



Barriers to Effective Revenue Mobilization in Bosaso Local Government

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Summary

- » Bosaso, Puntland's commercial hub, relies on business and customs taxes as primary revenue sources. While a legal framework and financial management system exist, significant gaps remain between policy and practice.
- » The municipality has limited fiscal autonomy, as key revenues from the port and airport are retained by federal member state (FMS) authorities. Outdated manual tax collection systems and weak institutional capacity further constrain efficiency and transparency.
- » Citizens report coercive and unprofessional tax collection practices, perceive inequity in enforcement, and see minimal public services in return. This has deepened public mistrust and reduced voluntary compliance.
- » This paper recommends professionalizing tax collection, strengthening transparency, expanding electronic systems, restoring municipal revenue shares, and improving public service delivery to rebuild trust and enhance local fiscal governance.

About Somali Public Agenda

Somali Public Agenda is a nonprofit public policy and administration research organization based in Mogadishu. Its aim is to advance understanding and improvement of public administration and public services in Somalia through evidence-based research and analysis.

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Introduction

Bosaso serves as the commercial hub of Puntland, being the primary seaport of the Puntland FMS. The primary economic activities and revenue prospects in the district include the export, import, and slaughter of livestock; the importation of foodstuffs and assorted commodities; as well as the wholesale, retail, and distribution of imported foods and other goods. The energy sector encompasses petrol imports and distribution, electricity, telecommunication services, the khat market, and a wide range of services offered by small-scale enterprises. The private sector predominates in most services and infrastructure, including telecommunications and various [revenue-generating enterprises](#).

Strong local governance depends on the mobilization of revenue, as it provides the funds necessary to deliver basic public services, including utilities, waste management, road maintenance, healthcare, and education. These services foster a positive relationship between [residents and their local government](#).

Bosaso's revenue mobilization faces several challenges, including limited institutional capacity and unclear fiscal arrangements between the district and Puntland state authorities. In addition, the Puntland state government rarely allocates a share of revenues from key income-generating assets, such as the port and airport, to the Bosaso municipality, further constraining the district's financial autonomy and ability to provide essential public services.

In 2015, the United Nations Capital Development Fund (UNCDF) developed a revenue manual to help local governments increase revenue and gain insights into best practices. The Ministry of Interior (MoI) of the Puntland government enlisted trainers to assist local governments in implementing the manual and formulating Local Revenue Mobilization Action Plans (LRMAPs). In November 2015, MoI and UNCDF launched a program to assist districts, including Bosaso, Garowe, Qardo, Bayla, Eyl, Jeriban, and Galkacyo, in developing their LRMAPs. The district's revenue and financial agencies [facilitated the consultations](#).

This governance brief analyzes Bosaso's revenue system, focusing on the types and sources of revenue, tax collection practices (including systems utilized for revenue recording and reporting), the allocation of collected revenues by the local government, the behavior of tax collectors and public perceptions of them, as well as challenges in tax collection. The brief also seeks to facilitate the establishment of effective fiscal governance in Bosaso by offering recommendations based on stakeholder input. Furthermore, it enriches the literature

on taxation in Somalia by providing evidence-based insights regarding Bosaso's taxation system.

This brief is based on six key informant interviews with stakeholders in Bosaso. Based on their experience and availability, we selected members from the local council of Bosaso, academia, the business community, and civil society representatives. The interviews were conducted between 1 and 31 August 2025, via phone and WhatsApp calls. These methods were chosen for their convenience, given the interviewees' busy schedules.

Taxation Structure and Collection Practices

The Bosaso local government's tax system is divided into two main categories: customs and business taxes. Customs taxes include checkpoint fees, building permits, public asset licenses, slaughter fees, and public transport charges. Business taxes are further classified into three groups: Category A for large companies, Category B for medium-sized enterprises, and Category C for small businesses. Property taxes, including land maintenance and residential property fees, are typically collected annually, while daily taxes, such as market fees and transport levies, are collected from traders and service providers.

Revenue collection is managed by two primary departments. The Public Works Department administers taxes on residential properties and transportation, while the Revenue Department collects taxes from businesses and customs.

