Levying the Land

Land-based instruments for public revenue and their applicability to developing countries

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Abstract

Local governments are thirsty for financial resources. Land-based revenue instruments are of obvious interest. This set of instruments is by no means a monolithic one. There are many alternative tools, often with major differences in what they can achieve and how well they are likely to operate.

In this paper I first present a conceptual framework for classifying land-based instruments, in order to enable well-targeted discussion of sometimes confusingly look-alike instruments. I then look at reported experience with these tools among several advanced-economy countries. For each instrument, I point out the advantages and disadvantages for adoption by developing countries.

The idea that the public should reap the "unearned increment" or the "plus value" of land is by no means new. The underlying rationale is that much of the value of real property is created not by the landholder's work, but by government policies that grant development rights or by broad economic and social trends.

Drawing on the author's comparative research on the laws and practices in 13 advanced-economy countries around the world, the paper addresses the degree to which recapture of the "unearned increment" is indeed a useful approach that policymakers in other countries – and especially developing countries - could adopt for financing or incentivizing the delivery of public services and affordable housing.

Keywords:

Land-based revenue; betterment tax, development agreements, planning law, value capture

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[1] *Some parts of this paper draw from a published paper by the author:* Rachelle Alterman, "Land use regulations and property values: The 'Windfalls Capture' Idea Revisited" (2012). Chapter 33, pp. 755-786 in: The Oxford Handbook of Urban Economics and Planning, edited by Nancy Brooks, Kieran Donaghy and Gerrit-Jan Knaap. A pre-publication version of this paper can be downloaded from the author's web site.

Introduction

Local governments in many countries are short of funds for the growing "shopping list" of public services expected by those who reside in cities or who consume city services. This holds doubly for urban areas in developing countries, where massive migration from rural areas generates an ongoing need for more and more basic public infrastructure and socio-educational services. In those developing and transition countries with upwards mobility and a growing middle class, there is a seeming insatiable need for public services of an ever increasing range of services and higher quality of existing ones.

Land-based revenue instruments are therefore of obvious interest. This set of instruments is by no means a monolithic one. There are many alternative tools, often with major differences in what they can achieve and how well they are likely to operate. In this paper I first present a conceptual framework for classifying land-based instruments, in order to enable well-targeted discussion of sometimes confusingly look-alike instruments. I then look at reported experiences with selected tools among advanced-economy countries. For each instrument, I point out the advantages and disadvantages of the alternative instruments for adoption by developing countries.

Overall advantages and disadvantages of land-based revenue tools

The complexity and ambiguous of land rights in developing countries is a factor to consider in any discussion of land-based revenues. In the following discussion I shall use the term "landholders" in the broad sense, encompassing a range of property rights, as conceptualized by Habitat's important "continuum of land rights" (UN Habitat and GLTN 2008). Naturally, in specific circumstances there may be important differences in the specific positions of rights along the scale, but these are context-specific.

In considering alternative revenue sources, land and real property have several well-known advantages compared with financial assets-based instruments.

- Land is stationary; it won't run away. It could potentially be a stable revenue resource.
- Land holdings are publicly known to community members, and thus it is usually easy to identify the holders and boundaries (even without systematic registration).
- Land and real property are often of high economic value, especially in urban areas
- Land holdings often display major disparities in socio economic levels. Therefore redistribution of wealth through land levies is especially appropriate and visible.
- Real-property values can be partially controlled by government decisions at specific points in time (land use regulation and investments in public infrastructure)
- Some types of real property revenues can be applied without a sophisticated land registration administration.

- Land and real property (on the continuum of land rights) often reflect the local socio-political structure and embed a cluster of deeply held social and community values (a factor that in some contexts would reinforce land levy, in other contexts would oppose it).

These advantages are not new; they are as old as human urbanization. Some types of land-based revenues are recorded in ancient times, indicating that these instruments do not necessarily require modern public administration and technologies. These advantages are thus especially salient for developing countries because, by comparison, income-based taxes required comparatively more sophisticated government administration and technologies. In fact, in some advanced economies the welfare-state concept has transferred attention from land to income redistribution (Davy, 2012: 30). A few European welfare-state countries, such as the Netherlands and Sweden, hardly have any land based taxation! (However this is probably not the majority around the world.)

For the developing countries context, the same advantages noted above sometimes also harbor inherent disadvantages:

- Real property may be seen as the embodiment of the landholders' personal freedom and thus clash with the idea of revenue sharing (more than income or stock taxation)
- The opportunities for land-based revenues are linked to distinct public decisions and thus visible to the community. These opportunities might also invite community protest
- The high value of real property can provide temptations for discriminatory administration or corruption
- The linkage with value creation by public decisions – especially regulatory planning and development control - can introduce extraneous consideration that might sidetrack the conception of the public interest

In each of the instruments surveyed below, these advantages and disadvantages are expressed in different forms or degree. Of course, the variations in local contexts matter a lot, but cannot be encompassed here. Such variations may be local politics, legal structure, administrative capacity, enforcement capabilities, governance, socio-economic composition, and physical-geographic structure.

History, terminology and theoretical dilemmas

The idea that the value of land is created by society and should therefore be reaped for the public is by no means new.

Henry George and the "single tax" idea

In 1879 the American thinker Henry George famously proposed the "single tax" idea in his book *Progress and Poverty.* He argued that if the rent from land alone (without the buildings and other "improvements") were to be paid to the government authority on an ongoing basis, it would suffice to finance the entire set of society's public needs (Andelson

2000, xxii -xxiv). A tax on land would avoid causing the kind of economic turbulence that taxes on labor and mobile or financial capital inevitably create. This latter view is supported by many economists (Ingram and Hong 2007; England 2007; Netzer 1998). George (1962) argued that public capturing of land values represents "a takings by the community, for the use of the community, of that value which is the creation of the community" (421). At the time, his proposal did not link value capture with land-use planning and regulation because he wrote the book long before these were established in their modern format.

The "Georgian movement" still draws dedicated followers around the world (as well as many critics; see Andelson 2004).[2]. However, as attractive as the Henry George theory may be, 130 years after he published his seminal book, the "vote" around the world is clear: "no" to the single-tax idea, with a few small local exceptions. Yet the underlying rationale of the Georgian argument is still compelling to many. It is often cited in support of the idea that the community-created value in land should be shared with the public.

