SOMALIA

S

omalia is not graded in the 2021 Index because of the lack of suffi-
ciently available credible data. Throughout the 27-year history of the
Index of Economic Freedom, it has been possible to score Somalia only
five times, from 1996 through 2000.

The lack of a countrywide central authority, coupled with political
instability, has led to inconsistent and fragmented governance in Somalia
with different militias, authorities, and tribes applying varying legal
frameworks. Although the current government has pursued reforms
to establish the rule of law in the areas that it controls, the challenges
to successful development of more modern economic markets
remain enormous.

IMPACT OF COVID-19: As of December 1, 2020, 113 deaths had been
attributed to the pandemic in Somalia, and the economy was forecast to
contract by 1.5 percent for the year.

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 internal power
struggles and squabbles with federal member states. Somalia’s GDP and living standards are among the
world’s lowest, and 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></th>
<th>World Average</th>
<th>One-Year Score Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights</td>
<td></td>
<td>(+7.7)</td>
</tr>
<tr>
<td>Judicial Effectiveness</td>
<td></td>
<td>(-3.2)</td>
</tr>
<tr>
<td>Government Integrity</td>
<td></td>
<td>(-1.6)</td>
</tr>
</tbody>
</table>

- Property rights exist by law, but their protection is impeded by corruption and other barriers. Disputes over real property spark ongoing civil unrest, land grabs by warlords, and huge displacements of inhabitants. Civil courts are largely nonfunctional. Implementation of existing penalties for corruption is nonexistent. Transparency International’s 2019 Corruption Perceptions Index ranked Somalia last in the world.

- There is no effective national government that can provide basic services. Other than the collection of very limited duties and taxes, little formal fiscal policy is in place. Somalia’s economic recovery continues to be delayed, and dependence on aid persists. A new income tax law has been submitted to parliament for approval, but the lack of productive economic activity severely constrains the government’s ability to generate revenues.

#### Regulatory Efficiency

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<thead>
<tr>
<th></th>
<th>World Average</th>
<th>One-Year Score Change</th>
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</thead>
<tbody>
<tr>
<td>Business Freedom</td>
<td></td>
<td>(-0.4)</td>
</tr>
<tr>
<td>Labor Freedom</td>
<td></td>
<td>N/A</td>
</tr>
<tr>
<td>Monetary Freedom</td>
<td></td>
<td>N/A</td>
</tr>
</tbody>
</table>

- The cost of starting a business has risen, but many business freedom metrics lack reliable data. The destruction of government institutions during decades of war and economic pain have caused labor market data to be almost nonexistent. The government has no formal monetary policy, but budget revenues in 2020 increased for the first time in two decades, and subsidies and transfers amounted to 1 percent of GDP according to the IMF.

- The combined value of exports and imports is equal to about 80 percent of GDP. Much of the population remains outside of the formal trade and banking sectors, 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 over how to manage these projects.