SOMALIA

Somalia's economic freedom is not graded because of the lack of reliable data. Somalia is a failed state. Over the past decade, extreme violence and civil war, political instability, and famine have ravaged an already fragile living situation. The result is an utterly devastated economy and a country without a functioning national government with the ability to provide even basic services.

Decades of lawlessness have destroyed any foundation of economic freedom on which a developing economy might be built. Complete economic collapse has resulted in massive human migrations, and a humanitarian catastrophe has been unfolding in the devastated economy.

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 that ended when his regime collapsed in 1991. The U.S. recognized the government in 2013, but Somalia remains mired in corruption, violence, and political intrigue. Hassan Sheikh Mohamud, first selected for the presidency in 2013, was selected again in 2022 in a corrupt and long-delayed electoral process. 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.

ECONOMIC FREEDOM SCORE

NOT GRADED

REGIONAL AVERAGE (SUB-SAHARAN AFRICA) 53.2

WORLD AVERAGE 59.3

HISTORICAL INDEX SCORE CHANGE (SINCE 1996): N/A

RECENT FREEDOM TREND

NOT GRADED

FDI INFLOW: $455.5 million
PUBLIC DEBT: n/a

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 that ended when his regime collapsed in 1991. The U.S. recognized the government in 2013, but Somalia remains mired in corruption, violence, and political intrigue. Hassan Sheikh Mohamud, first selected for the presidency in 2013, was selected again in 2022 in a corrupt and long-delayed electoral process. 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.

UNEMPLOYMENT: n/a
INFLATION (CPI): 4.6%
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12 ECONOMIC FREEDOMS | SOMALIA

**RULE OF LAW**

The overall rule of law is extremely weak in Somalia. The country’s property rights score is below the world average; its judicial effectiveness score is below the world average; and its government integrity score is below the world average.

**GOVERNMENT SIZE**

There is no fully effective national government that can provide even basic services to Somalis. 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.

**REGULATORY EFFICIENCY**

Political instability, an outmoded regulatory environment, and inadequate infrastructure significantly deter the formation and operation of businesses. The labor market is dominated by the agricultural sector and informal hiring practices. There is no effective regulatory or monetary framework.

**OPEN MARKETS**

Much of the population remains outside of the formal trade and banking sectors, and private investment remains extremely limited. Somalia and its economy have been ravaged by violence, civil war, and famine, and there is no functioning national government.