

## Challenges of Public Financial Management Reform in Somalia

**Mr Moulid Abdirahman Ali** (BA, MA)

*Public financial management Senior lecturer Puntland State University (PSU)*

### ARTICLE INFO.

**Keywords:**

financial management

### Annotation

There is an unprecedented and pressing need for major legal reforms in Somalia's public financial management to strengthen the technical and operational efforts to implement a modern public financial management system across the country. Currently, there is no independent audit authority that enables citizens to access information on the use of public services. However, the success of any transformation depends on the development of sound public budget programs and the creation of strong public financial training programs and policy linkages to financial management policies and procedures. This research document addresses the current challenges in the transformation of public finance management in Somalia.

<http://www.gospodarkainnowacje.pl/> © 2022 LWAB.

### Introduction

This Summary reflects the concerns of many Somali civil society organizations about the law and regulations that will define public participation in financial matters under the new Public Finance Management Act signed by the President in May. Although no announcement has been made in the proposed amendments to the Act, it is too early to look at the results of a new public participation campaign. Indeed, it is important for citizens to express their views openly on what constitutes public participation in the truth, and how this should be planned, before regulations are made and new legislation can be enacted.

The summary summarizes areas of new legislation that are relevant to public participation and that will require additional regulations. We then provide our views on the minimum standards, policies, and control language that we think should be developed to ensure that public participation is realistic and strong. Although the Act was signed by the President, it has not yet been implemented (Ali Geedi, 2019) made available to the public. Therefore, we are looking at the final printed copy of the PFM Bill, as well as the amendments passed to parliament and presented to (Hansard, 2020)

The purpose of this review of the literature, submitted by the Department of International Development (DFID) on behalf of the Dutch Department of Foreign Affairs, Sweden International Development Cooperation Agency (Sida), Canada International Development Agency (CIDA) (A., 2020) and the African Development Bank (AfDB) has tripled. First, to document the current state of public finance reform (PFM), which identifies key fundamental ideas, major trends and differences between the methods used and developing countries. The second is to identify key areas of change under the major components of the PFM, and to document clearly what is known about the effect of these change

processes, as well as to identify gaps in current information. The final purpose of the book review, is to use advanced evidence, to assist in identifying potential questions and inquiries from the Minister of Finance of Somalia and its member states ([www.mof.gov.so](http://www.mof.gov.so)), and International Monetary Fund and the World Bank report (Farah jama,2017)

### **Methodology**

The sample size carries ten respondents. To obtain information collected from the Department of Finance and Planning, general of the office, Select respondents, researchers used sample testing techniques that may be possible because researchers are not able to harvest staff list of selected agencies. Therefore, the collected data is obtained from these people who are easily accessible and prone to interaction. Investigators collect important information on the use of the interview The first phase of the interview identifies the respondents. Site 2 examines the challenges of transformation in public financial management in Somalia.(Mohamed Abdi,2019)

### **Key Challenges of PFM in Somalia**

Government recognizes the sound management of public finances as a key factor in achieving the national goals of peace, reconciliation and state building, sustainable recovery, economic growth and poverty reduction. Many important challenges are identified and discussed below:

#### **Challenge one - fiscal sustainability:**

Somalia needs to make every effort to integrate and use resources effectively (in accordance with the country's laws). This will require, among other things, remedial measures.

- A. Lack of power in the tax administration system and among taxpayers
  - B. Many existing low taxes, with low yields such as illegal military revenue (road blocks) airports and ports.
  - C. Uncertainty in tax laws.
  - D. The dominance of the informal sector, which is difficult to pay taxes.
  - E. Widespread corruption in tax administration.
  - F. Reorganizing the administration of culture and key departments in the Treasury, which will require the removal of the majority of former employees who have been corrupt and negligent.
- Ø (g) Consolidating recurring costs directly funded by development partners despite external budgets on the level of financial sustainability (especially in the security sector), and bringing these costs forward in a public budget.

#### **III Challenge two policy-based, well prioritized budget with strong political buy in:**

This will require building closer linkages between developing national strategies and sectors and budgets through national participation and ownership. This means prioritizing effective budget allocation strategies for national resources.

