



# LAND BASED FINANCING

Expanding the revenue base for local governments



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## LBF

### THE TOOL

The potential contribution of land based financing to the development of sustainable and equitable cities and properly serviced communities is not often fully realized. The ability of the public sector to benefit from land value is constrained by various factors. Land based financing is a collective name given to a range of tools by which local governments could expand their revenue base and generate funds that will help them to deliver services and infrastructure development and achieve their maintenance goals. The broader contexts within which this tool is being developed are local governance and

sustainable urbanization. Therefore, LBF does not include financial resources that can be raised from extractive industries (mining) that are also land-based but have traditionally been outside the domain of local government agencies.

The attraction of land as a source of local revenue is obvious. Land is immobile and taxes and fees tied to land cannot be avoided by relocating to another place. The land-based financing tool is premised on the fact that urban land is a key factor of production and an important source of financing for urban development, including infrastructure, social housing and basic services.

## AN OVERVIEW OF LAND BASED FINANCING

One of the significant challenges facing urban authorities in developing countries is the availability of the financial resources necessary for supporting and sustaining urban development. Many urban authorities are seriously under-resourced and hence are unable to meet the ever-growing demand for basic services and new infrastructure as well as the maintenance of existing infrastructure and services.

The extent to which urban local government can deliver effective services to citizens, including land services that improve access to serviced urban land and ensure tenure security, is dependent on resources available to them.

LBF aims to foster the availability of more resources to local development. It seeks to provide urban decision makers, managers and other community leaders at both the local and national levels with a broader understanding of the range of land-based financing tools that are available and in use around the world.

The tool is in the form of a training package that has two parts. The first part is a toolkit in which a range of tools are presented and described. These include annual tax on immovable property, public land lease, public land sales, developer exactions, classical land value sharing, betterment charges and special assessments, transfer of

development rights (TDR), and borrowing from capital markets. The second part is the trainers' guide, which provides methods whereby policy as well as practice knowledge regarding these tools could be communicated. Of course, the emphasis is on the practical dimensions of deploying and making the most out of land-based financing tools.

This is why the training is designed to both broaden the understanding of participants regarding potential land-based revenue tools and to help them think critically about what is required to implement or domesticate each tool in their home environment. Both theory and applications are presented in the package with the intention of expanding the horizons of training participants. The training can be delivered in a series of sessions covering the whole range of tools or partially by picking and choosing those tools considered suitable to meet local needs. Each session seeks to provide a basic understanding of the tool covered along with an awareness of where it has been applied and what the key implementation requirements are. The training package is in a user-friendly format and anchored in real world examples (case studies). The package is also suited for e-learning and delivery on an online platform at some point.

## BENEFITS OF LBF

The tools provided through this training package are meant to assist national and local government officials, as well as other opinion leaders in developing urban areas, by enabling them to explore tried and proven options for generating additional financial resources. Apparently, local governments cannot enforce land laws and policies without financial resources. They also cannot increase the availability of serviced urban land to prevent the proliferation of slums. Land-based financing is therefore one of the tools needed to achieve secure access to land and realize the goals of sustainable urban development. The intended target audience for the training materials are adults and professionals from developing countries working at the local and national level of governments. The materials are expected to be used by practitioners, experts in the field of land-based financing in developing countries and those engaged in developing the capacities of urban professionals (e.g., higher education).

Also, civil society and inter-governmental development organizations (e.g., United Cities and Local Governments (UCLG), World Bank and regional development banks) with the competence to provide technical assistance to urban local governments will find the training package an important resource that will add value to the support they provide.



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## PARTNERS DEVELOPING LBF

The tool is developed in collaboration with Urban Economy Branch of UN-Habitat and is expected to garner further support from partners such as the Lincoln Institute of Land Policy, Royal Institution of Chartered Surveyors (RICS), and the Institute for Housing and Urban Development Studies (IHS) as it goes through validation and piloting testing in different parts of the world.

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