Bosaso land Value capture research

Final Draft

By
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Executive highlight: state of land in Bosaso

This research examines land value capture (LVC) as a strategic tool to finance urban infrastructure and support durable solutions for Internally Displaced Persons (IDPs) in Bosaso, Puntland's largest urban center and a key economic hub driven by its seaport, airport, and relative stability. The study, funded by the LAND-at-scale Programme and commissioned by the Netherlands' Ministry of Foreign Affairs in cooperation with the Saameynta project and Bosaso Municipality; to address the city's unplanned urban growth and its associated infrastructure challenge has resulted in critical service gaps. Puntland Government and Bosaso Municipality have enacted legislation to improve land governance and introduce LVC to recover the unearned land value increases resulting from public investments and policy decisions.

In Bosaso, land control and management present significant challenges. Most of the land is privately owned, limiting municipal control over urban development and the implementation of land-based financing initiatives, such as land value capture (LVC). Much of the land, especially since the collapse of the central government in 1991, has been seized by land grabbers and remains unregistered, complicating both urban planning and land governance. Key actors involved in land governance include the Puntland government, Bosaso Municipality, land brokers, and private landowners. Local government plays a role in land registration, issuing certificates, and managing land disputes, but much of the land is transacted informally through brokers. These brokers, operating outside official systems, hold significant sway in land pricing and transactions, often without proper regulation or collaboration with authorities. This informal nature of land ownership, along with the absence of a mandatory land registration process, hampers efforts to implement effective land value taxation systems.

Moreover, the municipality lacks a comprehensive land management system, and current taxation practices do not reflect actual land values, relying instead on outdated fixed rates based on area measurements. These shortcomings result in revenue shortfalls and inequities in taxation, particularly for lower-income residents. Overall, while legislative frameworks like the Urban Land Management Law grant local governments certain authorities, enforcement is weak due to outdated laws, limited administrative capacity, and ongoing resource struggles between governmental levels. To address these issues, Bosaso will need to introduce reforms that clarify taxation authority, improve land registration, and strengthen local government capacity to manage land effectively and equitably.

Key findings include:

1. **Limited Municipal Land Ownership**: large portion of Land is privately owned, limiting the local government's ability to implement sustainable urban strategies and land based finance initiatives.
2. **Land Grabbing and Registration Issues**: Since 1991, much of the land in Bosaso has been seized by land grabbers and remains unregistered, complicating urban planning and LVC implementation.
3. **Outdated and Inequitable Taxation**: The current property tax system uses simplistic area measurements that do not reflect actual land value, creating inequities, especially for lower-income households.
4. **Underutilization of own source revenue**: Only 15 of Bossaso's 28 authorized revenue sources are actively pursued, limiting funds for essential services and infrastructure.
5. **Absence of a Defined Taxation Authority**: The lack of a defined taxation authority, unclear tariffs, and intergovernmental resource struggles hamper effective land governance and revenue collection.
6. **Challenges in Securing Durable Solutions for IDPs**: 98% of land occupied by IDPs is privately owned, putting these communities at risk of eviction due to the absence of formal tenure agreements. Limited infrastructure in resettlement areas, like Grible, further hinders durable solutions.

Unit one: Introduction

Introduction and rationale of land value capture

Over the past three decades, Bosaso city, the largest urban center in Puntland and the third largest in Somalia, has experienced rapid population growth, urbanization, and economic development. As a refuge for largest Ethiopian and Yemeni refugees, as well as internally Displaced people (IDP) from other regions of Somalia. Bosaso has also flourished as an economic hub for northern and southern regions and neighboring countries, due to its vibrant seaport, international airport, and business-minded community.

Despite this growth, much of the city's urban expansion has been unplanned and uncoordinated, resulting in significant challenges in meeting the rising demand for infrastructure and services. To address these challenges, decisive and inclusive action is required to strengthen land governance and improve the urban infrastructure. This includes promoting higher residential areas and economic densities and guiding redevelopment towards areas better suited for sustainable urbanization.

In response to these challenges, the Bosaso municipality and the Puntland Government have recently enacted progressive legislation focused on land administration and urban development including Urban land law and property evaluation banding system. These efforts have centered on how Bossaso's local government can efficiently and fairly redistribute increases in land value resulting from such policy decisions and public investments. Introducing land-based financing and land value capture instruments is seen as a viable strategy for recouping the increased value of both public and privately owned land to finance public services including durable solution for IDPS.

Land Value Capture (LVC) is defined by Smolka (2013) as the recovery by the public of the increase in land value (unearned income) that arises from actions other than the landowner's own investments. Government actions play a key role in this value uplift, which can occur in two primary ways. First, public investments in infrastructure, such as street lighting or road improvements, can significantly enhance the value of nearby land (Walters, 2013). These investments, funded by the public, often lead to higher land prices, benefiting private landowners. Second, changes in land use regulations, such as implementing a new master plan or rezoning to allow higher densities, can also increase land values (Chapman, 2017). These regulatory modifications, driven by government decisions, create opportunities for more intensive or valuable land use, further increasing land prices. In both cases, LVC intends to ensure that the community benefits from the land value uplift generated by public actions, rather than allowing the financial gains to accrue solely to private landowners.

In Global experiences, Various instruments have been utilized to capture unearned land and property value increments. According to Suzuki et al. (2015), these instruments can be broadly classified into two categories: Tax or Fee-Based and Development-Based. Tax or Fee-Based instruments include mechanisms such as property and land taxes, betterment charges or levies, and tax increment financing (TIF). Development-Based instruments, on the other hand, encompass tools such as land sales or leasing, joint development, the sale of development or air rights, land readjustment, impact fees or development exactions, and urban redevelopment schemes, among others.

