



Strengthening Jowhar's Local Revenue System: Key Challenges and Reforms

Governance Brief 33 | April 2025

Summary

- » Jowhar's local government faces significant challenges in revenue collection that hinder effective service delivery and accountability. Primary constraints include limited fiscal autonomy due to the Hirshabelle state's control over most revenue streams, weakened institutional capacity, unfilled council seats, and opaque tax systems that undermine public trust.
- » To address these issues, this governance brief recommends focusing reforms on strengthening governance structures by filling council vacancies, clarifying tax mandates between state and local authorities, improving transparency through public engagement campaigns, and designing equitable tax policies aligned with local economic conditions. Implementing these measures would enhance revenue collection, restore citizen confidence, and improve service provision in Jowhar.

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

The Somali Public Agenda (SPA) is implementing a European Union-funded project entitled 'Increased Opportunities for Somali Citizens' Scrutiny on Fiscal and Financial Governance' across three locations: Jowhar (Hirshabelle State), Bosaso (Puntland State), and Adado (Galmudug State). The initiative seeks to strengthen fiscal accountability by engaging both district councils (DCs) and civil society organizations.

Through Knowledge, Attitudes, and Perceptions (KAP) surveys, the project gathers citizen perspectives on fiscal accountability and service delivery in these districts. Survey findings are first shared with civil society representatives for analysis and input before being presented to the respective DCs. These councils then address citizen needs and expectations while identifying systemic gaps in service delivery and accountability mechanisms.

A central challenge highlighted through this process is revenue decentralization, where local governments collect minimal or no revenue – severely limiting their ability to ensure transparency with residents. This revenue shortfall fundamentally undermines government-citizen accountability, eroding the trust essential for effective local governance.

This governance brief analyzes the primary constraints affecting revenue generation by Jowhar's local government, with findings designed to help authorities enhance revenue collection, improve fiscal management, and strengthen service delivery and accountability. Drawing on Somalia's local governance literature along with 12 key informant interviews undertaken in December 2024 with officials from Hirshabelle's Ministries of Finance and Interior, Jowhar local government representatives, civil society leaders, and residents, the brief concludes with targeted policy recommendations for Jowhar local government and Hirshabelle state.

Following independence in 1960, Somalia experienced a short democratic period before descending into military dictatorship (1969-1991) and subsequent civil war, leaving citizens with limited experience in public ownership or participatory governance. While still developing, the current federal system offers a crucial alternative to the centralized rule that precipitated state collapse and prolonged instability (Abdulle, Muturi, & Samatar, 2018). Decentralization has become an essential requirement for sustainable development, with its absence posing significant obstacles to prosperity (Isak & Ali, 2019). Within this context, this brief examines the challenges impeding Jowhar's local government from fulfilling its revenue collection and service delivery mandates, specifically analyzing: (1) governance effectiveness, (2) legal frameworks for local revenue collection, (3) public perceptions of local governance and taxation, and (4) tax affordability for citizens.

Obstacles to Effective Local Governance in Jowhar

Fiscal affairs in Somalia are primarily managed at the federal and state levels, significantly limiting the role of municipalities in governance and restricting their ability to oversee revenue and expenditure allocation (Farah, 2024). Hirshabelle, the newest Federal Member State, was established in late 2016, with its first district council formed in Warsheikh in 2019. However, the state's contested and hasty formation process did not facilitate the swift creation of additional district councils. As a result, the second council—in Jowhar, the state capital—was only established in 2023 (Yusuf, 2024).

With revenue collection centralized at the federal and state levels, the Jowhar local government lacks an independent budget. This is partly due to the Jowhar District Council's relatively recent establishment in late October 2023, having operated for just over a year.¹ Nevertheless, the local government generates some revenue through

¹ Interview, Jowhar mayor, Jowhar, 3 December 2024.

birth registration fees, which previously covered its operational costs.² Occasionally, the state government provides additional support.³

However, this limited revenue stream constrains the local government's ability to deliver services and maintain basic infrastructure. While the local government also collects business license fees, these funds are managed by the state's Ministry of Finance. They are deposited into a Treasury Single Account, from which the Ministry gives council operations monthly allowances.⁴ It is important to note that those tax collectors aren't officially under the local government but are municipal staff, who previously collected taxes prior to federalisation and report to the Hirshabelle's Ministry of Finance.

Efforts have been made to enhance taxation systems and formally recognize Jowhar Municipality in tax receipts issued by the Hirshabelle State government. A key step in this process has been updating official stamps and certificates to bear the municipality's name—an initial but crucial move toward effective fiscal decentralization.⁵

The Jowhar local government's operational capacity has been severely undermined by inadequate revenue collection. Although the Hirshabelle Local Government Act No. 4 mandates quarterly council meetings, persistent challenges have hindered functionality. Since its establishment, the council has received only few months' worth of allowances,⁶ significantly constraining its operations. In addition to that, most district council (DC) members struggle to fulfill their duties effectively due to insufficient experience and a lack of capacity-building initiatives. Poor internal communication and organizational disarray further impede the council's ability to govern and deliver essential services.

