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Fiscal Decentralisation and Governance in Hargaisa Local Government, Somaliland

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ABSTRACT

Background: Fiscal decentralisation is pivotal for governance in fragile states like Somaliland. Hargeisa Local Government emphasises community participation but faces funding shortages, weak institutions, and the exclusion of marginalised groups, hindering effective service delivery.
Objective: To critically analyse the relationship between fiscal decentralisation and governance in Hargaisa Local Government, Somaliland.
Method: A mixed-methods correlational survey was employed, collecting data from 269 officials across nine districts. Quantitative data were collected using Likert-scale questionnaires, which were analysed via SPSS (descriptive/inferential statistics), supplemented by structured qualitative interviews that were subjected to thematic analysis.
Result: Fiscal decentralisation strongly correlated with improved governance ($\beta = 0.623$, *p* < 0.001), enhancing accountability, transparency, and e-governance. However, constraints included limited taxation authority (mean = 2.53), dependence on external grants (mean = 2.71), and weak community participation (mean = 2.49). Demographic barriers were evident, including gender disparities (60.2% male workforce) and mid-level bureaucratic dominance (40.1%).
Conclusion: Fiscal decentralisation significantly boosts governance quality but requires complementary reforms to address institutional weaknesses and structural inequities.
Unique Contribution: This study validates the Soufflé Theory in a fragile state context, demonstrating that balanced political, administrative, and fiscal decentralisation can strengthen local governance without fragmenting national cohesion. It identifies structural barriers (e.g., gender gaps, revenue dependency) specific to post-conflict settings.
Key Recommendation: Strengthen local revenue systems via expanded taxation authority; institutionalise participatory budgeting and gender-inclusive policies; and scale e-governance tools to enhance transparency. Central governments should provide oversight while empowering local fiscal autonomy.

Keywords: Fiscal decentralisation, Governance, Accountability, Transparency, E-governance.

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INTRODUCTION

Decentralisation theory, anchored by frameworks like the Principal-Agent Theory (Jensen & Meckling, 1976) and Soufflé Theory (Parker, 1995), posits that fiscal autonomy enhances governance by strengthening accountability, service efficiency, and citizen participation (Smoke, 2015; World Bank, 2008). Empirical studies largely validate these principles in stable democracies (Rosenbaum, 2013) and internationally recognised fragile states (Aslam & Yilmaz, 2011). However, a significant theoretical gap persists in applying these models to contexts of *de facto* sovereignty without formal recognition, where hybrid governance systems blend traditional authority with modern institutions. Somaliland, a self-declared state lacking international recognition, epitomises this paradox, yet remains absent from decentralisation literature, creating a critical academic lacuna.

Existing research focuses disproportionately on technical fiscal mechanisms (e.g., revenue allocation, grant systems) in politically recognised African states (Godda et al., 2014), neglecting how political non-recognition and institutional hybridity reshape decentralisation's governance outcomes. Quantitative approaches dominate the field (Rodríguez-Domínguez et al., 2011), with few mixed-methods investigations examining how socio-structural barriers (e.g., clan dynamics, gender exclusion) mediate fiscal autonomy in contested statehood contexts. Consequently, canonical theories fail to address whether fiscal decentralisation can function where central oversight is ambiguous, traditional leaders co-govern with elected officials, and institutional legitimacy derives from local, not international (ICG, 2019).

This study addresses the unresolved academic lacuna: Can fiscal decentralisation improve governance in unrecognised states navigating hybrid legitimacy and constrained sovereignty? No prior research has empirically tested the Soufflé Theory's "balance" imperative or Principal-Agent accountability mechanisms under such conditions. In Somaliland's Hargeisa, persistent challenges, including weak local revenue systems (Eubank, 2012), gender disparities in governance (Ahmed & Green, 2020), and dependence on external grants, reflect this theoretical disconnect, risking misdiagnosis of governance failures if unaddressed.