Britain as a pioneer

Historically, Britain led the way in the global discussion about the nexus between planning regulations, public works, and property values. It is a universal axiom that such public decision can both raise land values and diminish them (Alterman 2010). The phrase that the British coined for the issue—"betterment and compensation" or "betterment and worsement" (or "worsenment")—dates back to the late nineteenth century (Baumann 1894). In 1909 a British prime minster made the following eloquent statement when introducing a national betterment capture levy as part of the world's first national planning act (Housing, Town Planning, Etc. Act 1909 (c. 44)): "It is undoubtedly one of the worst evils of our present system of land that instead of reaping the benefit of the common Endeavour of its citizens a community has always to pay a heavy penalty to its ground landlords for putting up the value of their land."[3]

The failure of this British experiment cannot be attributed to lack of enthusiasm. Unlike the United States, Britain has had a long tradition of legislative responses to both sides of the property value effects. Subsequent legislation tried various other formulas, and these ideas were exported to many of the colonies (McAuslan 2003; Home 1997). However, neither side ever worked satisfactorily (Grant 1999).

Since World War II the betterment and compensation sides have been decoupled in Britain. During the height of the war, the British government appointed the Expert Committee on Compensation and Betterment to guide the government in the laws and policies it should

[2] For an example of one of the movement's organizations, see http://www.henrygeorgefoundation.org/. See also http://www.earthrights.net/wg/wg1.html.

[3] *Hansard* (1909).

adopt for postwar reconstruction. The influential *Uthwatt Committee Report*[4] introduced two important concepts—"shifting value" and "floating value" (Replogle 1978; Tichelar 2003).

"Shifting value" assumes that the demand for any given type of land use in a particular region is finite. Land-use restrictions in one municipality (or in one part of a city) may cause downward value changes, but at the same time may increase the value of land in another locality where the regulations do permit development. "Floating value" refers to the speculative nature of potential land values. Landowners tend to assume that if only planning regulations did not stand in their way, a lucrative type of development would "land" on their own plot of land. However, the notion of shifting value implies that even if land-use regulations were to be abolished, not all landholders would benefit from development (Moore 2005, 3). The assumption that landholders are entitled to compensation for reduction in development rights was thus shaken, while the justification for capturing the added value was reinforced.

Based on this thinking, the UK Town and Country Planning Act of 1947 reformed the entire system. It discarded the idea of "development rights" granted by plans years in advance and substituted a system whereby each development is approved "case by case" through a "planning permission" (Booth 2003). Local government must prepare local plans, but their function is to guide decisions, not to grant development rights. Thus, the very notion of entitlement to compensation dissolved away (Purdue 2010). At the same time, the other side of the coin—capturing the betterment value—was fortified. For several decades hence, the United Kingdom seemed to have "volunteered" to serve as the world's laboratory for testing the betterment capture idea, as detailed later in this paper.

The UN Habitat Conference

The terms "plus value" and the "unearned increment" gained worldwide exposure through the policies adopted by the UN Habitat Conference held in Vancouver in 1976. Recommendation D3 stated:

"Recapturing plus value:

(a) Excessive profits resulting from the increase in land value due to development and change in use are one of the principal causes of the concentration of wealth in private hands.
Taxation should not be seen only as a source of revenue for the community but also as a powerful tool to encourage development of desirable locations, to exercise a controlling effect on the land market and to redistribute to the public at large the benefits of the unearned increase in land values.

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[4] The *British Expert Committee on Compensation and Betterment*, Cmd 6386 (1942). This report is known by the name of its chair, as the *Uthwatt Report*. Its importance in shaping British recovery is recognized not only by planners and lawyers but also by historians of British history. See Tichelar (2003).

(b) The unearned increment resulting from the rise in land values resulting from change in use of land, from public investment or decision or due to the general growth of the community must be subject to appropriate recapture by public bodies (the community), unless the situation calls for other additional measures such as new patterns of ownership, the general acquisition of land by public bodies."

The term "unearned" introduces an ethical or ideological tone (see for example, Andelson 2000: xxiv), while 'plus value" sounds more neutral. The connotation of "unearned" implies that since the landowners did not earn the increase, they do not deserve to enjoy it. However, the two terms are often used interchangeably by international development organizations and by scholars worldwide. These terms are not restricted to increments created by land-use regulation decisions or by the provision of public infrastructure, and are thus broader than "betterment". The value increase could also stem from general community economic growth leading to greater demand for land and thus to value increase. In other words, under this additional conception of the "unearned increment", it does not have to be linked to a specific public decision, but could be due to the actions of any number of private persons who are the "invisible hand" in the real-property market. However, the distinction among the various terms is not cast in stone and there may be overlaps.

Should there be a link between value capture and compensation for value loss?

A discussion of the unearned increment brings up an obvious question: If landholders are required to share the windfall derived from land-use decisions, should they also have the right to compensation for decrease in property values due to such regulations? And the converse: If landholders are allowed to keep the windfalls, then symmetry of logic would hold that they should absorb the wipeouts and not be eligible to compensation from the public purse.

I noted above how the British separated the two sides. My comparative analysis of 13 OECD countries has shown that in fact, in most countries the two sides of the coin are dissociated in either law or practice (Alterman 2010, 3–5). The lack of symmetry is usually not even a public or legal issue, except as a teaser by proponents of one side of the debate who wish to highlight the other side's ostensibly faulted logic. In only two among the sample countries (Poland and Israel), are the two sides of the land-value coin with some parallel in mind. Only Poland and Israel have current laws and regulations requiring betterment capture on the one hand, and granting compensation rights for regulations that reduce value, on the other hand. However, in practice the two sides work very differently and landowners find that it is much more difficult for them to claim compensation from government for reduction of property values than for government to levy the betterment increment. Real-life laws and policies do not operate according to the axioms of pure logic.

Table 1: Conceptual classification of land-based revenue instruments

Revenue stream	**Steady revenue stream**	**Intermitted** **Public action**	**Revenue** **Private action** **(transfer)**
The rationale for value capture			
Embedded **Built into a public land regime**	Annual leasehold payments	Nationalization Expropriation Land banking Land readjustment	Collection of leasehold rent increment upon transfer of lease
Direct **the "unearned increment" should be redistributed**		Planning-based decisions (betterment levy) Public- works decisions (infrastructure-based levies)	Collection upon transfer of property ("unearned increment tax")
Indirect **rationales such as:** - **cost recovery** - **Env' impact mitigation** - **Social impact mitigation**	Property tax	Impact fees/ development charges Cost recovery Exactions Incentive zoning Development agreements	

A framework for classifying land-based revenue instruments

There are many land-based instruments for value capture and sharing. The discussions surrounding these are often not "on the same page" due to the absence of a unifying conceptual framework. Despite considerable scholarly literature, *value capture* remains an open-ended term, variously defined and used. Some use the generic term *value capture* to cover any type of policy or legal instruments whose purpose is to tap any form of "unearned increment," regardless of the cause of the value rise. Others use the same term to denote only the policy instruments targeted at value arising directly from land-use regulation or public works. As already noted, the most direct term available to denote the latter type of value increase is *betterment*—a technical-legal word that originated in British English and still has no specific term in American English. Hagman and Misczinski's seminal book "Windfalls for Wipeouts" (1973) was intended as a whimsical title for the USA….