#### **Challenge three making national budget the central instrument for policy reform:**

Given the fact that the TFG has failed to prepare any budget since its inception in 2004, it is clear that key issues include:

- A. Weaknesses in all stages of budget-related cycles
- B. Most if not all recurring costs directly funded by development partners outside the TFG (non-existent)
- C. The Department of Finance and Planning needs to make all necessary efforts to develop a

- D. budget linked to a medium-term framework that is critical to the formulation and development of
- E. the budget process.
- F. Political involvement and parliamentary involvement in budget processes
- G. Significant participation of lower levels of government in the formulation of budget processes.

### **III Challenge four effective budget execution:**

III Little progress has been made with regard to the tabling of the budget, due to the fact that no draft budget has been approved by parliament. Collected funds are shared and released by management without any control.

III (a) Lack of sensible and reliable institutions

III (b) Lack of financial control, procurement, recording, reporting and research of key budget expenditures

III (c) Lack of PFM bill and related legislation

III (d) Lack of a comprehensive anti-corruption strategy

### **Challenge five Service Delivery:**

III The end result of the public financial management system is the improvement of services. Apart from the delivery of public services in all sectors there is, given the frustration and weakening of the credibility of the TFG.

III a) Accountable relationships and incentives for service providers need to be found right. Although institutional arrangements may vary and will vary by sector

III b) Sustainable financing and, where appropriate, will require the appropriate level of recovery.

III c) Provider intervention needs to be strengthened rather than undermining national service delivery.

### **Challenge six sustainable capacity development:**

III Unless this happens, Somalia will continue to remain extremely dependent on foreigners in the future and be at high risk for donor fatigue and foreign technical assistance. Given the current social and political system and administration, the development of Somali skills will require a full social reform (training, recruitment, remuneration and staff), organizational reconstruction, reconstruction and improvement. Better management of large amounts of foreign technical assistance currently installed in Somalia will need to be ensured to support long-term capacity development.

### **Challenge seven – coordination and communication:**

III therefore all confusion and miscommunication within the TFG may be necessary to build good communication and communication within the overall strategic and budget framework (Public Finance Management Bill). Integration within government needs to be improved and this can be achieved through the Building and Development Framework through the provision of a sound budget-linked budget process. Public communication and transparency are critical in promoting government accountability to citizens and their representatives.

### **III Challenge eight – downside risks:**

there are also risks and threats ranging from insecurity to difficulty in raising domestic revenue, lack of basic government capacity at all levels of government and at the technical and political levels. This also depends on the outcome of the ongoing negotiations and the implementation of the Djibouti Agreement.

The Cabinet dissolution and the potential clashes between The Presidency and the Prime Minister cannot be underestimated. Lastly, it must be acknowledged that development will not be easy and will take time even though time is not in our area, but that is the way, not least because a stable political culture will have time for development. Given the problem of the remaining eight months of the transition period to end to achieve immediate results compared to long-term energy development, short-term and unequal approaches will need to be implemented, but need to be implemented in a way that eliminates sustainable progress in the medium term.

**The following conclusions were drawn from the study:**

The challenges public finance and economic affected reforms to building and moderate system in the Somalia public financial management and taxation reforms.

This might include; public finance knowledge in experience, lack of skills, corruption, security and public finance which are regarded to as affecting factors of the smooth public finance system in Somalia.

The whole the public financial system in Somalia tries to rebuild public sector system specially public finance institutions.

The World Bank and International Monetary Fund support technically and knowledge to the public financial system in federal Somalia particularly ministry of finance and central bank of Somalia.

**References**

1. A., H. (2020). *consultanty*. Muqdishu : Africa development bank.
2. Abdi, M. (2019). General Director. *ministeratry finance of Somalia* , 45.
3. Geedi, A. (2019). Member of Central bank of Somalia. *fiscal year reform in public finance somalia* (p. 50). Muqdishu: Central bank of Somalia.
4. jama, F. (2017). *finance manager*. Muwdisho: World bank Group.