SOMALI PUBLIC AGENDA RESEARCH REPORT NO. 20

Investigating Limitations in the Budget Formulation and Approval Process at the Federal Government Level

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Somali Public Agenda
Mogadishu
Somalia
Tel: +252(0)85 8358
Email: info@somalipublicagenda.org
Website: <https://www.somalipublicagenda.org>

Somali Public Agenda is a non-profit public policy and administration research organization based in Mogadishu, Somalia. Its aim is to advance understanding and improvement of public administration and public services in Somalia through evidence-based research and analysis.

Somali Public Agenda
Mogadishu Somalia
Tel: +252(0)85 8358
Email: info@somalipublicagenda.org
Website: <https://www.somalipublicagenda.org>

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This Research Report is the second in a series of fiscal governance and federalism research publications under our EU-funded project, Increased Opportunities for Somali Citizens' Scrutiny of Fiscal and Financial Governance, which examines critical issues related to fiscal governance and federalism at the district level. The topics explored in this series are relevant to local financial management, such as fiscal federalism, debt relief, alternative financing models, new tax revenue streams, and public opinion on service delivery versus taxation trade-offs.

The report was edited by Sean Robert, Business Development Manager at Consilient.

About the Author

Dr. Abdisalan Warsame is a Professor of Financial Economics, consultant, and educator with over a decade of experience spanning academia, public institutions, development organizations, and the private sector. He holds a PhD in Finance from the Southwestern University of Finance and Economics (China), as well as a Master of Business Administration in Finance and a master's degree in Monitoring and Evaluation. His academic and professional work focuses on evidence-based policy analysis, financial systems development, and institutional strengthening in post-conflict and emerging economies. Dr. Abdisalan currently serves as Executive Director at Ummadda Consulting Solutions, where he leads research, training, and advisory programs on governance, market systems, public–private partnerships (PPP), and inclusive finance. He is also a PPP Consultant on an IFC-funded project, contributing to the assessment and development of Somalia's PPP institutional and regulatory frameworks.

Dr. Abdisalan has been a Professor of Economics, Accounting, and Finance at Somali National University since 2014, where he teaches undergraduate and postgraduate courses and supervises academic research. He has published extensively in international peer-reviewed journals and has led numerous funded research projects on financial inclusion, fintech, Islamic banking, economic policy, climate change, migration, public finance, and private sector development in Somalia and the wider region. He is fluent in Somali and English and is recognized for combining rigorous academic analysis with practical, policy-relevant insights.

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Executive Summary

Taxation and fiscal governance are the central pillars of state-building in modern nation-states, including Somalia. Since the re-establishment of the first non-transitional federal government in 2012, Somalia has made notable progress in rebuilding its Public Financial Management (PFM) system after decades of institutional collapse. Supported by international partners such as the IMF, World Bank, and bilateral donors, reforms have included the enactment of the Public Financial Management Act (2019) and PFM Regulations (2020), which collectively laid the foundation for fiscal discipline, accountability, and improved transparency. These frameworks introduced modern budget practices, program-based budgeting, and integrated financial reporting—critical steps in aligning Somalia's fiscal governance with global standards and in meeting conditions under the Heavily Indebted Poor Countries (HIPC) Initiative.

Despite these achievements, this study reveals that Somalia's budget formulation and approval processes remain weak, centralized, and largely donor-driven. Based on qualitative interviews with officials from the Ministry of Finance, parliamentarians, relevant academicians, civil society representatives, governance practitioners, and legal experts, the research identifies four interconnected structural and governance challenges: a) centralized and technocratic budget formulation; b) donor influence and external conditionalities; c) weak analytical and technical capacity, and d) symbolic and non-institutionalized participation that continue to undermine the credibility, inclusivity, and effectiveness of the budget process.

The formulation of Somalia's national budget is dominated by the Ministry of Finance, which controls macro-fiscal forecasting, expenditure ceilings, and final resource allocations. While line ministries, agencies, and public institutions are formally invited to submit budget proposals, these submissions are frequently revised downward without transparent justification. This process, though technically aligned with PFM laws, remains a closed administrative exercise that limits early engagement by parliament, line ministries, and non-state actors (CSOs, the private sector, and citizens). Time pressures stemming from IMF and World Bank fiscal calendars further compress the formulation phase, forcing the Ministry to prioritize donor compliance over domestic consultation. Consequently, the budget has become a bureaucratic and externally driven exercise rather than a participatory instrument reflecting national priorities.

Donor dependency continues to shape Somalia's fiscal landscape. The study finds that IMF and World Bank conditionalities—particularly those linked to debt relief and budget support—significantly determine Somalia's macro-fiscal framework, including revenue targets, deficit ceilings, and expenditure limits. While these programs have strengthened fiscal discipline and reporting, they have constrained national ownership of the budget and reduced space for political and civic dialogue. Respondents characterized the budget as "a negotiation between the Ministry of Finance and the IMF, not between the government and its people." Somalia's domestic revenue mobilization is exceptionally low: the current tax-to-GDP ratio stands at approximately 2.6 percent, the lowest in Africa. By comparison, Kenya collects roughly

16.8 percent, and the average of Africa is about 16 percent. The limited domestic resource base exacerbates this dependency, reinforcing a cycle where Somalia's fiscal sovereignty is subordinated to external accountability rather than citizen priorities. Agreements with donors (both bilateral and multilateral agreements) are often not publicly disclosed, further weakening transparency and parliamentary oversight.

The study highlights acute deficiencies in technical and analytical capacity across both the executive and legislative branches of the federal government. The Federal Ministry of Finance relies heavily on short-term, donor-funded consultants for fiscal modeling and macroeconomic forecasting, undermining institutional learning and continuity. Federal line ministries lack functional planning units and data systems necessary for evidence-based submissions. Parliamentary committees, particularly the Committee on Budget, Finance, Planning, International Cooperation, and Financial Oversight of Public Institutions, lack dedicated research offices, professional analysts, and access to fiscal data. This capacity gap severely restricts their ability to scrutinize and amend the budget effectively. Civil society participation is similarly weak and largely symbolic, being invitation-based and rarely influencing allocations. Somalia lacks a formal legal framework mandating citizen and civil society participation in the budget process. As a result, input from women, youth, and marginalized groups is largely absent, creating a significant democratic gap in fiscal governance.

The approval stage of the budget is characterized by time pressure, limited debate, and heavy donor influence. Parliamentary review is often reduced to a procedural formality because approval deadlines coincide with donor disbursement schedules. Legislators often receive voluminous budget documents with limited time and inadequate analytical support, hindering meaningful scrutiny. This challenge is compounded by the late submission of the draft budget to Parliament, as well as Parliament's own limited use of the time available to undertake thorough analysis. Although the PFM Act (2019) grants parliament authority to amend the Budget Appropriation Bill, this power is seldom exercised due to inadequate technical expertise and the absence of an independent Budget Office. Delays in budget submissions have become a recurring feature of the process, and they are often used deliberately rather than as an administrative oversight. In a context where Parliament is politically fragmented and deeply divided along clan and coalition lines, presenting the budget late minimizes the time available for debate, amendments, or coordinated resistance. This strategy is further reinforced by framing the compressed timeline as a requirement imposed by international financial institutions (IFIs). By emphasizing that delayed approval could jeopardize the timely disbursement of external funds, funds essential for paying the salaries of the army, civil servants, and even Parliament itself, it creates intense pressure to pass the budget quickly. The combined effect is a process that avoids political confrontation but significantly weakens transparency and meaningful legislative oversight.

