

What issues facilitate and constrain the use of value capture mechanisms by the State in Uganda: Case Study of Kampala-Entebbe Express Highway

By

Mwesigye Ian Kananura

A research dissertation presented to the Department of Construction Economics and Management in partial fulfilment of the requirements for the degree M.Sc. in Property Studies.



May 2016

Declaration

1. I know that plagiarism is wrong. Plagiarism is to use another's work and pretend that it is one's own.
2. I have used the Harvard convention for citation and referencing. Each contribution to, and quotation in, this project from the work(s) of other people has been attributed, and has been cited and referenced.
3. This project is my own work.
4. I have not allowed, and will not allow, anyone to copy my work with the intention of passing it off as his or her own work.
5. I acknowledge that copying someone else's assignment or essay, or part of it, is wrong, and declare that this is my own work.

Signature Signature removed

Date 31st May 2016

To

My father, Dr. Patrick Mwesigye;

My mother, Harriet Mwesigye;

My brother Eric;

And sisters Esther and Angela

Acknowledgement

Special thanks go to my supervisor Mr. Rob McGaffin for his invaluable knowledge, insight and critique and for his time to answer my countless questions.

I would also like to extend my gratitude to Eng. Kant Kanyarusoke, Ben Bityo, Dr. Charles Koojo, Eddie Nsamba-Gayiiya and Tony Odokonyera for their counsel during the research process.

Lastly, I would like to thank my father Dr. Patrick Mwesigye for generously sharing his vast academic knowledge and for his gracious support.

Abstract

The purpose of the research was to examine the issues that constrain and facilitate the use of value capture mechanisms by the state in Uganda.

Considering that limited research had been undertaken on value capture in Uganda, an exploratory case study approach was used to identify and investigate the issues associated with the use of value capture in Uganda. The identified case study was the Kampala-Entebbe Express Highway. The methodology involved collection of data using the survey method and desktop review of relevant documentation. The survey method was conducted using face to face interviews with carefully selected respondents that were knowledgeable in the subject matter of the research. Both qualitative and quantitative data were collected. The qualitative data was analysed using thematic analysis with the assistance of Nvivo, a qualitative data analysis tool while descriptive statistics was used to analyse the quantitative data.

The findings of the research showed that value is created from the provision of public transport infrastructure. However, there are issues that may constrain the capture of this created value. These included insufficient valuation of land parcels and registration of land ownership, the existing land tenure system, gaps in the policy and legal framework and insufficient institutional capacity.

Table of Contents

1. INTRODUCTION.....	1
1.1 Background.....	1
1.2 The Research Problem.....	2
1.3 Significance of the Research Problem.....	4
1.4 Aims of the Research.....	5
1.5 Research Questions.....	5
1.6 Objectives of the research.....	6
1.7 Research Methodology.....	7
1.71 Research Approach.....	7
1.72 Research Design.....	7
1.73 Data Collection.....	8
1.74 Data Analysis.....	9
2. LITERATURE REVIEW.....	10
2.1 Definition of Value Capture.....	10
2.2 Components of Value Capture.....	14
2.2.1 Evidence of Value Creation.....	17
2.3 Value Capture Mechanisms.....	19
2.4 Pre-conditions for the successful implementation of value capture.....	24
3. METHODOLOGY.....	28
3.1 Research Philosophy.....	28
3.2 Research Approach.....	29
3.3 Research Methods.....	31
3.4 Data Collection.....	33
3.5 Data Analysis.....	39
4. FINDINGS.....	45
4.1 Background to the case: Kampala-Entebbe Express Highway.....	45
4.1.1 Viability of toll roads in Uganda.....	47
4.2 Contextual Framework of the Case.....	49
4.2.1 Legislative Framework for the application of value capture mechanisms.....	49
4.2.2 Fiscal Framework of Local Governments.....	53

4.2.3	Land Use Planning and Tenure System	60
4.2.4	Land Use Planning and Management in Uganda	65
4.2.5	Institutional Capacity.....	67
4.2.6	Market Conditions	69
4.3	Value Creation from the provision of public infrastructure in Uganda.....	71
4.4	Constraints to the issues that encourage the use of value capture in Uganda	73
4.4.1	Value Creation	74
4.4.2	Land Tenure System.....	75
4.4.3	Registration of Land Ownership and Valuation of land parcels	76
4.4.4	Legal Framework.....	77
4.4.5	Land Use and Planning	78
4.4.6	Political Interference	79
5.	CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH	81
5.1	Aims of the Research	81
5.2	Objectives of the Research.....	81
5.3	Summary of findings	81
5.4	Limitations to the study.....	82
5.5	Recommendations for further research	83
	References	85
	APPENDIX A – INTERVIEW QUESTIONS	92
	APPENDIX B – INTERVIEW TRANSCRIPTS.....	95
	APPENDIX C – ETHICS CLEARANCE.....	126

List of Tables

Table 1: Overview of the Themes and Sub Themes used for the Analysis of Data	43
Table 2: Classification of Local Government Revenue by Type (Million UGX)	55
Table 3: Trends of Grant Transfers to Local Government FY 2005/06 to 2012/13 (Billion UGX)	56
Table 4: Human Resource Office Status of Wakiso District as at March 2009.....	69
Table 5: Market Values of land before and after the construction of the Entebbe Express Highway.....	72
Table 6: Summary of responses to constraints of value capture.....	80

List of Figures

Figure 1: Beltways to decongest Kampala, Entebbe Express Highway (shown in blue).....	46
Figure 2: Sources of Local Government Revenue by percentage share for the FY 2013/14	54
Figure 3: Graph showing values before and after construction of the Entebbe Express Highway.....	72

ACRONYMS AND ABBREVIATIONS

BID	Business Improvement Districts
CAP	Chapter
CG	Conditional Grant
CID	City Improvement Districts
EQG	Equalisation Grant
FY	Financial Year
KCCA	Kampala Capital City Authority
LG	Local Government
TIF	Tax Increment Financing
UCG	Unconditional Grant
UGX	Uganda Shillings
UNRA	Uganda National Road Authority
URA	Uganda Revenue Authority
USD	United States Dollars
VAT	Value Added Tax

1. INTRODUCTION

This research looked at the issues associated with the capture of value created from the provision of public transport infrastructure in Uganda. It involved studying these issues in order to establish whether they facilitate or constrain the use of value capture mechanisms.

This paper is systematically divided into five different chapters. Chapter one includes the background to the study, research problem, significance of the research, aims of the research, research questions, objectives of the research and a summary of the research methodology. Chapter two covers the literature review related to this research. Chapter three discusses in detail the research methodology that was used to conduct the research. Chapter four presents the findings from the research and lastly chapter five presents the conclusion and suggestions for further research.

This chapter provides the background to the study by acknowledging that the provision of infrastructure has a positive impact on the economic growth of most countries. One of these positive impacts is manifested through the increase of property values. The Government of Uganda is committed to the provision of infrastructure in order to stimulate the economy. However, it has insufficient funds and there is still an existing infrastructure back log in the country. The capture of the increase in value by the state can provide an alternative option to raise additional funds for provision of infrastructure. This research paper therefore sought to ascertain whether the provision of the infrastructure leads to value creation in property in Uganda and if so, what are the issues associated with its capture. It used the case study of the Kampala-Entebbe express highway.

1.1 Background

The commitment of the government of Uganda to stimulating economic growth and socio-transformation has led it to allocating substantial funds to infrastructure development. During the 2014/2015 budget speech, the Minister of Finance, Planning and Economic Development stressed that the government will allocate UGX 2,575.5

billion (USD 858.5 million) to the works and transport sector (Ministry of Finance, Planning & Economic Development, 2014). These funds will target the upgrading from gravel to bitumen of 200 km of roads, the reconstruction of 178 km of roads, the construction of 10 new bridges, and the rehabilitation of seven bridges. In addition, 12,875 km of unpaved roads are scheduled for re-grading. The ministry further emphasized that the intention of allocating these resources to infrastructure development was to stimulate economic growth and socio-transformation. Historically, it has been shown, that there is a positive relationship between infrastructure development and economic growth in Uganda (Ranganathan & Foster, 2012).

One of the positive impacts from the provision of infrastructure is manifested through the increase in the values of surrounding properties (Brown-Luthango, 2011; McGaffin, 2011; McGaffin *et al.*, 2014; Smith *et al.*, 2006). The increase in property values can be captured by the state through the use of different mechanisms. The additional funds raised through the value capture process can be used to raise funds for further provision of infrastructure.

This research paper sought to ascertain whether the provision of the infrastructure leads to creation of value in the surrounding property in Uganda and if so, what are the issues associated with its capture. It used the case study of the Entebbe express highway.

1.2 The Research Problem

Uganda has an annual population growth rate of about 3.3%, which is well above the African average. In addition, 49% of the population of Uganda is below 15 years of age and the total estimated fertility rate is at 6.2 children per woman. These figures are high in comparison to Sub-Saharan Africa's average of 43.2% and the world average of 26.8% making Uganda one of the youngest and most rapidly growing populations in the world. The high levels of fertility and youthfulness of the population have created a very high youth dependency ratio (Uganda Bureau of Statistics, 2014; World Bank, 2011). This has posed the government with a challenge of providing improvements in services and infrastructure that will keep up with the rapidly growing population. This will require substantial investments particularly in infrastructure in order to trigger and sustain

economic growth. Furthermore, the levels of urbanization in Uganda in 2002 were at 12% and were relatively low compared to other African countries. Recent studies however indicate that the level of urbanization has increased to about 20% in 2014 and is expected to more than double over the next 17 years to reach almost 35% (Uganda Bureau of Statistics, 2014; World Bank, 2011). This rapid urbanization will have to be accompanied with better urban services and infrastructure.

With the above-mentioned constraints in mind, it is also important to note that Uganda falls short of solely financing 100% of its national budget. Uganda Revenue Authority (URA), in the financial year 2013/2014 managed to collect revenue that contributed to 71.5% of the national budget (URA Annual report, 2014). The remainder of the budget is financed through external funding (grants and borrowing). Even with these existing resource constraints, the government is still committed to investing large funds to narrow the infrastructure gap in order to stimulate economic growth and social transformation.

Generally, although not always the case, the correlation between infrastructure development and economic growth may be manifested among other means, through the change in values of property within the vicinity of an infrastructure development. Several studies have been undertaken to assess the correlation between infrastructure development particularly transport infrastructure and property values within their vicinity. On the international context, these studies have mainly focused on North America and Europe and until recently South America and Asia (Smith *et al.*, 2006). Studies in Africa have also recently followed suit, majority of which are conducted in South Africa (Brown-Luthango, 2011; McGaffin, 2011; McGaffin *et al.*, 2014). The findings from these studies are varied. While the majority have shown a positive relationship between provision of transport infrastructure and adjacent property values, others have shown that there is no correlation or that there is a negative correlation as a result of negative externalities generated by the infrastructure (Debrezion *et al.*, 2007; Du & Mulley, 2007; Rodriguez & Mojica, 2008; Rodriguez & Targe, 2004).

The research problem presented in this paper shows that, much as the government of Uganda is committed to the provision of infrastructure, it is constrained by insufficient resources that are available to narrow the existing infrastructure gap. The study will therefore seek to establish whether the provision of public transport infrastructure leads to the creation of value in Uganda and also further examine the issues associated with the capture of this value.

The research problem of this paper is to establish the issues that facilitate or constrain the use of value capture mechanisms by the state. It used the Kampala-Entebbe Express Highway as a case study.

1.3 Significance of the Research Problem

In most African countries, particularly the lower-income countries, infrastructure emerges as a major constraint of doing business and is known to depress firm productivity by around 40% for most countries. The negative impact of deficient infrastructure is also at least as large as that associated with crime, red tape, corruption, and financial market constraints (Escribano *et al.*, 2008). Deficiencies in broader transport infrastructure and infrastructure for information and communication technologies (ICT) are less prevalent but nonetheless substantial in some cases (Escribano *et al.*, 2008).

Studies have also shown that significant investment in infrastructure development is expected to lead to the creation of value and value capturing opportunities, which in turn can also lead to further development and funding possibilities (McGaffin, 2011). In South Africa, for instance, it has been shown how transit oriented developments create value and the applicability of different mechanisms that can be used to capture the value for revenue raising opportunities (Brown-Luthango, 2011; McGaffin *et al.*, 2014; McGaffin, 2011). Positive outcomes from strategic infrastructure developments have also been reported in other countries (Cervero & Murakami, 2009; Chi-Man Hui *et al.*, 2004).

The aforementioned studies indicated how infrastructure development can have a positive influence on surrounding property values. This is, however, not always the case, sometimes infrastructure development may have a negative correlation (due to negative externalities such as pollution, noise etc.) on adjacent property values (Rodriguez & Mojica, 2008).

This research is therefore important in determining whether infrastructure development leads to value creation in Uganda, which in turn can lead to funding possibilities from the value captured. This study is very crucial for a country that is constrained by resources and is trying to narrow its existing infrastructure gap.