Smolka (2013), however, offers a different classification, dividing these instruments into direct and indirect categories. Smolka's classification differs from Suzuki et al. (2015) in terms of specific instruments. Direct instruments, according to Smolka, include betterment contributions, land readjustment, public land leasing, land value taxes, land value increment taxes, impact fees, and

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development charges, among others. Indirect instruments include property taxes, special districts (such as Business Improvement Districts, or BIDs), expropriation, exactions, land banking, and tax increment financing (TIF), among others.

The extent to which these instruments are employed largely depends on the progressive evolution of cities, considering factors such as the nature of land markets, the type of infrastructure (whether basic or advanced), logistics and technical capacities, and the level of financial sophistication (Africa Centre for Cities, 2015; Feinstein, 2012; Mathur and Smith, 2012; Roberts, 2011; Rybeck, 2004)

Saameynta project

The Saameynta Joint Programme, implemented by the International Organization for Migration (IOM), the United Nations Development Programme (UNDP), the United Nations Human Settlements Programme (UN-Habitat), and the Integrated Office, is a four-year initiative (2021-2025) in Somalia. This program aims to assist the government of Somalia to achieve durable solutions for the country's 3.8 million internally displaced persons (IDPs) by focusing on sustainable land governance, increasing tenure security, improving access to basic services, providing livelihood and employment opportunities, and fostering an environment conducive to social cohesion.

Central to the Saameynta programme is the recognition that land governance and tenure security are key components in enabling durable solutions for IDPs. The program seeks to strengthen both the technical and institutional capacities of local and state authorities to address urban displacement. Additionally, it aims to empower IDPs to participate in inclusive urban development, thereby improving their tenure security and reducing the risks of displacement and forced evictions.

In alignment with the broader goals of fostering urban growth and addressing the challenges of unplanned expansion, the Saameynta program focuses on enhancing the institutional framework in three key cities: Baidoa, Bosaso, and Beledweyne. By utilizing a land value capture approach, the program aims to generate increased land value through significant investments in mixed-use land development and urban public works. Concurrently, the program will support the local municipalities in capturing this enhanced land value through capacity building and technical assistance to reform legal frameworks that facilitate land management and taxation. Ultimately, the goal is to empower local governments to finance infrastructure projects that support durable solutions for internally displaced persons (IDPs) through funding own source revenues, thereby stimulating inclusive and sustainable urban growth.

Research Objectives

The Main objective of this research would be to delve deep into the issue and potential usage of land value capture, with a specific focus on Saameynta activities and the context of Puntland State, one of the three Federal Member States in which Saameynta operates. Since in Puntland State or at the Bosaso Municipal level, land governance tools are being tested to capture land value to open new revenue streams for land administration, but these may not always take into consideration displacement dynamics or support durable solutions, while, the Specific objectives include:

1. To explore the land governance tools that are available or under development by Puntland FMS and Bosaso Municipal authorities to capture land value with the aim to open up new revenue streams for land administration and assess whether these can contribute to implement durable solutions to displacement.
2. To support the Municipal initiative to develop a by-law on the introduction of the banding

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system.

3. To delve into the banding system categories for property registration, expanding the geographical focus of the current property taxation system, with the view to incorporate IDP areas (focus on Old Grible).
4. To contribute to localization of impact by supporting a local perspective on tenure security, linked to STDM exercise to be carried out in the same geographical area (Old Grible).
5. To contribute to clarify the role of land value capture under Saameynta for the remaining programming period.

Scope of research and limitation

This research focuses on evaluating land value capture (LVC) mechanisms in Bosaso municipality, Puntland, within the framework of the Saameynta Joint Programme, which prioritizes land governance and tenure security. The study aims to provide actionable insights for enhancing public financing and programming initiatives to support durable solutions for internally displaced persons (IDPs).

The research scope includes a detailed analysis of LVC practices in Bosaso, complemented by an assessment of regional policies and legal frameworks in Puntland. This broader regional evaluation is designed to contextualize the findings within the legal and institutional environment influencing LVC practices.

However, a key limitation of the research is its exclusive focus on Bosaso, which may result in the omission of valuable understandings from other urban areas in Somalia, such as Baidoa and Beledweyne, which are also involved in LVC initiatives under the Saameynta Programme. As a result, while the study will provide in-depth localized knowledge, additional research may be necessary to generalize findings across the country. This research is intended to inform policy and managerial decision-making, particularly, the effective use of LVC to address urbanization and displacement challenges in Bosaso and the broader Puntland region.

Research Methodology

The assessment primarily employed qualitative research methods, including key informant interviews, focus group discussions, and a review of legal documents, tools, and traditional practices related to land value capture administration in Bosaso. These qualitative methods offered a deeper understanding of the subject matter and the local context.

In addition, a quantitative approach was used to analyze local government revenue figures, focusing on identifying the level of revenue collected and the corresponding benefits to communities, particularly in terms of durable solutions for internally displaced persons (IDPs). This analysis provided insights into the financial impact of land value capture practices on local communities.

In some instances, a mixed-method approach was applied, integrating both qualitative and quantitative research methods. This approach utilized a combination of structured and unstructured questions to provide a comprehensive understanding of the topic, uncover indirect practices, and leverage relevant secondary data. By blending these methodologies, the research was able to explore banding system implementation hypotheses and assess their implications for urban development and displacement dynamics in Bosaso.

Interviews and discussions were conducted with different stakeholders, including Director Generals from the Ministry of Interior, Federal Affairs, and Democratization, the Ministry of Public Works and Transport, as well as the Bosaso District Mayor, Executive Secretary, and Directors of Planning, Land, Revenue, and Social Affairs. Additionally, input was gathered from land practitioners such as real estate companies, engineering firms and associations, land brokers, landlords, and landowners. Members of the IDP communities and community elders also contributed valuable perspectives. In total, over 30 individuals were interviewed, prioritizing women and minority groups to ensure their unique challenges, needs, and perspectives on land use, ownership, and land value capture were well represented.

