordinated and harmonised operations.
- To effectively implement an STR, it is important to have a **Coordinated Border Management** system in place, to ensure smooth and hassle-free trade operations at the border.
- To achieve a successful **Cross-border coordination of government activities** between countries, it is important to put in place mutual administrative assistance mechanisms as well as efficient information sharing and exchange practices.

4.6 Role of TIDOs and benefits to SSCBTs

Several studies² demonstrate that skilled and trained TIDOs are highly beneficial in the trade process, and that SSCBTs report being much more satisfied after working with the support of TIDOs.

Skills required by TIDOs

The various skills required by TIDOs include:

- Trade information skills (providing and explaining the right information to guide small scale traders:
- Communicating skills (communicating with small scale traders in their respective local languages.
- Understanding the various needs of the small-scale traders.
- Communicating with border administration and national governments, monthly reporting), negotiating skills (solving any problems arising between traders and border administrations);
- Administrative skills (knowledge of the administrative laws and reporting).
- Management skills (capacity to manage all activities required by a TIDO including:

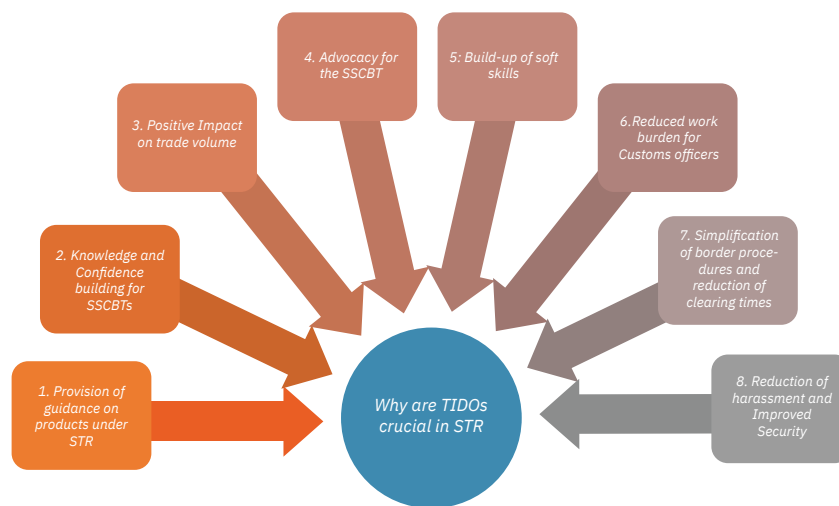
² COMESA Secretariat, Regional Food and Risk Management Programme (Reform) Cross Border Trade Component Reform / CBT Final Implementation Report Project, August 2012.

UNCTAD Borderline: Women in Informal Cross-border Trade in Malawi, the United Republic of Tanzania and Zambia, 2018

- Secretarial and administrative services. Ensure security, sanitation and managing equipment.
- Ability to collect SSCBT Trade Statistics

One study on SSCBTs in COMESA³ highlighted the fundamental role played by the TIDOs in implementing the STR and the benefits they bring to SSCBTs as well as the border administration.

The following eight points⁴ highlight why **TIDOs are crucial in the implementation of the STR**:



Point 1: They provide guidance on products under STR

The TIDOs provide individual guidance to small traders not only on the type of products benefitting from preferential access under the STR, but also on other non STR - products which attract duty, so to warn traders on additional requirements and/or potential duties and taxes to which they are subjected.

Point 2: Knowledge and Confidence building for SSCBTs

Through TIDOs, SSCBTs have access to trade information before crossing borders. This information helps them in building confidence toward customs officers and immigration officers, thus avoiding harassment and the payment of any duties by SSCBTs on non-dutiable goods. The presence of TIDOs has also resulted in reduction of queries, misunderstandings and disagreements during border crossing. A study commissioned by COMESA in 2021 on the sustainability of Trade Information Desk Offices⁵ revealed that administrative processes during border crossing are faster. A shift from illegal cross border trading into the formal setup has gradually become a reality.

³ COMESA, Bhowon, V., Consultancy Services to Conduct a Study on the Sustainability of Trade Information Desk Offices (TIDOs) in COMESA, 2021.

⁴ IBID Bhowon, V. 2021

⁵ IBID Bhowon, V. 2021

Point 3: Positive Impact on trade volume

Field reports carried out under the Study on the sustainability of Trade Information Desk Offices indicated that the existence of TIDs and services provided by TIDOs in implementing the STR has had positive impact on the volume of trade carried out by SSCBT. Previously, due to high transaction fees linked to corrupt practices, SSCBTs found that their profit margins were significantly reduced. This situation often forced them to operate at break-even or at a loss. The predictability of the situation at border implies that SSCBTs therefore no longer have to bear any additional costs which impact on consumers being able to benefit from lower prices. Additionally, SSCBTs now can enjoy higher profit margins leading to growth and often diversification of their businesses. The longer-term impact being improved living conditions.

Point 4: Advocacy for the SSCBT

TIDOs also has an “advocacy” role for the SSCBTs, especially in dealing with conflicting situations. Through their interventions, they facilitate SSCBTs on administrative and legal issues while the latter carry out their trading activities at borders. SSCBTs feel more empowered and confident and can undertake their trading activities with minimum harassment and worries as they can have recourse to TIDOs should any issue occur.

Point 5: Build-up of soft skills

Over the years, in COMESA countries, TIDOs have developed soft skills which allow them to handle various situations including conflict related ones. These skills include handling large number of requests, help SSCBTs to clear goods, use negotiation skills in resolving administrative hiccups, tackle and solve harassment problems in addition to other issues. According to the EU⁶, “*the Trade Information Desk Officers (TIDOs) deployed at border posts have often proven to be very useful not only for providing trade information and helping traders with the clearance of their goods, but also for trust-building and mediation*”.

Point 6: Reduced work burden for Customs officers

The practical experience at COMESA border implementing the STR has shown that Customs officers’ workload can be greatly reduced while dealing with SSCBTs. Previously they would spend more time trying to explain to SSCBTs about products, trade procedures, legislation, customs duties and taxes. During peak hours this could add pressure on their workload. TIDOs have taken over this role and enabled customs officers to focus on larger consignments.

Point 7: Simplification of border procedures and reduction of clearing times

Given that SSCBTs are being appropriately informed about the products allowed under STR, and about other border procedures through TIDOs, the clearing time for goods has been greatly reduced. The REFORM Implementation report⁷ confirms the same: “*After a year and half of STR implementation, the evaluation*

⁶ Description of the Action, The COMESA Cross Border Trade Initiative: Facilitating small – scale trade across the borders. Ref. Ares(2018)2405352 - 07/05/2018

⁷ COMESA, Regional Food and Risk Management Programme (Reform) Cross Border Trade Component Reform / CBT Final Implementation Report. August 2012

of the programme has revealed a reduction in time spent (from an average of 4hrs to under 30minutes)” and cost [import duties are not payable for originating goods even without Certificate of Origin] by traders at the borders.

Point 8: Reduction of harassment and Improved Security

As a result of increased information provided by the TIDOs to Traders on trade formalities and about their rights in COMESA countries, harassment by unscrupulous border officials has been greatly reduced. SSCBT are encouraged to report cases of corruption and any form of harassment which makes border officials more and more mindful of any unprofessional behaviour and runs the risk of being reported. A study on Cross border trading by Nijwa (2012)⁸ claimed that “trading under the STR has reduced harassment - 60% of traders said that they felt the STR and associated systems better protected traders from extortion and abuse than what was in place previously”.

The COMESA study⁹ on the sustainability of TIDOs also concluded that:

SSCBT were prepared to pay for the TIDs services

The COMESA study mentions that the SSCBTs are very satisfied by the role played by the TIDOs and are even ready to pay a minimum fee of US5\$ every time they cross the border due to the various above-mentioned benefits derived.

STR Statistical information on SSCBT collected by TIDOs to address information asymmetry.

TIDOs established in various COMESA border posts provide the SSCBTs with trade-related information in implementing the STR. This information helps to improve relations both between neighbouring countries and between traders and service providers. It includes:

- STR utilisation and border crossing procedures, amongst other related information.
- Trade taxes; non-tariff barriers; transport costs; accommodation rates; exchange rates, non-tariff barriers, information on cross border conflicts.
- market prices; role of women in cross border trade and in conflict prevention; and
- obligations, rights and regulations for traders
- TIDOs also carry out other roles which include the collection of trade statistics for SSCBTs.

4.8 Conditions under which SSCBTs can use the COMESA STR

The three basic conditions that are necessary in order for the COMESA STR to apply include the following:

- 1 Goods must be intended for sale (they do not have to be destined for

⁸ Nijwa (2012), Informal Cross Border Trade: Challenges and Opportunities, A Case of COMESA and its STR Implementing Borders

⁹ COMESA, Bhowon, V. Consultancy Services to Conduct a Study on the Sustainability of Trade Information Desk Offices (TIDOs) in COMESA, 2021.

- personal consumption);
- 2 The value of the exportable goods must be equal or lower to the agreed STR threshold (the COMESA STR recommended threshold, as indicated above, is US\$ 2,000)
 - 3 The goods being traded and benefitting from preferential access must be included in a Common List of goods (negotiated and agreed by the concerned countries).

4.9 The Charter for Cross-Border Traders

Cross-border traders Charters are a soft law tools (documents not having binding legal force) whose purpose is to protect the basic rights of SSCBTs (especially women), by defining the minimum standards that border officials must observe in dealing with such sector¹⁰. Charters also contain provisions that engage governments implementing the STR to conduct regular training and sensitization activities among border officials, traders and other target beneficiaries (e.g., trade associations) on key issues related to cross-border trade.

Among the countries that have adopted Cross-border traders Charters there are Zambia, Malawi, Uganda and Rwanda (See Annexes 3 and 4). These tools have contributed to improve the treatment of traders at the border and to increase the efficiency of trade flows. In some cases, they have been supported by mechanisms for the reporting of abuses, based on use of modern technology¹¹.

In the case of Somalia and Ethiopia, a Charter should be adopted listing the basic set of rights and obligations for traders and border officials (Customs and other border agencies), so to push them to adopt respectful and non-abusive behaviours toward SSCBTs, under penalty of disciplinary actions by their respective administrations. The role of the Charter is not to replace already existing Service Charters or Codes of Conduct for existing agencies, but to provide further protection to SSCBTs and ensure that the behaviour among border agencies assist transactions carried out by such economic operators.

4.10 Problems faced by SSCBT in COMESA

The problems that SSCBTs typically face at borders are listed below. They have been identified based on the analysis of various reports produced under different projects related to the implementation of the STR in the COMESA region. These problems should be kept into account when developing a STR between Somalia and Ethiopia, so that they can be properly addressed in the STR bilateral agreement to be developed between the two countries.

- Information gaps or absence of knowledge by SSCBTs of the benefits of trading with other COMESA countries and their rights and obligations.
- Payment of customs duties on goods (that, instead, do not attract any customs duties), owing to an absence or lack of knowledge of the COMESA FTA.

¹⁰ Among other things, they prohibit customs officials from asking traders to pay unpublished fees or charges and oblige them to record the payments received and the physical checks carried out at borders.

¹¹ Brenton, P., Dihel, N., Hoppe, M., Soprano, C., Improving behaviour at borders to promote Trade formalization : The charter for cross-border traders, July 2014

- Complex documents and complicated filing processes of these documents.
- Customs officials at the borders have no or little knowledge of official documents enabling SSCBTs to benefit from duty-free access or reduced duty amounts.
- Time-consuming process for SSCBTs to clear goods either with no or little duty amounts.
- Impounding of goods as a result of incorrect payment or non-payment of Customs duties.
- Payment of bribes by SSCBTs to border agents.
- Harassment, especially against women, who constitute the majority of SSCBTs.
- Exclusive use of the English (or French) language in all official documents, which is often not understood by SSCBTs at borders, as many of them speak only local languages.
- Multiplicity of border agencies (Customs, Immigration, Health, Agriculture, Standards, etc) who are often rent seeking.
- Inadequate infrastructure at the borders (storage facilities, shelters offering protection from sun or bad weather, cross-border markets, washrooms and ablutions facilities etc.);
- Weak associative representation for SSCBT (CBTAs).



5. The situation of cross border trading in Somalia at two selected border posts (Dollow and Tog-Wajaale)

5.1 An overview of the trade environment at Tog-Wajaale and Dollow border posts.

There is little official informal trade flow through border post between Somaliland region of Somalia and Ethiopia region due to severe trade restrictions imposed by the Ethiopian government. The field survey carried out for the purpose of this study has identified the following ones:

- Individual shoppers and small-scale traders crossing from the Somali side of the border to Ethiopia are not allowed to carry more than a day shopping quantity of goods.
- Local Ethiopian commercial banks are permitted to exchange a maximum amount of 5,000 (approx. US\$ 100) Ethiopian Birr per person.
- mobile money transactions are limited to a maximum amount of 3,000 Ethiopian Birr.

The above trade restrictions appear to be driven by major macroeconomic preoccupations linked to high inflationary pressures stemming from low levels of foreign currency reserves at the Ethiopian Central Bank as a result of the Tigray war.

The volumes of tradeable goods produced locally are small. As a consequence, much of Somali SSCBTs are engaged primarily in trade of re-exported goods. Import restrictions (limited to sufficient goods for personal shopping) apply to Ethiopian travellers entering Somalia to prevent foreign currency from leaving Ethiopia.

The majority of trade at both the Tog-Wajaale and Dollow borders consists of substantive undeclared small-scale trade crossing the border in both directions. This trading activity seems to be “officially” tolerated where goods are transported by specialist porters using wheelbarrows or other means of transport and crossing territorial boundaries at locations not far from the official border post itself. Traders do not usually travel with their consignments but meet porters once they have crossed the borders. However, if the consignment is intercepted, duties or other official charges are paid but, in most cases, no official receipt is provided.

In both countries, there are some items that are officially restricted. These include export restrictions on fresh milk from Ethiopia and import restrictions on soft drink and mineral water in Somaliland region. Somaliland traders import fruits and vegetables, grains, khat, livestock, fodder from Ethiopia. Whereas

export to Ethiopia by Somaliland traders include clothes, imported legumes, and shoes. There is also a small seasonal trade of fruits and vegetables.

A Diagnostic Study on the Berbera Corridor¹ made in May 2022 indicates that at the Tog-Wajaale Cross Border Market there is a potential impact of the border crossing on economic opportunities in the borderlands. However, there were existing constraints that needed to be addressed. The report mentioned that the plans to introduce a simplified trade regime for small scale trade have been postponed because of the prior need to address the legal status of cross-border small trade and for awareness raising sensitisation among traders. A simplified trade regime was proposed but has not been implemented mainly because of the prior need to address the legal status of cross-border small trade and for awareness raising sensitisation among traders. The study suggested that key interventions relative to trade facilitation should include, legalisation of small-scale trade in legitimate products and a rationalization of the trade regime to introduce the STR for small scale trade. Proposals at the institutional development level included: the organization of informal / small scale traders into clusters to improve viability and increase security. The study also observed that in Somaliland efforts have been made to try to draw predominantly smaller traders into the formal sector and that simplified trade regime was proposed.

5.2 Key results of the field surveys in Tog-Wajaale and Dollow

The table below summarises the results 2023 of the field survey (see Annex carried out in the period Jan to March at the Tog-Wajaale and Dollow Borders where a total of 542 SSCBTs were interviewed at both borders.

Table 2. Tog-Wajaale and Dollow survey results

Observations		
Item	Tog- Wajaale	Dollow
No of Traders interviewed	298	344
Average Age	40 yrs	42 Years
Gender	70% women, 30% men.	54% women and 46% Men
Education	No formal primary or intermediate schooling among the young traders	55% No formal Education 40% Primary 5% university
Residence	Majority in Tog-Wajaale area Border Neighbourhood	Gedo (Somalia) and Adow (Ethiopia) regions
Business Registration Status	Majority have no business licence	43% have registered businesses
Products exported from Ethiopia to Somaliland/ Somalia	Fruits and vegetables(5-40kg), meat, milk (10-40L), shoes, livestock, soft drinks and mineral water.	Fruits (of all kinds), and Dry Lemon 50kgs to 10 Ton consignment

¹ Triple Line, Refresh of the Berbera Corridor Diagnostic Study, May 2022.

Products exported from Somaliland/ Somalia to Ethiopia	rice, sugar, flour, pasta, drinks, clothes, electronics, and second-hand clothes & sport shoes dozens to 45-80 Kg).	Rice, Flour, Maize, Vegetables, Cooking oil, Spaghetti, Watermelon, Macaroni Milk, Beans
Products produced in Somaliland/ Somalia	lettuce, lemons and carrots	Dry lemon and onions
Products produced in Ethiopia	Soft drinks, bottled mineral water, milk and fruits and vegetables	Agricultural produce & Drinks and bottled mineral water
Frequency of Trade	Seasonal and demand dependent For a Sizeable minority - daily or weekly	Market driven But for majority - daily or weekly.
Length of time in business	74% >1 Year 38% >5 Year	95% > 1 Year 67% > 2 Years
Customs Clearing time	Within an hour mostly	For 80%, it 3 hours or more
Duty paid	Full duty paid to limited small number of consignments passing through official border	Yes for 90% Amount varies with product type
Other Charges Paid	Local Government charges for traders	70% official charges 7% unofficial charges
Membership to associations	Most traders belong to trade associations - cooperatives	97% do not belong to trade Associations. 3% are members of trade Associations
Assistance from Trade Association	Association do not intervene to resolve cross border issues but consulted in trade related issues	3% get assistance to reduce tax burden
Informal trade support	No institutional support	No institutional support
Border Infrastructure	Only for market facilities	No border amenities available
Nb of border checks	Only two customs border checks	59% go through 4 border checks 32% go through 3 border checks 7% go through 2 border checks
Challenges faced	Customs duty Other charges Insecurity on Ethiopian side	Burdensome customs Slow Clearance process Lack of Transparency in customs clearance Corruption or request for bribes Personal and Property safety Problems with police Sexual harassment Insecurity
Smart Phone Use	Majority do not	79%

5.3 Main findings from the field surveys in relation to the STR requirements:

The following table attempts to link the results of the above survey which depicts the characteristics of cross border trading at both Tog-Wajaale and Dollow Borders and analyses their implications on the STR components when they are implemented at the respective borders.

Table 3. Findings from the surveys and their implication related to the STR elements

Key STR elements	Issues and implications for STR at Tog-Wajaale border	Considerations for the implementation of the STR at Tog-Wajaale
A Common list of goods/products	<ul style="list-style-type: none"> Cross border trade is limited to a few products which originate (are wholly produced) from both countries 	<ul style="list-style-type: none"> Cross border trade is limited to a few products which originate (are wholly produced) from both countries
Threshold amount (US\$2000 in COMESA);	<ul style="list-style-type: none"> There was no exact indication of the exact value of the goods traded but estimated by the field survey to be below US\$2000 	<ul style="list-style-type: none"> Based on the estimate the COMESA threshold of US\$2000 could be applicable
Compliance to ROO	<ul style="list-style-type: none"> Only few products which are traded are originate from both countries 	<ul style="list-style-type: none"> Same as Tog -Wajaale
Goods clearing time	<ul style="list-style-type: none"> Mostly 1 hr. 	<ul style="list-style-type: none"> 3 hrs or more
Coordinated Border Management;	<ul style="list-style-type: none"> Customs duties Other charges Insecurity on Ethiopian side Two border checks Low level of unofficial charges on both borders 	<ul style="list-style-type: none"> Burdensome customs Corruption Sexual harassment Problems with police Insecurity Higher number of border checks Low level of unofficial charges on both borders
Trade Information Desk Offices	<ul style="list-style-type: none"> Mainly daily and weekly trading patterns and this tends to increase in peak time. Very few SSCBTs belong to Trade associations according to the field surveys but these associations do not intervene to resolve cross border issues but consulted in trade related issues 	<ul style="list-style-type: none"> Same as Tog-Wajaale 3% get assistance to reduce tax burden
Existence of Trade Associations	<ul style="list-style-type: none"> Most SSCBT belong to associations 	<ul style="list-style-type: none"> Very poor membership to Associations
Use of Smart Phones	<ul style="list-style-type: none"> Very Low usage 	<ul style="list-style-type: none"> 95% use smart Phones

5.4 Considerations for the implementation of the STR at the Tog-Wajaale border

Based on the above findings, the table below highlights the areas that decision makers (mainly Ministries of Trade together with Customs Departments) need to consider specifically for the Tog-Wajaale Border.

