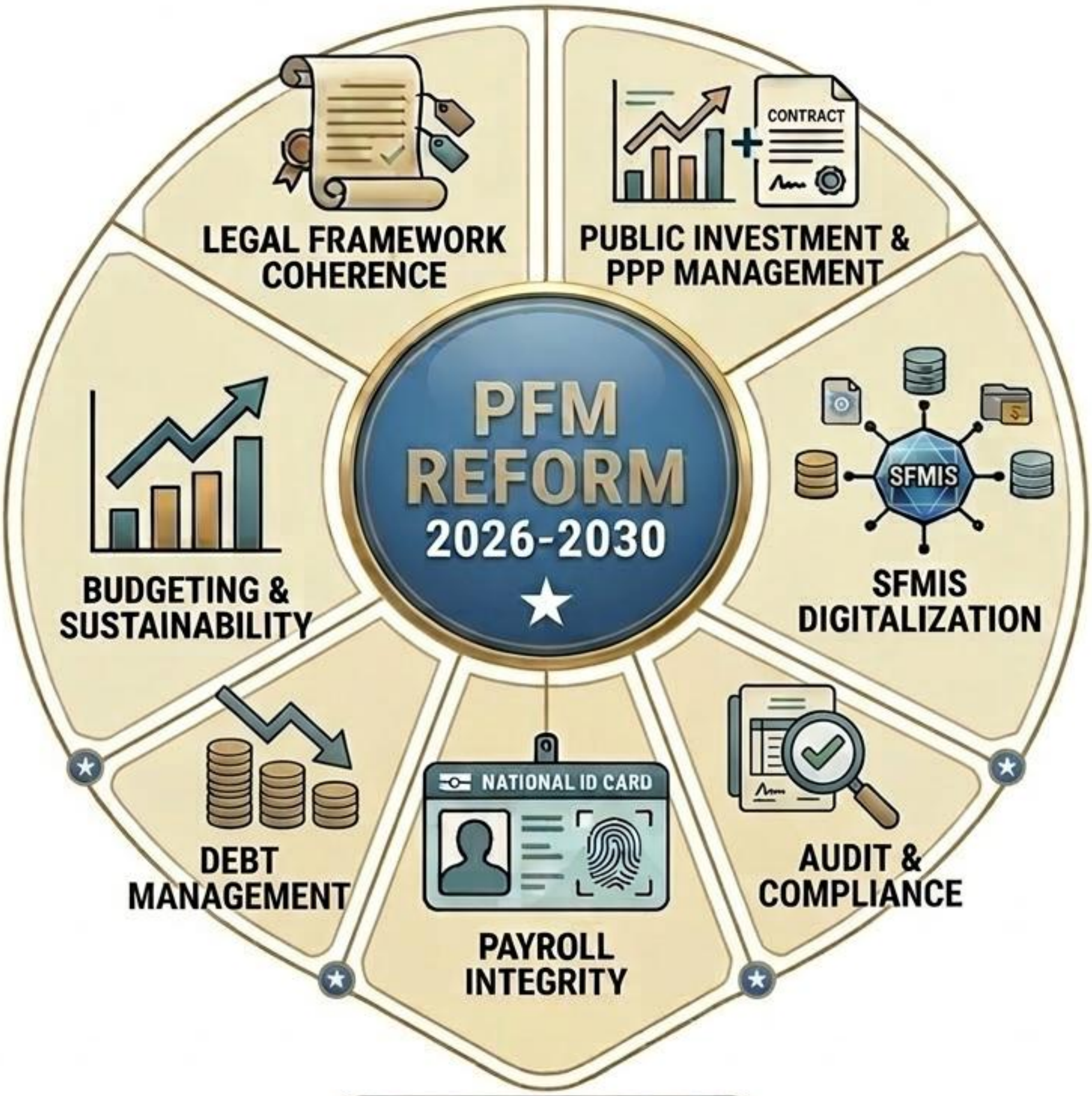
Somalia Public Financial Management Reform Strategy 2026–2030

FEDERAL GOVERNMENT OF SOMALIA
MINISTRY OF FINANCE



MARCH 2026

Table of Contents

Foreword and Ministerial Approval

The Federal Government of Somalia has made significant strides in rebuilding our public financial management systems from the foundations upward. Following three successive PFM reform strategies since emerging from civil conflict, we have progressed from post-conflict reconstruction to a phase of consolidation and strategic advancement. This progression has followed a logical trajectory, beginning with foundational reforms including the development of improved PFM business processes, enactment of PFM laws, and implementation of the Somalia Financial Management Information System (SFMIS), and gradually advancing toward more sophisticated reforms aimed at improving efficiency and effectiveness across core PFM functions.

The progress achieved is marked most notably by reaching the HIPC Completion Point, a milestone that reopens access to international finance and development partnerships. Key achievements under the PFM Reform Action Plan 2021–2024 include strengthened annual budget hearings with civil society stakeholders, rule-based and transparent intergovernmental fiscal transfers, daily bank reconciliation for all Treasury Single Account accounts, paperless commitment-to-payment processes, PFM digitalization regulations, publication of audited financial statements, and an operational asset management module within SFMIS.

This new phase brings both opportunity and responsibility. As we expand fiscal space through new borrowing, pursue infrastructure development through Public-Private Partnerships, and strengthen our federal architecture, we must ensure that our PFM systems are robust enough to safeguard sustainability and deliver tangible results for the Somali people. Without strengthened safeguards, particularly mechanisms for managing multi-annual commitments, assessing fiscal risks from PPPs, establishing SOE oversight frameworks, and implementing robust project appraisal, recent PFM gains could be undermined.

The Public Financial Management Reform Strategy 2026–2030 represents our collective commitment to deepening reforms that matter most. It is the product of extensive collaboration between the Ministry of Finance, the Office of the Accountant General, the Office of the Auditor General, and our Federal Member States. It reflects not only technical diagnostics but also the practical wisdom of those who manage our public finances daily. The strategy was formulated through a structured, participatory approach, with working groups comprising senior officials and advisors defining reform objectives, identifying challenges, proposing strategies, and outlining reform measures and actions using SMART criteria.

This strategy is built on a simple premise: reforms must deliver results. Measures have been prioritized to strengthen fiscal discipline, enhance accountability, and improve service delivery. Lessons learned from past implementation challenges, most notably that while departmental ownership exists, coordination has been weak and monitoring and feedback mechanisms have been limited, have informed the design of governance arrangements that ensure strong government ownership, clear institutional responsibilities, and effective coordination with our development partners.

I commend this strategy to all stakeholders and call upon every institution and individual involved in its implementation to act with dedication and integrity. The Somali people deserve no less.

In line with this strategic vision and pursuant to Article 9(6) of the Public Finance Management Act, 2019 (Law No. 17 of 25 December 2019), the Public Financial Management Reform Strategy 2026–2030 is hereby approved. It shall serve as the authoritative framework for all public bodies, including Ministries, Departments, Agencies, and State-Owned Enterprises, for planning, budgeting, and implementing public financial management reforms over the period 2026–2030. All public bodies are required to align their annual plans, budgets, and operational activities with the objectives, measures, and sequencing set out in this Strategy.

This Strategy shall enter into force upon signature by the Minister of Finance and shall be made publicly accessible through the Ministry of Finance's official website.

Signature and Date: **31 March 2026**
Hon. Bihi Iman Egeh
Minister of Finance
Federal Government of Somalia

Executive Summary

The Somalia PFM Reform Strategy 2026–2030 sets out the Federal Government's agenda for strengthening public financial management over the next five years. Building on the achievements of previous reform phases and responding to emerging challenges in the post-HIPC environment, the strategy focuses on consolidating gains, addressing persistent weaknesses, and building institutional capacity for sustainable reform. A key lesson from the previous strategy is that a reform agenda can be overcrowded, leading to low execution rates. This strategy therefore adopts a more focused, prioritized approach.

The strategy is organized across twelve chapters, reflecting the structure of this document. It addresses 19 reform areas, each selected based on diagnostic findings and stakeholder consultations. These areas are mapped to six strategic objectives to ensure a clear results chain linking interventions to outcomes. These areas encompass the full PFM cycle and respond to both persistent challenges and emerging priorities, including the management of fiscal risks from Public-Private Partnerships, the establishment of State-Owned Enterprise oversight frameworks, and the harmonization of PFM practices across the federal government and Member States.

Key priorities include strengthening fiscal discipline and expenditure control, enhancing domestic revenue mobilization, improving public investment management and PPP oversight, deepening federal fiscal coordination, and building institutional capacity and PFM systems. These priorities are reflected in six strategic objectives: strengthening budget preparation and fiscal sustainability, enhancing public investment management and fiscal risk oversight, improving expenditure control and payroll integrity, deepening federal fiscal coordination, strengthening revenue administration, and building sustainable institutional capacity.

The strategy adopts a prioritized and sequenced approach based on objective criteria, including macro-criticality, service delivery impact, and alignment with ongoing reforms. Recognizing the need for a realistic and achievable agenda, this strategy focuses implementation efforts on a core set of 12 "Very High Priority" measures. These measures will receive focused implementation attention. They include establishing SOE policy and legal frameworks, implementing multi-annual commitment controls, linking payroll with NIRA for biometric verification, and extending the SFMIS platform to all Federal Member States.

A streamlined governance structure will oversee implementation, chaired by the Director General of Finance and reporting directly to the Minister. It is supported by designated coordination functions within the Office of the Director General. The detailed action plan supporting this strategy is maintained as an internal working document, subject to regular review and adjustment by the PFMR Steering Committee.

By 2030, Somalia will have more credible and transparent budgets, strengthened expenditure controls including for multi-annual commitments, an operational framework for SOE oversight and fiscal risk management, nationwide SFMIS coverage across Federal Member States, enhanced fiscal reporting and accountability, and improved coordination of PFM reforms across government.

Abbreviations and Acronyms

Acronym	**Full Form**
AfDB:	African Development Bank
AGO:	Accountant General's Office
ALSF	African Legal Support Facility
AI:	Artificial Intelligence
DG:	Director General
DP:	Development Partner
DSA:	Debt Sustainability Analysis
EU:	European Union
FCDO	Foreign, Commonwealth and Development Office
FGS:	Federal Government of Somalia
FMS:	Federal Member States
HIPC:	Heavily Indebted Poor Countries
IA:	Internal Audit
ICT:	Information and Communication Technology
IGFFTC:	Intergovernmental Fiscal Federalism Technical Committee
IMF:	International Monetary Fund
IPSAS:	International Public Sector Accounting Standards
KPI:	Key Performance Indicator
M&E:	Monitoring and Evaluation
MDA:	Ministries, Departments and Agencies
ML:	Machine Learning
MOF:	Ministry of Finance
MTDS:	Medium-Term Debt Management Strategy

Acronym	Full Form
MTFF:	Medium-Term Fiscal Framework
NIRA:	National Identification Registration Authority
NTP:	National Transformation Plan
OAG:	Office of the Accountant General
OAGS:	Office of the Auditor General of Somalia
OBS:	Open Budget Survey
PBB:	Program-Based Budgeting
PEFA:	Public Expenditure and Financial Accountability
PFRAM	PPP Fiscal Risk Assessment Model
PIM:	Public Investment Management
PIMIS	Public Investment Management Information System
PIP:	Public Investment Plan
PPP:	Public-Private Partnership
SFMIS:	Somalia Financial Management Information System
SMART:	Specific, Measurable, Achievable, Relevant, Time-bound
SOE:	State-Owned Enterprise
TSA:	Treasury Single Account

Definition of Terms

Term	Definition
Change Required (Output):	The measurable achievement following implementation of a set of planned key steps
High-level indicator:	The measure of Result Area Outcomes
Intermediate level indicator:	The measure of Reform Results
Issue:	The PFM problem or challenge to be addressed in a reform area
Low level indicator:	The measure of Changes Required (Outputs)
Planned Key Step (Activity/Input):	The set of reform activities to be implemented for the achievement of Changes Required
Reform Area:	The domain on which outcomes or results are expected or measured
Reform Result (Intermediate Outcome):	The measurable change achieved following implementation of a set of Changes Required
Result Area Outcome:	The measurable change achieved at the end of implementation of a set of PFM reforms

Chapter One: Introduction

This document sets out the Federal Government of Somalia's strategic plan to strengthen public financial management systems at the federal level and across Federal Member States. The strategy aims to improve PFM to facilitate Somalia's progress on the pathway to prosperity, supporting fiscal sustainability, efficient service delivery, and enhanced accountability.

