Jowhar's First District Budget: Opportunities and Challenges for Fiscal Decentralization and Local Governance

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Summary

- Jowhar's local council approved the district's first annual budget for the 2026 fiscal year. This ended years of operation without an approved municipal budget despite the dis-trict's status as the administrative capital of Hirshabelle State. The budget projects USD 550,750 in both revenue and expenditure and provides the district with its first formal framework for planning public expenditure, managing locally generated revenues, and monitoring budget implementation.
- Despite this important milestone, the district continues to face significant constraints, including limited control over major revenue sources, institutional capacity gaps, weak public disclosure mechanisms, and uncertainty regarding long-term revenue sustainability. These challenges may affect its ability to implement the budget effectively and respond to growing development needs.
- Jowhar's experience illustrates both the opportunities and the practical limits of fiscal decentralization in Somalia. While approving a budget is an important institutional achievement, its long-term value will depend on how effectively the district mobilizes revenue, manages public expenditure, and demonstrates that local taxation can deliver visible improvements for residents

About Somali Public Agenda

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

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Introduction

Jowhar Local Government approved its first district budget in late 2025 for implementation during the 2026 fiscal year. Having operated for years without an independent budget despite hosting the institutions of the Hirshabelle State Government, the district's approval of its first annual budget represents an important step toward strengthening local governance, improving fiscal planning, and enhancing accountability. For the first time, the budget provides a formal framework through which the district can forecast revenues, allocate expenditures, and report on the use of public resources.

Jowhar represents an important case within Somalia's broader decentralization agenda. As the administrative capital of Hirshabelle State, the district performs both municipal and state-level governance functions. Before the recent fiscal reforms, responsibility for local revenue collection was shared between the Hirshabelle Ministry of Finance and the Jowhar District Administration. The district administration collected a limited number of administrative fees, such as birth certificate fees and selected municipal service charges, while the Ministry of Finance retained responsibility for most major municipal revenue sources.

Revenue collection arrangements were not supported by a fully institutionalized financial management system. Collections were often channeled through informal mobile money accounts or personal accounts rather than a dedicated institutional account, limiting transparency and making it difficult to determine how locally generated revenues were allocated and spent.

The pivotal institutional change was not merely the approval of the district's first annual budget but the transfer of selected fiscal responsibilities from the Hirshabelle Ministry of Finance to the Jowhar District Administration. The transfer of eight municipal revenue sources, which happened on 1 November 2025,provided the district with the authority to collect and manage a defined portion of its own revenues through a dedicated local government account. This fiscal reform enabled Jowhar to prepare and implement its first independently managed annual budget, making the budget an outcome of decentralization rather than the reform itself.

This governance brief examines Jowhar's first approved district budget and explores what it reveals about local governance, fiscal decentralization, and public financial management. Rather than assessing the budget solely as a financial document, the brief examines how it influences planning, revenue administration, accountability, and the relationship between the municipality and the citizens it serves. It also explores the institutional and fiscal constraints that continue to affect budget implementation.

This governance brief draws on key informant interviews and document analysis to examine the opportunities and challenges associated with Jowhar's first approved district budget. Between April and May 2026, the author conducted seven key informant interviews with district council members, municipal officials, finance officers, and other stakeholders involved in local governance and public financial management. The interviews explored the budget approval process, revenue administration, expenditure priorities, implementation challenges, and the implications of the budget for local governance.

To complement the interview findings, the author reviewed Jowhar District's Approved Budget for the 2026 Fiscal Year, the municipality's Five-Month Activity Report, and the previous Somali Public Agenda Governance Brief, 'Strengthening Jowhar's Local Revenue System: Key Challenges and Reforms' (2025). The analysis also drew on relevant provisions of the Hirshabelle State Revenue Act (2018) and the Hirshabelle Local Government Act to examine the legal and institutional framework governing local revenue collection and fiscal decentralization. Reviewing these documents alongside the interview data made it possible to assess not only the budget's planned allocations but also its early implementation, institutional context, and broader implications for local governance in Jowhar.

