

Edited by
Federation of Somali Trade Unions (FESTU)

A SURVEY ON THE INFORMAL
ECONOMY IN SOMALIA
LOOKING FOR SUSTAINABLE CHANGE

The survey was realized by Abdirisak Warsame Dirie in collaboration with Gabriella Rossetti thanks to the project “*T.N.FORMAL.L. - Educate, Regulate, Train, Work. From the informal to the formal economy for inclusive growth, peace and social dialogue in Somalia - AID 012590/03/0*” financed by Italian Agency for Development Cooperation (AICS), realised by Nexus Emilia Romagna ETS and FESTU in collaboration with *MoLSA* - Ministry of Labour and Social Affairs (Somalia), *SCCI* - Somali Chamber of Commerce and Industry (Somalia), *ITUC Africa* - African Regional Organisation of the International Trade Union Confederation and *CGIL* (Confederazione Generale Italiana del Lavoro).

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Acronyms

FESTU - Federation of Somali Trade Unions
MOLSA - Ministry of Labor and Social Affairs
SCCI - Somali Chamber of Commerce and Industry
EDUs - Enterprise Development Units
NDP - National Development Plan
ILO - International Labour Organization
UNIDO - United Nations Industrial Development Organization
BDUs - Business Development Units
KII - Key Informant Interviews
SMEs - Small and Medium-Sized Enterprises
MSMEs - Micro, Small and Medium-Sized Enterprises
GEEL - Growth, Enterprise, Employment, and Livelihoods
TCI - Textile and Clothing industry

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Ahmed Muse Mohamed, Abdulkadir Abdullahi Farah, Abdinasir Hassan Ahmed, Mohamed Abdi Yussuf, Mohamed Dahir Abdulahi, Ali Ahmed Muhumed efficiently managed the massive task of data collection and processing. Their relentless efforts in gathering information across six diverse locations proved immensely beneficial. Lastly, Abdirahman Hussein Abdulle, Amira Mohamed Hussein, Ahmed Nur Ali Said Salah, Hassan Kamiin Mire, Nasra Ismail Abdi have demonstrated professionalism in surveys within three distinct business sector communities.

This completed report isn't just about analysed figures. It reflects collective enthusiasm, support & skill everyone involved. Your exceptional contribution made everything achievable we eagerly anticipate more collaborations in the future.

Abdirisak Warsame Dirie

Lead Researcher, The Informal
Economy Survey in Somalia

Forward

As we set our sights on a more promising future for Somalia's workforce, particularly those in the informal economy, I am pleased to present the results of our recent survey titled "A Survey on the Informal Economy in Somalia: Looking for Sustainable Change". This survey demonstrates our combined efforts and has offered us an invaluable understanding of challenges and opportunities in the informal economy.

The Italian agency for development cooperation funded the survey, exploring deeply into fishery, textile, and small business. It highlights significant steps we need to undertake towards formalising our economic structures in these sectors.

Issues like enforcing labour laws effectively, promoting women empowerment in the workplace and self-employed, and shifting towards an organised economy requires immediate redressal. Our collective endeavour sheds the light upon what lies ahead – highlighting the requirement of rigorous enforcement of labour regulations, policies that safeguard vulnerable workers, and business financial and administrative reform implementation.

It's imperative here that critical stakeholders, including

government bodies, workers' organisations, and employers, play crucial role in this transition process. Let's concentrate on fostering cooperative efforts, engaging in a regular consultation, and developing inclusive economic strategies as we proceed. Findings and recommendations derived from this survey act as blueprint change call for action that everyone involved. We must collaborate to create a structured, inclusive economic environment within Somalia.

Please read the report thoroughly and join me in turning these insights into actionable initiatives. Let's channel power, cooperation, innovation, and building a successful, equitable economic foundation. Somalia together can bring about an impactful difference.

Sincerely,
Omar Faruk Osman Nur
Secretary-General Federation
of Trade Union (FESTU)

Keynote

This research is a key milestone of the project financed by the Italian Development Cooperation Agency (AICS), by the title of *‘I.N.FORMAL.L. - Educate, Regulate, Train, Work. From the informal to the formal economy for inclusive growth, peace and social dialogue in Somalia - AID 012590/03/0’*, implemented by Nexus Emilia Romagna ETS, the institute of cooperation promoted by Confederazione Generale Italiana del Lavoro (CGIL).

Promoting sustainable transition from the informal to the formal economy through inclusive growth and decent working conditions in order to strengthen the rule of law, peace, social dialogue and human rights is the overall objective of the proposal, and the research aims to identify existing gaps and needs in targeted sectors: fishery, textile and small commerce.

CGIL strongly believe that decent work, rights, collective bargaining are essential to build inclusive societies and foster peace. Through this project, CGIL and FESTU consider that overcoming conflicts, negotiating and supporting the transition to the formalisation of economic activities, means addressing necessary transformations of the entire context and initiating processes of change that are possible in the short and medium term.

Formalisation of employment has been and continues being a key challenge in Italy, and CGIL has been on the forefront of promoting policies to tackle informality and precariousness for all workers, especially migrant workers and most vulnerable groups. These efforts led to the adoption of a 2-year action plan for Combating Undeclared Work. Like in Italy, the phenomenon of informal and undeclared work described in this research, is broad and multiform. In particular, informality is closely linked to the condition and evolution of a country's production and social system, and the transition to formal employment is a decisive tool for improving the economic and development model, as well as for the rights of workers.

Therefore, this research represents an important stimulus to a national tripartite work that aims to develop and agree to policies for employment formalisation. As reiterated by the ILO, “without formalisation (of work) and without decent work for all, justice and equity in societies will remain an illusion”.

Salvatore Marra

Head of European
and International Policies - CGIL

Executive Summary

The Federation of Somali Trade Unions (FESTU), in collaboration with the Ministry of Labour and Social Affairs (MOLSA) and the Somali Chamber of Commerce and Industry (SCCI), is delighted to share the insights from the “Survey on the Informal Economy in Somalia”.

This initiative has been enabled through a partnership with Nexus Emilia Romagna ETS and the Italian General Confederation of Labour (CGIL), supported by the generous funding from the Italian Agency for Development Cooperation (AICS). The survey forms a crucial part of our strategy to transition Somalia’s economy from informal to formal sectors, identifying and addressing the unique challenges faced by informal enterprises.

The survey has been foundational in crafting a comprehensive three-year Action Plan that resonates with the national aspirations for a robust formal economy that champions inclusive growth, enhances working conditions and adheres to the principles of social justice. It targets key sectors such as fisheries, textiles, and small informal enterprises, which play a pivotal role in Somalia’s economic framework.

The engagement of tripartite constituents – government, workers, and employers – has been essential in the survey process. Each party has contributed unique insights and resources, enriched the data collection and analysis phases and ensuring a comprehensive understanding of the informal economy. Their ongoing collaboration is critical in implementing the recommendations of the survey and in the successful realisation of the Action Plan.

The findings highlight several areas needing improvement, including the need for better access to financial services, a deeper understanding of formalisation benefits within the business community and enhanced support for labour rights, particularly for women and vulnerable groups. The report advocates for streamlined formalisation processes, the development of robust legal and regulatory frameworks and the promotion of a culture of social dialogue and cooperation among all stakeholders.

Looking ahead, the role of the tripartite committee remains central. Their involvement extends beyond enforcement to advocacy, fostering policies that are supportive, sustainable and founded on the cardinal principles of social dialogue and tripartism. This strategy ensures that the transition not only stimulates economic growth but also fosters a fair and equitable working environment.

In closing, this survey serves not only as a diagnostic tool but as a blueprint for action. It calls for a concerted effort from government, workers and employers to transform the informal sectors into formal ones, thereby enhancing eco-

conomic stability and ensuring a prosperous future for all Somalis. Through this joint endeavour, we aim to build an inclusive economy where every citizen can effectively contribute and equitably benefit.