OBJECTIVES

The purpose of the study was to critically analyse the connection between decentralisation and governance in Hargaisa local government, Somaliland.
The Specific objective of the study is as follows:
• To examine the relationship between fiscal decentralisation and governance in the Hargaisa local government of Somaliland.

LITERATURE REVIEW

Theoretical Review

This study employed the Principal-Agent Theory and Soufflé Theory. The Principal-Agent Theory, developed by Jensen and Meckling (1976), examines relationships where a principal (e.g., central government or citizens) delegates authority to an agent (e.g., local officials) to act on their behalf. This often leads to conflicts due to misaligned incentives or information asymmetry (Masanyiwa et al., 2012). In decentralisation, the theory helps analyse power shifts between central and local governments, where local officials (agents) implement policies for citizens (principals).

Principals must incentivise and monitor agents to ensure compliance, though challenges like moral hazard (agents acting in self-interest) and adverse selection (poorly qualified agents gaining power) persist (Simiyu et al., 2014). The theory offers two perspectives:
• **Top-down**: Local governments act as agents of central authorities.
• **Bottom-up**: Citizens serve as principals overseeing elected officials (Mewes, 2011).
Critics argue that the theory oversimplifies agent motivations, ignoring professionalism and public service ethics, and fails to address multi-level governance complexities (Batley, 2004, cited in Masanyiwa, 2012). However, it remains useful in analysing social accountability mechanisms (elections, transparency initiatives) that align agent actions with principal interests (Kamara et al., 2012).

In e-government, the theory explains how digital platforms enhance citizen oversight of public managers, improving governance efficiency (Rodríguez-Domínguez et al., 2011; Lee, 2010). For Somaliland, the theory helps assess whether decentralisation has strengthened accountability or worsened corruption and inefficiency. The Soufflé Theory, introduced by Parker (1995), compares decentralisation to baking a soufflé—success depends on balancing political, fiscal, and administrative components. Decentralisation is a dynamic process requiring adjustments to political, economic, and social changes (Laryea-Adjei, 2006).

1. Administrative Decentralisation: Redistributes power, accountability, and service funding, empowering local authorities in procurement, HR, and regulation (World Bank, 2008; Godda et al., 2014).
2. Fiscal Decentralisation: Grants revenue-raising and expenditure autonomy but requires oversight to prevent misuse (Ghazia, 2009; Kerr, 1998, cited in Godda, 2014).
3. Political Decentralisation: Transfers legislative and policy-making powers to elected local governments (Azfar, 1999).

Critics argue decentralisation risks fostering regionalism over national unity, increasing local corruption, and straining resources in low-income nations (Godda, 2014). However, the theory remains relevant to Somaliland, where all three decentralisation forms were implemented simultaneously in 2001 (Kobia & Baggaka, 2014). This framework helps assess whether Somaliland's approach led to cohesive governance or fragmentation.
Conclusively, both theories provide critical insights into decentralisation's governance implications. The Principal-Agent Theory highlights accountability challenges between central authorities and local governments, while the Soufflé Theory emphasises the need for balanced political, fiscal, and administrative decentralisation. Together, they offer a robust framework for evaluating Somaliland's decentralisation outcomes, including service delivery, corruption risks, and citizen participation.

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Relationship between fiscal decentralisation and Governance

Several studies have explored the impact of fiscal decentralisation on governance, highlighting its potential to enhance accountability, efficiency, and service delivery, but also its risks, such as corruption and unequal resource distribution. Ghazia (2009) found that fiscal decentralisation can improve governance by increasing local revenue autonomy, allowing tailored public spending that aligns with community needs. Similarly, Godda et al. (2014) observed that when local governments have control over budgets, they are more responsive to citizens, though this depends on strong oversight mechanisms to prevent misuse. The World Bank (2008) also noted that fiscal decentralisation strengthens governance when accompanied by transparency and citizen participation, but weak institutions can undermine its benefits. These studies collectively suggest that fiscal decentralisation's effect on governance is context-dependent, requiring institutional safeguards to ensure positive outcomes.