According to a municipal official, all taxes are collected through a financial management system, and there are no informal revenues that are not officially documented. The system follows a legal framework called the tariff system, which originates from the Puntland Ministry of Interior and is then forwarded to the districts for approval. All districts follow the same system, and the most recent version was approved in 2007. The official explained:

“There are no undocumented or informal taxes, as these would be considered fraudulent. All collections are recorded in the system. For example, when collecting property or business license fees, receipts are issued through the system, with each payer assigned a code number that generates their name and the exact amount due, based on daily revenues, such as market fees. Receipts are issued on the spot.”

Citizens' Experiences and Perceptions of Tax Revenue Collection

Although officials reported the existence of a financial management system for collecting, recording, and reporting revenues, citizens experienced a different reality. One businessperson mentioned that tax collectors deliver invoices with due deadlines to citizens but handle follow-ups in an unprofessional and coercive manner, sometimes involving threats or armed personnel. Other stakeholders noted that small businesses or ordinary citizens are compelled to comply and pay taxes, while large companies—often involved in politics—frequently evade payments through political influence or corruption, rendering the process biased and unfair. A business owner in Bosaso commented:

“Tax bill demands are delivered in writing, and if payment is not made, the follow-up is often handled in an unprofessional manner. Collectors sometimes use harsh language and show little respect, leaving taxpayers with no choice but to tolerate it.”

Revenue Utilization and Service Delivery Gaps

Official participants stated that they use taxes to pay salaries for local government staff, cover running costs, and maintain main roads, street lighting, and the city's sanitation. They also claimed to support affected communities during emergencies. For example, they have collected money from local businesses and traders to support Puntland security forces battling the Islamic State's Somalia affiliate (IS) in the mountains that are in relatively close proximity to Bosaso. Local officials asserted that the local government does not collect indirect or undocumented taxes from the community.

Although interviewees did not openly discuss payments to armed groups, likely due to the sensitivity and security risks involved, credible reports suggest that the Islamic State in Somalia (IS-Somalia) has been collecting informal “taxes” or extortion payments from businesses in Bosaso and surrounding areas of Puntland. Several media and research sources indicate that IS-linked factions have demanded regular payments from traders, transport operators, and other local enterprises, using threats or targeted violence to enforce compliance. While the extent and current scale of these collections are difficult to verify, this practice reportedly began before and during the height of conflict and remains an important contextual factor shaping local governance, revenue collection, and public trust in legitimate taxation systems.

In contrast, taxpayers provided different responses. They noted that there are few public services available

to the community, including education, health, and security. Taxpayers mentioned that the local government occasionally collects garbage in the city. Some participants claimed that this has led many taxpayers to try to avoid paying taxes, considering it a form of extortion.

The gap between local government and taxpayers reveals deep distrust in the tax system. Citizens perceive little improvement in basic services that directly affect their daily lives, even as officials claim their use of taxes for security and governance. As a result, many locals are skeptical of the transparency and accountability of local revenue administration, leading to concerns about fiscal mismanagement, corruption, and a lack of community participation in decision-making. This gap reduces voluntary tax compliance and threatens the viability of local governance systems.

Institutional and Trust Challenges in Revenue Collection

Participants identified several challenges undermining effective revenue collection, particularly institutional constraints. The dominance of Puntland's Ministry of Interior over local governments limits the municipality's financial autonomy, as the ministry collects most revenues that should be collected by local authorities. Furthermore, Bosaso does not receive shares of the revenue from the airport and port, though this did happen in the past..

As one of the local council officials mentioned, more substantial revenue streams, such as airport boarding fees and port charges, are retained by the Ministry of Interior, the Ministry of Finance, and private foreign operators such as DP World, thereby depriving the local government of critical resources. He also added that previously, 2.5% of the port revenues and boarding pass fees from the airport were allocated to the Bosaso Local Government. However, since 2012, under the Farole administration, the municipality has not received any allocation from these sources. This official further stated:

“The municipality no longer receives a revenue share from the airport and port, though it used to. Negotiations have been attempted, but no agreement has been reached.”

The outdated daily manual system of revenue collection also poses a challenge, as it allows for the omission of some taxpayers or the imposition of extra fees on ordinary citizens, as one civil society representative mentioned. However, the local government clarified that an online financial management system is used

for collecting taxes on buildings and business licenses, in which taxpayers are assigned a code number. Using that code, the taxpayer's name and the amount of tax owed appear in the system.