There is also some vagueness in the literature on whether a policy should be classified as value capture based on its *purpose* or its *outcome.* Some policies not primarily or overtly intended to reap the unearned increment do in fact exact from landholders or developers monetary or money-equivalent contributions.

To provide a more level field for knowledge exchange, I propose a two dimensional classification (see Table 1).

The major dimension for classifying the instruments is the horizontal one. It differentiates among the instruments according to their dominant rationale for value capture. I propose a distinction among three groups of instruments:

(1) Embedded in a broader public land regime;

(2) Direct value capture - rationale is the "unearned increment" and wealth distribution

(3) Indirect value capture - other rationales are predominant "up front', but some value capture does occur.

The first category encompasses instruments where the land policy is publicly dominated,. Whereas the other two categories are compatible with private land holdings and the market.

In the following sections, I will use these three categories as the backbone for discussing each of the alternative instruments, providing a description and some insights from the experience accumulated among advanced-economy countries. As will be apparent, some of the instruments are more promising than others for adoption by developing countries.

The vertical dimension is conceptually a minor one, but is important in practice because local governments are concerned not only about the amount of resources reaped, but also on the steadiness of the stream of money It differentiates among instruments according to the occasion for collection of the revenue: on an ongoing basis, such as monthly or annually payments, or contingent upon some specific action or decision that would be the incidence point for revenue collection. Such decisions are of two types: Public (land policy or planning decisions) or private (decision to sell or transfer property).

Embedded Value-Capture Instruments – part of public land policies

In this set I include value capture instruments are not freestanding but are embedded in some overarching land policy regime based on public land ownership or extensive intervention. The land policy is motivated by some broader rationales or ideologies. These regimes are assumed to provide a better land and development policy than a market regime. Four major types of land policy regimes have value capture embedded in them—at least in theory.

1. Nationalization and public leaseholds
2. Expropriation
3. Land banking
4. Land readjustment.

Some authors regard all these land policies as distinct value capture instruments (e.g., Smolka and Amborski 2007). I prefer the term "embedded" because in these formats, value capture is not a free-standing objective and cannot be designed independently of the macro policy. The problem is, that once the new land regime has been in place for a some years, it might develop its own economic and political dynamics, and the value capture objectives may be eroded. With time, it may be difficult to determine how much of the plus value in fact reaches the community. The linkage between these broader land policy regimes and value capture could become remote.

I have listed the four major types of embedded instruments in declining order by degree of intervention with private (or customary) property – and by ascending order in relevance to value capture. Because the degree of relevance to value capture is higher for land readjustment, I shall therefore place greater focus on land readjustment.

1) Nationalization

Today, there are very few advanced economy countries with a nationally owned land regime (with city-state exceptions such as Singapore). But among developing countries there are many that still retain national ownership.

The assumption behind nationalization (or "communalization") is that once government decrees that all land belongs to the state, the unearned increment due to investments in public infrastructure will "automatically" go to the public purse. In some of the Soviet-bloc countries, a system of long-term government leases was installed following nationalization (Hall 1976, 54–55; Bourassa and Hong 2003). The leases contained a clause stating that, since government owns the land and the right to develop, the plus value too must be paid to the government.

Three types of payments may be associated with public leaseholds: 1): Rent to be paid on an ongoing basis monthly or annually provides a steady stream (Table 1); an increment to the rent to be added from time to time to reflect value increase; and payment for the full rent value for the entire leasehold period (discounted to present value[5]). However, the experiences of post-communist countries where there is still a remainder of nationalized land indicate that the revenue from leaseholds tend to erode over time relative to present land values (and to currency depreciation). It is not feasible administratively and socio-politically to update the rent over time (see the OECD Report on Polish Cities, 2011; I wrote the parts related to land-related policies).

Today, nationalization is not politically popular around the globe. Countries that still retain such systems support their evolution into more market based systems. New acts of nationalization are unlikely to be considered for any objective. The record with nationalization is not very positive. Most of the post-socialist countries have shown a strong preference for private ownership regimes.

2) Expropriation

Unlike nationalization, expropriation of land does not apply to an entire country but to specific sites deemed to be necessary for some public purpose. Technically, expropriation too could be used as an instrument of value capture – depending on the intended future use of the land. In some legal regimes, government is even permitted to transfer expropriated land to private hands and to reap the lucrative use value as revenue.

Needless to say, expropriation is usually a much contested instrument, and criticism of rampant use and abuse are growing rising not only in developing countries.

Good governance norms in advanced-economy countries try to substitute voluntary purchase as much as possible. Legal scrutiny by the courts and public opinion also lead to minimal resorting to expropriation as a land policy instrument, and even less as a value-capture instrument.

3). Land banking,

The third type of the embedded value capture in a public-land regimes, does not necessarily negate private property, but for at least for some period of time, the government becomes land owner/. The government (often local authority) purchases land that may be needed for

[5] Israel's large scale national leaseholds system was gradually tranferred from periodic payments to full up-front payments. However, this system is so akin to payment of full market value, that it has evolved into a full market systme, and urban land is gradulaly being registered in the leaseholders' names free of charge or for a minor fee. (Alterman 2003).

future urban expansion well in advance. The "classic" mode of land banking prevailed among some advanced economies in Western Europe, including Sweden, Finland and the Netherlands. The government bodies sought out the land for purchase well in advanced putting up the financial resources up front, changed the permitted land use and development rights, supplied the infrastructure, and then leased or sold the land to private developers and perhaps also to special public agencies (Bourassa and Hong 2003; Laanly and Renard 1990; Atmer 1987; Strong 1979; Hall 1976). The sale or lease price was expected to reflect the added value derived from the right to develop the land and from the infrastructure provided.

Two success stories are Hong Kong and Singapore where most of the land is nationally owned. They apparently do succeed in capturing much of the value increments by means of their leaseholds system (Hui, Ho, and Ho 2004). This may be due to the fact that these two jurisdictions are more akin to cities than to nations.