Furthermore, a comprehensive review of legal and policy documents was conducted, focusing on land governance and social service delivery. Key documents reviewed include Law No. 7/2003, Puntland's Constitution, and the Urban Land Management Law, alongside relevant financial policies and the newly introduced Property Valuation Banding System. Strategic frameworks, such as the Bosaso District Development Framework and the City Strategy, also shape the city's growth trajectory. Together, these documents form the foundation for land value capture strategies and guide sustainable urban development efforts in Bosaso.

Ethical Considerations

During interviews and focus group discussions, respondents were informed of their right to choose whether to participate. They were assured that their responses will be used solely for the specific research on land value capture in Bosaso and not for any other purposes. This approach is intended to respect the confidentiality and integrity of the respondents' contributions.

The research team adhered to the principles of the Do No Harm and Rights-Based Approaches (RBA), ensuring that respondents' opinions are effectively recorded and considered when drawing conclusions and formulating recommendations for the research.

Unit two: Urban land governance and practices

Factors influencing land value uplift in Bosaso

Global studies on factors influencing land value uplift consistently indicate that public infrastructure development, landowners' investment, population and economic growth, and changes in land use policies are primary drivers of increased land values. These factors are also significantly contributor to land value increases in Bosaso. However, other variables also impact land value changes in the region, such as security conditions, social stratification, and speculative activities by land brokers seeking to capitalize on the economic interests of specific community segments.

According to Law No. 7, the 'Regional, District Administration and Local Council's Establishment Law,' and the Urban Land Management Law, Puntland's local governments have explicit authority over land administration and planning. However, much of the urban land is either owned by private individuals with ownership certificates issued by the local government or controlled by land grabbers who typically lack formal documentation. These informal claims are often legitimized through social norms, relying on the historical background of the land and the claimant's connection to it. Land brokers play a key role in facilitating transactions, maintaining informal records, and mediating between landowners and buyers. While the local government issues land transfer certificates for registered land and new title deeds for unregistered land. There is no systematic or mandatory land registration process.

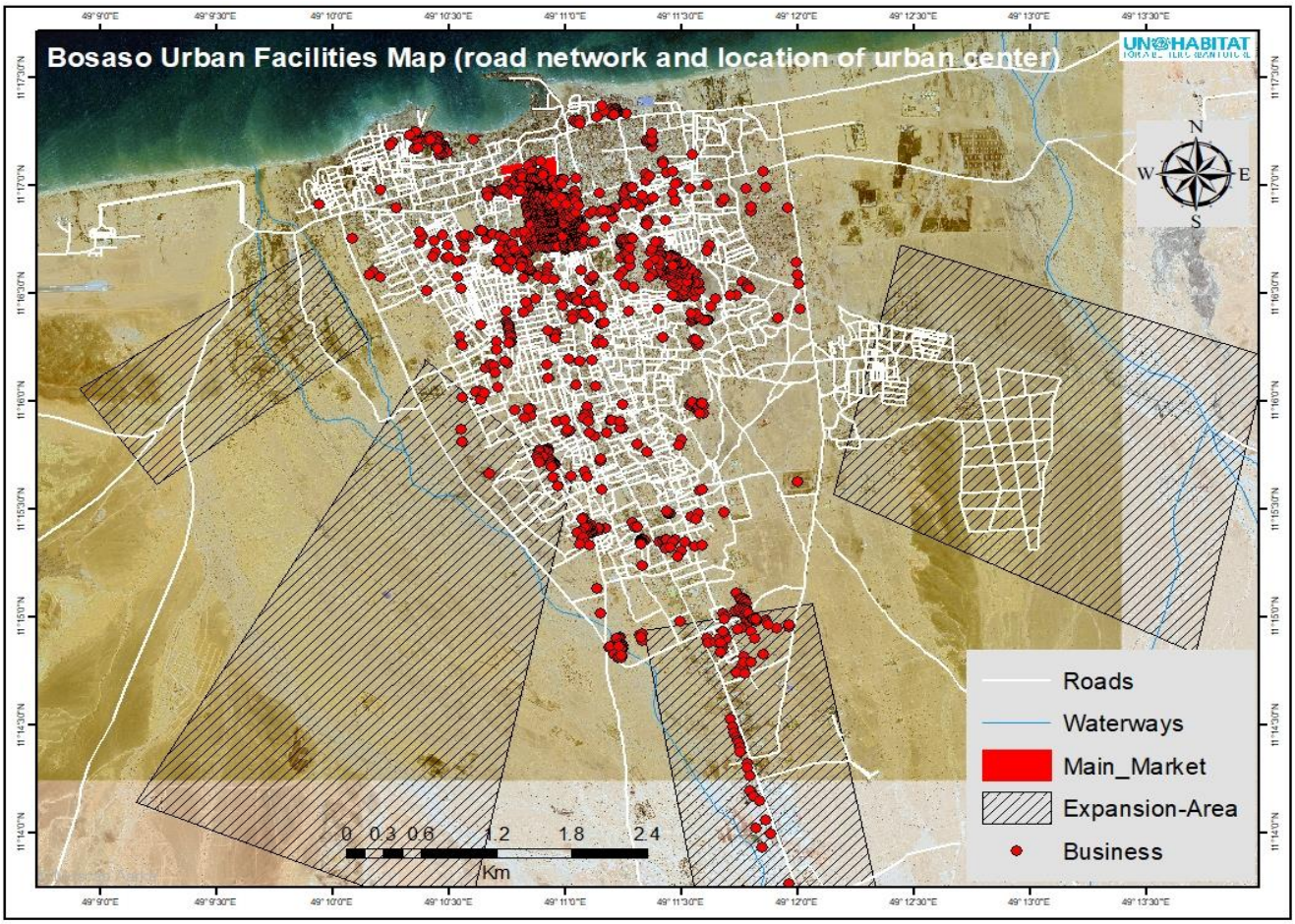
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This lack of regulation allows unregistered land grabbers to retain their claims without paying taxes, making it difficult for the local government to identify or regulate them.