1.4 Aims of the Research

The aim of the research is to establish the issues that facilitate and constrain the use of value capture mechanisms by the state in Uganda.

1.5 Research Questions

Research questions are distinguished between two types namely general and specific (Punch, 2006).

The general research question in this study is:

What are the issues that facilitate and constrain the use of value capture mechanisms by the state in Uganda?

The specific research questions in this study are:

1. Is value created from the provision of transport infrastructure development in Uganda?
2. What are the issues associated with the use of value-capture mechanisms to capture value by the state resulting from the provision of transport infrastructure in Uganda?

1.6 Objectives of the research

In order to achieve the objectives of the research, a series of steps were undertaken throughout the research process. These steps were not necessarily in a chronological order, because in some instances they occurred concurrently. A brief overview and explanation of the key steps undergone in achieving the objectives of the research is as follows:

Firstly, a review of the literature was undertaken to obtain an understanding of the research topic. The literature review also shows what was done by other researchers, how it was carried out and what key issues arose. This paper expounded on the issues identified from the literature review and related them to the Ugandan context.

Secondly, in regards to the methodology of this research paper, a mixed methods research was used. It involved adopting the triangulation approach. This involved adopting the quantitative method to corroborate the findings of the qualitative method.

Thirdly, the research methodology adopted the case study design. This was carried out by using a single case study while adopting an exploratory approach. The identified case study was the Kampala-Entebbe Express Highway. The reason for choosing this highway is because, at the time this research was conducted, the highway was under construction and the evidence of value creation of surrounding properties was easily verifiable.

The analysis of the data was primarily carried out using thematic analysis which focused on the qualitative data collected through face to face interviews. There was also, to a lesser extent, the analysis of the quantitative data which was conducted through the use of descriptive statistics. The quantitative data was collected from the property values surrounding the Express Highway.

1.7 Research Methodology

1.71 Research Approach

This research paper used the mixed method research while adopting the triangulation approach. This is because, much as the paper primarily focused on using the qualitative approach; the value add effect of the infrastructure was also quantifiably assessed. This involved collecting numerical data on property values from the office of the valuation consultant, who was contracted to determine the compensation values of the property surrounding the Kampala-Entebbe Express Highway.

Also, in the recent years, the distinction between quantitative and qualitative approaches has been relaxed. Studies in the social sciences are starting to advocate for research that considers both approaches, thus the mixed approach of research (Creswell, 2003; Punch, 2006).

Furthermore, the use of the mixed method research is normally classified into three different approaches. These include triangulation, facilitation and complimentary approaches (Hammersley, 1996). The details of these approaches are discussed in greater detail in Chapter 3. In order to establish the findings of the research, the researcher has to adopt one of the three approaches. This research adopted the triangulation approach because it works on the basis of adopting either the quantitative research to corroborate the findings of the qualitative research or vice versa (Hammersley, 1996). This approach was suitable for this type of research because it used the findings of the quantitative research to substantiate the findings of the qualitative research.

1.72 Research Design

This paper used the case study strategy to conduct the research. The reasons for choosing the case study is due to the virtue of its ability to obtain a rich array of contextual data that can be used to derive richer, contextualised and more authentic interpretation of the phenomenon of interest than the majority of other research methods (Bhattacharjee, 2012). Also, based on the fact that case studies can be used

for either theory building or theory testing, they provide the flexibility of modifying the research questions during the research process, if the original research questions are found wanting (Bhattacharjee, 2012). Lastly, Bhattacharjee (2012) highlights that case studies can provide the researcher with the advantage of studying a particular research problem from the perspectives of multiple participants and using multiple levels of analysis (e.g., individual and organisational).

The above-mentioned reasons were instrumental in justifying the choice of using the case study design. The research used a single case study research of the Kampala-Entebbe Express Highway. One of the most valid criticisms of using a single case study is its limitation in the generalisation or external validity of its findings. King *et al.* (1994) argued that findings of research are always better when a higher number of observations are used for generalisation. That being said, the single case study also presents some strong advantages that benefited this research. These include its ability to derive richer observations and be more content specific (Bennet & Elman, 2010; Levy, 2008).

The reason for choosing this expressway as the case study is that it is still being constructed and the actual account of the adjacent property values before the construction of the highway can easily be obtained. This will be critical in tracking the change in property values and ascertaining whether value has been created.

1.73 Data Collection

Data collection involved the use of both quantitative and qualitative approaches. The qualitative approach focused on the issues associated with capturing value by the state in Uganda. This involved collection of data using the survey research method while adopting the face-to-face interviews with different carefully selected respondents that were knowledgeable in the subject matter of the research.

The quantitative approach involved the collection of numerical data of the property values surrounding the Entebbe Express Highway. The numerical data on the property

values was collected from the office of the valuation surveyor that was consulted in conducting the compensation process.

1.74 Data Analysis

The analysis of the qualitative data was carried using out thematic analysis. This involved coding the data into themes and sub themes that were created in reference to the issues that affect the implementation of value capture mechanisms. The responses from the interviewees were, with the assistance of Nvivo (a qualitative data analysis tool) categorised under their corresponding themes. These responses were then analysed to establish the findings of this research.

The quantitative data was analysed using descriptive statistics to determine the average property values of the surrounding property before and after the construction of the Entebbe Express Highway. The purpose for this was to determine whether value was created from the provision of the Express Highway.

2. LITERATURE REVIEW

This chapter primarily covers the review of the literature that is associated with the research topic being undertaken for this study. The aim of this chapter is to provide an understanding of the research topic. It also further shows what areas have already been researched, how it was done and the key issues that arose. In order to achieve this, the literature review first started by providing a background and understanding of the value capture process. This was accomplished through discussing the definition of value capture, providing a brief historical overview of the concept of value capture and discussing the components of value capture. Lastly, the literature review discussed the pre-conditions that are required for the successful implementation of the value capture process in developing countries. The discussion of all these aforementioned aspects presented arguments and gaps that provided a further basis for seeking findings.

2.1 Definition of Value Capture

Despite significant scholarly studies, the term “value capture” is still broad. Its meaning and definition is still open-ended and has been used to define various terms. Some use it to describe any type of policy or legal instrument whose purpose is to recoup any form of unearned increment, regardless of the cause of the value increase (Alterman, 2012).

For purposes of this paper, value capture is defined as a method of public financing where governments (a) initiate an increase in land values through the use of regulatory decisions and/or provision of infrastructure; (b) set forth a process of sharing the increment of property values through capturing part or all of the change; (c) utilize the captured land value proceeds to fund the provision of infrastructure and any other improvements required to make up for the impacts associated with the changes (e.g. densification), and/or implement public policies to promote equity (e.g. provision of affordable housing to alleviate shortages) (Suzuki, *et al.*, 2015).

Value capture process, in summary therefore, involves the extraction of the unearned additional value accrued to a property as a result of some public investment or action such as provision of infrastructure, approved changes in land use and/or broader

changes in the community such as population growth. It is based on the argument that the unearned increment in the value of privately held property can be captured by the governments through taxes and fees for the greater benefit of the public through funding infrastructure and service delivery (Brown-Luthango, 2011; McGaffin, 2011; Rodriguez & Mojica, 2008; United Nations, 1976; Walters, 2013). In order to meet the objectives of this research, this paper primarily focused on value capture due to the provision of public infrastructure.

In consideration of the above-mentioned definition, it is also important to note that the concept of value capture is not new. Historically, the value capture concept can be traced back to the 18th Century during the period of the French physiocracy movement dominated by economists François Quesnay and Anne-Robert-Jacques Turgot (Batt, 2001; Steiner, 2003). The period during this movement primarily involved advocating for higher prices of agricultural labour and products based on the belief, that the wealth of nations was solely dependent on the value of agricultural land (Charbit & Virmani, 2002; Spiegel, 1991; Steiner, 2003). These beliefs and ideas of the French physiocrats later had influence on the school of thought of other economists and scholars John Stuart Mill and Henry George who became instrumental in the concept of value capture.

John Stuart Mill in his treaty of 1848 made a strong argument that formed a foundation for the conception of value capture (Walters, 2013). In his treaty he is quoted as stating that:

“Suppose that there is some kind of income which constantly tends to increase without any exertion or sacrifice on the part of the owners:... in such a case it would be no violation of the principles on which private property is grounded, if the state should appropriate this increase of wealth, or part of it, as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class. Now this is actually the case with rent. The ordinary progress of a society which increases in wealth, is at all times tending to augment the incomes of landlords; to give them both a greater amount and a

greater proportion of the wealth of the community, independently of any trouble or outlay occurred by themselves. They grow richer, as it were in their sleep, without working, risking, or economising. What claim, have they, on the general principle of social justice, to this accession of riches?" John Stuart Mill, 1848.

Henry George (1839-1897) in his book *Progress and Poverty* is also known to advocate for a single taxation on land. He argued that taxation based only on rent from land, with disregard for taxes from other productive activities, would on an on-going basis, be sufficient to fund the entire set of society's needs. He based this argument on the notion that land should be regarded as common property, where its economic rent is shared by the society rather than individuals (George, 1920; Lindholm & Lynn, 1982). He further argued that the taxation solely focused on land would deter the kind of economic turbulence that taxes on other economic activities such as labour and financial capital cause (George, 1920).

The above historical perspective shows the coining of the present day value capture process and also provides a strong starting point for the arguments that support its use. In recent times, several studies and cases have been undertaken with results showing evidence of the merits and benefits of using value capture mechanisms (Batt, 2001; Brown-Luthango 2011; Hendricks & Tonkin 2010; Huxley 2012; Rodriguez & Mojica, 2008; Smith, *et al.*, 2014).

One of the benefits of value capture is that the funds can be used for the provision of infrastructure particularly in areas with infrastructure back log and gap. The option of utilising the funds captured from the value created to further provide infrastructure provides an alternative solution to the research problem of this paper. McGaffin & Gavera (2010) in their study suggested that revenue recouped from value capture mechanisms can be used to finance infrastructure development in under-served areas of a city and other parts that may not have been considered during the planning process. They further pointed that this can lead to two positive impacts which are; improvement of services and amenities to poorer communities and in turn encouraging more investments that lead to improved access of jobs by poorer people.

However, they also further note that this approach can only be viable if it is used during conditions that allow for pro-poor policy implementation or in instances where there is clear decision on how the funds will be allocated.

With the above being mentioned, it goes without saying that value capture also raises a number of issues and debates.

One of the issues that arise against the use of value capture is that, if the unearned increment in value due to public action should be captured by the state, then it could be argued that the same principle should be applied to public works that negatively affect property values implying that the owners should also be compensated in kind for the decline in their property values (Alterman, 2012; McGaffin *et al.*, 2014; Shapiro, 2012).

This issue further raises another debate on whether it is possible for the state to attain symmetry between capturing the created value and compensation for land takings or decline in land value. In a comparative study of 13 countries, Alterman (2010) found that most countries did not have this symmetry in either their law or practice. Among the 13 countries, only Israel and Poland seemed to have achieved the balance between recoup of unearned value and compensation for damages. One of the reasons for the cause of the imbalance or lack of symmetry in most countries is not necessarily due to a legal or public issue but rather failure for both sides of the debate to logically agree with each other (Alterman, 2010). In regards to finding a solution for this imbalance, Shapiro (2012) proposes an ideal mechanism, whose applicability he claims can establish recoverable benefits and compensable damages. In order to demonstrate the practicability of his mechanism, he provides the construction of a road as an example. For this, he suggests a solution that includes using a compensation method for the increment in property values based on non-taken property. He states that the use of this option would lead to fair and efficient outcomes in striking the balance between compensation and recovery of costs.

Another debate against the use of value capture arises from the difficulty of proving that the value created in the surrounding properties is exclusively as a result of the execution of public works or provision of infrastructure development in lieu of other

conditions (Alterman, 2012; Debrezion *et al.*, 2007; Ingram & Hong, 2011; RICS 2002). This argument against value capture is further strengthened by other complexities such as the difficulty of determining the geographical scope of the impact of the infrastructure and the timing of when to charge the levy preferably at a reasonable time close to the execution of the public works (Alterman, 2012).

In regards to property taxation, another issue that may complicate matters further is that the value of the property is normally given as an assessment that includes both the value of the land and building. This issue is further complicated because in order to obtain a distinction between the value of the land and building, the common practice entails using crude methods of estimation such as using a fixed percentage of the combined property value (Ingram & Hong, 2011). This issue can however be solved by using econometric valuation models such as hedonic modelling and regression analysis that are not commonly used (Cervero & Murakami, 2009; Fletcher *et al.*, 2003; Janssen *et al.*, 2001; Li & Brown, 1980; RICS, 2002; Simons & Saginor, 2006).

Much as the above arguments may hold some weight, it does not imply that value capture is not viable. If anything, practical cases all over the world have shown merits and benefits of using value capture as earlier discussed. This paper therefore built on this knowledge and tried to establish if the current conditions in Uganda can allow for the state to enjoy the merits and benefits of implementing value capture mechanisms.