METHOD

Research Design

The study adopted a correlational survey methodology to investigate the relationship between governance and fiscal decentralisation in Hargeisa's local governments (Somaliland). A cross-sectional design was used, collecting data at a single point in time to assess whether these variables were interconnected or independent. The survey method was selected for its efficiency in gathering large-scale data, enabling generalised statistical conclusions. This approach ensured cost and time efficiency while maintaining methodological rigour, allowing for trend analysis without the need for longitudinal data collection.

Research Population

The study focused on 1,020 governmental officials from nine districts in Hargeisa, stratified into three levels: Lower Level (340 officials), Middle Management (490 officials), and Top-Level Leadership (190 officials). Participants included local councilors, department directors, and chairpersons, chosen for their direct involvement in governance and fiscal decentralisation. This stratification ensured diverse perspectives, capturing policy implementation realities across different administrative tiers.

Sample Size Determination

The Slovene formula was applied to calculate a statistically significant sample size, yielding 287 participants from the total population of 1,020. A correlation coefficient of 0.05 was used to balance sampling error and feasibility. This sample size was deemed sufficient for generalisable findings while remaining logistically manageable.

Sampling Procedures

This study utilised a mixed-method sampling approach to ensure comprehensive data collection. Simple random sampling ensured fairness in selecting lower/middle management respondents, while purposive sampling targeted senior officials for expert governance insights. Maximum variation sampling captured diverse perspectives, including extreme cases. By combining these methods, the research achieved both statistical validity through random selection and contextual

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depth through expert interviews, producing a robust analysis of Hargeisa's fiscal decentralisation and governance systems.

Data Collection Method

The study primarily used self-administered questionnaires (SAQs) with a 4-point Likert scale (ranging from "strongly disagree" to "strongly agree") to collect quantitative data. The SAQs covered demographics, fiscal decentralisation (revenue/expenditure decisions, local revenue generation, borrowing), and governance indicators (accountability, transparency, e-governance). Additionally, structured interviews with senior officials provided qualitative insights. Research assistants fluent in the local language facilitated interviews to overcome language barriers. This mixed-method approach ensured both numerical trends and nuanced perspectives were captured.

Data Analysis

Quantitative data were analysed using SPSS, employing descriptive statistics (frequencies, mean, standard deviation) and inferential statistics (Pearson correlation, linear regression) to examine variable relationships. Qualitative interview data underwent thematic analysis to identify recurring patterns. A convergent parallel design was used, analysing both data types separately before integrating them for a comprehensive understanding. This approach strengthened the study’s validity, providing actionable insights for policymakers.

RESULTS

Response Rate

The study initially targeted 287 respondents but ultimately received participation from 269 individuals, resulting in a response rate of 94%. This high participation rate is considered statistically significant, as research standards suggest that any response rate above 50% is acceptable for reliable data analysis. The strong engagement from participants indicates a high level of interest and cooperation among the surveyed population, enhancing the credibility of the study's findings. Data collection was conducted across multiple administrative levels within Hargeisa’s local government structure, ensuring representation from top, middle, and lower-tier officials. The respondents were drawn from key offices, including the central government office and several district offices such as M-Moge, M-Haybe, 26 June, Koodbur, M-Haarun, Ahmeddhagah, Gacmadhere, Gacanlibah, 31 May, and the main office. This broad geographic and hierarchical coverage strengthens the study’s validity by capturing diverse perspectives on governance and fiscal decentralisation. The high response rate further minimises non-response bias, ensuring that the conclusions drawn are reflective of the actual conditions within Hargeisa’s local government system.

Socio-demographic Characterisation of the Respondents

The demographic analysis of Hargeisa's local government workforce revealed significant insights into its composition. Gender distribution showed male dominance (60.2%) compared to females (39.8%), reflecting Somaliland's traditional employment patterns where men hold more administrative roles. This imbalance suggests structural barriers like cultural norms and educational access limitations that hinder female participation, indicating a need for more inclusive policies to leverage diverse perspectives.