We invite all stakeholders to review the findings and recommendations of this report and join us on this transformative journey towards a formal and equitable economic future in Somalia with robust labour market governance.

A Survey on the Informal
Economy in Somalia
Looking for Sustainable Change

Introduction

This Survey on the Fragility of the Informal Economy in Somalia is an essential initiative to enable a sustainable shift from the informal to the formal economy. The survey was designed to enhance inclusive growth, improve working conditions, and strengthen law, peace, social dialogue, and human rights. It played a pivotal role in the development of a comprehensive three-year Action Plan, formulated collaboratively with key stakeholders, including the Federation of Trade Union (FESTU), the Ministry of Labor and Social Affairs (MOLSA), and the Somali Chamber of Commerce and Industry (SCCI). The survey targeted critical sectors such as fishing, textiles, and small informal enterprises to gather new insights and foster a deeper understanding of Somalia's informal economy. This process was instrumental in highlighting the advantages of socially protected work, defending workers' rights, and addressing vulnerabilities within informal employment while accommodating necessary adjustments to the Action Plan based on emerging challenges and uncertainties.

Overview of the Somali economy

In 1963, Somalia launched a \$5.5 billion development program funded by Eastern and Western grants and loans, with about \$10 per capita foreign aid¹. Somalia's economy, rooted in agriculture and heavily impacted by socialism, civil war, and reliance on aid and informal trade, faced a governance vacuum from 1991 to 2000. This period of instability transitioned into a reconstruction phase in 2012, focusing on rebuilding governance and drafting a transitional constitution. Despite global recognition in 2012, challenges like ineffective tax collection, banking issues, currency instability, and inflation persisted. The economy, dependent on weak livestock and agriculture sectors, led to widespread reliance on informal businesses, exacerbated by low wages, poor infrastructure, and a lack of robust development and governance initiatives².

The 2019 Somalia labour force survey reported a 21.4% unemployment rate, with a stark gender gap affecting youth and women the most. The employment-to-population ratio was 25.5%, indicating low formal employment rates. Services dominated employment sectors, while educational attainment remained low. Notably, the informal sector accounted for about 51.4% of total employment, highlighting the significant

¹ International Bank for Reconstruction and Development, & International Development Association. (1964). *The Economy of Somalia*. Department of Operations, Africa. Report No. AF-19a. May 28, 1964.

² *Economy of Somalia*. <https://www.britannica.com/place/Somalia/Economy>.

role of informal work, which lacks social security contributions and paid sick or annual leave. This informal employment statistic included ownership-account workers and contributing family workers in formal or informal enterprises. Furthermore, recruitment practices predominantly rely on informal networks and family connections, with merit-based recruitment not being widely practised in both the public and private sectors.

This reliance on personal ties often overshadows qualifications and skills in hiring decisions, which affects the transparency and fairness of the employment process and challenges the development of equitable labour markets. Despite recent legislative efforts, this underscores challenges in job security, workers' rights, and social protection. The updated labour code has been submitted to the parliament, and a decent work program has been initiated to support workers and secure financial assistance, integrating the national employment policy into the development program to collaborate with the Federal Member States, the private sector, and labour unions³.

According to the Ministry of Labour and Social Affairs (MoLSA), critical social protection programs include the World Bank-funded Baxnaano project, which provides unconditional cash transfers to 200,000 poor and vulnerable households across 21 districts and aims to establish a national

³ Somalia National Bureau of Statistics, Federal Government of Somalia. (2021). Labour Force Survey Report 2019. September 2021, Mogadishu, Somalia: Somalia National Bureau of Statistics.

safety net system. The Child-sensitive Social Protection Project (CSSP), funded by KFW, targets pregnant and lactating mothers with children under one in three districts, enhancing access to nutrition and health services. Additionally, the Sagal social transfer project supports 44,221 households, including IDPs, returnees, and host communities, to build resilience against conflicts and climate shocks through cash-based transfers and system improvements. These initiatives are pivotal in strengthening Somalia's social protection infrastructure.

The NDP-9 reveals that informal businesses thrive in Somalia, particularly outside Mogadishu, due to conflict and institutional weaknesses. This situation impedes market and business development, worsened by the government's limited capacity for service and protection. State efforts have reasonably improved business registration, with the labor market primarily comprising micro and small enterprises reliant on informal networks⁴. Addressing these challenges, the Somali government and partners are trying to pursue a business formalization strategy, necessitating collaboration between FGS and FMS level actors. This involves streamlining registration, reforming tax policies, and enhancing labor and social protections. Initiatives include land titling, judicial improvements, and increasing access to financial services, all within a framework promoting rights, gender equality, and social dialogue,

⁴ Somalia National Development Plan 2020 to 2024. the path to a just, stable, and prosperous Somalia, Somali-National-Development-Plan-9-2020-2024.pdf (mop.gov.so).

aiming to integrate informal businesses into a formal, inclusive economy⁵.

Definition of the Informal Economy According to ILO Recommendation 204

This survey employs ILO recommendation 204's definition of the informal economy, emphasising workers' rights, decent work, and inclusive growth challenges.

In this Recommendation, "informal economy encompasses all economic actions by workers and units not adequately governed by formal setups, either legally or practically; and excludes illegal activities, notably those involving forbidden goods or services, such as drug trafficking, illegal firearms production and trade, human trafficking, and money laundering, as outlined in pertinent international agreements. Herein, "economic units" in the informal sector comprise: "units employing salaried workers" and "units owned by self-employed individuals, or with family assistance and cooperatives and entities in the social and solidarity economy"⁶.

⁵ International Labour Office; Enterprises Department. (2016). Policies, Strategies and Practices for the Formalisation of Micro and Small Enterprises. First published in 2016. Produced in Switzerland. International Labour Organization.

⁶ Recommendation 204 concerning the transition from the informal to the formal was adopted by the conference at its one-hundred-and-fourth session in Geneva on June 12, 2015.

Target sectors of the Informal Economy

This survey examines the informal economy in Somalia, concentrating on the fisheries, textiles, and small business sectors due to their unique roles in the nation's economy. The aim is to uncover these sectors' distinct challenges to promote decent work and economic growth in Somalia.

The fishery sector

According to the ILO fishing convention, commercial fishing means all fishing operations, including those on rivers, lakes, or canals, except subsistence and recreational fishing. The Convention doesn't explicitly define "informal business" within the fishing sector, but its comprehensive approach and the provisions in Article 2 aim to ensure decent work conditions across all fishing activities. This inclusivity potentially covers smaller-scale or less formalized operations, indicating a broad interpretation to include diverse operations within the scope of ensuring fair labour standards⁷. However, in Somalia, fisheries stakeholders are organized through a blend of small-scale family operations and larger community-supported co-operatives, small-scale fishers, boat owners, and government

⁷ Glaser, S.M., Roberts, P.M., Mazurek, R.H., Hurlburt, K.J., & Kane-Hartnett, L. (2015). *Securing Somali Fisheries*. Denver, CO: One Earth Future Foundation.

entities. This structure emphasizes local engagement and co-operative management, leveraging traditional clan systems and newly formed fishing associations⁸.

Somalia's fisheries sector, supported by its expansive coastline, rich biodiversity, and unique marine features, is integral to its economic and social advancement. Governed by the 2023 Fisheries Law, which underscores sustainability and aligns with global practices, the sector is nurtured through a governance framework that fosters federal-state cooperation, honours international obligations, and supports equitable revenue sharing. This facilitates sustainable management and equitable development of marine resources, which is crucial for the burgeoning Blue Economy. The fisheries sector's development trajectory since 1973 has been characterized by a strengthened governmental focus, strategic interventions, and international partnerships, which are imperative for its evolution and contribution to national progress. Robust governance integrates federal, state, and local community levels, with the latter's clan-based societal structure having a significant influence. This comprehensive legal and policy framework is designed to ensure sustainable resource management, adherence to international conventions, and implementation of conservation strategies.