2.2 Components of Value Capture

Further to the acknowledgement of the breadth of the value capture process, Huxley (2009) suggests a unique common denominator for value capture finance. It involves a financial positive feedback loop with four components. These include and he defines them as:

- I. Value creation: described as the unlocking and increment in the potential value of land as a result of a public sector intervention that stimulates demand from the private sector

- II. Value realisation: Subsequent investment and development from the private sector which ensures that potential asset value increase is realised.
- III. Value capture: Arrangements by the public sector for the acquisition of a proportion of private sector returns for local reinvestment. This can take the form of monetary or in-kind contributions from the private to public actors.
- IV. Local value recycling: The re-investment of acquired monetary or in-kind contributions from the private sector within the same development site or scheme. This re-investment can pay for the initial public intervention but tends to fund further interventions. These further interventions must have a public good element to them but may also benefit the private sector by consolidating value gains already made.

The value capture and value cycling components have an overlapping function and are used sequentially to continue the value capture finance loop. The value capture component is essentially used by the public sector to acquire a proportion of the private sector return through monetary or in-kind contributions. These acquired contributions are re-invested into the same development using the value recycling component. This in turn, leads to further value creation for the private sector which consequentially leads to the continuation of the value capture finance loop as described above by Huxley (2009).

In view of the above, it is also important to note that the funds obtained from the value created do not necessarily have to be re-invested into the same development. Value capture process as a financing tool should provide governments with the flexibility of using it the value capture funds to finance any infrastructure development and/or implement any policies that promote equity.

In summary, value capture involves the appropriation of additional value generated by public sector intervention and private sector investment in relation to an underused asset (land and/or structure), for local re-investment to produce public good and potential private benefit.

In other words, value capture maintains both an:

- Inward rate of return: The revenue return for the private sector following initial investment; and
- External rate of return: The proportion of this revenue which is reinvested in the same development scheme for the public good (Huxley, 2009:7).

Both of the above-mentioned rates of return are very crucial for the implementation of the value capture process. This research paper however primarily focused on the external rate of return. It examined the existing value capture mechanisms and their applicability by the state in order to benefit from the value created from the provision of public infrastructure.

McGaffin *et al.* (2013) also acknowledged that the process of value capture comprises of four key elements that include the creation of value, the calculation of the increment in value, the capturing of this value and the utilisation of the funds resulting from the captured value.

This paper only placed specific emphasis on two elements, namely the creation of value and the capturing of this value. The discussion of how the funds resulting from value capture are utilised is outside the scope of this research. The calculation of the increment in value capture was also not necessary; this is because, this paper did not have to be concerned with trying to establish the portion of the increment in value that is due to the provision of the highway, but rather, it focused on only determining whether the highway does lead to the increase in values of the surrounding properties. Walters (2013) supports this approach. He argued that determining the proportion of land values increases due to public action particularly in advance of the public action is often very difficult. The case study of this paper is an express highway that is still undergoing construction and is scheduled for completion in 2017. In that regard, the paper only focused on determining whether value had been created and did not dwell on determining the portion of the created value due to the construction of the highway.

The second component of capturing the value will be studied through the process of researching the issues and conditions that encourage the capture of this value by the state in Uganda.

Section 2.2.1 below provides further review of other studies and cases related to showing the evidence of value creation resulting from the provision of public infrastructure.

2.2.1 Evidence of Value Creation

A considerable amount of literature has been undertaken to show the relationship between the provision of public infrastructure and the impact it has on surrounding property values. Majority of these studies have been focused on the international context particularly in North America and Europe, with Asia and South America following suit.

Smith *et al.* (2014) conducted a study that summarised the findings of more than 100 studies regarding the impact of transit facilities on adjacent property values and the feasibility of capturing a portion of the incremental value to finance transit improvements. The geographical scope of their paper was broad and it included studies from North America, Europe, Asia and South America. Majority of the results from these studies indicated that proximity to transit often had a positive increment on adjacent property values that was sufficient to offset some or all of transit system capital costs incurred. Vadali (2008) in his study particularly focused on toll roads. It showed how private public partnership during the construction of a toll road project led to the increase of property values.

The above-mentioned studies show that the provision of infrastructure development generally has a positive impact on property. However, Smith *et al.* (2014) argued that in regards to developing countries, the findings are mixed and the correlation between transit services and surrounding property values may often be positive but the problems arise from capturing the increase in the property values. For instance, Cervero and Susantono (1999) in their study of rent capitalisation and infrastructure development in

Jakarta, Indonesia, showed that free-way off ramps increased the rent demanded by nearby offices. This implied that value capture would be fair and expected, however, the method was not feasible because landowners and property values were not registered and there was a possibility of owners “buying off” tax collectors.

Heggie (1989) highlighted that value created from the provision of transport systems in developing countries is substantial. However, the lack of information on land ownership and values of parcels plus missing cadastre records makes the process of capturing the created value very difficult. He also further stated that most of the better-off owners were often influential local politicians, making it more difficult to implement value capture proceedings.

Munoz-Raskin (2007) in his study of investigating how the proximity to Bogotá, Colombia’s Transmilenio Bus Rapid Transit (BRT) affects residential property values indicated that the results vary by socio-economic strata. Low-income housing showed a discount in the values of new properties, which resulted from the negative impacts of BRT air and noise pollution, and the tendency of low-income people to use cheaper Para transit instead of BRT. The middle-income housing showed a premium in the values of the new properties while the high-income housing also showed a discount due to the high-income household preferring the use of private vehicle transport.

In regards to the African context, studies in South Africa have generally shown that provision of transport infrastructure has a positive effect on adjacent property. McGaffin (2011) assessed the value created from the provision of three different types of transport interchanges. These included a proposed Bus Rapid Transit interchange in Soweto, a proposed Metrorail station in Khayelitsha, Cape Town and an interchange on the proposed PWV9 Highway near Diepsloot, Johannesburg. The findings from the study showed that the BRT interchange had an increment in land values by a differential of 1.22, while the Metrorail station land prices had an increment differential of 1.76, with the Diepsloot highway interchange registering the largest increment differential of 1.96. The study concluded by indicating that transport infrastructure increases property values; the author however cautions against making a deduction that a highway

interchange results in the creation of the highest property value increment in comparison to the rail and BRT interchanges. The author instead calls for further research in this area in order to arrive at a more informed conclusion in regards to this matter.

Reverting back to the issue of the correlation between the provision of transport infrastructure and adjacent property values, these studies show that it is generally positive. However, as earlier mentioned, this is not always the case, sometimes there is a negative correlation or no value created at all, due to the effect of the negative externalities (noise, air pollution, congestion, traffic, crime, etc.) generated by the transport infrastructure.

Secondly, the studies also highlighted that much as value maybe created, it is a challenge particularly for the developing countries, to benefit from this increase in property values. This, the studies highlighted is normally instigated by various conditions and reasons that may include insufficient registration of land ownership and values, missing cadastre records, corruption and political patronage to mention but a few (Heggie, 1989). McGaffin *et al.* (2014) also support this argument. They argued that in order for value capture to be successful; there must be an existence of favourable market conditions and solid administrative systems. This they further stated should be supported by clear policy objectives and value capture mechanisms that are correctly defined.

In this regard, this research paper will ascertain whether value is created from the provision of infrastructure in Uganda; and in turn, also establish whether the current existing conditions in Uganda facilitate and encourage the capture of this created value.

2.3 Value Capture Mechanisms

In order to capture the increment in property values, there are different types of mechanisms that are used. Brown-Luthango (2006) stated some of these mechanisms to include taxes, fees or through the use of infrastructure developments to benefit the poor. In regards to the different types of mechanisms, McGaffin *et al.* (2014) argued

that, central to the use of value capture mechanisms, it is very important that an understanding of their characteristics and conditions for their implementation and applicability is established.

Furthermore, the review of various studies on value capture mechanisms shows that there is no consistency among scholars on adopting a similar and definitive classification of the different types of value mechanisms. McGaffin *et al.* (2014) argued that, the reason for this is because mechanisms used to capture value can be difficult to understand. This, they pointed, arises from the different names and labels given to mechanisms with similar characteristics, and that different permutations of the same mechanisms can occur when they are implemented in different economic, institutional and legal contexts. Alterman (2012) also supported this view; she stated that there is a significant vagueness in the literature particularly in relation to classifying value capture policies. She further argued that the obscurity of this classification arises mainly from basing the policy on either their purpose or outcome.

To overcome this, Alterman (2012) proposes three distinctions, which she argued can provide better clarity for the exchange of knowledge and research concerning the classification of value capture instruments. Her proposition involved grouping the mechanisms under three categories thus; macro, direct and indirect instruments. She defines macro value capture instruments as 'not freestanding' but rather entrenched in some form of central land policy that is prompted by larger rationale or ideology. These for example include among others, substituting private property by long term public leaseholds, nationalisation of all land and with direct government control over its use, and finally land readjustment and land banking. On the other hand, she described direct value capture instruments as policies that strive to recoup all or some of the increment in value of the property; a well-known example being the betterment tax. Lastly, she described indirect value capture instruments as a mutation of direct value instruments whose aim still constitutes acquiring a portion from the unearned increment on land while being less visible to the payer compared to direct taxes or levies.

Indirect value capture mechanisms are normally used at local government level to regulate land use, and solicit from landowners or developers money, land or construction services in exchange for an affirmative decision or fast-track processing. The terms used to describe indirect value capture mechanisms vary from country to country. However, the commonly used terms include but not limited to impact fees, developer obligations, incentive zoning, exactions, developer agreements, planning obligations and planning gains. Furthermore, while direct value capture instruments seek to capture value for its own sake and because it is “unearned”, with the intention of generating revenues (or in kind substitutes) for specific public services, the objectives behind the indirect tools are usually more pragmatic and less ideological (Alterman, 2012).

Walters (2012) in acknowledgement of the above also highlighted that over the past centuries, a wide range of techniques have been used to capture unearned increments in land value that result from public and community actions. He divided the techniques into two broad groups, namely: fees and taxes on one part and on the other part, non-tax value capture tools. The fees and taxes group are further divided into two classifications: one-time assessments and annual property taxes. He gave examples of the tax and fees group to include development fees, estate tax, capital gains tax, transfer tax & stamp tax, betterment tax, land rent or lease and annual property tax.

The non-tax tools as the name suggests do not use taxes and fees to capture the increase in land values. Some examples of non-tax tools include project-related land sale and tax increment financing (TIF). Project-related sale is where the government gains on the sale of publicly owned land that has increased in value as a result of the provision of infrastructure improvement. Tax increment financing involves government designating a TIF district and thereafter determines the base taxable value of the properties in that district. The funds collected from the increase in taxes due to the increment resulting from the difference between the improved new assessed taxable value and base taxable value is allocated to fund further infrastructure development. TIF is a financing mechanism is not a method to raise additional tax revenue (Walters, 2012).

Salon and Shewmake (2012) also have a similar classification. They also acknowledged that the terms used for defining value captures in the literature are not entirely consistent. In their study, they proposed dividing value capture mechanisms into two main categories thus those that produce large lump sum payments at one point in time, and those that result in an on-going stream of revenue. They argued that the reason for the two categories is because they have different implications in regards to whether the captured value is likely to be an accurate estimate of the actual increase in value. They defined one time funding mechanisms as those that require a single lump sum payment by the property developers, and/or commercial interests. Examples include long-term leasing of development rights, land sales, joint development and development impact fees while the on-going funding sources require recurring payments by those entities benefiting from the public transport system. Examples include location benefit levy, tax increment financing, betterment taxes/special assessments and leasing of commercial space in and around public transport stations (Salon & Shewmake, 2012).

Instead of the above definitions, this paper will adopt yet another classification adopted by the study of McGaffin *et al.* (2014). This is because the basis and argument for their classification was founded on the thought that, it is more useful to recognise the characteristics of a mechanism rather than to be concerned with the label attached to it. They further argue that different permutations of the same mechanism can occur due to their implementation in different economic, institutional and legal context. Further to these characteristics, they therefore recognised two broad categories of value capture mechanisms. These included, the “social/land use related outcome” which strive to achieve a broader planning outcome and the “income generation outcome” that seeks to recoup income in the form of a tax or charge from the addition value to fund some development or infrastructure. The basis for this classification as earlier explained provides a more pragmatic approach and does not dwell on the vagueness around the labels attached to the classification of value capture mechanisms. That being said, it is also important to note that a mechanism can be adopted to achieve both ‘use’ and ‘income’ objectives. For example, issuing air rights over a train station leads to higher density in land use and generation of income for the land owner (McGaffin, *et al.*, 2014). This research paper will therefore adopt this approach in explaining and classifying

value capture mechanisms. In this view, the following section will briefly explain the value capture mechanisms. The value capture mechanisms are classified into two categories thus income generation outcome and social/land use related outcome.

