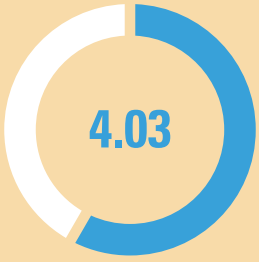
UNITED NATIONS
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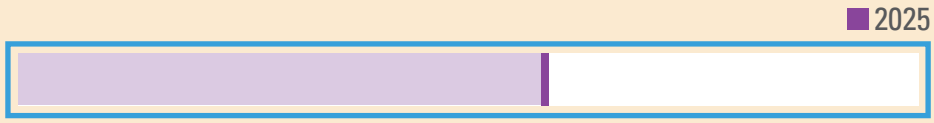
Shared Prosperity Dignified Life

Country profile
SOMALIA

ARAB BUSINESS LEGISLATIVE FRAMEWORKS



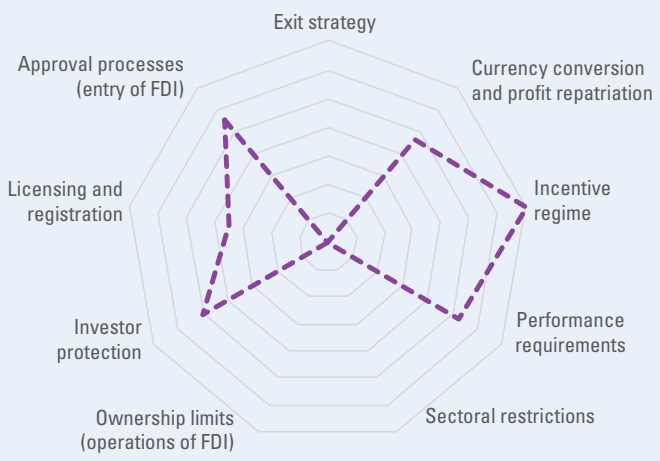
FOREIGN DIRECT INVESTMENT



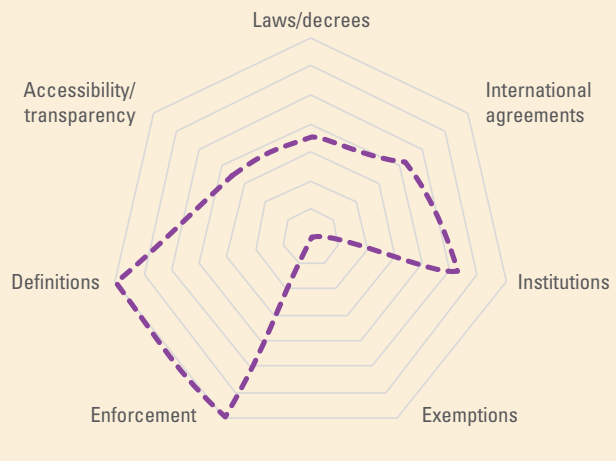
Very weak | Weak | Basic | Moderate | Developed | Strong | Very strong

COMPONENTS	2025
Approval processes (entry of FDI)	5.60
Licensing and registration	3.50
Investor protection	5.00
Ownership limits (operations of FDI)	0.00
Sectoral restrictions	0.00
Performance requirements	5.25
Incentive regime	7.00
Currency conversion and profit repatriation	4.67
Exit strategy	0.00

COMPONENTS



ELEMENTS



Note on methodology: The foreign direct investment (FDI) pillar was fully revised in 2023 following a legal and methodological review and first applied in the 2025 assessment. The 2020 edition assessed the macroeconomic enabling environment for investment. The revised methodology shifts to a business-conducting perspective, assessing the regulatory treatment of foreign investment.

2020 EDITION

Moderate

Foreign direct investment framework assessment

Macroeconomic enabling environment lens

The 2020 assessment examined whether the country's **macroeconomic policies** provided a stable foundation for investment, whether the **investment regulatory framework** set clear rules of engagement, how far **incentivization schemes** attracted foreign capital, the extent to which **bilateral treaties** offered investors legal certainty, and whether **banking regulations** enabled the financial operations required for investment.



