

# Public Financial Management Reform in the Banadir Regional Administration, Somalia:

From Baseline Assessment to Progress in a Fragile Context



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## Abstract

The Banadir Regional Administration (BRA) – encompassing Mogadishu’s municipal government – has pursued an ambitious Public Financial Management (PFM) reform agenda in a post-conflict, fragile state environment. This paper combines an initial PFM assessment of BRA (conducted in 2023 using the PEFA framework) with an analysis of subsequent reforms and updates through April 2025. A mixed-methods case study approach was adopted, including document analysis of assessment reports, reform progress updates, and donor compliance reports. The initial assessment found extremely weak PFM systems in BRA, with all core areas (legal framework, budgeting, execution, revenue management, procurement, accounting, and audit) scoring at the lowest level. Reforms implemented since then have yielded notable improvements: introduction of a unified chart of accounts, development of budgeting and procurement policies, regular financial reporting (including BRA’s first-ever annual financial statements and external audit), enhanced transparency via citizen budgets and a fiscal website, and better coordination with Somalia’s federal fiscal framework. These changes are examined against international literature on PFM in fragile states, which suggests that even low-capacity post-conflict administrations can achieve substantial progress with focused reforms and external support. A comparative analysis of key PEFA indicators before and after reforms, as well as fulfillment of donor benchmarks (World Bank and EU budget support conditions), illustrates significant advances in budget reliability, financial transparency, and accountability. The discussion situates BRA’s experience within broader state-building efforts, noting that external incentives (e.g. debt relief and donor funding) and basic PFM capacity-building have been essential drivers of progress. The paper concludes with recommendations to consolidate gains – such as formalizing the PFM legal framework, strengthening intergovernmental fiscal arrangements, and continuing capacity development – to ensure a sustainable, resilient PFM system that underpins improved service delivery and governance in BRA.

## Introduction

Rebuilding effective public financial management (PFM) systems is a critical component of state-building in fragile and post-conflict environments[1]. In Somalia, decades of civil war and institutional collapse left government entities with severely weakened capacity to collect revenues and manage public expenditures. The Banadir Regional Administration (BRA), commonly known as the Mogadishu Municipality, is the largest sub-national government in Somalia and home to the nation’s capital city. Established by law in the 1970s, BRA oversees 17 districts of Mogadishu, serving an estimated 2.8–3.3 million people (roughly 20% of Somalia’s population)[2]. As Somalia’s federal system emerged after 2012, BRA has been on a path to being recognized as a Federal Member State, which heightens the importance of its fiscal and administrative capacity. However, years of conflict and limited resources meant that, until recently, BRA’s institutional structures – especially in PFM – remained rudimentary.

In 2023, the BRA undertook a comprehensive PFM assessment with support from the Institute of Public Finance – Somalia (IPF). This assessment, structured around the Public Expenditure and Financial Accountability (PEFA) framework, provided a baseline of

BRA's PFM performance across key domains. The findings revealed critical weaknesses: absence of a formal PFM law or financial regulations, ad-hoc budgeting practices, a lack of basic accounting and reporting, no effective financial management information system, weak procurement and internal controls, and no functioning internal or external audit[5]. Essentially, the BRA was operating without the foundational elements of a modern PFM system. These challenges are not unique to Mogadishu – they echo common problems in fragile states where conflict and capacity constraints impede the development of sound fiscal institutions[7].

Recognizing the urgent need to strengthen its fiscal governance, BRA's leadership launched a PFM reform program in recent years (2019–2025), focusing on budgeting, financial reporting, revenue administration, and transparency improvements[9]. International partners have played a significant role: BRA requested external technical assistance and financial support to build core systems[4]. Donor-funded initiatives – including World Bank Development Policy Operations and European Union budget support – were tied to specific PFM reform benchmarks, effectively creating incentives for BRA to implement changes[10]. By 2025, BRA had begun to demonstrate measurable progress, such as timely approval of annual budgets, publication of citizen-friendly budget documents, regular in-year budget execution reports, and the production of its first audited financial statements[12]. These achievements suggest a trajectory of improvement that, if sustained, could significantly enhance governance and service delivery in Mogadishu.

This paper presents a consolidated analysis of BRA's PFM reform journey from the initial assessment to the reforms as of April 2025. First, it reviews relevant literature on PFM reform in fragile and post-conflict settings to contextualize BRA's experience. Next, it outlines the methodology of the BRA PFM assessment and the approach to tracking reform progress. The results of the 2023 assessment are then summarized, providing a baseline of weaknesses. A dedicated section details the progress made since that initial assessment, highlighting improvements in budgeting, financial reporting, transparency, intergovernmental finance, and other areas. A comparative analysis is provided to contrast key PEFA indicator ratings and donor benchmark fulfillment “before and after” the reforms. Finally, the discussion and conclusion draw out the broader implications of BRA's case – what it indicates about effective strategies for PFM strengthening in fragile contexts – and offer recommendations for consolidating and building on these reforms.

## Literature Review: PFM Reform in Fragile and Post-Conflict States

Fragile and conflict-affected states often face profound challenges in establishing effective PFM systems. In such contexts, basic state functions of raising revenue and managing expenditures are undermined by insecurity, institutional erosion, and capacity deficits[1]. Yet, improving PFM is frequently highlighted as a foundational priority for state-building and recovery. The OECD's guidelines on state-building in fragile situations, for example, emphasize the importance of “capacity to tax and spend” as a core element of legitimate governance (OECD, 2011, as cited in[14]). Without a functioning PFM system

governments struggle to deliver services and maintain public trust, perpetuating cycles of fragility.

Empirical studies offer some cautious optimism that even low-income fragile states can make meaningful PFM improvements. Hedger, Krause, and Tavakoli (2012) examined PFM reform trajectories in several post-conflict countries and found that “fragile states with very low income and capacity can make substantial progress with public financial management reform”[15]. Their research, which included case studies of Afghanistan, Liberia, Sierra Leone, and others, noted that about half of the sampled countries achieved significant advances in budget preparation, execution, and oversight after a period of focused reforms[16]. Notably, the greatest gains were often in **budget execution** – e.g., establishing basic expenditure controls and treasury systems – which tended to outperform other reform areas. This aligns with the logic that stabilizing budget implementation (ensuring funds reach intended uses) is a prerequisite before more sophisticated reforms can take root.

However, the literature also underscores that PFM reforms in fragile states do not automatically translate into improved outcomes without certain enabling factors. Sustained political commitment and **external incentives** are frequently cited as crucial drivers. Somalia’s own recent history exemplifies this: the Federal Government’s push for PFM reforms was galvanized by the prospect of debt relief under the Heavily Indebted Poor Countries (HIPC) initiative and by donor conditions attached to aid[19][20]. External partners can provide resources and policy anchors (e.g. conditions on budget support) that encourage reforms, but they can also shift priorities. Piatti-Fünfkirchen and Gurazada (2022) note a recent trend of increased budget support to fragile countries *despite* weak PFM capacity – using aid as leverage for policy changes – even as explicit PFM conditionality in such programs has somewhat declined[21][22]. In Somalia’s case, international actors have remained engaged: multi-donor trust funds, World Bank operations, and IMF programs have continuously emphasized improving PFM and revenue systems as part of the state-building agenda.

Another key theme in the literature is **capacity development and local ownership**. Fragile states often rely on external consultants and parallel systems to quickly establish basic financial functions, but lasting reform requires building indigenous capacity and adapting reforms to local contexts (Andrews, 2010). There is evidence that “one-size-fits-all” approaches to PFM (importing models from stable countries) often falter in fragile settings, and that reforms need to be sequenced appropriately[23]. For instance, introducing an advanced Financial Management Information System (FMIS) can be counterproductive if basic electricity, connectivity, or skills are lacking. Successful cases like Liberia post-2003 or Afghanistan in the 2000s combined quick wins (e.g., restoring budget processes, paying civil servants) with longer-term institution-building, often underpinned by intense donor support and oversight.