Income generation outcome mechanisms

These include betterment taxes, business improvement districts, tax increment financing and development charges/development impact fees. A brief description of these income generation outcome mechanisms is as follows:

For betterment tax, the term has been broadly used to refer to its application in two different ways thus as a specific value capture tax or as a category for value capture tax in general (Urban Land Mark, 2012; McGaffin *et al.*, 2014). For the purposes of this research, the reference to betterment tax will always imply value capture tax in general. Betterment tax can be defined as any tax or charge on the increase of the values of property that is due to the some form of public action such as provision of infrastructure or issuing of development rights (Tshangana, 2011).

Business Improvement Districts refer to specific parts or zones where an additional charge is levied on property owners to raise additional funds for the provision of additional services (Tshangana, 2011; Urban Land Mark, 2012).

Tax increment financing refers to a process where the provision of infrastructure leads to the increment of property values and therefore the property rates charged. The income generated from this process can then be ring-fenced to provide for further infrastructure (Urban Land Mark, 2012).

Development charges or development impact fees refer to charges imposed on developers at the time building permits are issued to them or if it is an existing or new property during such time when the property is subdivided (Urban Land Mark, 2012).

Social/land use related outcome mechanisms

These include zoning tools, air rights, land banking and joint development agreements.

The term zoning implies the process of classifying the type, location and use during the development of land (Urban Land Mark, 2012). The zoning tools commonly used as value capture mechanisms are incentive zoning and inclusionary zoning (McGaffin *et al.*, 2014). Incentive zoning is carried out by rewarding of developers when they provide certain public amenities or meet public objectives. These rewards can be in the form of increased floor area or density bonuses (Urban Land Mark, 2012). Inclusionary zoning requires developers to include a certain number of affordable housing units in their developments in order to achieve a mixed use development. However, this inclusion can only become successful where there is sufficient market appeal and therefore making the cross subsidation viable and attractive to the developers (Urban Land Mark, 2012).

Air right refers to the provision of development space above public infrastructure such as train stations. The reward to the public authorities is that the developers in turn provide affordable housing, public amenities or meet a public objective. Public authorities can also enter into joint development agreements with the developers to jointly share the economic benefits from such a venture (Urban Land Mark, 2012).

Land banking refers to the process of public authorities holding land near a public transport infrastructure until such point that it is sold, leased or developed. The value benefited from this process is through the income generated from the sale, lease or development of this land (Urban Land Mark, 2012).

Joint development agreements refer to public private partnerships where both parties involved contribute to the cost of the provision of the public transport infrastructure and later benefit from sharing in the income generated from the provision of such infrastructure (Urban Land Mark, 2012).

2.4 Pre-conditions for the successful implementation of value capture in developing countries

Several studies and cases have shown that the provision of infrastructure leads to the creation of value. However, in order to successfully capture this value, there should be

existing pre-conditions in place. These conditions are broad and range from different aspects. They include the following:

Firstly, in order for the value capture process to be successfully implemented, there should be an efficient land administration system that allows for sufficient registration of land ownership and valuation of parcels. This condition is very important because inadequate registration of land ownership and valuation of parcels hinders the process of capturing the value created. Studies particularly in the developing countries have shown this to be true. Heggie (1989) in his study showed that significant value is normally created from the provision of transport systems in developing countries, however he further argued that the capture of this value is constrained by missing cadastre records and the lack of information on registered owners and the values of parcels. Cervero & Susantono (1999) also highlighted how free-way ramps in Jakarta Indonesia, positively impact on the rent of nearby offices; although the capture of this value was not viable due to the lack of registration of most of the values of parcels and land ownership. Salon & Shewmake (2012) further hinted on this and in their study, they argued that in order for value capture to be feasible, governments should have the capacity to track values of land and in turn levy taxes.

Secondly, there should be a strong legal framework and institutional capacity that allows for the applicability of value capture mechanisms. McGaffin *et al.* (2014) highlighted some of these to include valuation rolls, revenue collection, credit rating systems and sound fiscal management. Having a sound legal framework that allows the use of value capture mechanisms is very important and key for the successful implementation of value capture. Also, if all the other required pre-conditions are in place, there also still needs to be a presence of strong institutional capacity that can efficiently use value capture mechanisms. This is very important to the successful implementation of value capture particularly in the developing countries; since most of their institutions lack the capacity in both human resource development and operating systems to efficiently manage the use of value capture mechanisms. Furthermore, the presence of strong institutions will ensure that the effect of political interference during the implementation of value capture is lessened. This is paramount because, it has been shown that

political interference can affect and interfere with the administration of property taxes particularly in developing countries (Cervero & Susantono, 1999; Goodfellow, 2015; Heggie, 1989).

The third condition is that there should be favourable market conditions which are conducive for the use of the generated value. McGaffin *et al.* (2014) argued that these conditions should lead to the creation of surplus value that is in excess of that needed to make the development viable. In order to accomplish this, all the parties involved must have a degree of flexibility and sound understanding of market forces, cycles and conditions (McGaffin *et al.*, 2014). Understanding the real estate cycle for example is important because certain undertakings occur at different stages of the cycle. For instance, foreclosures and bankruptcies are more common during the market contraction or recession phase while the availability of financing and traditional real estate transactions are more prevalent during the recovery and expansion phase (Appraisal Institute, 2008). This means that, in order for value capture to be successful, the parties involved should have good knowledge of the real estate market to establish an opportune time to undertake real estate developments. Salon and Shewmake (2012) also support this view with the argument that the impact of a new public transport system is greater in a rapidly growing city than one that is not growing. This they further explained, is because economic and land development depends on growth; implying that in order for any form of value capture to be successful, the conditions should be such that there is some growth in the economy.

Fourthly, in order for the potential values of the property to be maximised and therefore benefited from, the state should also intervene in the process. However, this potential can only be maximised when it is acted upon by the private sector which requires time, expertise, capital and degree of risk-taking that need to be compensated. This implies that, any value capture mechanism is limited to the extent that it still allows sufficient incentive and return for the developer to partake in the development (McGaffin, 2014).

Lastly, there should be effective land use management and planning. This is particularly important during the implementation of land-use related value capture mechanisms. It

should, for example allow for the option of implementing land use incentives such as incentive zoning and higher densities for developers that for instance provide for low cost housing. An approach of this example will in the long run translate to value capture because it assists the state in fulfilling some of its social obligations. Furthermore, the land policies should also be construed in a way that encourages and supports developments that are undertaken with an objective of capturing value. As an example, Salon and Shewmake (2012) in their study argued that in order for a public transport system to have a positive impact, the land use policies should be complementary to public transport area of development. The policies should include marketing of air rights above stations, increasing allowable floor area ratios for development in station areas, offering density bonuses and increasing allowable densities in station areas, or providing incentives for physical integration of the station. Also, for the state to capture value through for example land banking, the land use policies should ensure that the government has the ability to acquire and assemble land at favourable prices (Salon & Shewmake, 2012).

This section shows the preconditions required for the successful implementation of value capture. These include an efficient land administration system, strong legal framework and institutional capacity, favourable market conditions, state intervention and efficient land use management and planning. The inadequacy of these conditions will most likely create constraints and challenges in the successful implementation of value capture mechanisms in developing countries. This research sought to ascertain whether these conditions exist in Uganda and if they are sufficient to allow for the successful implementation of value capture mechanisms by the state.

3. METHODOLOGY

3.1 Research Philosophy

In order to create knowledge, research should be underpinned by valid and reliable findings. To achieve this, one must have a clear view of the nature of phenomenon they are studying (ontology) and how to gain knowledge (epistemology). Following this, the correct research approach, research method, data collection and data analysis must be identified with the necessary protocols and processes followed.

Ontology and epistemology are further classified into four categories which include functionalism, interpretivism, radical structuralism and radical humanism paradigms. Of the four categories, functionalism is the paradigm that is commonly used for social science research (Bhattacharjee, 2012; Burrell & Morgan, 1979). .

Functionalism is described as a paradigm that is characterised by “researchers viewing the world as consisting mostly of social order (ontology) and hence seek to study patterns of ordered events or behaviors, and believe that the best way to study such a world is using objective approach (epistemology) that is independent of the person conducting the observation or interpretation (by using standardised data collection tools such as surveys)” (Bhattacharjee, 2012:20). Functionalism in essence is a problem oriented approach, seeking to find practical solutions for problems (Braun & Clarke, 2006).

The description of the functionalism paradigm suits and relates to the nature of this research. It is underpinned by the basis of striving to find rational explanations to social events or behaviour while maintaining objectivity in doing so.

In view of the above, this paper used functionalism as its paradigm in guiding the research process. This was followed by using a mixed research method that adopted the triangulation approach as explained in the following section.

3.2 Research Approach

This research paper used the mixed research method while adopting the triangulation approach. Triangulation approach is described as an approach that adopts either the quantitative research to corroborate the findings of the qualitative research or vice versa (Hammersley,1996). The reason for choosing the triangulation approach is because, much as the paper primarily dwelled on using the qualitative approach (i.e. reviewing the issues that encourage use of value capture mechanisms); the findings from the quantitative approach were used to corroborate the findings of the qualitative approach. The aspect of the quantitative approach arose by using descriptive statistics to determine whether there was value creation from the provision of Kampala-Entebbe Express Highway. This involved collecting numerical data on property values from the office of the valuation consultant, who was contracted to determine the compensation values of the property surrounding the Entebbe Express Highway.

Furthermore, in the past years, several studies related to carrying out research had emphasized the importance of separating research in terms of quantitative or qualitative approaches (Creswell, 2003; Punch, 2006). However, in the recent years the distinction between the two approaches has been relaxed. Studies in the social sciences are starting to advocate for research that considers both approaches, thus the mixed approach of research (Creswell, 2003; Punch, 2006). Creswell (2003) further highlighted that including either quantitative or qualitative methods falls short of the major approaches being used in today's social and human sciences. He further stated that other reasons for this new school of thought is that the situation in the current times is more about how research practices fit somewhere on a continuum between the two and less about a comparison of quantitative versus qualitative. He also further emphasized that the practice of research (such as writing a proposal) is much more than philosophical assumptions and it requires a framework that combines the elements of philosophical ideas, strategies, and methods into the two approaches to research.

“Mixed Methods approach is therefore described as one in which the researcher tends to base knowledge claims on pragmatic grounds (for example, consequence-oriented,

problem-centred, and pluralistic). It employs strategies of inquiry that involve collecting data either simultaneously or sequentially to best understand research problems. The data collection also involves gathering both numeric information as well as text information so that the final database represents both quantitative and qualitative information” (Creswell, 2003:18).

The main approach to this research was qualitative in nature considering that it primarily dealt with reviewing the issues that affect the use of value capture mechanisms in Uganda. The quantitative approach was also to a lesser extent used in dealing with property values to ascertain whether there was value created from the provision of the highway. This involved analysing the data on property values from the valuation consultant, who was contracted to determine the compensation values of the property surrounding the Kampala-Entebbe Express Highway.

Furthermore, depending on the approach that is to be used to establish the findings of the research mixed methods research is further classified into three different approaches. Hammersley (1996) identifies the three classifications of mixed methods research as follows:

- Triangulation: this approach adopts either the quantitative research to corroborate the findings of the qualitative research or vice versa
- Facilitation: This approach results from using one research strategy in order to aid research using the other research strategy
- Complimentary: Arises from using the two research strategies in order to investigate different aspects

This research used the triangulation approach to carry out the mixed methods research. This is because it used the findings from the quantitative research (determining the creation of value from the provision of the Entebbe Express Highway) to substantiate or corroborate the findings of the qualitative research.

3.3 Research Methods

This paper used the case study method to conduct the research. Case research is described as an in-depth investigation of a problem in one or more life settings (case studies) over an extended period of time (Bhattacharjee, 2012). Stake (1995) similarly describes case studies as a strategy in which the researcher explores in depth a program, an event, an activity, a process, of one or more individuals. The case(s) are bounded by time and activity, and researchers collect detailed information using a variety of data collection procedures over a sustained period of time. Cases can also be described as meaningful but complex configurations of events and structures. They are singular whole entities that are purposefully selected and not homogenous observations drawn at random from a pool of equally plausible selections (Ragin, 2004).

Abbot (1992) highlights that there are primarily two ways of regarding cases; the first one involves the move from population/analytic approach to case/narrative approach while the second one, arises from the consideration of cases being engaged in perpetual dialogue with their environment; a dialogue of action and constraint that is termed as a plot.

Furthermore, Dannemark *et al.* (2002) prescribes that the fundamental task of social research is to explain social phenomena by revealing the causal mechanisms that produce them. In this regard, Byrne (2009) asserts that causation is a complex phenomenon that is not a product of any single cause but rather an interaction of multiple causes, which causes are not 'variables' external to cases but rather embodied aspects of cases. Given that, social phenomenon by its nature is made up of complex systems; using case studies would be an effective way to study this complexity.

Considering that this study was primarily exploratory in nature, using the case study strategy was the most suited method compared to other research methods. With that in mind, there are other valid reasons why case study method was chosen to undertake this study. These dwell on the distinctive strengths and advantages that the case study method has, as will be explained as follows.