Table 4. Consideration for the implementation of the STR at Tog-Wajaale

Key STR elements	Issues and implications for STR at Tog-Wajaale border	Considerations for the implementation of the STR at Tog-Wajaale
A Common list of goods/products and Compliance to ROO	<ul style="list-style-type: none"> • Cross border trading is limited to very few products which originate (wholly produced) from both Countries 	<ul style="list-style-type: none"> • Given the low number of traded products originating from both countries, the elaboration of the Common lists by the Ministries of Trade will not require in depth studies.
Threshold amount (US\$ 2,000 in COMESA);	<ul style="list-style-type: none"> • Goods traded are estimated to be lower than the COMESA threshold of US\$ 2000 	<ul style="list-style-type: none"> • A pilot amount of US\$ 2,000 could be implemented and adjusted based on STR statistics collected over a 6 month period.
Goods clearing time	<ul style="list-style-type: none"> • Mostly 1 hr. 	<ul style="list-style-type: none"> • With the implementation of the STR, SCO and SCD, this process should be reduced to a minimum (Clearing time reduced from 2 hrs to 20-30 mins on average in COMESA)
Coordinated Border Management;	<ul style="list-style-type: none"> • Customs duty • Other charges • Insecurity on Ethiopian side • Two border checks • Low level of unofficial charges on both borders 	<ul style="list-style-type: none"> • Training for border officials required to address the following issues: <ul style="list-style-type: none"> ◦ Duty free access under STR or payment of the correct duties ◦ Streamlining the number of check points ◦ Importance of transparency ◦ Avoiding corrupt practices ◦ Ensuring Security ◦ Setting up an alert mechanism in case of issues when crossing borders • The elaboration of a Charter for Cross Border Traders is essential
Trade Information Desk Offices.	<ul style="list-style-type: none"> • Mainly daily and weekly trading patterns and this tends to increase in peak time • Associations do not intervene to resolve cross border issues but consulted in trade related issues 	<ul style="list-style-type: none"> • Ensuring proper staffing of the TIDs • Training of the TIDOs on provision of information and conflict resolution
Existence of Trade Associations	<ul style="list-style-type: none"> • Most SSCBT belong to associations 	<ul style="list-style-type: none"> • Capacity building for associations on their role in assisting SSCBTs and improving trading conditions
Use of Smart Phones	<ul style="list-style-type: none"> • Very Low usage 	<ul style="list-style-type: none"> • Shows low potential of providing information through digital media

5.5 Considerations for the implementation of the STR at the Dollow Border

Similar to the table 4 above, table 5 highlights the areas that decision makers need to consider specifically for the Dollow Border.

Table 5. Considerations for the implementation of the STR at Dollow

Key STR elements	Issues and implications for STR at Dollow Border	Considerations for the implementation of the STR at Dollow
A Common list of goods/products and Compliance to ROO	<ul style="list-style-type: none"> • Cross border trading is limited to very few products which originate (wholly produced) from both Countries 	<ul style="list-style-type: none"> • Given the low number of traded products originating from both countries, the elaboration of the Common lists by the Ministries of Trade will not require in depth studies
Threshold amount (US\$ 2,000 in COMESA);	<ul style="list-style-type: none"> • Goods traded are estimated to be lower than the COMESA threshold of US\$ 2000 	<ul style="list-style-type: none"> • A pilot amount of US\$ 2,000 could be implemented and adjusted based on STR statistics collected over a 6-month period.
Goods clearing time	<ul style="list-style-type: none"> • 3 hrs or more 	<ul style="list-style-type: none"> • With the implementation of the STR, SCO and SCD, this process should be reduced to a minimum (Clearing time reduced from 2 hrs to 20 mins on average in COMESA)
Coordinated Border Management;	<ul style="list-style-type: none"> • Burdensome customs • Corruption • Sexual harassment • Problems with police • Insecurity • Higher number of border checks • Low level of unofficial charges on both borders 	<ul style="list-style-type: none"> • Capacity building of Customs Officers, Immigration as well as Police Department to ensure smooth clearing and crossing for borders for SSCBT. • Training on various problem areas identified • The elaboration of a Charter for Cross Border Traders is essential
Trade Information Desk Offices.	<ul style="list-style-type: none"> • Mainly daily and weekly trading patterns and this tends to increase in peak time. • 3% get assistance to reduce tax burden 	<ul style="list-style-type: none"> • Ensuring proper staffing of the TIDs • Training of the TIDOs on provision of information and conflict resolution
Existence of Trade Associations	<ul style="list-style-type: none"> • Very poor membership to Associations 	<ul style="list-style-type: none"> • Creation and strengthening of Association is important
Use of Smart Phones	<ul style="list-style-type: none"> • 95% use smart Phones 	<ul style="list-style-type: none"> • Potential exists to develop digital clearing of goods



6. PROPOSALS FOR THE OPERATIONALISATION OF THE STR AT THE DOLLOW AND TOG-WAJAALE BORDERS

Key findings from the surveys conducted in both Tog-Wajaale and Dollow borders show that products originating from Ethiopia and Somalia that are traded alongside the border are limited. Therefore, the elaboration a common list of goods for STR purposes should be a straightforward process, as no additional studies would be required. Interviews conducted at both sites also revealed that the COMESA recommended threshold¹ of US\$ 2,000 is adequate with respect to the current volume and value of informal transactions occurring at the border.

However, Ethiopia and Somalia not being part of the COMESA FTA implies that customs duties will apply on respective imports. The implementation of the STR between the two countries will result in a total exoneration from customs duties for shipment under the agreed threshold. One common practice observed at other borders is the misuse the benefits of STR for larger shipments by crossing the border through various smaller shipments (less or equivalent to US\$2000) during the same day with the help of SSCBTs. Larger traders break down their shipments in smaller volumes and ask small scale traders to carry them across the border in the importing country in small consignments several times in a day. This results in an organized trade activity using the STR and SSCBTs to circumvent the national laws. Therefore, while elaborating the STR, Ethiopia and Somalia should ensure that a frequency limit (times per day/ week) is set for SSCBTs when crossing borders. The registration of SSCBT is therefore key to enable Customs to control the number of times small traders cross the border.

One of the advantages of implementing the STR is that Clearance delays observed at both borders could significantly be reduced based on the experience of other COMESA MSs that are implementing the STR. For this to happen, significant awareness campaigns and capacity building programmes will be necessary to prepare customs officers for the implementation of the STR.

The role of the private sector in facilitating the STR is also fundamental, especially in setting up Trade Information Desks. Here, again, setting up private sector organisation where they do not exist and developing capacity building programmes to strengthen these institutions are necessary in view of the STR implementation. SSCBT associations are very weak and may also be non-

¹ The threshold value of 2,000 US\$ is not mandatory. Malawi, for instance, applies a STR with Zimbabwe where the threshold is 3,000 US\$ (<https://www.yonecofm.com/index.php/2021/07/14/malawi-to-promote-trade-ties-with-zimbabwe>), while Burundi and the Democratic Republic of Congo are negotiating an STR at their common borders for a threshold value of USD 500 or less per batch.

existent at Ethiopian and Somali borders. A starting point would be to get the support of existing Chambers of Commerce in setting up these institutions.

Another critical issues which should be addressed is that under the STR, goods are exempted only from payment of import duties, but many consignments are subject to other taxes, such VAT, excises, withholding tax, etc. For the SSCBTs, if the Customs Department is exonerating small traders from customs duties under the STR to facilitate cross border trade one of the questions which traders could ask is: If Customs Duties are exempted why should they still pay other taxes. This situation could be considered as an anomaly and create more confusion among small traders. To avoid such situation, the total exemption of STR consignments from all taxes (VAT, excises, withholding tax, etc.) should be considered, discussed, and possibly implemented by Ethiopia and Somalia.

Putting the STR in place and making it operational can be compared to a jigsaw puzzle where all the pieces have to be put together to see the final product. Similarly, the elements presented below have to be in place for the STR to be operationalized. If only one component is missing or delayed, the STR implementation could represent a major challenge. The Table 6. below lists the tasks related to the implementation of the STR in Somalia.

Table 6. Elements required for the implementation of the STR

Elements required for the implementation of the STR	Task to be carried out	Comments
Elaborate a List of Goods to be Traded	The Ministry of Trade in each country develops a Common list based on surveys and trade patterns.	Consultations at the national level can be a time-consuming process which may significantly delay the implementation of the STR
	Produce a Draft list of Common Goods from both countries	Each country should produce a draft list
	Submission of a proposal of Common List for negotiations	Both Submissions can be done at the same time
	Both Governments can decide and finalise a common list. Consultations with SSCBT can also be organized if necessary	A series of meetings and negotiations sessions from all stakeholders before finalising could be organised but may be time consuming
Decide on Threshold of goods under STR	Both Governments can decide on the threshold and tally on the COMESA threshold (US\$2000). Consultations between SSCBT/ Private sector can also be organised	The COMESA US\$ 2000 threshold can be used as a pilot case to start implementing the STR. Further discussions will delay the whole process.
Simplified Certificate of Origin (SCO)	USE COMESA SCO	Considered as a wiser option

Simplified Customs Document (SCD)	USE COMESA SCO	Considered as a wiser option
Elaboration of the STR Agreement between Somalia and Ethiopia	Respective Governments elaborate the STR agreement. Consultations with stakeholders can be held but not necessary	Using one of the existing example could speed up the process. Consultations at the national level may be time consuming process.
	Submission of a proposal STR for negotiations	
	Negotiation meetings between the two countries between government officials	Dependent on
Sign STR Agreement between Somalia and Ethiopia	Signature of the STR agreement between Somalia and Ethiopia	
STR Ratified	Ratify STR between Somalia and Ethiopia	Dependent on signature and ratification from National Assembly or relevant body
Coordinated Border management for SSCBT	Undertake a detailed audit of the legislative, regulatory and institutional framework governing the operations of border agencies to identify the feasibility of implementing the STR	Audit could be outsourced
	Develop a communication strategy on the government's policy, objectives and actions related to the implementation of STR with border authorities	Funding would be required for the development and the implementation of a communication strategy. A phased approach might not bring the expected results
	Develop a protocol for border authorities to operate in a coordinated manner to minimize duplications and redundancies of operations	Requires Sensitisation and Training of Border officials
	Continued process of reviewing and aligning procedures for effectiveness in the context of simplification and Harmonization of Procedures	Requires Sensitisation and Training of Border officials
	Simplification of documentation, border management, and modernization of customs, immigration, and related services through ICT and Data Exchange.	ICT equipment and connectivity required if they do not exist yet.
	Capacity building of Government agents at borders	Government agents need to be ready. A phased approach is not feasible
	Develop A Charter for Cross Border Traders	Needs to be developed by Ministries of Trade, Customs Department, Immigration Authorities and Border Police in Both Countries

Establishment of TIDOs	Meetings between the private sector to decide on the TIDO modalities required	Challenging if associations of SSCBT do not exist
	Creation of small traders' associations if they do not exist yet.	Could be time consuming due to internal leadership wars
	Set up of an STR Steering Committee to Monitor the TIDs operations	Need dialogue with Traders associations and border authorities
	Identify physical setup for the TIDs to be operational	Discussion with border authorities to provide space. In some COMESA borders containers have been used for as workspace for TIDs
	Develop Legal framework for the TIDs and TIDOS	To be set up through small consultancies
	Finalizing and acquiring space for the TIDs to operate	Funds required for TID set up
	Recruitment of the TIDOs	To be carried out by the Trade Associations or STR Steering Committee.
	Training of the TIDOs	Funds required
	The ministry of Trade in conjunction with the Customs Department could assist in the development of a digital application which can provide SSCBT with all the information they require. In addition, they can also carry out self-assessment to identify whether their products can be traded under STR or dutiable. Self-Declaration and filling in SCO and SCD should be possible. A minimum of internet literacy is however required.	The disadvantage of this system is the inability of advocacy role played by the TIDOs during conflicting situations

Communication for SSCBT	Communication campaigns for SSCBTs on the benefits of STR and how it operates through traditional and digital media	Would require funding
Capacity building of SSCBTs	Organization of regular capacity building sessions for SSCBTs	Funding is required



7. Conclusions and Recommendations

7.1 Conclusions

Operationalisation of the STR

As indicated above, the operationalisation of the STR in Tog-Wajaale and Dollow requires that all conditions listed in the table in the previous Section are met by both Somalia and Ethiopia. In particular, a successful implementation of such scheme cannot happen if stakeholders are not prepared. Considering the weak and still ongoing nation-building process in Somalia this could be a challenging situation in terms of institutional capacity and availability of resources.

However, the actions that have to be undertaken could be realised if there is strong commitment from the government and ownership of the process.

Implementation of the STR to additional other borders shared by Somalia

The above analysis and recommendations would apply for other borders shared with Somalia for example in the south with Kenya. Given that Somalia and Kenya have engaged in discussions with the intent to open up their borders, that the broad structure of the STR in this study would apply. The common list will however need to be discussed and negotiated by both governments and will relate to trade patterns and goods originating from both countries.

Common List

Given the limited number of goods produced in both countries, the elaboration of a common list should be easy and could be rapidly developed.

Financing of the STR implementation

In the case of COMESA countries, the pilot projects were initially financed by international donors, and mainly by the EU. Similarly, the implementation of the STR in Somalia will require funds, especially for setting up the TIDs and for the recruitment of a TIDOs. TIDO's fees should be financed, at least for the first 3 years, under a development programme. Additional funding is also required for basic equipment such as office furniture, a computer, communication networks (e.g., a wi-fi), as well as administrative expenses. Governments of Somalia and Ethiopia should start discussions with various development partners to ensure that funds are secured at least for the first two years of the project.

Role of Government

The government plays a key role in contributing to the success of the TIDs activities in terms of developing the appropriate policies, implementing facilitating measures as well as providing the required infrastructure (building, office space, etc.). The government should also provide appropriate framework and legislation to ensure that there is transparency and accountability in the management of such activities.

Border Authorities

Border authorities (Customs, Immigration, Police, Health and Agricultural services, etc.) on both sides of the borders should be trained on the implications of the STR, so understand the various procedures it entails as well

as the commitments under the Charter for cross border traders to be able to operationalise it.

The Private sector

The private sector, represented by CBTAs, has an important role in the success of the STR. The field surveys indicated a poor working environment for SSCBTs at both Somali and Ethiopian Borders, characterised by a myriad of challenges ranging from confiscations, harassment and all forms of work-related prejudice. The Ministry of Trade in collaboration with donor supported projects should assist SSCBTs to organise members into organisations to implement the STR. The reality on the ground may present challenges in organising the private sector but some form of association should be initiated. The existing Chambers of Commerc in these countries could be sought to assist in this initiative. Once set up, the CBTAs will have the responsibility of setting up and managing the TIDs. The funding of the TIDs could be carried out through the support of a development partners' programme as in the COMESA pilot case in 2010.

TIDOS

The TIDO need a set of skills (as indicated above) to be able to operate the STR. Usually TIDOS require at least one dedicated person to provide the assistance activities. Depending on the volume and concentration of cross border trading activity, at the Dollow and Tog-Wajaale borders, supplementary staff could be considered in the longer run.

Communication

Information such as how to use and benefit from the STR and the services provided by TIDs should be known to the SSCBTs. Therefore, communication campaigns in the form of leaflets, brochures, radio programmes, workshops, etc. will be necessary.

SCO and SCD

Given that the COMESA is already operating with an established SCO and SCD, it would be wise and less time consuming to use the same templates for the operationalisation of the STR in Dollow and Tog-Wajaale borders.

7.2 Recommendations for the implementation of the STR.

- 1) Given the limited number of goods originating from the two countries and potentially benefitting from preferential treatment, the elaboration of a common list of goods should be the first step to be undertaken by both countries. This list should be included in a STR agreement to be adopted by the two countries in the form of a bilateral agreement. There are various examples of STR agreements which could be used as a reference for the development of a STR equivalent between Somalia and Ethiopia. (See example in Annex 4)
- 2) Somalia and Ethiopia should use the COMESA SCO and SCD forms for STR purposes. These documents should be translated into the local languages for the benefit of the traders and border officials. A dialogue with the SSCBT representatives, especially the traders' associations on both sides of the border should be initiated to prepare and pre-

- empt the setup of TIDs. This will include the provision of support to SSCBT associations to reinforce their capacity in assisting SSCBTs in implementing the STR.
- 3) Both countries should collect information on the readiness of institutions at borders to implement the STR and take action on identified gaps to be put at disposal of policymakers in both Somalia and Ethiopia for shaping future policies of facilitation of the ICBT operators. Information that should be gathered include present situation of the border (infrastructure and congestions), border market infrastructure gaps (lack of sanitation and lack of inspection and payments, cross-border markets, etc.), trade policy gaps, facilities needed to house the TIDS, communication means, institutional capacity building gaps in implementation of the STR.
 - 4) Create Cross Border Trade Associations if they do not already exist, strengthen those that exist and carry out capacity building exercises of these institution for the successful implementation of the STR.
 - 5) Establish a Steering Committee comprising the government and private sector institutions for the oversight of the TIDs to ensure a smooth running of the STR.
 - 6) Develop and adopt a Charter for Cross Border Traders which would list the basic set of rights and obligations for traders and border officials (Customs and other border agencies) so to compel them to adopt respectful and non-abusive behaviours towards SSCBTs under penalty of disciplinary actions by their respective authorities.
 - 7) Develop and implement communication strategies with campaigns sensitive to the needs of for governments officials, border authorities, CBTAs and SSCBTs.
 - 8) Design and implement capacity building programmes for border authorities, CBTAs and SSCBTs
 - 9) In the longer run, the development of adequate and gender sensitive basic border infrastructures for small-scale traders, such as TIDs cross-border markets, should be considered. This setup would require significant capital investment. However, such an infrastructure would be within the control of security agencies. The advantage is that it would encourage the connection between small traders and customers in border areas in a secure environment. The safety of traders and product losses would be reduced and enable SSCBTs to carry out their activities formally.
 - 10) Consider limiting the daily/ weekly number of consignments per SSCBT to avoid abuse of the STR by larger traders who could attempt to avoid duties and taxes using this facilitation mechanism.
 - 11) Consider a total exemption of STR consignments from all indirect taxes applicable in Somalia and Ethiopia for consignments under the STR agreed threshold, on condition that they register with tax and customs authorities. This would encourage SSCBTs to use the STR and to report their transactions to customs authorities. In turn, this will lead traders to formalise their activities so that governments will be able to offset the taxes lost at the border because of the exonerations applied, with an increased taxation on revenues of such traders.