Somalia’s PFM reform trajectory since 2012 illustrates many of these general points. Following the re-establishment of the Federal Government, Somalia enacted a PFM Act in 2019 and gradually built up a treasury single account and FMIS at the federal level[25]. These efforts, supported by the World Bank and IMF, led to improvements such as the publication of the federal government’s audited financial statements and increased

domestic revenue collection (albeit from a very low base)[25]. Nevertheless, gaps remain pronounced: intergovernmental fiscal arrangements between the center and states are only partially resolved, and sub-national entities like the BRA have lagged behind in PFM capacity[28]. The BRA, until recently, lacked most elements of the federal PFM reforms – it did not have a PFM law, used rudimentary software (“Tabarak”) for finances, and had not produced audited accounts[5]. This case study of BRA’s reform provides insight into how a sub-national government in a fragile state can catch up to national reforms, given sufficient support.

In summary, the literature suggests that while fragile/post-conflict environments pose severe obstacles to PFM reform, progress is achievable through focused interventions. Key lessons include: prioritize basic budget execution and financial control systems early on[18]; leverage external aid and conditionalities to incentivize reforms[31]; invest in capacity building and adapt reforms to context; and link PFM improvements to broader goals like service delivery and accountability to sustain political support[32]. The following sections will examine how these themes play out in the BRA’s experience between 2023 and 2025, bridging the gap between theory and practice in a real-world fragile setting.

## Methodology

This research adopts a case study methodology to examine the evolution of PFM systems in the Banadir Regional Administration. The study is primarily qualitative, drawing on both primary and secondary data sources, and is organized in two phases corresponding to the initial assessment and the subsequent reform implementation period.

**Initial Assessment (Baseline Study):** The baseline PFM assessment of BRA was conducted in 2023 by an external team (IPF Somalia) in collaboration with BRA officials[33]. The assessment followed the *Public Expenditure and Financial Accountability (PEFA)* framework, an internationally recognized tool for evaluating PFM performance across multiple indicators. A standard PEFA scoring methodology was employed, wherein each relevant indicator and sub-dimension was scored on a four-point ordinal scale (A, B, C, D – with ‘A’ indicating robust performance and ‘D’ indicating major weaknesses)[34]. Data collection for the assessment involved a review of BRA’s legal documents (laws, regulations – where existent), budget documents, financial reports (if any), and administrative records, as well as interviews with key personnel in BRA’s finance, budget, revenue, and procurement departments. Given the paucity of formal documentation in many areas, the assessment team placed emphasis on verifying practices through on-site observations and discussions with staff. A quality assurance process, including validation of findings with BRA leadership, was undertaken to ensure accuracy[35]. The output of this phase was a detailed diagnostic report highlighting scores for each PFM area and qualitative observations (strengths and weaknesses)[36].

**Reform Tracking and Follow-Up (Progress Analysis):** For the period 2023–2025, the study relies on a combination of document review and comparative analysis. Key documents include the “BRA PFM Support – Status Report” (an internal report dated April 13, 2025) which outlines activities and achievements related to PFM reforms[37], and a PFM reform presentation delivered in 2025 (often referred to as the Muungaab presentation) that highlights major accomplishments and milestones[38]. These internal sources provide a narrative of reforms implemented, such as new policies introduced, systems developed, reports produced, and conditions met for donor support. The study also utilizes donor reports and conditions documentation for programs involving BRA – notably the World Bank Development Policy Operation (budget support) and the European Union budget support initiative – to identify specific benchmarks tied to BRA’s PFM performance[10]. Where available, the BRA’s own self-assessment of PEFA indicators (conducted in late 2024 for an Inter-Governmental Fiscal Forum) is used to gauge improvements in indicator scores[39].

The analysis phase involves a **comparative approach**: the baseline (2023) condition of each PFM area is compared to its status in 2025, to ascertain changes. This includes a “before-and-after” comparison of PEFA scores for key indicators where sufficient data exists. In cases where a formal rescoring was not done in 2025, the study assesses progress qualitatively (e.g., if a dimension was scored “D” in 2023 due to absence of a practice, and by 2025 that practice exists, an improved score is inferred). Additionally, the fulfillment of donor *prior actions/conditions* is tracked: for each major condition tied to funding (such as preparing an audited financial statement, or approving a budget on time), the study notes whether it was met, based on the status reports[40].

**Scope and Limitations:** The scope of this research is confined to the BRA’s PFM systems and does not extensively cover other aspects of public administration (e.g., general civil service or sectoral service delivery). One limitation is that much of the 2025 performance information is drawn from internal reports and self-assessments, which may have an optimism bias. There was no full external PEFA assessment repeated by 2025; thus, improvements are sometimes noted without an official rescoring. However, the triangulation of multiple sources – the status report, presentation, and evidence of donor disbursements – lends credibility to reported progress. Another limitation is that quantitative outcomes (such as budget credibility ratios or revenue increases) are not abundantly available; the analysis is therefore more qualitative in nature. Despite these limitations, the combination of an initial rigorous assessment and follow-up documentation provides a solid basis to evaluate reform trajectory.

Finally, to situate BRA’s experience in a broader context, the study references comparative insights from literature on PFM in fragile states (as reviewed earlier). This enriches the analysis by allowing reflections on generalizability and unique factors in the BRA case. Overall, the methodological approach is suitable for capturing the depth of one case’s evolution over time, offering lessons that may inform both Somalia’s ongoing reforms and other post-conflict settings undertaking similar PFM strengthening efforts.

## Results: Baseline PFM Assessment of BRA (2023)

The 2023 PFM Assessment of the Banadir Regional Administration revealed a PFM environment in its infancy, with fundamental components either absent or not functioning effectively. Table 1 summarizes the key assessment areas and scores from the baseline study, along with highlights of the diagnostic observations. All assessed areas were rated “D” – the lowest score on the PEFA scale – indicating that BRA’s practices were far below international standards in each category.

**Table 1. BRA PFM Assessment 2023 – Summary of Scores and Key Weaknesses**

PFM Area	Assessment	2023 Score (PEFA)	Key Weaknesses Identified (2023)
<b>Legal &amp; Regulatory Framework</b>		D	No dedicated PFM law or financial regulations in place; absence of formal budget policy or procedures[5].
<b>Organizational Structure &amp; Staffing</b>		D	Fragmented responsibilities (e.g. unclear distinction between Accountant General and Treasury roles); insufficient skilled staff in finance roles[43].
<b>Public Financial Management Systems</b>		D	No functional Financial Management Information System (FMIS) aligned with federal systems; reliance on a rudimentary software (“Tabarak”) that cannot generate reports[45]; no data backup policy, exposing risk of data loss[47].
<b>Budget Development</b>		D	No formal budget law, guidelines, or calendar; budgets prepared without standard economic classification or chart of accounts; annual budget lacks details on district-level plans; budget not published for public or donor access[42].
<b>Budget Execution &amp; Control</b>		D	Weak execution discipline – spending often diverges from the approved budget; no consolidated budget vs actual reports prepared; no commitment controls or cash forecasting, leading to frequent over-spending on line items[49].
<b>Procurement and Asset Management</b>		D	No public procurement committee or competitive bidding process for expenditures; no asset management policy or updated asset register to safeguard assets.
<b>Revenue Management</b>		D	Absence of revenue laws or regulations; revenue collection is fragmented and not well accounted (main revenues from port and airport are off-

		budget or undocumented); no system to track different revenue streams.
<b>Human Resources (PFM Staffing)</b>	D	Acute capacity gaps – lack of trained PFM personnel and technical advisors; BRA has had minimal involvement in national PFM/DRM training initiatives[44].
<b>Financial Reporting and Accounting</b>	D	No regular financial reports produced for internal or external use; annual financial statements not prepared at all; in-year (monthly/quarterly) reports, if compiled, are for internal use only and not shared with federal authorities or the public. Bank reconciliations are inconsistent and unreviewed. The existing software cannot produce needed reports, so data are manually managed in Excel, with high risk of error.
<b>Internal Audit</b>	D	Internal audit function is essentially non-existent – no internal audit reports or active unit; no internal audit charter or procedures in place.
<b>External Audit</b>	D	No external audits of BRA’s financial statements have ever been conducted; BRA falls outside the audit scope of Somalia’s federal Auditor-General and had no alternate arrangement.
<b>Intergovernmental Fiscal Relations</b>	D (implicit)	(Not a formal PEFA category, but noted as a critical issue) Lack of a predictable formula or transparent process for fiscal transfers from the Federal Government to BRA; transfers (e.g. shares of national revenue or donor funds) are ad-hoc, not communicated in advance, and often delayed[60]. This impairs BRA’s budget planning and execution.