Firstly, case research by the virtue of its ability to obtain a rich array of contextual data can derive richer, more contextualized and more authentic interpretation of the phenomenon of interest than most other research methods (Bhattacharjee, 2012).

Secondly and most importantly, case research can be used for either theory building or theory testing with the flexibility of modifying the research questions during the research process, if the original research questions are found wanting (Bhattacharjee, 2012).

Lastly, Bhattacharjee (2012) highlights that case studies can provide the researcher with the advantage of studying a particular research problem from the perspectives of multiple participants and using multiple levels of analysis (e.g., individual and organisational).

The above-mentioned reasons were very crucial and played a central role in the enhancement and flexibility of conducting this research. They also further provided valid justifications for the use of the case study method to conduct this research.

In undertaking the research, it was decided that a single case study of the Kampala-Entebbe Express Highway was to be used. Using a single case study has its own limitations and weaknesses. One of the most prominent and valid criticisms of using a single case study, is its limited ability in the generalisation or external validity of its findings. King *et al.* (1994) argued that findings of research are always better when a higher number of observations are used for generalisation. That being said, the reason for choosing a single case study for this research is because of the strong inherent advantages that single case studies possess. These include the ability to derive richer observations and also be more content specific (Bennet & Elman, 2010; Levy, 2008).

Choosing to use the Kampala-Entebbe Express Highway as the single case study for this research was because of the following reasons;

Firstly, the Kampala-Entebbe Express Highway was still under construction at the time this research was undertaken. This meant that it was much easier to establish its impact on the values of adjacent properties. This is because the values of the land before and after the construction of the highway had commenced were still readily available due to

the compensation process that had been undertaken by the contracted valuation surveyor consultant in collaboration with the Office of the Chief Government Valuer.

Secondly and lastly, majority of the length of the Kampala-Entebbe Express Highway is located in Wakiso district. However, a small part of it ends at a key intersection at Busega, a parish that is located in Rubaga division, Kampala district. This means that a small section of the road is in Kampala while the majority is located in Wakiso district. The implication for this is that Wakiso local government has authority to collect decentralised revenue from the majority of the properties surrounding the Entebbe Express highway. This highway therefore presented an interesting case of understanding the dynamics of the decentralisation process in Uganda and how it affects the value capture process.

3.4 Data Collection

Data collection involved the use of both quantitative and qualitative approaches. The quantitative approach was used to a lesser extent and it involved collecting and analysing of data in relation to the values of the properties adjacent to the Entebbe Express Highway. The quantitative data collection process involved reviewing the accomplished valuation roll of all the properties surrounding the highway before and after the construction of the highway commenced. The valuation roll was obtained from the Valuation Surveyor who was contracted to undertake the compensation assessment of the properties affected by the construction of the highway. The market values of the properties were then grouped under their corresponding suburbs and consequentially, the mean property values of each suburb were obtained. This was done for both before and after construction of the highway.

On the other hand, this paper also mainly focused on using the qualitative approach to determine the issues associated with value capture in Uganda. This involved the collection of data using the survey research method.

Survey research can be described as a research method that uses standardised interviews and/or questionnaires to collect data about people's thoughts, preferences

and behaviours. It can be classified into two broad categories, thus questionnaire surveys and interview surveys (Bhattacharjee, 2012).

In view of the above, this research adopted the interview survey method. The method involved conducting face-to-face interviews with six carefully selected respondents that were knowledgeable about the research subject matter. The interview process consisted of fifteen questions and the respondents included Valuation Surveyors, an Economist, a Transport Economist and Physical Planners.

One of the strong points of using the survey research method is that, it provides the researcher with the advantage of remotely collecting data about a population that is too large to observe directly (Bhattacharjee, 2012). In this respect, interviewing the few carefully selected respondents was an opportune and practical alternative in the form of a representation of the whole population that would be required to obtain data on the issues that facilitate or constrain the use of value capture mechanisms by the state.

Other advantages of using the survey research method that benefited this research included its excellent ability of measuring a wide variety of unobservable data (Bhattacharjee, 2012). It was also economical in regards to research time and cost. However, it is also important to acknowledge some of the disadvantages of using the survey research method that may have potentially affected the findings of this research. These include response bias and sampling bias.

The response bias can occur from the content and quality of the answers given by the respondents while the sampling bias arises when a specific group of people that are ought to be interviewed are not included in the sample of people interviewed (Bhattacharjee, 2012). The effect of response bias was mitigated through carefully selecting the respondents to this research, to only include people with expertise and knowledge about the research topic. This approach is called purposive sampling. It was also used to mitigate the risk of sampling bias.

The thought process involved in formulating the interview questions was framed around the basis of ensuring that the questions were able to address the research problem and answer the research questions. It was also guided by the findings from the literature review. The review of the literature showed that in order for value capture to be successfully implemented, there should be existing pre-conditions in place. These included an efficient land administration system, strong legal framework and institutional capacity, favourable market conditions and effective land use management and planning. The lack of, or inadequacy of these pre-conditions will in most circumstances pose challenges or constrains in the implementation of the value capture process. Majority of the interview questions were therefore structured around obtaining an understanding of these aforementioned pre-conditions in the Ugandan context. The following section provides a brief overview of the interview questions used for this research and why they were particularly chosen.

The first question required the interviewees to respond, giving reasons as to whether the provision of public transport infrastructure such as the Kampala-Entebbe Express Highway leads to the increase in the values of adjacent properties. The purpose of this question was to establish whether the provision of public transport infrastructure generally leads to the increase in values of property in Uganda. This question would also provide the basis and starting point on which further findings of this research could be established.

The second question required respondents to comment on reports that suggested that value created from the provision of public transport infrastructure such as the Entebbe Express Highway was majorly due to land speculation. Furthermore as a follow to this question, the respondents were also asked to clarify on whether the type of public infrastructure and its location play a role in determining the type of impact it will have on surrounding properties. The review of different research studies while undertaking this research showed that the land market in Uganda is constrained by various factors including among others land speculation (Giddings, 2009; USAID, 2010). Speculation on land constrains the land market by distorting the prices and values of land. The purpose of this question was to therefore obtain clarity as to whether the value created

from the provision of public transport is due to land speculation. The second part of the question sought to establish whether the type and location of the transport infrastructure also plays a part in determining the impact on the surrounding properties.

The third question aimed to establish whether the state was capturing the value created from the provision of public transport infrastructure. The purpose of this question was to understand and establish whether the state in Uganda is currently undertaking any form of value capture and how it is being done. In case there was no form of value capture being practiced by the state, this question was also seeking to understand why this is so, given the benefits that value capture has.

To follow up the above question, the fourth question required respondents to provide suggestions and recommendations as to what type of value capture mechanisms are suitable for use in the Ugandan context. In answering this question, the respondents were also required to provide examples of how value can be captured by the government.

At this point of the interview schedule, the afore-mentioned questions had provided the basis and foundation to proceed to the questions that were specifically concerned with asking about the issues that facilitate and constrain the use of value capture mechanisms. The fifth question therefore focused on determining whether the current legal framework in Uganda allows or inhibits the use of value capture. This question required the respondents to elaborate their responses with examples of the laws that allow for the use of value capture mechanisms in Uganda.

The sixth question was a follow up to question five and it required the respondents to provide examples of legal and policy reforms that are required to allow for the greater use of value capture in Uganda. This question was framed on the assumption that the current legal framework did not have sufficient laws to allow for the successful use of value capture mechanisms.

The seventh question of the interview schedule sought to establish whether the current fiscal decentralisation system allows Local Governments to use value capture

mechanisms. The preliminary review of some documents had shown that Local Governments in Uganda are not collecting sufficient funds to adequately fund their own budget and were heavily reliant on funds from the central government (Local Government Finance Commission, 2014). The purpose of this question was to therefore establish if the Local Governments have the authority to use value capture to raise their own funds.

As a follow up to the discussion about the fiscal decentralisation system, the eighth and ninth questions required interviewees to respond to whether local governments are authorised to provide municipal bonds and if so, whether there is investor appetite for municipal bonds in Uganda. The reason for asking this question is because issuing municipal bonds is important during the implementation of some value capture mechanisms particularly the tax increment financing. This because, during the implementation of tax increment financing, there is a challenge of the inflow of tax revenue streams during the time lag between the construction of the infrastructure and resultant increment in the property values. Municipalities can therefore use the municipal bonds to raise income against the expected income from the increase in property values as a result of the provision of the infrastructure (Urban Land Mark, 2012).

The tenth question sought to establish whether state intervention is crucial to the creation of value resulting from the provision of public infrastructure. The literature review showed that in order for the increase in the potential values of the property to be maximised and therefore benefited from, the state should intervene in the process (McGaffin, 2014). The aim of this question was to determine what role the state can play to intervene in the value capture process in Uganda.

The eleventh question required respondents to clarify on whether the municipal governments in Uganda have the capacity to efficiently manage the value capture process. This question was important because the literature review had also shown that in order for value capture to be successful, there should be sufficient institutional capacity to handle the process.

The twelfth question strived to determine whether the current level of land ownership registration and valuation was sufficient for the successful implementation of the value capture process in Uganda. The literature review had also showed that sufficient land ownership and valuation of parcels of land was crucial for the successful implementation of value capture. This question was therefore seeking to establish whether the registration of land ownership and valuation of parcels of land is sufficient to allow for successful use of value capture mechanisms in Uganda.

Question thirteen and fourteen of the interview schedule looked at how the current land use and tenure system in Uganda relate to the implementation of property taxation and value capture. The land use and tenure system have an impact on the use of value capture and property taxation; these questions were therefore important to understand the impact and effect they have in the Ugandan context.

The fifteenth and last question asked respondents to respond as to whether political interference may hinder the implementation of value capture in Uganda. The reason for asking this question is because in most developing countries, political interference is known to hinder effective administration of property taxation (Cervero & Susantono, 1999; Goodfellow, 2015; Heggie, 1989). This question was therefore seeking to establish whether political interference may pose challenges to the implementation of value capture in Uganda.

After designing the interview questionnaire, six interviews were conducted and recorded on audio files which were used to produce interview transcripts.

However, there were some challenges that were met during the interview process. The period of conducting the interviews coincided with an on-going Commission of Inquiry into the alleged mismanagement of Uganda National Roads Authority (UNRA). The Commission of Inquiry which started in June 2015 was appointed and conducted under the directive of the President of Uganda. It was set up to examine among other issues, the financial management, procurement and complaints in relation to the acquisition of land and methodologies of compensation by UNRA.

Considering that the case study (Kampala-Entebbe Express Highway) of this research is under the authority of UNRA; the Commission of Inquiry therefore posed a challenge in regards to conducting interviews with some key potential interviewees that are working with UNRA. This was due to the fact that, either some of them were preoccupied with attending the Commission of Inquiry or others were suspicious of the timing of the interviews coinciding with the Commission of Inquiry. These two aforementioned factors therefore created limitations on the number of people to interview. That being said, the interview process was nevertheless a success in collecting the required data. This was mainly because; given that the selected respondents were very knowledgeable in the research subject, the nature and quality of answers given by them were very beneficial in obtaining the desired results. Furthermore, the answers given by the respondents were also in agreement with the secondary data implying possibly that the margin for response bias was small.

The secondary data was collected through the desktop review and analysis of documentation that contained information addressing the issues arising from the research.

3.5 Data Analysis

Considering that the collection of data adopted both the qualitative and quantitative approach; the analysis of the data was also separately undertaken between the qualitative and quantitative data.

The quantitative data was analysed through the use of descriptive statistics. This involved obtaining the mean of the market values of the land surrounding the Kampala-Entebbe Express Highway. The purpose of using the mean calculation was to acquire the average or the measure of the central location of the land market value for a given suburb or location surrounding the highway. Statistically, the use of the median also provides a measure of the central location for a given data set. The median is normally used when the data set has outlying or influential observations in a given data set. The quantitative data collected for this research did not have any outlying or influential

observation such as extremely large or small land market values and therefore the use of the mean was satisfactory.

In undertaking the valuation of the affected properties, the computation of compensation assessment is generally guided by Section 77 of the Land Act which provides that;

1. The district land tribunal shall, in assessing compensation referred to in section 76(1)(b) take into account the following—
 - a. in the case of a customary owner, the value of land shall be the open market value of the unimproved land;
 - b. The value of the buildings on the land, which shall be taken at open market value for urban areas and depreciated replacement cost for the rural areas;
 - c. The value of standing crops on the land, excluding annual crops which could be harvested during the period of notice given to the tenant.
2. In addition to compensation assessed under this section, there shall be paid as a disturbance allowance 15 percent or, if less than six months' notice to give up vacant possession is given, 30 percent of any sum assessed under subsection (1).
3. The rates set out in the list of rates of compensation referred to in section 59(1) (e) shall be used in determining the amount of compensation payable.