Macroeconomic policies



Investment regulatory framework



Incentivization schemes



Bilateral treaties



Banking regulations

This country profile is prepared based on the legal and regulatory framework in force as at April 2025.

This country profile assesses the foreign direct investment (FDI) framework of Somalia based on the nine FDI assessment components adopted under the Arab Business Legislative Frameworks methodology. The analysis is structured to ensure that each component is examined against its specific definition and indicators, supported by relevant legal and regulatory evidence.

Somalia adopted Investment Law No. 13 of 2016, followed by Law No. 11 of 2023, titled "Investors and Investments Protection Law", which aims to encourage investment in the country in a way that safeguards public interest and investors' rights.



Approval processes

This assessment component examines the mechanisms and institutional arrangements governing the authorization of FDI, the applicable regulatory requirements, and the legal basis for international investment commitments and access to bank financing.

Article 3 of Investment Law No. 13 of 2016 establishes the Foreign Investment Board, and article 4 outlines its functions, which include ensuring compliance with the provisions of the law and reviewing foreign investment registrations to ensure that investors benefit from the most favourable provisions.

Somalia has signed several trade treaties with neighbouring countries and countries in the Middle East. It also has bilateral trade agreements with Qatar, Saudi Arabia, Turkey and the United Arab Emirates.

Licensing and registration

This assessment component reviews the legal and regulatory framework for the licensing and registration of foreign investment projects in Somalia, with particular attention to transparency and predictability in administrative procedures, land use and ownership conditions, and streamlining of registration processes.

Articles 3 and 4 of the Investment Law establish a foreign investment board and assign it responsibilities that include approving and registering proposed foreign investments and determining their value. Article 6 of the law establishes an investment promotion office (SOMINVEST), tasked with promoting foreign investment, streamlining investment entry and retention processes and actively advocating for the enhancement of investment policies. SOMINVEST targets investors in specific sectors and builds partnerships to foster lasting and sustainable investments in Somalia.

Investor protection

This assessment component reviews the legal protections available to foreign investors in Somalia, including statutory guarantees, access to dispute resolution mechanisms, and the role of domestic courts and arbitration frameworks in ensuring the enforcement of investor rights and investment-related obligations.

Article 18 of the Investment Law provides various guarantees to foreign investors:

- Foreign investors must receive treatment equivalent to that accorded to domestic businesses.
- Foreign investment property may not be expropriated except where justified by the public interest.
- If expropriation occurs, prompt and adequate compensation must be provided, reflecting the fair market value of the assets and remaining freely transferable.

Similarly, article 10 of the Investors and Investments Protection Law provides comparable guarantees, stipulating that the Somali Government is committed to ensuring the protection and security of foreign investors and their investments. Additionally, article 13 of the same law confirms that the Federal Republic of Somalia may not seize or nationalize the property of foreign investors, nor compel investors to relinquish their investment properties, directly or indirectly. If property seizure is required for a public purpose, the necessity must be substantiated by the relevant authorities, conducted in a non-discriminatory manner, and fair compensation must be paid, reflecting the true value of the seized property.

Article 19 of Investment Law No. 13 of 2016 designates arbitration as the method for resolving disputes arising between the State and foreign investors, identifying the International Centre for Settlement of Investment Disputes (ICSID) as the appropriate forum. Paragraph (c) of the same article confirms the consent of Somalia to refer any dispute to ICSID, in accordance with the provisions of the ICSID Convention.

According to article 16 of the Investors and Investments Protection Law, decisions issued by international arbitration centres stipulated in the law are enforceable within Somalia.

Ownership limits

This assessment component examines the extent to which Somali legislation imposes ownership limits, foreign equity restrictions, or screening and prior approval mechanisms on foreign investment operations, including restrictions related to acquisition of real estate or participation in certain economic activities.