The strategy builds on three successive PFM reform strategies implemented since Somalia emerged from civil war. These have followed a logical progression from building foundational systems to pursuing more sophisticated reforms. The initial focus on establishing improved PFM business processes, enacting PFM laws, and implementing the Somalia Financial Management Information System provided the platform for later advances.

The strategy is fully aligned with the National Transformation Plan 2025–2029, which includes a public finance reform agenda to support macroeconomic stability. The NTP has two key strategic objectives highly relevant for PFM reforms: strengthening public finance management, and sustainable investment through Public-Private Partnerships. Chapter 8 of the NTP identifies strengthening PFM as a foundation for economic resilience, and this strategy operationalizes those commitments through specific, sequenced reform measures.

Key achievements under the PFM Reform Action Plan 2021–2024 provide a strong foundation for further reforms. These include strengthened annual budget hearings with civil society, rule-based intergovernmental fiscal transfers, daily bank reconciliation for all Treasury Single Account accounts, paperless commitment-to-payment processes, PFM digitalization regulations (including the introduction of digital signatures in SFMIS in August 2025), publication of audited financial statements, and an operational asset management module in SFMIS.

However, of the 113 actions planned under the 2021–2024 strategy, 23 percent were completed, with 36 actions ongoing. This low implementation rate was a direct consequence of an overcrowded reform agenda that was not matched by institutional capacity. A key lesson is that the number of reform measures must be realistic and capacity-sensitive. Implementation experience from the previous phase highlighted the ambitious nature of the strategy and the need to strengthen coordination mechanisms, particularly for reforms requiring interdepartmental collaboration. Lessons learned from past strategies indicate that while there is ownership and commitment from departments, weak coordination and siloed approaches have led to overlapping and inconsistent regulations, creating roadblocks in implementation.

Somalia's achievement of HIPC Completion Point opens access to new borrowing, while increased emphasis on PPPs, potential SOE establishment, and planned infrastructure investments create new fiscal pressures. Without strengthened safeguards, recent PFM gains could be undermined. The following emerging challenges require attention: managing multi-annual commitments, assessing fiscal risks from PPPs, establishing SOE oversight frameworks, and implementing robust project appraisal.

The PFM legal framework has expanded considerably, with the PFM Act 2019, PFM Regulations 2022, and regulations including Asset Management Regulations 2023, PFM Digitalization Regulations 2025, and Public Finance Management Regulation on Debt Policy Parameters and Procedures for Borrowing and Issuance of Guarantees, 2024. This framework provides a solid foundation, and ongoing attention to coherence across existing and updated regulations will further strengthen it. Several key legal frameworks, including the Internal Audit Regulation, Public Investment Management Regulation, and State-Owned Enterprises Regulation, already exist under the PFM Regulation 2022. Current efforts are focused on enhancing these regulations, updating their provisions where necessary, reinforcing operational clarity, ensuring alignment with other PFM legal instruments, and improving their practical application across all relevant institutions and processes.

Chapter Two: Context and Reform Background

2.1 Somalia's Fiscal Context

Somalia has completed three successive PFM reform strategies since emerging from civil war. These have followed a logical progression from building foundational systems to pursuing more sophisticated reforms. The initial focus on establishing improved PFM business processes, enacting PFM laws, and implementing the Somalia Financial Management Information System (SFMIS) provided the platform for later advances.

Key achievements under the PFM Reform Action Plan 2021–2024 include:

(a) Strengthened annual budget hearings with civil society stakeholders as part of the budget calendar, seeking their input before the budget is submitted to Parliament.

(b) Rule-based and transparent intergovernmental fiscal transfers.

(c) Increased use of SFMIS by MDAs, though further efforts are needed to ensure all modules are fully utilized.

(d) Daily bank reconciliation for all Treasury Single Account and linked accounts, now operational with backlogs cleared; auto-reconciliation enabled through integration between the Central Bank of Somalia and SFMIS.

(e) A reengineered paperless commitment-to-payment process implemented.

(f) PFM digitalization regulations issued and published to support adoption of digital technologies, including the introduction of digital signatures in SFMIS.

(g) Strengthened approval processes for payroll changes and onboarding of non-payroll salaries and wages.

(h) Statements of extrabudgetary funds included in financial reporting templates, with MDAs sensitized on providing this information.

(i) Audited financial statements and audit opinions published timely on the MoF website.

(j) Asset management regulations approved, with the SFMIS asset management module operational for capturing assets, though this module remains under-utilized by MDAs.

(k) Advances made in strengthening the Debt Management Department, including installation of the Meridian system and publication of the initial annual debt report in April 2025.

(l) The Central Internal Audit Department operational, with Internal Audit Units established in 11 MDAs and auditors receiving in-house training.

2.2 Past Reform Performance

Of the 113 actions planned under the 2021–2024 strategy, 23 percent were completed, with 36 actions ongoing. Implementation experience highlighted the ambitious nature of the strategy and the importance of strengthening coordination mechanisms, particularly for reforms requiring interdepartmental collaboration. Ongoing actions include items near completion or designed for continuous implementation, several of which will require sustained effort and are carried forward into this strategy.

Lessons learned include:

(a) **The reform agenda was overcrowded.** The low completion rate (23%) was a direct consequence of an ambitious agenda that was not matched by institutional capacity. This strategy therefore adopts a more focused approach, prioritizing a smaller number of high-impact measures.

(b) **Coordination mechanisms were weak.** While departmental ownership exists, weak coordination and siloed approaches led to overlapping and inconsistent reforms, creating implementation bottlenecks. A key lesson is that effective reform requires a centralized coordination mechanism with clear authority.

(c) **No effective monitoring or feedback mechanism existed for mid-course corrections.** The absence of real-time data on progress prevented timely identification and resolution of implementation bottlenecks.

(d) **Resistance to change was underestimated.** A lack of robust change management and stakeholder engagement contributed to resistance and slow adoption of new systems and processes, particularly at the MDA level.

(e) **Legal framework coherence requires ongoing attention** to avoid inconsistencies across newly issued and forthcoming regulations.

(f) **Digitalization has been a key enabler,** supporting improved PFM processes and should be further leveraged strategically.

(g) **Reform numbers must be realistic and capacity-sensitive**, aligned with the reform agenda and institutional capacity.

2.3 Post-HIPC Risks and Emerging Challenges

Somalia's achievement of HIPC Completion Point opens access to new borrowing. At the same time, increased emphasis on PPPs, potential SOE establishment, and planned infrastructure investments create new fiscal pressures. Without strengthened safeguards, recent PFM gains could be undermined.

The following emerging challenges require attention:

(a) **Managing multi-annual commitments:** Mechanisms for collecting, recording, and managing multi-annual contract information—especially for ongoing development projects—are needed to prevent payment arrears and inform future budget allocations.

(b) **Assessing fiscal risks from PPPs:** With a planned pipeline of major PPP projects, frameworks for identifying, quantifying, and disclosing contingent liabilities are essential.

(c) **Establishing SOE oversight frameworks:** As the government considers reviving and establishing SOEs, robust legal, policy, and governance frameworks are required to safeguard public resources and ensure fiscal discipline.

(d) **Implementing robust project appraisal:** A unified framework for identifying, appraising, selecting, and managing public investments is critical as capital projects increase.

2.4 Legal Framework Status

The PFM legal framework has expanded considerably, with the PFM Act 2019, PFM Regulations 2022, and regulations including Asset Management Regulations 2023, PFM Digitalization Regulations 2025, and Public Finance Management Regulation on Debt Policy Parameters and Procedures for Borrowing and Issuance of Guarantees, 2024. While the framework is more aligned than previously with the PFM Act and Audit Act already consistent continuous efforts to ensure coherence across existing and updated regulations remain necessary. Several key legal frameworks, including the Internal Audit Regulation, Public Investment Management Regulation, and State-Owned Enterprises Regulation, already exist under the PFM Regulation 2022. Current efforts are focused on enhancing these regulations, updating their provisions where necessary, reinforcing operational clarity, ensuring alignment with other PFM legal instruments, and improving their practical application across all relevant institutions and processes. Alignment with other related acts, such as the Procurement Act and External Audit Act, is also being pursued to ensure a cohesive legal environment. Amendments to the Procurement Act to include PPP provisions are also ongoing.

Chapter Three: Strategic Framework

3.1 Vision

A transparent, accountable, and efficient public financial management system that supports fiscal sustainability, delivers quality public services, and strengthens public trust in the management of Somalia's resources.

3.2 Mission

To strengthen PFM systems, institutions, and capacities to ensure credible budgets, effective expenditure control, prudent fiscal risk management, and enhanced accountability across all levels of government.

3.3 Guiding Principles

The following guiding principles underpin the design and implementation of Somalia's PFM reform strategy. They provide a foundation for decision-making, sequencing, and prioritization across all reform areas.

Principle	Description
Government Ownership	Reforms are Somali-led and demand-driven, embedded within Ministry structures
Results Orientation	Prioritization focuses on macro-criticality and service delivery impact
Realism and Sequencing	Reforms are aligned with institutional capacity and implemented in phased approaches
Coordination	Cross-departmental and intergovernmental collaboration is essential
Sustainability	Capacity building and system strengthening ensure lasting gains
Transparency and Accountability	Fiscal information is accessible, and institutions are accountable

3.4 Strategic Objectives

Objective	Description
SO1	Strengthen budget preparation, credibility, and fiscal sustainability
SO2	Enhance public investment management and fiscal risk oversight

SO3	Improve expenditure control and payroll integrity
SO4	Deepen federal fiscal coordination and harmonization
SO5	Strengthen revenue administration and domestic resource mobilization
SO6	Build sustainable institutional capacity and PFM systems

3.5 Theory of Change

The strategy is underpinned by a clear theory of change. If Somalia strengthens its PFM coordination mechanisms (1) and establishes a coherent legal and regulatory framework (2), then it can create the enabling environment for targeted reforms. By implementing a prioritized set of high-impact reforms—focusing on digitalization, macro-fiscal planning, budgeting, and public investment management—Somalia will enhance fiscal discipline and strategic resource allocation. Concurrently, strengthening expenditure controls, payroll integrity, and accounting standards will improve budget execution and reporting. These efforts, combined with a deeper federal fiscal coordination framework, will lead to more credible budgets, stronger accountability, and better-managed fiscal risks. Ultimately, these intermediate outcomes will contribute to the long-term goal of a transparent, efficient, and sustainable PFM system that supports service delivery and public trust.

Chapter Four: Reform Priority Overview

The strategy addresses 19 reform areas, each selected based on diagnostic findings and stakeholder consultations. These areas encompass the full PFM cycle and address both persistent challenges and emerging priorities in the post-HIPC environment. Each reform area is mapped to one or more of the six strategic objectives, ensuring a clear results chain. The table below summarizes each area and its strategic importance.