Stock assessments inform these strategies, balancing eco-

⁸ Roberts, Paige M., Laura C. Burroughs, Ahmed-Yasin Osman Moge. October 2019. *The Potential for Fisheries Co-Management in the Somali Region*. Published by One Earth Future Foundation.

conomic development with conservation. The sector is marked by the active involvement of various fishing communities and fleets, bolstering local economies while preserving traditional practices. Women and cooperatives are vital in promoting sustainability within the sector, highlighting its significance in Somalia's socio-economic tapestry. Emphasizing the strategic necessity of enhancing port facilities and market infrastructure, the Fisheries Value Chain proposes upgrades to pivotal ports such as Mogadishu, Kismayo, and Berbera to streamline the sector's operations. Addressing challenges like insufficient cold storage, energy reliability, and connectivity is crucial for adhering to international standards and optimizing logistics. The strategy calls for establishing direct market connections between fishermen and buyers, bolstering port security, and reinforcing regulatory frameworks, which are expected to augment local profits, diminish losses, and amplify economic benefits. Such improvements are projected to bolster employment opportunities and significantly contribute to Somalia's economic resurgence⁹.

Somalia's fishery sector, vital to its economy, involves various key actors, from fishers capturing finfish, sharks, and lobsters to boat owners organizing expeditions. Female fishmongers play a crucial role in selling fish locally or in restaurants, while fish canneries process catches for domestic use and

⁹ "Fisheries Master Plan Document". Ministry of Fisheries and Marine Resources, Federal Government of Somalia. "Comprehensive Overview and Strategic Initiatives for Somalia's Fisheries Sector". Published 2023, Mogadishu, Somalia.

export, mainly to the Middle East and Asia. Challenges such as the need for improved cooling systems on boats to preserve fish quality and the lack of comprehensive data on job creation are prominent. Most fishers need more cooling facilities, relying on basic methods that often lead to contamination. Once ashore, the fish are transported using traditional methods and sorted for distribution to hotels and markets. The processing sector, staffed chiefly by women, needs to be more documented, especially regarding wage standards. Despite these challenges, the industry offers potential for growth in domestic consumption and export capabilities, emphasizing its complexity and economic importance¹⁰.

The GEEL initiative from 2016-2021 was pivotal, educating over 100 informal sector participants in the fishing industry to adopt standards-compliant equipment. It facilitated partnerships, including with Société Générale de Surveillance, to provide high-quality training. This initiative enabled eight companies to fulfil formalities, thus aligning with international export standards for fish products¹¹. At the 2019 Somalia Fisheries Forum in Garowe, co-management approaches were explored, including fishing cooperatives and government involvement, establishing a collaborative management

¹⁰ Comitato Internazionale per lo Sviluppo dei Popoli (CISP). (2018, November). *Women of the Blue Economy: Gender Equity and Participation in the Management of Water Resources: Lessons from the Coast of Kenya and Somalia*. CISP - Comitato Internazionale per lo Sviluppo dei Popoli.

¹¹ Ibid., p. 11.

foundation in the fisheries sector. Secure Fisheries then launched the Fisheries Data Collection Working Group to enhance food and economic security by collecting fish catch data and training in fish identification, resulting in over 31,000 identifications. Projects like Kalluun with City University and the online tool Badweyn have also advanced educational outreach and maritime stability, addressing fisheries conflicts in East African waters¹².

In 2018, Shuraako, with Norfund and IFU, launched an \$8 million SMEs fund focused on job creation in Somalia, projecting 56 jobs from a \$398,500 project but facing concerns over compliance with Somali labour laws and fair working conditions. By April 2019, Shuraako managed 135 loans, generating over \$14.7 million in investments and impacting the economy by \$1.15 million, creating 243 informal jobs. Despite the lack of detailed data on job types and employee numbers, informal roles like artisanal fishing and local market sales dominate. This highlights the sector's need for structured development and formalization strategies to enhance economic contribution and worker protection.

The textile industry

Textile refers to substances made from filaments, fibres, or yarns, making fabrics like broadly used cotton. This category

¹² One Earth Future. Programming & Focus Areas. Secure Fisheries.

also includes unconventional textiles resulting from paper-making principles. Globalization has significantly changed the textile trade, with the Textile and Clothing Industry (TCI) becoming a vital global asset. It makes approximately \$1000 billion annually, accounts for seven percent of the world's exports, and employs around 35,000 people globally. The textile production chain begins with raw material extraction, followed by fiber production, yarn and fabric creation, and concludes in clothing manufacturing. After these stages, the end products are distributed and sold by retailers, completing the journey from raw materials to consumer-ready items¹³. In parallel, Heather Akou's illustration reveals how textiles are deeply entwined with Somalia's political and cultural history, as depicted on postage stamps. The evolution of Somali textiles, influenced by European styles during colonial times, is evident in stamps blending traditional and colonial attire.

Post-independence in 1960, stamps reflected more authentic Somali life and dress, symbolizing national identity. However, under Siad Barre's regime, stamps depicted an idealized nomadic life and traditional dress, infused with socialist and military themes, presenting a selective perspective of Somali culture and textiles¹⁴.

¹³ Costa, C., Azoia, N. G., Silva, C., & Marques, E. F. (2020). Textile Industry in a Changing World: Challenges of Sustainable Development. *U Porto Journal of Engineering*. Published on November 27 2020.

¹⁴ Akou, H. M. (2012). The Changing Politics of Textiles as Portrayed on Somali Postage Stamps. *Textile Society of America Symposium Proceedings*, 654. Retrieved from <http://digitalcommons.unl.edu/tsaconf/654>.

According to the one of tailor business owners, the textile sector in Somalia presents a complex landscape characterized by a need for more regulatory frameworks and insufficient data availability. Historically dominated by tailoring businesses, ranging from small-scale operations within homes to larger establishments along urban streets, the sector primarily revolves around sewing activities. However, crucial information regarding average wages or salaries and the organization of informal work arrangements still needs to be discovered. This absence of data underscores the sector's challenges, particularly in establishing standardized working conditions and legal protections for workers. With explicit regulatory provisions, the industry can achieve structured growth and avoid significant hurdles in contributing to the country's economic development. Addressing these challenges requires concerted efforts to implement regulatory frameworks tailored to the textile industry's needs and to enhance data collection mechanisms. By seizing opportunities for improvement, Somalia can unlock the potential of its textile sector, fostering economic growth and creating a more conducive environment for sustainable development. Despite the lack of data on the percentage of the informal textile sector by geographical areas and gender, its inclusion in future research is crucial for understanding sector dynamics.

Hypothetically, textiles and Fashion design in Somalia, reliant on a robust agricultural sector and advanced research, can benefit significantly from textile-related training programs at various educational levels. Such training fosters innate talents

and expertise, enhancing creativity beyond conventional productivity methods. The aim is to highlight Somalia's once-thriving potential in textiles, suggesting that a comprehensive system in every production stage can lead to more significant achievements¹⁵.

In conclusion, the industry is predominantly informal, characterized by small-scale tailoring, handicraft production, and street vending. These types of employment are prevalent because they require minimal initial investment and are not bound by the need for formal registration. Only a few minor to medium-sized enterprises that engage in dressmaking are officially registered, offering formal employment with regular salaries. However, comprehensive data detailing the exact number of jobs generated within this sector and average wages, whether formal or informal, remains available.