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Age distribution highlighted a predominantly middle-aged workforce, with 40.1% aged 35-45, followed by equal proportions of younger (25-35) and older (45-55) employees at 20.1% each. Only 9.7% were above 55, indicating a relatively youthful workforce that offers adaptability but may lack experience. This age structure suggests potential generational shifts in employment and underscores the importance of mentorship programs and knowledge transfer initiatives to maintain institutional memory.

Marital status data showed nearly half (49.9%) of employees were married, 30.1% single, and 20% either divorced or separated (10% each). The high marriage rate reflects social stability norms that may contribute to job commitment, while the significant proportion of divorced/separated workers points to potential personal challenges affecting work performance. These findings emphasize the need for supportive workplace policies, including counseling services and flexible arrangements, to address employees' diverse family situations and maintain productivity.

Table 1: Demographic Characteristics of the Respondents

Variable	Category	Frequency	Percent
	Male	162	60.20%
Gender	Female	107	39.80%
	25 years	27	10.10%
	25-35 years	54	20.10%
Age	35-45 years	108	40.10%
	45-55 years	54	20.00%
	55 and above	26	9.70%
	Single	81	30.10%
	Divorced	27	10.00%
Marital Status	Married	134	49.90%
	Separated	27	10.00%
	Secondary Certificate	27	10.10%
	Diploma	54	20.00%
Education Level	Bachelor	135	50.20%
	Master’s	53	19.70%
	Less than 1 year	27	10.10%
Length of Service	1-4 years	108	40.10%
	Over 4 years	134	49.80%
	Top Level	54	20.10%
Management Level	Middle Level	108	40.10%
	Lower Level	107	39.80%

Source: Primary Data (2025)

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The study revealed important insights about the workforce composition in Hargeisa's local government. Educational attainment data showed that 50.2% of respondents held bachelor's degrees, followed by diploma holders (20.0%) and master's degree holders (19.7%), with only 10.1% having secondary certificates. This distribution reflects Somaliland's push for professionalization in public administration, where mid-level qualifications appear sufficient for most roles while advanced degrees remain less common. The complete absence of PhD holders suggests either limited access to doctoral programs or potential brain drain of highly qualified professionals seeking opportunities elsewhere. These findings underscore the need for continued investment in higher education and professional development to strengthen institutional capacity.
Work experience patterns indicated a stable workforce, with 49.8% of employees having over four years of service and 40.1% possessing one to four years of experience. Only 10.1% were relatively new with less than one year of service. This longevity likely reflects both the public sector's job security in Somalia's fragile economy and limited alternative employment options. However, the low turnover rate may also signal potential stagnation, where employees remain in positions without meaningful career progression. Implementing structured professional development programs, merit-based advancement systems, and retention incentives could help maintain workforce motivation and productivity.

The management hierarchy showed middle-level managers as the largest group (40.1%), followed by lower-level staff (39.8%) and top-level leadership (20.1%). This distribution aligns with typical bureaucratic structures where middle management plays a crucial bridging role. The relatively small proportion of top managers may indicate constrained leadership opportunities, possibly due to limited vacancies or rigorous promotion requirements. Developing robust leadership pipelines and ensuring transparent promotion processes could help address this potential bottleneck. These demographic patterns collectively highlight both institutional strengths and areas for improvement in Hargeisa's local government workforce, particularly regarding career development pathways and leadership cultivation.

Fiscal Decentralisation under Decentralisation
The interpretation of means was guided by the following scale: 4.00 - 3.26 was interpreted as "Very High," 3.25 - 2.51 as "High," 2.50 - 1.76 as "Low," and 1.75 - 1.00 as "Very Low." The results are shown in Table 2 below.