Reform Area	Strategic Importance	Linked Strategic Objective(s)
PFM Reform Coordination	Addresses past implementation weaknesses; ensures government-led, coordinated reform delivery with clear institutional responsibilities and regular monitoring	SO6
Legal Framework	Ensures regulatory coherence and compliance with PFM Act through systematic review, harmonization, and strengthened compliance mechanisms	SO6
Digitalization	Enables system integration and data-driven decision-making through common fiscal data standards and a central data exchange platform	SO6
Macrofiscal	Strengthens fiscal forecasting and policy analysis by linking macroeconomic drivers to medium-term fiscal forecasts and building analytical capacity	SO1
Budgeting	Improves budget credibility and strategic resource allocation through policy-driven medium-term budgeting and strengthened budget institutions	SO1
Public Investment Management	Manages fiscal risks from capital projects and PPPs through a unified framework for project identification, appraisal, selection, and management	SO2
Public Procurement	Enhances transparency and value for money through strengthened processes, capacity building, automation, and simplified bidding documents	SO3, SO6
PPPs	Establishes dedicated framework for private sector partnerships with clear fiscal risk management, project appraisal, and contract oversight	SO2
State-Owned	Mitigates fiscal risks from SOE creation	SO2

Reform Area	Strategic Importance	Linked Strategic Objective(s)
Enterprises	through transparent, accountable, and performance-driven legal and governance frameworks	
Cash Management	Ensures timely availability of funds for service delivery through expanded coverage, improved forecasting, and integrated systems	SO3
Debt Management	Safeguards debt sustainability post-HIPC through strengthened in-house capacity, strategic frameworks, and enhanced transparency	SO1
Asset Management	Protects public assets and improves accountability through modernization, integration, capacity building, and regular verification	SO3, SO6
Internal Audit	Strengthens assurance and risk management through operational internal audit units, clear schemes of service, and enhanced capacity	SO6
External Audit	Enhances parliamentary oversight and audit follow-up through strengthened independence, digital systems, and stakeholder engagement	SO6
Expenditure Controls	Prevents arrears and strengthens payroll integrity through multi-annual commitment controls, travel policy, and NIRA-linked payroll verification	SO3
Fiscal Federalism	Harmonizes PFM practices across FGS and FMS through collaborative, phased, and incentive-based approaches to systems and processes	SO4
Pay and Grade Policy	Rationalizes civil service compensation through implementation of the Pay and Grade Policy (2022) across all MDAs and FMS	SO3
Accounting and Reporting	Improves fiscal information quality through phased compliance with Cash Basis IPSAS and roadmap to accrual accounting	SO6
Fiscal Transparency	Enhances public access to budget information through open budget processes, citizen engagement, and strengthened oversight	SO6

Chapter Five: Detailed Reform Areas

A detailed action plan supporting this strategy, which will outline specific institutional responsibilities (including lead and supporting entities) and linkages between reform areas, will be finalized and adopted by the Steering Committee within three months of this Strategy's entry into force. This action plan will be maintained as a complementary operational document by the PFMR Secretariat and regularly reviewed by the Steering Committee.

Reform Area 1: PFM Reform Coordination

Objective: Establish effective coordination and monitoring mechanisms for PFM reform implementation to ensure that reforms are delivered in a coordinated, government-led manner with clear accountability and regular progress tracking.

Current Challenges: Experience from previous reform strategies has revealed several challenges in reform coordination that require attention. The implementation rates achieved under the 2021–2024 strategy indicate the need to focus on a more targeted and manageable set of reform measures. A key challenge is strengthening coordination among government stakeholders, particularly for reforms that require input and collaboration across multiple departments. Ensuring that reforms remain government-led and fully aligned with national priorities is essential to sustaining ownership, accountability, and effective implementation. Harmonizing development partner support continues to be a challenge, as it is necessary to avoid duplication of efforts and maintain a unified strategic direction. Deepening engagement with Federal Member States remains critical to support the harmonization of PFM practices across different levels of government. Addressing ongoing resource and capacity constraints, alongside establishing effective monitoring and feedback mechanisms, will enable the timely identification of implementation bottlenecks and support continuous improvement throughout the reform process.

Reform Strategy: Establish a government-led coordination mechanism with clear institutional responsibilities, regular monitoring, and consolidated reporting. The strategy institutionalizes a sound PFM reform governance and management framework as a critical early reform measure, ensuring that the program is well managed to achieve outcomes in a timely and cost-effective manner, that coordination and communication avoid duplication and potential conflicts, and that development partners have confidence to channel support through this common framework.

Priority Measures:

1. Develop and operationalize the governance and management structures for PFM reform coordination.

2. Establish an integrated reporting, monitoring, and evaluation mechanism.

3. Develop and implement communication, change management, and capacity-building strategies.

4. Conduct PEFA benchmarking to inform the next phase of reform planning.

Sequencing (2026–2030): The implementation of reform coordination will follow a phased approach, beginning with the establishment of the core governance structures—the PFMR Steering Committee and the PFMR Secretariat. This will be followed by the development of foundational tools and strategies for monitoring and stakeholder engagement. The secretariat will then provide ongoing coordination, monitoring, and reporting throughout the strategy period. In the latter stages, preparations will commence for the next PEFA assessment and the subsequent reform strategy.

Reform Area 2: Legal Framework

Objective: Ensure all PFM regulations are modern, coherent, and fully consistent with the PFM Act to strengthen compliance and enforcement across government.

Current Challenges: The legal framework underpinning Somalia's PFM system has been significantly strengthened with the PFM Act, PFM Regulations 2022, and regulations including Asset Management Regulations 2023, PFM Digitalization Regulations 2025, and Public Finance Management Regulation on Debt Policy Parameters and Procedures for Borrowing and Issuance of Guarantees, 2024. A key focus now is on consolidating this framework and enhancing existing regulations to ensure full coherence and consistency across all instruments. Several key regulations, including the Internal Audit Regulation, Public Investment Management Regulation, and State-Owned Enterprises Regulation, already exist and are being updated and strengthened to clarify mandates, reinforce operational clarity, and improve alignment across the PFM system. Alignment with other related acts (e.g., Procurement Act, External Audit Act) and the new Constitution is also critical. Building capacity and awareness across MDAs will be critical to ensure consistent compliance and effective implementation of the existing and enhanced regulations. Addressing these areas will further enhance legal certainty and support effective reform implementation.

Reform Strategy: Systematically review and update PFM regulations to align with the PFM Act and other relevant legislation, eliminate inconsistencies, clarify oversight mandates, and strengthen compliance and enforcement mechanisms across all government entities. The strategy focuses on ensuring legal clarity, improving compliance, and enhancing enforcement while building on the existing legal foundation.

Priority Measures:

1. Conduct a comprehensive review of all PFM regulations and related acts to ensure consistency and compliance with the PFM Act and the Constitution.

2. Amend regulations to align them with the PFM Act and other relevant laws.

3. Strengthen compliance monitoring mechanisms, leveraging the SFMIS.

4. Build capacity for legal compliance through targeted training and awareness programs.

Sequencing (2026–2030): Legal framework reforms will be implemented over the full strategy period, beginning with a comprehensive review of existing Acts and Regulations to map inconsistencies. This will be followed by structured stakeholder consultations to build consensus. Subsequent phases will involve legal drafting and alignment, submission for Cabinet approval, and finally, the rollout of capacity-building programs and enforcement mechanisms across all MDAs.

Reform Area 3: Digitalization

Objective: Establish strong PFM IT system interoperability to avoid duplication and improve efficiency and effectiveness of PFM processes across all levels of government.

Current Challenges: Multiple PFM-related IT systems are being developed at both federal and member state levels, including FMISs, PIMIS, procurement systems, monitoring and evaluation platforms, and revenue administration systems such as ITAS. While significant progress has been made, including the rollout of SFMIS to FMS under SERP and the development of the Unified Chart of Accounts (UCOA), systems are often developed without adherence to common data standards and aligned master data structures, risking duplication of effort and fragmented data flow. While initial integration efforts—such as the link between SFMIS and the Central Bank's core banking system, and the integration of the non-tax revenue portal with SFMIS and line MDA systems—have been successful, a more strategic and coordinated approach is needed to prevent fragmentation as new systems come online. The lack of interoperability between systems undermines the quality of fiscal reporting and limits the government's ability to consolidate financial information across entities.

Reform Strategy: Adopt a "One-Government PFM Digital Data Sharing" approach by defining and enforcing common fiscal data standards, creating a central data exchange platform, and ensuring that all new and existing PFM-related IT systems are interoperable, integrated, and aligned with PFM requirements. This strategic approach will leverage digitalization as a tool to promote fiscal sustainability, transparency, and accountability.

Priority Measures:

1. Establish and enforce common fiscal data standards for all IT systems using or producing fiscal data.

2. Develop a central data exchange platform to enable seamless sharing of information between different IT systems.

Sequencing (2026–2030): Digitalization reforms will be implemented in phased stages, beginning with the establishment of an inter-departmental working group and the identification of common fiscal data sets. This will be followed by the drafting and adoption of national fiscal data standards. With the standards in place, the subsequent phase will focus on the development and piloting of the central data exchange platform. The final stage will involve the full implementation and rollout of the platform, along with continuous review and enforcement of the standards.

Reform Area 4: Macrofiscal

Objective: Develop and maintain an appropriate fiscal framework to enforce fiscal discipline within each budget year, supporting credible fiscal policy-making and sustainable public finances.

Current Challenges: Somalia faces several challenges in developing reliable macroeconomic and fiscal forecasts. Limited data linkages between macroeconomic drivers and medium-term revenue and expenditure forecasts undermine the credibility of the Medium-Term Fiscal Framework. Capacity constraints—including limited skills, inadequate staffing, and high turnover—hinder analytical work. Revenue projections are often unreliable, contributing to budget underperformance. Fiscal forecasting is not fully supported by relevant analytical tools, and there is no established mechanism for preparing fiscal impact studies for revenue and expenditure policy proposals. Cross-agency coordination for producing a macroeconomic framework is weak, and as Somalia transitions to post-HIPC status, it will need to build capacity to gradually reduce its current reliance on external macroeconomic forecasts.

Reform Strategy: Implement a fiscal reform that links macroeconomic drivers to medium-term fiscal forecasts, builds capacity and analytics, and mandates fiscal impact studies. The strategy focuses on strengthening institutional forecasting through better data, enhanced staff skills, formalized processes, and advanced analytical tools, enabling Somalia to develop its own macroeconomic forecasts and fiscal analysis.

Priority Measures:

1. Strengthen cross-agency coordination for integrated macroeconomic forecasting and analysis.

2. Build staff skills, processes, and tools for macro-fiscal forecasts and fiscal analysis.

3. Enhance revenue forecasting tools through the development and use of a medium-term fiscal framework.

Sequencing (2026–2030): Macrofiscal reforms will be implemented progressively. The initial phase will focus on strengthening the institutional framework by revising the terms of reference of the Macro-Economic Working Group and establishing regular meetings and data-sharing protocols. Simultaneously, work will begin on developing a macro-fiscal database. Throughout the strategy period, ongoing capacity building and the gradual enhancement of analytical tools will be delivered, with the sophistication of forecasting tools expanding as capacity matures.

Reform Area 5: Budgeting

Objective: Achieve policy-driven medium-term budgeting for strategic, efficient resource allocation that aligns with national priorities and supports budget credibility.