Sources: BRA PFM Assessment Report (2023)[5], summarized by author.

The above results paint a stark picture of the BRA’s PFM baseline. Essentially, in 2023 BRA was operating without the institutional underpinnings common even in many low-income countries. For instance, the absence of an official budget law or financial regulations meant that budgeting and accounting practices had no legal guidance or consistency[42]. The budget process lacked a calendar or unified classification, leading to **informal and reactive budget formulation** – a practice prone to omission of local priorities and non-transparency. Budget execution was similarly uncontrolled: over-spending on certain lines and diversion of funds were observed, symptomatic of missing commitment controls and cash management[62]. It was noted that BRA did not produce any comprehensive *budget execution reports* comparing actual spending to the budget, undermining expenditure accountability.

One of the most critical weaknesses was in **financial reporting and audit**. BRA had never produced an annual financial statement nor undergone an external audit in its history[30]. This gap not only violates basic PFM principles but also made it difficult for stakeholders (including the federal government and donors) to gauge how BRA's funds were used. The assessment also highlighted that internal reporting was done manually in Excel and only for internal purposes, since the software in use was incapable of generating reports. Staff responsible for finance had no training in international accounting standards, indicating a knowledge gap as well. The lack of bank reconciliations and oversight further pointed to vulnerabilities in cash management and the potential for undetected discrepancies.

Weaknesses in **revenue management** were another significant finding. BRA's domestic revenue (around \$40 million annually at the time) came largely from Mogadishu port and airport fees and a share of customs. Yet, because there were no updated revenue laws or integrated systems, much of this revenue was not fully accounted for within BRA's budget – some was collected and spent off-budget by various units. The fragmentation of revenue collection responsibilities and lack of a clear legal framework impeded efforts to mobilize more revenue or ensure that existing revenues were transparently managed. The assessment underscored an “urgent need to reform and mobilize more domestic resources” and to harmonize with national efforts on revenue-sharing.

The institutional and capacity dimension was also problematic. BRA's Finance Department had an inadequate organizational structure; for example, roles like the Accountant General versus the Treasury were overlapping or unclear[43]. This was compounded by a shortage of skilled staff – a problem common in post-conflict administrations, where decades of instability have led to human capital flight and limited training opportunities. BRA had not been effectively connected to capacity-building programs run in Somalia (such as those supported by donors for PFM and Domestic Revenue Mobilization), leading to isolation from reforms happening at the federal level[44].

Finally, **intergovernmental fiscal relations** issues, while outside the formal PEFA scoring, were noted as a contextual challenge. BRA did receive some transfers from the federal government (including shares of donor grants or national revenue), but these were irregular and not governed by any transparent formula. The federal government's communication of transfer amounts and timing to BRA was poor, often leaving BRA uncertain about resources during its budget planning. This uncertainty undermined fiscal stability and made BRA highly dependent on ad-hoc decisions from the center. It highlighted the need for a more predictable fiscal federalism framework – an issue beyond BRA's sole control but crucial for its financial sustainability.

In summary, the 2023 baseline assessment depicted BRA's PFM system as one needing comprehensive reform. Virtually every building block of a sound PFM system was either missing or deficient. These results provided a roadmap for reform, as the assessment report concluded with a set of recommendations targeting each weakness (e.g. drafting a PFM Act, establishing an internal audit unit, adopting a standardized FMIS, etc.). The

next section examines how BRA addressed these challenges through reforms implemented in 2023–2025, and the extent of progress achieved in each area.

## Progress Since Initial Assessment (2023–2025)

Since the 2023 assessment, the Banadir Regional Administration has undertaken a series of reforms aimed at addressing the deficiencies identified. By April 2025, BRA – with support from national authorities and international partners – has made **significant strides in building its PFM systems**. This section outlines the major improvements across various PFM areas, linking them to the weaknesses noted in 2023. Table 2 provides a high-level before-and-after snapshot of key reforms and their impact on BRA’s PFM status.

**Table 2. Key PFM Reforms in BRA: 2023 Baseline vs. 2025 Status**

PFM Area	2023 Baseline (Score D)	2025 Status and Reforms Achieved
<b>Legal Framework &amp; Policies</b>	No PFM law or regulations; no budget or tax policy <sup>[5]</sup> .	<b>PFM and Procurement Policies approved</b> (frameworks to guide budgeting, accounting, and procurement); Drafting of a comprehensive PFM Act underway (with technical assistance), though not yet enacted (as of 2025).
<b>Budgeting (Preparation &amp; Approval)</b>	No budget calendar or unified classification; budgets not detailed or published.	<b>Unified Chart of Accounts implemented</b> aligning with federal standards; <b>Budget Preparation Manual introduced</b> and annual budget process standardized for 2024 onward. The <b>BRA 2025 budget</b> was formulated with technical assistance and approved on time (by Dec 2024), fulfilling a key reform benchmark. A <b>Budget Calendar</b> is now followed, and the <b>approved budget is published</b> , including a <b>Citizen’s Budget</b> summary to enhance transparency.
<b>Budget Execution &amp; Controls</b>	No commitment control; frequent over-spending; no in-year budget execution reports.	<b>Commitment controls and cash management procedures introduced</b> – BRA’s Treasury now issues monthly cash forecasts and prohibits spending without available funds (with oversight from the finance department). <b>Monthly Budget Execution Reports</b> are prepared, allowing comparison of actual spending to budget by

		department. This has improved expenditure discipline, with reports indicating reduced instances of over-expenditure by 2024.
<b>Financial Management System (FMIS)</b>	Outdated “Tabarak” system only captured revenue and could not produce reports; no data backup.	<b>Interim financial software enhancements</b> were made to Tabarak (ensuring data export for reporting), and parallel use of Excel continues for reporting. A plan to adopt the federal government’s FMIS or a new system is in motion (discussions in the Intergovernmental Fiscal Forum). Meanwhile, BRA established <b>regular data backups</b> and an IT support protocol to avoid data loss (a marked improvement in ICT controls).
<b>Financial Reporting (In-year and Annual)</b>	No formal financial statements; no public financial reports; internal reports ad-hoc and not standardized.	<b>Monthly and quarterly financial reports</b> are now systematically prepared and submitted to the BRA leadership and shared with the Ministry of Finance at the federal level. Critically, BRA completed its <b>first ever Annual Financial Statements for 2023</b> , using the cash-basis IPSAS format as a guide. These 2023 financial statements were finalized and then subjected to external audit in 2024. Preparation of the 2024 annual financial statements is underway as of early 2025.
<b>External Audit</b>	No external audit of BRA accounts historically.	<b>External audit initiated:</b> The Office of the Federal Auditor General (with support from IPF) conducted an audit of BRA’s 2023 financial statements – <b>the first external audit in BRA’s history</b> . This audit was completed in early 2025, providing an independent review of BRA’s finances and meeting a donor requirement for transparency. Plans are in place for annual audits henceforth, with the 2024 audit anticipated once that year’s statements are ready.
<b>Procurement and Asset Management</b>	No procurement committee; no	<b>Procurement framework established:</b> BRA developed and

	formal procurement process; no asset register.	adopted a <b>Procurement Policy</b> (with IPF support), establishing guidelines for competitive bidding and vendor selection. A <b>Procurement Committee</b> is now in operation to review tenders above a threshold. An <b>Asset Register</b> has been created and initial asset inventory completed in 2024, though work continues to update it. These steps address critical gaps in safeguarding assets and ensuring value-for-money in procurement.
<b>Revenue Management</b>	Fragmented revenue collection; no revenue law; major revenues off-budget.	<b>Revenue reforms initiated:</b> BRA has drafted a <b>Revenue Act/regulation</b> (pending approval) to formalize revenue collection processes and integrate various sources. In practice, by 2024 BRA started centralizing collection of key revenues (e.g., municipal fees, market dues) into the Treasury Single Account at the Central Bank. Coordination with the federal customs authority improved, so BRA's share of port and airport revenues are more systematically transferred and recorded in BRA's budget (though still not fully predictable). Early signs of improved revenue performance were noted – e.g., BRA's own-source revenues in Jan–Mar 2025 showed an uptick compared to the previous year, attributed to better enforcement and new taxpayer registrations (BRA, 2025 status report).
<b>Human Resources &amp; Capacity</b>	Inadequate PFM staffing; few trained professionals; reliance on outdated skills[43].	<b>Capacity building:</b> A BRA Employee Capacity Assessment was completed in 2023 to identify skills gaps. Based on this, extensive <b>training and mentoring programs</b> have been conducted. Ongoing technical assistance (TA) placements provided on-the-job training in budgeting, treasury operations, revenue administration, procurement, and HR management. By 2025, BRA finance staff have benefited from workshops on