The Small Business

This survey identifies that “small business” in Somalia encompasses a broad spectrum, from self-employed operations to businesses employing 3-5 individuals, which may or may not be taxed and possess partial registration. This range includes grocery stores, pharmacies, electronic shops, restaurants, and

¹⁵ Yan, X., Chen, L., & Memon, H. (Eds.). (2014). Textile and Fashion Internationalisation-Hidden Potentials of the Federal Republic of Somalia. In *Quality Education and International Partnership for Textile and Fashion Hidden Potentials of East Africa*.

barber or beauty salons, each contributing uniquely to the informal sector and affecting the national economy differently.

According to the ministry of commerce and industry at federal, In Somalia, specific legal frameworks tailored to the development and formalization of small businesses are lacking. The existing company law caters primarily to cooperative and trading companies involved in large-scale operations like exports and imports rather than small street businesses. Small businesses' registration and licensing process involves disclosing license fees and presenting a tax slip upon renewal. The Ministry of Commerce and Industry still needs to provide specific initiatives for formalizing the informal economy. However, a tripartite committee, including the Ministry of Labour and Social Affairs, the Federation of Somali Trade Unions (FESTU), and the Somali Chamber of Commerce, has launched a Decent Work Program. This initiative aims to improve working conditions and encourage informal businesses to formalize, supported by government and social partners advocating for formalization processes.

Considering this, NDP9 underlines obstacles like lack of legislative frameworks, infrastructure, banking, and challenges for micro and small businesses in financial access and administrative support¹⁶. A study shows that microfinance institutions' harsh conditions, like collateral, repayment capacity, and guarantors, disproportionately affect smaller and poor enterprises, limiting their financial service access. This

¹⁶ NDP9 pages 241, 242.

emphasises the need for these institutions to relax lending criteria to support small business growth in Somalia¹⁷. Vocational technical training is essential for entrepreneurs, especially in micro-businesses, empowering them to assess investments and manage risks. Connecting investors through agencies, online platforms, and financial institutions is vital to bridging them with profitable business opportunities¹⁸.

In response to these challenges, UNIDO has improved entrepreneurial support in Somalia by establishing Business Development Units (BDUs) in Mogadishu, Baidoa and Kismayo. From Enterprise Development Units (EDUs), BDUs focus on improving business skills, facilitating financial credit access, and supporting local enterprises, recalling UNIDO's commitment to promoting economic growth and sustainable development in Somalia¹⁹.

However, specific details on the number and types of training programs provided to Business Development Units (BDUs) and the agencies responsible for delivering this training are lacking, although it is known that UNIDO coordinated and supported these initiatives. While detailed descriptions of the

¹⁷ Ali, A. H., Abu-Hadi, A. O., & Sheikh Ali, A. Y. (Year). The Accessibility of Microfinance for Small Businesses in Mogadishu, Somalia. Sudan University of Science and Technology, Sudan; Kampala International University, Uganda.

¹⁸ The Somali Micro, Small and Medium enterprises ecosystem. Challenges and Opportunities.

¹⁹ United Nations Industrial Development Organization (UNIDO). (2023, November 21). UNIDO Somalia Program. Retrieved from <https://unidosomalia.medium.com/>.

training programs are still missing, UNIDO has reported that the training focused on indentureship and business development skills, aiming to standardize practices among small business owners who participated.

Furthermore, in collaboration with the European Union, the United Nations Industrial Development Organization (UNIDO) conducted a detailed evaluation of 15 business incubators across the key regions of Garowe, Mogadishu, and Hargeisa. This initiative aimed to bolster entrepreneurship and the creation of micro, small, and medium-sized enterprises (MSMEs) in Somalia. The primary objectives were to assess each incubator's capability to provide effective business development services and to identify leading performers for additional support. The evaluation employed a robust methodology including interviews, documentation reviews, and physical inspections. These methods helped uncover varying degrees of service differentiation and financial sustainability across the incubators. Notable regional variations were observed in performance levels. In Garowe, Tilname Innovation Hub and Somali Innovation Hub were highlighted as top performers. In Mogadishu, iRise and SIMAD iLab stood out, especially in areas of governance and partnerships. Similarly, in Hargeisa, Harhub and Innovate Ventures excelled, demonstrating strong governance frameworks and effective partnership models.

Key strengths across the incubators included well-established partnerships and strategic online engagement, which are vital for the broad outreach and visibility of business services. However, challenges such as financial management and service

diversification were prevalent, indicating significant areas for improvement. This comprehensive assessment provides UNIDO and its partners with crucial data to tailor future support and interventions. The insights gained are instrumental in enhancing the operational effectiveness of the incubators, thereby fostering a more vibrant and structured entrepreneurial ecosystem in Somalia. This structured approach is expected to drive the formalization of informal businesses, contributing to the region's economic development and stability²⁰.

However, on the other hand, Somali women, key in micro-sector businesses, face barriers to employment and working conditions. Embarking into male-dominated sectors, they need strong support for laws, policy development, and enforcement. Addressing these gaps and promoting inclusive policies are crucial for meaningful business formalisation and support structures. In conclusion, while Somalia's small business sector is diverse and vital to the economy, it faces many challenges, including restrictive financial conditions, lack of infrastructure, and gender-based barriers. Efforts by organizations like UNIDO and the need for relaxed lending criteria, vocational training, and inclusive policies are crucial steps towards empowering these businesses, particularly for women entrepreneurs, ensuring their contribution to Somalia's economic growth and sustainable development.

²⁰ UNIDO. (2022). *Assessment of Existing Business Incubators Across Somalia*. United Nations Industrial Development Organization, July 2022, Vienna, Austria.

The survey methodology

Introduction

This section explores into the survey methodology, involving the adaptation of the Terms of Reference (ToR), creation of a technical steering committee, and leadership in survey planning, processes, and logistics. It outlines the development of survey tools, team recruitment, data collection, analysis phases, and report production. Ethical considerations and potential limitations are also addressed, offering a clear overview of the methodological approach for this survey.

Data Collection Methods

The data collection process for the assessment of the informal economy in Somalia was carefully designed to combine qualitative and quantitative methods, with adjustments made to account for the unique economic landscapes of the selected locations.

Quantitative Methods. Survey Sampling

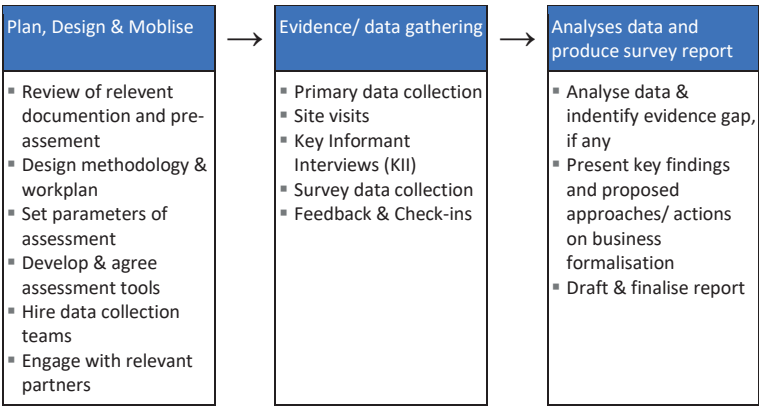
- A total of 360 individuals were engaged through random sampling from the target populations active in fisheries, textiles, and small businesses. This approach aimed to create a statistically representative sample of the informal economy sectors within each area.
- In Dhusamareb, Baladwayne, and Baidoa, where the fishery sector is less prevalent due to geographical constraints (absence of ocean access), the focus was exclusively on the textile and small business sectors. Here, 60 individuals were randomly selected from each of these two sectors, ensuring an equal split for balanced representation within the inland economic contexts.
- In Kismayo, Mogadishu, and Bossaso, sectors including fisheries were considered alongside textiles and small businesses due to their coastal locations and significant fishery activities. In these areas, 20 individuals from each of the three sectors were randomly selected, making up 60 respondents per location. This selection aimed to encompass the diversity of the informal economy, with an emphasis on including women to ensure gender diversity in the survey data.

