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SPA Policy Lab

Rebuilding the Fiscal Contract in Adado: Co-Designing Legitimate and Trusted Public Finance

Farhia Mohamud, Aweis Ahmed, and Derek B. Miller

Summary

The Goal: Mobilize sufficient revenue in Adado and translate collected funds into visible, trusted public services.

The Barriers:

1. Religious misinterpretations of taxation
2. Deep mistrust in local government
3. Availability of alternative non-state service systems

Two Solutions:

1. Madasha Maslaxadda Caamka, a religious-informed public dialogue platform
2. The Midnimo Committee, a multi-stakeholder representative body designed to improve transparency, participation, and trust

Next Steps: Work with SPA to select one or both solutions and develop them into local programmes in close cooperation with key stakeholders.

Introduction and purpose

The Occasional Paper Series is a publication outlet for applied policy analysis and design interventions produced by the Somali Public Agenda's SPA Policy Lab. Papers in this series are released on a rolling basis and contribute to three broad categories of the SPA Policy Lab's mission: generating knowledge, applying knowledge to central policy themes, and delivering policy design solutions. These solutions may take the form of blueprints, plans, interventions, draft policies, frameworks, strategies, models, or legislative concepts. Occasional Papers are authored by SPA Policy Lab staff, fellows, and invited contributors and are intended to bridge research, practice, and policy action in Somalia's complex governance environment.

This Occasional Paper distills and adapts findings from a longer Policy Design Solution Paper on Public Financial Management (PFM) in Adado District, Galmudug State. While the original design paper provides a detailed account of research findings, design propositions, and implementation blueprints, this paper extracts the core analytical and practical insights and presents them in a concise, decision-oriented format for policymakers and practitioners.

The aim of this brief is threefold. First, it clearly articulates one of the public finance problems in Adado, situating it within Somalia's broader challenges of fiscal decentralization, legitimacy, and service delivery. Second, it explains the method used by the SPA Policy Lab—specifically Local Strategies Research (LSR), combined with evidence-based policy design—and why this approach is particularly suited to fragile, post-conflict, and religiously informed governance contexts. Third, it reflects on how this co-design approach can be applied to other policy themes beyond taxation, offering lessons for Somali policymakers, civil servants, civil society actors, and development partners.

At its core, this paper argues that one of Adado's fundamental fiscal challenges is social, moral, and relational. As such, these challenges cannot be solved solely through conventional technocratic reforms. Instead, sustainable solutions require co-designing fiscal governance with communities, engaging local moral authorities, and anchoring public finance in shared meanings of legitimacy, responsibility, and public welfare (*maslaxadda caamka*).

The Problem: Public Financial Management in the Adado Context

Adado is one of the oldest and most institutionally developed districts in Galmudug State. Since its establishment, the district has undergone multiple cycles of administrative reform and renewal, with the most recent local council elected in August 2022 through a delegate-based system led by traditional clan elders. Compared to many districts in Somalia, Adado has relatively established governance structures and has benefited from external support through initiatives such as the Joint UN Programme on Local Governance (JPLG) and the UN-funded Dowladkaab programme.

Legally and administratively, Adado enjoys a notable degree of fiscal autonomy. The district is authorized to collect revenue from at least twelve local sources, including business and market taxes, building permits, ID card fees, road and vehicle taxes, livestock and slaughter fees, land titles, and small vendor levies. In principle, this authority should provide a reasonable fiscal base for delivering basic public services such as sanitation, local infrastructure, and primary education.

In practice, however, Adado's local government struggles to mobilize sufficient revenue and to translate collected funds into visible, trusted public services. **The result is a persistent gap between formal authority and actual fiscal capacity.**

The most visible manifestation of Adado's PFM challenge is low voluntary tax compliance. While some business owners pay taxes, often under pressure, many residents resist or avoid payment altogether. Even where revenue is collected, it is frequently perceived as insufficient, inconsistently used, or disconnected from community priorities.

