SOMALIA

Somalia is not graded in the 2020 Index because of the continuing unavailability of relevant comparable statistics on all facets of the economy. Although Somalia lacks effective national governance because of ongoing violence and political unrest, its largely informal economy is able to function through remittance/money transfer companies and telecommunications. The central government controls only part of the country, and formal economic activity is largely restricted to urban areas such as Mogadishu and a few regional capitals.

Stability in Somalia is extremely fragile because of fierce clan-based rivalries within the political elite and the continuing influence of Islamist insurgents. The lack of central authority makes the rule of law inconsistent and fragmented, with different militias, authorities, and tribes applying varying legal frameworks. Traditional Islamic jurisprudence (Sharia law) has become entrenched. Levels of corruption remain high, and the lack of transparency and formal bookkeeping makes government revenues vulnerable to embezzlement.

BACKGROUND: British and Italian Somalilands merged to form Somalia in 1960. A coup led by Mohamed Siad Barre in 1969 ushered in two decades of brutal socialist rule. Since the collapse of Barre’s regime in 1991, multinational military peacekeeping missions—currently, the African Union Mission to Somalia (AMISOM)—have protected a succession of weak and short-lived governments, most recently against the Islamist terrorist group al-Shabaab. In 2017, Mohamed Abdullahi Mohamed won the presidency in a delayed and corruption-ridden electoral process. The government remains distracted by ongoing squabbles with federal member states over the delineation of power. Somalia’s GDP and living standards are among the world’s lowest; many Somalis depend on remittances from abroad. Livestock, agriculture, and fishing are economic mainstays.
## 12 ECONOMIC FREEDOMS | SOMALIA

### RULE OF LAW

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights</td>
<td>20.1</td>
<td>(—)</td>
</tr>
<tr>
<td>Judicial Effectiveness</td>
<td>26.5</td>
<td>(—)</td>
</tr>
<tr>
<td>Government Integrity</td>
<td>13.1</td>
<td>(—)</td>
</tr>
</tbody>
</table>

The provisional constitution guarantees property rights, but a mixture of formal and informal or traditional systems governing land rights complicates securing ownership. Corruption and other barriers impede property registration. Land disputes can lead to intimidation and violence. The judicial system is corrupt, fractured, and understaffed. Corruption is rampant. Impunity is the norm for public officials accused of malfeasance.

### GOVERNMENT SIZE

<table>
<thead>
<tr>
<th>Category</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>N/A</td>
<td>(—)</td>
</tr>
<tr>
<td>Government Spending</td>
<td>N/A</td>
<td>(—)</td>
</tr>
<tr>
<td>Fiscal Health</td>
<td>N/A</td>
<td>(—)</td>
</tr>
</tbody>
</table>

There is no fully effective national government that can provide basic services to the population. Other than the collection of very limited duties and taxes, little formal fiscal policy is in place. In southern Somalia, taxes are often levied by local warlords or clan leaders and used to pay militiamen. In Somaliland, duties levied at the port are estimated to provide around 80 percent of government revenue.

### REGULATORY EFFICIENCY

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Freedom</td>
<td>31.6</td>
<td>(—)</td>
</tr>
<tr>
<td>Labor Freedom</td>
<td>N/A</td>
<td>(—)</td>
</tr>
<tr>
<td>Monetary Freedom</td>
<td>N/A</td>
<td>(—)</td>
</tr>
</tbody>
</table>

Violence and unrest prevent most business activity, although hotels with their own private-security militias continue to operate. The industrial sector has been looted. The country has a nascent financial sector and no control over monetary policy, but Somalia’s informal agricultural, construction, and telecommunications sectors have experienced modest growth without subsidies.

### OPEN MARKETS

<table>
<thead>
<tr>
<th>Freedom</th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Freedom</td>
<td>N/A</td>
<td>(—)</td>
</tr>
<tr>
<td>Investment Freedom</td>
<td>N/A</td>
<td>(—)</td>
</tr>
<tr>
<td>Financial Freedom</td>
<td>N/A</td>
<td>(—)</td>
</tr>
</tbody>
</table>

Political instability, an outmoded regulatory environment, and inadequate infrastructure significantly deter trade and investment activities. Much of the population remains outside of the formal banking sector, and private investment remains extremely limited. Foreign firms have shown some interest in investing in the hydrocarbons sector and ports infrastructure, but investments have been held up by political disputes between central and state-level agencies.