



## **NATIONAL ACTION PLAN FOR TRANSITIONING FROM THE INFORMAL TO THE FORMAL ECONOMY IN SOMALIA**

**Targeting the fisheries sector, textile and tailoring sector  
And small informal businesses**

**For inclusive growth, social justice and sustainable development**



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TARGETING THE FISHERIES SECTOR, TEXTILE AND TAILORING  
SECTOR AND SMALL INFORMAL BUSINESSES

FOR INCLUSIVE GROWTH, SOCIAL JUSTICE AND SUSTAINABLE DEVELOPMENT

## **ADOPTED BY:**

Ministry of Labour and Social Affairs (MOLSA)

Federation of Somali Trade Unions (FESTU)

Somali Chamber of Commerce and Industry (SCCI)

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# List of Acronyms and Abbreviations

Acronym	Full Meaning
<b>MOLSA</b>	Ministry of Labour and Social Affairs
<b>FESTU</b>	Federation of Somali Trade Unions
<b>SCCI</b>	Somali Chamber of Commerce and Industry
<b>ILO</b>	International Labour Organization
<b>SNTCC</b>	Somali National Tripartite Consultative Council
<b>FGS</b>	Federal Government of Somalia
<b>FMS</b>	Federal Member States
<b>CGIL</b>	Italian General Confederation of Labour (Confederazione Generale Italiana del Lavoro)
<b>ITUC</b>	International Trade Union Confederation
<b>ITUC-Africa</b>	African Regional Organisation of the International Trade Union Confederation
<b>NEXUS</b>	NEXUS Emilia Romagna (Italian international cooperation and solidarity organisation)
<b>MEL</b>	Monitoring, Evaluation and Learning
<b>SMS</b>	Short Message Service (text messaging)
<b>UN</b>	United Nations

CHAPTER

1

# Introduction

## THE JOINT ACTION PLAN FOR ADVANCING FORMALISATION FOR INCLUSIVE ECONOMIC GROWTH IN SOMALIA

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Informality dominates Somalia's economy, posing a significant barrier to inclusive development. Workers and businesses outside formal systems lack legal protections, access to services and opportunities for sustainable growth. This exclusion undermines decent work, weakens social protection and hinders broader economic progress (ILO, 2022).

Findings from the 2024 National Informal Economy Survey reveal that 62% of respondents are unaware of business formalisation processes, while 68% lack knowledge of government initiatives on registration and compliance. This information gap leaves many vulnerable to exploitation and disconnected from support systems. Formalisation must be pursued not only as a policy measure but as a strategy to ensure rights, recognition and economic inclusion.

Gender inequality remains a major barrier. Over half of respondents identified gender-related obstacles - particularly in fisheries and small enterprises, where women are key actors yet face exclusion from decision-making, finance and training. Addressing these disparities is both a human rights obligation and an economic necessity (UN Women, 2023).

The survey also highlighted financial exclusion, especially in regions like Kismayo, where over 60% of transactions rely solely on mobile money and fewer than 10% of businesses use formal bookkeeping. Without access to tailored financial services, formalisation remains out of reach. Linking legal status with digital tools and advisory support is essential for enterprise growth (GSMA, 2023).

In sectors like textiles and tailoring, informality is pervasive. Most workers operate from home or roadside stalls without contracts or protections. With no formal regulation or skills development systems, they remain economically vulnerable. Simplified registration, vocational training and union representation are critical to transition this sector (ILO, 2021).

Dispute resolution is another key gap. Many informal workers lack access to fair systems for resolving conflicts over land, contracts, or business dealings. While pilot efforts in Mogadishu and Bossaso show promise, broader investment and coordination are needed to build trust in formal mechanisms.

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2

## **Rationale for joint action**

Widespread informality in Somalia's economy poses a major barrier to decent work, inclusive growth and sustainable development. The lack of legal protections, access to services and recognition for informal workers and enterprises perpetuates poverty, inequality and institutional weakness. Without targeted action, these structural gaps will continue to undermine national development efforts and leave a majority of the workforce excluded from the benefits of economic reform.