Qualitative Methods. Key Informant Interviews (KIIs)

Complementing the survey data, Key Informant Interviews (KIIs) were conducted with 15 purposively selected members in each location. These participants were chosen for their deep knowledge or extensive experience in the local economy,

especially in the sectors under study. The KIIs aimed to provide rich, context-specific insights into the challenges and opportunities within the informal economy, offering detailed perspectives that enhance the understanding gained from quantitative data.

Figure: Survey data collection and reporting process



Method of Data Analysis

The data analysis process was meticulously carried out using both qualitative and quantitative methodologies.

- For qualitative data, NVIVO software facilitated the thematic categorization and analysis, ensuring a structured approach to understanding patterns and themes within the responses.

- Quantitative data underwent a rigorous process of classification, checking, and cleaning before analysis, utilizing Excel for statistical examination. This dual approach allowed for a comprehensive analysis, leveraging the strengths of each method to provide a holistic view of the findings.

Ethical Consideration

Ethical considerations were paramount throughout the assessment to safeguard the integrity of the research and protect participant welfare. This included obtaining informed consent, ensuring anonymity and confidentiality of respondents, and avoiding any form of bias in data collection and analysis. Efforts were made to adhere to ethical guidelines and standards, reflecting a commitment to conducting research responsibly and ethically.

Limitations

The study faced several limitations, including time constraints, budgetary limitations, and logistical restrictions, particularly in conducting fieldwork across diverse locations. Budget constraints necessitated the lead researcher to manage much of the research remotely, especially for areas outside Mogadishu. Additionally, the sampling population for the

survey was constrained by time and logistical capabilities, limiting the number of respondents that could be engaged in each of the six areas. This resulted in a smaller proportion of the total population participating in the assessment than intended. Security measures and flexible communication strategies were employed to manage safety concerns and ensure reliable data collection despite the volatile environment. Despite these challenges, the methodology was carefully adapted to deliver meaningful results within the given constraints, demonstrating resilience and flexibility in the research approach.

The findings of the survey

Introduction

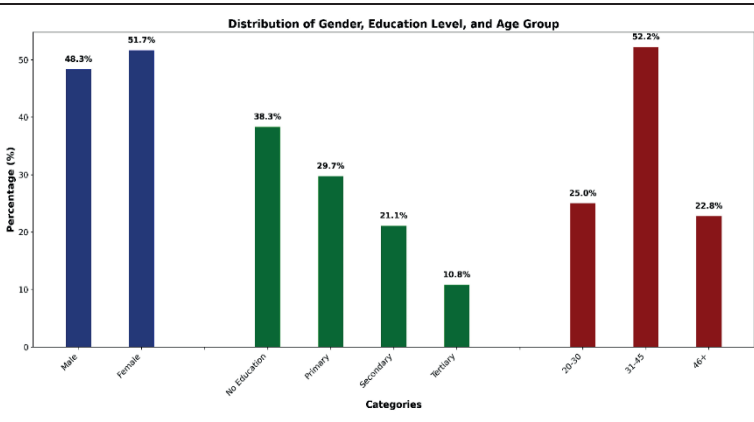
Section Three of the survey presents findings, starting with demographics for deeper analysis. It explores financial service utilization, business longevity by location, awareness of formalization and government initiatives, and examines business challenges, including gender issues, dispute resolution, formalization policies, business training, support needs, and employee welfare within Somalia's evolving business landscape.

Demographic information

The chart presents demographic data segmented by Gender, Education Level, and Age Group. It illustrates a closely balanced gender distribution, with females slightly ahead at 51.7%. Educationally, there's a gap: 38.3% lack formal education, while only 10.8% have tertiary education, highlighting the need for educational and skill improvement. The age distribution falls young, with 52.2% aged 31-45 and 25%

between 20-30, while those over 46 constitute 22.8%, indicating a robust potential workforce. Leveraging the diverse talents and perspectives of this young demographic is crucial for innovation and sustainable development, emphasizing the need for equal opportunities across all genders and age groups.

Figure 1: Distribution of Gender, Education, and Age

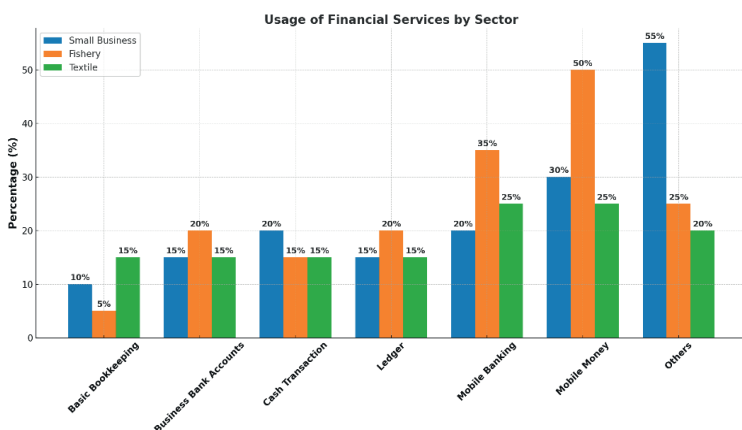


Source: Primary, 2023

Usage of financial Services by Sector

Figure 2 presents an analysis of how various business sectors use financial services, examining their interactions with financial institutions and different financial methods they use to understand their unique financial behaviours and needs.

Figure 2: Usage of Financial Services by sector



Source: Primary, 2030

The survey data and stakeholder interviews in Somalia provide insight into the financial service preferences across different sectors, revealing the challenges of transitioning from an informal to a formal economy. The Fisheries sector predominantly utilizes Mobile Money (45%) for quick and accessible transactions, whereas Small Businesses often choose a mix of Mobile Money, mobile banking, or direct cash transactions (30% favour ‘Others’). The Textile sector prefers Mobile Banking (40%), but all sectors need basic bookkeeping (less than 10%), indicating potential gaps in financial literacy or digital adoption. Regionally, 50% of Bossaso businesses use mobile banking, reflecting a developed financial infrastructure, while in Kismayo, 60% favour mobile money due to better telecom service accessibility. Traditional banking

remains limited (below 20%) across regions, highlighting the need for more accessible financial solutions tailored to sector and regional needs.

Interviews identify vital challenges: limited access to financial services, the lack of a unified government ID system, and security concerns that hinder financial inclusion, particularly for small and minority-owned businesses. The absence of enforceable, government-issued IDs exacerbates marginalization and fraud risks.

Business registration in Somalia could be more convenient, but it is rife with corruption. Handled by the Ministry of Commerce at the federal level and the Banadir Regional Administration, with occasional involvement from other ministries depending on the business type, this system leads to inconsistent practices and potential conflicts with the Ministry of Finance over overlapping taxes and licensing fees. This results in high, non-standardized fees and taxes, complicating business compliance and financial planning. Addressing these issues requires a comprehensive approach, adapting financial services to meet sector-specific demands, improving legal frameworks, and implementing strategies tailored to regional nuances to promote economic stability and growth in Somalia.

Business longevity by location

This section examines the relationship between the maturity of businesses across six Somali locations and their

readiness for formalization. It highlights how the varying ages and experiences of these businesses affect their transition towards formal economic structures.