This study has found that Somalia's budget system is procedurally compliant but substantively weak. The dominance of executive control, coupled with donor-driven fiscal frameworks and limited participation, has resulted in a system that satisfies external reporting requirements but fails to accurately reflect national development priorities. Many members of parliament hold executive positions and participate in parliamentary caucuses, which undermines the legislature's independence and compromises its capacity to conduct rigorous budget reviews, analysis, and approval. This dynamic undermines the social contract between citizens and the state, erodes trust in public institutions, and perpetuates fiscal dependency.

Based on the evidence gathered, this study puts forward the following policy recommendations.

- **Institutionalize Participation:** Enact a Budget Participation Act or a formal framework mandating citizen and civil society engagement in budget formulation, hearings, and reviews. Establish pre-budget consultation forums at both the federal and state levels.
- **Strengthen FMS Engagement in Budgeting:** Institutionalize structured, early consultations with Federal Member States (FMSs) on the macro-fiscal framework and planned intergovernmental transfers to enhance fiscal coordination, predictability, and transparency.
- **Strengthen Parliamentary Capacity:** Create a Parliamentary Budget and Research Office staffed with economists, accountants, and policy analysts to provide independent scrutiny. Ensure sufficient time for reviewing and translating budget documents into Somali.
- **Enhance Analytical and Planning Capacity:** Develop in-house fiscal modeling units within the Ministry of Finance and the Sectoral Planning Departments of relevant line ministries. Provide continuous professional training for staff to reduce reliance on external consultants.
- **Rebalance Donor Engagement:** Increase transparency in donor negotiations by publishing conditionalities and agreements. Align external fiscal programs with national development priorities and parliamentary oversight processes.
- **Promote Transparency and Public Access**: Launch an open budget portal in Somali and English to disclose draft budgets, fiscal ceilings, and expenditure reports. Introduce a "response matrix" to show how citizen input is integrated into final decisions. This should clearly distinguish between domestically financed and externally financed activities.
- **Separation of Powers and Fiscal Accountability:** Enforce a clear distinction between the executive and legislative roles in fiscal governance to prevent conflicts of interest. Parliamentarians should not concurrently serve as ministers or deputy ministers, in line with sound governance principles. Ensuring functional separation will enhance checks and balances, reduce executive dominance, and restore the integrity of budget oversight. Parliament should systematically review audit reports, ensure follow-up actions are implemented, and reinforce the OAG's role in effectively closing the budget cycle.

Introduction

Public budgets are the principal instruments through which governments translate policy priorities into tangible outcomes for citizens. Through the annual budget, resources are mobilized, allocated, and utilized to provide essential public services, including education, healthcare, infrastructure, and security. An effective and transparent budgeting system is therefore central to fiscal discipline, policy coherence, and public accountability.

Like other modern governments, the Federal Government of Somalia (FGS) relies on the national budget as its core fiscal policy tool to manage limited domestic resources, coordinate donor support, and finance national development priorities. Over the past decade, Somalia has made notable progress in rebuilding its Public Financial Management (PFM) systems following decades of state collapse and institutional fragility. The enactment of the Public Financial Management Act (2019) and the accompanying PFM Regulations (2020) marked a significant milestone in formalizing the budget process, strengthening fiscal governance, and meeting international standards under the Heavily Indebted Poor Countries (HIPC) Initiative. The Ministry of Finance has modernized its budget systems, introduced program-based budgeting, and improved fiscal reporting and the use of an integrated financial management information system for budget preparation and reporting (SFMIS) —all critical steps toward restoring public confidence and attracting international financial assistance.

Despite these reforms, Somalia's budget process continues to face persistent weaknesses, particularly in the formulation and approval stages. The process remains highly centralized within the Ministry of Finance, with limited participation from line ministries, Parliament, and civil society organizations (CSOs). A small group often makes key decisions on resource ceilings, expenditure priorities, and fiscal forecasts of technical and political actors. Somalia's domestic revenue mobilization is exceptionally low: the current tax-to-GDP ratio stands at approximately 2.6 percent, the lowest in Africa. By comparison, Kenya collects roughly 16.8 percent, and the average of Africa is about 16 percent. Because the domestic revenue base is so limited, even modest external financing constitutes a disproportionately large share of the national budget. In other words, the donor-funded portion of the budget looks unusually high, not because Somalia receives exceptionally large volumes of aid, but because domestic revenues are extremely small relative to GDP and to expenditure needs. Therefore, Somalia's heavy reliance on external financing—especially from the International Monetary Fund (IMF), the World Bank, and bilateral donors—has introduced conditionalities and timelines that frequently override domestic legislative procedures. Consequently, budget preparation and approval often prioritize compliance with donor requirements rather than inclusive national deliberation.

Somalia's budgetary challenges are not unique but reflect broader trends in fragile and aid-dependent states, where donor influence and weak institutional capacity shape fiscal governance. Nonetheless, the Somali case is distinct due to the disconnect between the formal PFM framework and informal political realities that influence budgetary decisions. While the Constitution and the PFM Act outline principles of transparency and accountability, implementation remains constrained by limited technical expertise, politicized decision-making, and weak coordination between the executive and legislature.

In the broader theoretical and empirical literature, PFM is recognized as the backbone of effective governance and sustainable development. A credible budget system operates through a cycle comprising four interrelated stages: budget formulation, approval, execution, and oversight (Allen & Tommasi, 2013; OECD, 2019; World Bank, 2013). Each stage contributes to fiscal discipline, strategic resource allocation, and efficient service delivery. Weaknesses in any stage—particularly formulation and approval—undermine the effectiveness of the entire system, especially in fragile and post-conflict settings such as Somalia.

Under the PFM Act No. 17 of 2019, Somalia's budget formulation and approval process is legally structured to promote fiscal discipline, transparency, and accountability. The process is led by the Minister of Finance, who oversees the preparation of a Unified National Budget that consolidates all government revenues, expenditures, and externally funded projects. The Act mandates the preparation of a three-year Medium-Term Fiscal Policy Framework that outlines macroeconomic forecasts, fiscal strategies, and expenditure priorities. Each federal ministry prepares a detailed budget proposal based on the Budget Call Circular issued by the Minister of Finance. These submissions are consolidated into a Draft National Budget by September 30, reviewed by the Council of Ministers, and submitted to Parliament by October 30, along with the Appropriation Bill, revenue and expenditure statements, and reports on past performance. Before submission, the Minister consults the Finance Committees of both Houses – the House of the People and the Upper House – to clarify fiscal assumptions and priorities.

Budget approval, governed by Articles 20–22 of the PFM Act, is a legislative function performed by both Houses of Parliament—the House of the People (Golaha Shacabka) and the Upper House (Aqalka Sare). Once approved, the budget becomes the Appropriation Act, granting legal authority for public spending. If Parliament does not approve the budget before the start of the new fiscal year, the law allows for temporary expenditure of up to three months under a "Vote on Account" mechanism. A Vote on Account allows the government to temporarily spend money at the start of a new fiscal year, even if Parliament has not yet approved the full budget.

Any mid-year adjustments require a Supplementary Budget, prepared by the Minister of Finance and approved by Parliament. Although the legal framework is robust, its effectiveness depends on timely execution, participatory engagement, and precise separation of powers between the executive and legislative branches.