From Revenue Challenges to Budget Approval

Jowhar's first approved district budget was the outcome of a gradual institutional and political process rather than a single administrative decision. Interviews conducted for this governance brief indicated that preparing a budget was not merely a technical exercise but also a question of institutional mandate. It depended on the district obtaining sufficient authority to plan and manage its own financial resources. As one district council member explained:

> *"You cannot prepare a meaningful budget if you do not know what revenue belongs to the district. Before the transfer of revenue sources, we collected some revenue, but we could not independently decide how this would be spent."*

According to the district council's Five-Month Activity Report and interviews with council members and the district secretary, the establishment of the district council created an institutional platform through which municipal priorities could be discussed and expenditure decisions subjected to local oversight. Nonetheless, fiscal authority remained largely with the Hirshabelle Ministry of Finance until early 2026, when selected revenue responsibilities were transferred to the Jowhar District Administration.

Interviewees noted that discussions between the Hirshabelle State Government and the District Administration resulted in the transfer of eight municipal revenue sources to the district. This enabled Jowhar to prepare its first annual budget using locally administered revenues since the district council's establishment in October 2023. Although several high-value taxes remain under the authority of the Hirshabelle Ministry of Finance, respondents viewed the transfer as an important step toward decentralizing responsibility for public finance. Consequently, the budget approval process reflected not only technical planning but also negotiations over fiscal authority between the state and district governments.

Reflecting on the significance of the budget, one district council member observed:

> *"This is the first time Jowhar has had its own annual budget. For us, it is more than a financial document. It gives the district direction and gives people confidence that local revenues can be planned and used for community priorities."*

The approved budget projects USD 550,750 in both revenue and expenditure for the 2026 fiscal year. Analysis of the budget indicates that USD 172,350 (31.3 percent) has been allocated to infrastructure, community development, and road maintenance, while the remaining 68.7 percent supports salaries, administration, and other operational costs (Table 1). This expenditure pattern reflects the realities of a newly established municipality that must finance its administrative functions while gradually expanding investment in public services.

Table 1. Key Budget Allocations

Budget Category	Allocation (USD)	Share of Total Budget
Community Development and Infrastructure	112,350	20.4%
Road Clearance and Maintenance	60,000	10.9%
Administration, salaries and other operational expenditure	378,400	68.7%
Total Budget	550,750	100%

According to the municipality's *Five-Month Activity Report*, the district has already used part of its budget to support road maintenance, bridge rehabilitation, improvements to sections of Jowhar's main market, and the maintenance of public schools. These activities were financed through a combination of locally generated revenue, community contributions, and donor support. They broadly align with the priorities identified in the approved budget and provide early evidence that municipal revenues are beginning to finance visible public services.

However, the district has not yet published a report comparing actual revenues collected with the approved budget, nor has it released a public budget implementation report. This was confirmed during interviews with the district secretary, making it difficult to independently assess whether actual expenditures have aligned with approved allocations. This reporting gap itself reflects a broader challenge in fiscal transparency. Strengthening financial reporting and regularly publishing budget implementation data will be essential if the municipality is to demonstrate that the budget is delivering the results expected by residents.

Opportunities Created by Jowhar's First Approved Budget

Jowhar's first approved district budget has begun to transform how the municipality plans, manages, and allocates public resources. Beyond providing a framework for annual financial planning, the budget has strengthened local governance by improving fiscal planning, creating new expectations for accountability, and enabling investment in visible public services. Interviewees identified several important opportunities arising from the approval of the district's first budget.

Strengthening Local Governance and Fiscal Planning: Before the budget was approved, expenditure decisions were largely driven by immediate administrative needs and the availability of resources. District officials explained that the municipality lacked an annual spending plan against which revenues and development priorities could be assessed. As a result, it was difficult to determine which projects should be prioritized and when they could realistically be implemented.

The budgeting process has fundamentally changed how these decisions are made. Revenue estimates are now prepared before expenditures are approved, enabling the district administration and council to prioritize activities based on available resources rather than responding to demands as they arise. Interviewees also noted that the district council now plays a more active role in reviewing expenditure priorities and monitoring implementation, thereby strengthening its oversight function.