		<p>budget preparation, use of Excel for financial reporting, and fundamentals of internal audit. BRA also participated in intergovernmental PFM knowledge exchanges (e.g., sending staff to trainings in Nairobi and attending FGS–FMS Treasury directors’ meetings)[13]. While capacity remains a challenge, there is a noticeable improvement in staff competency and confidence, as evidenced by their ability to prepare the 2025 budget and financial reports largely in-house (with minimal external help).</p>
<b>Internal Audit</b>	<p>No internal audit function or reports; no policy.</p>	<p><b>Nascent internal audit function:</b> In late 2024, BRA established an <b>Internal Audit Unit</b> within the Finance Department. An <b>Internal Audit Charter and policy</b> were developed (drawing from federal templates) and an interim internal auditor was appointed. By early 2025, this unit has begun pilot internal audits focusing on payroll controls and cash handling in a few departments. While it is not yet fully effective, the mere existence of an internal audit process is a step up from 2023, and plans are in place to staff and train this unit further.</p>
<b>Transparency &amp; Public Engagement</b>	<p>No budget or reports published; public uninformed of BRA finances.</p>	<p><b>Transparency measures:</b> BRA launched a <b>Fiscal Transparency Initiative</b>. A simplified <b>Citizen’s Budget</b> for 2024, 2025 and 2026 was conducted and published, explaining the budget in Somali and English for the general public. Furthermore, a <b>BRA fiscal information website</b> is under construction (nearing completion as of Oct 2025) to serve as a portal for budgets, execution reports, and audited financial statements. Town-hall meetings were also piloted during the 2025 budget cycle to involve community representatives in budget discussions. These efforts substantially improve public access to fiscal</p>

		information, addressing one of the major concerns from the 2023 assessment regarding transparency.
<b>Intergovernmental Fiscal Relations</b>	Unpredictable, ad-hoc transfers from FGS; lack of coordination harming budget planning.	<b>Improved intergovernmental coordination:</b> BRA has become an active participant in Somalia’s Inter-Governmental Fiscal Forums. In 2024, BRA was included in the <b>Intergovernmental Fiscal Transfers (IGFT) pilot scheme</b> , which aimed to formalize how the federal government provides grants to states and BRA. As a result, BRA received a <b>formula-based grant</b> for the first time in late 2024 (albeit modest), improving predictability[41]. BRA also completed a self-assessment of PEFA performance as input to federal-state negotiations on fiscal federalism[39]. The communication channels between the Ministry of Finance (FGS) and BRA have improved, with BRA now receiving indications of expected transfers during its budget preparation – a significant change from the information blackout of previous years. BRA’s leadership also signed agreements in the National Consultative Council (NCC) meetings in 2024 to solidify its status and rights as a federal member unit.

Sources: BRA PFM Support Status Report (Apr 2025); IPF/BRA PFM Reform Presentation (2025).

As shown above, the reforms in 2023–2025 have touched on all the major weaknesses identified in the baseline. Some of the most noteworthy achievements include:

- **Budget Formulation and Approval:** BRA’s budget process has been overhauled. The introduction of a unified Chart of Accounts and a Budget Preparation Manual meant that for the first time the 2024 budget was prepared using standard classifications (aligning with the federal government’s fiscal framework). The timeline of budget preparation was regularized, enabling the BRA to **approve the 2025 budget before the start of the fiscal year**, which was a performance condition set by the World Bank for disbursing budget support. This timely approval, coupled with efforts to include citizen input (via the citizen’s budget), marked a dramatic improvement in both **credibility and inclusiveness** of the

budget process compared to 2023. Previously, budgets were not even published; now they are available to the public and development partners, enhancing transparency.

- **Financial Reporting and External Audit:** The preparation of the 2023 annual financial statements and their subsequent audit is arguably the most groundbreaking reform. Coming from a history of zero financial statements, BRA moved to producing a full-year report of revenue and expenditure, which was then audited by external authorities. The **audit of BRA's 2023 accounts** (conducted in late 2024) is a milestone because it provides accountability for funds used and establishes a baseline of trust in BRA's financial data. It also fulfilled a key condition for donor funding – for instance, the EU and World Bank had stipulated that BRA must produce audited financial reports to continue receiving budget support[40]. The audit report (summarized in the status update) gave recommendations which BRA can use to further improve controls. Additionally, BRA's commitment to produce the 2024 statements on schedule (with audit to follow) indicates an institutionalization of annual reporting. This is expected to greatly improve BRA's **PEFA performance in accounting and auditing** dimensions, which were “D” in 2023, as now the practice of annual reporting and auditing exists.
- **Procurement Reform:** Establishing a procurement policy and committee directly addresses the chaotic procurement practices noted in 2023. With these in place, BRA in 2024–25 started conducting competitive tenders for major contracts (e.g., for city infrastructure works and cleaning services), where previously contracts may have been single-sourced or informally arranged. The asset register, though basic, is a first step to manage and safeguard public assets, aiming to prevent loss or misuse of government property. Over time, these procurement reforms are expected to improve efficiency of spending and reduce corruption risks, which is critical for donor and public confidence.
- **Revenue and Intergovernmental Finance:** On the revenue front, while a full legislative reform is pending, BRA has made practical improvements. More revenues are coming on-budget – for example, certain fees that used to be retained by districts or agencies are now remitted to the central BRA treasury and reflected in the budget execution reports. The participation of BRA in national fiscal forums has also yielded benefits: BRA secured a *one-time increase* in its share of Mogadishu port revenues during 2024 negotiations, and received a fixed transfer of \$640,000 from the federal government (which corresponded to an EU budget support grant earmarked for BRA)[41]. These developments partially alleviate the unpredictability previously experienced, though BRA still advocates for a formal revenue-sharing formula to be codified.
- **Transparency and Public Engagement:** The shift from zero public information to publishing citizen budgets and building a fiscal website is a substantial change in the transparency culture. By demystifying the budget (through citizen-friendly summaries) and proactively disclosing fiscal data, BRA is aligning with good

practices in PFM that encourage public oversight and feedback. This was also a response to donor expectations – transparency is often a benchmark for budget support – and BRA’s actions in this area likely contributed to meeting those benchmarks[10]. Internally, greater transparency has reportedly improved morale and trust, as even government officials can more easily see how funds are allocated and used.

- **Capacity and Institutionalization:** A less tangible but crucial aspect of progress is the human and institutional capacity built. Continuous on-site technical assistance (through IPF advisors embedded in BRA) provided day-to-day support, which not only got tasks done (like preparing reports) but also transferred knowledge to BRA staff. This has started to address the gap identified in 2023 where staff lacked exposure to modern PFM practices. BRA’s inclusion in training programs and national meetings (e.g., the FGS/FMS Treasury Directors meeting in Dhusamareb) helped integrate its officials into the wider PFM reform community in Somalia. Over 2023–2025, BRA staff have gained experience in using templates for budget and reports, reconciling accounts, and complying with donor requirements – skills that are essential for sustaining reforms after external support diminishes.

In sum, the period since the initial assessment has been one of intensive reform activity for the BRA. Not every challenge is fully resolved – for example, the PFM legal framework is not yet codified in law, the FMIS is still a patchwork solution, and revenue flows remain somewhat volatile. Nonetheless, compared to 2023, BRA’s PFM system in 2025 is far more functional: budgets are prepared and executed with some level of control, accounts are produced and audited, and information is shared with stakeholders. The next section will specifically compare quantitative and qualitative indicators from the PEFA framework and donor benchmark criteria, to quantify how much progress has been made and in what areas, providing a clearer “before vs. after” analysis.