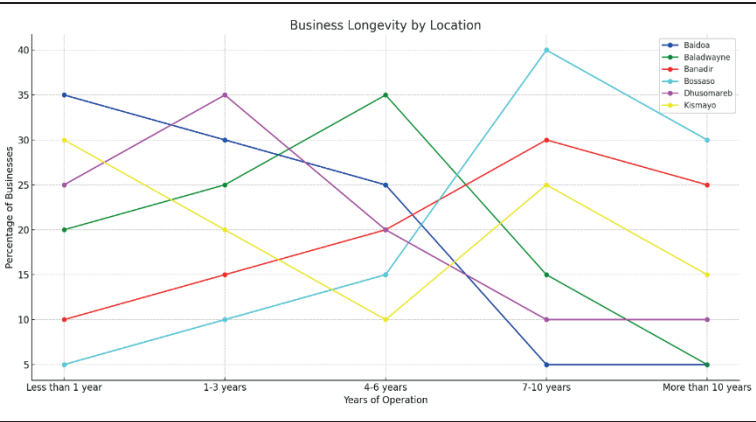
The following chart explores the connection between business maturity and formalization readiness in various Somali regions, the data reveals distinct stages of business development. Baidoa and Kismayo are hubs for startups, showing emerging business landscapes. Bossaso, with 40% of its businesses aged 4-6 years, reflects a stabilizing economic phase. Dhusomareeb shows sustainability with 35% mid-range enterprises, while Banadir presents a balanced mix of business ages, indicative of consistent entrepreneurial activity. In Bossaso, 25% of businesses are over six years old, highlighting a foundation for economic stability and mentorship.

Survey and interview data emphasize that businesses, irrespective of their maturity stage, require support for formalization. Chambers of commerce appear as key yet underutilized player in developing informal businesses. In Mogadishu, about 50% awareness exists of their role in simplifying tax and registration processes, crucial for transitioning to a formal economy. However, engagement with chambers and labor unions is significantly lower in other regions. Approximately 30% of respondents recognize their importance in helping with registration, compliance, and supplying networking opportunities for businesses moving towards formalization. This situation calls for enhanced collaboration between the government, social partners, chambers of commerce, and labor unions. A unified approach is vital to advance the formaliza-

tion process, develop proper policies, and improve Somalia’s economic landscape. Implementing a structured, inclusive strategy for economic development is critical to ensure sustainable growth and fair opportunities across Somalia’s diverse business sectors, fostering an environment where businesses at all stages can thrive and contribute to the national economy.

To effectively support Somali businesses at various maturity stages, tailored programs should include entrepreneurial training for startups, growth financing for stabilizing businesses, innovation support for mid-range enterprises, and comprehensive services through chambers of commerce. These targeted initiatives will facilitate smooth transitions into the formal economy and sustain growth.

Figure 3: Business Longevity by Location



Source: Figure 3. FESTU, 2023

*Awareness level about the Business Formalization
and the effectiveness of the Government Initiatives*

This section assesses awareness of business formalization and government initiatives in Somalia, which is crucial for moving to a formal economy. Survey data and qualitative feedback expose a significant information shortfall, highlighting the need for targeted strategies to educate the public on the benefits of formalization for economic development. A large portion of respondents, 62.1%, need to be made aware of formalization processes, and 68.1% need to be made aware of government initiatives, reflecting a widespread knowledge gap. In contrast, only 7.9% are fully informed about formalization, and 12% about government efforts, indicating that existing initiatives must more effectively reach or educate the public about the advantages of business formalization.

Geographical disparities in awareness are clear. Cities like Mogadishu and Bossaso exhibit moderate awareness, while other regions show a stated lack of understanding about the economic changes, especially concerning formalization. This situation underscores the need for targeted, region-specific outreach and education programs. The Somali Chamber of Commerce is identified as a key player in bridging this gap. By improving awareness of the formalization process and its benefits, and offering training and ability development, the Chamber can aid smoother transitions to formal markets.

The development of improved policy and regulatory frameworks, through a consultative process involving diverse stake-

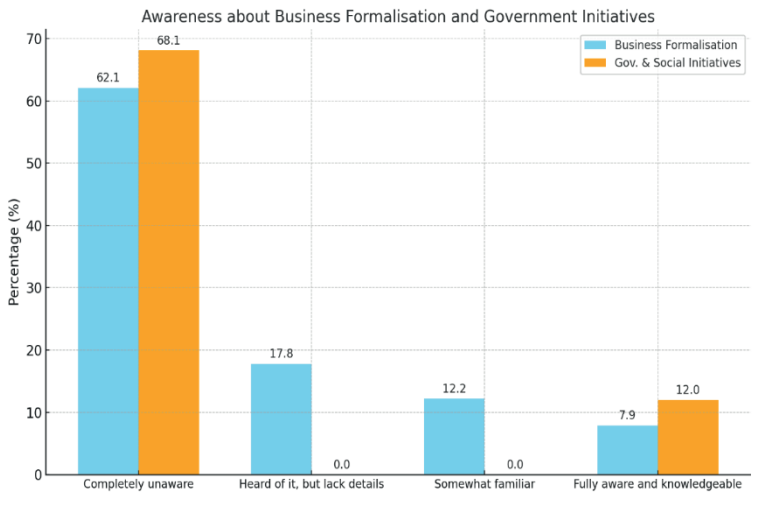
holders, is essential. This process should include workers, employers' organizations, and the broader business community. Ensuring increased participation in government decision-making can lead to more inclusive policies that address the real needs of those affected by formalization. Such an inclusive approach is key to a successful transition to formal markets, fostering economic stability and growth in Somalia.

Challenges with Business Formalization

In this section, we examine essential understandings into the business formalization process in Somalia, focusing on gender-related challenges and other key obstacles. The analysis highlights significant barriers like lack of knowledge and skill and limited access to finance, which are central in the transition to a formal economy.

The following charts data highlights key aspects of the business formalization process in Somalia, with gender challenges being a primary concern, accounting for 50.3% of the identified barriers. This points to significant gender-specific obstacles within the business ecosystem. Additionally, 'Lack of Knowledge' (22.2%) and 'Access to Finance' (21.2%) are prominent obstacles, showing that informational shortages and financial constraints are major barriers in the journey towards formalization. Strategies like enhancing financial literacy and improving access to financial services are crucial in addressing these issues, particularly in bridging gender inequalities.

Figure 4: Awareness about Business Formalisation and Government Initiatives



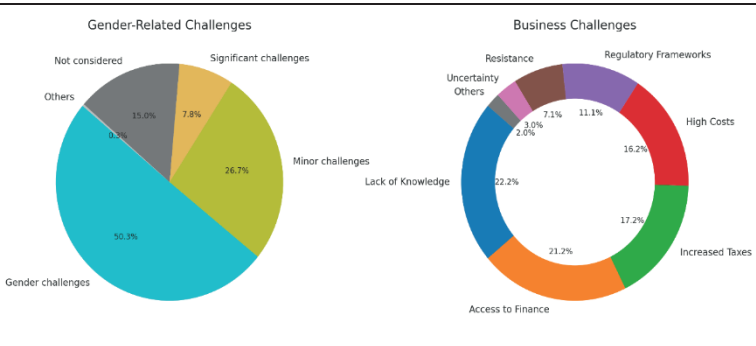
Source: FESTU, 2023

Interviews conducted in Somalia confirm these findings, revealing substantial challenges in transitioning from an informal to a formal economy. Key challenges to business formalization in Somalia include undefined but excessive costs, often due to duplicate payments to various government agencies, limited access to finance, widespread corruption within institutions meant to facilitate formalization, and lengthy, disjointed bureaucratic procedures. Additionally, the enforcement of existing business laws, such as the company law, is weak. This is compounded by the absence of a specific legal framework to oversee the business formalization process,

further complicating the transition to a formal economy. The situation is further complicated by gender-related challenges.