Current Challenges: Budget preparation in Somalia faces several challenges that provide opportunities to further strengthen credibility and strategic resource allocation. While many MDAs do not yet have fully developed sectoral strategic plans, aligning these plans with National Transformation Plan priorities remains an important area for improving the budget process. The presence of off-budget and extra-budgetary expenditures highlights opportunities to enhance prioritization and fiscal transparency. A line-item focus in the budget provides a foundation, and opportunities exist to better link expenditures to program outcomes and results. Late budget submissions and a compressed budget calendar, partly due to delayed issuance of the Budget Call Circular, limit the time available for strategic review, highlighting the need to strengthen coordination and ensure sufficient time for high-level budget review and decision-making. While the budget is prepared and approved on an annual basis, introducing a medium-term perspective could further support strategic planning and resource allocation. Revenue projections and expenditure ceilings provide a baseline, and refining these in line with evolving government priorities can enhance accuracy and alignment with strategic goals. Current practices around consultation, baseline adjustments, and manual budget compilation provide opportunities to strengthen participatory processes and improve efficiency and accuracy.

Reform Strategy: Strengthen processes, systems, institutions, and staff skills for budget preparation and expenditure monitoring. The strategy includes undertaking a diagnostic of budgetary institutions and implementing sequenced reforms, while continuing to strengthen the strategic phase of budgeting pending diagnostic findings.

Priority Measures:

1. Strengthen the strategic phase of budgeting by linking NTP priorities with budget proposals and adopting baseline budgeting.

2. Conduct a comprehensive diagnostic of existing budgetary institutions.

3. Transition to full SFMIS-based budget preparation, phasing out manual Excel-based processes.

Sequencing (2026–2030): Budget reforms will be implemented in sequenced phases. The first year will focus on undertaking a diagnostic of budgetary institutions to inform a detailed reform action plan. Concurrently, efforts to strengthen the strategic phase of budgeting will commence, and the transition to SFMIS-based budget preparation will be initiated. Throughout the strategy period, the strategic phase will be continuously strengthened. The goal is to achieve full SFMIS-based budget preparation by the latter part of the strategy period, eliminating manual processes and enabling automated tracking and reporting.

Reform Area 6: Public Investment Management

Objective: Achieve efficient, effective, and harmonized public investment management that ensures public investments deliver value for money, are fiscally sustainable, and contribute to national development priorities.

Current Challenges: Somalia faces significant gaps in public investment management. There is no comprehensive legal framework to support a unified project appraisal process for all financing modalities, underpinned by a dedicated unit and decision-making committee. Although some critical projects are being implemented under concession contracts, the country lacks a unified and comprehensive list of public investment projects (a Public Investment Plan) and has no portfolio management of major projects. Recent IMF Public Investment Management Assessment findings highlight weaknesses in existing practices, including the absence of systematic project appraisal and selection procedures. With post-HIPC status opening access to international borrowing for capital projects, the absence of a common framework for identifying, appraising, selecting, and managing public investments poses significant fiscal risks.

Reform Strategy: Establish a common framework to identify, appraise, select, and manage all public investments in Somalia. The strategy focuses on strengthening policy, legal, institutional systems, and human capacity across the full PIM cycle: project identification, planning, appraisal, selection/budgeting, implementation, monitoring, and ex-post evaluation. This will ensure that only projects that are economically high-impact, cost-effective, affordable, sustainable, and risk-managed are implemented.

Priority Measures:

1. Establish the legal, regulatory, and institutional framework for Public Investment Management.

2. Create a unified Public Investment Plan (PIP) and integrate it with the budget preparation process.

3. Enhance capacity for PIM and fiscal risk management from PPPs.

Sequencing (2026–2030): Public investment management reforms will be phased. The initial focus will be on finalizing the institutional arrangements for the PIM coordination unit and securing Cabinet approval for the PIM methodology. This will be followed by the development of project appraisal and selection guidelines and the creation of the Public Investment Plan. Throughout the remainder of the strategy period, the focus will be on ongoing reporting, capacity building for MoF and MDA officials, and the refinement of PIM and PPP risk management tools.

Reform Area 7: Public Procurement

Objective: Improve controls, accountability, and transparency in procurement to ensure value for money, efficiency, and integrity in public spending.

Current Challenges: Key provisions of the Public Procurement, Concessions and Disposal Act 2016 remain to be operationalized. Public procurement in Somalia is centralized at the MoF, with MDAs undertaking procurement only through the Ministry, leading to bureaucratic delays in approvals. There is a lack of trained staff within potential procurement entities, and limited understanding by vendors of procurement procedures. Weak procurement planning and splitting of procurement further undermine efficiency and transparency. The establishment of the Public Procurement Authority, while a priority, may be delayed or deprioritized due to current capacity constraints and the potential fiscal strain of creating a new institution.

Reform Strategy: Strengthen procurement processes by building capacity, automating processes, and simplifying and standardizing bidding documents. The strategy focuses on building systems, processes, and institutional capacity for procurement while ensuring appropriate safeguards for sensitive information.

Priority Measures:

1. Operationalize the procurement portal to enhance transparency.

2. Simplify and standardize bidding documentation.

3. Build MDA capacity through regular training on procurement processes.

4. Improve management of multi-annual commitments in budgeting and accounting.

5. Identify, quantify, and disclose contingent liabilities from PPPs.

Sequencing (2026–2030): Procurement reforms will be implemented progressively, beginning with the launch of the procurement portal. Throughout the strategy period, there will be ongoing publication of contracts, targeted training, and disclosure of fiscal risks arising from PPPs. In parallel, bidding documentation will be simplified and standardized, and information on multi-annual commitments will be systematically shared with the Office of the Accountant General and the Budget Department.

Reform Area 8: Public-Private Partnerships

Objective: Establish a transparent, accountable, and fiscally prudent framework for PPPs that enables sustainable infrastructure development while safeguarding public resources and managing fiscal risks.

Current Challenges: Concession contracts, a form of PPP, are currently operating under the Public Procurement, Concessions and Disposal Act 2016 without a comprehensive PPP framework. There is limited capacity for PPP appraisal and management, and fiscal risks from contingent liabilities are not quantified or disclosed. Institutional responsibilities for PPP oversight are unclear. The government intends to transition from concession contracts to a full PPP framework by updating the relevant section of the Procurement Act and replacing it with a new article on PPPs, supported by new regulations. A planned pipeline of major PPP projects—including transport corridors, airports, seaports, hospitals, and education infrastructure—requires robust frameworks for fiscal risk management, project appraisal, and contract oversight.

Reform Strategy: Establish a dedicated PPP legal and institutional framework, with clear roles for fiscal risk management, project appraisal, and contract oversight. The strategy aligns PPP governance with the draft PPP Bill, ensuring that the Ministry's existing departments retain responsibility for fiscal risk assessment and disclosure of contingent liabilities, while project-specific appraisal, approval, and technical support are the responsibility of the Technical Unit and Inter-Ministerial Concessions Committee.

Priority Measures:

1. Operationalize the new PPP legal and regulatory framework.

2. Establish and build the capacity of core PPP institutions.

3. Strengthen project preparation and appraisal frameworks.

4. Enhance fiscal risk management by mandating the use of PFRAM.

5. Improve contract management and transparency.

Sequencing (2026–2030): PPP reforms will be implemented in phased stages, starting with the development of the legal and regulatory framework and the amendment of the Procurement Act. Concurrently, the Technical Unit within MoF will be operationalized. Building capacity for fiscal risk assessment and adopting standardized appraisal frameworks will be prioritized in parallel with these early activities, recognizing that government is already implementing projects and requires immediate risk management capabilities. Following this, contract management procedures will be developed. Throughout the latter part of the strategy period, the focus will be on the ongoing disclosure of fiscal risks and regular reporting on PPP performance.

Reform Area 9: State-Owned Enterprises

Objective: Establish a transparent, accountable, and performance-driven framework for State-Owned Enterprises that safeguards public resources, reduces fiscal risks, and ensures SOEs contribute effectively to Somalia's economic recovery and development.

Current Challenges: Somalia has active State-Owned Enterprises, including the Somali Development and Reconstruction Bank (SDRB) and Gargaara. These entities operate within an evolving regulatory framework, providing opportunities to further enhance oversight. Governance arrangements in SOE boards and management can be strengthened to reduce potential risks. Variations in accounting practices and the limited coverage of independent audits highlight opportunities to improve transparency and accountability. A foundational legal framework for SOE financial oversight already exists within the PFM Act 2019 (Articles 47–49) and PFM Regulation 2022 (Part VIII, Sections 97 and 110), which prescribe requirements for financial plans, in-year reporting, and annual financial statements. These provisions, while already foundational, can be further operationalized and reinforced to strengthen fiscal risk management and ensure consistent transparency and accountability.

Reform Strategy: Establish a legal, policy, and governance framework for SOEs that promotes transparency and accountability, building on existing PFM Act provisions. The strategy focuses on operationalizing and strengthening existing provisions rather than creating a new framework from scratch, ensuring alignment with international standards of disclosure, oversight, and performance monitoring.

Priority Measures:

1. Draft a comprehensive SOE policy and legal framework.

2. Develop and operationalize the institutional framework for SOE management and oversight.

Sequencing (2026–2030): SOE reforms will be implemented progressively. The initial phase will involve establishing a committee to review the status of legacy SOEs and commencing the drafting of an SOE Law. Concurrently, an SOE monitoring unit will be established, and a comprehensive SOE registry will be compiled. The subsequent phase will focus on developing reporting systems integrated with SFMIS to enable consolidated SOE financial reporting and fiscal risk monitoring. Throughout the remainder of the strategy period, ongoing fiscal risk monitoring and annual reporting will be undertaken.

Reform Area 10: Cash Management

Objective: Ensure cash management supports efficient implementation of the approved FGS budget and management of its cash, enabling MDAs to execute their activities effectively and on time.

Current Challenges: Cash management is currently limited to the government-funded budget, excluding projects and other extrabudgetary funds. Projections are limited to a monthly horizon, constraining liquidity management. Debt management and public investment management are not linked to cash forecasts, limiting the ability to align cash flow needs with borrowing requirements. Cash management forecasting relies on outdated tools, and there is limited capacity for forecasting, managing short-term cash balances and borrowing, and maintaining a buffer. The funding release process is inefficient, relying on manual and SFMIS inputs and approvals with consequent delays.

Reform Strategy: Expand cash management coverage, increase forecasting granularity, link commitments to cash plans, employ AI/ML tools, develop capacity, and implement SFMIS workflow for fund releases. Building on progress achieved—including improved cash forecasting, TSA structure, and CBS-SFMIS integration—the strategy aims to expand coverage and further improve management and forecasting of FGS cash.

Priority Measures:

1. Expand coverage of the cash plan to include projects and extrabudgetary funds.

2. Increase the granularity of cash-flow forecasts.

3. Integrate multi-annual commitments and debt management flows into cash forecasts.

4. Employ AI and machine learning tools to improve forecast accuracy.

5. Develop cash management capacity.

6. Design and implement an SFMIS workflow for MDA funding requests.

Sequencing (2026–2030): Cash management reforms will be implemented in phased stages. The initial focus will be on developing the regulatory framework to expand cash plan coverage and preparing the groundwork for integrating commitments into cash plans. This will be followed by configuring SFMIS for commitment factoring and implementing weekly forecasting. As capacity builds, the subsequent phases will involve the development of AI tools, the implementation of daily forecasting, and the full operationalization of the TSA across all government entities.

Reform Area 11: Debt Management

Objective: Apply debt strategies to finance FGS operations at the lowest cost while managing associated risks, ensuring long-term debt sustainability and transparency.

Current Challenges: Somalia has restricted financing options, currently limited to highly concessional borrowing, constraining the government's ability to diversify funding sources. Ongoing arrears clearance negotiations with remaining creditors pose risks, as the terms agreed will directly affect the cost and sustainability of Somalia's debt profile. The Debt Management Department remains heavily dependent on technical assistance support, with need for strengthened analytical capacity. While the department has established a solid foundation in debt analysis through IMF-standard DSA frameworks, there is an opportunity to further strengthen internal tools and models tailored to Somalia's context.