## Comparative Analysis of PEFA Indicators and Donor Benchmarks

To evaluate BRA’s PFM progress in a structured way, this section compares key **PEFA performance indicators** from the 2023 baseline with the situation in 2025, and assesses the fulfillment of major **donor-imposed benchmarks** tied to PFM reforms. This comparative lens helps translate the narrative of reforms into measurable changes and compliance outcomes.

### PEFA Indicators: Before and After

The PEFA framework used in 2023 covered a range of indicators; here we highlight a subset that had direct relevance to BRA’s reform actions and where changes can be observed by 2025. Table 3 presents a comparison for selected indicators, showing the 2023 score and an estimated 2025 score (where “est.” indicates an unofficial, inferred score based on available evidence). Each indicator is briefly discussed below the table.

**Table 3. Selected PEFA Indicator Scores – 2023 Baseline vs. 2025 Progress**

PEFA Indicator (simplified)	2023 Score	2025 Score (est.)	Remarks on Progress (2025)
<b>Budget Reliability</b> (aggregate expenditure outturn vs. original budget)	D	C	In 2023, BRA had no data on budget outturns (no reports). By 2025, BRA produced budget execution reports and showed improved discipline; while some variance remains, aggregate expenditure in 2024 was much closer to budgeted amounts (within ~15%), suggesting a likely improvement to <b>C</b> .
<b>Transparency of Public Finances</b> (public access to key fiscal documents)	D	B	2023: No standard budgets, reports, or audits were published. 2025: Approved budgets (including a citizen's version), quarterly execution reports, and the audited financial statement for 2023 are available to the public (via website or press releases)[10]. This fulfills 3-4 out of 6 basic information criteria, warranting an improved score (approx. B).
<b>Budget Classification</b> (use of international standard classification)	D	B	2023: No standardized classification; no GFS/COA alignment. 2025: BRA adopted the national Chart of Accounts aligned with GFS/COFOG standards for budgeting and accounting. All budget lines in 2025 budget are classified by economic and functional categories. This meets PEFA requirements for a robust classification (score likely rises to B or A).
<b>Policy-Based Budgeting</b> (existence of budget calendar and process)	D	C	2023: No budget calendar or ceilings; arbitrary process. 2025: BRA instituted a budget calendar with clear steps and timelines (supported by a budget manual) and adhered to it in the 2025 cycle, albeit with some delays in initial circular issuance. A score of C is plausible (basic process in place, though not yet fully mature).
<b>Predictability in Transfers</b> (predictability of inter-governmental fiscal transfers)	D	D+	2023: Transfers from FGS were ad-hoc and unpredictable. 2025: Some improvement – BRA now receives indications of transfers, and a small formula-based grant was introduced, but the system is not fully stable. This might improve to D+ (partial progress: at least one element of

			predictability achieved, but not comprehensive).
<b>Financial Data Integrity</b> (bank reconciliation and data integrity processes)	D	C	2023: No regular bank reconciliations; discrepancies unchecked. 2025: BRA performs monthly bank reconciliations for main accounts, and these are reviewed by the Finance Director (though with some lag). Also, a data backup system was implemented[47]. This would raise the score to at least C (reconciliations done, albeit with some issues).
<b>In-year Budget Reports</b> (quality and timeliness of budget execution reports)	D	B	2023: No in-year reports produced for external or internal oversight[49]. 2025: Monthly reports and a consolidated quarterly budget execution report are prepared within a month of period-end and shared with FGS. While some issues in accuracy persist, the regular reporting represents a major leap, likely meeting PEFA criteria for score B (reports cover expenditure and revenue, with minor omissions).
<b>Annual Financial Statements</b> (completeness, timeliness, and accounting standards)	D	C	2023: No annual financial statements at all. 2025: Annual Financial Statement for 2023 prepared (cash basis) and submitted for audit in mid-2024. The statement includes revenue, expenditure, and cash balances, though not yet fully IPSAS-compliant. It was produced within 6 months of year-end. Score C is justified (basic statements now produced, albeit using cash basis and with some disclosures missing).
<b>External Audit</b> (timeliness and coverage of audits)	D	C	2023: No audit performed on BRA's finances[30]. 2025: The 2023 financial statement was audited (with a management letter issued) and audit findings were submitted to BRA leadership in early 2025. However, audit is still nascent (covering one year, and follow-up on findings is in progress). This initial audit indicates a move to score C (audits cover at least revenue and expenditure of the main budget entities, albeit falling short of full regular cycle).
<b>Legislative Scrutiny of Budget and Audit</b>	D	C	2023: Mogadishu municipal council had limited involvement in budget approval and

(existence of council review processes)			no audit reports to review. 2025: The BRA council formally approved the 2025 budget (with committee discussions), and was presented with the 2023 audit report for information. While legislative oversight is still developing (the council’s capacities are low), there is at least a formal process now. Score may rise to C for budget scrutiny (budget approved with some debate) and remain D for audit scrutiny if the council did not yet act on audit findings.
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*Note: 2025 scores are estimated by the author based on documented changes; an official PEFA reassessment is pending.*

Overall, the comparison above indicates broad-based improvements. In 2023, BRA essentially had “D” across the board, reflecting the absence of most PFM practices. By 2025, many indicators would likely be scored in the “C” range, with a few possibly reaching “B”. This is a rapid transformation over a two-year period, albeit from a very low base. The improvements in **transparency** and **financial reporting** are particularly striking – going from no public information to meeting a majority of transparency criteria. The adoption of standard **budget classification** and regular **budget execution reports** also stand out as fundamental gains that will help decision-makers and donors track performance. Areas that remain weak (though slightly better) include intergovernmental transfer predictability and fully effective audit oversight – these are structural issues that often take longer to resolve, as they involve external actors (federal authorities and the city council, respectively).

It is important to note that sustaining these scores and moving to higher levels (B or A) will require continued effort. For example, to move from C to B or A in annual financial reporting, BRA would need to produce IPSAS-compliant statements and get them audited within a tighter timeframe, and similarly, truly predictable transfers would require a formal agreement or law on revenue-sharing. Nonetheless, the jump from D to C/B in many areas demonstrates that BRA has exited the “fragile PFM” stage and entered a more institutionalized phase of PFM operations.

**Donor Benchmarks and Grant Conditions Fulfillment**

BRA’s reform journey has been closely intertwined with external financing programs. In particular, the World Bank and European Union provided performance-based budget support that was contingent on certain PFM improvements being met. Table 4 below outlines the key conditions attached to these donor supports and assesses BRA’s status in fulfilling them:

**Table 4. Donor PFM-Related Conditions and BRA’s Fulfillment (2023–2025)**

Funding Partner & Program	Key PFM Condition/Benchmark	Fulfillment Status by 2025
<p><b>World Bank – Development Policy Operation (Budget Support)</b></p>	<p><i>Condition:</i> BRA to approve its annual budget for 2025 by the end of 2024, and to demonstrate <b>citizen engagement</b> in the budget process (e.g., publish a Citizens’ Budget). <i>Rationale:</i> Ensures a credible, timely budget and transparency.</p>	<p><b>Achieved.</b> The BRA 2025 Budget was approved by the BRA council in December 2024 (before the fiscal year began), satisfying timeliness. A Citizens’ Budget for 2025 was produced and disseminated in Somali and English, fulfilling the transparency and public participation aspect. The World Bank confirmed this prior action was met, leading to disbursement of the related budget support tranche in early 2025.</p>
<p><b>European Union – State-Building Contract (Budget Support)</b></p>	<p><i>Condition:</i> BRA to prepare a <b>consolidated annual financial statement for 2023</b> and have it <b>externally audited</b>, with the report made available to stakeholders. <i>Rationale:</i> Improve financial accountability and oversight at the sub-national level.</p>	<p><b>Achieved.</b> BRA’s 2023 financial statements were completed and submitted for external audit in mid-2024. The audit was concluded by the Office of Auditor General (Somalia) with support from IPF by the end of 2024. The audited statements were shared with the EU and presented publicly (notably, summarized in an accountability forum in Mogadishu). Consequently, the EU disbursed a budget support tranche of \$640,000 to BRA in September 2024 as a reward for meeting this benchmark[41].</p>
<p><b>World Bank – Performance-Based Condition (PBC) under Recurrent Cost &amp; Reform Financing</b></p>	<p><i>Condition:</i> BRA to conduct a <b>PEFA self-assessment and submit a scorecard</b> to the federal Ministry of Finance by 2024, to establish a performance baseline for Mogadishu. <i>Rationale:</i> Encourage adoption of international PFM benchmarks and integration of BRA in national PFM monitoring.</p>	<p><b>Achieved.</b> In 2024, BRA (with technical assistance) carried out a PEFA self-assessment covering key performance indicators and presented the findings at the Inter-Governmental Fiscal Relations technical meeting[39]. While not an external assessment, this self-assessment</p>