Table 7. Road Map for the implementation of the STR in Somalia

Areas of intervention	Specific Objective	Measures/ Strategy	Responsibility	Monts													
				1	2	3	4	5	6	7	8	9	10	11	12		
1. Common List of Goods to be Traded under STR	Develop a Common List of Goods to be Traded under STR	• Consultations between SSCBT (if feasible) and both governments to determine the Common Goods list content	Somali and Ethiopian Governments	█													
		• Produce a Draft of Common list of Goods from both countries	Somali and Ethiopian Governments		█												
		• Submission of a proposal of Common List of Goods for negotiations	Somali and Ethiopian Governments			█											
		• Meetings between Somalia and Ethiopian parties (Public and private sector) to discuss and agree on the common list of products	Somali and Ethiopian Governments				█										
2. Threshold value of goods applicable under STR	Decide on the Threshold value of goods applicable under STR	• Submission of a proposal on the COMESA Threshold value for traded goods (US\$2000)	Somali and Ethiopian Governments	█													
		• Meetings between Somalia and Ethiopian parties (Public and private sector) to discuss and agree on the threshold value of goods applicable under STR	Somali and Ethiopian Governments			█											
3. Simplified Certificate of Origin (SCO)	Develop a Simplified Certificate of Origin (SCO)	• Submission of a proposal of the SCO using the COMESA SCO	Somali and Ethiopian Governments	█													
		• Meetings between Somalia and Ethiopian parties (Public and private sector) to discuss and agree on the SCO	Somali and Ethiopian Governments				█										
4. Simplified Customs Document (SCD)	Develop a Simplified Customs Document (SCD)	• Submission of a proposal of the SCD using the COMESA SCD	Somali and Ethiopian Governments	█													
		• Meetings between Somalia and Ethiopian parties (Public and private sector) to discuss and agree on the SCD	Somali and Ethiopian Governments				█										
5. STR Agreement between Somalia and Ethiopia	Elaboration of the STR Agreement between Somalia and Ethiopia	• Draft STR agreement after consultations with stakeholders	Somali Government					█									
		• Submission of a proposal of the STR for negotiations	Somali Government					█									
		• Negotiation meetings between the two countries including all stakeholders to approve STR	Somali and Ethiopian Governments						█								
		• Signature of the STR	Somali and Ethiopian Governments							█							
		• Validation of the STR	Somali and Ethiopian Governments									█					

ANNEX1. Bibliography

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ANNEX 2. Agreed Common List of Products between DRC and Zambia

AGREED COMMON LIST OF PRODUCTS BETWEEN DRC AND ZAMBIA	
LIVESTOCK PRODUCTS	HS CODES
LIVE CATTLE	0102.29.00
PIGS	0103.10
LIVE SHEEP	0104.10.00
LIVE GOATS	0104.20.00
CHICKENS	0105
DUCKS	0105.13
GUINEA FOWLS	0105.15
OSTRICHES	0106.33
PIGEONS	0106.39
CHICKS	0106.39
FRESH FISH	0302.79.00
DRIED FISH	0301.19
SMOKED FISH	0305.39
DRY FISH	0305.49
SALTED FISH	0305.49
SMALL DRIED FISH	0305.59
EGGS	0407
AGRICULTURE PRODUCTS	HS CODES
BEEF FRESH OR CHILLED	0201
BEEF FROZEN	0202
POTATOES	070190
TOMATOES	0702.00
ONION	0703.10
GARLIC	0703.20
CABBAGES	0704.90
CARROTS	0706.10
CHILLI FRESH	0709
GREEN PEPPER	0709.60
OKRA	0709.99
VEGETABLE	0712.39.00
LEGUMES	0713
COW PEAS	0713.35
CASSAVA	0714.10
BANANAS	0803.90
PINEAPPLES	0804.30.10
GUAVAS	0804.50
ORANGES	0805.10

COFFEE	0901.90.00
TEA	0902
CHILLI OTHER	0904
MAIZE	1005
RICE	1006.10
RICE	1006.20
SORGHUM	1007.00
SORGHUM	1007.90
MILLET	1008
CORN FOUR	1102.20.00
MAIZE MEAL	1103
CASSAVA FLOUR	1106
GROUNDNUTS	1202
SUGAR CANE	1701
CRUDE PALM OIL	1511.10
SAUSAGES	1601
AFRICAN POLONY	2106.90
MAIZE BRAN	2302.10
TOBACCO, UNSTEMMED	2401.10.00
STEMMED TOBACCO	2401.20.00
COTTONWOOL	5601
CONSTRUCTION PRODUCTS	HS CODES
QUICK LIME	2522.10.00
CEMENT	2523.10.00
PAINTS	3208.10.00
TILE FIX	3215
WINDOW PUTTY GAZEL	3215
FLOOR PROTECTION PLASTIC (DPC PAPER)	3923
IRON SHEETS	7210
METAL BOXES	7310
ROOFING TIMBER (Mahogany Sawn Timber)	440721
ROOFING TIMBER (Virola,imbuia and Balsa)	4407
ROOFING TIMBER (Other)	4407
WINDOW PANES (Doors, Windows and Frames and their thresholds)	7308.30
WINDOW PANES (Doors, Windows and Frames)	7610.10
NAILS AND TACKS	7415.10.00
METAL SHEETS	7606.12.10
LOOPING BOXES	8536.70
COSMETICS PRODUCTS	HS CODES
PERFUMES AND COLOGNES	3303.00.10
SOAP	3401
BODY LOTIONS	3404
MAKEUP PRODUCTS FOR LIPS	3304.10.00

NAIL POLISH	3304.30.00
MANUFACTURING PRODUCTS	HS CODES
BUTTER	0403.90
FRESH PACKAGED MILK	0402.99
PACKAGED SPICES	0910
GROUNDNUT OIL	1508.90
COTTON OIL	1512
MARGARINE, BUTTER	1517.10
SOYA OIL	1507.90
SUNFLOWER	1512
BEEF PREPARED	1602
SUGAR	1701
SWEETS	1704.90
CORN SNACK	1904
BISCUITS	1905.31.00
PEANUT BUTTER	2008
PREPARED PORRIDGE	2107
CRISPS	2106.90
CUSTARD POWDER	2107
GRAVY MIX	2104
MAHEU DRINK	2206
MINERAL WATER	2202.10
YOGHURT	2202
OPAQUE BEER	2203.00
SOFT DRINKS	2206
BEERS	2203.00.90
LARGERS	2203.00
SPIRITS	2208
SOYA PIECES/CHUNKS	2304.00
ANIMAL FEED	2309.00
CASSAVA MEAL	2309.90
CIGARETTES	2402.20.10
IODIZED SALT	2501.00.10
CEMENT	2523
WASHING LIQUID	3402
WASHING PASTE	3402
DETERGENT PASTE	3402
INSECTICIDES	3808.91.00
EMPTY SACKS (Carrier Bags)	3923
KITCHENWARE (Plastic)	3924
PLASTIC CONTAINERS	3923
PLASTIC CUPS, PLATES	3923
CURIOS	4420.90
EMPTY SACKS (base width 40cm and more)	4819.30

EMPTY SACKS (Other bags and sacks)	4819.40
HANDICRAFTS	4420.10
KITCHENWARE (Wood)	4419
NOTEBOOKS LETTER PADS, EXERCISE BOOKS	4820
OTHER BAGS	4202
TISSUES (Facial)	4818.20
TISSUES (Printed)	4803.00
TISSUES (Serviettes)	4818.30
TISSUES (toilet)	4818.10
TRADITIONAL WEAVING BASKETS	4602
TRADITIONAL CLOTHING/MATERIAL	5516
KNITTING WOOL	5601
COTTONWOOL	5601
BLANKETS	6301
BED LINEN	6302.10
EMPTY SACKS (Cotton)	6305.20
PLASTIC SLIPPERS	6402.20
LEATHER SHOES	6403
RUBBER FOOTWEAR	6403
FOOTWARE	6403
HAIR PIECES	6704
CHILLI	7013
IRON DRUMS	7310
WIRE (Barbed)	7313.00
KITCHENWARE (Iron)	7323
WIRE (Agriculture)	7326.20
POTS	7324 - IRON
KITCHENWARE (Copper)	7418
KITCHENWARE (Aluminium)	7615
HOES/AXES	8201.30
ANIMAL NECK BELLS	8306.10
FREEZIT MACHINES	8422
PLOUGHS	8432.10
PLOUGHS PARTS	8432.90
PEANUT BUTTER MAKING MACHINES	8434.20
ELECTRICAL CABLES & WIRES	8544
INSTRUMENTAL DRUMS	9206.00
TRADITIONAL INSTRUMENTAL ORGANS (MALIMBA)	9206.00
WOODEN CHAIRS, STOOLS	9403.60
MATTRESSES	9404

ANNEX 3: Example of STR between DRC and Uganda

ANNEX 4. Example of a Charter for Cross border traders

ANNEX 5. Findings of Survey Data Analysis for Tog-wajaale and Dollow Border Posts

Findings of Survey Data Analysis for Tog-wajaale and Dollow Border Posts

2.0 Data Analysis for Dollow

2.1 Survey 1 Data Analysis

This section presents a summary of data analysis based on the responses in the survey. In total, 371 respondents participated the survey.

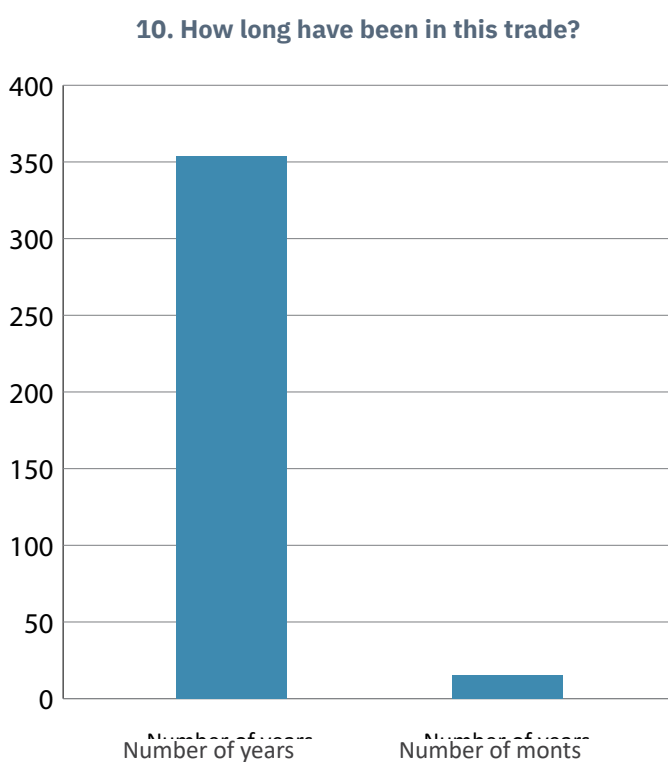
Demographic Profile of ICBT Respondents

Table 1 shows that the mean age (in years) of ICBT respondents who participated in this survey was 41.83 with a standard deviation of 10.28. Figure 1 shows that the majority of ICBT respondent had been in the trade for less than 12 months.

Table 1: Age Profile of the ICBT Respondents

	Mean	Standard Deviation
Age (Years)	41.83	10.28

Figure 1. Length of time in trade



The gender profile of ICBT respondents was mostly dominated by male traders who represented 54% of the sample as shown in Figure 2. The female ICBT traders constituted 46% of the respondents.

Figure 2: Demographic profile of respondents by age

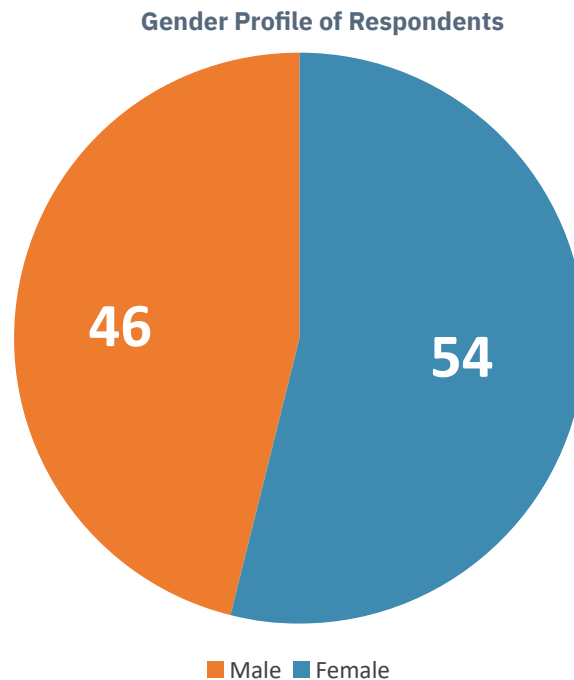
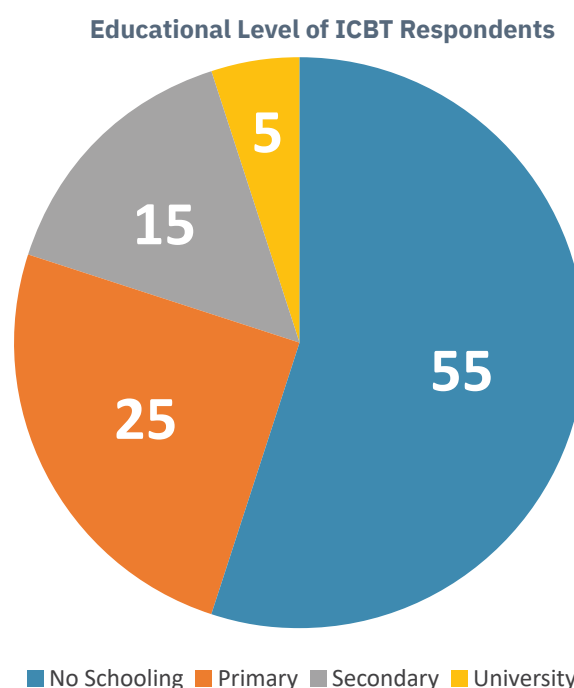


Figure 3 shows that the majority of respondents who participated in the survey had no formal schooling (55%) with only 5% of them stating to have a university degree. This is consistent with the insight from a previous study which found that the informal Somalia-Kenya cross border traders have low level of education and socioeconomic status (Ng'asike et al., 2020).

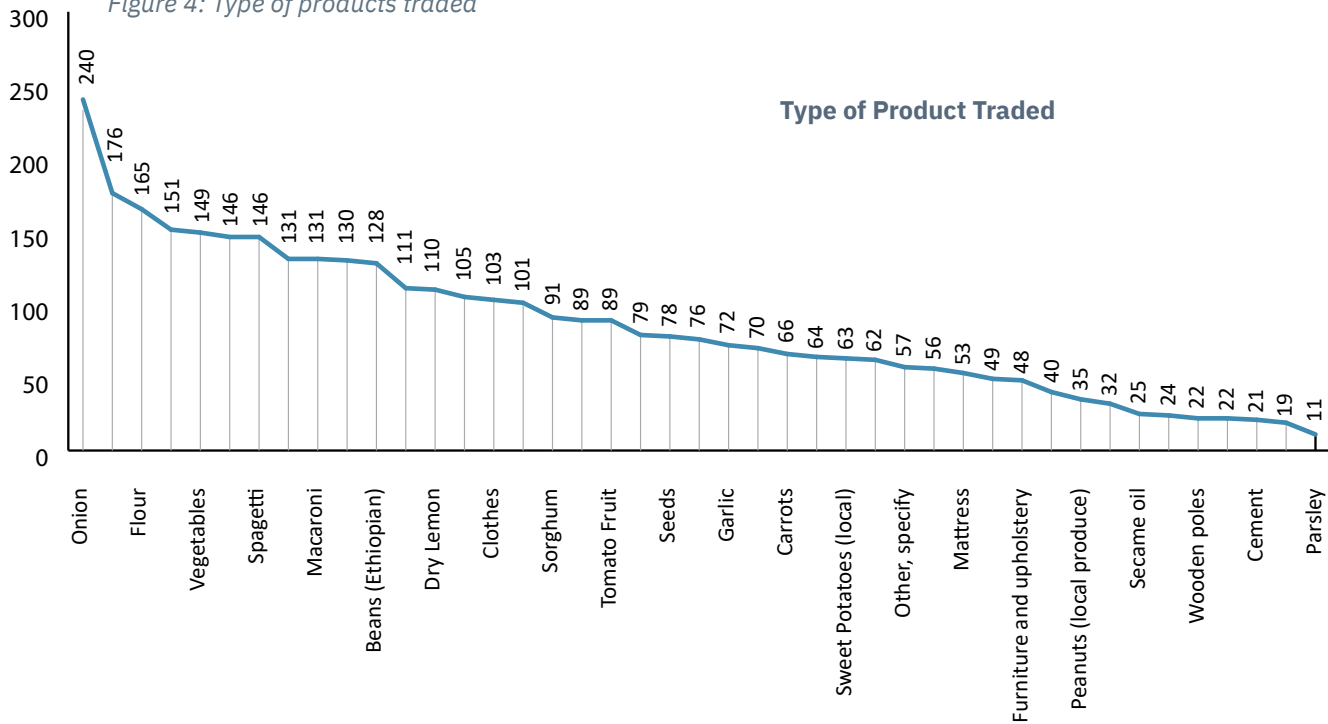
Figure 3: Demographic profile of respondents by level of education



Type of Products Traded

The most common type of products traded in Dollow border post include foodstuff such as onion, rice, flour, maize, and cooking oil. Figure 4 indicates that other common products traded include clothing and livestock, which is in line with the insight from previous studies (Ng'asike et al., 2020).

Figure 4: Type of products traded

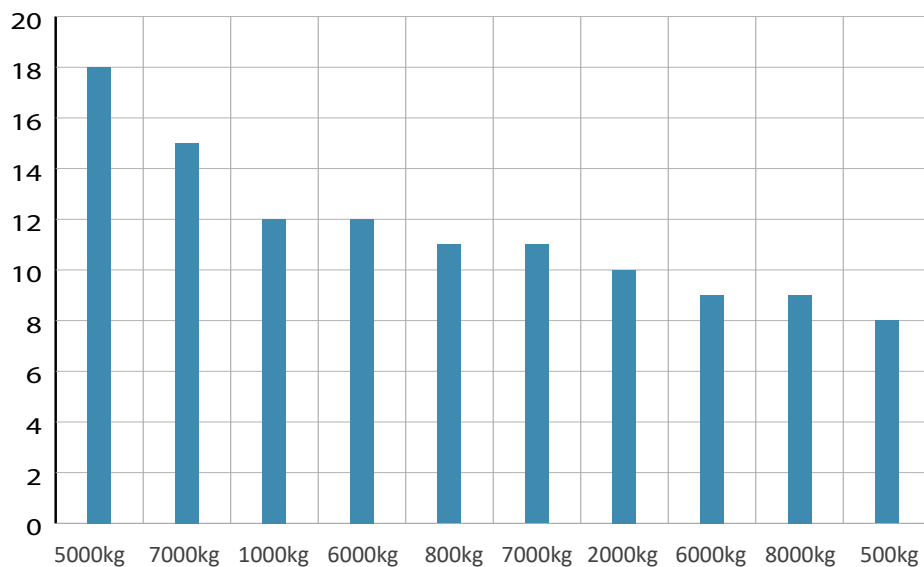


Quantity of Products Traded

Figure 5 shows that most consignments crossing the border were in 5,000 and 7,000 kilograms. The 500kg consignments were the least common quantity of products traded. Assuming that these consignments are, for example, onions, which are the most traded product at the Dollow border value of a consignment of 7000kg would be around USD 230.

