UCLG Committee on Local Finance and Development

EGYPT

CAIRO— DEVELOPMENT / IMPACT FEE

LAND VALUE CAPTURE

Private installation of “public” infrastructure in return for free transfer of desert land to be developed

DESCRIPTION

Granting of development rights against investment in internal and external infrastructure and serviced land turned back to the government (for social housing).

LOCAL GOVERNMENT INVOLVED

New Urban Communities Authority (NUCA) - Central government

TRACK RECORD OF THE USE OF THIS INSTRUMENT

The new towns policy has been designed to direct urban growth outside of agricultural land, that has been housing massive informal settlements. It is taking place in desert areas, which are owned by the State. Initially, NUCA was first investing in internal and external infrastructure, then selling serviced land to private developers at negotiated below-market prices , which led to huge public spending that did not necessarily match local demand. The mechanism has been reversed from 2004 on, and land is now auctioned beforehand, or granted against investment in infrastructure. The 2 main evolutions are land auction and PPP enabling for private developers to finance internal and sometimes external infrastructure. Land auctioning has helped improving revenue collection. Revenue has increased by a factor of 10:1 compared to administrative sales.

EVOLUTIONS AND OUTCOMES

Over the last 25 years, until 2005, Egypt used to recover only less than half the amount spent in internal infrastructure in new towns. The Auction of 2100 ha in 2007 earned US$3.12 billion, to be used to reimburse costs of internal infrastructure and build connecting highway to Cairo Ring Road, as well as to provide subsidies for affordable housing (representing 117 times the total of urban property tax collected in the country; equal to approximately 10% of total national government revenue). The provision of 3,300 ha of unserviced land through PPP provided US$1.45 billion of private internal and external infrastructure financing plus social housing handed out to the governmant amounting to 7% of total private investment, without any financial cost for the government.

ANALYSIS AND ASSESSMENT OF THE TOOL

Market value competitive sale allows for generating more revenue, often higher than infrastructure cost recovery, allowing for cross subsidy of public policies (social housing,…),. Yet this confronts vested interest that would capitalize on political connection to gain (serviced) land at below-market value.

What is what led to this evolution towards more transparency and efficiency ?

Sources : Peterson (2009)