

# **Banding system for property taxation in fragile economies: Insights for Bosaso Municipality, Somalia**

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## **SUMMARY**

Property tax is an essential instrument for local governments to generate revenue, which has a significant impact on governance, service delivery, and urban planning. Nevertheless, in developing countries such as Somalia, these local authorities encounter substantial obstacles in the establishment of equitable and functional property tax systems as a result of resource constraints, insufficient data, and limited institutional capacity among other. Fragile economies and protracted conflicts further exacerbate these issues. The relationship between governance and property taxation is crucial, as the revenues generated are directly correlated with the ability of local authorities to implement public interventions that address socio-economic requirements.

The institutional environment in these fragile economies frequently demonstrates vulnerabilities, particularly in legislative frameworks and town planning processes, which complicate property valuation and tax administration. The efficacy of local governance is influenced by socio-economic dynamics, as the accurate assessment of property taxes is impeded by the absence of reliable data on property transactions and valuations. These issues are further exacerbated by domestic factors, such as political instability and malpractices, which make it increasingly challenging for local authorities to establish equitable and efficient property tax systems. The capacity of local governments to provide essential services is diminished as a result of their inability to generate sufficient revenue through property taxes, which in turn results in a decrease in public trust and engagement. This results in a pernicious cycle in which the legitimacy of local authorities is undermined by inadequate service delivery, which further complicates the implementation of effective tax systems.

This paper examines the proposed banding system for property taxation in Bossaso Municipality, Somalia, a fragile economy facing significant challenges in establishing equitable and functional

property tax systems. The banding system proposed for Bossaso replaces the traditional area-based tax assessment method with a structured framework that categorizes properties into six bands (A–F) based on measurable characteristics such as land use, infrastructure, amenities, demographics, and financial factors.

The study will employ desktop review of relevant literature and a case study approach, utilizing focused group discussions to document the planning and implementation process of the proposed banding system. The findings will be beneficial in recommending the way forward and measures to address the implementation challenges. Lessons drawn from the Bossaso case study will provide valuable insights for the implementation of similar banding systems in other fragile economies facing comparable challenges in property taxation.