Women are critical in sustaining Somalia’s informal economy, particularly small businesses and sectors like fisheries. However, they often face significant challenges, including inadequate rights, protection, and lack of support. Their tasks range from net making to cleaning and selling the fish; women frequently need more protective equipment and training support. Moreover, key players in small business operations need more access to financial resources and developmental support from governmental and developmental agencies. This insufficient backing not only hampers their operational capacity but also limits the potential for business growth and development, affecting not only women but also self-employed individuals and minority groups. Enhanced efforts are needed to provide women with the tools and resources to participate and thrive in these vital economic sectors fully.

Figure 5: Gender-Related Challenges with Business Challenges



Source: Figures 5,6. FESTU, 2023

Linkages between dispute resolution methods and Formalization Process

This section analyses the interplay between business dispute resolution methods and formalization policies in Somalia, highlighting their role in the country's transition from an informal to a formal economy. The analysis underscores how these elements are interconnected and crucial in shaping the formalization process.

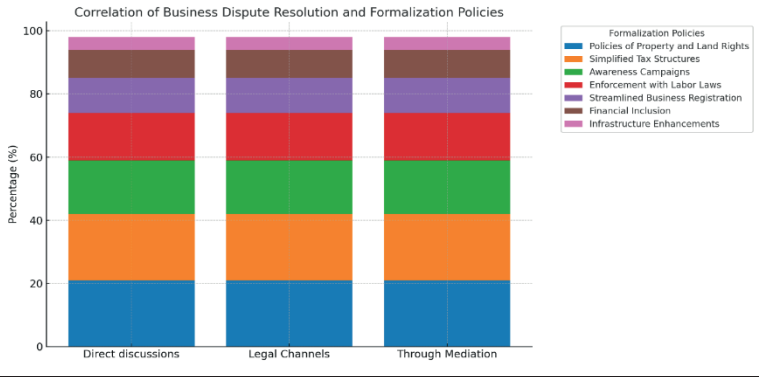
The analysis of business dispute resolution methods and formalization policies in Somalia offers key insights into the country's business environment. It reveals the connection between various dispute resolution methods and the implementation of formalization policies, such as property and land rights, tax structures, and financial inclusion. For example, 'Direct discussions' play a key role in negotiating these policies, highlighting the importance of direct negotiation in shaping the business landscape.

Interviews and qualitative data from Somali districts say a pressing need for new policies to ease the transition from an informal to a formal economy. In Mogadishu, stakeholders like the Ministry of Labour and Social Affairs (MoLSA) and the Ministry of Commerce, along with worker and employer organizations, are identified as key in this process. However, challenges such as the lack of new policy initiatives and limited government-social partner collaboration impede progress. Respondents from Bossaso and Mogadishu suggest that the government could effectively address formalization chal-

lenges by consulting with social partners and engaging with the informal economy. Recommended strategies include incentivizing businesses through tax reduction, reducing administrative loads, and enhancing economic infrastructure. Despite a generally positive outlook on formalization in these regions, there is still a need for concrete evidence of its benefits.

This situation highlights the critical need for integrating dispute resolution methods with formalization policies and fostering collaborative policy development. Addressing these challenges with comprehensive strategies is essential for Somalia to advance towards a more structured and formalized economic system, helping stakeholders across its diverse business sectors.

Figure 6: Correlation of Business Dispute Resolution and Formalization



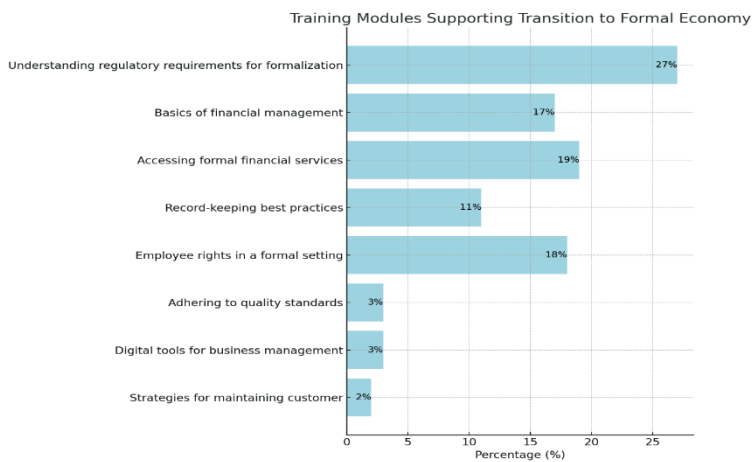
Source: Figure 7. FESTU, 2023

Proposed training support to business formalisation

The below chart presents the survey results where respondents from Mogadishu, Kismayo, Baioda, Baladwayne, Dhushamareb, and Bosasso within Somalia's informal economy have collectively identified the critical areas for transition support. A significant emphasis on 'Understanding regulatory requirements for formalization' has been placed at 27%, reflecting the paramount importance of legal compliance for fisheries, textiles, and small business sectors. 'Accessing formal financial services' and 'Employee rights in a formal setting' are also prioritized with 19% and 18%, respectively, suggesting a focus on financial inclusion and equitable work environments as key factors in formalization efforts. The 'Basics of financial management' follows closely at 17%, indicating a need for robust financial literacy to support business growth and sustainability.

Additionally, 'Record-keeping best practices' are recognized by 11% of respondents as essential, likely due to their role in accountability and transparency. Less emphasis is given to 'Adhering to quality standards', 'Digital tools for business management', and 'Strategies for maintaining the customer', with 3%, 3%, and 2%, respectively, implying these are subsequent steps after addressing the foundational formalisation requirements. This data portrays a collective understanding among stakeholders that regulatory, financial, and rights-related training are the cornerstones for successfully transitioning into the formal economy across these diverse Somali regions.

Figure 7: Proposed training to business formalisation



Source: Figure 8. FESTU, 2023

Conclusion and recommendation

Introduction

Section Four concisely summarizes key findings and outcomes from the analyses in Section Three, condensing essential insights and implications to inform actionable recommendations for Somalia's transition to a formal economy.

Conclusion

In conclusion, the survey conducted across various sectors in Somalia supplies valuable insights into the country's transition to a formal economy:

Demographic Information: The survey reveals a balanced gender distribution in the workforce, with a slight female majority (51.7%), but also highlights significant educational gaps 38.3% lack formal education, and only 10.8% have tertiary education. With a workforce predominantly aged between 20-45 years, there's substantial potential for growth. These demographics

stress the need for a gender-balanced, inclusive workforce with equal opportunities for all age groups. Emphasizing the national economic benefits, transitioning from informal to formal economies can harness this demographic potential, boosting productivity and sustainable development. This strategic shift promises significant financial gains through better job creation and increased governmental revenue.

Usage of Financial Services by Sector: Different sectors exhibit varied preferences for financial services: the Fisheries sector predominantly uses Mobile Money (45%), Small Businesses favor specialized services (30%), and the Textile sector leans towards Mobile Banking (40%). Basic bookkeeping must be utilized more (less than 10%), indicating a shift towards digital methods or a financial literacy gap. Enhancing tailored financial services can boost economic stability, increase tax revenue, and foster sector-specific growth, driving national economic development.

Business Longevity by Location: Business maturity varies across regions, affecting readiness for formalization. Baidoa and Kisumu are startup hubs, Bossaso has businesses aged 4-6 years, and Dhusomareeb and Banadir display a mix of business ages. Tailored support for each stage of business maturity is crucial, focusing on simplifying tax and registration processes to aid formalization. Strategic advice includes implementing region-specific training and development programs, enhancing access to financial tools, and facilitating mentorship opportunities

between mature and emerging businesses to drive economic growth and successful formalization across all sectors.