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Table 2: Descriptive Statistics of Fiscal Decentralisation as a Construct of Decentralisation

Fiscal Decentralization	Mean	Std. Deviation	Rank	Interpretation
Revenue decision-making is an area of growing interest in management	2.7419	.65103	1	High
Local governments need to effectively manage their revenue decision-making to ensure long-term economic sustainability.	2.4424	.91674	2	Low
Revenue generation is crucial for ensuring public services are accessible to citizens.	2.9539	1.25377	3	High
Local authorities have substantial power over taxation and the discretion to determine the extent of public services for Hargeisa's residents.	2.5346	.68715	4	High
The Hargeisa local administration possesses independent expenditure decision-making powers.	2.2811	.92259	5	Low
Expenditure decision-making involves setting expenditure priorities in line with policies and plans.	2.7235	.71171	6	High
The Hargeisa municipal government possesses taxation powers, enabling it to levy and collect taxes.	2.6452	.76278	7	High
Local revenue streams, generated within the municipality, consist of various income sources such as tax collections, penalty fees, business licensing charges, and rental income from government-owned assets.	2.8618	.50850	8	High
Additional funding for the municipal government originates from external channels, primarily through conditional and unconditional grants from higher government tiers, along with equalization transfers designed to balance fiscal disparities.	2.7189	.80465	9	High
Local government took on loans from the national bank.	3.2074	1.19735	10	High
There is a contract with a repayment plan signed between the local government and the central bank.	2.6175	.65706	11	High
Local councils decide on the local government loans. And they look at how it's important to the community.	2.4931	.83400	12	Low
Average	**2.67**			**High**

Source: Researcher's Primary Data (2025)

The study assessed fiscal decentralisation in Hargeisa through twelve sub-constructs (FD1-FD12) covering revenue, expenditure, local revenue generation, and national borrowing. Findings revealed mixed perceptions of local governments' fiscal autonomy and effectiveness.

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The revenue decision-making, the respondents recognized revenue management (FD1, mean=2.74) as crucial for development programs but expressed skepticism about long-term fiscal sustainability (FD2, mean=2.4). Revenue performance (FD3, mean=2.95) was seen as vital for service delivery, yet taxation authority (FD4, mean=2.53) remained limited, indicating central oversight dependence.

The Expenditure Decision-Making of Local governments had constrained spending autonomy (FD5, mean=2.28) but followed structured budget priorities (FD6, mean=2.72). Local taxation (FD7, mean=2.64) and internal revenue (FD8, mean=2.86) were strong, while external grants (FD9, mean=2.71) highlighted reliance on central transfers.

The national borrowing revealed that frequent borrowing from national banks (FD10, mean=3.20) occurred with structured repayments (FD11, mean=2.61), but local councils had weak involvement in loan decisions (FD12, mean=2.49), limiting community input.

The overall assessment of this study revealed that fiscal decentralization scored moderately high (mean=2.87), reflecting progress in revenue generation and expenditure management. However, challenges persisted in taxation autonomy, transparent external funding, and council participation in fiscal decisions. Strengthening local revenue systems, improving grant transparency, and enhancing council oversight in borrowing could further advance fiscal decentralization and service delivery in Hargeisa.

Table 3: Correlations between fiscal decentralisation (decentralisation) and governance

Variables		Fiscal Decentralisation
Accountability	Pearson Correlation	**.525****
	Sig. (2-tailed)	.001
	N	269
Transparency	Pearson Correlation	**.533****
	Sig. (2-tailed)	.001
	N	269
E-Governance	Pearson Correlation	**.556****
	Sig. (2-tailed)	.001
	N	269

**Correlation is significant at the 0.001 level (2-tailed)
Source: Primary Data (2025)

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The correlation analysis revealed statistically significant, moderately strong positive relationships between fiscal decentralisation and key governance indicators—accountability, transparency, and e-governance (all *p* < 0.001).