Moreover, the Jowhar local government's structure remains incomplete. While 26 council seats were filled in the October 2023 (s) elections, one seat remains vacant due to unresolved clan competition among stakeholders. Furthermore, the Secretary position is currently held by a councilor – a direct violation of Hirshabelle's Local Government Law No. 4. Accordingly, the secretary is being appointed by the Ministry of Interior. Consequently, the council operates with just 25 active members, falling short of the 27 mandated by state's Local Government act and the Wadajir Framework for A-level districts. The Wadajir framework establishes standards for inclusive local governance in Somalia, promoting equitable representation and effective decision-making. According to the Hirshabelle Ministry of Interior, these structural deficiencies result from ongoing clan power struggles over council seats, though officials report the composition is nearing finalization.⁷

Despite this, the Jowhar local government established its directors of local government departments in February 2025.⁸ These directors will closely collaborate with the directors of the existing permanent committees covering social affairs, finance, public works, and planning departments.⁹ The appointment of the directors of local government departments after almost a year and a half is very crucial step. One of their major tasks is district budget preparation and implementation of spending.

In addition to this, the underdevelopment and underperformance of Jowhar's local government stem largely from its hosting of the entire Hirshabelle state government apparatus. This political imbalance has blurred institutional boundaries, with the state government

frequently assuming district council functions. Furthermore, the state capital's significant administrative burden has compromised both local governance effectiveness and fiscal autonomy.

This phenomenon frequently occurs in capital cities. A prime example is Mogadishu, where the federal government's dominant presence overshadows the Benadir Regional Administration (BRA). The concentration of key institutions in Warta Nabadda district – including Villa Somalia (the presidential compound), the Federal Parliament building, Mogadishu Stadium, and 15 May School – helps explain the central government's reluctance to devolve decision-making authority to the Benadir Regional Administration (Tarabi, 2021).

Without a clear division of powers between state and municipal authorities, local governance remains fragile and underfunded. This challenge is further exacerbated when municipal laws and those of the Ministry of Finance are poorly drafted and occasionally conflicting – a paradoxical predicament, given that these very laws are meant to establish the fiscal boundaries of authorities.

Legal Framework

The Federal Member States (FMSs) have made progress in developing legal frameworks for public finance management and revenue collection, including key legislations such as the Ministry of Finance (MoF) Establishment Act, Public Financial Management Act, and Revenue Act, along with related policies and instructions. Although enacted at different times by individual FMS parliaments, these laws share substantial similarities in content. Their development was largely driven by donor organizations seeking to align financial legal structures in anticipation of funding disbursements and debt relief processes.

However, implementation and enforcement at the local level remain critical challenges, hampered by weak municipal governance capacity. While these laws are publicly accessible on FMSs Finance Ministries' websites, their practical application is inconsistent (Yusuf & Wasuge, 2021).

In Hirshabelle, the government enacted its Revenue Act in 2018. This legislation delineates multiple revenue streams—including payroll tax, personal income tax, turnover tax,¹⁰ urban property tax, customs, fuel and electricity generation taxes, business licenses, market fees, and vehicle registration—while also defining the state's fiscal relationships with federal and local governments.

The Hirshabelle government derives its primary revenue from road taxes, personal income taxes, turnover taxes, stamp and invoice duties, and organizational car and property rentals. While Jowhar municipal staff – who previously collected taxes prior to the adoption of a federal system of governance – continue to gather revenues from property sales, vendors, and business licenses, these funds are now deposited directly into the Treasury Single Account.

Currently, the Hirshabelle Revenue Act is being partly reformed to align at the ministerial level with the Fiscal Federalism Agreement signed in Baidoa in March 2023. Hirshabelle's Ministry of Finance has issued a decree to make a significant amendment that involves restructuring the Personal Income Tax (PIT) from a flat 5% rate to a progressive taxation system. The Hirshabelle Revenue Act that was originally drafted hastily during the Federal Member State formation period, contains several unresolved issues regarding tax assignments

² Interview, DC member, Jowhar, 1 December 2024.

³ Interview, revenue department of Hirshabelle MoF, Jowhar, 16 December 2024.

⁴ Interview, DG of Hirshabelle's MoF, Jowhar, 16 December 2024.

⁵ Interview, district council member, Jowhar, 1 December 2024.

⁶ Interview, district council member, Jowhar, 2 December 2024.

⁷ Interview, director general of Hirshabelle's Ministry of Interior, Jowhar, 15 December 2024.