The formulation stage lays the foundation for the budget cycle by establishing fiscal priorities and aligning expenditures with development objectives. Musgrave and Musgrave (1989) and the OECD (2015) identify three functions of budgeting: allocation, redistribution, and stabilization. Effective formulation requires accurate forecasting, stakeholder consultation, and evidence-based decision-making (Campos & Pradhan, 1996; Fritz et al., 2012). In Somalia, the PFM Act provides for inclusive and participatory budgeting; however, in practice, the Ministry of Finance retains dominant control over fiscal forecasting and expenditure ceilings. Line ministries and Federal Member States have limited influence, resulting in an incremental budgeting process with weak linkage to the National Transformation Plan (formerly the National Development Plan). International assessments also indicate unreliable macro-fiscal forecasting, delayed budget circulars, and limited analytical capacity across ministries (IMF, 2022; World Bank, 2023). These weaknesses reflect what Andrews (2013) calls "capability traps," where formal rules exist but are poorly implemented.

The legislative approval stage is meant to ensure checks and balances between the executive and Parliament. Literature underscores that parliamentary scrutiny is central to accountability and fiscal legitimacy (Lienert, 2010; Wehner, 2006). However, in Somalia, legislative engagement is constrained by limited time, technical capacity, and resources. Although the PFM Act requires the submission of a draft budget by the end of October, delays often leave Parliament with only a few weeks for review. Committees often lack independent analytical units, which limits their ability to conduct evidence-based evaluations (Heritage Institute for Policy Studies [HIPS], 2021). Overlapping roles between ministers and MPs blur institutional separation, while elites often prioritize donor compliance and political stability over rigorous oversight (Bräutigam & Knack, 2004; Menkhaus, 2018). Consequently, the approval stage often serves as a procedural formality rather than a substantive mechanism of accountability.

While budget execution and oversight are not the focus of this study, their link to weaknesses in earlier stages is well established. Execution challenges—such as delayed disbursements, weak administrative systems, and inadequate monitoring—mirror the structural limitations in formulation and approval (Wildavsky, 1961; Simson, 2014). In Somalia, unpredictable donor disbursements, supplementary budgets, and capacity gaps continue to fragment fiscal management. Although the Integrated Financial Management Information System (IFMIS) has enhanced fiscal reporting, usage remains inconsistent. Oversight institutions such as the Office of the Auditor General (OAG) face resource and autonomy constraints, and audit findings are rarely acted upon (OAG, 2023). The Open Budget Survey (2023) recorded Somalia's scores as 0 for public participation, 30% for oversight, and 37% for transparency, reflecting minimal citizen engagement. As Fox (2015) argues, weak social accountability mechanisms undermine public trust and perpetuate governance fragility.

Against this backdrop, this study investigates the limitations in Somalia's federal budget formulation and approval processes, focusing on how institutional capacity, political dynamics, donor conditionalities, and participatory deficits interact to shape fiscal outcomes. By analyzing stakeholder perspectives and procedural frameworks, the study identifies the governance and institutional bottlenecks that hinder effective budget management.

Drawing on insights from key informant interviews conducted for this study, the practical realities of Somalia's budget process reveal a system that struggles to meet principles of participation, transparency, and legislative oversight. Evidence from key informant interviews (KIIs) with governance practitioners, parliamentarians, CSO representatives, legal experts, and Ministry of Finance officials reveals that the existing process is largely technocratic, compressed, and externally driven. Parliamentary members reported receiving voluminous budget documents with limited time for analysis, while CSOs described their engagement as symbolic and confined to formal consultation events. Experts note that bringing the budget before Parliament sometimes coincides with parliamentary recesses as a strategic conflict-avoidance mechanism, pressuring members to approve it quickly while many are away. Executives often frame this timing as a response to pressure from international financial institutions (IFIs), emphasizing that approval is needed to secure disbursements and meet conditionalities. Compounding this issue, Parliament frequently makes limited use of the time available for meaningful budget analysis and scrutiny, due to both capacity constraints and, at times, negligence in fulfilling its oversight responsibilities. Collectively, these findings portray a budgeting system that meets procedural deadlines but fails to ensure meaningful participation, scrutiny, and accountability.

The significance of this research lies in three main contributions. First, it enriches the literature on PFM reforms in fragile states by providing empirical evidence of how domestic and international factors interact to shape fiscal governance. Second, it offers policy insights for strengthening accountability, inclusivity, and legislative oversight. Third, it emphasizes the need to institutionalize citizen participation and enhance analytical capacity within the Ministry of Finance, Parliament, and FMSs. Ultimately, strengthening Somalia's budget formulation and approval processes is not merely a technical reform—it is a governance imperative essential for consolidating fiscal legitimacy, reinforcing the social contract, and advancing long-term state-building and economic recovery.

Methodology

This study employed a qualitative research approach to examine the limitations within Somalia's federal budget formulation and approval processes. The choice of a qualitative design was informed by the nature of the research objectives, which sought to understand how institutional arrangements, political dynamics, and stakeholder interactions influence the overall budget cycle. This method allowed for in-depth exploration of perceptions, experiences, and expert insights that are often not captured through quantitative techniques.

The research was conducted in Mogadishu, the capital of Somalia and the seat of the Federal Government. Mogadishu hosts the Ministry of Finance, the Federal Parliament, line ministries, civil society organizations, and international development partners—making it the administrative and policy center for federal budget activities. This setting provided direct access to institutions and actors central to the formulation and approval of the national budget. The target population consisted of individuals and institutions directly or indirectly involved in Somalia's budget formulation and approval processes. Participants were purposively selected based on their roles, experience, and expertise in public financial management, governance, or fiscal policy advocacy. This diverse composition ensured that the study captured multiple perspectives from both institutional and non-institutional actors within the budget ecosystem.

The study involved 17 key informants, including:

- Officials from the Ministry of Finance and key line ministries (3 participants)
- Members of Parliament, including those from the Finance Sub-committee (3 participants)
- Representatives from the National Economic Council (2 participants)
- Civil society organization (CSO) representatives involved in budget advocacy (3 participants)
- Academic professionals and researchers (3 participants)
- Governance experts, including a former ministry official and an advisor (2 participants)
- One legal expert

Among the seventeen participants, one civil society representative was female, while all the other respondents were male. This gender imbalance reflects the broader reality of male dominance in Somalia's governance and public finance sectors, where men occupy the majority of senior decision-making positions. While gender inclusivity is an important consideration in research, the nature and focus of this study, examining institutional and procedural limitations in federal budget formulation, meant that gender balance was not a determining factor in participant selection. Instead, emphasis was placed on professional expertise, institutional role, and direct involvement in the budget process, which were the most relevant criteria for achieving the study's objectives.

Data were primarily collected through Key Informant Interviews (KIIs), which are appropriate for exploring insider knowledge and institutional experiences related to governance and fiscal management. A semi-structured interview guide was used to ensure consistency across interviews while allowing flexibility for probing deeper into specific issues raised by participants. Each interview lasted between 15 and 45 minutes, conducted either in Somali or English, depending on the respondent's preference. Where consent was granted, interviews were audio-recorded and later transcribed; otherwise, detailed notes were taken. The data collection took place over a defined period (from Sept 1 to October 28) and adhered to the ethical standards of confidentiality and voluntary participation.

The study adhered to strict ethical research principles. Participants were fully informed about the purpose of the study, the voluntary nature of their participation, and the intended use of the data. Informed consent—verbal or written—was obtained before each interview. All data were treated confidentially, and personal identifiers were removed during transcription and reporting to preserve anonymity. The researcher maintained neutrality and objectivity throughout the study, ensuring that political or institutional biases did not influence findings.

The collected data were analyzed using thematic analysis. Transcripts and field notes were systematically coded to identify recurrent patterns and emerging themes aligned with the study's objectives. Themes such as inclusivity, political interference, donor influence, parliamentary scrutiny, and institutional capacity were developed through an iterative process of reading and comparing participant responses.