Moreover, these land brokers operate informally, without registration or regulation by local authorities, yet wield considerable influence within the community, particularly in setting land prices. Often, these price determinations lack a solid economic basis, and brokers typically do not collaborate with local governments. In interviews, one broker expressed that they avoid engaging with local authorities due to concerns that substantial taxes on their clients could negatively affect purchasing decisions by increasing the overall tax burden.

The existing taxation system within the local government does not effectively reflect actual land value, as it relies solely on fixed rates and basic area measurements (M^2). This method lacks fairness and accuracy, resulting in significant revenue shortfalls due to the absence of a comprehensive property and land valuation system. Consequently, the true economic value of the land is not captured, undermining the efficiency and equity of the taxation framework. Another key challenge is that both high-value and low-value properties, including those in durable solution settlements, are taxed using the same method—by measuring the land and applying fixed rates. This uniform approach fails to account for differences in land and property value, leading to inequitable taxation and potentially weakening efforts to achieve fair and sustainable urban development.

It is essential for the local government to establish a comprehensive land management system to fully administer land and implement value-based taxation. Proper land registration will help reduce conflicts and prevent baseless land appropriation, often facilitated by land brokers, ensuring more transparent and equitable land governance



Map: local government district profile.

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During consultations with land brokers and local government authorities, it was observed that the most valuable areas in terms of rent and land prices are the commercial zones concentrated along the tarmac roads in the city. The city expansion areas, marked in lines on the map, were also identified as high-value locations. Additionally, the western and southern zones of the town tend to have higher rent and land values compared to the eastern zone, primarily due to better security and the presence of government buildings, with many government officials residing in these areas.

Policies and legal frameworks Considerations

Article 123 of the Puntland Constitution grants local governments devolved power and autonomy, allowing them to provide basic services and generate local revenues. This constitutional provision empowers local authorities to manage key governance functions at the municipal level. Additionally, Article 50 of the Somali Federal Government Constitution permits the delineation of powers between the federal government, member states and local government through consensus reached in national consultative council meetings held in December 2022. Within this framework, 31 specific functions are assigned to local governments, while 20 functions are shared among the federal member states, and local governments. These responsibilities include social service delivery, local revenue generation and administration, urban infrastructure development, and various registration functions.

Puntland Local Government Law No. 7, revised in 2020 and titled the "Regional and District Administration and Local Council's Establishment Law," outlines 16 key functions of local government. These functions include municipal-level planning, staff employment, contract agreements, social service delivery, public registration, environmental protection, business development, sanitation and hygiene, procurement and contracting, the protection of religion and arts, taxation and revenue collection, public works administration, legislative responsibilities, and the management of livestock, fisheries, and agriculture. Additionally, the law addresses firefighting, as well as the promotion of arts, literature, and sports.

Over the past decade, a range of sub-national policies, bylaws, and procedural guidelines have been enacted to bolster local government operations and ensure the effective execution of their mandated roles. Notable among these are the Urban Land Management Law (ULML), the Municipal Finance Policy, IDPs policy, and the Puntland Decentralization Policy. These bylaws and policies have played a critical role in enabling the Bosaso local government to efficiently generate revenue from urban land, enhance service delivery, and strengthen governance and administrative capacities at the municipal level.

Specifically, The Urban Land Management Law (ULML) provides for the devolution of land governance functions, encompassing registration, administration, and revenue collection related to land activities. Article 37 of this regulation lists four sources of income from land, which include annual property taxes, land purchase and transfer taxes, government land rent, service fees and charges, and fees charged for construction permits for private investments. The Urban Land Management Law (ULML) also emphasizes the necessity of developing procedural manuals to ensure the effective implementation of its functions.

Despite the establishment of legal frameworks, Bosaso authorities interviewed reported significant challenges in enforcement and full implementation, particularly in leveraging land-based finance as a revenue source to address public infrastructure deficits. They emphasized that these difficulties are further exacerbated by the absence of a defined Puntland taxation authority, unclear and overlapping tariffs, and ongoing resource struggles between ministries and local government entities. To overcome

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these barriers, comprehensive reform of the governmental structure is necessary. Such reforms should focus on clarifying roles, improving coordination, and strengthening mechanisms for revenue generation and effective service delivery at the local level.

Implication of testing Proposed Banded System of Property Tax Assessment

Property taxes are a vital source of revenue for local governments globally, accounting for an estimated 30-40% of their total income. These taxes are typically levied based on the value of land rights and buildings and are paid annually by the property owner or occupier. The advantages of property taxes include their stability, as properties are fixed in location and easily identifiable, making taxpayers more easily accountable. Additionally, property taxes generally have lower compliance costs and can incentivize more efficient land use.

Bosaso Municipality has over 40,000 taxable properties, yet assessments reveal that less than 20% of property taxes are being collected. The current property evaluation method relies on a simplistic formula that calculates taxes based on area measurements (width * length * height of 3.5 * fixed rate), with adjustments made for building types—whether multi-story or villa—without considering the actual property value. This approach presents several significant disadvantages.