Reform Strategy: Strengthen in-house capacity to develop and implement debt strategies, reinforce transparency and data integration, and manage arrears. The strategy focuses on increasing capacity, expanding access to new borrowing, optimizing benefits from the Meridian platform, and supporting development of a domestic market.

Priority Measures:

1. Ensure prudent debt management and finalize outstanding debt arrangements.

2. Reinforce debt transparency and data integration.

3. Conduct in-house, credible, and policy-relevant debt sustainability analysis.

Sequencing (2026–2030): Debt management reforms will be implemented throughout the strategy period. Ongoing debt restructuring negotiations with remaining creditors will continue. In the early years, a Medium-Term Debt Management Strategy and Annual Borrowing Plans will be developed and published, and updated annually. Efforts to interface the Meridian system with SFMIS will be undertaken. Throughout the period, in-house DSA capacity will be developed, with staff trained to conduct independent debt sustainability analysis.

Reform Area 12: Asset Management

Objective: Ensure public assets are properly recorded, safeguarded, utilized, and maintained throughout their lifecycle, supporting accountability and value for money in public resource management.

Current Challenges: Public asset management in Somalia faces multiple challenges. Weak legal frameworks and political interference undermine accountability and reform progress. Fragmented responsibilities, shortage of skilled staff, weak internal controls, and limited financial resources hinder effective management. Inaccurate data, reliance on outdated or manual systems, low adoption of modern digital tools, and weak interoperability reduce oversight and efficiency. While the Asset Management Department has recorded most movable and immovable assets, significant gaps remain in data quality and system integration.

Reform Strategy: Strengthen Somalia's public asset management system through modernization, integration, capacity building, and regular verification, ensuring all assets are properly recorded, safeguarded, utilized, and maintained throughout their lifecycle.

Priority Measures:

1. Modernize and integrate the SFMIS Asset Management module with other core PFM systems.

2. Establish continuous professional development and training programs for asset management staff.

3. Conduct periodic physical verification of all assets.

Sequencing (2026–2030): Asset management reforms will be implemented in phased stages. The initial focus will be on improving and expanding the SFMIS Asset Management module and delivering comprehensive training to users. Throughout the strategy period, ongoing physical verification and tagging of assets will be conducted. In the middle years, analytics and dashboards will be developed to support decision-making and reporting on public assets.

Reform Area 13: Internal Audit

Objective: Support improvement of the efficiency, effectiveness, and economy of MDA operations by providing assurance and advisory services on governance, risk management, and controls.

Current Challenges: While the PFM Act and PFM Regulation 2022 (Articles 111–115) provide a solid framework for internal audit, opportunities exist to update and enhance these provisions to fully operationalize the internal audit function. This includes further refining the regulatory framework, strengthening coordination mechanisms with other assurance providers, and reinforcing stakeholder confidence in the internal audit function. A coordinated internal audit framework, as established under the PFM Regulation 2022, is being strengthened to ensure consistent standards and effective coverage across government. Internal Audit Units have been established in 11 MDAs, with 7 currently active, providing a platform for continued expansion and capacity strengthening. Ongoing investment in resources and capacity for the Central Internal Audit Department and MDA units will be important to realize the full potential of the internal audit function.

Reform Strategy: By 2030, establish operational internal audit units in each MDA that effectively support Authorizing Officers, building on existing PFM Regulation provisions. The strategy focuses on operationalizing the existing framework: finalizing and implementing the Internal Audit Scheme of Service, establishing fully functional Audit Committees, and building the capacity of internal auditors to execute their mandate effectively.

Priority Measures:

1. Finalize and approve the core regulatory framework documents (Internal Audit Charter, Procedures Manual).

2. Design, approve, and implement a scheme of service for public sector internal auditors.

3. Establish and operationalize an interim MoF audit committee.

4. Implement audit management software and build the capacity of internal auditors.

Sequencing (2026–2030): Internal audit reforms will be implemented progressively. The first phase will focus on finalizing and approving the foundational regulatory documents and initiating the development of audit committee guidelines. This will be followed by the establishment of the audit committee and the development of a concept paper for audit management software. In parallel, the scheme of service will be developed and implemented in a phased rollout. Throughout the remainder of the strategy period, ongoing training, capacity building, and professional certification of internal audit staff will be a priority.

Reform Area 14: External Audit

Objective: Strengthen OAGS independence in promoting transparency, accountability, and good governance by enhancing PFM regulations, standards, and practices that ensure the effective, efficient, and economical use of public resources.

Current Challenges: The Office of the Auditor General of Somalia has established institutional and operational capacity, yet opportunities exist to further enhance clarity across PFM Regulations to support coherent interpretation and effective implementation alongside the Audit Act. Sustained attention to preserving and reinforcing gains in financial and operational independence can strengthen OAGS's effectiveness and perceived autonomy. Parliamentary scrutiny of audit reports and systematic monitoring and implementation of audit recommendations remain areas for further improvement. Awareness among MDAs, CSOs, and the public of OAGS's constitutional role can be expanded to reinforce demand for accountability. Development and effective utilization of digital audit tools, building on OAGS's existing audit software (SEAT), offer additional opportunities to support systematic oversight.

Reform Strategy: Sustain coherence and clarity across PFM Regulations in their application alongside the Audit Act, support timely and effective parliamentary consideration of audit reports, strengthen mechanisms to enhance the implementation of audit recommendations, broaden stakeholder awareness of OAGS's mandate and role, and continue the development and effective utilization of digital audit systems to reinforce transparency and systematic follow-up.

Priority Measures:

1. Sustain coherence and clarity across PFM regulations in their application alongside the Audit Act.

2. Ensure OAGS continues to receive adequate and predictable budgetary support to maintain operational and institutional independence.

3. Promote effective parliamentary oversight through ongoing engagement and sensitization of the Budget and Finance Committee.

4. Enhance awareness among MDAs, CSOs, and media of OAGS's mandate and constitutional role.

5. Customize and fully utilize OAGS's existing audit software (SEAT) to strengthen digital operations and audit follow-up.

6. Continue the implementation of ISSAI-aligned audit follow-up procedures to reinforce transparency and systematic follow-up.

Sequencing (2026–2030): External audit reforms will be implemented in phased stages. The initial phase will focus on clarifying and strengthening the legal framework and launching a nationwide sensitization campaign. This will be followed by sustaining and consolidating budgetary and operational arrangements and continuing the implementation of the SEAT-based digital system. In the middle years, an ISSAI-compliant audit follow-up framework will be developed and validated. Throughout the strategy period, ongoing training and capacity building will be delivered for OAGS staff, with full implementation of the enhanced digital system planned for the latter part of the period.

Reform Area 15: Expenditure Controls

Objective: Ensure public resources are spent as intended, within authorized limits, and following sound financial management principles, strengthening fiscal discipline and accountability.

Current Challenges: Expenditure control weaknesses exist in several critical areas. There is lack of compliance with multi-annual commitment controls, and SFMIS is not configured to manage multi-annual commitments effectively. No approved travel policy exists, leading to inconsistent compensation and potential abuse. Payroll controls need strengthening: current practices lack sufficient safeguards, with different employee ID formats and identifiers that are not unique. The absence of reliable information on future-year contractual obligations poses a risk to budget implementation and accumulation of payment arrears.

Reform Strategy: Strengthen existing institutions (internal and commitment control units) and PFM regulations, and IT systems to implement multi-annual commitments. Adopt a harmonized Travel Allowance Policy, anchored in the PFM Regulations, to standardize per diem rates, prevent abuse, and ensure transparent, sustainable management of government travel expenditures. Strengthen payroll controls through NIRA linkage, ensuring all civil servant records are linked to valid national IDs with unique biometric features.

Priority Measures:

1. Implement multi-annual commitment controls through improved processes and SFMIS upgrades.

2. Implement a harmonized Travel Allowance Policy.

3. Link the payroll system with NIRA for biometric verification to strengthen payroll integrity.

Sequencing (2026–2030): Expenditure control reforms will be implemented in phased stages. The initial focus will be on strengthening the PFM Regulation, 2022, to reinforce the legal and procedural framework for multi-annual commitments and travel policies, building on the provisions already established in the PFM Act, 2019. This will be followed by the collection of existing commitment data and the configuration of SFMIS. In subsequent phases, the upgraded commitment controls and travel workflows will be rolled out to MDAs. Payroll linkage with NIRA will commence in the later years of the strategy, beginning with pilot testing and followed by phased validation for all staff.

Reform Area 16: Fiscal Federalism

Objective: Harmonize fiscal framework to improve financial oversight, ensure consistency in budget execution, and enhance collaboration on fiscal issues between the Federal Government and Federal Member States.

Current Challenges: Different FMIS solutions exist across FGS and FMS, limiting data consolidation and interoperability. Capacity levels vary significantly across levels of government, constraining reform implementation. Differences in PFM regulatory frameworks create inconsistencies in budget execution and reporting. Limited coordination between FGS and FMS in implementation of reforms has led to fragmented approaches. Reforms have often been donor-driven rather than harmonized through collaborative processes. The political economy of intergovernmental relations, including the need for incentives, is a binding constraint that the strategy must address. The ongoing joint review of FMIS systems has recommended adopting a single SFMIS platform across all levels of government, offering a scalable and robust solution for effective PFM in Somalia.

Reform Strategy: Harmonize PFM practices between FGS and FMSs to share systems, processes, technology, and training while safeguarding data sovereignty. This will be achieved through a collaborative, phased, and incentive-based approach that emphasizes consultation, technical assistance, capacity building, and the benefits of a unified platform for data consolidation and shared learning, while clearly maintaining each FMS's operational autonomy.

Priority Measures:

1. Harmonize PFM processes and legislative frameworks across FGS and FMS.

2. Adopt a tiered approach to extending the SFMIS platform to FMSs, prioritizing those with greater readiness.

3. Align budgeting practices across FGS and FMS.

4. Enhance consolidated fiscal reporting across all levels of government.

5. Develop a minimum PFM standards compact with FMS as a basis for performance-linked transfers.

Sequencing (2026–2030): Fiscal federalism reforms will be implemented in phased stages. The initial focus will be on completing the joint FMIS assessment, undertaking a legislative review, and drafting the terms of reference for the SFMIS upgrade. This will be followed by the harmonization of PFM legislative frameworks, with the Federal Member States aligning their laws and regulations with the Federal Government's PFM Act and legal frameworks, and the contracting of the SFMIS upgrade. The rollout of SFMIS to FMS will be phased based on readiness, with the first group going live in the middle of the strategy period. This will enable automated consolidated fiscal reporting. Throughout the remainder of the period, ongoing capacity building and reporting enhancements will be delivered.

Reform Area 17: Pay and Grade Policy

Objective: Implement Pay and Grade Policy (2022) to harmonize civil service salaries, ensure fairness, improve transparency, and strengthen payroll integrity across all MDAs and FMS.

Current Challenges: Inconsistent pay structures exist across MDAs and FMS, undermining fairness and transparency. Resistance to change from staff who may lose inflated benefits poses implementation challenges. Budgetary pressures in aligning salaries with fiscal space require careful management. Weak HR capacity in MDAs constrains effective implementation. The policy builds on recent changes to reduce the volume of non-payroll salaries by requiring payments be made through the payroll, in line with IMF 2022 recommendations.

Reform Strategy: Finalize and roll out the Pay and Grade Policy across all MDAs and FMS by 2030, achieving harmonization of civil service salaries in a manner that ensures fairness, improves transparency, and strengthens payroll integrity.

Priority Measures:

1. Issue the implementation circular and guidelines for the Pay and Grade Policy.

2. Configure SFMIS to validate and enforce salary payments according to the approved grade structure.

Sequencing (2026–2030): Pay and Grade Policy implementation will be phased. The initial year will focus on conducting the job analysis and description necessary for mapping positions to pay scales, alongside securing Cabinet endorsement and circulating guidelines. The subsequent years will be dedicated to nationwide phased implementation across all MDAs and FMS, with SFMIS configured to enforce the approved structure. The final phase will involve a review of implementation progress and the identification of any required adjustments to ensure sustainability.