Despite its methodological rigor, the study faced certain limitations. Access to high-level officials and confidential budget documents was limited due to institutional sensitivities, which restricted the depth of some responses. Some government officials presented overly positive assessments of the budget process, possibly reflecting institutional loyalty rather than critical evaluation. Additionally, the sample size—though sufficient for qualitative research—did not capture all perspectives from across Somalia's federal institutions. Nonetheless, the use of triangulation and the inclusion of diverse stakeholder categories helped mitigate these limitations, ensuring that the study presents a balanced and credible understanding of Somalia's federal budget formulation and approval processes.

Budget Formulation

Centralized and Technocratic Process

The federal budget formulation process in Somalia remains highly centralized within the Ministry of Finance. According to governance practitioners and parliamentary respondents, the Ministry leads the process of collecting inputs from line ministries, agencies, and public institutions before consolidating them into a draft budget. While budget laws and fiscal frameworks formally guide this procedure, it often functions as a closed administrative exercise with limited stakeholder engagement. A governance expert formerly with the Ministry of Finance noted that "although the law requires inclusivity, in practice, the process is dominated by technical staff and political leadership within the Ministry, leaving little room for other actors."[1] Key weaknesses include limited consultation with Federal Member States on ceilings and transfers, insufficient internal discussion within government on revenue and expenditure priorities, limited civil society involvement, and a constrained role for the Central Bank in the fiscal framework due to capacity constraints.

Similarly, members of the parliamentary Committee on Budget, Finance, Planning, International Cooperation, and Financial Oversight of Public Institutions observed that the Ministry typically submits the draft budget only after it has been internally finalized, limiting the scope for early scrutiny.[2] Interviews with Ministry of Finance officials confirmed that the process follows a strict internal calendar driven by macro-fiscal targets and donor reporting cycles. Line ministries submit budget proposals, but these are often revised downward during consolidation, reflecting revenue limitations and IMF-advised expenditure ceilings. As one official stated, "We collect data from all institutions, but final allocations depend on what is fiscally realistic and compliant with the IMF program."[3]

An economist from the National Economic Council explained that this centralization is partly a legacy of the post-conflict recovery period, during which strong central coordination was necessary to manage the fragmented donor inflows. However, they acknowledged that it has evolved into a rigid, top-down process that excludes broader participation from line ministries, civil society, and subnational governments.[4] Parliamentary members argued that this centralization results in a "technocratic monopoly," where key decisions are made within a small circle of senior officials and advisors, with limited disclosure to elected representatives. As one MP observed, "We only see the budget when it is ready to be approved, not during its development." Budget formulation often occurs behind closed doors, with limited public debate or meaningful engagement from key stakeholders, undermining accountability. Additionally, parliamentary members frequently operate within formal and informal groups

1 Interview with governance practitioner, Mogadishu, 14 September 2025.
2 Interview with Parliamentary Subcommittee Member, Mogadishu, 2 October 2025.
3 Interview with Ministry of Finance, Mogadishu, 21 October 2025.
4 Interview with National Economic Council, Mogadishu, 28 September 2025.

or coalitions, which shape their positions in advance of the official session. This pre-debate alignment influences decision-making and limits independent scrutiny, reducing the effectiveness of parliamentary oversight and weakening the representativeness of budget approvals.

Governance experts also highlighted that the Ministry's dominance creates weak inter-ministerial coordination. Many line ministries lack clarity on budget ceilings or guidelines until late in the process, leaving them little time to prepare meaningful submissions. This administrative bottleneck forces the Ministry to finalize the draft rapidly—often prioritizing compliance over inclusivity.

Time pressures and externally influenced deadlines further constrain the entire process. Somalia's heavy dependence on international financial institutions (particularly the IMF and World Bank) has introduced rigid fiscal calendars tied to loan conditionalities and debt relief benchmarks. As a subcommittee member explained, "The World Bank and IMF often give short notice to approve the budget, which forces us to rush and sometimes bypass full parliamentary review."[5] Although MPs often perceive pressure from the World Bank and the IMF, these institutions do not set the statutory deadlines for Somalia's budget approval. In practice, the Ministry of Finance often submits draft budgets very late in the fiscal year, creating de facto time pressure on Parliament to approve them quickly. This is sometimes used strategically, leveraging donor programs and reporting cycles to justify expedited approval, even though the formal deadlines are internal. Such framing allows the executive to push for accelerated approval and limit debate, presenting speed as a technical necessity rather than a political choice. However, the real problem lies in internal institutional weaknesses that compress the timeline and undermine parliamentary oversight.

There was a time, as many MPs still recall, when the Ministry of Finance would begin its budget presentation by leading Parliament in the national anthem—a symbolic gesture intended to shape the chamber's mood and cultivate a sense of unity. This was not a harmless ritual. It formed part of a broader strategy to manage a politically fragmented and internally divided legislature. By invoking patriotic sentiment at the very moment the budget was introduced, the minister sought to soften resistance, reduce scrutiny, and frame approval as an act of national duty rather than a technical or political decision.

Today, while such overt symbolism is less common, the executive still leverages other tools to influence parliamentary behavior. Many MPs have a limited understanding of how international financial institutions operate, what their actual role is in the budget process, and which deadlines or benchmarks are genuinely binding. The Ministry of Finance is acutely aware of this information gap. It strategically deploys references to IFI programs, reform requirements, and reporting cycles to create a sense of urgency—even when the formal deadlines are entirely domestic.

5 Ibid.

This asymmetry of information allows the minister to steer discussions, pre-empt potential objections, and avoid unnecessary confrontation. By presenting budget approval as something constrained by external technical requirements, the executive effectively narrows the space for political debate and shields itself from deeper scrutiny. These practices highlight a persistent institutional challenge: the executive's ability to exploit parliamentary fragmentation, limited technical knowledge, and procedural weaknesses to shape outcomes. The result is a budget process where formal rules exist, but informal tactics and informational advantages remain decisive in shaping legislative oversight.

CSO respondents emphasized that this technocratic and centralized approach has made the budget "a bureaucratic tool, not a participatory one." While line ministries and agencies are invited to submit proposals, ordinary citizens, community organizations, and local governments are excluded from the early stages of the formulation process. This limits the budget's ability to reflect communities' needs and reduces transparency and public accountability, underscoring the potential value of broader national-level consultation.

External Influence and Donor Conditionalities

While donor engagement has enhanced fiscal discipline and reporting, it has also constrained national ownership of the budget. Governance practitioners and PFM experts have noted that donor-driven priorities often overshadow the needs of citizens and sectors. One expert described Somalia's budget as "a product of negotiation between the Ministry of Finance and the international financial institutions, particularly the World Bank and IMF, not between the government and its people."[6]

This dependency is further compounded by limited domestic revenue mobilization. A senior governance practitioner explained that "since Somalia does not fund its own budget, international institutions exercise considerable influence on both the structure and content of the budget."[7] As a result, policy space to address domestic development priorities—such as infrastructure, social protection, or youth employment—is constrained by externally determined fiscal targets. As a country, Somalia has a tax-to-GDP ratio of just 2.6 percent, the lowest in Africa, compared with Kenya's 16.8 percent and the continental average of 16 percent, leaving its domestic revenue base extremely limited, making even modest external financing a large share of the national budget. Findings from the Parliamentary Committee on Budget, Finance, Planning, International Cooperation, and Financial Oversight of Public Institutions indicated that IMF and World Bank benchmarks shape the budget's macro-fiscal framework, including revenue targets, deficit ceilings, and debt limits. The Subcommittee noted that "compliance with donor frameworks takes precedence over local priorities," adding that such external control limits political debate on spending choices.