Most critically, it fails to differentiate between high- and low-value properties, resulting in an inequitable tax system where both wealthy and impoverished property owners are subjected to similar tax rates per square meter. Given that plot sizes are relatively uniform and do not reflect an owner's ability to pay, poor and rich households end up paying nearly the same amount in taxes. This leads to a regressive tax burden, where the financial strain disproportionately falls on lower-income families. Consequently, the Puntland property tax system risks being perceived as unfair, burdening the poor more heavily than the rich.

This perception of inequity has been frequently mentioned in discussions landowners and Director of revenue department, and seems to negatively impact tax morale, undermining trust in the system and tarnishing its reputation. In practice, this issue is often mitigated through informal means, such as keeping tax rates low enough to be affordable for low-income families or excluding lower-value areas from the cadastre and collection efforts altogether. However, these "relief" mechanisms are inconsistent, lack transparency, and are driven by administrative inefficiency rather than sound policy, making them far from ideal solutions.

Puntland Ministry of Public Work and Transport developed a property valuation system using the banding method in March 2022. The banded property tax system is a temporary useful measure for countries that have temporarily decided to move in an ad-valorem way, but where infrastructure and governance have not yet been implemented (Developing countries). (McClusky 2002).

This system evaluates properties based on six key parameters. First, land characteristics, including size, usage, and location, are assessed. Second, infrastructure variables such as the availability of roads, water, power, and waste management systems are considered. Third, the proximity to essential amenities like schools, healthcare facilities, marketplaces, and transportation is evaluated. Fourth, property ownership type and the number of occupants are identified as crucial factors. Fifth, construction costs and annual rental income are considered. Lastly, the type and size of the building, along with the construction materials used, are integral to the valuation process.

The proposed structure of the simplified band system for land and property tax assessment will group properties into six categories—A, B, C, D, E, and F—based on scores obtained from various parameters. Properties in categories A to E will be taxed according to their value, while Category F will include low-value properties and those exempt from taxation due to their usage, such as mosques and schools. This process will be iteratively applied to ensure the accurate valuation and taxation of properties.

Though, the banding system has yet to be tested. Implementing it will require amending existing land taxation legislation, introducing new bylaws, and establishing a consolidated land management system within local governments to accommodate the updated valuation parameters, rates, appeals and exemptions. Additionally, the current local government property database, which lacks some of the necessary parameter information, will need significant updates. In a meeting with the Director General of the Ministry of Public Works, it was confirmed that there are plans to pilot the banding system in one district, with the intention of scaling it to all districts thereafter.

Implementing a property banding system could address these inequities and significantly improve tax collection efficiency. This would enable the local government to better finance essential needs, such as housing for internally displaced persons (IDPs) and host communities, while also supporting the development of sustainable livelihoods.

However, the currently proposed banding system is overly complex, with too many parameters that do not accurately reflect land value uplift, and an excessive number of tax categories. Additionally, it lacks alternative options or comparative approaches. Global research shows that municipalities typically have several choices when selecting a property valuation system, which can be tailored to their specific context and land management structures. This flexibility enables local governments to adopt a system that best suits their unique circumstances, ensuring more accurate and equitable property assessments.

Unit three: Bosaso case on land value capture practices

Administrative capacity and challenges

Administratively, Bosaso is divided into four main urban neighborhoods and 13 Rural villages, managed by a council of 33 elected members, including mayors and deputy mayors elected from within the council, and an executive secretary appointed by the Ministry of Interior, Federal Affairs, and Democratization Puntland. According to the local government organogram, functional assignments are subdivided into six departments that report to the executive secretary,

These departments include the Public Works Department, responsible for all urban land functions; the Revenue Department, responsible for all types of taxation; the Social Affairs Department, responsible for social service delivery and the Administration Department, which supports administrative and operational tasks. However, all departments face common challenges such as unskilled overstaffing and a lack of some necessary bylaws and procedural guidelines.

Each department has well-defined roles and responsibilities, supported by a structured hierarchy, and various capacity-building trainings have been provided to align with these roles. However, despite these efforts, performance and accountability remain suboptimal. The payroll system lists over 174 employees, yet key departments suffer from a shortage of professionally competent personnel, primarily due to underpayment compared to other sectors like the private sector, UN agencies, and international NGOs operating in the region. This wage disparity has deterred qualified individuals from joining local government and other public institutions.

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Additionally, an internal audit unit is in place, reporting directly to the Executive Secretary. This unit is designed to support the internal control system and evaluate overall departmental performance and provide critical insights to senior local government officials. However, it faces challenges related to limited technical capacity and lacks the autonomy required to function independently and effectively.

Bosaso Land management and practices

Bosaso municipality has devolved authority to manage land issues, including planning, registration, taxation, and development. However, insights from interviewed authorities reveal that, like many other Somali cities, Bosaso has faced significant challenges since the collapse of the central government in 1991. A large portion of developable land was seized by land grabbers, primarily for business and economic purposes, complicating urban planning and land management. This has led to frequent land-related conflicts and disputes, which the municipality is forced to address daily.

The local government's public work department is responsible for land registration, sitting city's extension plan, urban road construction/rehabilitation, gardening, and street plantation but it lacks a comprehensive land management system to regulate or oversee land transactions and ownership. This issue is compounded by the absence of standardized registration procedures and proper land value assessment standards, which are critical for ensuring fair and effective taxation. As a result, the municipality has limited control over much of the land, as legal ownership documents are only issued when landowners voluntarily request them.

The land ownership process is relatively simple. It begins with a written request from the landowner, followed by an inspection by local government geometers or surveyors. They assess the land's coordinates, location, measurements, and boundaries. After the payment is cleared, This information is then submitted to a legal notary, who records the signatures of witnesses and the owner's identification details, such as a passport or other legal documents. Once all the necessary information is completed, the District Mayor provides the final signature, after which the land certificate is issued to the owner.