Reform Area 18: Accounting and Reporting

Objective: Achieve comprehensive accounting and reporting for all public funds, compliant with international standards, enhancing the quality of fiscal information and accountability.

Current Challenges: The primary challenge is institutional capacity and readiness for reform sustainability. While the quality and timeliness of FGS reporting have improved through use and progressive development of SFMIS functionalities, financial reporting through SFMIS remains focused on FGS budgeted revenues and payments, excluding transactions pertaining to projects and other extrabudgetary funds as well as collection and utilization of internally generated receipts. Consolidation of FGS and FMS financial data requires manual intervention. The 2022 PFM Regulations already mandate program classifications, making Program-Based Budgeting implementation operationalization of existing provisions rather than creation of new legal framework.

Reform Strategy: Adopt a phased approach starting with full compliance with Cash Basis IPSAS, followed by plans for transitioning to accrual IPSAS. The strategy focuses on expanding coverage of SFMIS to record all off-budget funds and account for internally-generated revenues, and consolidating FGS and FMS data.

Priority Measures:

1. Achieve full compliance with the Cash Basis IPSAS.

2. Develop a roadmap for the transition to Accrual IPSAS.

Sequencing (2026–2030): Accounting and reporting reforms will be implemented in phased stages. The first phase will focus on bringing off-budget funds onto the FMIS and ensuring all internally generated revenues are recorded in SFMIS. Over the medium term, encouraged disclosures under Cash Basis IPSAS will be implemented. The latter part of the strategy period will focus on preparing Federal Republic of Somalia consolidated accounts and developing a detailed roadmap for the eventual transition to Accrual IPSAS.

Reform Area 19: Fiscal Transparency

Objective: Increase fiscal and budget transparency, ensuring government financial and budget reports comply with good fiscal transparency principles and are accessible to citizens and stakeholders.

Current Challenges: Information provided in the National Budget report is somewhat limited, constraining public understanding and oversight. Timeliness of publishing budget performance reports needs improvement. Legislative oversight on budget formulation and audit reports is weak. The procurement portal is not yet operational, limiting transparency in public procurement. Greater public participation in budget processes is needed. The latest Open Budget Survey registers improvement in Somalia's fiscal transparency ranking but recommends additional actions, with scores of 37 for transparency, 30 for oversight, and 0 for public participation in 2023. A target for improvement in the OBS score would help to measure progress.

Reform Strategy: Ensure budget and procurement transparency and accountability by institutionalizing open budget processes, improving citizen engagement, and enhancing external oversight. The strategy aims to continue advancing fiscal transparency while many reform areas include actions to improve timeliness, quality, and access to key documents.

Priority Measures:

1. Institutionalize open budget processes by improving the timeliness and content of published budget reports.

2. Improve citizen engagement and participation in the budget process.

3. Enhance external oversight and audit functions.

Sequencing (2026–2030): Fiscal transparency reforms will be implemented throughout the strategy period. Efforts will focus on the ongoing publication of citizen-friendly budget documents, ensuring they are timely and accessible. In the middle years of the strategy, pre-budget consultations with civil society and other stakeholders will be institutionalized. The Auditor General will continue publishing all audit reports in the Official Bulletin and making them publicly available within one month after submission to Parliament, in accordance with Article 45(4) of the Public Finance Management Act, 2019. A Budget Transparency Policy will be developed and enforced across all MDAs.

Chapter Six: Cross-Cutting Reforms

6.1 Legal Framework

The strategic objective is to ensure all PFM-related regulations are modern, coherent, and fully aligned with the PFM Act. The reform measures focus on comprehensive legal review, regulatory harmonization, capacity building for legal compliance, and monitoring compliance through SFMIS. A systematic review of all existing PFM-related regulations will be undertaken to identify overlaps, inconsistencies, and gaps. Regulations will be revised and updated to ensure full consistency with the PFM Act and eliminate conflicting provisions. Targeted training and awareness programs will improve understanding and implementation of revised regulations across MDAs. Compliance monitoring mechanisms will leverage SFMIS to track and report on MDA adherence to PFM regulations, with systematic processes incorporating internal audit functions and feedback loops to provide MDAs with clear guidance on corrective actions and support continuous improvement.

6.2 Digitalization

The strategic objective is to establish interoperable PFM IT systems through common fiscal data standards and a central data exchange platform. Initial integration efforts—such as the link between SFMIS and the Central Bank's core banking system, and the integration of the non-tax revenue portal with SFMIS and line MDA systems—have been successful. However, a more strategic and coordinated approach is now needed to prevent fragmentation as new systems (e.g., ITAS, PIMIS) come online. The rollout of SFMIS to FMS under SERP and the development of the Unified Chart of Accounts (UCOA) are key building blocks. Common fiscal data standards will be developed and institutionalized for use across all PFM-related IT systems. A secure and scalable central data exchange platform will facilitate real-time data sharing between systems at FGS and FMS levels, ensuring consistency and reducing duplication.

6.3 Fiscal Transparency

The strategic objective is to ensure government financial and budget reports comply with good fiscal transparency principles, building on improvements in Open Budget Survey scores. Measures include institutionalizing open budget processes, improving citizen engagement, and enhancing external oversight. Fiscal reports should provide a comprehensive, relevant, timely, and reliable overview of the government's financial position and performance. Budgets and underlying fiscal forecasts should provide a clear statement of the government's budgetary objectives and policy intentions. Documents should disclose, analyze, and manage risks to public finances and ensure effective coordination of fiscal decision-making across the public sector.

Chapter Seven: Prioritization and Sequencing

7.1 Prioritization Methodology

Reform measures were prioritized using an objective methodology based on four criteria: macro-criticality (higher score for higher impact on macro-fiscal variables), impact on service delivery (higher score for improved PFM efficiencies), ongoing reforms (higher score for carried-forward reforms and development partner commitments), and availability of funding (higher score for already available funding). Each measure was scored on a scale of 1–5, with weighted scores calculated using weights of either 0.3/0.3/0.3/0.1 or 0.5/0.3/0.1/0.1, depending on the measure. This approach ensures that reform priorities are assessed not only on technical or sequencing considerations but also on their potential to strengthen fiscal outcomes and improve public sector accountability.

7.2 Priority Categories

Priority Level	Score Threshold	Implementation Approach
Very High	> 4.5	Active implementation during 2026–2030, with focused attention.
High	4.0–4.5	Active implementation during 2026–2030, subject to capacity and sequencing.
Medium	3.5–3.9	Implementation will be considered only after sufficient progress is made on Very High and High priority measures, and capacity permits.
Low	< 3.5	Implementation will be deferred until capacity is enhanced and core reforms are embedded.

All reform measures have been assigned a priority level using the methodology set out in Section 7.1. The Very High Priority measures are listed in Section 7.3 and Annex III. The full list of High, Medium, and Low priority measures, along with their specific sequencing, is contained in the detailed action plan.

7.3 Very High Priority Measures

The following measures were classified as "Very High Priority" and will receive focused implementation attention. Following comprehensive review by senior management of the Ministry of Finance, twelve reform measures are designated as "Very High Priority" due to their strategic importance to the sustainability and effectiveness of Somalia's PFM reform agenda. These 12 measures represent a realistic and focused implementation agenda, in line with the lessons learned from the previous strategy. They will receive focused implementation attention throughout the strategy period.

No.	Reform Area	Strategic Importance
1.	PPPs	Identify, quantify, and disclose contingent liabilities from PPPs
2.	PFM Reform Coordination	Operationalize governance and management structures
3.	PFM Reform Coordination	Develop integrated reporting, M&E, communication, change management, and capacity building strategies
4.	Budgeting	Strengthen the strategic phase of budgeting
5.	Budgeting	Review existing budgetary institutions
6.	Expenditure Controls	Implement multi-annual commitment controls
7.	Expenditure Controls	Update National ID in payroll and link with NIRA
8.	Debt Management	Ensure prudent debt management and finalize outstanding arrangements
9.	Pay and Grade	Issue implementation circular and guidelines
10.	SOEs	Establish SOE policy and legal framework and operationalize SOE oversight framework
11.	Budgeting/Systems	Transition to full SFMIS-based budget preparation
12.	Fiscal Federalism	Extend SFMIS platform to all FMSs nationwide while maintaining operational autonomy

Chapter Eight: Governance and Implementation Arrangements

8.1 New Governance Structure

Based on lessons from previous reform phases and MoF guidance, the following governance structure will be established to ensure effective coordination, monitoring, and government ownership of reforms:

PFMR Steering Committee

(a) Chaired by the Director General of the Ministry of Finance.

(b) Membership comprises heads of departments responsible for delivering approved reform activities and a senior representative from the Office of the Auditor General.

(c) Provides strategic direction and resolves implementation bottlenecks.

(d) Reports directly to the Minister of Finance.

High-Level PFM Partnership Forum

(a) Chaired by the Minister of Finance.

(b) Convened semi-annually.

(c) Brings together Development Partners and FGS leadership for strategic dialogue on reform progress, financing, and alignment.

(d) Role limited to information sharing, alignment, and advisory functions (no decision-making authority).

FMS Coordination

(a) Channeled through the Intergovernmental Fiscal Federalism Technical Committee (IGFFTC).

(b) Ensures harmonized approaches without overburdening the Steering Committee.

PFMR Secretariat

(a) The Office of the Director General of Finance designated as the PFMR Secretariat.

(b) Serves as secretariat to the Steering Committee.

(c) Maintains PFMR master plan.

(d) Conducts regular monitoring and evaluation of progress, constraints, and risks.

(e) Reports to the Director General of Finance.

(f) Staffed by competent Ministry personnel designated by the Director General to carry out the functions of the PFMR Secretariat, with monitoring and evaluation primarily serving government needs while allowing information to be shared with Development Partners as appropriate.

Technical Working Groups

(a) Manage specific reform activities.

(b) Led by a department with responsibility to engage other stakeholders who will need to contribute to or be impacted by the reform.

8.2 Institutional Roles

No.	Body	Composition	Key Functions
1.	PFMR Steering Committee	DG Finance (Chair), heads of implementing departments, senior representative from the Office of the Auditor General	Strategic direction; bottleneck resolution; Minister reporting
2.	High-Level Partnership Forum	Minister (Chair), Development Partners, FGS leadership	Strategic dialogue; information sharing; alignment; advisory functions
3.	IGFFTC	FGS and FMS representatives	FMS coordination; harmonized approaches
4.	PFMR Secretariat	Office of the Director General	Master plan maintenance; M&E; secretariat support
5.	Technical Working Groups	Lead department, relevant stakeholders	Activity management; stakeholder engagement

8.3 Government Ownership Principles

(a) **Government-led decision-making:** Development Partners are not members of the Steering Committee; their engagement is through the Partnership Forum, which has advisory functions only.

(b) **No parallel structures:** The PFMR Secretariat is an existing unit within the Office of the Director General, fully integrated into the Ministry's structure, and is not a donor-dependent or standalone unit.

(c) **Staffing principle:** The secretariat is staffed by competent Ministry personnel designated by the Director General to carry out the functions of the PFMR Secretariat, with monitoring and evaluation primarily serving government needs while allowing information sharing with Development Partners as needed.

8.4 Initial Reform Activities

(a) Formation of PFMR Steering Committee and designation of secretariat within an existing department.

(b) Development of TORs and linkages to stakeholders.

(c) Development of project management, M&E, and reporting tools.

(d) Development of cross-cutting strategies (communication, change management, capacity building).