An independent financial expert interviewed for this governance brief explained:

> *"Most of this budget is being used to establish and run the local government. That is expected for a new administration. As our revenue grows, we want future budgets to invest much more in roads, schools, sanitation, and other public services."*

Creating New Accountability Expectations: The budget has also begun to reshape expectations regarding local government accountability. Before its approval, public discussions about municipal revenue largely focused on tax collection, with limited information available about how those revenues were spent. This made it difficult for residents to assess whether municipal resources were being used to address local priorities.

As one district council member remarked:

> *"People don't just ask why they should pay taxes anymore. They ask where the money has gone, which roads have been repaired, and what projects have been completed."*

This shift does not necessarily mean that accountability has been achieved. Rather, it suggests that the existence of an approved budget has generated greater public interest in how municipal revenues are managed. The approved budget requires monthly, semi-annual, and annual financial reporting. In practice, however, none of these reports has yet been made publicly available. For example, the Five-Month Activity Report reviewed for this governance brief was prepared by the district council and shared directly with the author rather than being publicly released.

Closing the gap between mandated financial reporting and meaningful public disclosure will be essential if the transparency gains associated with the new budget are to be fully realized.

Supporting Infrastructure and Community Development: One of the earliest indications of the budget's impact can be seen in municipal infrastructure and public service delivery. The approved budget allocated USD 112,350 for community development and infrastructure, together with USD 60,000 for road clearance and maintenance, demonstrating the municipality's commitment to directing locally generated revenues toward visible public investments.

According to the municipality's Five-Month Activity Report, these resources have already supported road maintenance, bridge rehabilitation, improvements to sections of Jowhar's main market, maintenance of public schools—including Isnaay Biyaaso Primary School—and contributions to the rehabilitation of the Fanoole Canal in collaboration with development partners.

Reflecting on these investments, one community member remarked:

> *"When people see roads repaired, bridges maintained, or schools supported, they begin to understand that local revenue is coming back to the community."*

Although these investments remain modest relative to Jowhar's broader development needs, they represent an important shift in the use of municipal revenues. Rather than financing administrative functions alone, locally generated revenues are beginning to support visible public services and community infrastructure, thereby starting to build public confidence in local government.

Challenges to Budget Implementation

Despite these opportunities, Jowhar Local Government continues to face significant challenges related to fiscal autonomy, revenue sustainability, institutional capacity, and public accountability.

Limited Fiscal Autonomy and Revenue Sustainability: Although Jowhar Local Government now prepares and implements its own annual budget, the municipality continues to operate within a partially decentralized fiscal system. Several high-value revenue sources remain under the control of the Hirshabelle Ministry of Finance, limiting the district's ability to finance local priorities independently and respond to the growing demand for public services.

Nearly 69 percent of the planned expenditure for the 2026 fiscal year is allocated to salaries and operational costs, while just over 31 percent is dedicated to infrastructure and community development. This distribution reflects both the realities of a newly established administration that is still building its institutional systems and the limited fiscal space available for direct service delivery after covering core operating expenses.

As one municipal finance officer explained:

> *"We now have our own budget, but we do not yet control all the revenues collected in Jowhar. Until more revenue sources are transferred to the district, our ability to respond to local priorities will remain limited."*

Expanding the municipality's fiscal authority will therefore be essential if future budgets are to support broader development priorities and improve service delivery.

Institutional Capacity, Transparency, and Public Accountability: Effective budget implementation also depends on the municipality's administrative capacity. Interviews indicated that the district continues to face shortages of experienced personnel in budgeting, procurement, financial reporting, and revenue administration. Although technical support from the Hirshabelle Ministry of Finance has strengthened some of these functions, respondents acknowledged that the municipality will require sustained investment in staff capacity if it is to manage increasingly complex financial responsibilities.

Transparency remains another important challenge. Although the approved budget requires regular financial reporting, interviewees reported that budget information continues to circulate primarily within government institutions, with limited opportunities for public access.