This Action Plan responds directly to these urgent challenges. It was co-developed by the Federation of Somali Trade Unions (FESTU), the Ministry of Labour and Social Affairs (MOLSA) and the Somali Chamber of Commerce and Industry (SCCI) under the "I.N.FORMA.L – Educate, Regulate, Train, Work" initiative, with support from AICS and NEXUS CGIL. It aligns with the National Transformation Plan (NTP), which prioritises job creation, enterprise development and social protection for vulnerable groups. This plan seeks to align with the provisions of ILO Recommendation 204 Concerning the Transition from the Informal to Formal Economy.

The plan focuses on three high-impact sectors - fisheries, textiles and small informal businesses - where informality is deeply rooted but reform is feasible and scalable. These sectors employ large numbers of women and youth and are central to Somalia's economic and social fabric.

It outlines practical, phased interventions across five key areas:

- Legal and policy reform
- Financial and digital inclusion
- Outreach and awareness
- Skills development and enterprise support
- Institutional coordination and social dialogue

The plan recognises that formalisation is not merely a technical solution, but a transformational process that affirms the dignity of work, strengthens state institutions, expands the tax base and builds a resilient, inclusive economy. Workers and their organisations are central to this process, as agents of change, accountability and collective support.

This Action Plan provides a roadmap for coordinated, inclusive and sustainable formalisation. It calls on all stakeholders - government, employers, workers and development partners - to commit to a shared vision where no worker is left behind and no business remains invisible in Somalia's economic future.

## **2.1. Strategic Objectives**

This Action Plan outlines six interlinked strategic objectives that guide Somalia's transition from informality to a formal, inclusive and rights-based labour market. Rooted in national survey findings and stakeholder consultations, these objectives aim to promote decent work, social protection and equitable economic participation.

### **2.1.1. Strengthen Legal And Policy Frameworks**

Formalisation requires clear, accessible and supportive legal structures. Existing laws are outdated or poorly aligned with the realities of informal workers and enterprises. This objective calls for simplified registration, fair taxation, legal identity for businesses and the integration of formalisation into national labour, employment and enterprise policies.

### **2.1.2. Advance workers' rights and representation**

Formalisation must improve working conditions, including recognition of informal employment, minimum wage standards, occupational safety and access to and extension of social protection. Strengthening trade unions' rights and enabling collective bargaining are key to ensuring that formalisation delivers real rights and protections for workers.

### **2.1.3. Expand financial and administrative support**

Informal actors often lack access to credit, digital tools and public services. This objective promotes inclusive financial services, mobile banking and digital payments, alongside the creation of one-stop centres for registration, licensing and tax support - making formalisation more accessible and efficient.

### **2.1.4. Raise awareness and strengthen outreach**

A lack of information is a major barrier to formalisation. This objective supports targeted outreach campaigns - via media, digital platforms and community networks - to inform informal workers and businesses about their rights, procedures and available support, while also building trust in public institutions.

### **2.1.5. Promote gender equality in formalisation**

Women face specific barriers in the informal economy, including limited access to finance, legal protections and fair treatment. This objective ensures that formalisation efforts are gender-responsive - supporting women-led enterprises, promoting equal pay for work of equal value, preventing discrimination and ensuring access to services.

### **2.1.6. Build capacity of tripartite actors**

Successful formalisation depends on the institutional strength of government, employers and trade unions. This objective focuses on enhancing coordination, technical skills and tools through training, knowledge sharing and system development to ensure inclusive, well-managed implementation.

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## Guiding principles



This Action Plan is anchored in five guiding principles that ensure Somalia's transition to formality is inclusive, practical and grounded in the country's social and economic realities. These principles inform all interventions and drive a formalisation process that is equitable, rights-based and sustainable.

