After more than two decades of civil conflict, Somalia’s economy was mostly devastated.

- Large informal and unregulated financial sector
- Highly dollarized economy
- Lack of trust and credibility of public institutions
- Shattered payment system

In response, CBS is taking necessary steps to initiate reforms to lay the foundation for a sounder and more efficient system.

CBS is undertaking a strategy development process to identify priorities and develop a road map to reform.
6 Strategic Goals will drive CBS Vision and Mission

- The six strategic goals set are derived from CBS’ vision and mission.
- They reflect the Bank’s statutory role and responsibilities as well as promoting a sound financial sector and contributing to the economic development of Somalia.
1. **Formalize the Financial Sector**

Following two decades of informal financial sector, reconstituting formal financial systems is a key priority to the development and growth of Somalia’s economy. This will be achieved through setting prudent regulation and oversight as well as assisting in rebuilding formal financial institutions and establishing effective compliance mechanism.

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<th>Objective</th>
<th>Activities</th>
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| Improve legal and regulatory frameworks | • Develop sound legal framework governing financial sector oversight and allowing the financial sector to develop  
• Produce prudent set of policies, procedures and guidelines to govern all financial institutions  
• Coordinate policy and regulatory framework development with international actors, including supervisory agencies to ensure adherence to international standards  
• Draft regulatory policy for Islamic Banks  
• Develop Anti-money Laundering (AML) and Counter Terrorism Financing (CFT) program  
• Develop regulatory framework for establishing and supervising micro-finance institutions |
| Institute supervision and licensing of financial institutions | • Formalize all informal financial institutions  
• Implement regulations and guidelines of the financial institution act of 2012 on licensing and supervision of commercial banks  
• Create awareness on the various legal and regulatory frameworks  
• Broaden the financial sector to include more formal and licensed banking institutions meeting capital and liquidity requirements  
• Introduce savings and credit delivery schemes and institutions suitable to the different segments of the Somali society |
| Develop and maintain an appropriate monitoring and reporting mechanism | • Create classifications and financial institution profile for each entity identifying relevant data and assessing risks  
• Develop process and tools to ensure that compliance data is appropriately identified, measured, managed, monitored, and reported on a timely basis  
• Provide training and guidance material to financial institution on meeting compliance reporting requirements  
• Conduct an independent assessment of the aggregate compliance and risk profile of the financial sector |
A Set of Activities have been Identified for the Delivery of each Objective/Initiative

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<th>Build Strong Banking Operations Foundation</th>
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<td>Effective and efficient banking operations supported by robust processes and systems conducted within well-defined risk management and control frameworks will establish the strong banking operations foundation necessary to the formalization of the financial sector.</td>
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<th>Objective</th>
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| Establish efficient and effective Payments System | • Develop a central clearing payment system  
• Develop real time gross settlement  
• Credible internal means of payments and capabilities for external payments  
• Conduct awareness creation  
• Introduce information and communication technology in public spending and reporting procedures to ensure reliable data  
• Ensure timeliness of payments  
• Replace paper with electronic data  
• Collect data, review and public information on payments system. |

| Develop and implement an integrated core banking system | • Automate current manual banking operational processes and reporting  
• Develop tools and technologies to support CBS core functions; i.e. payment processes, supervision, currency management, etc.,  
• Enhance CBS capabilities through effective use of technology  
• Provide training to CBS staff on new system and processes |

| Effective management of the FI’s risk exposures | • Develop CBS’ overall approach and policy to enterprise risk management so that risks are appropriately identified, measured, managed, monitored and reported  
• Embed sound risk management practices on all aspects of the bank activities;  
• Produce better risk reporting at all levels of the organization with more robust metrics allowing for greater transparency and more informed decision making |

| Implementing strong internal control systems | • Internal audits to carry out independent and objective review and appraisals;  
• Internal audit findings to be presented and discussed by the senior management and necessary actions taken;  
• Board of Directors to regularly receive and review reports of internal control;  
• Establish an audit committee of the Board of Directors to ensure that appropriate plans are in place for the external audit at the start of each audit cycle. |
Background: Somali Postal Service

**Governance and ownership**
- The Somali Postal Service (Somali Post) is the national postal service of Somalia. It is part of the Federal Government of Somalia's Ministry of Information, Posts, Infrastructure and Telecommunications.

**1960: Post-independence**
- Creation of a unified national postal service commenced.
- Well functioning and loved by the Somali populace.
- Several branches established in all major urban centers and some rural locations.

**Post 1990: Civil unrest**
- In early 1991, the Somali Postal Service had 100 post offices, with a total staff of between 1,665[4] to 2,165 personnel.
- Sadly, the civil that followed dessimated the postal network of Somalia.

**Rebuilding Somali Postal Service**
- The Head quarters of the Somali Postal Service have been rebuild and refurbished.
- Many members of the vast diaspora abroad are returning including former employees of other postal services around the world.
Opportunities and challenges of a Somali Postal Service entering the Financial Services Industry

**Competition**
- Will face stiff competition from 18 well established MTO entities that are present in all 6 continents
- The largest 5 MTO operators own telecommunication businesses and have introduced Mobile-money capabilities on their networks.

**Margins**
- Due to healthy competition, all MTO operators offer instant same-day delivery payment as standard
- Commission charges range from 2% - 4.5%. Domestic transfers are even lower.

**Post Civil unrest**
- Majority of the population is under 30 years, and have little or no experience or memory of the Somali Postal Service.
- A need to establish an innovative and radically different postal service fit for the 21st century.

**Rebuilding Somali Postal Service**
- The Head office have been rebuilt and refurbished.
- Many members of the vast diaspora abroad are returning, including former employees of other postal services around the world and bringing with them best practises from the globe.
Phased Approach to Achieving Strategic Goals

First 18 months is to build the foundation of the Central bank of Somalia, aiming to:

- Lay down the legal framework for formalizing the Financial Sector
- Investing in a core banking system, including payment system
- Having the right people in the right roles supported by the right structure
- Building database to support reporting

The next 2 years will build on the foundation and focus on deeper execution of the policies and frameworks across the financial sector:

- Strengthening the Bank’s core functions
- Enhancing exiting technologies to support more streamlined processes
- Advanced Monetary Policy
- More robust analytics

Last two years is focused on fully achieving the mandate of CBS:

- Aligning the bank’s functions and policies to international best practices
- Building a high performance organization by developing the workforce
Contact Information

Thank you

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