The Sources of the Problem

Crucially, this problem is not driven solely by poverty or a lack of administrative enforcement. Instead, research conducted by the SPA Policy Lab reveals three interlinked drivers:

1. **Religious misinterpretations of taxation**, with some residents believing that modern state taxes are *haram* or equivalent to historically coercive forms of taxation such as *jizya*.
2. **Deep mistrust in local government**, including suspicions that collected funds are misused or fail to produce tangible benefits.
3. **The availability of alternative non-state service systems**, particularly clan-based mechanisms, which reduces the perceived need to pay taxes to the local government.

These factors combine to weaken the local fiscal contract: many citizens do not clearly see taxation as legitimate, morally justified, or meaningfully linked to improved services.

Limits of Previous Reforms

To its credit, Adado's local government has not been passive in the face of these challenges. Two notable reforms stand out. First, officials intentionally shifted the language from "taxation" to "service fees" in an effort to reduce religious stigma. Second, a joint development committee composed of business leaders was established to co-finance and co-implement infrastructure projects, particularly road construction.

While innovative, these reforms **had limited impact**. They primarily engaged local elites, failed to address underlying religious beliefs, and did not sufficiently include women, youth, or broader civil society. Over time, public trust in the business committee also eroded, with accusations that it served government interests rather than acting as a genuine intermediary.

The Adado case thus illustrates a broader lesson: reforms that focus on language or structure without addressing moral legitimacy and social inclusion are unlikely to produce lasting fiscal change.

Revisiting the Problems from a New Perspective

Standard Public Financial Management reforms typically emphasize administrative efficiency, enforcement mechanisms, incentive structures, and institutional capacity. These approaches assume that compliance improves when rules are clear, enforcement is credible, and services are delivered effectively.

While critical, such approaches often overlook how local meanings, beliefs, and social practices shape behavior—especially in contexts where the state is relatively new, contested, or morally questioned. In Adado, the SPA Policy Lab found that technical fixes alone could not resolve a problem rooted in religious interpretation, social trust, and historical experience.

Generating New Knowledge (Local Strategies Research)

To address this gap, the SPA Policy Lab applied Local Strategies Research (LSR), a qualitative, empirically grounded method designed to uncover **how communities already solve problems and organize collective action**. LSR focuses on discovering shared practices, narratives, and theories of change that are often implicit but socially powerful.

In Adado, LSR asked not simply *why* people do or do not pay taxes, but what taxation means in the Somali language and culture, how it is discussed, and how it is positioned relative to Islam, clan systems, and public welfare. Fieldwork primary data collection conducted in June 2025 included key informant interviews, focus group discussions, concept mapping, and discourse analysis. This process revealed that taxation is widely associated with moral risk, religious uncertainty, and government distrust—factors that cannot be neutralized solely through enforcement.

Putting that Knowledge to Work (Evidence-Based Policy Design)

Local Strategies Research (LSR) findings were then mobilized through an evidence-based policy design process. Rather than proposing idealized reforms, evidence-based policy design asks *what is feasible, desirable, and viable* within a specific social context. Design propositions are tested against local realities, stakeholder interests, and existing practices. In this way, propositions are anchored in social realities and animated by the goals we are trying to achieve.

Through an in-house design workshop, the SPA Policy Lab developed and tested multiple propositions before settling on two complementary interventions:

- *Madasha Maslaxadda Caamka*, a religious-informed public dialogue platform
- The Midnimo Committee, a participatory citizen oversight mechanism

Two Solutions: Community-Driven Fiscal Legitimacy

A. Madasha Maslaxadda Caamka (The Public Welfare Platform)

Madasha Maslaxadda Caamka is a religious-informed public dialogue platform designed to address misconceptions about taxation and reframe it as a moral and Islamic obligation when used for public welfare. By engaging respected religious leaders from different sects, the platform anchors fiscal governance in culturally authoritative narratives.

Rather than preaching compliance, Madasha Maslaxadda Caamka creates space for dialogue, education, and public reasoning rooted in Sharia principles and Somali values. International experience from countries such as Tanzania and Nigeria demonstrates that religious engagement can significantly improve tax morale when handled inclusively and transparently.