6 Interview with PFM Expert, Mogadishu, 18 October 2025.

7 interview with governance practitioner, Mogadishu, 14 October 2025.

Ministry of Finance officials acknowledged that donor programs have improved fiscal predictability and accountability, but they also admitted that “conditionalities sometimes leave limited room to accommodate national priorities.” These include preconditions related to domestic arrears clearance, payroll verification, and financial reporting, which absorb significant administrative attention, leaving less space for strategic sectoral planning.[8]

An economic expert from the National Economic Council (NEC) expressed concern that overreliance on external support perpetuates a cycle of dependency. According to the Council member, Somalia’s budget structure has become “externally validated but domestically fragile.” He warned that donor-driven planning risks neglecting inclusive growth, equity, and regional development goals, particularly in social sectors that lack strong donor advocacy.

Legal experts and CSO representatives also criticized the lack of transparency surrounding donor negotiations. In the absence of a Budget Participation Act or a legally binding framework for public participation, the Ministry of Finance often overlooks or ignores the role of civil society organizations and citizens in the budget formulation process. They argued that agreements on budget support and debt relief are rarely made public, meaning that citizens and parliament have little visibility into the conditions attached. As one CSO leader stated, “We learn about these agreements after they are signed, when their consequences already shape the budget.”[9]

Weak Analytical and Technical Capacity

Both parliamentary and PFM experts underscored the need for analytical capacity within the Ministry of Finance, parliament sub-committees and related institutions. While the Ministry demonstrates technical competence in macro-fiscal projections, it lacks sufficient in-house research and analytical staff to conduct sectoral expenditure reviews or cost-benefit analyses. According to a parliamentary respondent, “we often receive documents with figures but without justifications or analytical backing.”[10]

Interviews confirmed that technical constraints affect both the executive and legislative arms of government. The officials from the Ministry of Finance acknowledged the challenge of retaining qualified analysts, citing frequent staff turnover and limited career incentives. Consultants are hired on short-term project contracts, so when projects end, the experts leave, leaving no continuity. Skills and knowledge are not institutionalized because consultants handle technical work rather than transferring capacity to permanent staff. Teams change frequently, making it challenging to build institutional memory, long-term planning units, and sustained reforms. Government salaries are often much lower than donor-paid rates, causing trained staff to leave public institutions for better-paying roles with NGOs, UN agencies, or donor programs. Much of the Ministry’s analytical work—such as macroeconomic forecasting, debt

8 Interview with Ministry of Finance, Mogadishu, 29 October 2025.

9 Interview with CSO representative, Mogadishu, 25 October 2025.

10 Interview with parliamentary subcommittee member, Mogadishu 2 October 2025.

analysis, and fiscal risk assessments—is currently supported by external consultants under donor-funded programs. This dependency on short-term expertise undermines institutional memory and limits long-term capacity building.

The Parliamentary members of the sub-committee for finance reiterated that the absence of dedicated technical staff severely restricts their ability to critically review budgets. They rely on summaries and PowerPoint presentations provided by the Ministry of Finance, without access to detailed databases or fiscal models. This dependency weakens oversight independence and reinforces executive dominance. [11]

Governance and policy experts also noted that sectoral ministries often lack functional planning units capable of preparing evidence-based submissions. Budget requests are often arbitrary and lack performance indicators or cost-benefit analyses. As one expert summarized, "the system generates numbers, not policies."

Legal experts further observed that the lack of standardized data and weak analytical capacity has created inconsistencies between the Appropriation Act, fiscal frameworks, and actual expenditure execution.[12]

11 Interview with PFM expert, Mogadishu, 18 October 2025.

12 Interview with legal expert, Mogadishu, 21 September 2025.

Participation

Symbolic Engagement of Civil Society

Interviews with CSOs representatives revealed that participation in budget formulation is mainly symbolic and lacks meaningful influence. While the Ministry of Finance occasionally invites a few organizations to consultations, such engagement is described as "formalistic" and "limited to those already aligned with government or donor interests".

One civil society respondent summarized the situation: "Our participation is an event, not a process. By the time we are invited, the budget is already finalized." Others emphasized that CSOs are rarely permitted to submit written analyses or policy briefs, and when they do, "there is no evidence that our recommendations are considered".[13]

Interviews with stakeholders across several groups confirmed that CSOs' participation remains tokenistic. The Ministry of Finance acknowledged that civil society and private sector consultations are now part of the official process, but admitted that "participation happens too late to influence fiscal decisions."

Consultations are typically scheduled near the end of the formulation stage, once ceilings and allocations have already been determined. The Ministry described this engagement as an evolving practice, introduced since 2018 under donor pressure, but conceded that "its impact remains limited."

According to the Parliamentary Subcommittee on Finance, the Ministry of Finance "briefs" civil society and the private sector during budget discussions, but these sessions are not structured to gather or integrate feedback. The subcommittee recognized that while consultations technically occur, they are neither comprehensive nor deliberative. Governance practitioners noted that this form of engagement reflects Somalia's hybrid fiscal governance, where donor timelines and executive control prevail, leaving little room for organic civic dialogue.[14] As one practitioner put it, "consultations exist to show that participation happened, not to ensure that citizens' voices shape fiscal policy."

CSOs respondents across all interviews expressed frustration that participation is selective and invitation based. Many noted that only organizations with donor or government connections are invited, while independent and critical groups are excluded. As one respondent stated, "We are not partners in budgeting; we are spectators invited to observe." They added that even when CSOs attend these sessions, their role is confined to "listening to PowerPoint slides" rather than co-designing fiscal priorities."[15]

13 Interview with CSO representative, Mogadishu, 28 September 2025.

14 Interview with governance practitioner, Mogadishu, 14 September 2025.

15 Interview with CSO representative, Mogadishu, 30 September 2025.

The absence of feedback mechanisms further weakens the credibility of participation. CSOs reported that, after consultations, there is no follow-up, record of responses, or documentation on how the input was used. This absence of accountability discourages future participation and reinforces public distrust.

Exclusion of Citizen Priorities and Marginalized Groups

CSO, youth, and citizen participation would carry far greater weight if Somalia's budget were primarily financed by domestic revenue and if community-level development projects accounted for a meaningful share of public spending. Under such conditions, public consultations would directly influence how locally collected resources are allocated to local priorities. However, this is not the reality of Somalia's current fiscal structure. More than half of the national budget is externally financed, and a large proportion of these funds is earmarked for recurrent expenditures, especially salaries and operational costs.

This leaves very limited fiscal space for community-driven investments, even when consultations are formally conducted. As several CSO and academic respondents noted, citizen priorities rarely shape the final budget because political interests, revenue constraints, and donor-driven agendas dominate allocation decisions. The concentration of consultations in Mogadishu further marginalizes voices from Federal Member States, women, youth, and persons with disabilities. In the words of one CSO leader, "budget discussions happen in the capital, but the people who most need services have no access to them." Another respondent observed that although CSOs invest in community surveys and dialogues to capture citizen needs, "our findings are rarely acknowledged by officials."

In essence, meaningful participation is structurally constrained: when the budget is primarily funded by external partners and absorbed by fixed, recurrent costs, the space for reflecting citizen priorities narrows—often to symbolism rather than substance.