(e) Coordination of benchmarking initiatives (mid-term review, PEFA, Fiscal Transparency Evaluation).

Chapter Nine: Implementation Approach

9.1 Action Plan Status

The detailed action plan supporting this strategy will be developed following the formal adoption of the strategy. The PFMR Secretariat will finalize, adopt, and submit it to the Minister for approval within three months of this Strategy's entry into force. It will serve as the primary operational tool for the PFMR Secretariat and the Technical Working Groups, guiding day-to-day implementation. The action plan will be subject to regular review and adjustment by the PFMR Steering Committee to reflect progress, emerging priorities, and any required changes in sequencing. It will not form part of the formal published strategy and will instead be maintained as an internal operational document. The action plan will include clear institutional responsibilities, indicative costing, specific indicators with baselines and targets, and a theory of change for each reform area. A finalized high-level action plan, which will summarize key milestones and institutional responsibilities, will be published online once completed. The process for developing and adopting the detailed action plan is set out in subsection 9.1.1.

9.1.1 Development and Adoption of the Detailed Action Plan

The PFMR Secretariat will lead the development of the detailed action plan following the formal adoption of the Strategy, working in close collaboration with the Technical Working Groups and relevant departments. Each Technical Working Group, under the guidance of its lead department, will define the specific activities, sequencing, milestones, and resource requirements for its respective reform measures, ensuring alignment with the priorities and sequencing established in this Strategy.

Development partners will be consulted during the preparation of the detailed action plan, and their technical inputs and ongoing support programs will be taken into account to ensure coherence, avoid duplication, and enhance the effectiveness of implementation, while maintaining government ownership of the reform agenda.

The PFMR Secretariat will consolidate these inputs into a comprehensive draft detailed action plan, ensuring coherence across reform areas and consistency with the overall strategic framework. The draft will then be submitted to the PFMR Steering Committee for review. The Steering Committee will assess the draft to ensure that it reflects implementation feasibility, alignment with government priorities, and clear institutional ownership, and will formally adopt the detailed action plan. Following its adoption by the Steering Committee, the detailed action plan will be submitted to the Minister of Finance for approval.

The detailed action plan shall be finalized, adopted by the Steering Committee, and submitted to the Minister for approval within three months of the Strategy's entry into force.

Once approved, the detailed action plan will be maintained by the PFMR Secretariat as an internal operational document and will be updated regularly through the annual planning cycle described in Section 9.3, to reflect progress, emerging priorities, and any required adjustments in implementation sequencing.

9.2 Implementation Phasing

Reforms will be implemented in sequenced phases aligned with the prioritization categories:

Phase	Focus	Timeline
1	Very High Priority measures; establishment of governance structures	2026
2	High Priority measures; consolidation of Phase 1 gains	2026–2027
3	Medium Priority measures; system strengthening	2027–2028
4	Low Priority measures; sustainability and maintenance	2028–2030

9.3 Annual Planning Cycle

Each year, the PFMR Secretariat will:

(a) Consolidate annual work plans from Technical Working Groups, ensuring alignment with the strategy and available resources.

(b) Review progress against the master plan, identifying achievements, constraints, and emerging risks.

(c) Adjust sequencing based on emerging needs and capacity, recommending modifications to the Steering Committee.

(d) Submit consolidated plan to Steering Committee for approval, ensuring government ownership and strategic alignment.

9.4 Capacity Building Approach

Capacity building is integrated into each reform measure, with emphasis on:

(a) Training of trainers for sustainability, ensuring knowledge transfer and institutional memory.

(b) Leveraging professional bodies and institutions for certification and professional development.

(c) Phased, hands-on support during system rollouts, with practical training and mentoring.

(d) Change management to address behavioral barriers and cultural change required to sustain reforms.

9.5 Adaptive Management and Amendment Mechanism

Recognizing that PFM reform is iterative and implementation may reveal new challenges, the strategy establishes an adaptive management framework to ensure responsiveness while preserving government ownership and strategic coherence.

9.5.1 Types of Amendments

Amendments to the strategy and its supporting detailed action plan shall be classified as:

(a) **Minor adjustments:** Changes to sequencing, milestone dates, or refinement of indicators contained in the detailed action plan.

(b) **Major amendments:** Changes affecting strategic objectives, reform area scope, addition or removal of Very High Priority measures, or significant resource reallocation.

9.5.2 Process for Amendment

The PFMR Secretariat shall serve as the central entry point for all proposed amendments. Proposals may originate from Technical Working Groups, the Steering Committee, Development Partners (through the High-Level Partnership Forum), or the Minister of Finance.

The Secretariat shall assess each proposal against the strategy's guiding principles and feasibility, and submit a consolidated recommendation to the Steering Committee for review. Amendments are considered on a rolling, need-basis; the Steering Committee shall review proposals at its regularly scheduled meetings, unless urgency requires an extraordinary meeting. The Steering Committee shall forward its recommendation to the Minister of Finance for final approval. All amendments, whether minor or major, require formal approval by the Minister of Finance.

Approved amendments shall be reflected in the detailed action plan within one month, and the strategy document shall be updated accordingly. All amendments shall be documented in a version-controlled log maintained by the Secretariat and shared semi-annually with the Steering Committee and the High-Level Partnership Forum.

9.5.3 Linkage to the Detailed Action Plan

The detailed action plan shall explicitly reference this amendment mechanism and include provisions for regular review cycles. Adjustments to the action plan that do not constitute an amendment to the strategy shall be approved by the Steering Committee in accordance with the annual planning cycle (Section 9.3). This ensures the strategy remains a living document, capable of incorporating lessons learned and responding to evolving circumstances while maintaining clear accountability and government ownership.

Chapter Ten: Risk Management

10.1 Risk Management Approach

Risks have been assessed across three levels: High, Medium, and Low, considering probability and impact. The PFMR Steering Committee will monitor high-level risks, with the Secretariat maintaining a risk register that is updated monthly and used to inform decision-making. Risk assessment was integrated into the strategy development process, with working groups identifying risks, their likelihood, and potential impact to support prioritization and mitigation planning.

10.2 Key Risks and Mitigation Measures

Risk Type	Risk Description	Probability	Impact	Mitigation
Political Support	Potential delays due to elections	Medium	High	Engage DG to support establishment of secretariat; engage political leadership on reform after elections
Management Support	Resistance to change, perceived overlap with existing structures	Medium	Low–High	Sensitization, coordination, stakeholder engagement; clear communication on mandates
Availability of Funding	Inadequate resources for coordination mechanism	Low	Medium	Engage DPs from outset on importance; gradually build internal revenue base
External Conditions	Lack of FMS consensus on coordination	Low	Medium	Include FMS in validation and Steering Committee; collaborative, incentive-based approach
Technical Capacity	Limited skills for reform implementation	High	High	Phased capacity building, targeted training, technical assistance, peer learning
Data Integrity	Sensitive data exposure or misuse	High	High	Data Protection Act compliance; strict access controls; phased approach to publication
System Resilience	Crashes, power outages, server failures	High	High	Backup servers, cloud redundancy, disaster recovery plans; phased rollout
Fiscal Risk	Hidden guarantees from SOEs/PPPs	High	Medium	Enact and enforce regulations; mandate MoF prior approval; publish annual Fiscal Risks Statement

10.3 Risk Monitoring

The PFMR Secretariat will:

(a) Update the risk register monthly, incorporating new risks as they emerge.

(b) Identify priority risks for Steering Committee discussion at each meeting.

(c) Track mitigation action implementation, reporting on progress and effectiveness.

(d) Escalate emerging risks as needed to ensure timely response and adaptation.

Chapter Eleven: Monitoring and Evaluation

11.1 Results Framework

The strategy is supported by a comprehensive results framework with indicators at three levels. The full results framework, including baselines, annual targets, and data sources, will be detailed in the action plan.

Level	Description	Frequency
High-level	Result Area Outcomes	Mid-term, end-term
Intermediate	Reform Results	Annual
Low-level	Changes Required (Outputs)	Quarterly, semi-annual

11.2 Reporting Mechanisms

Report Type	Frequency	Responsible	Audience
Quarterly progress	Quarterly	Technical Working Groups	PFMR Secretariat
Semi-annual progress	Semi-annual	PFMR Secretariat	Steering Committee
Annual progress	Annual	PFMR Secretariat	Steering Committee, High-Level Forum
Mid-term review	2028	Independent/external	Minister, Steering Committee, DPs
End-term review	2030	Independent/external	Minister, Steering Committee, DPs

11.3 PEFA Assessment

A PEFA assessment will be conducted in the final year of the strategy period (2029–2030) to measure overall PFM system improvements and inform the next reform strategy. The assessment will be timed to provide evidence-based input for the development of the follow-on PFM reform strategy.

11.4 Learning and Adaptation

The PFMR Secretariat will:

(a) Document lessons learned from implementation, capturing successes, challenges, and innovations.

(b) Share findings through Technical Working Groups, enabling peer learning and cross-fertilization.

(c) Recommend adjustments to sequencing or approaches based on evidence and emerging needs.

(d) Ensure feedback informs annual planning, creating a continuous improvement cycle.

Chapter Twelve: Financing Framework

12.1 Funding Sources

Implementation of the strategy will be financed through:

(a) Government of Somalia budget allocations, demonstrating ownership and commitment.

(b) Development partner technical and financial support, aligned with strategy priorities.

(c) Basket funding mechanisms (where established) for core coordination functions.

(d) Project-specific financing aligned with strategy priorities, ensuring complementarity.

12.2 Alignment with Development Partner Support

The strategy is designed to leverage ongoing reforms and align with current technical assistance provided by development partners, including:

Partner	Support Areas
IMF	Budgeting, cash management, debt management, digitalization, macro-fiscal forecasting, capacity building on identification and quantification of fiscal risks related to PPPs, project appraisal and selection
World Bank	Budget transparency, internal/external audit, procurement, revenue, SFMIS, asset management, PIM
AfDB	PIM, PBB, internal/external audit, debt management, revenue, legal framework translation
European Union	Macro-fiscal forecasting, internal/external audit, training, compliance audits
Others	Legal support (ALSF), customs harmonization (FCDO), systems audit (AFROSAI-E), debt negotiations (ALSF)

12.3 Costing Approach

The strategy and action plan will be costed following finalization, with:

(a) Detailed cost estimates for each reform measure, based on realistic assessment of resource requirements.

(b) Identification of recurrent costs for mainstreaming, ensuring sustainability beyond the strategy period.

(c) Clear differentiation between FGS and DP financing, enabling transparent resource mobilization.

(d) Annual work plans with costed activities, supporting budget planning and donor coordination.

12.4 Resource Mobilization

The PFMR Secretariat will:

(a) Work with the Steering Committee to prioritize unfunded activities, focusing on high-impact reforms.

(b) Engage DPs through the High-Level Partnership Forum, presenting prioritized unfunded activities.

(c) Explore basket funding options for core coordination functions, ensuring predictable resources.

(d) Ensure transparency in resource allocation and use, publishing information on funding sources and expenditures.

Annexes

Annex I: Results Framework

This annex presents the high-level results framework for the Somalia PFM Reform Strategy 2026–2030. The framework is structured according to three levels:

(a) **High-level (Result Area Outcomes):** The ultimate change expected at the end of the strategy period for each reform area.

(b) **Intermediate (Reform Results):** The key results that must be achieved to deliver the high-level outcome.

(c) **Low-level (Changes Required):** The specific outputs or deliverables that will be produced under each intermediate result.

The detailed indicators (including baselines, targets, data sources, and frequency of measurement) for each level are not included in this published strategy. They are maintained in the detailed action plan, which is a complementary operational document managed by the PFMR Secretariat and regularly reviewed by the PFMR Steering Committee. The detailed action plan also contains the full list of actions, leads, and sequencing for each reform measure.