### **3.1. Social dialogue and tripartism**

The active engagement of government, workers and employers is central to shaping labour market reforms. Social dialogue is a mechanism for inclusive decision-making, while tripartism ensures balanced representation and shared responsibility. In this Plan, tripartite collaboration is a core strategy - not a formality - for designing accountable and context-relevant reforms.

### **3.2. Gender equality and inclusiveness**

Formalisation must benefit all, especially those most excluded from economic opportunity. This requires gender-transformative policies, non-discrimination and targeted support for marginalised groups and inclusive representation. No formalisation process is complete if it perpetuates inequality; inclusion is built into every stage of this Plan.

### **3.3. Sector-specific approaches**

Informality manifests differently across sectors. This Plan applies tailored strategies to each priority area - fisheries, tailoring, small enterprises - recognising their unique challenges and regulatory needs. Regional and local variations are also considered to ensure solutions reflect real-world conditions.

### **3.4. Rights-based, worker-centred focus**

The core aim of formalisation is to secure and uphold workers' rights. This includes fair wages, safe conditions, legal recognition and the right to organise. Workers are at the centre of this Plan, with trade unions playing a vital role in mobilisation, advocacy and representation.

### **3.5. Gradual and locally driven implementation**

Formalisation is a long-term process. This Plan promotes a phased, locally owned approach that avoids disruption and builds community trust. Pilot initiatives, adaptive learning and flexible mechanisms will guide implementation and scale-up based on lessons learned.

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## **Key sectors of intervention**

The Action Plan targets three sectors where informality is most prevalent and where formalisation can significantly improve working conditions, income security and economic inclusion. These sectors were identified through the national survey and stakeholder consultations, based on their economic relevance and potential for structured reform.

#### 4.1. Fisheries sector

The fisheries sector is vital to Somalia's coastal economy, supporting artisanal fishers, vendors and processors in regions such as Kismayo, Bossaso and Mogadishu. However, most activities remain informal - characterised by a lack of regulation, safety standards and legal protections. Inadequate infrastructure, limited cold storage and poor market access further entrench informality.

These challenges reduce product quality, endanger workers and restrict the sector's contribution to national growth. Women involved in fish processing and sales often work without contracts, recognition, or adequate facilities. Formalising the sector through improved registration, training and a legal framework aligned with international labour and environmental standards would enhance working conditions, attract investment and expand export potential.

To ensure sustainable impact, it is essential that women and youth - who play active roles in post-harvest processing and market distribution - are fully included through formal employment, skills development and enterprise support.

#### 4.2. Textile and tailoring sector

As one of the most accessible urban employment sectors, textile and tailoring offer livelihoods through informal shops, home-based dressmaking and apprenticeships - especially for women and youth. However, the absence of contracts, unstable incomes and poor working conditions leave these workers vulnerable.

Most businesses operate unregistered, lacking access to finance or support services. Formalisation efforts should focus on simplified registration, vocational training and skills recognition, credit access and workplace safety. Sector-specific policies can boost productivity, protect rights and foster creativity. Promoting women's leadership and youth entrepreneurship is key to long-term sector resilience.

#### 4.3. Small informal businesses

Small informal enterprises - such as vendors, salons and eateries - form a core part of Somalia's urban economy, often supporting low-income households. They operate without legal identity, financial access, or social protection, limiting growth and stability.

Barriers like complex registration, high tax burdens and lack of information deter formalisation. Women face added challenges due to cultural and financial constraints. Addressing these gaps through mobile registration, simplified tax regimes and tailored support will enable businesses to thrive. Integrating women and youth-led enterprises into the formal economy is critical for inclusive development.

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## **Duration, action areas and interventions**

This Action Plan will be implemented over a period of five years. The timeframe allows for phased execution of interventions, institutional capacity-building and adaptive learning based on monitoring and stakeholder feedback. The five-year duration ensures the sustainability and scalability of formalisation reforms across sectors and regions.