		was accepted by the Ministry and fed into policy discussions. Meeting this condition was linked to a disbursement under a World Bank financing to the federal government that supports state-level PFM improvements. BRA's compliance helped unlock funds that indirectly benefit BRA (through federal grants).
<b>Somalia Domestic Revenue Mobilization Program (FCDO-funded)</b>	<i>Benchmark:</i> BRA to increase its own-source revenue collection by at least 10% in 2024 compared to 2022, through improved fee collection and taxpayer registration (soft target, not strict conditionality).	<b>Partially Achieved.</b> Preliminary data for 2024 indicated BRA's own-source revenues grew from roughly \$40 million to \$44 million (an ~10% increase). This was aided by better enforcement and possibly economic recovery. While not a formal conditionality that triggers funding, this performance is in line with the program's goals. BRA's progress in revenue was acknowledged in donor forums, raising confidence in its commitment to sustainability.
<b>General (Multiple Donors) – Cross-cutting PFM benchmarks</b>	<ul style="list-style-type: none"> <li>- Implement a <b>procurement framework</b> for competitive bidding in BRA.</li> <li>- Establish a basic <b>internal audit function</b> in BRA.</li> <li>- Launch a <b>fiscal transparency portal</b> or mechanism for BRA budgets and reports.</li> </ul>	<b>Achieved/Ongoing.</b> By 2025, BRA had adopted procurement guidelines and was conducting competitive tenders (World Bank noted this in supervision reports). An internal audit unit was created (as described, first audits started) fulfilling a key IMF/EU recommendation. The fiscal transparency website is in final stages[85]; in the interim, BRA used press releases and the FGS website to publish documents. These actions collectively satisfied the broader reform expectations of donors, even if not each was tied to a specific disbursement.

Sources: BRA PFM Support Status Report (2025); IPF/BRA Presentation 2025; World Bank and EU program documents (author's summary).

The donor conditions analysis shows that BRA was largely successful in meeting the PFM-related triggers attached to external support. This success directly translated into financial inflows: for instance, the **World Bank** released around \$4.88 million in November 2024 to the Federal Government earmarked for BRA (as part of a broader budget support operation) after verifying that BRA's 2025 budget was timely and transparent[41]. Similarly, the **EU's** disbursement of \$640,000 in late 2024 was explicitly tied to the production of an audited financial statement[41]. BRA's ability to secure these funds underscores a virtuous cycle often theorized in PFM reform: improved financial management leads to greater donor confidence and resources, which in turn can fund further improvements.

It is also evident that the **setting of clear, tangible targets** (like “produce an audited statement” or “publish a citizen budget”) provided focus for BRA's reform efforts. The alignment of BRA's reform actions with these targets (as shown in the tables above) was not coincidental – technical advisors and BRA officials actively used the list of donor conditions as a workplan checklist. This ensured that scarce resources and time were directed toward achieving those measures that would unlock critical funding. The downside is that some reforms not directly tied to conditions (for example, perhaps deeper investments in FMIS or a comprehensive human resource overhaul) might receive less attention initially. However, BRA's approach appears to have been pragmatic in prioritizing what yielded both governance gains and financial rewards in the short term.

In conclusion, the comparative analysis confirms substantial progress in BRA's PFM performance from 2023 to 2025. PEFA indicator improvements reflect the strengthening of processes and outputs (budgets, reports, audits), while the fulfillment of donor benchmarks demonstrates that BRA's reforms have been concrete enough to satisfy external evaluators. This dual perspective – internal performance metrics and external compliance – provides a holistic picture: BRA is not only internally more capable and transparent than before, but it is also increasingly recognized by Somalia's federal government and international partners as a credible sub-national entity worthy of investment. The following discussion will delve into the implications of these changes, exploring how they have impacted the BRA and what challenges and opportunities lie ahead.

## Discussion

The case of the Banadir Regional Administration's PFM reforms between 2023 and 2025 offers several insights into the dynamics of public sector improvement in a fragile, post-conflict context. The discussion below synthesizes these insights, relating them to broader themes in PFM reform literature and considering the implications for sustainability and state-building in Somalia.

**1. From Fundamentals to Functionality:** BRA's journey underscores the importance of establishing **basic PFM fundamentals** before expecting higher-level outcomes. In 2023, BRA's PFM system was missing nearly all fundamentals – legal framework, processes, reports, oversight – essentially a blank slate. The reforms targeted these fundamentals:

getting budgets done on time, records kept, reports out, and audits conducted. This mirrors lessons from other post-conflict contexts where “getting the basics right” in budget execution and financial control is often the first significant milestone[18]. By 2025, BRA had indeed moved from a vacuum of rules to a functioning set of procedures (even if many are still rudimentary). The immediate effect of this is improved **fiscal discipline and transparency** – for instance, having monthly reports and bank reconciliations helped catch and correct overspending issues, and publishing budgets improved external scrutiny. The literature (e.g., World Bank 2012 study) suggests that such gains in budget execution and transparency can be achieved relatively quickly even in low-capacity settings, a point strongly illustrated by BRA’s rapid improvement from all “D” scores to mostly “C” within two years.

**2. Role of External Incentives and Support:** BRA’s progress would likely not have been as rapid without the intensive external support and the carrot-and-stick of donor conditions. The World Bank and EU budget support programs essentially created a **performance contract** – if BRA delivers on specific reforms, it gets funding and continued engagement. This external incentive mechanism was crucial in keeping the momentum. BRA’s leadership and reform team leveraged these conditions to argue for changes internally (for example, convincing political authorities to approve the budget on time by highlighting the associated \$5 million reward). This aligns with the observation by Piatti-Fünfkirchen & Gurazada (2022) that in many fragile states, budget support has shifted to become a leverage tool for policy reforms[21]. In BRA’s case, it appears to have worked as intended: policy actions were completed and funds were released, benefiting the region. However, there is an inherent risk noted in literature – if external pressure is the primary driver, reforms might not be deeply institutionalized and could stall once the carrot is gone. The challenge for BRA will be to convert what might have been *donor-driven compliance* into *genuine institutional habit*. Encouragingly, some signs of internal ownership are evident (e.g., BRA voluntarily continuing with the second year of financial statements in 2024, even after the immediate donor trigger in 2023 was met).

**3. Capacity Building and Change Management:** One of the less quantifiable but most important aspects of BRA’s reform has been the emphasis on **capacity building** and learning-by-doing. Given Somalia’s context – where formal training infrastructure is limited – the embedding of IPF advisors in BRA proved effective for on-the-job skill transfer[68]. Staff who were unfamiliar with concepts like cash forecasting or variance analysis in 2023 gradually learned these by preparing actual reports and budgets in 2024 under guidance. By 2025, BRA officials were able to present their own PEFA self-assessment and articulate PFM progress in meetings, indicating a growing confidence and understanding. This reflects the broader lesson that while systems and processes can be imported, **people** must be developed alongside. BRA’s approach resonates with the idea of **iterative adaptation** in PFM reforms (Andrews et al., 2017) – rather than a big-bang overhaul, many small iterative improvements were made, each time learning and adjusting. For example, the first monthly reports likely had issues, but by continuously doing them, quality improved. The presence of a supportive political environment – notably the BRA Mayor and Finance Director endorsing reforms – was also key. Political buy-in allowed technical changes to take root, illustrating the oft-cited maxim that PFM reform is *20% technical and 80% political*. In Mogadishu’s case, a reformist leadership

used the promise of improved services and donor funds to justify the internal changes, framing PFM reform as essential for the city's recovery.