However, in general, since the 1990, land banking has been receding even in its bastion countries such as the Netherlands (Needham 2007). The reasons reflect the same deep trends that have led governments to reduce their scope of direct action in many other spheres. Due to the present economic crisis, some Dutch municipalities have lost parts of their investments and instead of selling at a premium and capturing the added value, they are losing money. Today, land banking and public leaseholds are used more as instruments for special and unique projects, rather than as a general land policy too. Examples of special contexts are Battery Park in New York City (on land reclaimed from the Hudson River) or the City of Canberra in Australia (a newly built capitol).. Their prime purpose was not to capture the unearned increment (Bourassa and Hong 2003).

Some consider the "community land trust" movement in the USA, which has been gaining momentum, as a form of land bank. However, unlike classical land banking, CLTs are often initiated by nongovernmental organizations, and they are usually scattered sites targeted not to general urban development but rather to affordable housing (Bourassa 2007). CLTs do not have a significant linkage to value capture.

Land banking is not a very attractive tool for developing countries. Land banking assumes a financial capacity of cities to pre-purchase undeveloped , rural land on their outskirts. But in developing countries farming is important sustenance. Also, public land banking requires relatively sophisticated governments that can plan ahead, seek out land, negotiate prices without corruption, administer the infrastructure installment, manage the sale-back, and manage the finances through the long process, including the economic vicissitudes that might occur meantime..

4) Land readjustment

This is the least interventionist of the four because it does not aim to replace the market and private property regime, except temporarily. This is a sophisticated and malleable tool for

urban development that can function on any scale, as needed, and does not necessarily require a system of full formal land registration. One should not confuse land readjustment with its kin in rural areas – land consolidation - which is actually quite different, simpler, and much more prevalent around the world. Land readjustment is suitable where the current division into plots of land (formal or informal) is dysfunctional for urban development. This tool enables government authorities to "reshuffle" the current subdivision of land plots and to reassign new plots of land to all landholders. Because added development right are approved, the new plots may be smaller, but worth more than the previous lots. The remainder is designated as land for public services or (in some systems) for sale to finance public services (Doebele 1982; Needham and Hong 2007; Alterman 2007; Davy 2007).

The problem of how to assemble land with fragmented ownership in urban areas plagues policymakers in most countries across the globe, among both developing and developed countries. This issue transcends land tenure regimes, socio-economic characteristics, and legal-institutional differences. At the same time, land readjustment can provide a revenue source for the growing list of public services expected by urban residents.

Land readjustment is a "planners' dream tool". Potentially, it is a very versatile, can fulfill a variety of public objectives, and can be applied within highly differing land tenure contexts. This "all included" instrument is potentially capable of remedying fractured land subdivision, mitigate environmental damage, set aside public land, and supply funding for public services. At the same time, this tool is more socially just than most alternative tools because it can potentially ensure distributive justice.

For some mysterious reason, only a tiny minority of countries around the world have legislated and implemented land readjustment Countries among the advanced economies that have land readjustment laws are: Japan (currently declining), Germany (extensively used; Davy 2007). Spain (used in some autonomous regions; Calavita *et al*), Portugal (recent new legislation is poorly conceived and therefore not very operational), Israel (extensively used and with versatility, Alterman (2007)), and Turkey (a semi-developing country with fast economic growth but where the legislation is fragmented and inconsistent; Turk 2005, 2007, 2008).

Those counties that already have land readjustment legislated also find that some aspects of the legislation has been too constricting. For example, legislation in some of the countries caps the portion allowed for value capture despite the fact that LR's rationale is that there should be no such cap. Similarly, the range of public services supplies permitted in LR legislation may be too narrow for current population needs or changing states.

The secret ingredient of this potent instrument is its capacity to capture the increment in the value of land created by public planning decisions yet with relatively little pain to the landholders. Land readjustment's value capture is also visibly just compared with other instruments. This is the sine-qua-non for successful application of the instrument in most situations.

The value capture element in land readjustment is, however, only a broad caption, whereas the "devil" of implementation is in the detail. There is need for a fine-grained view of alternative structure for the value capture part of LR. In designing land readjustment laws and policies in developing countries, policymakers may wish to consider the following 10 issues:

Issues in designing land readjustment instruments for value capture

1. How should the value increment be defined: should it be limited to increase in land value only; also include rise in value of existing built structures; or also include rise in the income gained by existing businesses?
2. What proportion, roughly, is it acceptable to cream-off: Should the public agencies expect to reap most of the value increment for financing public services, or should they leave a significant share of the gain in the landholders' hands?
3. What are the acceptable mechanisms of capture: set aside land for public use, allocate land for sale, supply in-kind services (construction or labour to run the service), or also impose financial payments to balance property values?
4. Should the formula for calculating the "before" and "after" shares of each landholder be preset and uniform, or allow room for discretion and negotiations? A preset formula may draw less criticism and facilitate the process, but it would also allow less flexibility to reflect local needs and new constraints
5. What are the acceptable categories of public services that may be financed by the captured value: Basic linear infrastructure only (roads, sewerage, water, electricity and telecommunication facilities), public buildings too (education, health…), various "soft" services such as human resources, or even subsidies to semi-public or private social services necessary to boost the new development
6. Who are the acceptable beneficiaries of the services financed in full or in part by the landholders in the LR project: Should they be limited to the landholder within the boundaries of the LR plan, or also residents of adjacent areas, potentially impacted by the new development?
7. Distributive justice issues beyond the boundaries of the LR project: Should the newfound revenues be shared with the less fortunate areas of the city which are not targeted for LR? Should there be some linkage between the amount of payment generated by specific LR stakeholders and their degree of access to the services supplied and benefit from them?
8. What should be the interrelationship between LR value capture and routine charges, fees or taxes for ongoing services: Services must also be maintained for the long range. Should LR value capture be calculated to replace ongoing fees or charges, or should these be charged as customary in other areas of the city or region?

9. What is the appropriate time range for calculating and capturing the increment and for carrying out the public-services investments: The usual focus in LR projects is on the increment created soon after the new approved planning. However, value increment (or theoretically also detriment) could occur further on in time. This is a crucial issue because built-up communities don't stay static; they need renewed public investments and changing public services.
10. How should the funds captured be held and monitored? In developing countries, there are usually issues of adequate public administration and governance. There is need for designing special institutions for this purpose. HABITAT could help to train third-party institution to have a major role as public "watchdogs" along with the elected officials and professionals.

Land readjustment is one of the most promising tools among the entire value-capture package. Mysteriously, land readjustment remains rare among advanced economies despite its great advantages (and is of course rare among developing countries too). Land readjustment can operate with socially-based land determination and valuation, and does not require full land registration. However, as a value capture tool, land readjustment is not monolithic. It can be designed in many ways. Ten issues have been offered for consideration.