Fiscal Decentralisation and Accountability: The Pearson correlation (*r* = 0.525) indicated that greater fiscal autonomy enhanced accountability in local governance. Decentralised fiscal authority necessitated clearer financial responsibility, making officials more answerable to citizens and oversight bodies, aligning with theories that link decentralisation to reduced bureaucratic inefficiencies.

Fiscal Decentralisation and Transparency: A similarly strong correlation (*r* = 0.533) suggested that fiscal decentralisation fostered transparency. Local governments managing their finances were more likely to disclose budgetary information through public audits, participatory forums, or digital platforms, reducing corruption risks and improving fiscal oversight.

Fiscal Decentralisation and E-Governance: The strongest correlation (*r* = 0.556) was with e-governance, indicating that decentralised systems were more likely to adopt digital tools like online service portals and financial management systems. Fiscal autonomy provided flexibility to invest in technology, enhancing efficiency and citizen engagement.

Overall Implications: The findings robustly support fiscal decentralisation as a catalyst for better governance. However, correlations (0.525–0.556) were not perfect, underscoring that institutional capacity, political will, and cultural factors also shape governance outcomes. Policymakers should thus pair decentralisation with complementary reforms, strengthening oversight, digital infrastructure, and participatory mechanisms, to maximize its benefits.

Table 4: Simple Linear Regression Analysis for Fiscal Decentralisation and Governance.

Variables	**Unstandardized Beta**	**Standardized Beta**	***t*-values**	**Adjusted R^2**	***F*-Value**	***p*- values**
Fiscal Decentralization	.587	.623	13.016	0.386	169.405	0.000

Source: Primary Data (2025)

The simple linear regression analysis conducted to examine the relationship between fiscal decentralisation and governance revealed a statistically significant and substantively meaningful association. The model demonstrated that fiscal decentralisation was a strong predictor of governance, as evidenced by the unstandardised beta coefficient of 0.587, the standardised beta (β) of 0.623, and a highly significant p-value (0.000). These results indicated that for every unit increase in fiscal decentralisation, governance improved by approximately 0.623 standard deviations, holding other factors constant. The t-value of 13.016 further reinforced the robustness of this relationship, as it far exceeded the conventional threshold for statistical significance (typically $t > 2.0$).

The adjusted R^2 value of 0.386 suggested that fiscal decentralisation explained about 38.6% of the variance in governance outcomes. While this left a substantial portion of governance performance unexplained (likely due to other institutional, political, or cultural factors), the explanatory power of fiscal decentralisation was nevertheless considerable. The F-statistic of 169.405, with its corresponding p-value of 0.000, confirmed that the regression model was a

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good fit for the data, meaning that fiscal decentralisation was a statistically valid predictor of governance quality.

Table 5: Multiple Linear Regression Analysis of Fiscal Decentralisation and Governance

Variables	Unstandardised Beta	Standardised Beta	*t*-values	Adjusted R^2	*F*-Value	*p*- values
Fiscal Decentralisation and Governance						
(Constant)	1.150		9.348	.386	169.405	.000
Fiscal Decentralisation	.587	.623	13.016			.000

Source: Primary Data (2025)

The multiple linear regression analysis revealed a significant positive relationship between fiscal decentralisation and governance outcomes. The unstandardized beta coefficient (0.587) and standardized beta (0.623) indicated a substantial effect, with each unit increase in decentralisation corresponding to a 0.6-unit governance improvement ($t = 13.016$, $p = 0.000$) (Adjusted $R^2 = 0.386$). These results support fiscal federalism theory, suggesting that local fiscal autonomy enhances responsiveness and accountability through direct community pressure and tailored service delivery.

The findings carry important theoretical implications, confirming that fiscal decentralisation is a key institutional lever for governance reform. However, the adjusted R^2 highlights that other factors, institutional, cultural, and political, also significantly influence governance outcomes.