Figure 5: Top ten quantity of products traded

Top ten quantity of products traded (in Kg)



Frequency of Trading Activities

The responses from this survey suggest that most informal trade is conducted daily (44%) or weekly basis (29%) basis. Only a few traders engage in ICBT on half-yearly (5%) and yearly (5%) basis (Figure 6a and Figure 6b).

Figure 6 (a): Frequency of trading activities in informal cross border trading

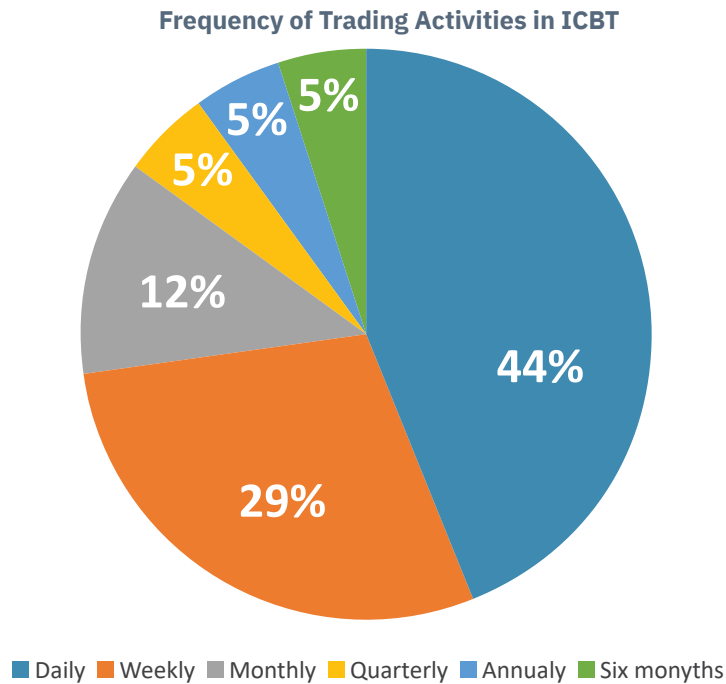


Figure 6 (b): Frequency of trading activities in informal cross border trading



Length of Custom Clearance

Figures 7(a), 7(b), and 7(c) indicate that the majority of respondents reported that it takes them more than an hour (85%) to complete the complex custom procedures. Only 15% stated that it took less than an hour to clear their goods. Specifically, most respondents indicated that they take 3 hours to clear their goods

Figure 7 (a): Length of custom clearance in informal cross border trading

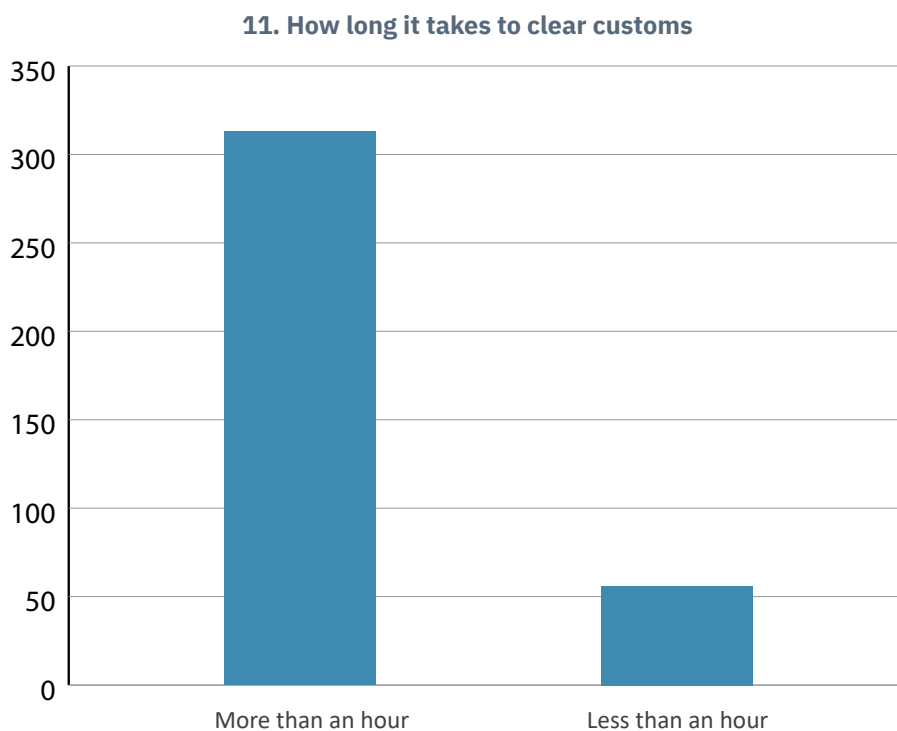
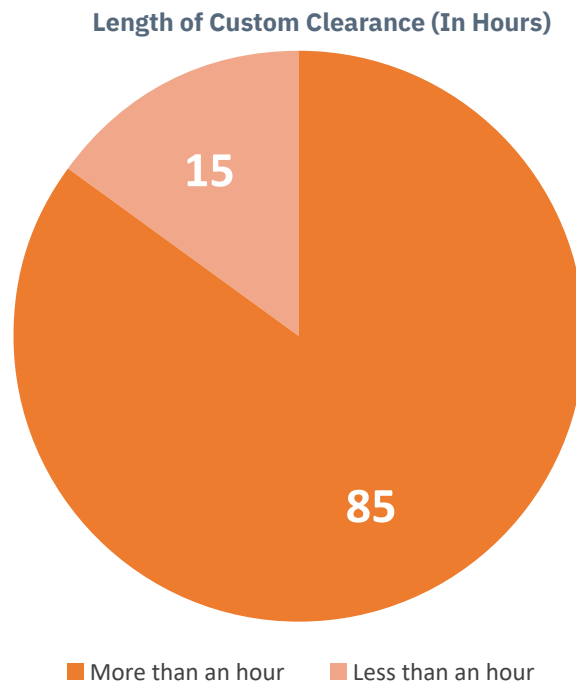


Figure 7 (c): Length of custom clearance in informal cross border trading



Payment of Customs Duty and Other Charges

As shown in Figure 8 (a) and 8(b), the great majority of respondents (91%) stated that they pay customs duty when exporting/importing their goods across the Dollow border post. There were only 9% of them who reported that they do not pay any customs duty.

Figure 8 (a): Payment of Customs Duty in Informal Cross Border Trading

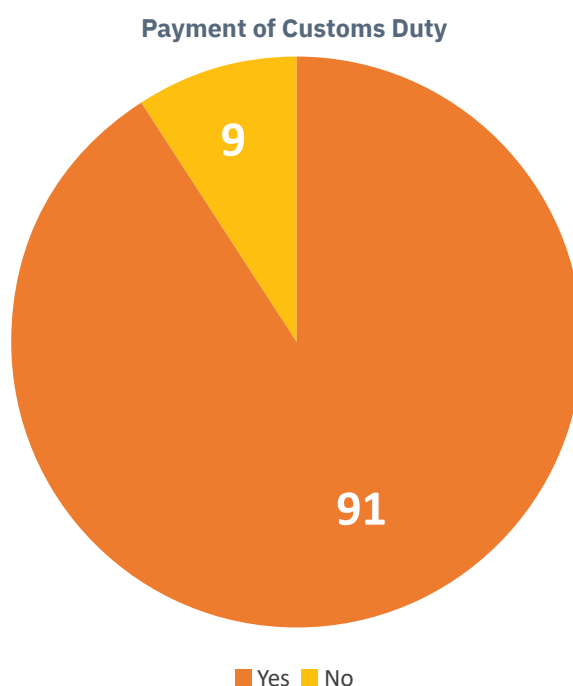
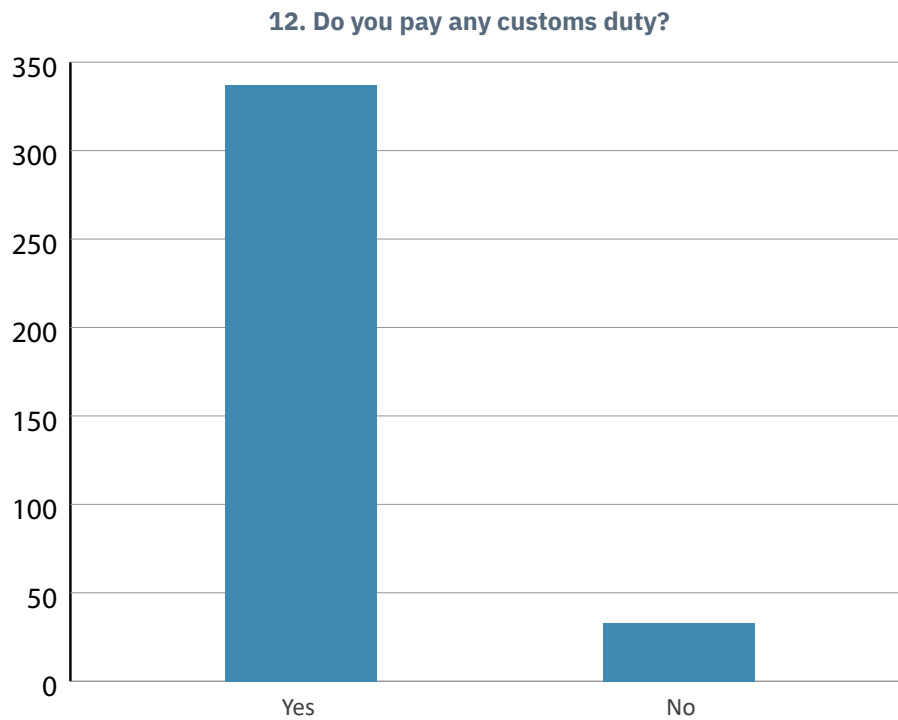


Figure 8 (b): Payment of Customs Duty in Informal Cross Border Trading



Similarly, Figures 9(a) and 9(b) indicate that a considerable majority of the traders pay other official clearance charges, while only 9% of them indicated that they pay unofficial clearance services.

Figure 9 (a): Payment of other charges in informal cross border trading

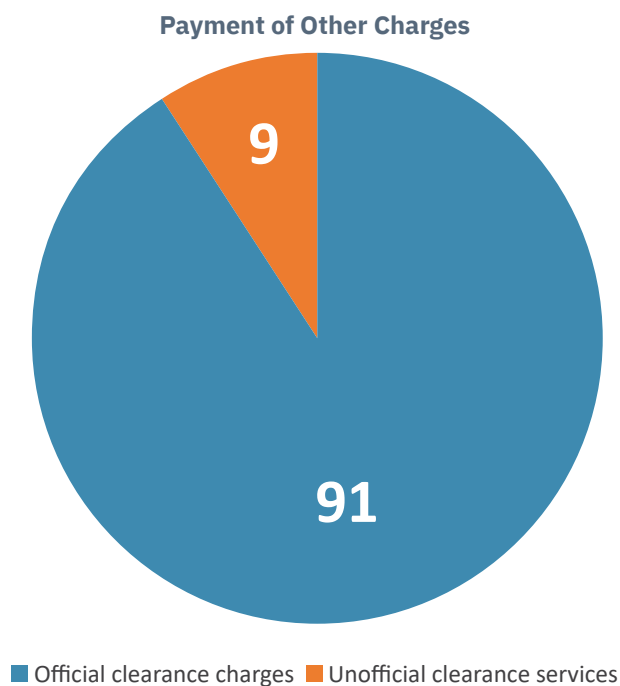
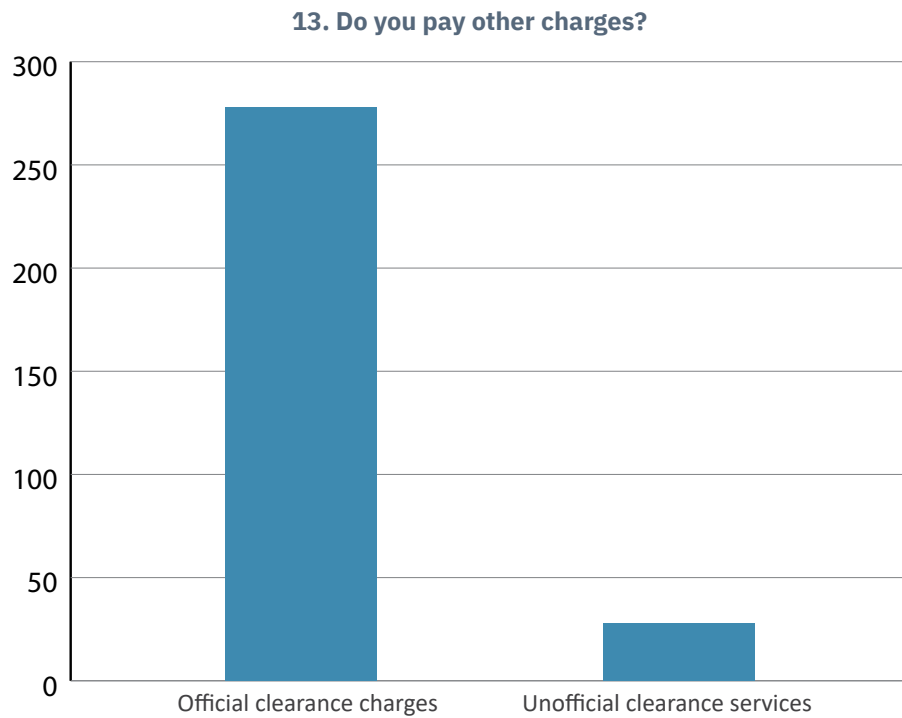


Figure 9 (b): Payment of other charges in informal cross border trading



Membership to Trade or Other Associations

When asked about their membership to trade or other associations, 98% of respondents indicated that they are not members of such associations. Figure 10(a) and Figure 10 (b) show that only a few of them (2%) acknowledged that they have membership to trade associations. Figure 10 (c) depicts that majority of these associations do not help the traders.

Figure 10 (a): Membership to trade or other associations

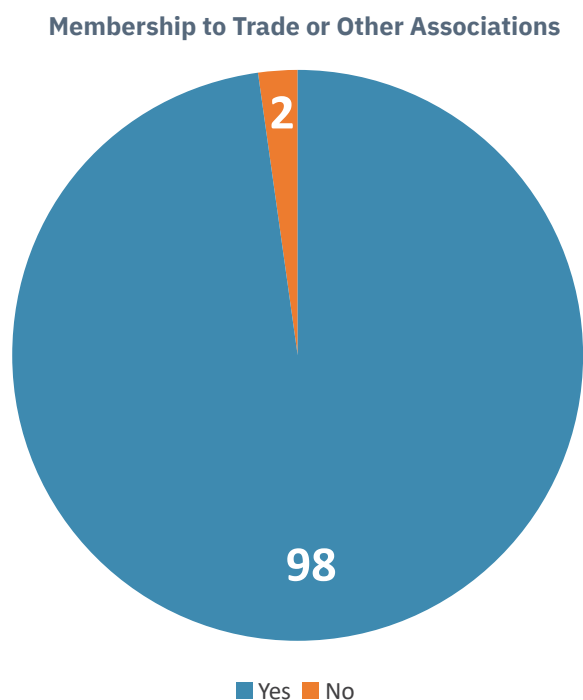


Figure 10 (b): Membership to trade or other associations

15. Do you belong to a trade or other forms of professional association?

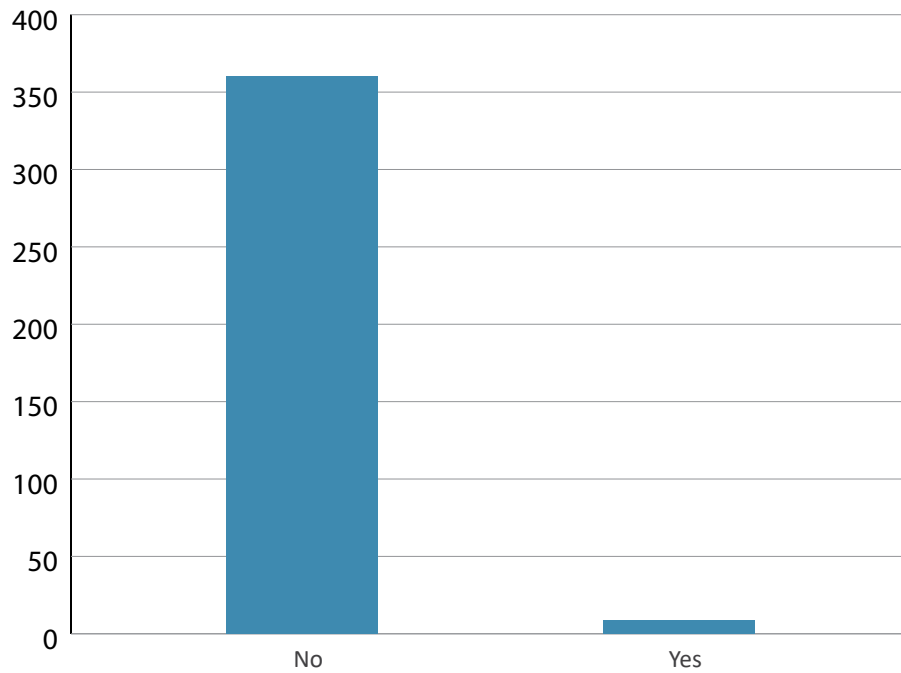
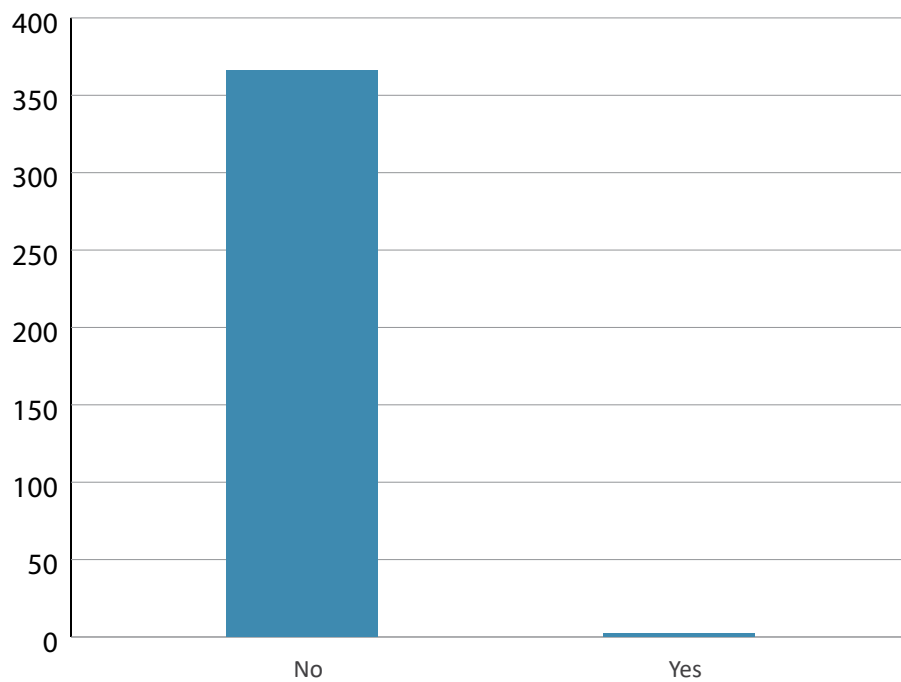


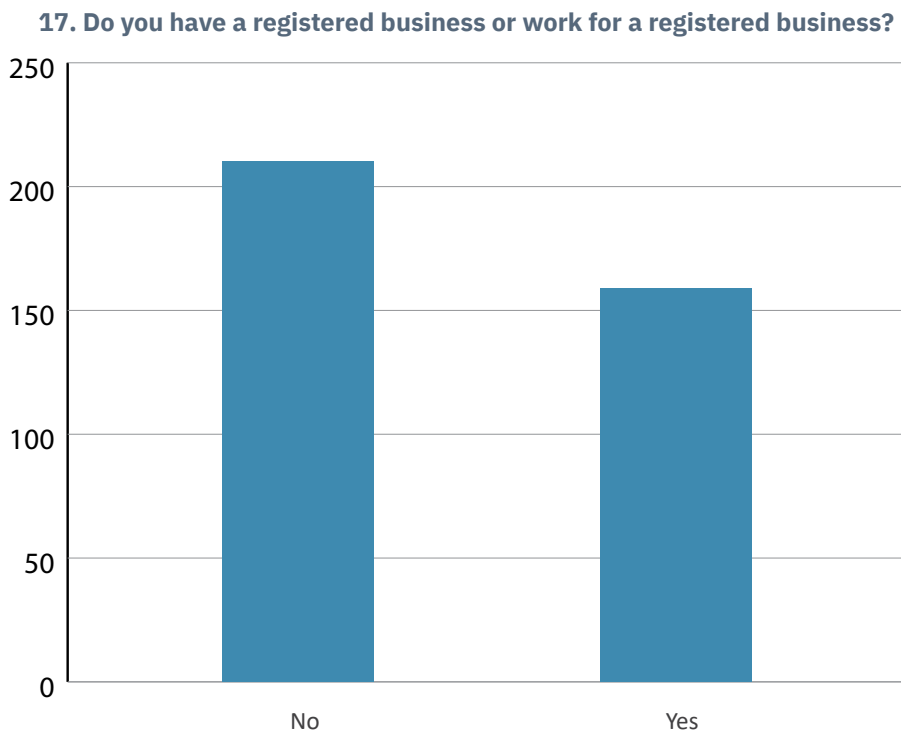
Figure 10 (c): Evaluation on whether the trade or other associations helping small scale traders

16. Does the association help small scale traders in simplifying cross border trading?



About 61% of respondents have a registered business or work for such entity.