**4. Intergovernmental Context – Federalism and Autonomy:** BRA's PFM reforms did not happen in isolation; they are intertwined with Somalia's evolving federal structure. The initial assessment highlighted how BRA's finances were hampered by ad-hoc federal transfers. By 2025, BRA's stronger financial management ironically makes it a **better partner in intergovernmental fiscal relations** – it can produce data, negotiate with evidence, and absorb funds accountably. For instance, BRA's ability to produce an audited statement gave the federal Ministry of Finance more confidence to include BRA in transfer programs. This illustrates a feedback loop: improved PFM capacity at the sub-national level can strengthen the case for more fiscal decentralization, because the central government sees lower fiduciary risk in channeling funds. It also underscores a broader state-building point: true federalism in Somalia requires equipping the states (and BRA) with the capacity to manage funds – otherwise, the center will be reluctant to share resources. BRA is somewhat unique as the capital city authority; its success could serve as a model for other Federal Member States which might not yet have undertaken such rigorous PFM reforms. That said, challenges remain: BRA still lacks a formal, institutionalized share of national revenue (no permanent law on what it gets). If the political climate changes or if federal grants decline, BRA will need to rely more on its own revenue base. Sustaining PFM reforms in a resource-constrained scenario will be a test. However, if BRA continues to improve domestic revenue (as early signs show), that could offset potential vulnerabilities.

**5. Impact on Accountability and Service Delivery:** Ultimately, PFM reforms are a means to an end – better governance and service delivery. In BRA's case, by 2025 there are initial indications of positive impacts. The publication of budgets and spending reports allows **civil society and media in Mogadishu** to scrutinize municipal finances in ways not possible before. There have been radio discussions and town hall meetings about the city budget since the citizen's budget was released, reflecting a growing public dialogue on fiscal matters. This can enhance social accountability and pressure for results. Additionally, with better control of funds, BRA has reportedly been able to channel more resources to visible services like street lighting, waste collection, and road rehabilitation in 2024 (as anecdotal evidence from BRA's quarterly reports suggests a higher execution rate in public works). While our analysis did not focus on sectoral spending outcomes, it's reasonable to expect that a more efficient PFM system would reduce leakages and improve the reliability of funding for services. Over time, the residents of Mogadishu should experience tangible improvements if these financial reforms continue – for example, salaries of city workers paid on time, projects completed as budgeted, etc. This in turn can build citizen trust in local government, a critical ingredient for stabilization in a fragile state. As noted by ODI researchers, the link between PFM reforms and service delivery is complex but potentially reinforcing[32]. BRA's nascent experience could contribute to that evidence: for instance, did the cleaning of payroll records (an implicit reform under internal audit) help ensure only legitimate employees are paid, thereby freeing funds for other uses? Such questions are ripe for future evaluation.

**6. Sustainability and Next Steps:** A recurring theme in fragile-state PFM literature is the risk of reform gains backsliding once intense support is lifted (sometimes termed “capacity

substitution” risk). BRA’s reforms have so far been heavily supported by outside experts and tied to external programs. Sustainability will depend on **institutionalizing these practices** into the bureaucratic culture of BRA. Encouraging steps include the formal adoption of policies (which gives staff rules to follow) and the incremental buildup of in-house expertise. The planned PFM Act for BRA, once passed, would cement many reforms in a legal framework that outlives current personnel. Additionally, continuous training and perhaps twinning arrangements (e.g., a partnership with the federal Ministry or other municipalities) could help. The Somali diaspora might also be a resource – already, some of the IPF experts and BRA advisors are diaspora Somalis with experience in finance. Retaining such talent in the administration will be important. From a systems perspective, a modern FMIS is a gap that needs addressing; while BRA coped with Excel and partial software now, a more robust system (potentially an extension of the federal one) would provide longevity and reduce manual work. Donors are likely aware of this and may invest in FMIS once the softer capacities are in place (there’s often a sequence: get procedures right, then automate – BRA is nearing that point).

**7. Comparison with Other Cases:** In comparing BRA to other cases, a few unique points emerge. Unlike some sub-national reforms which occur in more stable countries (e.g., city of Kabul, Afghanistan’s PFM reforms, or South Sudan state-level reforms), BRA’s happened while basic security and political order were still challenges in Mogadishu. This highlights the remarkable resilience of institutions – even amid periodic security incidents, the financial offices continued their reform work. It also shows the importance of *islands of effectiveness*: BRA’s finance department, with external help, became a relatively functional enclave of administration in an otherwise volatile environment. This parallels experiences in, say, the DRC or Liberia, where ministries of finance often reformed faster than the rest of government, acting as spearheads for change. BRA’s progress, therefore, might influence other parts of its administration (like planning, or sector departments) to adopt similar discipline. Moreover, BRA’s coordination with the federal government could be a microcosm of how Somalia can handle center-periphery relations – through negotiated benchmarks and capacity support rather than top-down control.

In conclusion, BRA’s PFM reform experience affirms several academic and practical notions: external support catalyzes reform but must be coupled with local ownership; sequencing and focus on basics yield early wins; and PFM improvements can contribute to broader governance gains in fragile settings. It is a testament to what can be achieved in a short period when there is alignment of political will, technical assistance, and donor incentives towards clear goals. However, it also reminds us that PFM reform is not a one-off project but a continuous process – BRA’s gains, while significant, remain fragile if not followed through. The discussion points to the need for continued vigilance in maintaining the reforms and tackling remaining weaknesses (legal framework, IT systems, etc.). The final section provides concrete recommendations to help ensure that the progress made thus far not only endures but leads to further consolidation and benefits for the citizens of Mogadishu.

## Conclusion

The evolution of the Banadir Regional Administration's public financial management system from 2023 to 2025 demonstrates a remarkable turnaround in a challenging, fragile context. Starting from a baseline where BRA had virtually no formal PFM structures – characterized by the lowest possible PEFA scores and a lack of basic fiscal practices – the administration managed to implement core reforms that have fundamentally altered its financial governance landscape. Key achievements such as the timely preparation and publication of budgets, the institution of regular financial reporting, the conduct of the first external audit, and enhanced transparency mechanisms mark the transition of BRA's PFM from an informal, opaque setup to a nascent but functioning system aligned with recognized standards.

This transformation was driven by a combination of internal commitment and external reinforcement. BRA's leadership capitalized on the incentives provided by international partners, using them to push through reforms that might otherwise have faced inertia. The World Bank and EU conditions acted as both carrot and stick, but BRA's success in meeting them indicates a level of dedication and capability that merits recognition. In essence, BRA showcased that even in a post-conflict city government, with limited resources and capacity, it is possible to achieve **substantial PFM improvements in a short period** – improvements that many would have thought overly optimistic given the starting point.

The case also highlights the interconnected nature of PFM reforms: improvements in one area (like reporting) reinforced progress in others (like budgeting and audit). As BRA began to generate reliable financial data, it could make better-informed budget decisions and engage in evidence-based discussions with federal authorities. As transparency increased, so did stakeholder confidence, unlocking more support. This virtuous cycle is an encouraging sign that the reforms have set BRA on a self-reinforcing path. Importantly, these changes have laid a foundation for better service delivery and accountability. Citizens and council members now have access to information on BRA's finances; over time this can translate into greater demand for effective use of resources, which is the ultimate goal of PFM – to ensure public funds are used to improve public welfare.

However, it is equally clear that BRA's PFM reform journey is not complete. The progress to date should be consolidated and expanded. The gains are still fragile – for example, institutional knowledge could be lost if key staff leave, or practices could lapse without continued oversight. BRA still operates without a formal PFM law and with interim systems that need upgrade. The sustainability of reforms will depend on deepening the institutionalization of the new practices and continuing to build local capacity. The momentum of 2023–2025 provides an excellent springboard for the next phase of reforms, which can focus on fine-tuning and integrating these improvements into the broader governance fabric of Somalia.

In conclusion, the BRA PFM reform experience offers a hopeful narrative from a fragile state environment: that with concerted effort, appropriate support, and a focus on foundational aspects, even the most challenged institutions can move towards better governance. It serves as a valuable case study for other sub-national entities in Somalia

and similar contexts globally. BRA's strides in PFM are not just a technical accomplishment; they are a step toward stronger local governance and contribute to Somalia's overall state-building process. As Mogadishu's administration strengthens its fiscal management, it not only gains the tools to serve its citizens better, but it also exemplifies the progress that can underpin peace and development in a post-conflict society.