Most of the undeveloped land is not registered with the local government, yet landowners still influence planning decisions based on personal interests, anticipating that extension plans will increase land value. However, these plans can sometimes reduce the size of the land, leading to resistance from the landowners. This resistance often hampers the local government's ability to advance development plans. In some cases, the government proceeds with the projects but is forced to offer compensation to the landowners in order to move forward.

Local government authorities frequently manage land dispute resolutions, typically through mediation based on unwritten customary laws and Sharia law, overseen by elders and a land dispute committee appointed by the local government. Disputes that cannot be resolved at this level are referred to government courts, which rely on a combination of Sharia law, the Somali Civil Code, and available evidence. However, these mechanisms are often ineffective, leaving many conflicts unresolved. This can escalate tensions, sometimes leading to confrontations and, tragically, loss of life.

This situation presents major challenges to securing land for public infrastructure and durable solutions for IDPs. With limited land ownership, the local government often has to purchase land from private owners or rely on community contributions to facilitate urban development, severely restricting sustainable urban planning and long-term growth initiatives. Ninety-eight percent of the land occupied by IDPs in Bosaso is privately owned, leaving these communities at high risk of eviction due to the lack of formal tenure agreements or land rights. Implementing land value capture mechanisms could provide

a viable solution by generating funds to secure land tenure for IDPs, reducing eviction risks, and supporting the long-term stability and integration of displaced people into local communities. This approach would enhance access to markets and formal land ownership, ultimately contributing to sustainable urban development in Bosaso.

Overview of municipality taxation system

The assessment revealed that Bosaso Municipality is authorized to collect revenues from 28 distinct sources, as outlined in Article 72 of the Local Government Regional and District Administration and Local Council Establishment Law, which forms the basis for the municipality's tax collection practices. However, only 15 of these revenue streams are actively collected. Of the available sources, only four are directly linked to land-based finance: Betterment Tax, Land Levy Tax, property tax and fees from building permits and home renovations.

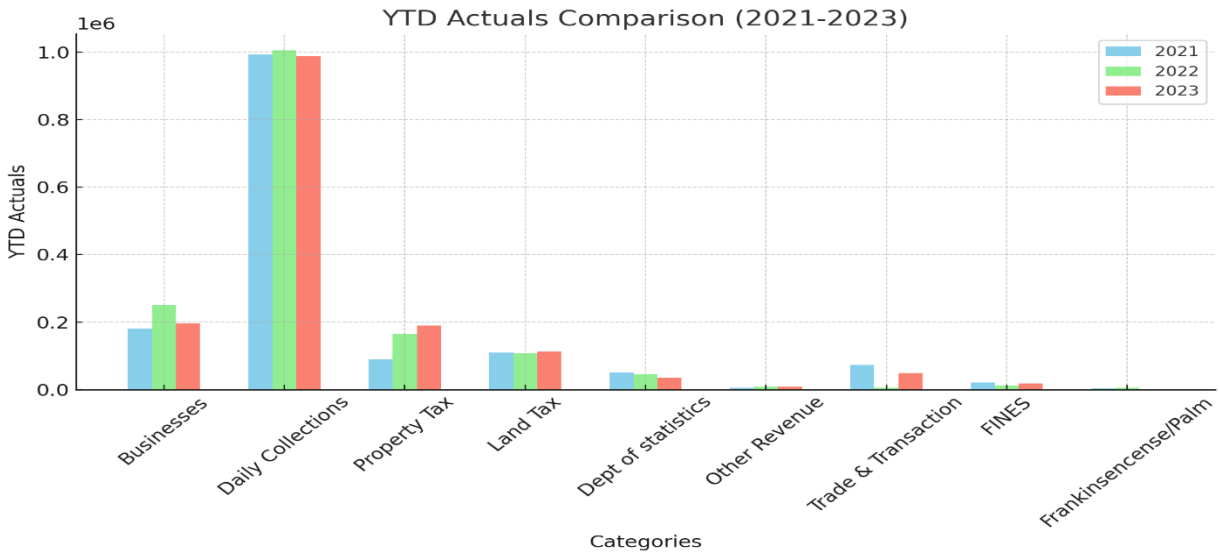
However, the local government's financial report reveals that they also receive income from a Land Certificate Tax, which is a fixed amount of USD 100 per certificate issued, and a home renovation tax assessed based on the area. Additionally, an annual property tax is levied using a formula that involves multiplying the area (m^2) by a height factor (3.5) and a rate. Notably, this assessment method disregards the actual value of the properties, a this limitation is also highlighted in the Banding Assessment conducted in March 2022.

Bossaso's property data is managed within the Integrated Financial Management Information System (IFMIS) overseen by the Puntland government. This advanced system supports billing, revenue receipt, and generating comprehensive reports for decision making. However, land certificates are administered through a separate system, indicating a need for Bosaso Municipality to introduce a consolidated land and financial management system.

The following data is generated from the Bosaso Municipality IFMIS which shows the comparison of local government revenue over the last three years (2021-2023).

Code	Description	2021	2022	2023
		YTD Actuals	YTD Actuals	YTD Actuals
	Businesses	181,652	250,416	196,576
	Daily Collections	993,399	1,005,209	988,945
	Property Tax	90,234	163,503	189,975
	Land Tax	109,696	108,438	112,254
	Dept of statistics	50,555	45,430	34,421
	Other Revenue	4,810	8,000	8,063
	trade & transaction	73,062	5,620	49,001
	FINES	21,020	12,823	17,234
	Frankinsencense/palm	4,418	5,180	
	Grand Total	**1,528,845**	**1,604,619**	**1,596,469**

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According to data from Bosaso Municipality's IFMIS, 65 percent of local government revenue comes from daily collections from small businesses and customs, creating a regressive tax system. This system disproportionately burdens smaller businesses, which contribute a larger share of revenue compared to larger business including whole seller stores, Hotels, and supermarkets. Property tax collection, on the other hand, has seen a slight increase over the years due to the implementation of IFMIS and digital mobile money tax collection application, which have reduced theft and inefficiencies, while improving overall collection efficiency. In addition, land tax remains underutilized relative to its potential. the implementation of land value capture instruments will boost local government revenue base and service deliveries.