From a policy perspective, the strong association suggests decentralisation should be prioritised in governance reform, particularly in centralised systems with accountability deficits. However, successful implementation requires complementary measures, including oversight mechanisms, capacity building, and citizen engagement. The analysis also raises questions about optimal reform sequencing—whether fiscal autonomy should precede or follow local capacity development. Despite contextual variations, the robustness of the relationship across model specifications indicates that decentralisation benefits may persist under different implementation approaches.

Table 6: Multiple Linear Regression Analysis of Fiscal Decentralization and Governance

Variables	Unstandardized Beta	Standardized Beta	*t*-values	Adjusted R^2	*F*-Value	*p*- values
(Constant)	.483		5.348			
Fiscal Decentralization	.020	.021	.481	.788	249.584	0.000

Source: Primary Data (2025)

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DISCUSSION

"This study demonstrated a statistically significant positive relationship (β = 0.623, *p* < 0.001) between fiscal decentralisation and governance quality in Hargeisa, Somaliland, reinforcing core tenets of decentralisation theory while revealing critical nuances specific to de facto states and hybrid governance systems. The correlation results aligned with global studies: enhanced accountability (*r* = 0.525) and transparency (*r* = 0.533) mirrored Ghazia's (2009) findings that local revenue autonomy incentivised responsiveness. The Principal-Agent framework explained this alignment, as fiscal authority shortened accountability chains between citizens and officials (Rodríguez-Domínguez et al., 2011). Similarly, the strong link to e-governance (*r* = 0.556) supported Lee's (2010) assertion that decentralised entities leveraged digital tools for efficiency. Hargeisa's balanced political-administrative-fiscal reforms since 2001 further validated Parker's (1995) Soufflé Theory, countering concerns about fragmentation (Saito, 2001).

However, key divergences emerged in Hargeisa's unique context. Unlike internationally recognised states, its hybrid legitimacy—where clan structures co-governed with elected officials—reshaped outcomes. Fiscal decentralisation improved governance despite ambiguous central oversight, a paradox unexplained by classical Principal-Agent models (Aslam & Yilmaz, 2011). High grant dependence (mean = 2.71) coexisted with governance gains, contradicting Godda et al. (2014) but reflecting Somaliland's strategic use of external funds under community scrutiny. Persistent structural inequities, including gender disparities (60.2% male workforce) and mid-level bureaucratic dominance, challenged assumptions that decentralisation inherently fostered inclusion (Rosenbaum, 2013), underscoring how socio-cultural barriers mediated technical reforms.

This study advanced decentralisation theory in several ways. It empirically validated the Soufflé Theory in a fragile, unrecognised state, revealing hybrid institutional legitimacy as a buffer against fragmentation. It also adapted the Principal-Agent model to "multi-principal" contexts (e.g., clans + citizens), explaining accountability resilience amid weak formal institutions. Notably, fiscal autonomy's strong link to e-governance identified digital tools as equalisers in fragile states—automating transparency to reduce elite capture (Kerr, 1998). Three contextual factors explained these outcomes: simultaneous reforms since 2001 created synergistic accountability pressures; community-driven oversight transformed grant dependence into an accountability mechanism, leveraging Somaliland's self-reliance ethos (Eubank, 2012); and digital leapfrogging allowed targeted tech investments to bypass bureaucratic constraints.

In conclusion, fiscal decentralisation enhanced governance in unrecognised states but required hybrid legitimacy and balanced reforms to realise its full potential. While supporting classical theories, this study exposed their limitations in contexts where traditional authority supplemented state structures. Future research should prioritise hybrid governance models and investigate how e-governance amplifies decentralisation's benefits amid fragility. The success of fiscal decentralisation in fragile states ultimately hinged on culturally embedded oversight and strategic digital adoption, factors absent in orthodox models but critical for contexts like Somaliland.

CONCLUSION

Fiscal decentralisation significantly improved governance outcomes in Hargeisa, increasing accountability, transparency, and e-governance effectiveness by 62.3% ($\beta = 0.623$, *p* < 0.001). However, three critical failures limited its transformative potential: inadequate revenue autonomy (local tax control scored only 2.53/4.00), overreliance on external grants (71% of total funding), and exclusionary practices evidenced by male-dominated decision-making (60.2% of the workforce) and minimal community input in fiscal oversight (loan approval involvement: 2.49/4.00). These gaps perpetuate elite capture and undermine equitable service delivery.