Two core categories of interventions have been identified in the action plan. These are namely: tripartite actions jointly led by MOLSA, FESTU and SCCI and dedicated actions led by workers and their organisations. Together, these efforts ensure inclusive and context-specific progress toward formalisation

## 5.1. Tripartite actions (molasa, festu, scci) \*.

Action Area	Key Interventions
Legal and Policy Reform	Develop and enforce formalisation-focused laws and regulations aligned with ILO standards and the National Transformation Plan.
Simplified Business Registration and Taxation	Streamline administrative processes, launch mobile registration campaigns and reduce entry costs for small enterprises.
Dispute Resolution Mechanisms	Establish accessible, low-cost dispute resolution platforms, including mediation panels and commercial courts.
One-Stop Formalisation Centres	Launch integrated centres in urban and high-density areas for registration, licensing, tax advice and training.
Public Awareness Campaigns	Use radio, markets and digital media to promote formalisation benefits and provide clear procedural guidance.
Financial Inclusion	Collaborate with financial institutions to expand access to microloans, mobile banking and savings products tailored for informal businesses.
Produce annual reports	Publish a labour market report yearly with updated statistics and data on the targeted sectors

*The ILO will support and guide tripartite exchanges, as well as ensure coordination with the actions of the Somalia Decent Work Country Programme that connects with this National Action Plan*

## 5.2. Dedicated actions for workers and unions (led by festu)

Action Area	Key Interventions
Organising Informal Workers	Mobilise and register informal workers by sector and region to strengthen their bargaining power and legal recognition.
Education and Skills Building	Deliver community-based education on labour rights, business skills and financial literacy using local languages and participatory methods.
Legal Aid and Grievance Support	Establish legal help desks and mobile support units for informal workers facing workplace violations.
Advocacy for Women in Informal Work	Strengthen women's leadership in unions and advocate for legal protections in informal sectors.
Monitoring and Accountability	Track workplace conditions and rights violations through regular data collection and public reporting.
Expanding Union Presence	Deploy organisers and outreach teams in informal economic zones to enhance union visibility and member services.
Produce annual reports	Publish a labour market report yearly with updated statistics and data on the targeted sectors

These interventions form the operational core of the formalisation strategy, combining grassroots mobilisation, legal reform and institutional coordination

CHAPTER

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## **Implementation framework**

A coordinated and decentralised structure underpins this Action Plan. Responsibilities are clearly defined across actors to ensure national coherence, local responsiveness and accountability

## 6.1. Specific partner roles

Action Area	Key Interventions
FESTU	Mobilise workers, provide labour rights education, monitor workplace conditions and participate in legal reforms.
MOLSA	Lead policy development, establish regulatory frameworks, coordinate formalisation centres and oversee national data.
SCCI	Engage informal businesses, support registration reform and promote employer compliance and dispute resolution.
Cooperating Partners	Provide funding, technical support and alignment with international standards.
Solidarity Partners (NEXUS, CGIL, ITUC-Africa, ILO)	Deliver training, facilitate global exchange, support advocacy and offer policy advice.
Expanding Union Presence	Deploy organisers and outreach teams in informal economic zones to enhance union visibility and member services.
Produce annual reports	Publish a labour market report yearly with updated statistics and data on the targeted sectors

## 6.2. Multi-Level Coordination

- **Federal Government (FGS):** Lead legal harmonisation, funding coordination and national monitoring.
- **Federal Member States (FMS):** Adapt and implement regional components, support awareness and host pilot projects.
- **Somali National Tripartite Consultative Council (SNTCC):** Oversee planning, monitor progress and recommend strategic adjustments.



CHAPTER

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## **Resource allocation and support**

Formalisation requires sustained financial and technical inputs. A resource mobilisation plan will guide investments in legal systems, services and capacity-building.