On the other hand, 2023 expenditure report shows, 67 percent of the local government's expenditure is allocated to operational costs and human resources, leaving only 33 percent for essential services such as sports, garbage collection, road maintenance, welfare, and burial expenses, as well as contributions to Joint Programme for Local Governance (JPLG) projects. Most of the social services are supported by external partners, community contributions and private sector investment through public private partnership. This heavy reliance on external support highlights a need for more sustainable funding mechanisms to ensure consistent and comprehensive delivery of public services.

Perspectives of Internal Displaced persons (IDPs) and durable solutions

According to Federal government of Somali's policy on internally displaced persons (IDPs), IDPs are defined as individuals or groups who have been forced to leave their homes or places of habitual residence due to armed conflict, generalized violence and insecurity, human rights violations, or natural or man-made disasters, without crossing an international border. This definition also extends to those who have been evicted from their settlements without receiving adequate housing, land alternatives, or compensation that would allow them to rebuild their lives sustainably. Additionally, pastoralists who have lost access to their traditional nomadic living spaces due to the loss of livestock, grazing land, water points, or market access are also recognized as internally displaced persons under this policy.

Puntland has been a refuge for thousands of internally displaced persons (IDPs) who fled from central Somalia due to civil war unrest and insurgent attacks over the past 30 years. However, many of these IDPs have experienced limited reintegration into local communities due to a dependency on aid, often

preferring to remain in IDP camps in hopes of receiving aids from international NGOs or UN agencies rather than integrating with the local population.

Recognizing this challenge, the Puntland State of Somalia has established a policy aimed at returning, resettling, or reintegrating IDPs into the broader community. This policy distinguishes between two categories of IDPs. Those from other parts of Somalia are classified as IDPs for a period of five years **(5 years)**, during which they are expected to voluntarily reintegrate into the local population or return to their places of origin. If they successfully reintegrate within this period, they gain the right to participate in political processes, as outlined in Puntland's electoral laws.

On the other hand, IDPs originating from within Puntland are generally not allowed to join IDP camps unless their displacement is caused by extreme circumstances, such as droughts that devastate livestock, floods, or conflicts. In these cases, they are recognized as IDPs for a shorter duration, typically six months **(6 Months)**, with support focused on restoring their previous living conditions through measures such as restocking livestock or other appropriate reintegration efforts.

Puntland and its partners have collectively redesigned their approach to supporting internally displaced persons (IDPs) with a focus on achieving sustainable durable solutions. The strategy aims to enhance IDPs' access to essential services, secure tenure to protect against eviction, and enable their participation in public affairs as full citizens. Additionally, it seeks to provide opportunities for sustainable livelihoods and employment and ensure access to justice. Achieving these objectives will help IDPs become self-sufficient and fully integrated into mainstream society.

Additionally, the strategy underscores the importance of establishing an enabling environment where human, financial, and physical resources are effectively allocated and utilized. This includes empowering local municipalities and unlocking the potential of land-based finance to generate income, thereby supporting these integration efforts.

Bosaso Municipality has secured land for 435 internally displaced person (IDP) households, out of a total of 19,431 households currently documented on the Camp Coordination and Camp Management (CCCM) cluster verifications, With the support of international partners, permanent settlements have been constructed for these families. Additionally, plans for housing solution are underway to develop 150 more settlements in the Gribble area, which has been designated for durable solutions for IDPs. As part of this resettlement effort, the local government has initiated the development of essential facilities to improve access to social services in an urban setting. This includes the construction of primary healthcare centers, markets, schools, police stations, and community centre.

However, the new settlement is located 4.5 kilometers from the main market, and the rough road conditions make transportation expensive and difficult for residents. During consultations, many people voiced concerns about this issue, which local government authorities have identified as a top priority on their agenda. Addressing this challenge is essential for the long-term success of IDP integration efforts.

Another key challenge identified in interviews regarding durable solutions for IDP settlements in Bosaso is the lack of sufficient electricity and water supply, which are essential for long-term integration and sustainable development. While basic infrastructure like healthcare centers and schools have been established, the absence of reliable utilities limits their effectiveness. Addressing this issue requires investment in public utilities, which could be supported by improved land value capture mechanisms. The additional revenue could be used to expand and maintain these services, improving living

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conditions and supporting sustainable integration.