A. The Midnimmo Committee

The Midnimmo Committee is a multi-stakeholder representative body designed to improve transparency, participation, and trust in the expenditure of local revenue. By including business representatives, elders, religious leaders, women, youth, educators, and media actors, the committee institutionalizes citizen voice in fiscal decision-making.

This approach aligns with global best practices in social accountability and participatory budgeting but is explicitly adapted to Adado's clan dynamics, social norms, and governance realities.

Together, these two interventions address both sides of the fiscal contract: moral legitimacy and practical accountability.

A Way Forward to Closing the Taxation Gap

The SPA Policy Lab develops policy design solutions using Local Strategies Research (LSR), evidence-based research, and a community-based design approach to respond to concrete problems identified by communities and local authorities. Rather than stopping at diagnosis, this approach translates research findings into practical design options that reflect how power, trust, and service delivery function on the ground.

This approach is transferable to other policy domains in Somalia, including justice and peace, as well as service delivery for displaced populations. In 2022, in Galkayo—where long-standing clan divisions and repeated cycles of violence have shaped everyday governance—the SPA Policy Lab worked with local actors to design a transitional justice mechanism that reflected residents' understandings of grievance, accountability, and conflict resolution. The design did not import a ready-made model; instead, it drew on local justice practices and political realities to propose a mechanism that communities considered credible and usable.

In 2023, the same approach was applied to work on participation and service access for displaced populations in Mogadishu, Baidoa, and Kismayo. In these contexts, LSR helped identify why existing participation structures failed to represent minority IDPs and how informal practices were already being used to navigate exclusion. The resulting designs focused on improving access, representation, and accountability while paying close attention to gender dynamics and local power relations.

The Adado district design builds directly on these earlier experiences. Although the sectoral focus differs, the process remains the same: identify local strategies already in use, test them against available evidence, and co-design solutions that fit the district's political and institutional realities. What varies across cases is not the method, but the problem being addressed and the form the solution takes.

Across justice, displacement, and local governance, one lesson has been consistent: policies gain traction when communities are involved in shaping them.

In fragile and plural governance settings such as Somalia, LSR-based co-design has proven helpful in producing solutions that are not only workable but also understood, accepted, and sustained by the people they are meant to serve.

As Somalia continues to navigate state-building under conditions of fragility and plural authority, co-design offers a pathway to policies that are not only effective but also legitimate, trusted, and locally owned.

About SPA Policy Lab

The SPA Policy Lab (previously the SPA Center for Public Policy and Service Design from August 2020 to August 2022) is a research and action center at Somali Public Agenda (SPA), the first of its kind in the country. It aims to help public and civic institutions design human-centered public policies and services. The SPA Policy Lab was established in August 2020 to advance collaborative design practices in Somalia's public sector.

Somali Public Agenda believes that research and analysis are not enough for Somalia's institution-building process. Working with public institutions to frame policies, programmes, and projects that enhance the quality and accessibility of public services can go a long way toward ensuring that inclusive and effective policies are adopted. Based on the findings and policy recommendations from SPA studies and analyses, the SPA Policy Lab intends to design public policies, programmes, and projects with the relevant authorities. In collaboration with policymakers, public administrators, and communities, the SPA Policy Lab designs knowledge-based public services.

Somali Public Agenda recognizes that co-designing public sector policies is a rare practice in Somalia and across Africa. The SPA Policy Lab regularly engages policymakers and civil servants and assists them in understanding how co-designing public services works and why it is important.

We believe that the Somali people deserve better public services, including access to affordable education, healthcare, housing, security, and justice, delivered by transparent and accountable authorities. The work of the SPA Policy Lab will help public sector institutions design and deliver better public services.

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Somali Public Agenda

- 📍 Mogadishu Somalia
- ☎ +252(0)85 8358
- ✉ info@somalipublicagenda.org / policylab@somalipublicagenda.org
- 🌐 <https://www.somalipublicagenda.org>

f @ ✕ in @somalipubagenda