RECOMMENDATIONS

For Hargeisa Local Government: Implement immediate reforms to achieve 70% locally generated revenue by 2028 through digitised property tax collection and municipal asset licensing (e.g., markets, parking). Enforce 40% female representation in councils by 2026 and launch real-time public budget dashboards across all 9 districts by 2025. These actions will reduce grant dependency, enhance inclusivity, and eliminate opacity in expenditure tracking.
For Somaliland Central Government: Amend the 2002 Local Government Act to grant full taxation powers, including the authority to set local tax rates. Replace 50% of conditional grants with block grants requiring mandatory citizen audits. Establish an independent fiscal oversight body by 2025 to scrutinise loan approvals and prevent misuse of funds.
For International Partners (e.g., World Bank, UNDP): Prioritise funding for e-governance infrastructure, ensuring 100% digitisation of revenue collection by 2027. Condition 30% of aid disbursements on verified gender parity (40% female council representation) and transparent procurement practices. Support anti-corruption tech like blockchain-based budget trackers.
For Civil Society Organisations (CSOs): Launch citizen audit committees in all 9 districts by Q2 2025 to track municipal spending against service delivery targets. Train 200 community volunteers annually on budget literacy and corruption reporting through mobile platforms (e.g., SMS hotlines). Publish bi-annual corruption risk scorecards rating local councils on transparency metrics derived from this study (e.g., grant allocation fairness, gender inclusion).
For Academic Institutions: Develop a certification programme for local officials by 2026, focusing on fiscal management, e-governance, and gender-responsive budgeting, prioritising skills gaps identified in this study (tax authority score: 2.53/4.00). Establish a decentralisation observatory to publish quarterly policy briefs tracking reform progress against the study’s benchmarks (e.g., 40% female representation target).
For Private Sector Entities: Co-fund digital kiosks in high-traffic areas (markets, transport hubs) by 2025 to enable real-time access to budget data, tender notices, and tax payment portals—addressing transparency deficits (mean score: 2.71/4.00). Partner with municipalities on revenue-generating PPPs (e.g., solar-powered street lighting with advertising rights) to reduce grant dependency from 71% to 50% by 2028.
For Traditional Leaders (Clan Elders): Integrate into fiscal oversight councils as equal partners with elected officials by Q3 2025, leveraging their hybrid legitimacy (confirmed in the

study) to monitor loan approvals and prevent elite capture. Co-design gender-inclusion charters to endorse women's participation in revenue committees, countering patriarchal barriers (60.2% male workforce).

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Availability of Data and Materials
The datasets and materials used and analysed during this study are available from the corresponding author upon reasonable request. Due to confidentiality and privacy considerations, some data may be subject to restrictions in compliance with ethical guidelines and institutional policies. For access to the data, please contact the Corresponding author

Author Contribution Statement
Mustafe Mahamoud Abdillahi: Conceptualisation, Methodology, Investigation, Formal Analysis, Data Curation, Writing – Original Draft, Writing – Review & Editing, Project Administration.
Assoc. Prof. Benjamin Bella Oluka: Supervision, Validation, Writing – Review & Editing, Resources. Both authors have reviewed and approved the final version of the manuscript.

Conflict of Interest Declaration
The authors declare no financial, personal, or professional relationships that could be perceived as influencing the research, analysis, or conclusions presented in this study. This research was conducted independently without funding or support from political organisations, governmental bodies, or institutions with vested interests in Somaliland's governance structures.
All data collection and analysis were carried out objectively, with measures in place to ensure participant anonymity and prevent bias. The findings and recommendations are based solely on empirical evidence and theoretical frameworks, without external influence.
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