Unit four: Challenges, opportunities and recommendations

Challenges and opportunities

Challenges of land value capture kick off	Opportunities and benefits of land value capture
Legal and Regulatory Barrier: Outdated and insufficient laws currently hinder Bosaso Municipality's ability to implement effective land value capture mechanisms. Amending the necessary legal and regulatory framework will require substantial technical and financial resources, as well as the acceptance and commitment of Puntland state authorities. Since these changes are beyond the decision-making power of Bosaso Municipality, close collaboration with state-level officials and stakeholders will be essential to drive these reforms, which may delay the immediate implementation of land value capture instruments in Bosaso. **Community Perception:** Resistance from the community stems from a lack of understanding and concerns about potential tax increases. Many community members are apprehensive that the funds collected will not be used effectively and may be misappropriated, as some respondents have explicitly expressed concerns over the potential misuse of these revenues. Addressing these perceptions will require transparent communication, education on the benefits of land value capture, and ensuring that funds are visibly reinvested in public services and infrastructure. **Technicality and administration**: The lack of skilled personnel and inadequate systems to support the new parameters for land management and tax collection may impede the efficient implementation of land value capture initiatives. Developing and integrating advanced systems and training personnel will	**Revenue Generation for Public Infrastructure:** Establishing a robust legal framework for land value capture could significantly boost revenue, providing essential funding for public infrastructure projects such as roads, healthcare facilities, and schools. Effective reinvestment of these funds into local services can restore public trust and improve tax morale. This, in turn, encourages voluntary tax compliance, ultimately reducing administrative and enforcement costs associated with tax collection. **Promoting Sustainable Urban Development**: Land value capture can significantly support sustainable urban development by funding essential public infrastructure and services. In Bosaso, this can help address the housing needs of IDPs and reduce reliance on temporary camps, while also creating job opportunities and improving public facilities. By promoting efficient land use and reinvesting in communities, land value capture can drive balanced growth and attract private investment. When managed effectively, it ensures that the benefits of urban development are distributed equitably, contributing to long-term economic resilience and social inclusion. **Enhancing Social Equity:** Land value capture can be used to fund services and infrastructure in underdeveloped areas, reducing inequality in social services inclusivity **Encouraging Efficient Land Use:** Effective implementation of land value capture instruments can promote better land use by incentivizing development in underutilized areas, reducing congestion, and encouraging higher-density

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be crucial to overcoming these barriers and ensuring effective land management and tax administration. **Social Equity and Inclusiveness:** The implementation of land value capture has the potential to disproportionately impact marginalized communities if not managed carefully. For instance, re-integrated settlement areas, which may be considered high-value zones due to government infrastructure investment, could face higher taxes, exacerbating the existing inequalities. It is essential to design land value capture mechanisms that incorporate equitable policies and ensure that the benefits are distributed fairly, protecting vulnerable populations from adverse effects.	construction. By utilizing land readjustment strategies, local governments can acquire portions of land for public facilities, including parks, sidewalks, and other essential social infrastructure. This approach not only optimizes land use but also enhances the overall urban environment, contributing to more sustainable and organized city development.

Recommendations

1. To effectively implement land value capture, it is essential to draft and publicize a comprehensive tax policy document. This document should clearly outline property and land taxes, assessment methods, opportunities for appeal, exemptions and rebates, compliance procedures, and penalties for non-compliance. Such transparency and clarity will help build trust within communities, encourage voluntary compliance, and ensure that land value capture is equitably applied across all regions.
2. Given the limited scope of this research, further assessments should be conducted in other regions of Somalia to develop a comprehensive understanding of land value capture practices across the country.
3. Land value capture is recognized as a vital and sustainable revenue source for local governments, playing a crucial role in financing social services, promoting efficient land use, and advancing social equity. To fully harness its potential, it is essential to clearly define the responsibilities and tax jurisdictions between local governments and national institutions. This clarity will pave the way for comprehensive solutions that effectively address existing social service gaps and support sustainable and durable solutions, particularly in areas like IDP reintegration and urban development.
4. Land value capture is recognized as a vital and sustainable revenue source for local governments, playing a crucial role in financing social services, promoting efficient land use, and advancing social equity. To fully harness its potential, responsibilities and tax jurisdictions between local governments and national institutions must be clearly defined. This clarity will enable comprehensive solutions that address existing social service gaps and support sustainable durable solutions.
5. The proposed banded property assessment system should be simplified for easier implementation. Currently, six parameters are assessed, many of which do not directly affect land value uplift within the given context. These parameters are categorized into seven tax bands, which could be reduced to three or four to make the system more efficient and

manageable. This simplification would align with the limited institutional capacity and financial resources, avoiding the need for complex systems, database overhauls, or legal reforms while still achieving effective property assessment within current constraints.

6. Local government staff should be trained in accurate surveying and appeals management. Additionally, A Municipal Communication and Information Unit (MCIU) should be established and equipped with the skills to develop and implement strategies that ensure clear community communication and address misinformation about land value capture initiatives
7. Due to the limited scope of this research, specific tools for capturing increased land value were not fully explored. Therefore, a detailed technical assessment is necessary to identify the most suitable tools for capturing increased land values in Bosaso, considering both capacity and practicality. While property tax collection is a well-known method that can be enhanced to capture these values, other feasible options, such as betterment levies and land readjustment, should also be considered as they are technically easier to implement and adapt.

8. A Social Tenure Domain Model (STDM) exercise should be conducted in Bosaso, concentrating on tenure security and the long-term socio-economic aspects of IDP reintegration. Gaining insights into IDP perspectives on land tenure and settlement sustainability is crucial for refining land value capture strategies. This will ensure that the strategies not only address the needs of both local communities and IDPs but also optimize revenue for public infrastructure development.

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ANNEX.

ANNEX1. RESEARCH QUESTIONS

- Main research question:
    - How can land value capture and its tools contribute to durable solutions for IDPs in Bosaso?
- Sub-questions:
    1. What does land value capture mean for practitioners in land administration in Bosaso, Puntland?
    2. What are the current practices to measure land value in Bosaso? Who are the actors involved?
    3. What has not been captured by the report 'Property Valuation Methods' (March 2022)?
    4. What are the key barriers and gaps in capturing land value in Bosaso?
    6. What will be the main challenges in the application of the planned by-law? What are the community perspectives regarding land value capture and payment methods?
    7. How much is collected in payments related to land value capture, and which department is responsible for this?
    8. Which are the most expensive zones or areas in Bosaso, and why are they expensive?
    9. Which are the cheapest zones or areas in Bosaso, and why are they cheap?
    10. What are the opportunities (social protection, social housing, employment schemes, subsidies, etc.?) and the risks (increment in rent prices, exclusion from/unaffordability of services, etc.?) for displaced populations stemming from the proposed by-law on the introduction of the banding system?

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