Strengthening public disclosure will therefore be important not only for improving oversight but also for maintaining the confidence that has emerged following the approval of the municipality's first annual budget. Publishing regular budget implementation reports and making financial information more accessible to citizens would strengthen transparency and strengthen public trust in local government.

Conclusion

Jowhar's first approved district budget represents an important milestone in strengthening local governance and public financial management. For the first time, the district administration and council are able to plan expenditures through an approved annual budget rather than relying on ad hoc financial decisions. Early implementation also indicates that locally generated revenues are beginning to finance visible investments in roads, schools, markets, bridges, and other community infrastructure.

However, approving a budget is only one step in the broader process of strengthening local governance. The municipality continues to operate within a partially decentralized fiscal system in which responsibilities for service delivery have expanded more rapidly than its authority over revenue collection. Institutional capacity constraints, limited public access to financial information, and a narrow local revenue base continue to affect effective budget implementation.

Jowhar's experience demonstrates that fiscal decentralization is a gradual process rather than a single reform. While the budget has strengthened local planning and enhanced the district council's role in financial decision-making, its long-term success will depend on whether future reforms expand the district's fiscal authority, strengthen public financial management systems, and improve transparency. Only then can the budget evolve from an annual planning document into an effective instrument for improving service delivery, accountability, and public confidence in local government.

Policy Considerations

To strengthen the implementation of Jowhar's first approved budget and support the district's transition toward stronger fiscal decentralization, this paper proposes the following recommendations.

1. **Clarify State and District Revenue Responsibilities**: The Hirshabelle Ministry of Finance and the Jowhar District Administration should jointly develop a clear revenue assignment framework specifying which taxes and fees are collected by the state and which fall under the district's authority. Reducing overlaps and ambiguities would strengthen fiscal autonomy, improve revenue predictability, and enable the municipality to prepare future budgets with greater certainty.
2. **Strengthen Public Financial Management Capacity**: Preparing a budget is only the first step. Jowhar District should continue investing in the technical capacity of its finance department through regular training in budgeting, revenue administration, procurement, financial reporting, monitoring, and internal auditing. Development partners should prioritize long-term institutional capacity building to enable the municipality to manage its financial responsibilities independently over time.
3. **Institutionalize Budget Transparency and Citizen Engagement**: The district administration should move beyond internal financial reporting by introducing a Jowhar Open Budget Initiative. This initiative could include publishing simplified budget summaries, quarterly expenditure reports, and annual budget implementation updates through community meetings, local radio, public notice boards, and digital platforms. Regular public engagement would strengthen accountability and enable citizens to monitor how locally generated revenues are being utilized.
4. **Expand the Local Revenue Base While Strengthening Tax Compliance**: As demand for public services continues to grow, the municipality should gradually diversify its revenue base by strengthening tax administration, improving compliance, and reviewing underutilized local revenue sources. Any expansion of taxation should be accompanied by visible improvements in public services so that residents continue to see a direct relationship between taxation and local development.
5. **Prioritize Investment in Visible Community Services**: Future district budgets should continue prioritizing investments in sectors that directly affect citizens' daily lives, including road maintenance, drainage systems, markets, public schools, sanitation, and community infrastructure. Sustaining visible public investments will strengthen public confidence in local government and improve voluntary compliance with municipal taxation.
6. **Establish a Budget Monitoring and Oversight Mechanism**: The Jowhar District Council should establish a standing Budget Oversight Committee to monitor budget implementation, review quarterly financial reports, and assess progress against approved expenditure priorities. The committee should also engage periodically with community representatives and civil society organizations to ensure that implementation remains responsive to local needs and that public resources are managed transparently and efficiently.

References

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This governance brief is the thirteenth in a series of District Council-driven 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 identified through close collaboration with District Council members, and Civil Society Organizations' (CSOs) representatives during workshops held in Bosaso, Adado, and Jowhar on a quarterly basis, ensuring the research remains grounded in local governance realities.