Findings from multiple interviews confirmed that elite and donor influence have sidelined local participation in defining Somalia's fiscal priorities. The National Economic Council observed that external financing now accounts for more than half of the federal budget, with most allocations determined by donor frameworks rather than community needs. This dependency has created a budgeting culture that "aligns upward to donors instead of downward to citizens." Parliamentary members agreed that the final budget often fails to reflect citizens' concerns because the Ministry of Finance and the executive branch dominate both the formulation and approval phases. "We only see what has already been decided," one MP noted, adding that limited time and capacity further prevent MPs from consulting constituents.[16]

The current external financing accounted for approximately 67 percent of Somalia's 2025 federal budget, totaling US $901.7 million. While this figure may appear exceptionally high at

16 Interview with Parliamentary Member, Mogadishu, 22 September 2025.

first glance, external reviewers noted that Somalia's donor dependence is primarily a function of its extremely low domestic revenue base rather than substantial aid inflows. Domestic revenues were only 3.3 percent of GDP in 2025, with a modest increase to 3.6 percent projected for 2026—*among the lowest revenue-to-GDP ratios globally.* This implies that Somalia's fiscal dependency is rooted not in excessive aid but in structural weaknesses in domestic revenue mobilization, which, in turn, reinforce an upwardly oriented, donor-responsive budgeting process with limited space for citizen voice or parliamentary influence.

CSOs respondents explained that citizen inputs, when collected, focus on tangible needs such as education, water, and employment; yet, these are routinely underfunded. Multiple CSOs highlighted that defense and security consistently receive the largest allocations, leaving minimal fiscal space for social sectors. One interviewee remarked, "Citizens ask for clinics, but the budget funds security patrols."

Marginalization also has a clear spatial and social dimension. CSO and community leaders emphasized that discussions occur almost entirely in urban centers, with rural populations, women, youth, and persons with disabilities largely excluded. They reported that limited internet access, travel costs, and the fact that most draft budget documents and technical annexes are available only in English, despite the final Appropriation Act being published in Somali, make participation inaccessible. Even those few organizations conducting community consultations noted that their findings are "neither cited nor reflected in final allocations." According to governance experts, this exclusion perpetuates a cycle of alienation in which communities lose faith in formal budgeting processes. Without institutionalized spaces for engagement, citizens perceive the budget as an elite political tool rather than a public resource plan.

Absence of Institutionalized Participation Frameworks

There are no legal frameworks or standing mechanisms for public participation in Somalia's budget cycle. Engagement is ad hoc and personality-driven, depending on the goodwill of specific officials. Respondents consistently called for the establishment of a Budget Participation Act or a mandatory consultation framework to institutionalize inclusivity and transparency. Governance practitioners also recommended creating an open budget portal and local consultation forums to enable structured dialogue with citizens and civil society. Although the figures and numbers change annually, the Ministry manages them through the Public Finance Management Law, which remains unchanged.

A legal expert from the Somali Advocates Center (SAC) confirmed that the Public Financial Management Act (2019) does not require public participation in budget formulation, despite its references to transparency and accountability. This legal gap leaves participation dependent on discretionary initiatives rather than binding procedures. The expert warned that "without a legal framework, consultation will always depend on personalities rather than institutions."[17]

17 Interview with legal expert, Mogadishu, 21 September 2025.

The Ministry of Finance acknowledged these shortcomings, noting that while it organizes annual budget consultations, "there is still no law that mandates who should participate, how feedback is handled, or how outcomes are documented." Officials expressed openness to reform, suggesting that "an inclusive consultation framework would improve transparency and ownership." CSOs echoed the need for institutionalized engagement, calling for the creation of a public online budget portal that publishes draft budgets, ceilings, and summaries in both Somali and English. They also proposed that the Ministry of Finance be legally required to publish a "response matrix" showing how public input was incorporated.

Finally, governance experts have warned that without institutionalized participation and until it significantly increases the share of its own revenue in funding its domestic budget, Somalia risks continuing to rely on donor-driven participation models that satisfy external reporting but fail to build domestic accountability.[18] Establishing legal mechanisms—such as a Budget Participation Act or annual consultation requirement—would not only formalize inclusivity but also strengthen fiscal sovereignty by ensuring that citizens, rather than donors, shape national priorities.

18 Interview with governance practitioner, Mogadishu, 14 September 2025.

Approval Process

Parliamentary Review under Time Pressure

Tight deadlines and limited debate mark the approval phase of the budget process. Legally, Parliament must approve the budget by December 31 each year; however, interviews reveal that the review period is often compressed due to overlapping recess schedules and external conditionalities. As a parliamentary subcommittee member noted, "we may not have enough time for review, but the law requires approval before year-end, regardless of circumstances".[19] Such year-end deadlines are common in other countries and should not, themselves, undermine legislative scrutiny. The challenge in Somalia, however, stems less from the statutory timeline and more from internal institutional weaknesses. At the same time, parliamentary subcommittees do not always make effective use of the time they do have, due to inadequate planning, competing political priorities, and limited technical capacity.

This procedural rigidity undermines the quality of legislative scrutiny. Members reported receiving voluminous documents without adequate time or analytical support to question allocations. A member of the Parliamentary Sub-committee for Finance explained that "sometimes we approve the budget after a single round of discussion because time and information are both limited."[20]

In practice, the short review period is further complicated by external factors, including IMF and World Bank program deadlines, donor reporting cycles, and revenue delays. The Parliamentary Subcommittee on Finance highlighted that donor-influenced timeframes often coincide with recess or political transitions, leaving MPs with only a few days to examine the budget before the statutory deadline.[21] Members emphasized that, although the PFM Act (2019) prescribes a structured review process, "budget discussions are sometimes rushed to satisfy donor deadlines or to release budget support funds."

Although references are often made to IMF and World Bank program milestones, donor reporting cycles, and revenue-related delays, the statutory budget approval date is fixed by law. The imposed timeframe does not necessarily determine the approval date. Still, in practice, it can affect the budget schedule, as much of the preparatory work, particularly budget formulation and revenue forecasting, is conducted in collaboration with IFIs. The existence of donor-imposed conditions and timelines is widely accepted among stakeholders and the general public.

The Ministry develops macro-fiscal frameworks and domestic revenue forecasts with support from IFIs. While this collaboration enhances analytical rigor and donor confidence, it also

19 Interview with Parliamentary Subcommittee Member, Mogadishu 2 October 2025.

20 Ibid.

21 Ibid.

ties internal preparation to external schedules. Consequently, because a substantial share of the budget is externally financed, the Ministry's formulation and processing of allocations often follow donor timelines and fund availability, which can compress the timeframe for parliamentary review—not by law, but as a practical outcome of aligning domestic processes with external financing considerations.

Similarly, officials from the Ministry of Finance confirmed that delays in donor engagement and prolonged inter-ministerial consultations frequently disrupt the budget calendar. These disruptions compress the time left for parliamentary scrutiny, forcing last-minute approvals to ensure the government meets international commitments and avoids fiscal shutdowns. Governance experts noted that such externally driven timing "turns parliament into a compliance body rather than a deliberative institution."

An economist from the National Economic Council also observed that parliamentary debate is often limited because by the time the budget reaches the legislature, the fiscal framework has already been negotiated with international partners[22]. Lawmakers, therefore, focus on formal approval rather than substantive revisions. This dynamic reinforces a pattern of "rubber-stamping", weakening parliament's ability to shape national priorities or contest fiscal choices.

Limited Role of Parliament and Technical Constraints

Although the constitution grants parliament authority to amend and reallocate funds across institutions, this power is rarely exercised. Parliamentary committees often lack specialized staff, access to fiscal data, and independent budget offices. As one committee chair admitted, "We have the legal authority to adjust allocations, but not the technical capacity to justify changes."[23]

Legal experts interviewed noted that the parliamentary finance committee operates without a professional secretariat, leaving members dependent on the Ministry of Finance for data.[24] This situation compromises the committee's independence in oversight. A professor of Economics pointed out that many parliamentarians also hold executive positions (including ministers and deputy ministers), and parliamentary caucuses are frequently subject to influence from the executive branch and the Office of the President. This overlap undermines the legislature's independence and compromises its capacity to conduct rigorous budget review, analysis, and approval, especially when a handful of influential ministers exert disproportionate control over resource allocations. Such executive dominance, elite bargaining, and blurred separation of powers are well-documented in the Somalia literature, which helps explain the legislature's limited oversight role and the politicized nature of fiscal decision-making.