⁸ See the appointment letter here: <https://www.facebook.com/photo/?fbid=1048854253927924&set=a.116698103810215>

⁹ Interview, DC member, Jowhar, 1 December 2024.

¹⁰ This tax is mainly collected from the contractors who mostly conduct major developmental projects like construction in the state.

and responsibilities. For instance, the turnover tax provisions remain ambiguous, failing to differentiate rates by business size—a key determinant of whether collection authority rests with local or state governments. These reforms aim not only to ensure compliance with federal standards but also to clarify jurisdictional boundaries and eliminate overlapping mandates between state and local authorities.¹¹

In 2018, Hirshabelle State also enacted Local Government Act No. 4, which defines the scope of local government authority. The legislation establishes district hierarchies, outlines procedures for creating new districts, and specifies revenue sources for local governments—including taxes, duties, profits, and fiscal transfers.

Local Government Act No. 4 similarly requires revision. The current legislation omits critical specifications—particularly regarding taxation frequency (quarterly vs. annually) and differentiated rates for residential property types (apartments, concrete structures, and thatched dwellings). To address these gaps, a committee has been established, comprising the Ministers of Finance and Interior alongside local government representatives, tasked with facilitating these amendments.¹²

The current fiscal revision represents a top-down initiative driven by the federal government's push to harmonize fiscal federalism across Somalia. While the Hirshabelle State's Ministries of Finance and Interior are actively leading fiscal reforms at both state and local government levels, these changes would face significant implementation challenges without such external impetus. Local governments particularly lack the institutional capacity to initiate such comprehensive reforms independently.

However, the ultimate success of these fiscal reforms depends fundamentally on local citizens' perceptions and lived experiences. This reality becomes particularly evident in Jowhar, where affordability and accountability are key concerns.

Citizen's Willingness to Pay Taxes

The existing governance-citizen disconnect causes mistrust, directly undermining tax compliance. When residents perceive that officials may divert revenues for personal gain—due to corruption and insufficient transparency—it cripples the local government's revenue mobilization efforts (Mohamed, 2017). This vicious cycle deepens the rift between authorities and constituents, further constraining service delivery capacity. Interviews with Jowhar residents reveal evidence of this breakdown: respondents reported never having seen government budgets (state or local) nor received meaningful public services.¹³

Many Jowhar residents remain unaware that taxes they pay—including road, property, and income taxes—are collected by Hirshabelle state rather than local authority. This perception was exemplified by one driver interviewed, who stated he cared less about which government entity collected taxes than whether he received commensurate services in return. "The better the services," he argued, "the more willing I am to pay taxes." He added:

"I would want to have a clean, constructed road that I don't need to take long turns on and pay multiple taxes for. With safe roads, the work would be available and profitable, and we could pay more taxes."¹⁴

In cases where citizens understand the government structure and recognize that federal authorities—not local or state governments—provide education services in Jowhar, tax compliance diminishes.

Residents question why they should pay taxes to entities that deliver no visible services, fostering a widespread sense of over-taxation. This sentiment intensifies in Jowhar, the state's capital, where residents compensate for the lack of revenue from Hiiraan region. Although Hirshabelle state has only recently begun revenue collection in Hiiraan (through customs and personal income tax), these compounding frustrations risk escalating public discontent among citizens who already feel economically overburdened.

When taxation is decoupled from service delivery, citizens perceive it merely as coercive extraction – what some term "forced money." This aligns with established tax compliance theory demonstrating that willingness to pay correlates strongly with perceived value reciprocity (Castañeda, 2023). The lack of visible public benefits generates taxpayer resentment and non-compliance, transforming taxation from a social contract into an imposed burden. Compounding this challenge are persistent beliefs among some citizens that tax payments violate religious prohibitions, highlighting the critical need for public awareness campaigns to clarify Islamic jurisprudence on modern taxation systems.¹⁵

The pervasive perception of corruption, particularly through institutionalized nepotism, presents another critical barrier. In Jowhar's employment landscape—spanning both public and private sectors—clan connections frequently supersede meritocratic principles. This systemic favoritism disproportionately advantages members of dominant lineage groups while marginalizing less powerful clans, creating entrenched economic disparities. Such exclusionary practices not only undermine public trust in governance institutions but also actively disincentivize tax compliance among those denied equal opportunities.¹⁶

Citizen's Tax Affordability

Tax affordability is further constrained by security conditions and climate factors, with double taxation presenting a particular challenge for Jowhar's business community. Merchants transporting goods face taxation demands from both al-Shabaab and government authorities, compounding their financial burden. While comprehensive data specific to Jowhar's periphery remains unavailable, research on fragile states demonstrates that when non-state actors provide security and basic services, they undermine government legitimacy (McCullough, 2015). This dynamic creates a perverse incentive structure where commercial actors may prioritize payments to armed groups that directly influence their operational security.