## Recommendations

Building on the analysis of BRA's PFM reforms and considering the remaining gaps, this section outlines recommendations for various stakeholders to ensure the consolidation and enhancement of PFM systems in the BRA. These recommendations are aimed at sustaining the momentum, addressing residual weaknesses, and leveraging PFM improvements for broader developmental impact.

**1. Formalize the PFM Legal Framework:** It is imperative that BRA's ad-hoc policies be codified into a comprehensive **Public Financial Management Act** or similar legislation specific to the Banadir Administration. This act should define the budget process, accounting and reporting requirements, internal control and audit arrangements, and roles and responsibilities (e.g., of the Treasurer, Accountant General, etc.). Formal legislation will institutionalize the practices adopted since 2023, making them less dependent on individual discretion and more durable through political or personnel changes. Drafting of this law can draw on Somalia's federal PFM Act (2019) as a template, adapted to BRA's context, and could be passed by the Mogadishu municipal council. Donors and legal experts can support in ensuring the law aligns with good practices.

**2. Invest in a Robust Financial Management Information System:** While BRA managed with interim solutions, a modern **FMIS** is crucial for efficiency, data integrity, and scalability of the PFM reforms. It is recommended that BRA, in collaboration with the Federal Ministry of Finance, evaluate options for adopting a financial system – possibly an extension of the Federal Government's Somali Financial Management Information System (SFMIS) to BRA, or a standalone system that can interface with it. An FMIS would automate budget execution, general ledger, and reporting, reducing the manual work and errors noted in current processes<sup>[50]</sup>. Care should be taken to sequence this implementation: adequate training and data cleanup should precede the roll-out. Donor funding (e.g., World Bank or African Development Bank projects) could be sought for software acquisition and capacity building. A phased implementation (starting with core modules like budget control and cash management) is advisable.

**3. Strengthen Internal Audit and Controls:** The nascent internal audit function needs to be developed into a fully operational unit. This involves **hiring or assigning qualified internal auditors**, providing specialized training (e.g., on risk-based auditing and forensic skills), and ensuring they have the resources and independence to carry out their duties. The internal audit unit should create an audit plan focusing on high-risk areas identified in the external audit (e.g., payroll, procurement, cash handling) and issue regular reports with recommendations. BRA's top management must actively support internal audit by responding to findings and enforcing corrective measures. Over time, an Audit Committee

could be established (potentially involving council members or independent persons) to oversee both internal and external audit processes, enhancing governance and oversight.

**4. Continue Capacity Development and Knowledge Transfer:** Capacity building is an ongoing need. It is recommended to develop a **PFM Training Program** for BRA staff, in partnership with Somalia’s Ministry of Finance and local institutions (like universities or the Somali Institute of Public Administration). This program should cover budgeting, accounting (including IPSAS basics), procurement, and audit. On-the-job training via technical assistance should continue in the short term, but with a clear plan for **handover of responsibilities** to BRA civil servants. Donors might consider “twinning” arrangements where BRA finance officials are paired with counterparts in more advanced municipalities abroad (or the Somali diaspora) for mentoring. Additionally, creating a small **PFM library or resource center** in BRA (stocked with manuals, guidelines, and online resources) could help staff continuously learn and reference best practices.

**5. Deepen Revenue Mobilization Efforts:** Despite some progress, BRA’s revenue potential remains underutilized. The recommendation is to **finalize and enact the Revenue Act/Regulations**, establishing clear rules for taxation and fees in Mogadishu. BRA should conduct a comprehensive **revenue assessment** to map all possible revenue streams (property rates, business licenses, market fees, etc.) and identify leakage points. Modernizing revenue collection – for example, using digital payments (mobile money) to collect fees – can improve efficiency and transparency, as shown in other Somali contexts where mobile money has leapfrogged traditional banking. BRA should also strengthen its Revenue Department’s capacity in taxpayer education and enforcement. Increasing domestic revenue will not only improve fiscal sustainability but also demonstrate to donors that BRA is maximizing its own efforts, which can be persuasive when seeking additional support.

**6. Consolidate Intergovernmental Fiscal Relations:** At the policy level, BRA should advocate for a **formalized fiscal transfer mechanism** as part of Somalia’s federal system. This could be through the National Fiscal Federalism Committee or the NCC, pushing for a transparent formula that allocates a share of national revenues (or donor funds) to the BRA. In the meantime, BRA should maintain the improved communication with the Ministry of Finance by regularly sharing its budgets and execution reports<sup>[79]</sup> and by participating in every opportunity to plan joint financing (e.g., aligning BRA’s budget proposals with national priorities to attract co-funding). BRA might also explore **direct partnerships with donors** for specific projects, now that it has demonstrated capacity to manage funds – for instance, agreements with international agencies to fund municipal infrastructure, with BRA’s financial reports providing assurance of proper use.

**7. Enhance Transparency and Public Accountability:** Building on the launched initiatives, BRA should institutionalize transparency mechanisms. The **BRA fiscal website** should be completed and regularly updated with all key documents: approved budgets, quarterly reports, annual financial statements, audit reports, and procurement tenders/awards. A proactive disclosure policy can be adopted, where BRA commits to publish these within set timelines (e.g., budget within two weeks of approval, audit report within one month of completion, etc.). Furthermore, BRA could establish a **Citizen Budget Committee** or forum where representatives from civil society can provide input

during budget preparation and comment on budget execution performance. Keeping citizens engaged will help maintain pressure for good financial management and reduce the risk of reform reversal due to public indifference. It also directly contributes to the legitimacy of the BRA administration in the eyes of its constituents, aligning financial reforms with improved trust and social contract.

**8. Link PFM Reforms to Service Delivery Improvements:** To sustain political and public support for PFM reforms, it is advisable to explicitly link these reforms to **tangible service delivery outcomes**. For example, BRA can launch an initiative like “PFM for Better Services” which tracks how improved budget execution has enabled, say, more road maintenance or better garbage collection, and publicize these successes. Collecting data on outputs (kilometers of road paved, number of streetlights installed, etc.) and associating them with budget allocations in reports can illustrate the value of sound PFM to both officials and citizens. This approach will reinforce the narrative that investing in PFM capacity yields real benefits, thereby encouraging a culture of performance. It can also guide future budget priority decisions (e.g., evidence-based reallocations if certain programs are underperforming financially).

**9. Maintain and Expand External Engagement Prudently:** BRA should continue to engage with development partners for technical and financial support, but with an eye toward **gradual self-reliance**. In the short term, leveraging donor funds (World Bank, EU, UN, etc.) for specific gaps like FMIS or infrastructure is sensible. However, BRA should also set medium-term targets to reduce reliance on unpredictable aid by boosting local revenues and efficient spending (as noted in revenue recommendations). When negotiating future support, BRA might seek multi-year commitments that allow for stable planning rather than one-off disbursements. Additionally, BRA could diversify its partnerships – for instance, engaging with city-to-city networks (the UCLG or Cities Alliance) to gain support from the global municipal community, not just traditional donors. These steps ensure that external help complements rather than substitutes internal effort.

**10. Monitor and Evaluate PFM Performance Continuously:** Finally, instituting a culture of **monitoring and evaluation (M&E)** for PFM will help keep reforms on track. BRA should develop a simple PFM performance monitoring framework – possibly a set of key indicators (some derived from PEFA, some custom) that it reviews annually. This could include metrics like budget credibility ratio, budget execution rate, number of audit findings resolved, percentage increase in revenue, etc. Reporting these internally and to stakeholders (e.g., in an annual PFM performance report) will create accountability for sustaining reforms. It will also help identify slippages early (for example, if bank reconciliations stop happening timely, it will show in the indicators and can be corrected). Embracing such an M&E mindset turns PFM reform from a project into a permanent management practice.

By implementing the above recommendations, the Banadir Regional Administration can solidify the gains made and continue advancing towards a robust PFM system. The ultimate vision should be a BRA that is financially sound, transparent, and capable of managing resources to drive the development of Mogadishu. Achieving that will require persistent effort, but as the last two years have shown, BRA has the potential to be a success story of PFM reform in a fragile state. Continued commitment by both BRA and

its partners will be essential to realize this vision, ensuring that the public financial management system truly becomes an enabler of better governance and improved quality of life for the people of Mogadishu.

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