22 Interview with National Economic Council, Mogadishu, 1 September 2025.

23 Interview with Parliamentary Subcommittee Member, Mogadishu, 2 October 2025.

24 Interview with legal expert, Mogadishu, 21 September 2025.

Interviews with academicians confirmed that parliament's weak institutional capacity remains one of the most significant constraints to effective budget scrutiny.[25] Members rely heavily on briefings provided by the Ministry of Finance, which not only shape the narrative but also limit critical questioning. As a governance practitioner explained, "the Ministry of Finance dominates the process because MPs do not have the analytical staff or independent information to challenge budget assumptions".[26]

A legal expert from the Somali Advocates Center (SAC) added that, although Article 21 of the PFM Act grants Parliament authority to amend or reject the Appropriation Bill, the absence of technical expertise, fiscal data, and dedicated research units weakens that authority in practice. Parliament's lack of digital tools, budget databases, and translation services further restricts members' ability to review the complex, English-language budget documents produced by the Ministry of Finance.[27]

Members of the Finance Subcommittee reported that they lack sufficient technical and research support to conduct evidence-based reviews. "We need economists, accountants, and budget analysts to interpret the documents," one noted. A small World Bank-supported program is currently attempting to build this capacity, but its scale is too limited to meet the demand.[28] Civil society organizations also observed that limited parliamentary capacity indirectly affects transparency, as weak debate and absent analysis result in fewer opportunities for citizens' priorities to be incorporated into final allocations. One CSO respondent stated, "If Parliament cannot question the Ministry of Finance, there is no one left to defend citizen interests." Overall, while Parliament holds constitutional authority over the budget, weak technical capability and overreliance on the executive leave it with a largely ceremonial role in approval.

Donor Conditionalities and Bypassed Oversight

As one expert summarized, "conditionalities may ensure fiscal compliance, but they weaken domestic accountability."[29]

While donors do not set the statutory approval date, the timing of budget support disbursements is often linked to the government's completion of its own budget processes, including the formal approval of annual ceilings. As a result, if parliamentary approval is delayed, donor disbursements are also delayed, as external partners typically release funds only after the budget has been legally enacted. In years when this alignment coincides with parliamentary recess or political transitions, the Ministry of Finance may seek expedited approval to avoid falling outside donor disbursement windows. Internal capacity weaknesses and domestic political agendas also shape the pace of budget approval, though an external

25 Interview with academic, Mogadishu, 15 September 2025

26 Interview with governance practitioner, Mogadishu, 12 September 2025.

27 Interview with legal expert, Mogadishu, 21 September 2025

28 Interview with Parliamentary Subcommittee Member, Mogadishu, 2 October 2025.

29 Interview with PFM expert, Mogadishu, 18 October 2025.

narrative often obscures these dynamics. Framing time pressures as donor-related can obscure the extent to which limited analytical capacity, fragmented committee work, and politically driven decision-making within Parliament and the executive contribute to compressed review periods.

Interviews with members of the Parliamentary Subcommittee revealed a widespread perception that IMF- and World Bank–supported programs influence both the timing and substance of Somalia's budget. Members emphasized that, although these institutions do not set the statutory approval date, the release of budget support and program-linked financing typically depends on the government having an approved budget and legally adopted annual ceilings. As one subcommittee member explained, "they tell us that disbursements can only proceed once the budget is formally approved, so delays on our side can push funding back." According to MPs, this creates a practical incentive to accelerate the approval process, which some felt "has turned our review into a procedural step rather than an opportunity for meaningful oversight."

The Ministry of Finance acknowledged that external deadlines and donor-driven fiscal benchmarks shape Somalia's budget calendar. Officials confirmed that "revenue estimates, ceilings, and priorities are frequently adjusted" to align with donor schedules and reporting requirements. While these arrangements have improved fiscal discipline and predictability, they also create a system where "parliament and citizens come last in the sequence of decisions."

According to National Economic Council experts, donor dependence not only compresses review timelines but also constrains fiscal sovereignty. Since external partners finance more than half of the national budget, policy choices often reflect donor priorities, such as security and macroeconomic stability, over local development needs.[30] Governance practitioners emphasized that these conditionalities have reshaped the nature of the budget itself. Rather than functioning as a policy instrument reflecting national goals, it has become a "compliance document" to satisfy international program requirements.[31] The Legal expert also warned that such dominance by international actors risks undermining the constitutional requirement for parliamentary approval, as parts of donor-funded programs are executed outside the national treasury and remain invisible to legislators.[32]

CSOs representatives echoed these concerns, observing that donor negotiations occur directly between the Ministry of Finance and international partners, without any consultation with Parliament or civil society. They described this as a "closed fiscal dialogue" that sidelines citizen perspectives. As one CSO leader put it, "donor funding drives what gets approved, not what citizens demand".[33]

30 Interview with National Economic Council, Mogadishu, 1 September 2025.

31 Interview with governance practitioner, Mogadishu, 12 September 2025.

32 Interview with legal expert, Mogadishu 21 September 2025.

33 Interview with CSO representatives, 28 October 2025.

A professor of economics observed that members of Parliament often lack a clear understanding of how the budget approval process operates under the Public Financial Management (PFM) Act. The Act grants the Ministry of Finance the authority to withhold budget execution for a period ranging from one to twelve months if Parliament fails to grant its approval within the specified timeframe. This provision, while designed to ensure fiscal discipline, has unintended consequences. Several structural and capacity-related issues exacerbate the problem. First, some Members of Parliament concurrently hold executive positions, creating potential conflicts of interest during the approval process. Second, delays in budget approval directly affect the disbursement of salaries for MPs, the armed forces, and civil servants, thereby creating pressure to expedite approval without thorough scrutiny. Consequently, budget approval often becomes a procedural formality rather than a substantive review, as many MPs lack the technical capacity to analyze and assess the proposed budget critically.[34]

34 Interview with academic, Mogadishu, 15 September 2025

Conclusion

This study concludes that Somalia's federal budget formulation and approval processes, while legally sound and procedurally compliant with the Public Financial Management Act (2019), remain substantively weak, highly centralized, and externally driven. The findings reveal a persistent gap between formal PFM architecture and its practical implementation, where compliance with donor frameworks has taken precedence over national ownership, inclusivity, and accountability.

The formulation stage remains dominated by a small technocratic circle within the Ministry of Finance, with limited participation from line ministries, civil society, and subnational actors. Donor-influenced fiscal calendars and conditionalities, particularly those linked to the IMF and World Bank programs, have reinforced a top-down approach, compressed timelines, and narrowed the policy space for domestic priorities. As a result, Somalia's national budget functions more as a compliance document aligned with external benchmarks than as a strategic policy instrument for advancing the country's development agenda.

The study further finds that institutional and analytical capacity gaps across the executive and legislative branches have deepened dependence on external consultants and undermined the sustainability of reform. Parliament's role in the approval process remains largely ceremonial, primarily due to limited time, inadequate technical support, and overlapping executive and legislative functions. This weakens the checks and balances essential for fiscal accountability and blurs the constitutional separation of powers envisioned under the PFM Act.