The above provision of the law means that a compensation assessment assignment generally involves assessing the value of land, buildings, crops and a disturbance allowance. In respect to this therefore, a discussion with the Valuation surveyor showed that the compensation of the affected properties by the Entebbe Express highway was generally undertaken as follows:

1. The assessment of land taken involved determining the open market value of the land taken using the sales comparison method.
2. The assessment of the buildings and structures: The market value of the permanent buildings was determined by using the full replacement valuation method. The assessment of the non-permanent structures was computed using the Wakiso district compensation rates.
3. The assessment of crops was computed using the Wakiso district compensation rates in line with Section 9 and 77 of the Land Act.

4. The disturbance allowance: For most properties, a notice of at least six (6) months was served to the affected persons to vacate the project corridor. This therefore means that, a statutory disturbance allowance of 15% of the total sum assessed was awarded in accordance with Section 77(2) of the Land Act

On the other hand, the analysis of the qualitative data involved analysing primary data (collected through face to face interviews) and secondary data (collected through document review). This analysis was conducted using thematic analysis with the assistance of Nvivo, a qualitative data analysis tool.

Thematic analysis is described as a method of identifying, analysing and reporting patterns or themes within data (Braun & Clarke, 2006). The purpose of identifying, describing and organising data into themes or patterns is to analyse and obtain findings for the research. A theme is described as something that captures an important part of the data that relates to a research question and provides a patterned response to a given data set (Braun & Clarke, 2006).

The advantage of using thematic analysis is that it provides the researcher with the flexibility to determine how the pattern or themes can be established as long as consistency of the method is used throughout the research (Braun & Clarke, 2006).

Braun & Clarke (2006) suggest that the themes or patterns within a given data set can be obtained by using two ways; the inductive and theoretical way. The inductive way means obtaining the themes that are strongly driven by the data set (Paton, 1990). The themes obtained using the inductive approach are not specifically linked to the specific interview questions or driven by the researcher's theoretical interest in the topic or area. It therefore involves coding the research data without trying to fix it in a predetermined frame or researcher's preconception (Braun & Clarke, 2006). On the other hand, the theoretical approach is driven by the researcher's theoretical interest in the researcher's area or topic. This approach normally provides a less rich description of the whole data but rather provides a more detailed description of a specific area or aspect of the data set. The theoretical approach codes for specific research questions (Braun & Clarke, 2006).

This research paper adopted the theoretical approach for the coding process that was used in determining the themes to be used for the analysis. The reason for this is because, in order to establish how the issues facilitate or constrain the use of value capture in Uganda, the coding of the issues had to be placed in a pre-coded framework. This pre-coding process required the use of the theoretical approach. The coding of data for the thematic analysis was conducted as follows:

First of all, the interviews results were grouped into different themes that would later act as codes for further analysis in the Nvivo software. It was important that careful thought was given to the creation of the themes because they were very instrumental in obtaining the findings of the research. The categorisation of these themes was based on the issues that were expected to have an impact on the use of the value capture process in Uganda. These issues were established from the findings in the literature review and through the examination of the responses given by the interviewees. The established issues were then used as a basis for pre-coding the themes that were used for further analysis. The themes that resulted from this process included value creation, value capture, legal framework, fiscal framework, local government capacity and land use and administration.

Furthermore, the coding of these established themes was carried out with the objective of making them as broad as possible so that more specific and detailed sub themes could be created under them. This technique is known as brush-broad coding technique, where data is first coded into broad analytical themes with the aim of categorising sub analytic themes under them for easier and more specific analysis.

The main purpose of the sub themes was to capture the responses given by the interviewees. With the assistance of Nvivo, the interview responses from the interview transcripts were placed under their corresponding themes and sub themes that they related to. This ensured that the data was systematically organised in a pattern that was more organised to analyse. As a demonstration for this, let us take an example of one of the created broad theme called '*Value Creation*' that had sub themes such as '*Provision of Public Transport and Type and location of Public Transport Infrastructure*'. One of the

responses given to the interview question relating to whether the provision of public infrastructure such as the Kampala Entebbe Express Highway leads to the creation of value in adjacent properties was that “Yes. The provision of public infrastructure such as the Kampala Entebbe Express Highway leads to the creation of value in adjacent properties because it improves accessibility to the different suburbs surrounding the highway”. Such a response with the assistance of Nvivo would be highlighted and placed under the node/sub-theme called ‘*Provision of Public Transport Infrastructure*’. The organisation of the responses under the themes they fall under provided a good basis to analyse the data.

Table 1 below provides a brief overview and justification for the different sub themes that were used for analysis of the interview results.

Table 1: Overview of the Themes and Sub Themes used for the Analysis of Data

Theme	Sub Theme	Reason for sub theme
Value Creation	Provision of Public Transport Infrastructure	To categorise results and responses that indicated whether the provision of public infrastructure leads to the creation of value in Uganda
	Type and location of public transport infrastructure	To capture responses that discussed whether the type and location of public infrastructure has an influence on the creation of value in adjacent properties
Value Capture	Type of value capture mechanisms in Uganda	To categorise responses that provided for the types of value capture mechanisms that are applicable in the Ugandan context
	Value Capture by the State	To categorise suggestions on how the state can capture value
Legal Framework	Laws and Policies	Created to categorise elaborated examples of the laws and policies that allow for the use of value capture mechanisms
	Legal and Policy Reforms	This sub theme was created to categorise responses that provided suggestions of the legal and policy reforms needed to allow for the greater use of value capture mechanisms
Fiscal Framework	Fiscal Decentralisation	Created to categorise discussions of whether the fiscal decentralisation system allows local

		governments to use value capture mechanisms
	Borrowing powers of Municipal Governments	To categorise responses that discussed whether municipal governments have the authority to borrow funds; particular emphasis being placed on their ability to issue bonds
	Investor Appetite for bonds	Used to classify responses and results that were discussing the presence of investor appetite for municipal bonds in the Ugandan capital market
Local Government Capacity	Human Resource	To categorise discussions from the interview transcripts in regards to whether local governments have the human resource capacity to efficiently manage the value capture process
	Operating Systems	To categorise discussions on whether local governments have the capacity in terms of operating systems to efficiently handle the value capture process
Land Use and Administration	Land Tenure System	To aggregate responses on whether the land tenure system facilitates or constrains the use of value capture mechanisms
	Land Ownership Registration	To group together responses that discussed whether the level of registration of land ownership is sufficient for the successful implementation of the value capture process in Uganda
	Valuation of land parcels	To categorise responses related to the discussion of whether the level of valuation of land parcels is sufficient for the successful implementation of the value capture process in Uganda
	Political Interference	Created with the objective of seeking to understand whether political interference may act as a hindrance to the value capture process

The analysis of the data using thematic analysis and descriptive statistics as described above was then used to obtain the findings of the research.

4. FINDINGS

This chapter presents and discusses in detail the findings that were obtained from analysing the collected qualitative and quantitative data. In order to do, it will also first and foremost provide an overview of the background of the case study and the contextual frame work within it operates. This is crucial because it provides a basis that allows for further understanding and interpretation of the research findings.

4.1 Background to the case: Kampala-Entebbe Express Highway

The identified infrastructure for this paper is the Entebbe Express Highway. The construction of the Kampala-Entebbe Expressway commenced in July 2012 and is expected to be completed in July 2017. The total construction cost of the highway is estimated to be \$476 million and is being funded by the government of Uganda and a loan obtained from the Chinese Infrastructure Financing Institution. In order for the government of Uganda to pay off the loan, the highway, upon completion, will be a toll road that will provide an alternative transit route from the capital city Kampala to Entebbe (where Entebbe International Airport is located).

The primary reason for the construction of this road is to decongest the Central Business District and enhance trade movement through, within and out of the Greater Kampala Metropolitan Area. The road will also be a crucial part of government's overall strategy for decongesting Kampala through construction of an inner beltway comprising the Kampala Northern and Southern Bypasses as well as an outer beltway along the edges of the Great Kampala Metropolitan Area. It will also ease travel to Entebbe International Airport by providing an alternative route.

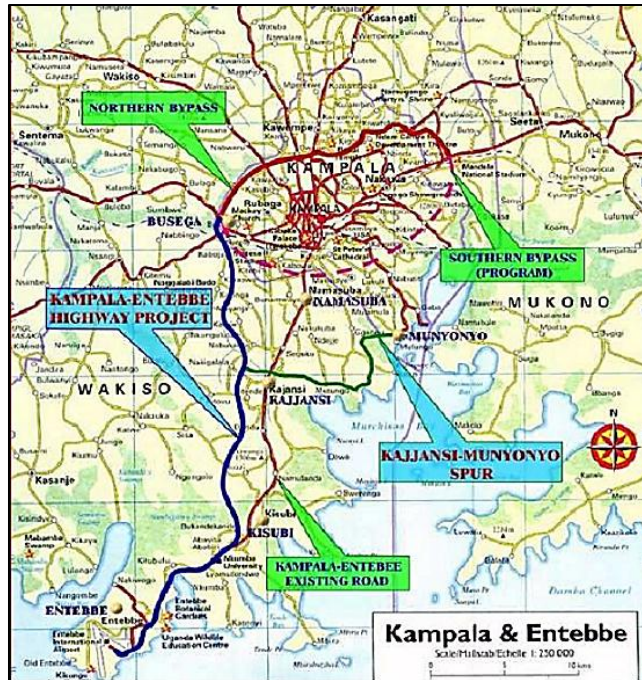


Figure 1: Beltways to decongest Kampala, Entebbe Express Highway (shown in blue).

Source: New Vision. <http://www.newvision.co.ug/news/632544-uganda-national-roads-authority.html>. (Available 30th Aug 2015)

It is also important to note that the contract of this project is a design and build. This implies that the construction of the express highway is being undertaken alongside the compensation process. This is because Section 6(1) of the Land Acquisition Act provides that, for roads and other infrastructural projects, the Government must pay the market price for land before it can access or acquire it. There is currently no provision that allows the government to compulsorily acquire land while disputes on value are being resolved. This therefore means that every individual property owner has to be valued and assessed before the land can be acquired.

The valuation of the affected properties commenced in April 2012. The total length of the highway will be about 50 km. The scope of the valuation for the first 25 km of the highway was at a total compensation cost of about USD 30 million.

Much as the Entebbe Express highway will be an enclosed toll road with limited access through three tollgates, it is expected to have a positive impact on the values of adjacent property. This is primarily because the other existing roads within the affected areas have or will be upgraded. The upgrading includes tarmacking of the roads and

construction of overpass and underpass bridges where necessary. This has therefore led to increased accessibility in the neighbourhood. The perception of the increased accessibility has led to the increase in demand of land with sellers asking for higher prices and buyers willing to meet them. For example, one professional valuation surveyor who works with the appointed valuation firm had been tasked to re-do the valuation of the already compensated areas stated that the property prices have on average doubled since the construction of the highway was commenced in July 2012. He identified an area near KM25+500, called Mpala where the affected people were in the past compensated at UGX 350 million for 1 acre. The current land price in the exact area is now approximately UGX 750 million for 1 acre. This is one of the examples that show that the provision of the Kampala-Entebbe Express Highway led to the increment in the values of surrounding property. A more detailed discussion of the impact of the Entebbe Express Highway is discussed in Section 4.3.

Considering that the Entebbe Express Highway will be a toll road, the following section provides a brief overview of the viability of toll roads in Uganda.

4.1.1 Viability of toll roads in Uganda

There are many reasons why a government decides to construct or provide the alternative of toll roads to road users. One of these reasons is to charge a toll on road users, with the objective of recouping some or all of the costs incurred in providing the road. This, some may argue, and as will be discussed later, is a form of value capture mechanism. Nevertheless, much as the cost recovery option provided by the toll roads may seem attractive to governments, it is also crucial to consider the social economic issues when dealing with the delivery of toll roads. The World Bank advises that during the planning for the provision of a toll road, there is also need for the provision or presence of a parallel free road for social equity reasons. The parallel free road ensures that those who cannot afford payment of the tolls still have the access to a road to facilitate their journey (World Bank, 2007). For the planned Entebbe Express Highway, this issue has already been taken care of, as there is an existing parallel free road that

is being used to access Entebbe International Airport. The dynamics between a toll road and parallel free road present some interesting discussion points for this research.

According to a study by the Urban Land Institute (2013), land served by a free road in the short run becomes more valuable and desirable than land served by a toll road. However, the study further states that the desirability of the free road is limited, because free roads experience congestion much sooner than toll roads. The setting in of congestion triggers the stagnation or sometimes decline of the value of land served by the free road. However, in regards to the toll road, the study highlights that initially toll roads experience slow land development within their surroundings. This is because, at the initial stages of the road, the potential road users are considerate of the cost of the toll. In order to attract more road users, the government should therefore find it advantageous to lower the toll. The opportunity to gain more revenue in regards to increasing the toll fee and attracting more development will present itself when congestion increases. In this case, road users will be attracted to a road that is fast and reliable and will be more willing to pay more toll fees in order to lower their travel time (Urban Land Institute, 2013).