Figure 10 (d): Traders with a registered business



Institutions Supporting ICBT and Access to Border Infrastructure

Figures 11 (a), 11(b), and 12 indicate that the majority of ICBT respondents (99%) reported that they have limited access to supporting institutions. Further, nearly all of them indicated that they have no access to border infrastructure, which is an important aspect that facilitate trade.

Figure 11 (a): Institutions supporting informal cross border trade

Institutions Supporting Informal Cross Border Trade

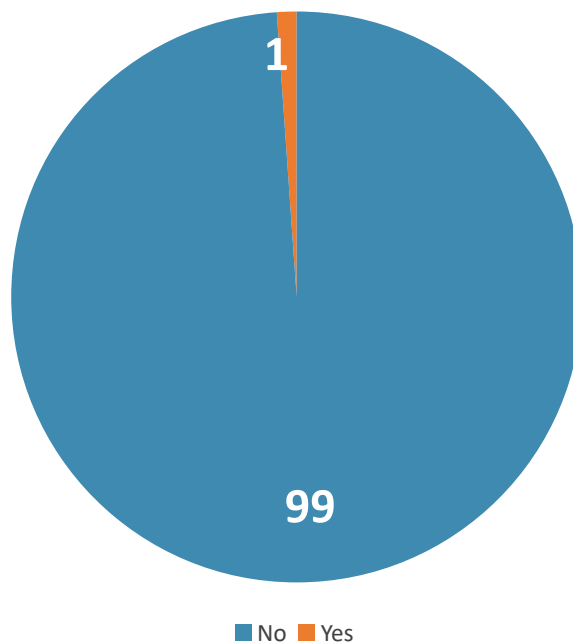


Figure 11 (b): Institutions supporting informal cross border trade

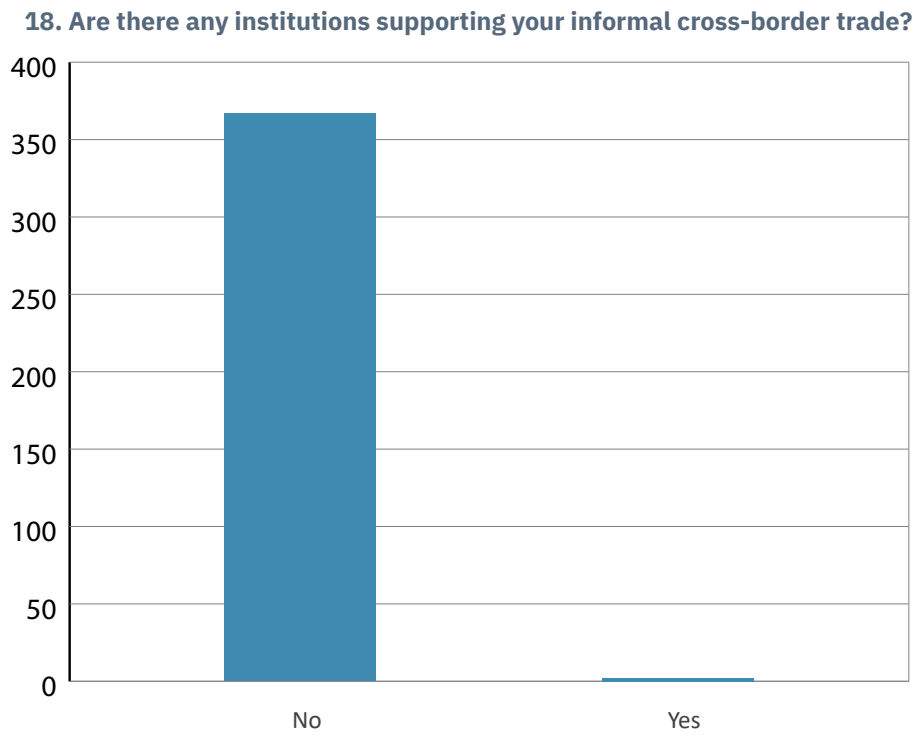
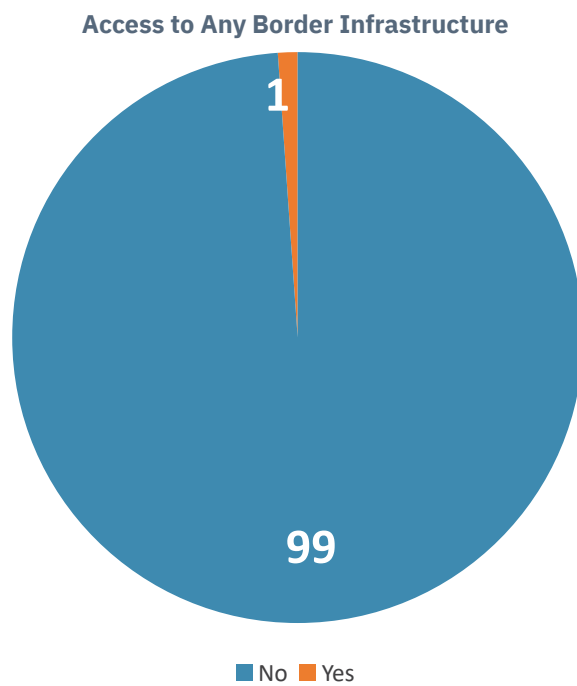


Figure 12: Access to any border infrastructure



Number of Border Checks

Figures 13 (a) and 13 (b) shows that most respondents (59%) reported that they are subjected to three different border checks when clearing goods at the customs. In addition, 32% of them indicated that they encounter two different border checks when clearing their goods.

Figure 13 (a): Number of different border checks

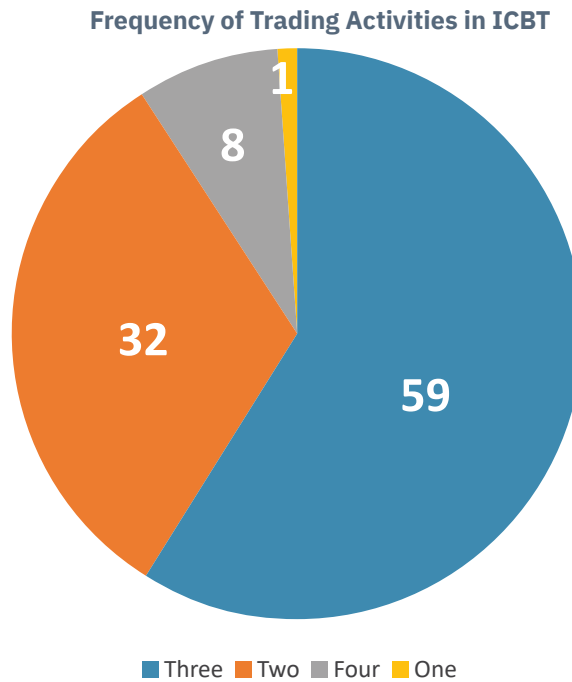
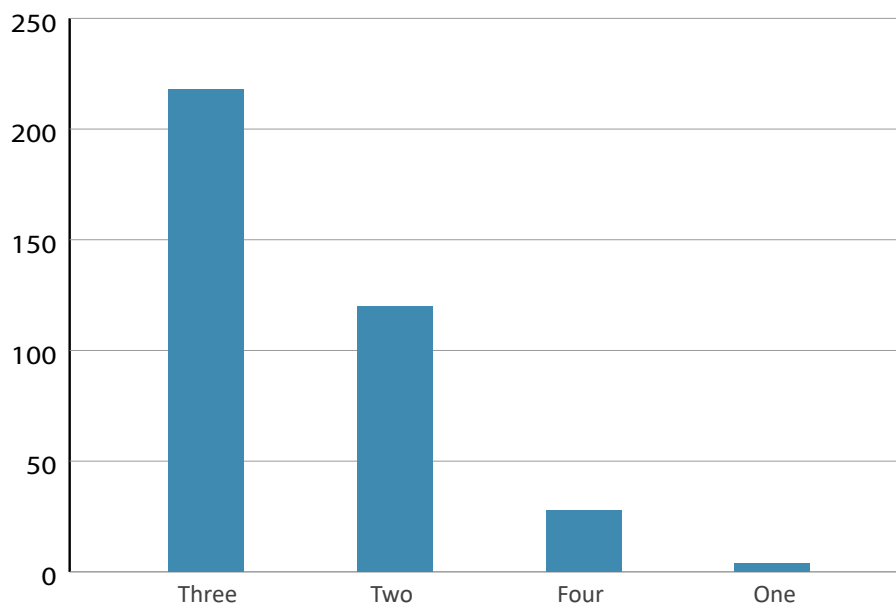


Figure 13 (b): Number of different border checks

20. How many different border checks do you have to go through while crossing the border?



Challenges Faced by Informal Cross Border Traders

In terms of the challenges faced by ICBT, the majority of the majority of respondents identifying that 'burdensome customs requirements' (20%) and 'slow customs clearance procedures' (19%) as the main obstacle to their trading activities. Further, Figure 14 (a) and 14 (b) show that 'lack of transparency in customs clearance' (13%), and 'poor infrastructure' were other main challenges faced by traders. Threats to their personal safety, and issues with police were also cited as major problems faced by informal cross-border traders.

Figure 14 (a): Main Challenges Faced by Informal Cross Border Traders

Findings of Survey Data Analysis for Togwajaale and Dollow Border Posts

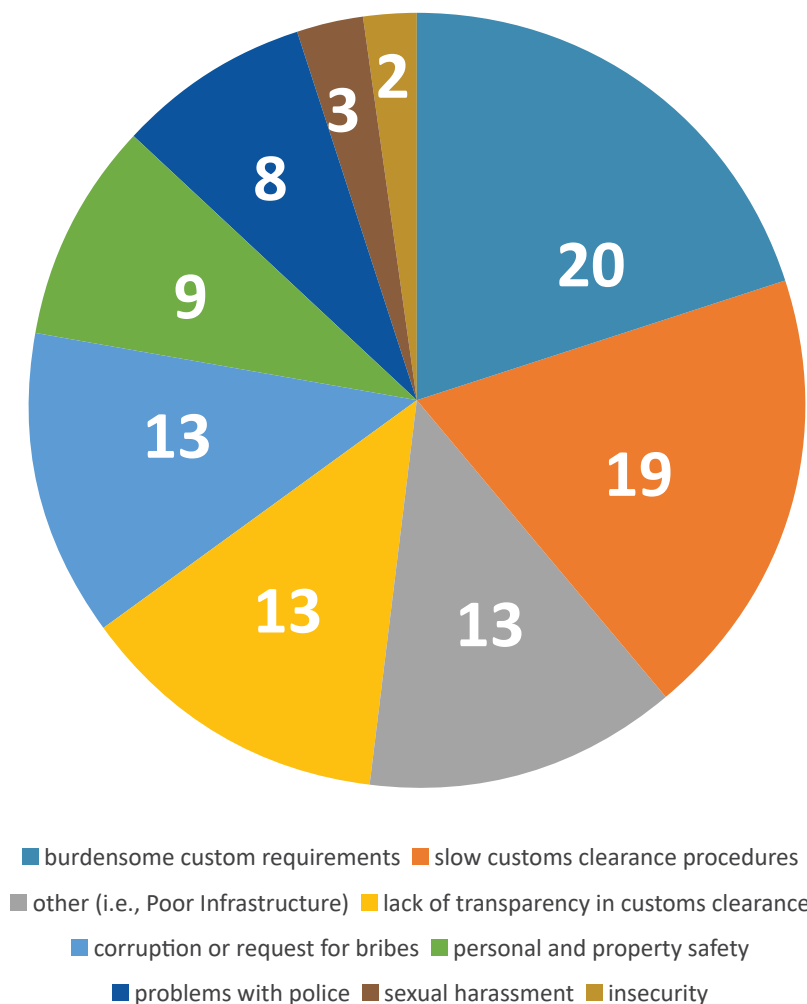
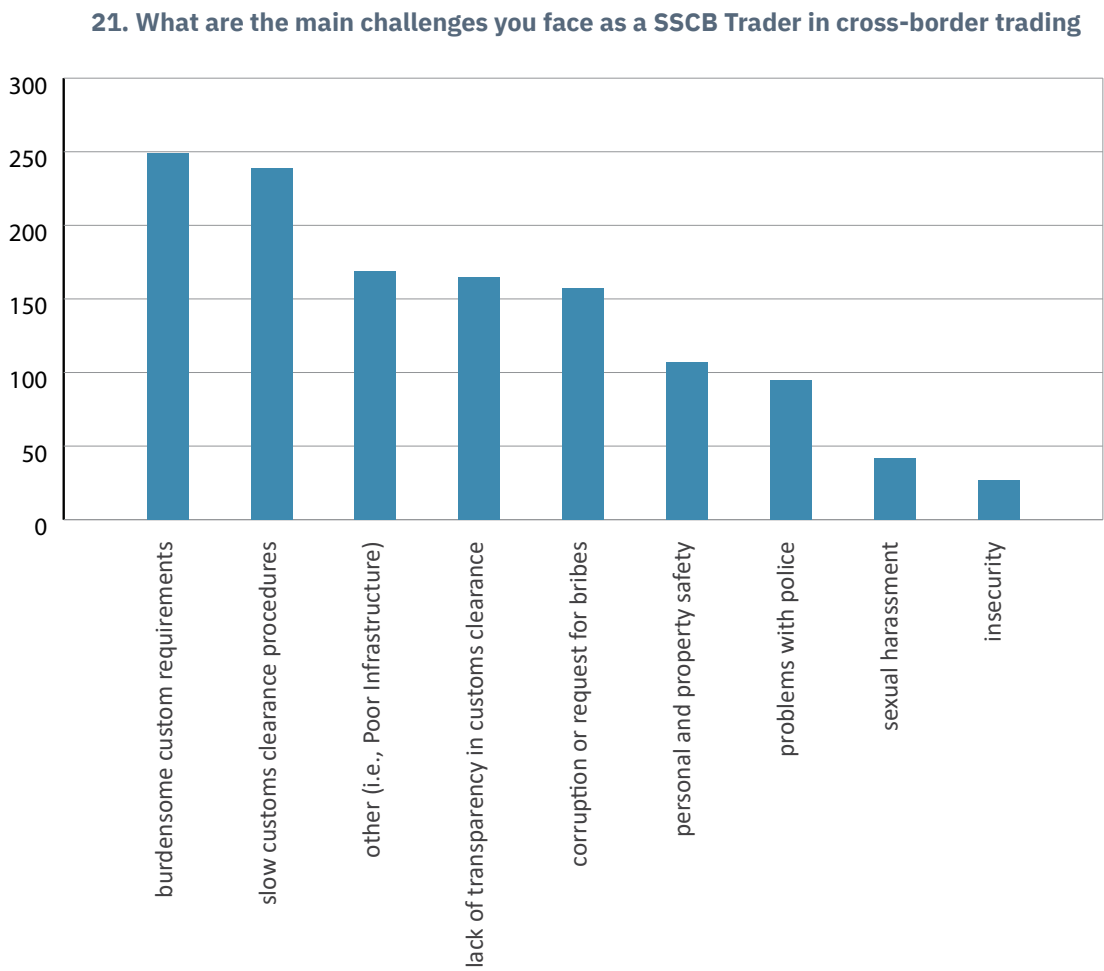


Figure 14 (b): Main Challenges Faced by Informal Cross Border Traders



Smartphone Use among Informal Cross Border Traders

Survey responses indicate that 79% of the traders use smartphones, with 21% of them not owning these digital communication devices; see Figures 15 (a) and 15(b). Interestingly, a previous study found that smartphone use is important in enhancing the efficiency of customs clearance (Klopp et al., 2021).