Awareness Level about Business Formalization and Government Initiatives: There is a significant information gap about formalization processes and government initiatives, with 62.1% and 68.1% of respondents respectively unaware. This calls for targeted, region-specific outreach and education programs, especially in areas with low awareness. Addressing these gaps through customized educational initiatives and transparent communication can facilitate smoother transitions to formal business operations, boosting economic development by increasing compliance, enhancing efficiencies, and expanding access to governmental and financial support.

Challenges with Business Formalization: Key challenges include gender-specific barriers, lack of knowledge (22.2%), and limited access to finance (21.2%). Addressing these requires tailored strategies focusing on education, inclusive financing, and fair participation. Enhanced educational programs should target financial literacy and legal formalities, while inclusive financing initiatives must expand credit access, especially for women and marginalized groups. Supporting fair participation involves enforcing non-discriminatory practices and promoting gender equality. Together, these strategies can accelerate business formalization, catalysing broad economic development and ensuring sustainable growth across diverse communities.

Linkages between Dispute Resolution Methods and Formalization Process: Effective dispute-resolution methods are crucial for successful formalization policies. New policies and improved collaboration between government and social partners are critical, especially in facilitating the transition from informal to formal economies. Developing a streamlined, transparent dispute resolution framework can significantly reduce business conflicts and build stakeholder trust. Instituting clear legal guidelines and offering mediation services will encourage more businesses to formalize. This transition boosts legal compliance and governance and enhances economic stability, fostering a more robust and equitable business environment.

Proposed training programs to business formalisation: The survey results highlight critical areas for Somalia's transition to a formal economy, with 27% of respondents emphasizing the need to understand regulatory requirements. Additionally, 19% underscore the importance of accessing formal financial services, 18% ensuring employee rights, and 17% fostering financial literacy. Lesser focuses include record-keeping (11%), quality standards (3%), digital tools (3%), and customer maintenance strategies (2%), suggesting a phased approach to adopting advanced business practices. Addressing these core areas effectively – remarkably increasing financial and legal literacy and improving access to formal financial channels – can significantly drive national economic development and facilitate a smoother transition from informal to formal economic

activities. This approach will boost economic stability and enhance the overall business environment in Somalia.

Recommendations

Following are the recommendations based on the survey results:

Usage of Financial Services by Sector

- For the fisheries Sector: Expand mobile money services and offer targeted training to enhance transaction security and reliability, increasing adoption across the sector.
- For Small Businesses, we propose diversifying financial services to include microloans and grants tailored to unique needs. Coupled with financial literacy workshops, this will empower small businesses to utilize these resources effectively, fostering their growth and success.
- For textile Sector: Improve mobile banking infrastructure to support more significant transactions and industry-specific features, ensuring high service reliability for the sector's needs. Implement digital bookkeeping training across all industries and conduct nationwide educational campaigns on the benefits of formal financial systems and digital tools.
- The government should develop digital financial infrastructures and support educational programs on financial literacy.

- The financial Institutions should create sector-specific financial products and services.
- Business Leaders and Industry Associations: These groups should advocate for and participate in the development of tailored financial services. Their involvement ensures that financial products and services are well-aligned with the sector's needs, encouraging broader uptake and engagement.

Business Longevity by Location

- Startup Hubs (Baidoa and Kismayo): Implement targeted incubator programs that offer training in business planning and access to initial funding streams to nurture new startups.
- Emerging Businesses (Bossaso): Provide growth-oriented workshops and access to financial tools like mid-stage funding and credit facilities to support businesses aged 4-6 years.
- Established Businesses (Dhusomareeb and Banadir): Facilitate mentorship programs pairing established businesses with new entrants and offer advanced training in scaling operations and export readiness.
- Local Governments: Customize support mechanisms to the specific needs of businesses in each region and simplify tax and registration processes to encourage formalization.
- Financial Institutions: Develop and offer a range of financial products tailored to different stages of business development, ensuring accessibility and suitability.

- **Business Associations:** Advocate for and support implementing programs that aid business maturity, ensuring that the benefits of formalization are widely understood and embraced.

Awareness Level about Business Formalization and Government Initiatives

- **Targeted Education Programs:** Implement region-specific outreach and education programs tailored to local needs to close the knowledge gap about formalization processes and government initiatives. Focus on simplifying the information to make it accessible for all business levels.
- **Awareness Campaigns:** Launch extensive awareness campaigns in rural and less urbanized areas to ensure a widespread understanding of formalization's benefits and processes.
- **Strengthened Collaboration:** Foster robust partnerships between government agencies, worker representatives, and employer organizations to enhance policymaking and the effective implementation of formalization strategies.
- **For the government Agencies:** Lead the development and dissemination of educational content and simplify formalization procedures to facilitate business transitions from informal to formal sectors.
- **For employer and Worker Organizations:** Actively participate in dialogue and collaboration efforts to tailor inclusive formalization strategies and represent all sectors.

- For the community Leaders: Amplify efforts to educate and mobilize local businesses towards formalization, particularly in underserved regions.

Challenges with Business Formalization

- Multifaceted Strategy for Gender and Knowledge Gaps: Develop comprehensive strategies that address gender-specific barriers, bridge knowledge gaps, and improve financial access. Tailor interventions to meet the diverse needs of all business owners, mainly focusing on empowering women in the economy.
- Educational Programs and Inclusive Financing: Roll out educational programs to boost financial literacy and business skills. Introduce inclusive financing options accessible to traditionally marginalized groups, ensuring equitable participation in the formal economy.
- Streamlined Formalization Processes: Simplify tax structures and administrative procedures to make the formalization process more transparent and less daunting for small businesses.
- Government Bodies: Lead in simplifying formalization processes and ensure policies are inclusive and supportive of all demographic groups.
- Financial Institutions: Provide a range of financial products that are accessible and beneficial for small and medium enterprises.
- Educational Institutions and NGOs: Collaborate in

delivering training and resources that enhance business skills and knowledge.

Linkages between Dispute Resolution Methods and Formalization Process

- Strengthen Dispute Resolution: Collaboratively develop robust dispute resolution methods and formalization policies involving government, social partners, and the business community. This will ensure that disputes are resolved efficiently, maintaining trust and stability within the business environment.
- Establish Commercial Courts: Set up commercial courts to handle business disputes effectively. This will support the formalization process by providing a reliable mechanism for conflict resolution and fostering a stable business environment.
- Advocate for Legal and Regulatory Reforms: Push for reforms that simplify and improve the legal and regulatory frameworks. These reforms should support business growth and enhance government revenue collection, creating a more conducive environment for economic development.
- Government Agencies: Lead in forming policies and setting up specialized courts that facilitate business operations.
- Business Associations and Chambers of Commerce: Advocate for and participate in developing legal reforms that benefit the business community.

- Legal and Industry Experts: Collaborate in advising on and implementing these reforms to ensure their practicality and effectiveness.

Proposed training programs to business formalisation

- Strengthen Regulatory and Financial Frameworks: Enhance understanding and access to formal financial services to aid the formalization of sectors like fisheries and textiles. Implement clear regulatory guidelines and provide financial training tailored to sector-specific needs.
- Enhance Employee Rights and Financial Literacy: Develop programs to educate employees about their rights and financial management within a formalized business environment. Focus on creating equitable and supportive workplaces.
- Encourage Gradual Adoption of Advanced Practices: Start with foundational legal compliance to ensure a stable transition, then progressively introduce advanced technologies and quality standards that improve business efficiency and competitiveness.
- Government: Facilitate the development of sector-specific regulations and support financial education initiatives.
- Business Leaders: Embrace and advocate for adopting improved practices and technologies aligned with global standards.
- Educational Institutions and NGOs: Collaborate to offer legal compliance, employee rights, and financial literacy training and resources.

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