Apart from the construction of the Kampala-Entebbe Express Highway, the government of Uganda is also planning for the construction of another toll road; the Kampala-Jinja Expressway. The feasibility studies for these roads highlighted that since toll roads are not existent in Uganda, these roads will act as an opportunity to introduce the concept. This will lead to other schemes being set up in the country and therefore lower the financial burden of expanding the road network. Furthermore, the tolls are expected to generate both direct and indirect employment. The feasibility studies also showed that a traffic survey exercise carried out by the consultant indicated that 57% of motorists interviewed were willing to pay a toll charge for an improved road and about 70% of them were agreed to pay up to UGX 1,000.

The provision of toll roads by the government of Uganda is a sign of encouragement and an example that the government is open to exploring new concepts that can be used to raise revenue for the provision and maintenance of road infrastructure. This is

crucial for this research because if the findings show that value capture is viable in Uganda, then it can be one of the alternatives that are explored to raise funds for the further provision of infrastructure in Uganda.

4.2 Contextual Framework of the Case

The purpose of the framework of the case is to provide a detailed account of the underlying context that the value capture process has operate to in, so that it is successfully implemented. It is also important to note that much as this discussion was in most instances considering the framework in the context of Uganda as a whole, it is still in reference to the case study. This is because the case study still operates in the same framework and not in isolation. The discussion of the contextual framework was mainly obtained from the desktop review of documentation. It involved the legal, institutional, fiscal, land use planning and tenure as discussed below.

4.2.1 Legislative Framework for the application of value capture mechanisms

Constitution of the Republic of Uganda, 1995

In order to obtain the perspective of how the legal framework of Uganda can encourage the use of value capture, this paper will start with the review of the supreme law of the country, the Constitution of the Republic of Uganda, 1995.

Article 152 of the Constitution of the Republic of Uganda empowers authorities, persons and local governments to levy, charge, collect and appropriate taxes, provided it is in accordance with any law enacted by the Parliament. Furthermore, in regards to the finances of local government, Article 190 of the Constitution is specific in empowering local governments to levy different types of taxes by virtue of Article 152 of the Constitution. Subsequent to Article 190, the types of fees and taxes are listed in Article 192(2) which include rents, rates, royalties, stamp duties, personal graduated tax, cess, fees on registration and licensing and any other fees and taxes that Parliament may prescribe. Lastly, Article 194 (3) of the Constitution of the Republic of Uganda provides for the establishment of the Local Government Finance Commission whose main mandate is to advise the President on matters relating to the distribution of revenue

between the central government and local government. Details of the scope and functions of the Local Government Finance Commission will later be discussed in Section 4.4.2 of this report that covers the fiscal framework of local governments.

The above overview shows that the 1995 Constitution gives the mandate and authority to laws enacted by Parliament to support the value capture process. For example by empowering authorities, persons and local authorities to levy, charge, collect and appropriate taxes is an indication of how the Constitution provides an opportunity to allow for the applicability of income generating value capture mechanisms.

Local Government Act, Chapter 243

Section 80 of the Local Government Act, Cap 243 empowers the local governments to charge taxes and fees. The nature and type of these taxes and fees is varied with some of them capable of potentially being used as value capture mechanisms. These include property rates, development charges, ground rent and leases on leasehold land. The development charges are normally charged during the planning approval of developments and buildings. This implies that they are required for the approval of new developments or during the change of use of buildings. The main challenge expected from the use of development charges for value capture is that there is currently no clear guideline on how they are to be implemented by the Local Governments.

Ground rent and leasehold are also mechanisms that can be used to capture value. However the major challenge of the use of leasehold and ground rent for value capture is that the terms of the leases and ground rent are still ambiguous. They are established through negotiations with Local Governments on unclear terms and the renewal process is also not streamlined. The use of property rates will be covered in the following subsection under the discussion of the Local Government Rating Act, 2005.

The Local Government Rating Act, 2005

Section 3 of the Local Government (Rating) Act, 2005 empowers the local governments with the mandate to levy property rates on all commercial property in urban areas under the jurisdiction of Local Governments. The Act further authorises the Local

Governments to appoint a registered valuation surveyor of their choice to carry out the property rating process.

Property rates are based on the rentable value of the commercial property. They can be used to indirectly capture increment in property values. For instance, if the provision of the public transport infrastructure leads to the increment in property values, the local governments can review the property rates in the area surrounding the infrastructure and therefore capture this increase in value. The use of property rates has been successfully used to capture value in other countries. The common approach is to create business improvement districts or city improvement districts (CIDs) that are specially zoned out areas with a surcharge on the normal property rates. This approach cannot however be applied in Uganda. This is because Section 3 of the Local Government (Rating) Act provides a lower and upper limit on the amount of property rate that can be charged for a specific property. It states that the minimum amount of rate for any financial year in respect of each property entered on the valuation list should be one tenth of a currency point (where one currency point =UGX 20,000) and the maximum should not exceed twelve percent of the annual rateable value of the property. This implies that the property rates are capped to about one month's net rentable value of the subject property. This upper cap on the amount of property rates chargeable on a specific property affect the flexibility of local governments in implementing the approach of using business improvement districts to capture values.

Secondly, Section 4 of the Act also states that the local governments should at least update their valuation list every five years or a longer period that the local government may determine. The current common practice used by the local governments is to revise their valuation lists at least every five years. However, in relation to capturing value, this is a very long time span. Fortunately, this can always be overcome by the local governments deciding to do the revision of the property rates in a shorter time span or at such a time as maybe seen opportune to capture the created value.

Income Tax, Chapter 340

Apart from the property rates charged by the local governments, the income tax, Chapter 340 also requires property owners to pay property based taxes to the central government. They consist of rental tax on immovable property, VAT at 18 percent on rental income from commercial buildings and capital gains tax (UN-HABITAT, 2013).

In regards to the above-mentioned taxes, rental tax can be used to indirectly capture value within a given jurisdiction by the central government.

The rental income tax is payable by all property owners who rent out immovable commercial and residential properties. It is a percentage based on the market rentable value of the subject property. The Office of the Chief Government Valuer in the Ministry of Lands, Housing and Urban Development is responsible for determining the market values of the subject property. The applicability of rental tax as a value capture mechanism is highly possible. This is because the increase in the market value of the property normally coincides with the increase in the rental value. This in turn also causes an increment in the rental income tax, which is an indirect way of value capture.

In conclusion, the above review of the legal framework shows that the laws do not prohibit the use of value capture mechanisms in Uganda. However, there is still a requirement for some reform that specifically allow for the use of value capture mechanisms. For example, the Local Government Property Rating Act can be reformed to allow for the use special rating in certain areas or locations (for example business improvement districts) so that additional funding is raised. There is also no law that allows for the charging of betterment levy, a mechanism that is commonly used by many countries to capture value. This goes to show that the current laws were not enacted with the intention or knowledge to allow for value capture. The legal framework does however provide the basis and starting point for reforms that will allow for the use of value capture mechanisms.

4.2.2 Fiscal Framework of Local Governments

The location of the Kampala-Entebbe Express highway ends at a key intersection at Busega, a parish that is located in Rubaga division, Kampala. This means that a small section of the road is in Kampala while the major part is located in Wakiso district. The implication for this is that Wakiso local government has authority to collect decentralised revenue from the majority of the properties surrounding the Kampala-Entebbe Express highway. This section will therefore discuss the fiscal framework of local governments in Uganda. The importance of this is to determine the revenue generation capacity of local governments. This is crucial to the value capture process because it will give an insight on whether the local governments can raise revenue using value capture mechanisms. The discussion includes fiscal decentralisation and borrowing powers of the municipalities.

Fiscal Decentralisation in Uganda

The decentralisation process in Uganda started with the announcement of the decentralisation policy by the government in 1992. This was later embedded in the 1995 Constitution, the 1997 Local Government (and later amendments) and a range of additional policy such as the fiscal decentralisation strategy of 2002 and the development plan (World Bank, 2013).

The decentralisation process has led to local governments having elected governments with functional executive and legislative powers with the mandate to provide services and raise and receive significant fiscal resources. This is provided for in Article 152 of the Constitution of the Republic of Uganda and Section 80 of the Local Government Act, Chapter 243.

Also, interestingly, Article 194 (3) of the Constitution of the Republic of Uganda provides for the establishment of the Local Government Finance Commission. The commission consists of seven members and it is an independent and impartial advisory institution to the President (Local Government Finance Commission, 2012a). The main function of the commission is to advise the President on all matters concerning the distribution of

revenue between the Central Government and Local Government and the amounts to be allocated to each local government out of the consolidated fund. The other important role of the Local Government Finance Commission is to advise local governments on the appropriate taxation levels they should levy.

Much as the above discussion indicates that Local Governments have financial autonomy, they are still largely dependent on grant transfers from the central government. The financing options of local governments mostly include central government grant transfers, local revenue, borrowing and direct or indirect donations from development partners. The grant transfers from the central government account for the largest source of revenue. For example during the Fiscal year 2012/2013, the total revenue of local governments amounted to Shs.1, 977.7 billion of which Shs.170 million was revenue from Urban Authorities, while Shs.1, 807.3 billion was revenue from Districts. The largest composition of the total revenue was from central government grants that accounted for 89.2 percent while on the other hand; taxes only contributed 1.3 percent of the total revenue collected as shown in figure 2 and table 2 below (Uganda Bureau of Statistics, 2014).

Figure 2: Sources of Local Government Revenue by percentage share for the FY 2013/14

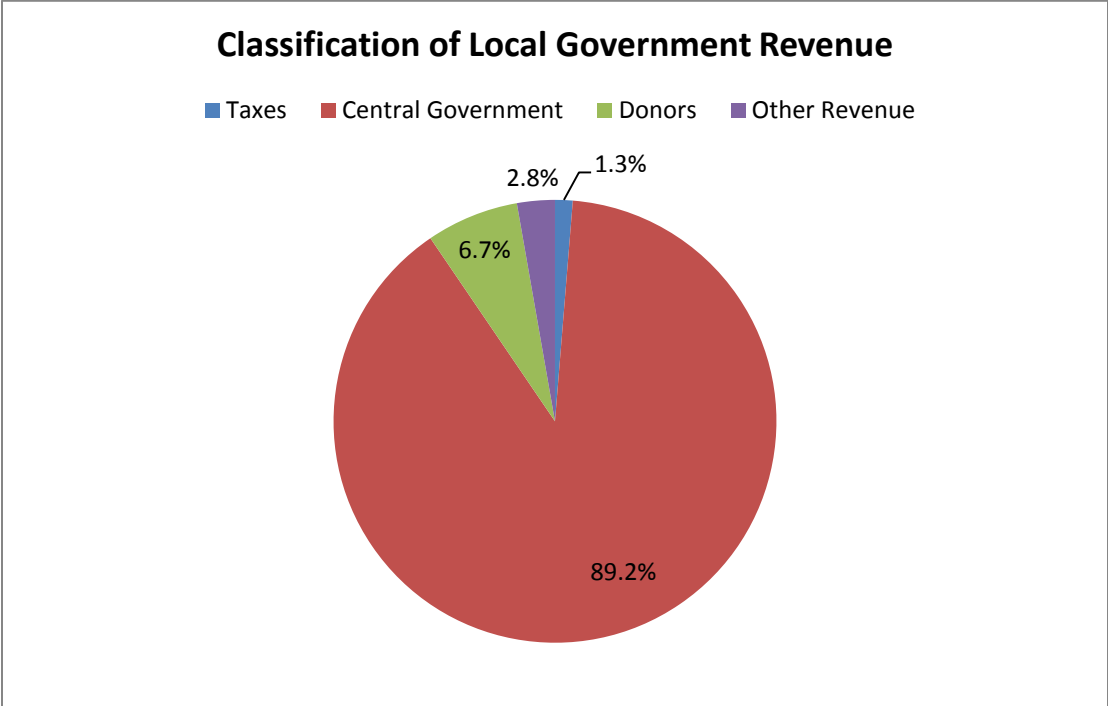


Table 2: Classification of Local Government Revenue by Type (Million UGX)

Revenue Items	2008/09	2009/10	2010/11	2011/12	2012/13
1. Taxes	37,957	53,265	38,206	22,975	25,395
(a) Taxes on Income, Profits and Capital Gains	24,218	43,425	9,307	6,114	8,763
Gains					
Current (Graduated Tax)	3,385	1,936	0	0	0
Local Service Tax (Payable by individuals)	2,156	3,812	8,628	5,885	8,441
Graduated Tax (Compensation)	18,677	37,676	678	225	322
(b) Taxes on Property	1,453	1,892	15,078	5,529	6,413
Immovable property (Land Fees)	1,453	1,892	15,078	5,529	6,413
(c) Taxes on goods and services	357	438	2,573	1,233	1,574
(d) Taxes on permission to use goods or perform activities	7,252	4,211	10,600	8,382	8,327
(e) Other Taxes	4,678	3,301	648	1,717	410
2. Central Government Non-Tax revenue	959,137	1,272,734	1,628,930	1,841,736	1,952,371
(a) Grants	923,552	1,241,216	1,556,964	1,794,378	1,897,774
Central Government	873,369	1,161,649	1,500,804	1,688,288	1,764,285
Donors	50,183	79,567	56,160	106,090	133,489
(b) Other Revenue	35,584	31,519	71,966	47,358	54,596
(i) Property Income	22	2,956	7,632	3,145	3,963
Rent	0	0	6,613	1,181	2,558
Other property incomes	22	2,956	1,019	1,965	1,405
(ii) Sale of goods and services	28,292	25,312	61,091	39,104	45,265
Administrative fees	24,621	22,068	45,128	34,579	41,809
Sales by non-market establishments	3,671	3,244	15,963	4,525	3,456
(iii) Fines and Penalties	0	0	408	42	9
(iv) Miscellaneous and unidentified revenue	7,269	3,250	2,835	5,067	5,358
TOTAL REVENUE (1+2)	997,093	1,326,000	1,667,136	1,864,711	1,977,766

Source: Uganda Bureau of Statistics, Statistical Abstract, 2014

Furthermore, much as the grant transfers from the central government constitute the largest composition of the total local government revenue; the contribution of revenue from the central government has been on the decline over the past years. This is

because, while in nominal terms there is an increment in the grant transfers to local governments (from UShs.856.3 billion in the FY 2005/2006 to UShs.1, 979.3 billion in FY 2013/2014); the total decentralized budget has declined as a share of the national budget (from 25% to less than 15.73%) over the same period as shown in Table 3 (Local Government Finance Commission, 2014).