Looking back at the set of four embedded land-policy based instruments, we see that they are rare among advanced economies or are declining. The major types of land levy instruments being considered by governments today are some of the direct value capture instruments, and especially the fast-evolving set of indirect value capture tools. These are discussed next.

Direct Value Capture

Direct instruments for value capture are the "pure" form of value capture. They seek to capture all or some of the value rise in real property under the explicit rationale that landholders should contribute a share of their community-derived wealth to the public pocket. As a wealth redistribution instrument, direct value capture is often regarded as a tax and requires legislative authority. Direct value capture instruments do not need to seek any additional rationales—for example, they do not need to show that the funds are necessary to mitigate negative impacts of the project, or that the properties that generated the funds will also benefit from the services financed by them. The rationale for direct value capture stands in its own right.

Direct value capture may be divided into three subtypes:

Capture of the unearned increment derived from general community activities:

This type of increment is reflected in the rise of property values due to general community activities. There is no need to link this increment to any specific government decision. The existence of the increment is established simply by comparing the purchase price of a given property with its sale price (adjusted according to the relevant. the occasion for levying this type of tax is usually transfer of the property through sale, inheritance etc. In Table 1 I therefore classified this type of tax as one with direct rationale, but privately triggered occasion for levy.

Direct capture of the unearned increment may take many forms, including a capital gains tax on land or real property, an "unearned increment" tax upon transfer of title, sometimes time-adjusted to curb speculation. This type of tax does exist in some advanced economy countries, but I have not seen a systematic study of its distributions. Americans know the examples of Vermont and Pennsylvania (Daniels, Daniels, and Lapping 1986 and by Gihring 1999). In the Far East reported cases are Taiwan (Lam and Tsui 1998), Hong Kong, and Singapore (Hui, Ho, and Ho, 2004) .

An unearned-increment tax based on transfer of property is not operable in many developing countries because it depends on excellent reporting and registration of land transactions and their true prices. This requires a sophisticated professional mechanism of land appraisal. This tax is prone to misinformation in reporting transactions, so professionals have to check the information.

Infrastructure-based direct value capture

This set of instruments apply to situations, where the value rise is due to positive externalities from a government decision to approve or execute public infrastructure, parks, or other services. This is the oldest types of the value capture instruments legislated. It focuses on value increase to neighboring properties caused by public infrastructure. Public works are a government function that preceded land-use planning laws by centuries. When the British enacted the first town planning act in 1909, they included in it a preexisting infrastructure-based levy, setting it at 50 percent of the increment. This instrument migrated to many of the British colonies and protectorates but experienced many failures (Peterson 2009, 36–38; Grant 1999; Alterman 1982). Note, that this type of levy should not be confused with the commonplace infrastructure fees; the latter are linked to the cost of the infrastructure rather than to the rise in value of adjacent properties.

Apparently, linking value rise to the execution of public works is not easy. The reasons may include difficulties of proving the causal relationship to the infrastructure works; difficulties in determining the geographic range of impact; and difficulties in levying the charge at a time frame reasonably close to the execution of the public works. It is not easy

to determine whether real property adjacent to a new road has increased in value due to the road itself, or due to many other factors. Furthermore, because any such levy should exceed transaction costs (10-20%), it must be significant. Landholders will not necessarily have the cash stored up for this occasion. Therefore, legislation or policy that calls for the collection of the levy as soon as the public works are carried out, without regard to whether the landholders have actually realized the additional value, would force people to sell their property, leading to displacement. This outcome occurs to some extent in Bogota, Columbia where this type of levy is practiced but the occasion for revenue collection is not linked to realization of the value by the owners.

Despite these hurdles, the idea of infrastructure-based betterment capture resurfaces from time to time, refusing to be dismissed. For example, in 2004 the Scottish government commissioned a report on whether betterment could be captured from value increase directly due to new transport facilities. Peterson (2009), writing for the World Bank, and Medda (2010) for the UN report on similar initiatives in both developing countries and advanced economies.

In today's world of increasing use of public private partnership, infrastructure based betterment levies may be due for a comeback. They can be packaged into an agreement with the private or public corporation that will carry out the public works. Also, betterment capture can be built into mixed-use development rights along with the public works, for example, shopping facilities alongside roads, or housing or offices on "air rights" above roads or railway lines, above school building etc.

An infrastructure-based betterment levy could well be considered by developing countries. However, international experience shows that its success is contingent upon several factors that are not easy to achieve:

- First, the capture of the levy should be linked to situations where the landholders are in fact able to realize the added value upon sale of the property at a price that reflects the increment or upon request for building permit for additional development rights. So the income stream is not steady and not aligned with the cost of the actual investment in public works Possibly, this linkage could be waved for larger businesses and industries.

- Second, the levy must be predicated upon a professional and transparent site-specific appraisal mechanism.
- Third, transparency and equality among similarly positioned holder need to be assured. Using shortcut average estimates for the area would be regarded as unfair because a road, rail, or park impact different parcels of land differently.

- Fourth, in developing countries there may be room to pilot application of this type of levy where major public works are carried out by public or private agencies with adequate transparency and professional-administrative capacity.

Development -rights-based direct value capture

The is the most comprehensive and ambitious type of direct value capture. It pertains to planning or development-control decisions that applies directly to the land parcel in question and raises its value.

Betterment capture policies may target a variety of land-use planning and development-control decisions. In the USA, examples are: zoning, rezoning, land subdivision approval, exceptions and variances, issuance of planning permission or building permit. In most other countries, instead of "zoning" one would say "statutory plan". In every planning legislation I have seen, each of these decision types goes through several "stations" during the approval process. Each of these stations could create its own increment in land values in principle could serve as incidence point for collection of the levy. However, I do not know of any country or locality that has ever implemented value capture instruments to tap all the possible "stations" along the planning-to-permitting procedures. The international experience shows that only a few of these stations have ever served as grounds for this type of betterment capture.

As part of a large research project on compensation for value decrease (Alterman 2010), I also looked at the value capture side. The sample of countries – already mentioned above - encompasses thirteen OECD countries plus an additional U.S. state. This is a large sample, that constituted about 40 percent of the thirty-four members of the OECD in 2010.

The countries in the sample appear in Table 2, with the addition of Spain. These countries were selected to represent a variety of legal and geographic contexts: large and small countries located on four continents; federal and unitary jurisdictions;[6] common-law as well as civil-law countries with varying degrees of constitutional protection of private property;[7] countries belonging to the EU and those outside it; different cultural and language backgrounds, and so forth.