Climatic factors further exacerbate business challenges in Jowhar district. As the primary market hub for Middle Shabelle's agricultural villages, Jowhar's commercial activity suffers from recurrent flooding that devastates seasonal harvests. These climate shocks create a ripple effect—reducing farmer incomes and consequently diminishing trade volumes in Jowhar's markets. When tax policies remain inflexible to such climate-induced economic fluctuations and fail to account for business cycle vulnerabilities, they inadvertently discourage tax compliance among already strained businesses and agricultural producers.

Conclusion

Jowhar's constrained fiscal decentralization significantly undermines local governance capacity, resulting in inadequate service provision and weakened accountability mechanisms. Three systemic barriers perpetuate this dysfunction: (1) unclear demarcation of taxation authority between state and local governments, (2) institutional

11 Interview, revenue department of Hirshabelle's MoF, Jowhar, 16 December 2024.

12 Interview, DG of Hirshabelle's Ministry of Interior, Jowhar, 15 December 2024.

13 Interview, businesspeople, Jowhar, 1 December 2024.

14 Interview, driver, Jowhar, 2 December 2024.

15 Interview, revenue department of Hirshabelle's MoF, Jowhar, 16 December 2024.

16 Interview, businesswoman, Jowhar, 1 December 2024.

governance deficiencies, and (3) persistent political constraints. This trio of challenges maintains Jowhar's financial dependence on Hirshabelle state while crippling its ability to deliver essential services to residents.

To address these challenges, Jowhar and Hirshabelle should:

- Finalize the district governance structure by filling all council seats and operationalize the recently appointed executive committee directors.
- Clarify revenue assignments through legal reforms that delineate state vs. municipal taxation powers
- Implement transparency measures including public budget disclosures and citizen oversight mechanisms
- Rebuild trust through demonstrated service delivery¹⁷ and accountability for revenue utilization

These institutional reforms would create the necessary conditions for meaningful fiscal autonomy and effective local governance. Crucially, they must be accompanied by capacity-building programs to ensure sustainable implementation.

The Jowhar local government will also need to navigate the state influence and presence in the district. Even though the reform will draw a line between the state and local governments in Hirshabelle state, Jowhar will still suffer from the burden of state presence in the district. The fiscal outcome of this presence must be considered beforehand. The local government's change of stamp name to its own is notable, but this is just the most basic part of its legitimate rights. Further substantive steps are necessary to prepare for fiscal decentralization without heavy state fiscal influence.

The Jowhar local government will also need to strategically manage Hirshabelle state's institutional presence—even after formal decentralization reforms allocate state-local boundaries. While these reforms will clarify jurisdictional authorities, Jowhar's unique position as state capital ensures continued state influence that could undermine fiscal autonomy.

Policy Considerations

To achieve effective fiscal decentralization, the Jowhar District Council and Hirshabelle State government should prioritize three critical reforms:

First, completing the local government structure is essential. Concurrently, regular capacity-building programs should train local officials in fiscal management and service delivery, coupled with performance metrics to track progress. A fully constituted council will be better equipped to plan services and respond to citizen needs.

Second, clarifying taxation responsibilities demands immediate attention. The local government should collaborate with Hirshabelle's Ministry of Finance to develop a State-Local Tax Assignment Agreement that explicitly designates jurisdiction over revenue streams such as business licenses, property taxes, and market fees for local authorities, while creating fair revenue-sharing mechanisms for overlapping taxes like road use tax. Tax policies must incorporate progressive principles, including adjusted rates based on payment capacity and exemptions for climate-vulnerable sectors like

agriculture. Such clarity will reduce disputes and improve revenue predictability.

Third, enhancing transparency and citizen engagement is vital for rebuilding trust. The council could implement a Jowhar Open Budget Initiative, featuring real-time expenditure tracking and quarterly public scorecards linking tax revenue to service delivery outcomes. Institutionalizing bi-monthly town halls with pre-circulated agendas and establishing a Citizen Oversight Board with audit authority will ensure sustained accountability. These measures will demonstrate the tangible benefits of taxation, addressing perceptions of mismanagement while fostering participatory governance.

Together, these reforms will establish Jowhar's fiscal autonomy, strengthen its service delivery capacity, and restore public confidence in local institutions. The success of this decentralization effort will depend on consistent implementation and adaptive management of the political and economic challenges inherent in Hirshabelle's context.

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This governance brief is the first 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 Organization (CSO) representatives during workshops held in Bosaso, Adado, and Jowhar on a quarterly basis, ensuring the research remains grounded in local governance realities.

¹⁷ Based on the Knowledge, Attitude, and Perceptions (KAP) surveys conducted by SPA in Jowhar district in June 2024, November 2024, and March 2025, the findings indicate that citizens of Jowhar prioritize health services and road infrastructure.