Public participation, though recognized in principle, remains symbolic in practice. Consultations with civil society and citizens are ad hoc, donor-induced, and rarely influential in shaping allocations. The absence of a legal framework mandating participation has allowed inclusivity to depend on administrative discretion rather than institutional obligation. As a result, citizen voice remains marginal, weakening public trust and undermining the budget process's fiscal legitimacy.

In essence, Somalia's budgeting system demonstrates procedural progress but substantive fragility. It satisfies external reporting standards yet fails to embed democratic accountability or citizen-driven fiscal governance. The dominance of executive control, combined with donor dependency and weak institutional capacity, has produced what this study characterizes as **"***compliant fragility***"**—a system that meets international requirements but lacks the domestic robustness necessary for sustainable governance and effective service delivery.

The findings of this study carry critical implications for both fiscal policy and the broader PFM reform agenda in Somalia. Policymakers should recognize that sustainable fiscal governance cannot rely solely on compliance with donor frameworks but must be grounded in domestic ownership, institutional capacity, and public accountability. Strengthening the inclusivity and transparency of the budget process is therefore not only a governance priority but also a prerequisite for achieving durable debt sustainability and effective service delivery.

Policy Recommendations

Based on the study's findings, the following policy recommendations are proposed to strengthen Somalia's Public Financial Management (PFM) system, particularly in the formulation and approval stages of the federal budget. These recommendations aim to enhance fiscal credibility, accountability, and inclusivity while promoting greater national ownership of the budgeting process.

1. Institutionalize Inclusive Budget Participation

- Enact a Budget Participation Act: Introduce legislation mandating citizen and civil society participation throughout the budget cycle—formulation, hearings, and review, to transform participation from a discretionary activity into a legal obligation.
- Establish Pre-Budget Consultation Forums: Create structured forums at both federal and state levels where citizens, CSOs, private sector actors, and local governments can contribute to fiscal priorities before ceilings and allocations are finalized.
- Develop a Public Feedback Mechanism: Require the Ministry of Finance to publish a "response matrix" summarizing how public inputs were considered in final allocations, thereby improving transparency and accountability.

2. Strengthen Parliamentary Oversight and Technical Capacity

- **Create a Parliamentary Budget and Research Office (PBRO):** Establish a professional, non-partisan unit within Parliament staffed with economists, accountants, and policy and budget analysts to provide independent scrutiny of the budget.
- **Ensure Adequate Review Time**: Revise the budget calendar to guarantee sufficient time for parliamentary debate and amendment before approval deadlines, preventing rushed approvals driven by donor schedules.
- **Enforce Separation of Powers:** Legally prohibit Members of Parliament from holding executive positions (ministerial or administrative roles) during their tenure to eliminate conflicts of interest and enhance legislative independence.

3. Enhance Analytical and Institutional Capacity

- **Develop In-House Fiscal Modeling Units**: Build technical units within the Ministry of Finance and key line ministries for macroeconomic forecasting, sectoral expenditure reviews, and fiscal risk analysis to reduce dependence on external consultants.

- **Invest in Continuous Professional Training:** Introduce structured training and certification programs in PFM, macroeconomic analysis, and budgeting for ministry and parliamentary staff.
- **Standardize Data Management Systems:** Strengthen the use of the Integrated Financial Management Information System (IFMIS) across all federal institutions and promote real-time data sharing for transparency.

4. Rebalance Donor Engagement and Enhance Fiscal Sovereignty

- **Publish Donor Agreements and Conditionalities**: Require all donor-related fiscal agreements, including IMF and World Bank programs, to be disclosed publicly to Parliament and citizens to ensure transparency.
- **Align External Programs with National Priorities:** Institutionalize a coordination framework ensuring that donor-supported programs reflect Somalia's National Transformation Plan and are debated within Parliament.
- **Promote Gradual Fiscal Autonomy:** Expand domestic revenue mobilization through improved tax policy, administration, and intergovernmental fiscal transfers to reduce dependency on external financing.

Collectively, these policy recommendations aim to shift Somalia's budgeting system from a donor-driven, compliance-oriented model toward a citizen-centered, institutionally grounded, and transparent fiscal governance framework. Strengthening these pillars will not only enhance budget credibility but also contribute to rebuilding the social contract between the state and its citizens, an essential foundation for sustainable peace, stability, and development.

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About Somali Public Agenda

Somali Public Agenda is a non-profit, non-partisan, and independent public policy and administration research and action organization based in Mogadishu. It aims to advance understanding and improvement of public policy and services in Somalia through evidence-based research and analysis, dialogue, policy and service design, and training.

At Somali Public Agenda, we believe that all Somalis deserve better public services including access to affordable education, healthcare, housing, security, and justice delivered via transparent and accountable authorities.

Vision & Mission

Vision: Responsive, evidence-based, and inclusive public services for a better Somalia

Mission: To advance responsive, evidence-based, and inclusive public services in Somalia through research and analysis, dialogue, co-design of evidence-based policies and services, and capacity development.

What We Do

Research: The Somali Public Agenda contributes to the understanding and improvement of public administration in Somalia through research and analysis of various issues that affect public policies and the provision of public services. SPA regularly publishes research reports, policy papers, governance briefs, and commentaries (most of the time in both the Somali and English languages). These publications often inform and influence citizens, policymakers, practitioners, and international actors on governance and public service issues in Somalia.

Dialogue: SPA Forums is a platform and space for discussions on governance and public service issues in Somalia. The Forum (including Gaxwo & Gorfeyn monthly meetups, bimonthly off-the-record discussions, and on-the-record public forums) serves as an avenue for critical examinations of issues of public priorities. Different segments of society including researchers, policy-makers, and practitioners are invited to meet and discuss issues on equal terms. SPA Forums convenes dialogue with policy-makers and public figures and organizes workshops, seminars, and book/report launches. Often the findings of the discussions help inform the Somali Public Agenda's research and analytical outputs.

Podcasts: Somali Public Agenda has two podcasts namely Maamul Wanaag and Adeeg Wanaag. Somalia faces multiple governance challenges. The country is recovering from years of conflict, lawlessness, and weak administration. Understanding and improving governance in Somalia is one of the core missions of the Somali Public Agenda. Mahad Wasuge, SPA Executive Director, and his guests delve deep into governance issues in Somalia in the **Maamul Wanaag podcast.**

Public services in Somalia are limited due to the weakness of government institutions struggling to recover from the destruction caused by conflict. However, even those government services that do exist fail to serve people effectively. Access to public services is a fundamental right for Somali citizens. Aweis Ahmed, the director of the SPA Policy Lab, and his guests intensely discuss public service matters in Somalia in the **Adeeg Wanaag podcast.**

Co-Designing Public Services: Based on the findings and policy recommendations of our studies, we design public policies, programmes, and projects with the relevant public and civic authorities through our SPA Policy Lab. In collaboration with policymakers, public administrators, and the community, we design knowledge-based public services. Before the government invests resources in the policies, programmes, and projects designed, we envisage experimenting with the public service at a small-scale level to test the efficacy of the services designed.

Training: Based on the findings of our research and our co-designing work, Somali Public Agenda through its SPA Learning Lab offers training courses to contribute to the building of administrative cadres that can deliver public policies and programmes to the community. Moreover, the learning lab offers training to Somali professionals who have the desire and passion to advance the art of writing and research as well as those interested in joining the public sector or are engaged in the non-profit sector.

Better Governance for Brighter Somalia

Somali Public Agenda
Mogadishu
Somalia
Tel: +252(0)85 8358
Email: info@somalipublicagenda.org
Website: <https://www.somalipublicagenda.org>