Article 43 of the Constitution and article 11 of Law No. 11 of 2023 recognize the right of foreign investors to own both movable and immovable property within the territory of the State. This provision establishes legal capacity for foreign investors to acquire, use and dispose of assets necessary for the conduct of investment activities and does not introduce explicit foreign equity ceilings or mandatory joint-venture requirements.



Sectoral restrictions

This assessment component reviews sector-specific regulations that affect foreign direct investment in Somalia, focusing on market access limitations, competition-related considerations, and exceptions justified on grounds.

The Investment Law of 2016 excludes certain strategic sectors from the scope of foreign investment. In particular, industries related to resource exploration and extraction, including petroleum and mining activities, military manufacturing, and nuclear energy, are expressly excluded from the scope of the law.

These exclusions reflect restrictions on foreign investment in activities regarded as sensitive for reasons of national sovereignty, security or strategic resource management.



Performance requirements

This assessment component examines whether Somali investment legislation or policies impose performance-related obligations on foreign investors, such as requirements related to employment, skills development, export promotion, or compliance with social and labour standards.

Article 4 of Investment Law No. 13 of 2016 imposes employment and local capacity-building obligations on foreign enterprises operating in Somalia. Foreign investors are required to create employment opportunities and provide training to national staff, and at least 50 per cent of employees, contractors and consultants must be Somali residents. This constitutes a clear labour localization requirement and a social performance obligation.

Article 7(3) of Law No. 11 of 2023 prohibits the establishment of investments that have a harmful impact on the environment or the climate. As a result, such investments are excluded from legal protection under the law.

However, the reviewed legislation does not explicitly establish export-promotion incentives tied to FDI agreements, nor does it provide statutory criteria assessing the opportunity costs, effectiveness or efficiency of FDI policies.



Incentive regime

This assessment component reviews the legal framework governing investment incentives in Somalia, which includes defining incentive schemes in legislation, specifying the adopted incentive regime, and identifying the competent authorities responsible for administering and implementing these incentives.

Article 15 of the Investment Law provides for incentives for foreign investors. These include the possibility of signing long-term leases for up to 99 years for substantial investment.

Currency conversion and profit repatriation

This assessment component examines the legal provisions governing currency conversion and the repatriation of profits by foreign investors in Somalia, including guarantees for capital transfers, the role of financial and banking authorities, and applicable capital control measures.

Article 12(1) of the Investment Law explicitly allows foreign investors to transfer their profits abroad in a freely convertible currency. Article 12 of Law No. 11 of 2023 specifies the properties and assets that may be transferred outside the country. It also grants the Government authority to implement measures aimed at limiting, restricting or delaying the transfer of funds abroad if economic or financial conditions necessitate such actions.

Exit strategy

This assessment component assesses the legal framework governing the exit of foreign investors from the Somali market, focusing on provisions related to divestment, liquidation, mergers and acquisitions.

The legal framework does not provide a dedicated statutory regime governing investment exit procedures, including defined timelines for capital transfers or standardized administrative clearance mechanisms. Additionally, no formal merger control or foreign acquisition screening framework has been identified, which may reduce regulatory predictability for large-scale divestments or acquisitions.

RECOMMENDATIONS

- Introduce explicit legal provisions promoting export-oriented investment within the FDI framework.
- Establish clear legal criteria or reporting mechanisms to assess the opportunity costs, effectiveness and efficiency of State FDI policies.
- Clarify the scope, conditions and procedural safeguards governing the Government's authority to restrict or delay the transfer of funds abroad, in order to enhance legal predictability for foreign investors.
- Introduce explicit legal provisions regulating foreign investor exit, including divestment, liquidation and capital transfer procedures, within the FDI framework.
- Establish a clear legal framework governing mergers and acquisitions that involve foreign investors, including approval procedures and competent authorities.

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