The tables below provide a high-level overview of the results framework. For each reform area, the Result Area Outcome and the Reform Results are shown. The full set of indicators and targets will be finalized and monitored through the detailed action plan.

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
1. PFM Reform Coordination	A government-led, well-coordinated PFM reform program implemented with effective monitoring and accountability.	1. Governance and management structures for PFM reform are operationalized. 2. Integrated reporting, monitoring, and evaluation mechanisms are established. 3. Communication, change management, and capacity building strategies are implemented. 4. PEFA assessment and follow-on reform planning are conducted.

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
2. Legal Framework	PFM regulations are modern, coherent, and fully aligned with the PFM Act, with strengthened compliance and enforcement.	1. Comprehensive review of PFM regulations completed. 2. Regulatory inconsistencies eliminated and compliance monitoring strengthened. 3. Capacity for legal compliance built across MDAs.
3. Digitalization	PFM IT systems are interoperable, data-driven, and integrated through common fiscal data standards and a central exchange platform.	1. Common fiscal data standards are established and enforced. 2. A central data exchange platform is developed and operationalized.
4. Macrofiscal	A credible macro-fiscal framework that links macroeconomic drivers to medium-term forecasts and supports fiscal discipline.	1. Cross-agency coordination for macroeconomic forecasting strengthened. 2. Staff capacity, processes, and tools for macro-fiscal analysis enhanced. 3. Medium-Term Fiscal Framework (MTFF) developed and used for revenue forecasting.
5. Budgeting	A policy-driven, credible medium-term budget aligned with national priorities and prepared through a fully automated system.	1. Strategic phase of budgeting strengthened. 2. Diagnostic of budgetary institutions completed and reform action plan implemented. 3. Full transition to SFMIS-based budget preparation achieved.
6. Public	A unified framework for	1. Legal, regulatory, and

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
Investment Management	public investment management ensures that projects are economically sound, affordable, and well-managed.	institutional framework for PIM established. 2. Unified Public Investment Plan (PIP) created and integrated with budget. 3. Capacity for PIM and fiscal risk management from PPPs enhanced.
7. Public Procurement	Transparent, efficient procurement processes that deliver value for money, supported by a functional procurement portal and trained staff.	1. Procurement portal operationalized. 2. Bidding documentation simplified and standardized. 3. MDA capacity in procurement strengthened. 4. Multi-annual commitment information shared with budget and accounting authorities. 5. Contingent liabilities from PPPs identified, quantified, and disclosed.
8. Public-Private Partnerships	A transparent and fiscally prudent PPP framework that enables sustainable infrastructure development while managing fiscal risks.	1. PPP legal and regulatory framework operationalized. 2. Core PPP institutions established and capacitated. 3. Project preparation and appraisal frameworks strengthened. 4. Fiscal risk management using PFRAM mandated. 5. Contract management and transparency improved.

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
9. State-Owned Enterprises	A transparent, accountable, and performance-driven framework for SOEs that safeguards public resources and manages fiscal risks.	1. The SOE policy and legal framework is strengthened and operationalized. 2. Institutional framework for SOE management (monitoring unit, reporting systems) operationalized.
10. Cash Management	Cash management supports efficient budget execution through expanded coverage, improved forecasting, and integrated systems.	1. Cash plan coverage expanded to projects and extrabudgetary funds. 2. Granularity of cash-flow forecasts increased (weekly and daily). 3. Multi-annual commitments and debt management flows integrated into cash forecasts. 4. AI/ML tools employed to assist forecasting. 5. Cash management capacity developed. 6. SFMIS workflow for MDA funding requests implemented.
11. Debt Management	Public debt is managed prudently and transparently, with strengthened in-house capacity and strategic frameworks.	1. Outstanding debt arrangements finalized and debt sustainability safeguarded. 2. Debt transparency and data integration reinforced (Meridian–SFMIS interface). 3. In-house debt sustainability analysis (DSA) capacity developed.

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
12. Asset Management	Public assets are properly recorded, safeguarded, and utilized, supported by an integrated system and regular verification.	1. SFMIS Asset Management module modernized and integrated with other systems. 2. Continuous professional development and training programs established. 3. Periodic physical verification of assets conducted.
13. Internal Audit	Operational internal audit units in each MDA provide effective assurance and advisory services, supported by a clear legal framework and professional staff.	1. Regulatory framework (Charter, Procedures Manual) finalized and approved. 2. Scheme of service for internal auditors designed and implemented. 3. Interim MoF audit committee established and operationalized. 4. Audit management software implemented and capacity building delivered.
14. External Audit	OAGS exercises its constitutional mandate independently and effectively, with timely parliamentary oversight and strengthened follow- up of audit recommendations.	1. PFM laws reviewed for consistency with Audit Law. 2. Direct parliamentary funding operationalized (Law No. 14). 3. Parliamentary oversight strengthened through BFC sensitization. 4. Awareness of OAGS's role expanded among MDAs, CSOs, and media.

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
		5. OAGS Management Information System (OMIS) introduced. 6. ISSAI-aligned audit follow-up procedures developed and enforced.
15. Expenditure Controls	Fiscal discipline is strengthened through effective controls on multi-annual commitments, travel expenditures, and payroll integrity.	1. Multi-annual commitment controls implemented (processes and SFMIS upgrades). 2. Harmonized Travel Allowance Policy adopted and implemented. 3. Payroll linked with NIRA for biometric verification.
16. Fiscal Federalism	Harmonized PFM practices and systems between FGS and FMS enable consolidated fiscal reporting and coordinated reforms.	1. PFM processes and legislative frameworks harmonized. 2. SFMIS platform extended to all FMSs. 3. Budgeting practices aligned across FGS and FMS. 4. Consolidated fiscal reporting enhanced.
17. Pay and Grade Policy	Civil service salaries are harmonized, fair, and transparent, with payroll integrity strengthened through policy implementation.	1. Implementation circular and guidelines for Pay and Grade Policy issued. 2. SFMIS configured to validate salary payments against approved grades.
18. Accounting and Reporting	Comprehensive, timely, and internationally comparable financial reporting is achieved for all public funds, starting	1. Full compliance with Cash Basis IPSAS achieved (off-budget funds, internally generated revenues, encouraged

Reform Area	Result Area Outcome (High-Level)	Reform Results (Intermediate)
	with Cash Basis IPSAS compliance.	disclosures, consolidated accounts). 2. Accrual IPSAS implementation roadmap developed.
19. Fiscal Transparency	Budget and procurement processes are open and accessible, with improved citizen engagement and enhanced external oversight.	1. Open budget processes institutionalized (timely publication of citizen-friendly documents). 2. Citizen engagement and participation improved (pre-budget consultations). 3. External oversight and audit functions enhanced (publication of audit reports).

Note on Detailed Indicators, Baselines, and Targets

The above high-level results are supported by a comprehensive set of indicators at all three levels. These indicators, along with their baselines, annual targets, data sources, and frequency of reporting, are documented in the detailed action plan that accompanies this strategy. The detailed action plan is maintained as a working document by the PFMR Secretariat and is regularly updated and reviewed by the PFMR Steering Committee to reflect progress, emerging needs, and adjustments in sequencing. It is not part of the formal published strategy but provides the operational basis for monitoring and evaluation.

Annex II: Governance Structures and Terms of Reference

This annex presents the high-level governance framework for overseeing the implementation of the Somalia PFM Reform Strategy 2026–2030. The structure is designed to ensure government ownership, effective coordination, and clear accountability, drawing on lessons from previous reform phases.

The detailed terms of reference for each governance body, including specific membership criteria, meeting schedules, decision-making protocols, and reporting requirements, are not included in this published strategy. They are documented in the detailed action plan, which is maintained by the PFMR Secretariat and regularly reviewed by the PFMR Steering Committee. The detailed action plan provides the operational basis for the functioning of these bodies.

The table below summarizes the key governance bodies, their composition, and their high-level functions.

Governance Body	Composition	Key Functions (High-Level)
PFMR Steering Committee	**Chair:** Director General, Ministry of Finance **Members:** Heads of departments and units responsible for delivering approved reform activities	1. Provide strategic direction and oversight for PFM reform implementation 2. Resolve implementation bottlenecks 3. Review progress and approve annual work plans 4. Report to the Minister of Finance
High-Level PFM Partnership Forum	**Chair:** Minister of Finance **Members:** Development Partners, FGS leadership	1. Facilitate strategic dialogue on reform progress, financing, and alignment 2. Serve as an advisory and information-sharing forum (no decision-making authority)
Intergovernmental Fiscal Federalism Technical Committee (IGFFTC)	Representatives from FGS and Federal Member States	1. Coordinate fiscal federalism reforms 2. Ensure harmonized approaches across levels of government

Governance Body	Composition	Key Functions (High-Level)
PFMR Secretariat	Office of the Director General	1. Serve as secretariat to the Steering Committee 2. Maintain the PFMR master plan and detailed action plan 3. Conduct regular monitoring and evaluation of progress, constraints, and risks 4. Report to the Director General of Finance
Technical Working Groups	Led by a designated department, with membership from relevant stakeholders	1. Manage specific reform activities 2. Engage stakeholders who contribute to or are affected by the reform 3. Develop and implement detailed work plans

Note on Detailed Terms of Reference

The detailed terms of reference for each of the above bodies, including membership criteria, meeting schedules, decision-making protocols, reporting requirements, and specific responsibilities, are contained in the detailed action plan. This operational document is maintained by the PFMR Secretariat and is subject to regular review and adjustment by the PFMR Steering Committee. It is not part of the formal published strategy but provides the necessary detail for day to day implementation.

Annex III: Very High Priority Measures Summary

This annex presents the twelve reform measures classified as “Very High Priority” following the prioritization methodology described in Chapter Seven. These measures are considered macro-critical, have high impact on service delivery, align with ongoing reforms, and are essential for the sustainability of Somalia’s PFM reform agenda.

The detailed implementation plans for each measure, including specific activities, responsible institutions, dependencies, and precise quarterly or annual milestones, are contained in the detailed action plan. That document is maintained by the PFMR Secretariat and is regularly reviewed and updated by the PFMR Steering Committee to reflect progress, emerging needs, and adjustments in sequencing.

The table below summarizes the twelve very high priority measures and their indicative implementation horizon.

Reform Area	Measure	Indicative Implementation Horizon
PPPs/Concessions	Identify, quantify, and disclose contingent liabilities from PPPs	2026–2030
PFM Reform Coordination	Operationalize governance and management structures	2026
PFM Reform Coordination	Develop integrated reporting, M&E, communication, change management, and capacity building strategies	2026–2027
Budgeting	Strengthen the strategic phase of budgeting	2026–2030
Budgeting	Review existing budgetary institutions	2026
Expenditure Controls	Implement multi-annual commitment controls	2026–2028
Expenditure Controls	Update National ID in payroll and link with NIRA	2028–2029
Debt Management	Ensure prudent debt management and finalize outstanding arrangements	2026–2030
Pay and Grade	Issue implementation circular and guidelines	2026

Reform Area	Measure	Indicative Implementation Horizon
SOEs	Establish SOE policy and legal framework and operationalize SOE oversight framework	2026–2028
Budgeting/Systems	Transition to full SFMIS-based budget preparation	2026–2028
Fiscal Federalism	Extend SFMIS platform to all FMSs nationwide while maintaining operational autonomy	2026–2027

Note on Detailed Implementation

The timelines shown above are high-level estimates based on the strategy's sequencing. Specific milestones, responsible parties, resource requirements, and performance indicators for each measure are documented in the detailed action plan, which serves as the operational companion to this strategy. The PFMR Steering Committee will review progress against these measures on a regular basis and may adjust priorities or timelines as needed, with changes reflected in the detailed action plan.