[6] The United States, Canada, Australia, Germany, and Austria are federal jurisdictions.

[7] The United Kingdom, Ireland, Canada, United States, Australia, and Israel have a common-law tradition (Israel is regarded as a mixed system, but in the area of planning and property law it resembles other common-law systems with former British influence). For an analysis of the constitutional protection of property in the full set of countries, see Alterman (2010, 26–35).

Country	Direct Betterment Capture	Indirect Betterment Capture [work in progress – incomplete]
The UK	**No In past: Variety of instruments legislated but all repealed**	**Yes. Institutionalized application of "planning obligations"** – legally not permitted to consider added value. Since 2012 – Community Infrastructure Levy
Canada	**No**	**Yes. Impact fees and developer obligations. Extent and modes vary by provincial law and locality**
Australia	**No**	**Yes. "Development contributions". Extent and modes vary by state law and locality**
France	**No**	**Yes. Increasing use of negotiated agreements with developers**
Greece	**No**	- Not researched -
Finland	**No**	**Tradition of negotiated development. Since 2004 – infrastructure cost recovery capped by betterment level**
Austria	**No**	- Not researched
USA	**No**	**Large scale use of exactions of various types; impact fees**
Germany	**No Except in a few cases enacted by municipalities**	**Moderate use**
Sweden	**No**	**Traditionally low level of use but increasing**
The Netherlands	**No**	**Traditionally low level of use. Since 2008 law permits cost recovery for infra + housing**
Spain	**Yes Compulsory 10-15%; not individually assessed; average**	- **Not researched -**
Poland	**Yes Compulsory at 20% but largely inoperative**	**Not widely practiced. Legally questionable – governance problems**
Israel	**Yes Compulsory 50% since 1981; highly used; individually assessed;**	**Moderate use of various types of negotiated exactions. But 2011 Supreme Court decision has driven these "underground"**

Figure 2: Direct and Indirect Value Capture among OECD Countries

The findings of my comparative study among OECD countries are surprising (see Table 2). Apparently, the ostensibly convincing rationale for direct value capture has not been "bought" by most counties in the world. Table 2 shows that direct value capture is an extremely rare practice currently (the large number of "no" under the direct capture caption). In fact, only three countries on the list of 14 currently have direct value capture on the books. Among these, only Israel and Spain have functioning mechanism. Because of its structure, the Spanish levy delivers lower revenues than the Israeli mechanism. In depth analyses of these experiences can be found in Alterman (2012).

Lessons from experiences with Direct Value Capture

Why have most advanced-economy countries avoided adopting direct value-capture policies? There are two possible explanations: First, that advanced economy countries have developed public-finance sources unrelated to land, and these are deemed to be easier to administer or ideologically more acceptable. The second reasoning could be related to the difficulties inherent in direct value capture mechanisms. In developing countries, levying the land is often more socially and administratively justified than other financial mechanisms, therefore, direct capture may have a better *relative* chance of adoption and success.

The experiences gained by Britain, Israel, and Poland should therefore be mined to draw out the relevant lessons. I shall rely on the observations I have gained by analyzing these three countries' experiences:

- The rationale for plus-value policy is not as easy to "sell" to politicians and voters as may seem from the logic of the argument. The British experience is a real-life laboratory of how the absence of political support can lead to the rise and demise of betterment capture policies along with shuffles in the ruling parties. To adopt a successful betterment-capture policy, proponents must be able to package a rationale that transcends party ideologies. This of course is no easy task, but it is a sine qua non. In the Israeli and Polish cases, the betterment tax has not been a party-political issue and thus has escaped the tug-of-war that its British counterparts have experienced.

- One of the arguments used against direct betterment-capture policies is that they may raise real-property prices because the price of land component would rise. If that were true, it would erode some of the justification for recapture policies. The British experience has not generated much evidence on this issue despite the experimentation with a broad range of tax rates. All of Britain's direct value capture policies legislated between 1909 and the mid-1980s – each with a different format - were too short-lived to enable systematic evaluation. The ongoing Israeli experience cannot deliver empirical evidence for the opposite reason: The 50 percent betterment levy has been uniform for the entire country for a long time and thus there has never been a "control group" to analyze. The Spanish experience has varying rates and so is probably difficult to assess its impact. Scholarly literature on related taxes and exactions indicates that their effect on property values depends on a variety of extraneous market and contextual variables (Skaburskis and Qadeer

1992; Evans-Cowley and Lawhon 2003). Empirical research has shown, for example, that the impact may differ between raw land and built-up areas and that these may offset each other (Ihlanfeldt and Shaughnessy 2004).

- The early British experience and that of some colonies indicates, that if the levy is not linked to realization of the increment by the landholders, it is unlikely to work well. It will either lead to politically unsavory displacement, or policymakers will have to provide exemptions on social and economic grounds. Both are "bad news" for both advanced and developing countries.

- The Polish experience indicates, that the legislation should not allow for termination of the levy period. There, the law ties the incidence point to realization by sale of the property, but terminates the levy period 5 years after approval of the planning decisions. This lacuna obviously leads either to postponement of sales, or to various other bypasses – all very undesirable not only financially but also for urban functioning.

- The British experience also teaches us that in order to sustain a betterment capture policy, there should be a direct link between the government authority charged with collecting the tax and the one that benefits from the revenues – that is, the local government. Research evidence conducted in "real time" during the life of the last British recapture policy in the latter 1970s indicates that when local governments had a lesser interest in the revenues, collection was not robust enough. In the Israeli and Polish cases, the levy is administered and kept by the local governments, and they have been its major watchdogs.

- The Polish and Columbia experience indicates, that if the national legislation does not make the levy compulsory for local governments, then local politics or favoritism may cause the levy to whither way. In Columbia, even though the Constitution anchors of the principle of direct value capture, the levy is a minor source of revenue in many cities because collection is predicated on approval of a local bylaw by each municipality. It has gone down to below transaction costs and in many cities no longer provides a viable revenue. .

- In order to retain public support, the legislation should determine in advance which public services may be financed by the levy and should expose this to the public. However, there is built-in tension between this objective and the need to maintain flexibility to accommodate changing needs for public services or changing public perceptions about what services merit public support. The traditional services such as linear infrastructure and educational facilities may compete with newer items on the list such as environmental conservation, historic preservation, or affordable housing. There are always many mouths to feed, while the potential income from a betterment levy is finite. It is difficult to "square the circle" and resolve this inherent tension between earmarking and flexibility.