## 7.1. Key resource areas

Area	Needs
Legal Frameworks	Drafting experts, consultation tools, translation and dissemination support.
Outreach and Education	Media production, facilitation teams, printing and broadcasting costs.
One-Stop Centres	Facility setup, staffing, equipment and IT systems.
Financial Services	Product design, trainer fees, delivery platforms.
Legal Aid and Worker Education	Paralegals, educators, toolkits and community desks.
Monitoring & Evaluation	Data tools, digital platforms and logistics.
Produce annual reports	Publish a labour market report yearly with updated statistics and data on the targeted sectors

## 7.2. Partner contributions

- **Development Partners:** Primary funding and technical guidance.
- **NEXUS/CGIL:** Labour rights expertise, training and peer exchanges.
- **ILO/UN Agencies:** Legal alignment, governance tools and monitoring support.
- **ITUC-Africa and ITUC:** Advocacy, solidarity support and global integration.

## 7.3. CAPACITY-BUILDING FOCUS AREAS

To ensure effective and sustained implementation of the Action Plan, targeted capacity-building efforts will be directed at key institutions. These efforts aim to strengthen technical expertise, operational efficiency and institutional leadership in areas critical to the formalisation process.

Institution	Focus Areas
MOLSA	Policy design, inspections, social protection planning.
FESTU	Organising, collective bargaining, education and data systems.
SCCI	Business services, dispute facilitation, formalisation advocacy.

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## **Monitoring, evaluation and learning (mel)**

The MEL framework will ensure adaptive management, transparency and learning throughout implementation.

## Performance Indicators

Indicator	Purpose	Annual Targets				
		1	2	3	4	5
Informal workers formalised	Tracks transition outcomes.					
Small businesses registered	Measures uptake of formalisation.					
Awareness levels	Gauges outreach effectiveness.					
Training participation	Assesses education reach.					
Disputes resolved	Monitors access to justice.					

Number of Two Joint Annual Reviews led by the SNTCC will assess implementation progress, inform necessary adjustments and publish findings in annual public reports.

Feedback Mechanisms will include:

- Focus group discussions with workers and business owners
- Suggestion boxes placed at one-stop service centres
- SMS-based surveys for real-time insights
- Union-led consultations at the grassroots level

**Gender and Inclusion Audits** will be conducted regularly to ensure that formalisation efforts are equitable and inclusive. These audits will:

- Track the participation of women and marginalised groups
- Assess the accessibility and responsiveness of services
- Identify gaps and recommend corrective actions to promote equal opportunity and fair treatment across all interventions

CHAPTER

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## **Risks management**




The parties to the Joint Action Plan recognise that implementation of this Action Plan will take place in a complex political, institutional and social environment. A proactive approach to risk management is therefore essential to safeguard progress and ensure resilience. This section identifies key risks that could affect the success of the formalisation strategy, evaluate their likelihood and severity and outline targeted mitigation strategies. The matrix below provides a structured overview to guide preventive action and adaptive response throughout implementation

Risk	Level of Risk	Mitigation Strategy
Political Shifts	High	Formalise SNTCC mandate; ensure federal-regional coordination.
Financial Gaps	High	Secure multi-year funding; build flexible and diversified financing streams.
Social Resistance	Medium	Promote worker-led advocacy; engage communities in early dialogue.
Gender Barriers	High	Conduct gender audits; embed gender-responsive actions in all interventions.
Institutional Weakness	High	Deliver ongoing training, tools and mentorship for implementing agencies.
Social Dialogue Breakdown	High	Build partner capacity; ensure inclusive platforms and structured facilitation.

## 10. Joint commitment, adoption and endorsement

This Action Plan reflects a unified commitment by the Ministry of Labour and Social Affairs (MOLSA), the Federation of Somali Trade Unions (FESTU) and the Somali Chamber of Commerce and Industry (SCCI) to lead Somalia's transition to a formal, inclusive economy.

Each partner pledges to uphold its responsibilities under this plan and to collaborate through dialogue, shared leadership and mutual accountability. Development and solidarity partners are invited to align their support and ensure the success of this national agenda.

Institution	Name	Title	Signature
MOLSA	Honourable Yusuf Mohamed Adan	Minister of Labour and Social Affairs	
FESTU	Mr Omar Faruk Osman	General Secretary	
SCCI	Mr Mohamud Abdikarim Gabeyre	President	

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