

Special session organised by the
Committee on Local Finance for Development

Land added value: a way to finance local authorities

Session Presided by: Fatallah OUALALOU, Mayor of Rabat, Vice President of UCLG Africa,
President of the Committee on Local Finance for Development

Session Animated by: Nathalie LE DENMAT, Executive Secretary of the Committee on Local
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Topic of Discussion: While the needs in urban investment in subSaharan Africa, amounting to 35 to 40 million USD, remain largely unmet, the possibility of using the value of land to fill some these gaps is still rarely viewed as an option on the African continent.

Yet, financing public investments through the use of land value has many benefits that go well beyond revenue generation, since it completes the loan, improves the efficiency of urban land markets, and contributes directly to urban growth in areas that are most capable of accommodating it effectively.

This special session will analyze the obstacles that exist in many African countries, whether in terms of the nature of land ownership or the weaknesses of the land market. It will highlight the legal, institutional, and economic prerequisites that are needed in order to implement such projects.

On this basis and from experiences gained in the field, the session seeks to generate recommendations and identify pilot projects that can be designed and supported by technical and financial partners of local authorities.

Itinerary of the workshop:

- Introduction to the issue in Africa by Thierry PAULAIS, AFD, author of “Financer les Villes d’Afrique”
- Roundtable # 1: under what conditions are local authorities able to obtain a portion of the added value to the land in order to finance public facilities?
 - Contribution by Jérôme BOUISSOU, SCET: obstacles related to the nature of land ownership and the emergence of a land market in Africa
 - Presentation of the examples in Latin America: Bogota and the “contribucion de valorizacion”, Rio and the market “rights to develop”
 - Contribution by the PPIAF: presentation of the study “exploiting land values to finance urban infrastructure” (or by the author George E. Paterson)
 - Contribution by the president of PPIAF: opportunities and constraints in Africa
- Debate with the audience
- Break
- 2nd Roundtable: pilot projects to promote?
 - The example of Porto-Novo: joint contribution by the Mayor of Porto-Novo,

workshops in the mastery of urban works, and the French Fund for the Global Environment

- Discussants:
 - Mayor of Antananarivo or his representative
 - Mayor of Ouagadougou or his representative
 - Mayor of Casablanca or his representative
 - Clotilde Bai, African Development Bank
 - Thierry Gonzalez, the French Development Agency (AFD)
 - Debate with the audience
- Discussion on the outcomes of the session

Discussion Points:

Land has long played an important role in financing urban infrastructure. Cities like New York, London or Paris, and more recently cities in China, have made it a central component in financing their urban infrastructure. By producing substantial revenue that reduces dependency in terms of debt, as well the budget risks associated with loans, the use of various techniques for financing land seem well suited for cities experiencing rapid urban growth.

The study published in 2008 by the World Bank and the PPIAF titled “Exploiter la valeur du foncier pour financer les infrastructures urbaines”/ “Harnessing land value to finance urban infrastructure” examines the different ways of using land value to finance urban infrastructure. Based on an analysis of experiences in developed countries as well as developing countries, George E. Peterson identifies key lessons in the implementation of these financing techniques.

According to the author, the potential benefits of financing using land go well beyond its revenue generation properties. As a component of investment financing, financing land loans improves the efficiency of urban land markets and helps direct urban growth to areas that are most capable of accommodating it effectively.

It also highlights the opportunities this field opens up for public policy to increase the effectiveness of the design and implementation of these instruments through the delineation of clear guidelines for the auction of public land, the development of strategies for land management, the definition of stable and equitable rules on expropriation, and adapting tax systems on land value.

However, this type of financing still arouses little interest on the African continent. A special session on this topic during Africities would raise the awareness of locally elected officials and their ministries to the use of these techniques as well as the underlying legal prerequisites (and therefore on the reforms to be implemented). Participating CFOs will have the opportunity to exchange experiences on this subject, and to implicate organizations involved in the training of territorial agents through support programs.

In addition, the session will promote exchange programs between cities and their operators in order to facilitate the implementation of these techniques. This will complement the current study by CFLD on the legal and institutional prerequisites necessary for the creation of land value, and its use in financing all or part of urban infrastructure.