Figure 15 (a): Smartphone Use among Informal Cross Border Traders

Smartphone Use among Informal Cross Border Traders

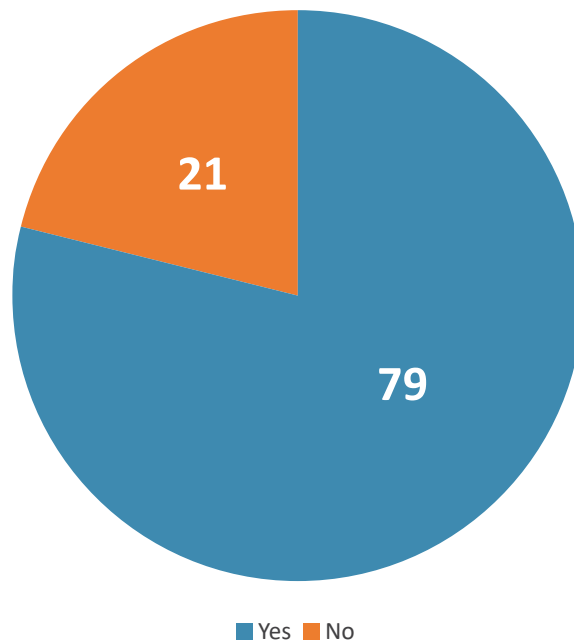
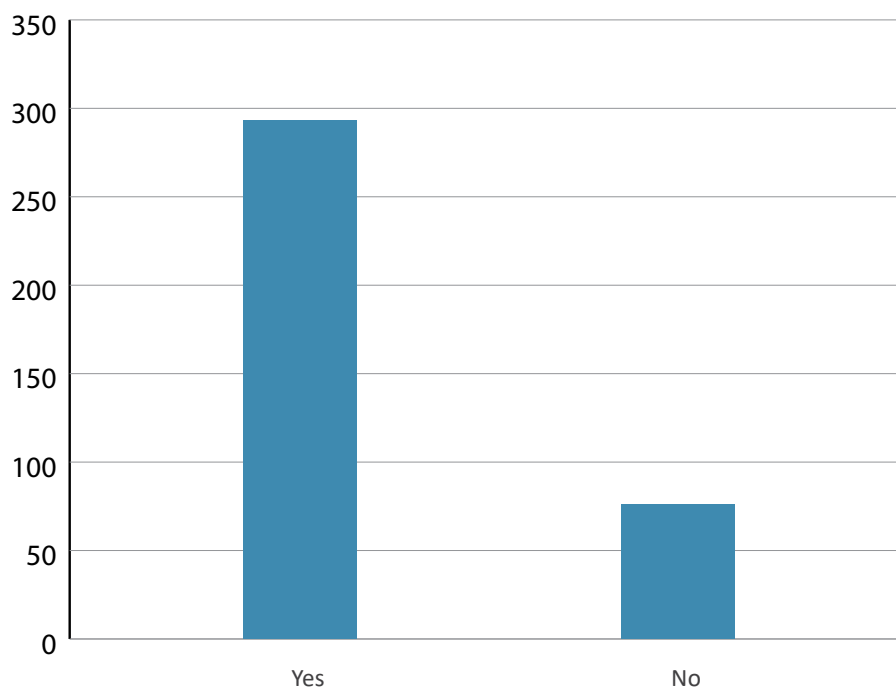


Figure 15 (b)

22. Do you use a smart phone?



2.2 Data Analysis for Togwajaale

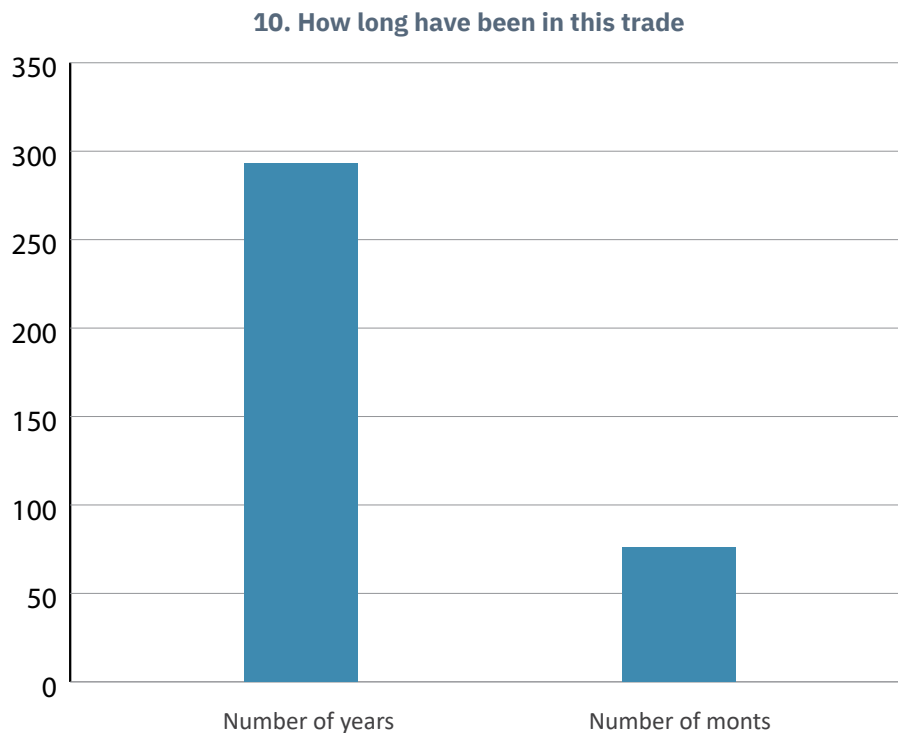
This section presents analysis of the survey data for Togwajaale, Somaliland region. There were 298 respondents who participated in this survey.

Demographic Profile of ICBT Respondents

Similar to the findings of analysis for survey for Dollow, the mean age of the respondents was 40.24 years with a standard deviation of 14.05; see Table 2. However, this age profile is slightly younger compared to the age characteristics of respondents in Dollow. Similar to the first survey, the majority of ICBT respondents have been in this trade for a combined total of 260 years as shown in Figure 16.

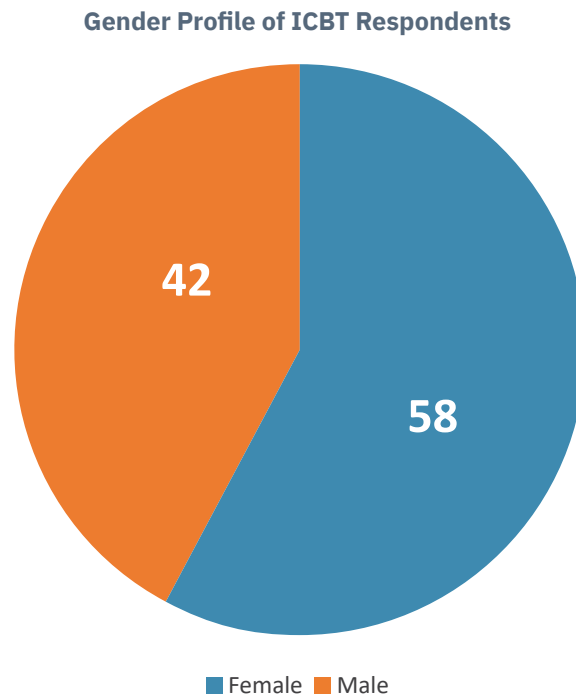
	Mean	Standard Deviation
Age (Years)	40.24	14.05

Figure 16: Average length in the ICBT



The demographic profile of respondents in terms of gender for this survey is shown in Figure 17. There were more female respondents (58%) compared to male participants who constituted 42% of the sample. This is consistent with the insight from other studies which found that the majority of informal traders are women, who tend to be from low socioeconomic status (Ng'asike et al., 2020).

Figure 17: Demographic profile of respondents by age



Figures 18(a) and 18(b) shows that the majority of respondents (58%) in Tog-wajaale have no formal schooling. This represents a higher proportion of respondents who have no formal level of education compared to survey for Dollow.

Figure 18 (a): Demographic profile of respondents by level of education

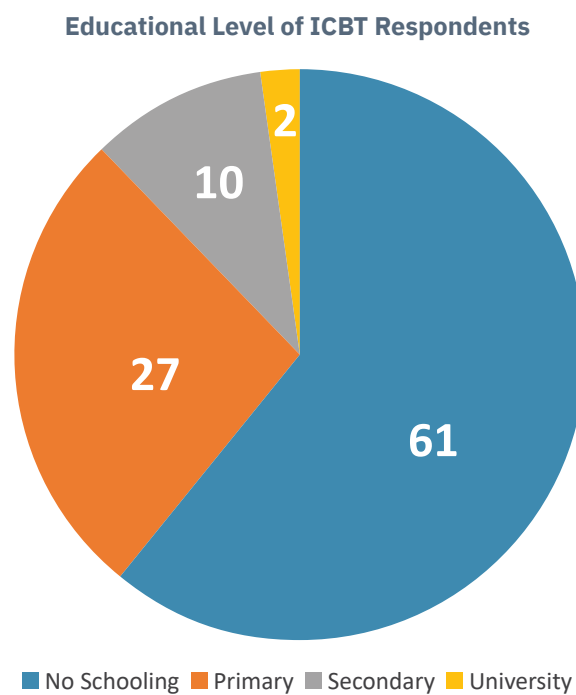
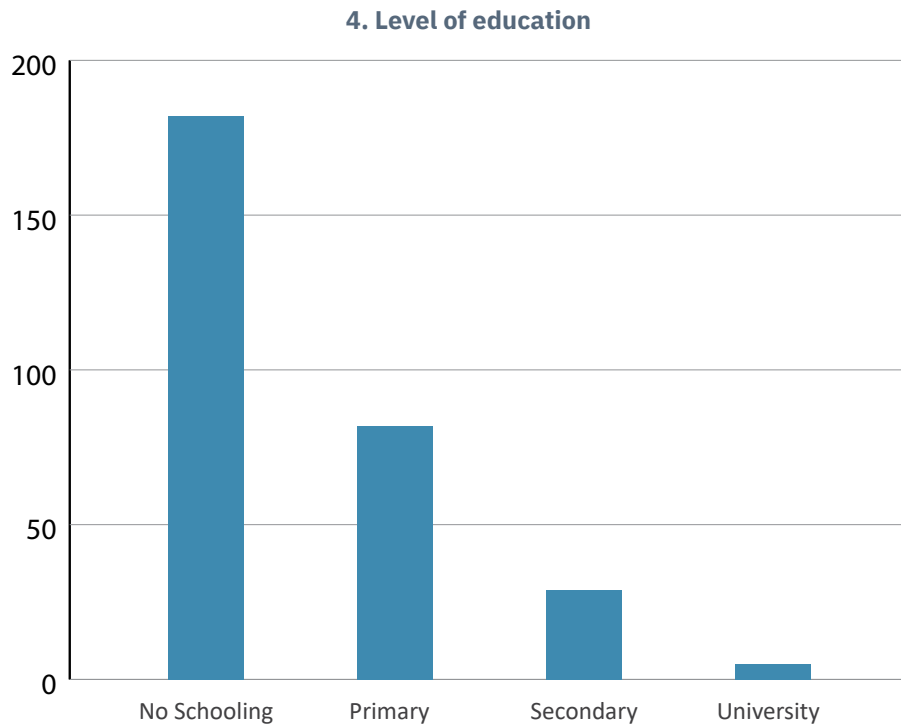


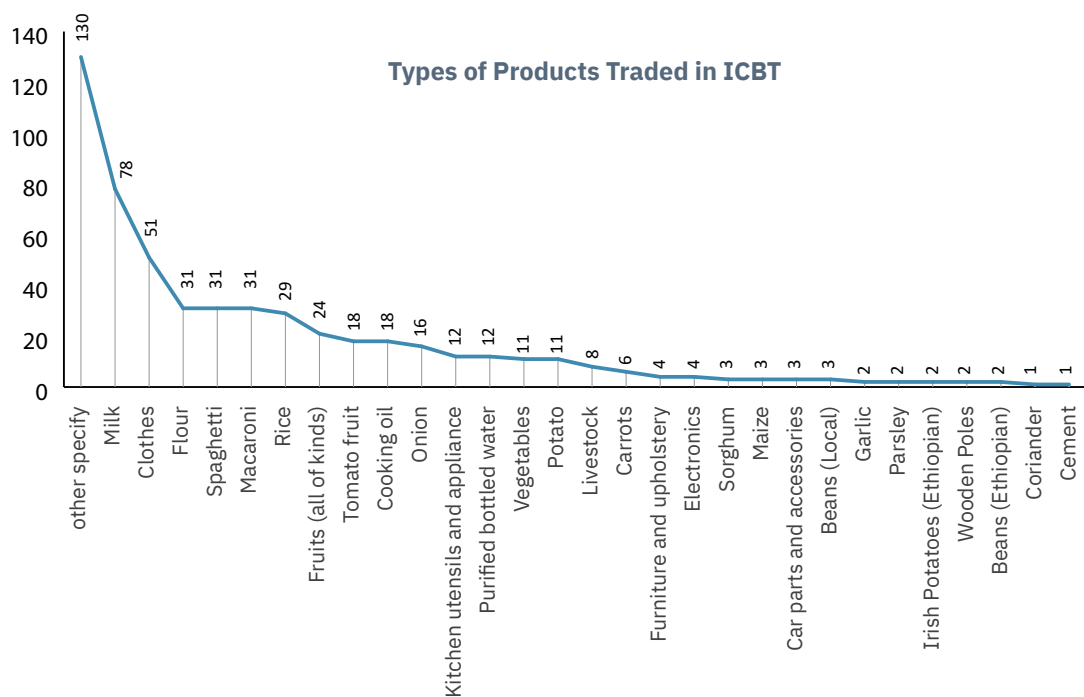
Figure 18 (b): Demographic profile of respondents by level of education



Type of Products Traded

The composition of products traded in ICBT as presented in Figure 19 indicates that most common goods involved include milk, clothes, flour, spaghetti, and rice. Other common products include vegetables and livestock.

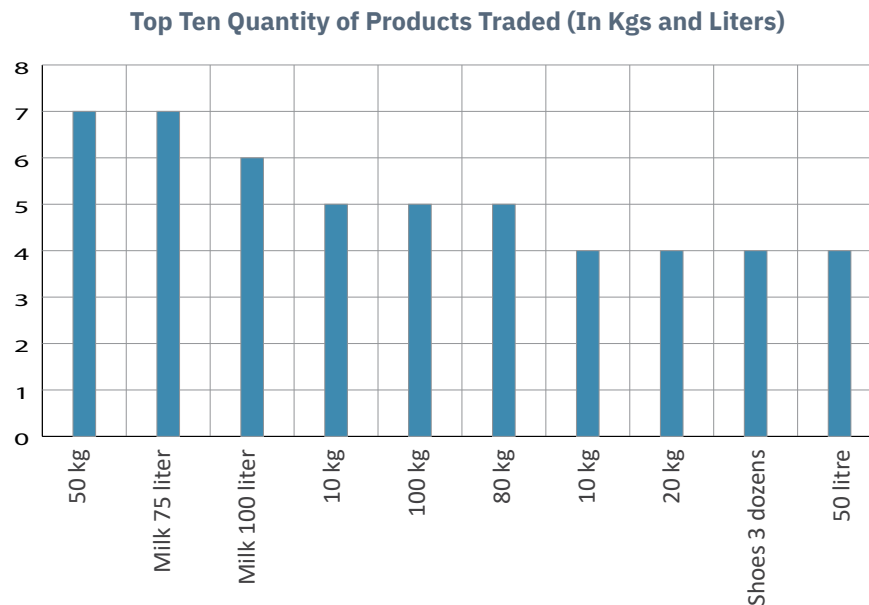
Figure 19: Type of product traded



Quantity of Products Traded

Figure 20 shows that among the top ten quantities of products traded, the 50 kilograms and 75-liter milk was the most predominant quantity of packaged goods. The 50-litre package was the least among the top ten quantity of products traded in ICBT. This finding, which contrasts the findings for Dollow which had 5000-7000 kg the most common consignment sizes, indicates that the existing trade restriction by Ethiopia severely impedes to levels of personal shopping activities.

Figure 20: Top ten quantity of products traded



Frequency of Trading Activities

Similar to the findings for Dollow, Figure 21 (a) and 21 (b) confirm that most trade takes place on a daily (42%) and weekly basis in Togwajaale. Only 16% and less than 1% of the respondents reported that they engage in ICBT trade on a monthly and annual basis respectively.

Figure 21 (a): Frequency of trading activities

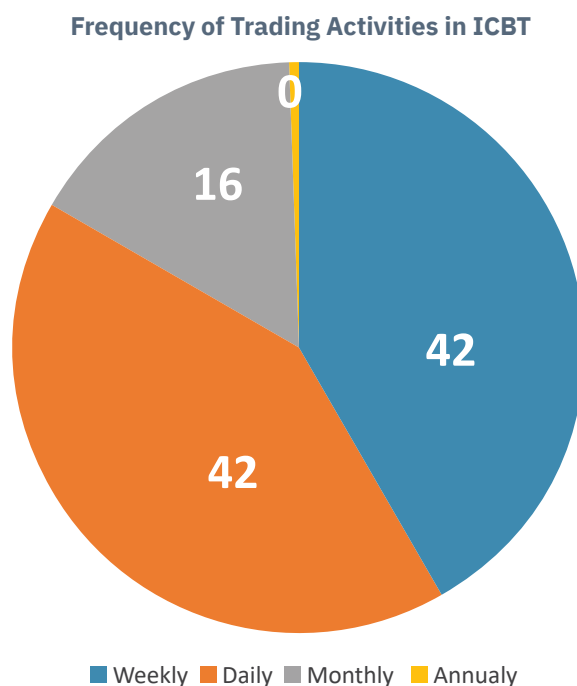
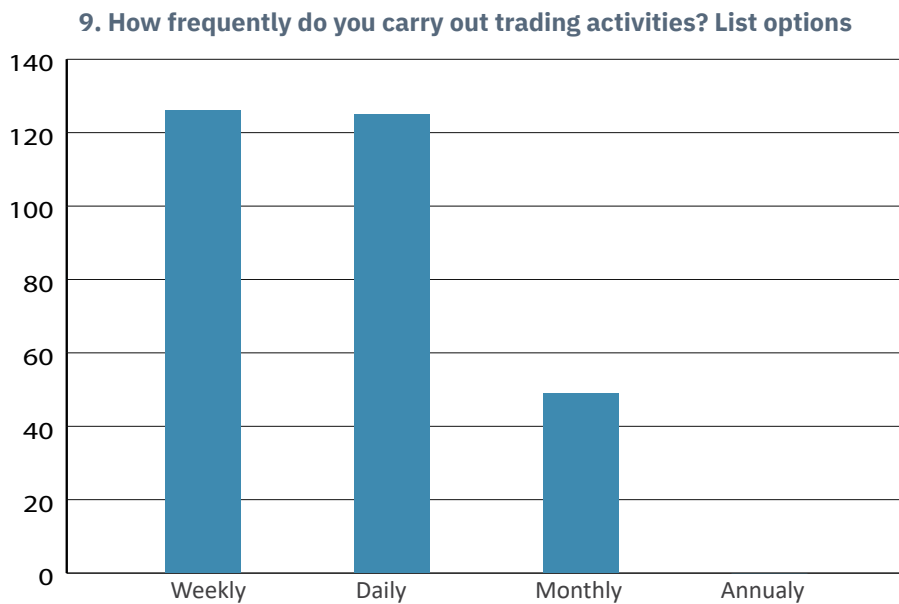


Figure 21 (b): Frequency of Trading Activities in Informal Cross Border Trading



Length of Custom Clearance

Figures 22 (a), 22(b), and 22(c) show that 94% of the respondents in Togwajaale stated that it took them less than an hour to clear their goods with customs officials. This is in stark contrast to the findings for Dollow where 85% of the respondents reported that it took them more than an hour to clear their goods at the customs. However, the findings of the interviews with officials and researchers are consistent with this as most interviewees indicated that the existing trade restrictions forced Togwajaale traders to small scale traders to trade in market shopping amounts, often crossing the border by wheelbarrows, and only small number of consignments go through the official border posts.