- Developers are likely to argue that the revenues should be reinvested in public services for the benefit of the project that generated the funds. This argument should be resisted because it turns betterment recapture into an indirect value capture instrument with a rationale based on mitigation of negative impact or on indemnification of a burden on

public services. If so, this type of value capture policy should be designed from the start as an indirect value capture instrument with an impacts-based rationale at its forefront.

- To retain its rationale, the betterment levy should be assessed parcel by parcel so as to capture only the real rise in value, as successfully applied in Israel (and potentially in Poland). However, this raises the administrative costs significantly. To allow a reasonable net yield, the rate of the levy must be relatively high. Public agencies might be tempted to simplify the levy by adopting a preset charge based on some easy formula (such as per built-up area of per assumed average increase). This type of quasi-betterment levy was briefly proposed in Israel in 2006 but discarded following protest by the Association of Local Governments. Some scholars have recommended similar formula substitutes (Ihlanfeldt and Shaughnessy 2004; Gdesz 2005 for Poland). Such shortcuts gnaw away the very rationale of direct value capture and, with time, might lose the value capture justification and become just another tax.

- Direct value capture poses a tough distributive justice dilemma. Adoption of a uniform rate for all landholders and locations is fair in some ways but not in others. Although the rate may be ostensibly equal, the opportunities for revenue are never equal across place and time. Betterment levies also have inherent regressive attributes. Well-off towns where property values are usually high or where land reserves happen to be available will be able to reap higher revenues than less-advantaged or just historically unlucky towns. Thus an equal assessment rate by no means ensures equal revenues—by whatever indicator chosen.

- Finally, a similar ethical dilemma applies to the distribution of the revenues. On the one hand, the desire for local voter support justifies retention of the full revenues at the local level. But on the other hand, distributive justice considerations justify redistribution. Localities with high revenues do not necessarily need or merit the revenues most. Calibration of funds among municipalities could be done by means of the national or regional governments on the basis of various criteria. Two of the British postwar policies as well as the 2005 rejected proposal did incorporate a national-redistribution policy. However, these policies are deemed to have failed partly because they paid a price in lost local public support and in reduced efficiency in tax collection. This dilemma faces issues of both ethics and feasibility, and there is no sure and tested way to resolve it.

Despite all these caveats, direct value capture has the most legally and publicly sound, transparent, and consistent rationale among all the types of value capture. In developing countries, planning regulations are not yet functioning in most of urban areas, but there is a major effort to introduce them. While doing so, it is recommended to consider introducing some form of direct value capture tied with new development rights being granted.

Despite its rarity among advanced-economy countries, direct betterment capture should be considered by some developing countries as a tool, under the following conditions:

- Direct betterment capture should have a clear advantages compared with the other land-based instruments and with regular financial revenue instruments
- The land-use planning law and regulations are in relatively good state in terms of accountability, coverage and enforcement.
- When planning regulations are introduced anew, consider direct value capture mechanisms. These should apply to NEW additional development rights, not to legalization of existing construction.
- The experiences from advanced economy countries drawn out by my analysis above offer many lessons for new applications in developing countries – "do's and "don't".
- There should be good professional land appraisers who can conduct real parcel-specific assessments
- National level law should set the rules equally for all municipalities in similar positions, and minimize discretion. Disparities in income should be corrected with non-land-based revenue instruments

While the direct value capture mechanisms are not very popular among advanced economy countries, a whole world of *indirect* value capture instruments has been flourishing. These are discussed next.

Indirect Value Capture

Even though direct betterment capture is not prevalent, the idea that government should reap the unearned increment on land has not died away among advanced economy countries. This idea has simply undergone various mutations. The need for innovative funding sources for public services has in fact increased in recent years. There are three well-known reasons for this increase: growing voter reluctance to pay higher taxes, higher costs of many services, and—at the same time—voters' expectations for amplified services (Alterman 1988b; Altshuler and Gomez-Ibanez 1993, 1–4; Callies and Suarez 2003; Rosenberg 2006; Nelson et al. 2008, iv–xiv; 1–3).

Local governments therefore increasingly need to conjure up financial instruments that are less visible to voters than direct taxes or levies. The alternative is to leverage local governments' authority to regulate land use, and solicit from landholders or developers money, land, or construction services in exchange for an affirmative decision or fast-track processing. But instead of doing so through the front door of direct betterment capture,

local governments in many countries increasingly adopt a smorgasbord of indirect value capture instruments.

Property taxes

In Table 1 I included property tax under the indirect capture category. This is possibly the most widely practiced land based tax in the world. However, its rationale is often hazy. It is often loses its link with land values, nor is it linked with particular services provided. This tax is so popular probably simply because land "cannot take off and run".

The evidence collected internationally for GLTN shows that usually this tax erodes away over time to a miniscule value range of 1-1.5% of the property value annually. The reason is that there is a clash between the function of this tax as a continuous flow on which local governments can rely for income. It is unrealistic for them to update the rate of the tax as property values increase or decrease.

Furthermore, there of often difficulties of collection due to social conditions of households. Thus this tax may take on a social function of granting exemptions.

A Variety of Terms and Instruments

Indirect capture instruments vary from country to country and locality to locality. They are known by a variety of terms. A general term proposed by Alterman and Kayden (1988) is *developer obligations*. In the United States indirect value capture instruments are generically called *exactions*. In the United Kingdom they are known as *planning gain*, or, more recently, *planning obligations*. In France the term is *participation*. (Renard 1988). If based on preset formulas indirect instruments may be called *impact fees* in the United States or *development charges* in Canada (Slack 2004). In the Netherlands the term (as translated into English) would be *cost retrieval* or *cost allocation*.[8] The term *incentive zoning*—born in the United States but of recent international spread—refer to two-tier discretionary instruments whereby the developer may choose to grant the desired good or obtain lesser development rights.

Alternative Rationales for Indirect Value Capture

The rationale of the indirect instruments differs from the direct ones. The indirect instruments do not seek to capture the added value for its own sake, because it is "unearned," but in order to generate revenues (or in-kind substitutes) for specific public services. Indirect instruments are usually practiced on the local government level. The

[8] These are the official terms in the English translation of the Dutch Land Development Act that came into effect in July 2008. Available at http://www.vrom.nl/docs/internationaal/Land%20Development%20Act.pdf.

objectives behind the indirect tools are usually more pragmatic and less ideological than the objective behind either the macro or the direct capture instruments. To survive legal and political challenge, the indirect instruments usually need the "cover" of other rationales beyond the desire to capture the unearned increment. It is easy to confuse the indirect instruments with the direct ones because both types harness the same source of wealth—the additional value of real property derived from government land-use and development decisions.

