

SOMALIA

Somalia is not graded in the 2022 *Index* because of the lack of sufficiently available credible data. Throughout the 28-year history of the *Index of Economic Freedom*, it has been possible to score Somalia for only five years, from 1996 through 2000.

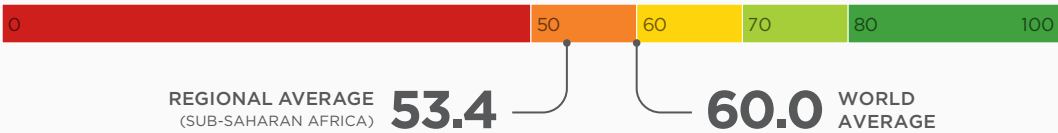
Political instability and the lack of a countrywide central authority have led to inconsistent and fragmented governance in Somalia with different militias, authorities, and tribes applying varying legal frameworks. Although the current government has pursued reforms to establish the rule of law in the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

IMPACT OF COVID-19: As of December 1, 2021, 1,327 deaths had been attributed to the pandemic in Somalia, and the government's response to the crisis ranked 122nd among the countries included in this *Index* in terms of its stringency. The economy contracted by 1.5 percent in 2020.



ECONOMIC FREEDOM SCORE

N/A



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

RECENT FREEDOM TREND



QUICK FACTS

POPULATION:
15.9 million

GDP (PPP):
\$13.9 billion
-1.5% growth in 2020
5-year compound annual growth 1.7%
\$925 per capita

UNEMPLOYMENT:
13.1%

INFLATION (CPI):
n/a

FDI INFLOW:
\$464.0 million

PUBLIC DEBT: n/a

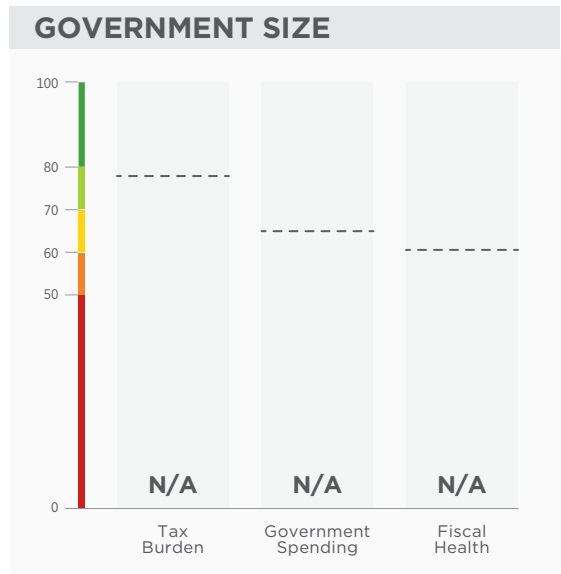
2020 data unless otherwise noted. Data compiled as of September 2021

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, a series of 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. Mohamed Abdullahi Mohamed won the presidency in 2017 through a corruption-ridden electoral process. The government is consumed by internal power struggles, and new elections have been delayed. 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.

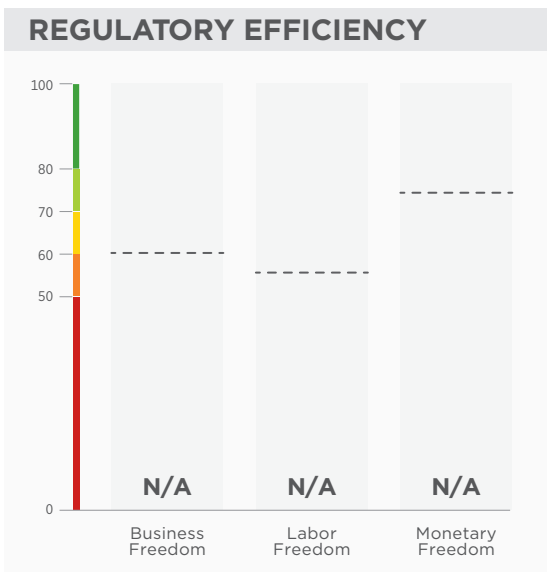
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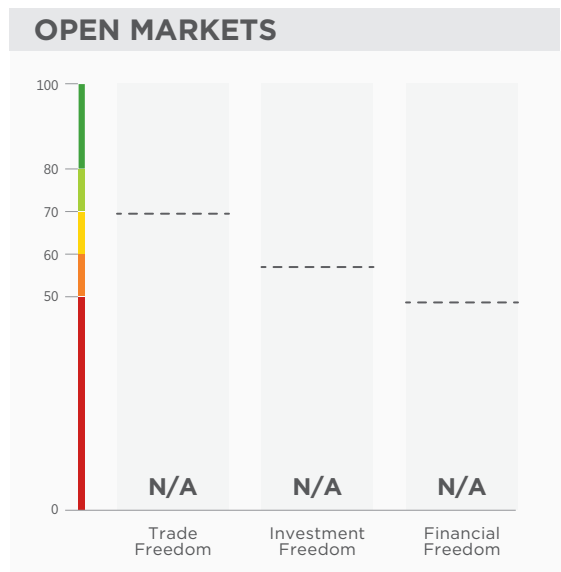
Although property rights exist by law, their protection is impeded by corruption and other barriers. Disputes over real property spark ongoing civil unrest, land grabs by warlords, and huge displacements of inhabitants. Civil courts are largely nonfunctional. Somalia is among the world's most corrupt countries, and Transparency International's 2020 *Corruption Perceptions Index* ranked it last in the world.



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. It is estimated that duties levied at the port in the northern semi-autonomous region of Somaliland provide approximately 80 percent of government revenue.



The government does not have any capacity to enforce contracts. Al-Shabaab frequently extorts taxes from businesses. Electricity is expensive and unreliable. Although the law does not address it, in 2021, a Somali court reinstated an employee who had been dismissed for union organizing. Financial-sector development is still nascent, and there is no scope for monetary policy because of dollarization and currency counterfeiting.



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 delayed by political disputes between central and state-level agencies over how to manage these projects.