Figure 22 (a): Length of Custom Clearance in Informal Cross Border Trading

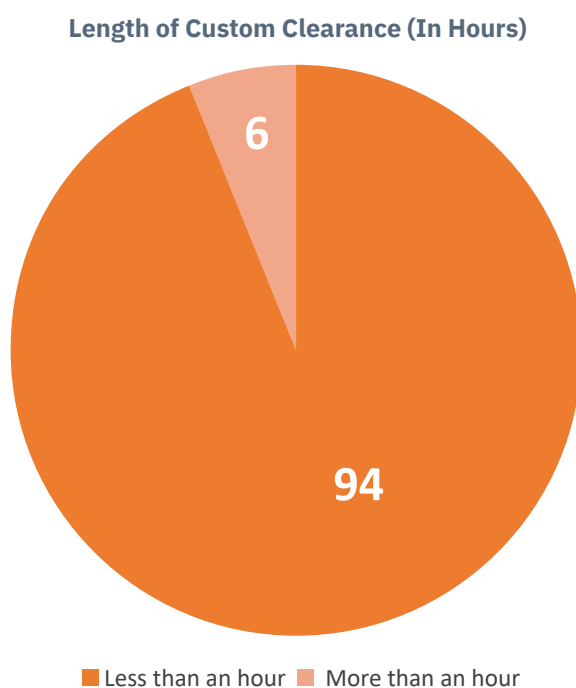


Figure 22 (b): Length of Custom Clearance in Informal Cross Border Trading

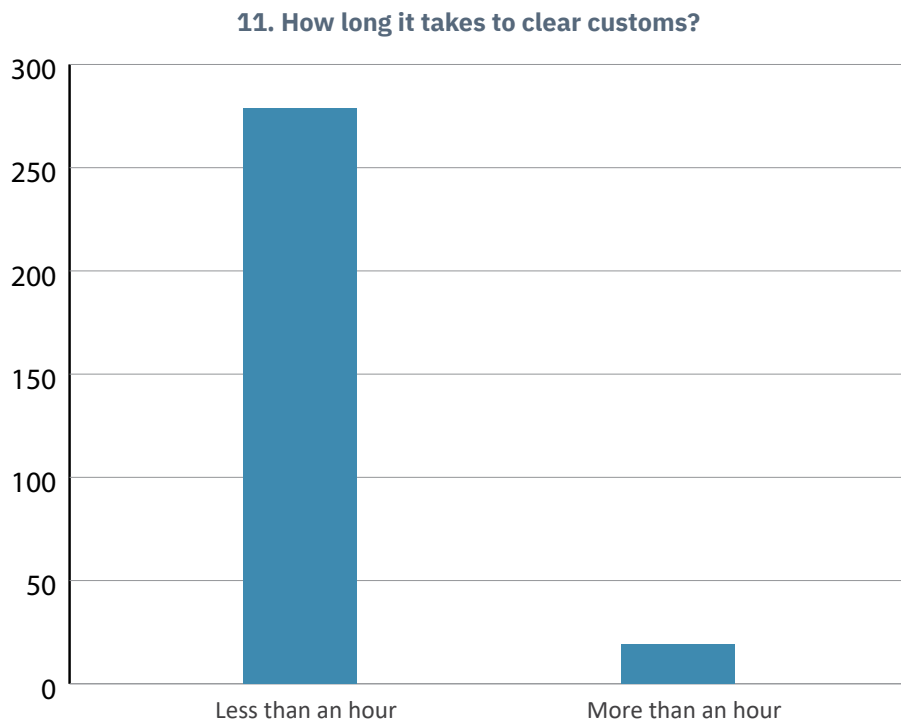
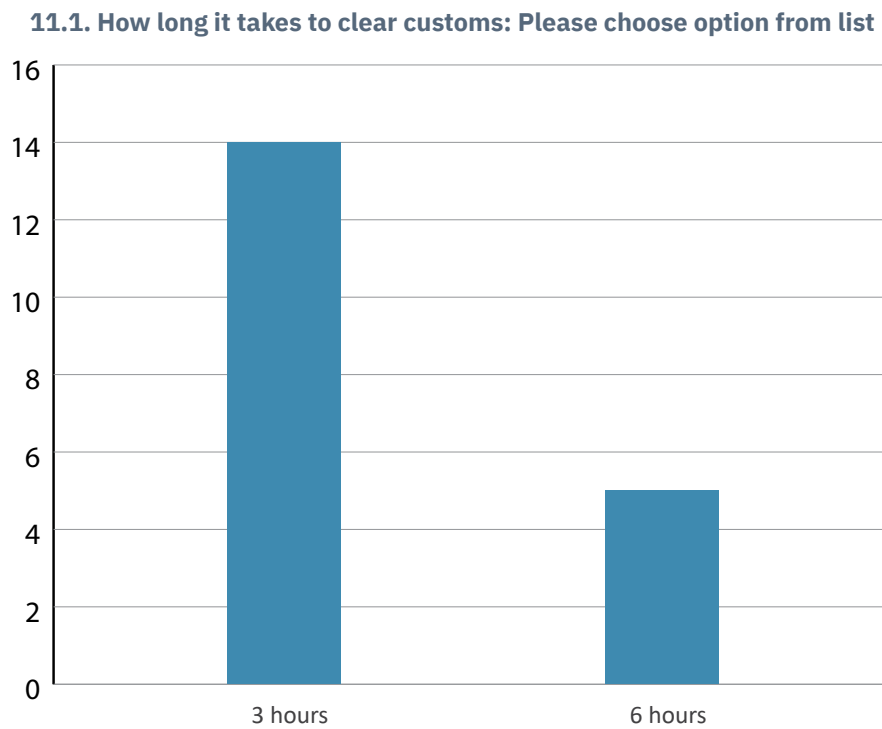


Figure 22 (c): Length of custom clearance



Payment of Customs Duty and Other Charges

Figures 23 (a) and 23 (b) show that the majority of respondents pay customs duty (87%), with only 13% claiming that they do not pay customs duty charges. Figures 24 (a) and 24 (b) also confirm that 96% of the respondents acknowledged that they pay other customs-related charges. However, this finding seems to be inconsistent with the finding of the interview with officials and researchers which, as discussed above, indicated there is little trade going through official border posts. It is likely that respondents are paying charges they believe to be made for customs duty, but most likely collected local authority charges which interviews suggested to be most prevalent.

Figure 23 (a): Payment of customs duty

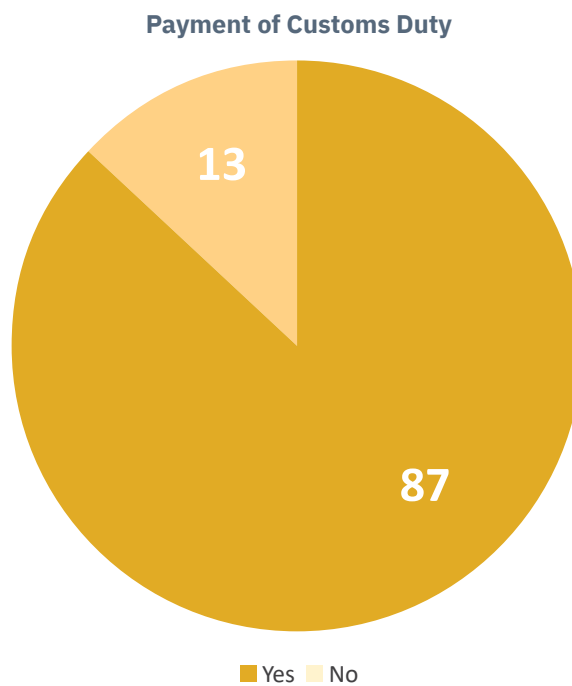


Figure 23(b): Payment of customs duty

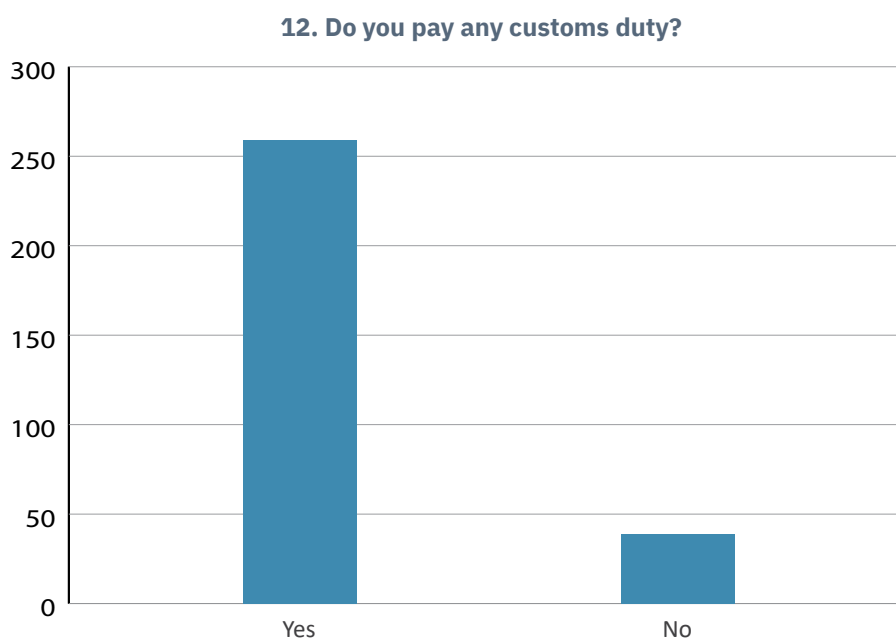


Figure 24 (a): Payment of other charges

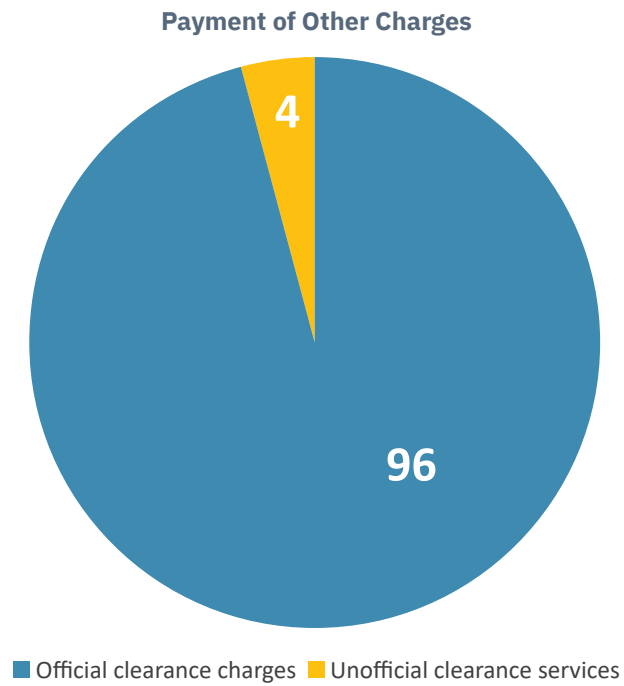
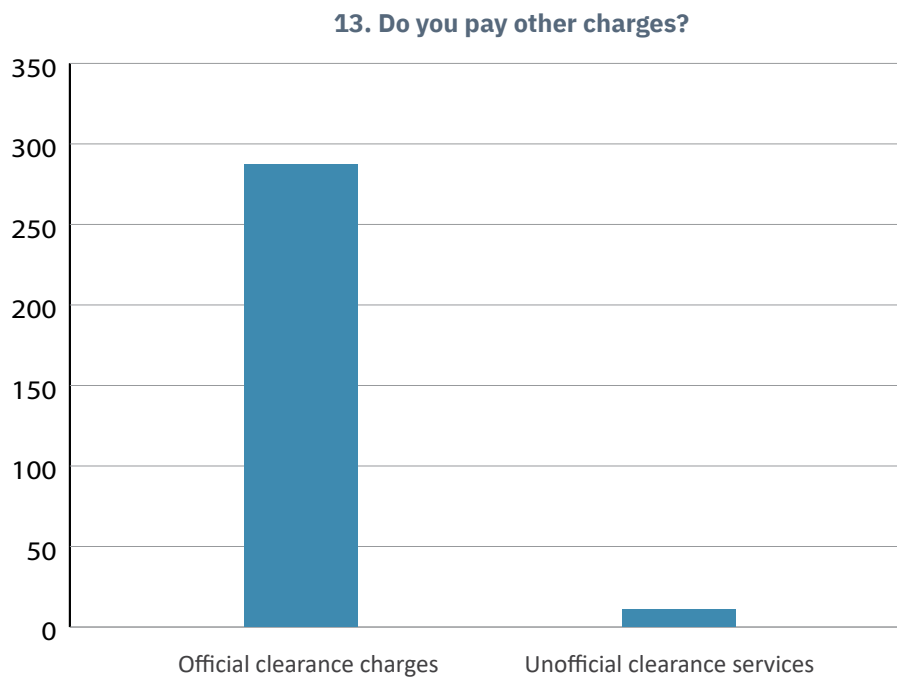


Figure 24 (b): Payment of other charges

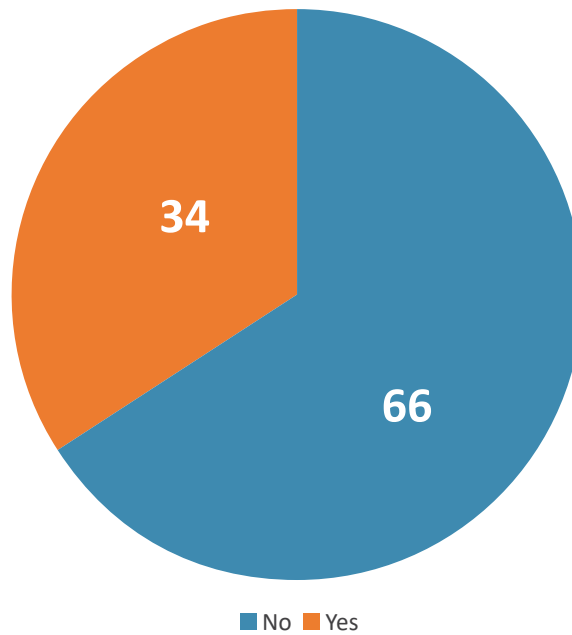


Membership to Trade or Other Associations

In terms of membership to trade associations, Figures 25 (a) and 25(b) indicate that 66% of the respondents that they have not members of any association, while 34% of them have belong to professional association. This represents an improvement from the Dollow situation where only 2% of the traders stated to be part of association.

Figure 25 (a): Membership to Trade or Other Associations among ICBT

Membership to Trade or Other Associations



However, as shown in Figure 25 (c), only a few of them indicated that their membership to associations help with custom requirements.

Figure 25 (b): Membership to Trade or Other Associations

15. Do you belong to a trade or other forms of professional association?

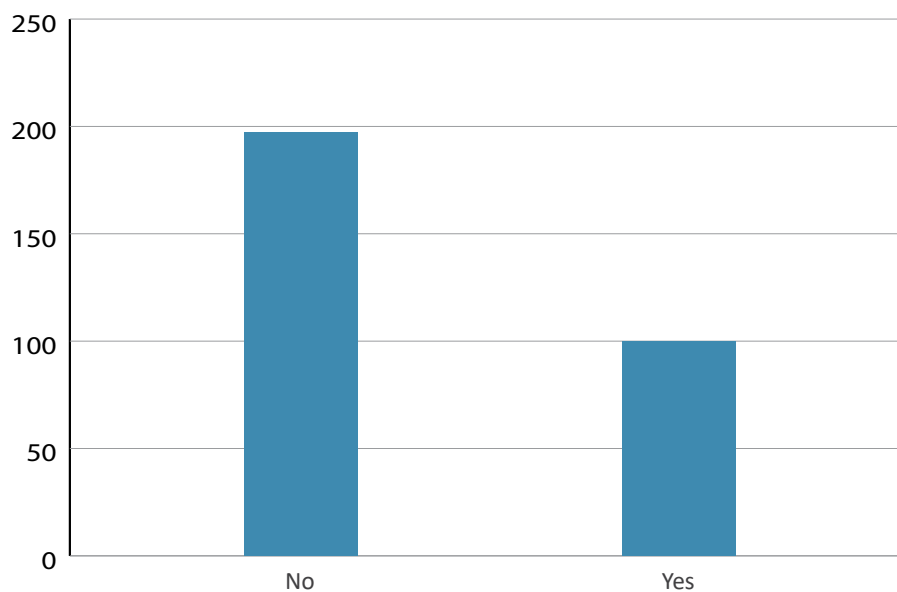
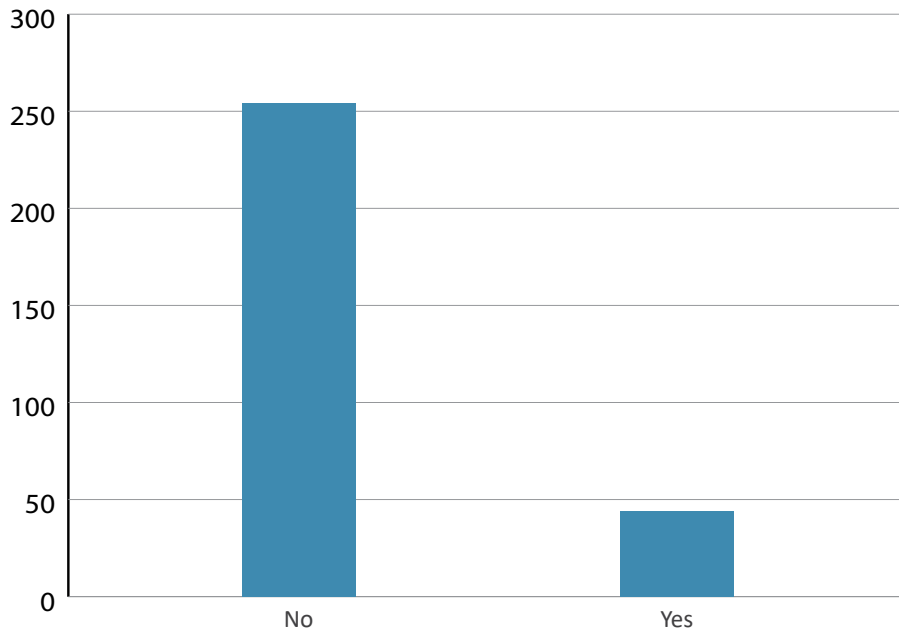


Figure 25 (c): Help with trade requirements

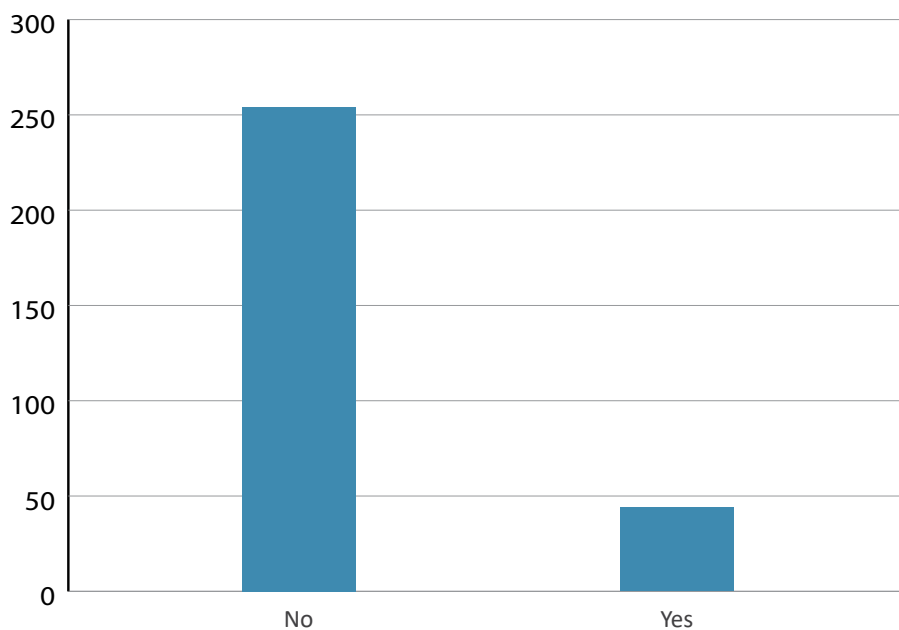
16. Does the association help small scale traders in simplifying cross border trading?



Further, Figure 25 (d) indicates that most traders (67%) in Togwajaale have not formally registered their businesses or work for such entity.

