

DEVELOPMENT AND PLANNING IN AFRICAN CITIES: EXPLORING THEORIES, POLICIES AND PRACTICES FROM SIERRA LEONE

WEEK 2 Urban land and informalities

STEP 2.6 Land value capture (ARTICLE)

'Land value capture' is an interesting land-based tool which can be used to apply the increasing value of urbanising land to support equitable planning. Across Latin America this has been used to generate significant revenues to finance urban infrastructure projects, however, it has not been used much within the African context, despite its potential.

Urbanisation in developing countries generates a very high income for land owners. For example, when rural land is converted into an urban area, it typically increases in value by 400%. The servicing of land- i.e. linking it to electricity, water and roads - further increases its value. As an example, this table demonstrates the changing value of land in the periphery of a Latin American city:

Value of unserviced land in periphery	USD 34m2
Cost of servicing land	USD 35m2
Value of serviced land	USD 135m2
Value increment after costs	USD 66m2

What this example shows is that as land is urbanised and serviced this generates very high returns for the land owner. In a typical model, these increases will be pocketed by the landowner, despite the fact that they did not contribute in any way.

In contrast, land value capture refers to a process in which these value increments (unearned income), are recovered and reinvested towards a greater collective good in the city. This can take different forms, for example, including betterment contribution, building rights, land readjustment, expropriation.

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Land value capture can be viewed as increasing economic efficiency, equity (to avoid the value of land falling into the pockets of land owners) and sustainability (as investments in infrastructure can be funded by taxation on land value increases).

A simple explanation of Land Value Capture as a land based tool to finance urban development can be found in this short video lecture from Martim Smolka from the Lincoln Institute of Land Policy.

<https://youtu.be/vEZOGF2jSW8>

This is an additional video, hosted on YouTube.

An interesting report on land value capture in Africa can be found here: [Urban infrastructure in Sub-Saharan Africa - Harnessing land values, housing and transport. Final report on land-based financing for urban infrastructure in sub-Saharan African cities.](#)

A report on the successful experience in Latin America: [Implementing Value Capture in Latin America: Policies and Tools for Urban Development.](#)

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