On the other hand, daily revenue collections such as market fees and transport levies are still handled manually through written invoices. This dual approach explains the apparent inconsistency: although parts of the taxation process are digitized, significant portions of daily collections continue to rely on manual methods, which remain vulnerable to errors and informal practices. In most cases, taxpayers use Sahal mobile money services to make their payments, providing a convenient and traceable method. However, interviewees reported that errors still occur, indicating that while the system is modernized, it is not yet fully reliable for taxpayers.

A lack of public services from the local government or failure to meet community expectations has resulted in the community's unwillingness to pay taxes. Furthermore, transparency remains weak, with limited public reporting and minimal accountability regarding how funds are allocated.

A recurring finding among all participants was the widespread distrust within the community. The absence of visible public services or infrastructure improvements often leads individuals to question the legitimacy of taxation. Perceptions of taxes as a form of extortion have been reinforced by historical mismanagement, and some individuals oppose taxation due to cultural or religious reasons.

A business representative asserted that the government increased taxes without providing justification, whereas local council officials refuted the claim that any tax increases had been made in the community. One businessperson mentioned that the major challenge discouraging the public from paying taxes is the lack of visible benefits or returns from those taxes, which has led to public mistrust.

On the other hand, tax collectors face challenges from individuals who are unwilling to pay taxes, resulting in the coercive nature of current practices and a general decline in public trust. People often refuse to pay taxes, hide from collectors, or claim that taxation is religiously illegitimate. Even among those who do comply, payment is typically reluctant and driven more by fear of retaliation than by a sense of civic duty.

Conclusion

Bosaso's revenue collection issues are multifaceted and inconsistent. To local government representatives, the taxation system appears well-structured and lawful, but to citizens and civil society, it is marred by oppressive tax collection practices, inequity, limited service delivery, and a lack of community engagement.

The lack of transparency and minimal public benefits derived from taxation undermine both the fairness of the local government's revenue system and citizens' willingness to comply. Many residents perceive taxation as coercive and unfair due to the lack of visible improvements in services and infrastructure. For citizens to reconceptualize tax as a tool for societal advancement rather than a burden, profound, systemic reforms are required to restore trust and strengthen the social contract.

Policy Considerations

The following recommendations aim to inform and guide the Bosaso local government, along with relevant regional agencies responsible for revenue generation, in improving the effectiveness of revenue collection and addressing key issues that require their attention.

Enhance the Professionalism of Tax Collection

- The local government should train tax collectors to treat people with respect and courtesy throughout the tax collection process, thereby improving professionalism. The use of armed police officers for tax collection should be minimized, as it creates fear among the public.
- Clear and consistent rules, policies, and administrative procedures should be established to ensure fair treatment of all taxpayers, including small and large businesses.

Transparency and Accountability

- The Bosaso local government should publish tax collection data and revenue figures clearly and accessibly, through community meetings, conferences, and social media.

- The Bosaso local government should engage civil society groups, community elders, religious leaders, and businesses in the budget allocation process to enhance public understanding and cooperation.
- The local government should present measurable evidence of how tax revenues are reinvested to dispel perceptions that taxation offers no public benefit.

Improvement of the Revenue Collection System

- The local government should strengthen electronic systems for revenue collection and receipt issuance to minimize errors, corruption, and informal practices.

Rebuilding Trust through Service Delivery

- The local government should rebuild trust by providing essential public services, including security, infrastructure, education, and healthcare.
- The local government should also implement awareness campaigns illustrating the relationship between taxation and community development, using social media, radio, and television.

Institutional Reforms

- The Bosaso local government should renegotiate with the state government to restore its revenue shares from the airport and port.
- Clear roles between the state and local governments should be defined to prevent overlap and conflict in tax collection.
- Since the state government is responsible for security in Bosaso, the municipality should regain authority over key areas, including health, education, and local security.

This governance brief is the seventh in a series of District Council-driven research publications under our EU-funded project, Increased Opportunities for Somali Citizens' Scrutiny of Fiscal and Financial Governance, which examines critical issues related to fiscal governance and federalism at the district level. The topics explored in this series are identified through close collaboration with District Council members, and Civil Society Organizations' (CSOs) representatives during workshops held in Bosaso, Adado, and Jowhar on a quarterly basis, ensuring the research remains grounded in local governance realities



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