Figure 25 (d): Whether ICBT Traders have a Registered Business

17. Do you have a registered business or work for a registered business?



Institutions Supporting ICBT and Access to Border Infrastructure

Figure 26 indicates that 97% of the ICBT respondents were in agreement that they do not receive support from any formal institutions. Further, Figure 27 (a) and 27(b) show that only 48% of the respondents in the second survey stated that they have access to border infrastructure. The most common of these infrastructure is water and sanitation facilities as shown in Figure 27(c).

Figure 26: Institutions Supporting Informal Cross Border Trade

Institutions Supporting Informal Cross Border Trade

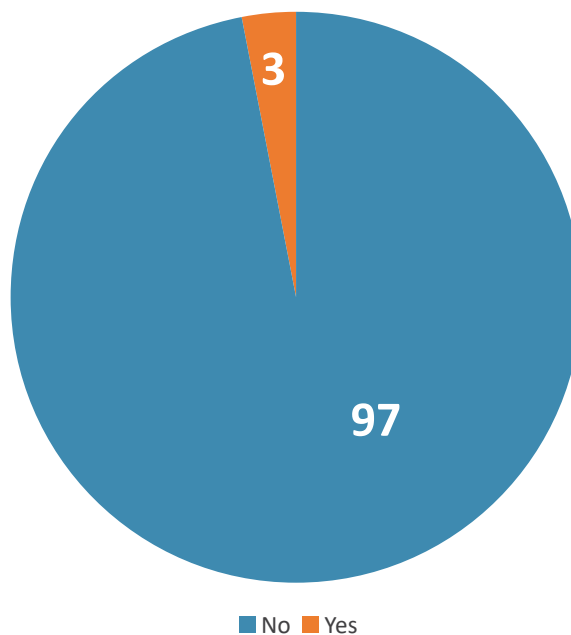


Figure 27 (a): Access to any border infrastructure

Access to Any Border Infrastructures

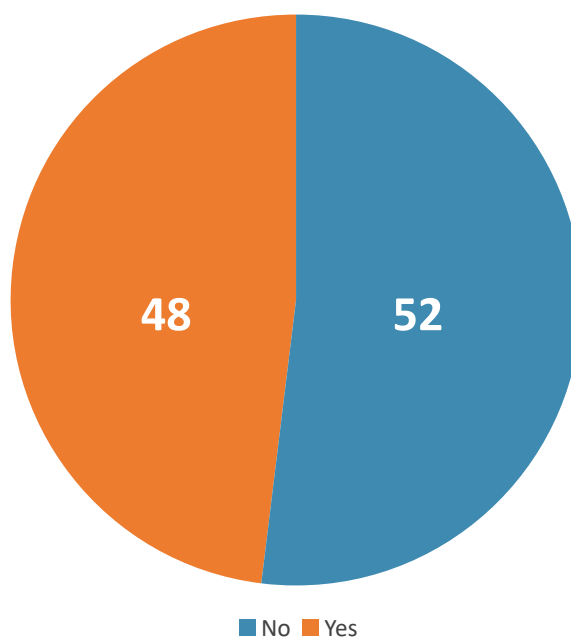


Figure 27 (b): Access to any border infrastructure

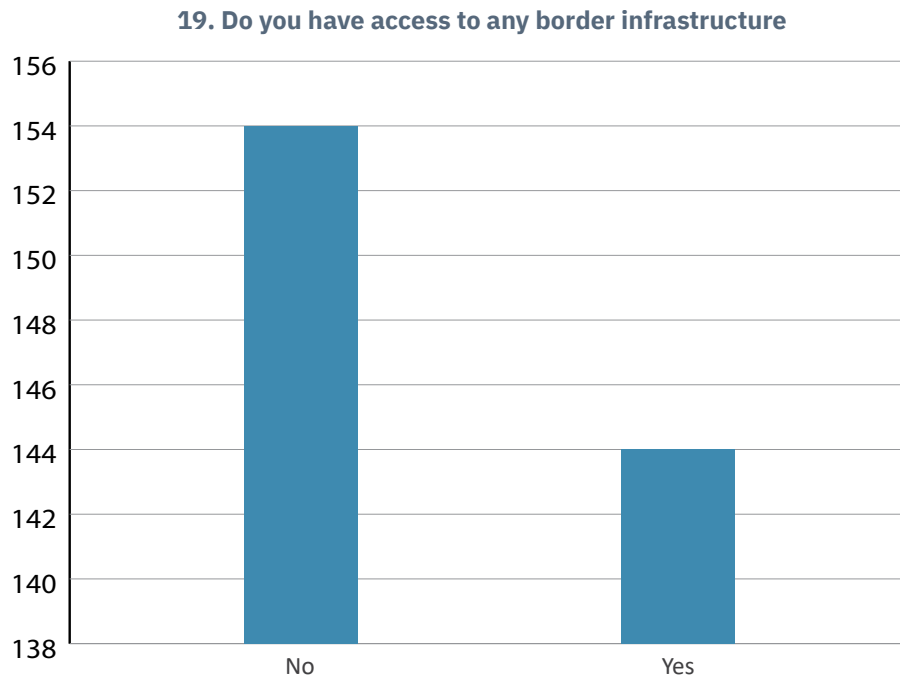
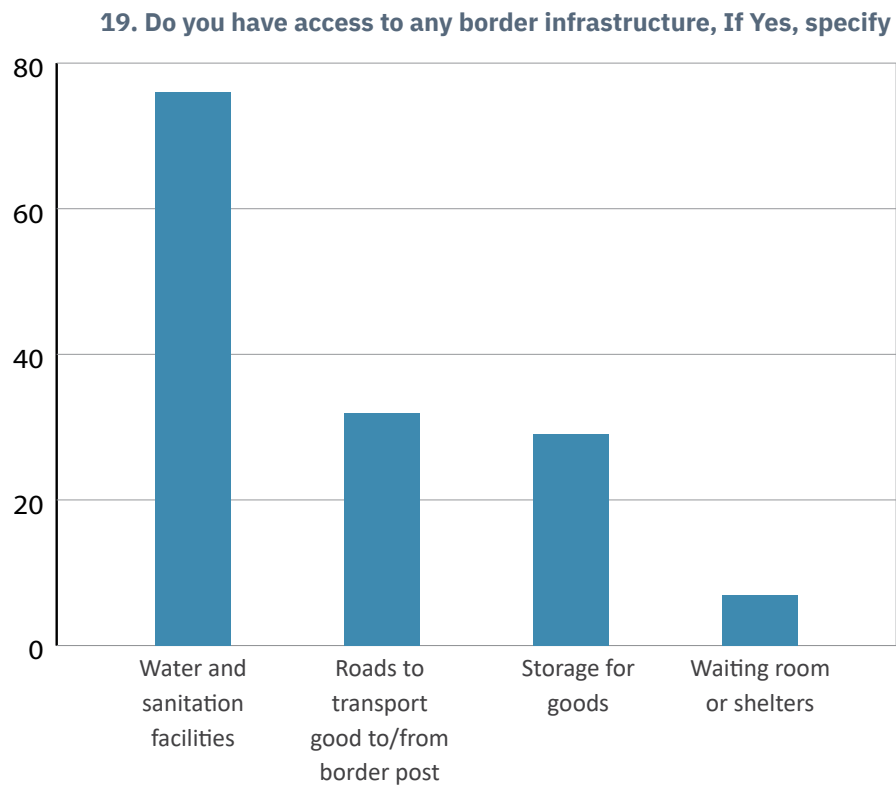


Figure 27 (c): Access to any border infrastructure



2.9 Number of Border Checks

Figure 28 (a) and 28 (b) depict that the majority of respondents (90%) acknowledged that they encounter two different border checks when clearing their merchandise at the customs. Only 10% of them reported that they have to clear their goods with one border check.

Figure 28 (a): Number of Different Border Checks

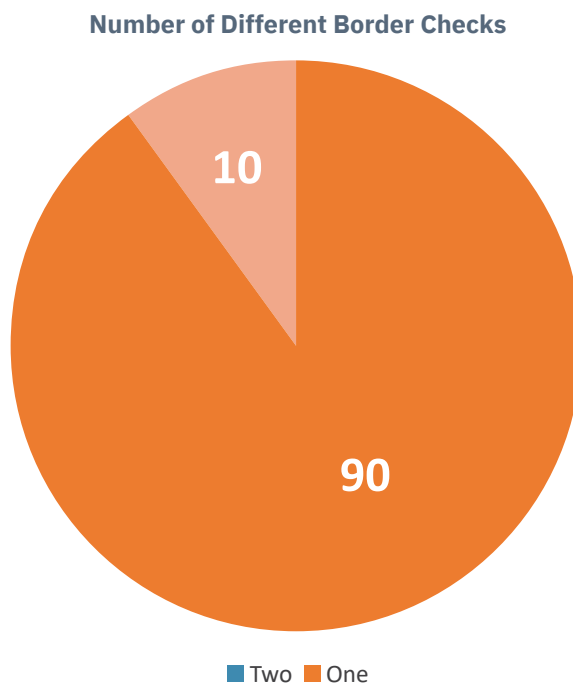
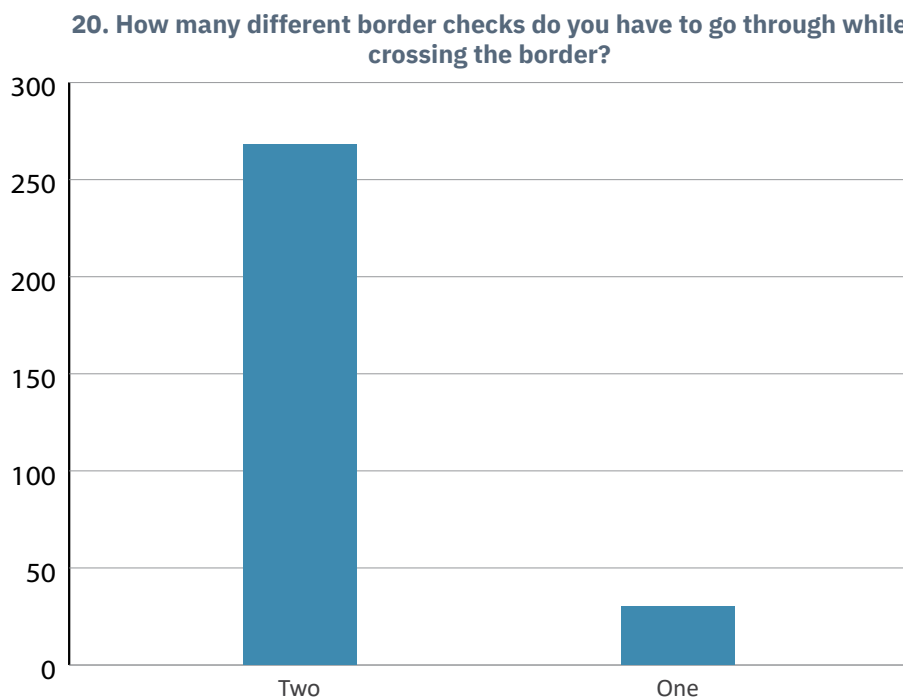


Figure 28 (b): Number of Different Border Checks



2.10 Challenges Faced by Informal Cross Border Traders

In terms of challenges faced by ICBT traders, Figures 29 (a) and 29 (b) show that the most common ones were, 'others' (50%), 'burdensome custom requirements' (14%), 'insecurity' (10%), and 'issues with police' (9%).

Figure 29 (a): Main Challenges Faced by Informal Cross Border Traders

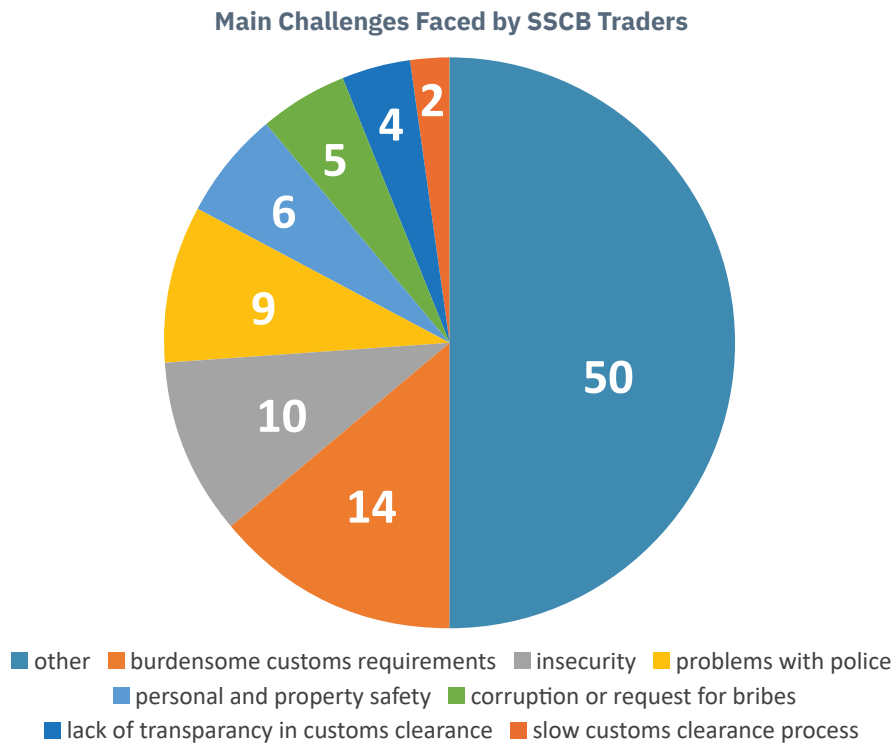
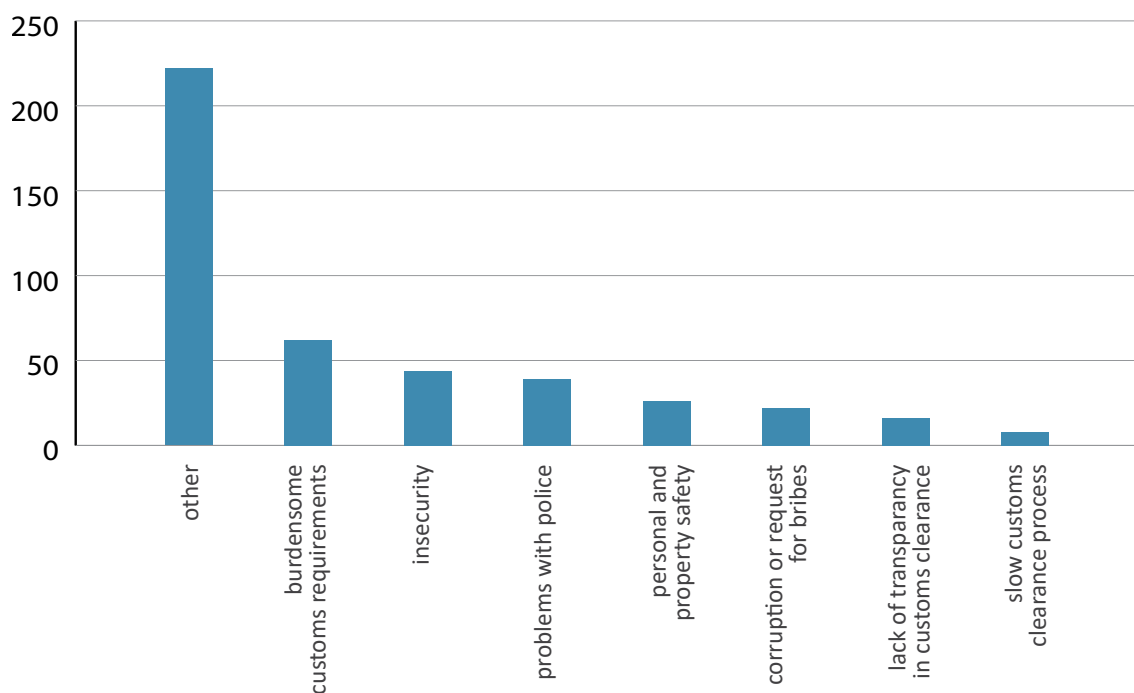


Figure 29 (b): Main Challenges Faced by Informal Cross Border Traders

21. What are the main challenges you face as a SSCB Trader in cross-border trading



2.11 Smartphone Use among Informal Cross Border Traders

The insight based on analysis of Figures 30 (a) and 30(b) indicate that the majority of ICBT respondents (59%) do not use smartphones. This contrasts with the insight based on the first survey, which showed that 79% of them use smartphones.

Figure 30 (a): Smartphone Use among Informal Cross Border Traders

Smartphone Use Among Informal Cross Border Traders

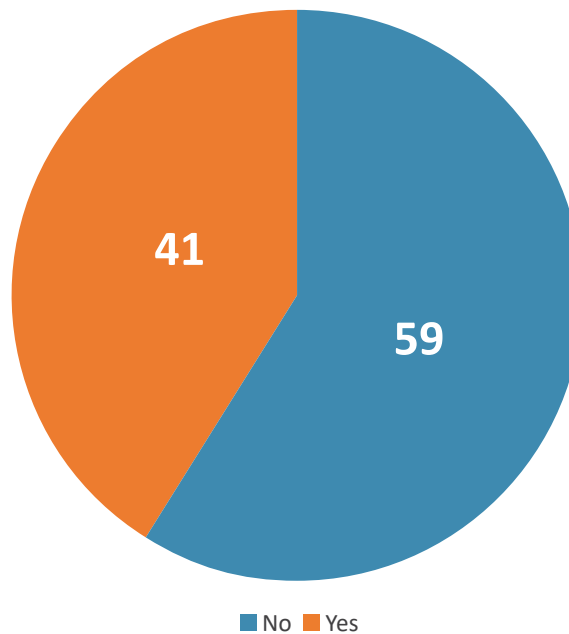
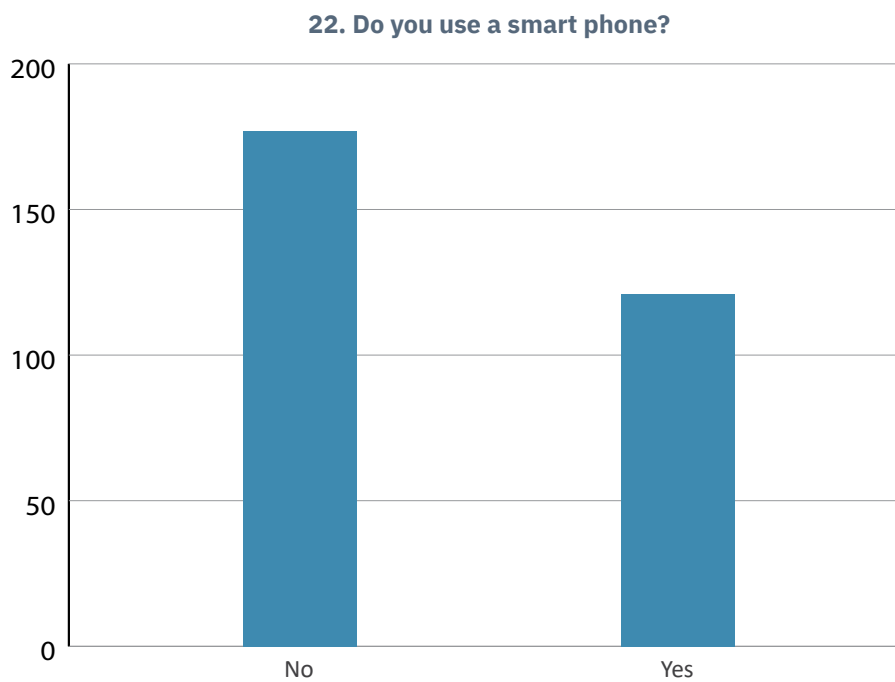


Figure 30 (b)





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