How do indirect value capture instruments relate to the direct ones? The same generator propels indirect and direct value capture—the increase in land values due to land-use decisions. However, the unearned-increment rationale remains only in the background. Under some legal regimes, such as the United Kingdom, to survive legal scrutiny, users of an indirect instrument may even have to prove that they are *not* motivated by the desire to recoup "betterment by stealth."[9] Alternative rationales must be conjured up. I propose the following classification (compare Healey, Purdue, and Ennis 1993):

- Indemnification of direct public costs of public services generated by the particular project ("cost recovery"). In cases where cost recovery is capped by the amount of betterment, the instrument becomes a hybrid between direct and indirect value capture.
- Need for public services, infrastructure, housing, or ecological services that are not met by the market or by existing funding sources.
- Internalization of negative externalities such as noise, radiation, or pollution.
- Mitigation of impacts on the natural environment or on historic buildings.
- Mitigation of perceived social injustices such as social exclusion or higher housing prices.

In practice, a mixture of these rationales may serve as the legal or public-policy ground. Real-life application of indirect instrument often contains ambiguities about which of the alternative notions is being applied in a particular case. Indirect instrument also vary in how the contribution is delivered: some are in money, others in kind whereby the developer constructs a public service, delivers mitigating technologies, supplies land, or builds housing.

An International View of Indirect Value Capture

Table 2 shows that among the sample of thirteen OECD countries, most have had long experiences with shifting the costs of public services onto developers. Since the 1990s Sweden too has been gradually joining the group. The Netherlands is the last in the set to

[9] The official UK government circular on "planning obligations" states in section B7: "Planning obligations should never be used purely as a means of securing for the local community a share in the profits of development, i.e. as a means of securing a 'betterment levy.'" (July 2005 Circular 05/2005, Office of the Deputy Prime Minister).

adopt indirect capture instruments, formally enabled for the first time by the 2008 Land Act. So even the Netherlands—with its uniquely strong tradition of direct government action in land purchase and development—must now rely more and more on land-use regulation and private developers as a source of financing for public services (Needham, 2007, 176–177).

Indirect instruments differ from direct ones in the way they emerge. Direct capture instruments are usually enacted or otherwise adopted "top down," often for an entire jurisdiction. This is because in well-governed countries, authority for direct value capture may entail special enabling legislation (at times even constitutional amendments). By contrast, indirect instruments often emerge "from the bottom," by dispersed locally grown policies. If the instruments are viewed as successful and survive legal challenges, they are likely to be copied by other localities. The United States has been an especially rich breeding ground for a wide variety of innovative value capture instruments that are recently being "exported" overseas (Alterman 2005; Spaans, van der Veen, and Janssen-Jansen 2008, 17–22).

Because the indirect instruments are usually locally determined and may not require explicit legislation, they have several advantages over direct betterment capture:

- They can more easily go "under the radar" of party-political debates and can therefore better survive changes in party ideology and voter resistance to new taxes.
- They can more easily be justified to the project's consumers and to the general public if they are linked to the burden that the project would have otherwise placed on the public.
- They are more flexible for financing changing public needs because they are usually applied only when development is ripe.
- They can be fine-tuned to be politically more acceptable when sociopolitical positions change in the community
- They may be adjusted to accommodate the changing economics of real estate so as not to drive away development.

Yet, indirect capture instruments are not a panacea. They are often applied case by case, without ensuring equality among landholders. These instruments are therefore open to political and legal challenges regarding bias and favoritism. The value of the financial or in-kind resources delivered by developers is often unpredictable because it depends on uncertainty about estimates of anticipated impact or on the success of negotiations. The extent of financial gains to the community may vary even among parallel projects. There is some evidence that the financial gains to the public may represent only a few percent of the unearned increment (Alterman 1988a).

Some Preconditions for Adoption of Indirect Value Capture

Indirect value capture policies are expanding among advanced economy countries, and are likely to arise among developing countries as well. The character of these instruments is that they arise by means of local innovations, regardless of differences in legal systems, and often differ even from city to city in a single country. New modes "pop up" frequently in various parts of the world. Due to the complexity of these instruments, and their legal shakiness even in advanced economy countries, there is much room for mutual learning, but also for knowledge exchange among different jurisdictions.

I suggest several preconditions for reasonably successful application of indirect modes of value capture anywhere, with special emphasis on developing countries:

- The innovativeness of indirect instruments merits an international repository of experiences – even if at a basic level of describing the instrument. In any case, each instrument must be assessed locally, so "best practices" are not necessary. Perhaps HABITAT could play up this role through GLTN?
- local governments should have well-trained professionals (planners or real estate experts) to negotiate with the developers or to develop preset formulas of impact assessment. The professionals need to be savvy in real estate economics to be able to assess the limits of how much may be exacted from the developer without "killing" the projects. So special training is needed for planning which is outside the usual mode of training public planners. The planning-law deficit in many developing countries could be an opportunity to "skip" the history of strong regulatory emphasis in advanced economies, and train planners directly to take on this role of public-private intermediaries. HABITAT and other international organizations could take up this advance capacity-building role.
- Local government should be able to monitor fluctuations in land prices in order to be able to challenge developers' arguments that the exactions in fact raise the cost of housing or other products. Otherwise, indirect levies may generate public opposition and lead to higher housing and other product costs, thus .
- There should be enough transparency in negotiated exactions to help mitigate temptation for corruption and withstand legal challenges. This is a role for local government structure, and for the involvement of watchdog NGO's. At the same time, they should be aware that full disclosure is often impossible in order to protect the legitimate economic interests of the developers.
- For major projects, often involving public-private structures or international foreign aid agencies, there may be a role for third-party intermediaries. They could be trained by international bodies such as HABITAT as custodians of transparency for negotiated exactions.

Conclusions

No financial-revenue instrument is easy to introduce and administer in any country. This is especially true for developing countries where mature governance structures are not yet intact, and adequate professional knowhow and information bases may still be lacking. Land-levy instruments may be either easier or more difficult to administer than financial tools. However, these instruments have many inherent advantages in their distinct rationales and ideologies. In developing countries, land-0based instruments may encompass more advantages relative to other financial tools. These advantages are both ideological and practical.

In this paper I have provided an overview of a large set of land-levy instruments. Rather than "preaching" about the normative advantages or disadvantages of any, I have attempted to review the international experience with each of the tools, looking at advanced economy countries where the governance and information impediments are not as blatant as in developing countries. The bottom line however, is that each instrument must be assessed vis a vis the realities of the local context in each country and each local jurisdiction.

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