Table 3: Trends of Grant Transfers to Local Government FY 2005/06 to 2012/13 (Billion UGX)

FY	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
UCG	103.4	94.4	128.6	133.6	144.6	156.7	77	0	79.6
UCG as % of Total	12.1	9.6	12.1	11.6	10.8	10.6	4.7	79	0
GTC	34.8	45	12	32	45	45	0	4.3	4.02
GTC % of Total	4.1	4.6	1.1	2.8	3.4	3.1	0	0	0
EQG	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
EQG % of Total	0.4	0.4	0.3	0.3	0.3	0.2	0.21	0.19	0.18
CG	717.5	839.3	872	1,004.50	1,145.90	1,269.60	1,575.20	1,773.00	1,896.30
CG % of Total	83.8	85.5	82.2	87.2	85.6	86.1	95.1	95.6	95.8
Total Transfers to LGs	856.3	982.2	1,060.90	1,172.30	1,338.90	1,474.80	1,655.70	1,855.50	1,979.30
National Budget	3,425.50	3,852.00	4,465.00	5,464.00	7,044.50	7,376.50	9,630.00	10,902.80	12,904.00
% of Direct Transfers to National Budget	25	25.5	23.76	21.45	19.01	19.99	17.19	17.02	15.34

Source: <http://www.lgfc.go.ug/?q=content/transfers-local-government>; Accessed online on 21st August 2015

UCG - Unconditional Grant; CG - Conditional Grant; EQG - Equalisation Grant

From Table 3, it can be seen that the grant transfers from the central government are in the form of unconditional, conditional and equalisation grants. Section 83 of the Local Government Act provides a description of these grants. It describes an unconditional grant as the minimum grant that should be paid to local governments to run decentralised services; while a conditional grant is one that shall consist of funds given

to local governments to finance programmes agreed upon between the central government and local government and only spent for such purposes. On the other hand, the equalisation grant is given out to provide subsidies and special provisions for the least developed district based on the degree to which they lag behind the national average standard for a particular service.

Table 3 also shows that there has been a significant imbalance in the apportionment and growth between the three different forms of the grants. For example in FY2010/11, the share of conditional grants was 86.1%, while that of unconditional grants was 10.6% and equalization grant 0.24%. The high level of conditional grants implies that the local governments have very limited discretion in their budget spending decisions. This poses a risk of some sectors not being appropriately funded by the local government (Local Government Finance Commission, 2012a).

In conclusion, the above discussion of the fiscal decentralisation shows that Local Governments are still heavily dependent on funding from the Central Government. The funding in nominal terms has been on the increase however the share of funds to the decentralisation budget from the national budget is on the decline. The heavy reliance of the Local Governments on Central Government funds can partly be explained by the suspension of the Graduated Tax in the FY 2005/06 and its later abolishment in 2008. The tax revenue collection of the Local Governments plummeted after the abolishment of the Graduated Tax (Local Government Finance Commission, 2012b).

Furthermore, the biggest share of the funds given to the local governments comes with conditions from the central government, implying that they cannot be used for discretion spending. The Fiscal Decentralisation Strategy of 2002 in its first two years of implementation provided tried to address this problem by providing Local Governments with more flexibility in regards to how they spend funds from the Central Government grant system. This principle of flexibility presented Local Governments with an opportunity to have more financial autonomy. The principle however fell short after there were concerns that it was infringing upon the fiscal performance of health and education sector (Local Government Finance Commission, 2012b).

In view of the above, this means that, first of all, over the past few years, the central government is getting more pressing demands from different sectors hence the lowering of the share of the decentralised budget. Secondly, the majority of funds received by the local governments are for programmes agreed with the central government. Lastly, this has created an unsustainable situation where the local governments are facing competition for funds from other sectors that are being given higher priority in the share of the national budget. Given all this, the local governments are still largely dependent on central government for revenue. The only way to reverse this situation is for the local governments to find additional and alternative means to raise their own revenue. One of these ways is through the use of value capture mechanisms.

Borrowing Powers of Local Governments

One of the other options available to local governments to raise revenue is through borrowing. Article 195 of the Constitution of Uganda allows Local Governments with the approval of Government to borrow money for carrying out their functions and provision of services. Furthermore, for the purposes of Article 95 of the Constitution, Section 84 of the Local Government Act, Cap 243 allows Local Governments to borrow money or accept a grant or assistance provided they conform to the regulations in the Fifth Schedule of the Local Government Act.

Of the above-mentioned methods of borrowing money, this research paper will focus on the option of Local Governments issuing bonds to raise revenue. The reason for this was stated earlier in this paper. It is majorly because Municipalities can therefore use the municipal bonds to raise income against the expected income from the increase in property values as a result of the provision of the infrastructure (Urban Land Mark, 2012).

The option of issuing municipal bonds has never been exploited by Local Governments in Uganda. There has, however, been some progress in starting the process. A study has been conducted by the Local Government to ascertain the viability of issuing municipal bonds by the local governments in Uganda (Ministry of Local Government, 2013). Some of the key findings from the study indicated the following:

1. From the legal perspective and as mentioned above, the Local Government Act allows the local governments to borrow money in the form of debentures, issue of bonds and any other method as long as the borrowed amount does not exceed 25% of locally generated revenue. The study found that this limit affects the capacity of local government because the revenue they generate themselves is too small for them to issue bonds to finance infrastructure. Furthermore, the bonds require sufficient funds to pay off the interest they generate. Also, as earlier mentioned the majority of the revenue to the Local Governments is from conditional grant transfers from the Central Government and there is no guideline that allows these grants to be used for servicing the bonds. This implies that the option of using the conditional grants may not currently be utilised. That leaves the option of using the revenue that is locally generated by the Local Government which is too small and of which most of it is budgeted for recurrent expenditures.
2. The Local Governments lack the administrative capacity to handle the process of issuing bonds. Bonds are complex and require meeting the necessary legal and disclosure requirements which local Governments in Uganda do not have at the moment.
3. Lastly, there has been a trend of creation of new districts in Uganda by splitting up existing ones. For example the current number of districts in Uganda is 112 (2015) up from 56 in 2002. This constant creation of new districts from existing ones poses a challenge of determining how one Local Government will pay for a bond after it has been split (Ministry of Local Government, 2013).

The above findings show that under the current circumstances and conditions, the issue of bonds by Local Governments to raise finance for infrastructure is still premature and very difficult. Even the alternative of borrowing finance from commercial banks is still very difficult given the high interest rates and low revenue streams collected by Local Governments.

Conclusively, the review of the fiscal framework shows that local governments in Uganda are heavily relying on grant transfers from central government and are not raising enough revenue on their own. The option of also borrowing money using

different alternatives is also challenging given the limitation of only borrowing 25% of locally generated revenue and the high interest rates offered by commercial rates. In regards to this study, the fiscal framework therefore further shows that the alternative method of using value capture to raise revenue to fund the provision of services and infrastructure by Local Governments is an attractive possibility that should be given serious consideration.

4.2.3 Land Use Planning and Tenure System

As discussed earlier, in the literature review, land use planning and management is crucial to the successful implementation of value capture. Having a physical plan that guides the development of property and provision of infrastructure from a national level to a more detailed local level (cities, urban areas, municipalities and town level) is crucial to ensure that development is planned, controlled and not haphazard. Furthermore, provision of public transport infrastructure in a well-planned surrounding makes the capture of the created value much easier.

Understanding the land tenure system is also important because it entails issues such as land rights and the relationships that arise from people owning or holding land. These issues clearly have an impact on the use of value capture mechanisms and it is therefore prudent that they are discussed.

The following sections will therefore discuss in detail the land use planning and tenure system and how they relate to the implementation of the value capture process in Uganda.

Brief Historic overview of land tenure system in Uganda

For the purposes of this research, the term land tenure will be defined as the manner in which land is held or owned and the relationships among people that arises from holding or owning land.

Historically, the land tenure system in Uganda has undergone several reforms. Starting with the Crowns Lands Ordinance of 1903 (under the British protectorate administration)

where all land was crown except Mailo land, through to the Publics Lands Act of 1969, the Land Reform Decree of 1975 and finally to the current land tenure system. The main highlights of these reforms included the following: From the British protectorate administration period (1894 to 1962) to the post-independence period of 1962 to 1969, customary tenants on public land were at the will of the governments and had no legal protection against eviction. In 1969, the Land Act of 1969 was enacted to ensure that customary tenants could no longer be evicted or alienated without their consent (Mugambwa, 2002). The Land Reform Decree of 1975 enacted by the regime of Idi Amin however changed all that and it abolished all forms of private ownership of land and declared all land in Uganda to be public land. This implied that people could settle wherever they wanted, as long as they managed the land effectively, subject to certain development conditions. The private ownership of land was later restored by the National Resistance Movement government under the 1995 Constitution.

Current Land Tenure System in Uganda

Article 237 (1) and (3) of the Constitution of the Republic of Uganda, 1995 provides that all land belongs to the citizens of the country and recognises four types of land tenure systems in Uganda namely: Customary, Freehold, Mailo and Leasehold. These tenure systems are briefly explained below with reference to their interpretation in Section 3 of the Land Act, Chapter 227.

Customary Tenure is defined as a “system of land tenure regulated by customary rules which are limited to a particular description or class of persons.” This implies that the incidences and rules governing a customary tenure cannot be precisely defined. They vary according to a given community of a specific ethnic group and region of the country (Mugambwa, 2002). In some parts of the country, particularly the northern and north eastern parts of Uganda, ownership of land is still under communal basis based on clans. The trend of communal ownership is however changing towards individual ownership especially for the more densely populated areas of the country such as the Southern and eastern parts of the country (Mugambwa, 2002; Obola-Ochola, 1971).

Majority of the land in Uganda with the exception of land in Buganda and urban areas is held under the customary tenure system. This accounts for about 70% to 80% of all land in Uganda (Mugambwa, 2002; USAID, 2010). Article 237(4) of the Constitution and Section 4 of the Land Act recognise that most customary owners do not have documentary evidence. They therefore provide for registration of the ownership of the customary land through a certificate of customary ownership. Customary land owners whether they have a certificate or not can always convert their ownership rights to freehold tenure.

Mailo tenure system is defined under Section 4 of the Land Act as the “holding of registered land in perpetuity and having roots in the allotment of land pursuant to the 1900 Uganda Agreement and subject to statutory qualifications.” Mailo land may also be known as a customary form of freehold land. It was a result of the 1900 Buganda Agreement between the British Colonial administration and Chiefs of Buganda. Under this agreement, about half of the land in the Kingdom of Buganda was allocated to Chiefs and notables as their private property in perpetuity and the rest of the land became crown land. The basic unit for the division was a square mile. The name ‘*Mailo*’ therefore arose from the use of the Luganda language to pronounce the English word ‘mile’ (Mugambwa, 2002). Currently, there are about 9,000 square miles of Mailo land covering the Buganda (central Uganda) and parts of Bunyoro (western Uganda). Majority of the occupants of this land are tenants (Green, 2005; USAID, 2010).

Freehold tenure system means “holding of registered land in perpetuity subject to statutory and common law.” It was majorly granted because of the Toro Agreement of 1900, Ankole Agreement of 1901 and Bunyoro Agreement of 1933. Land held under registered freehold tenure is very small compared to other tenures and it is mainly found in the former Ankole, Toro, Kigezi and Busigu districts (USAID, 2010). The transaction or transfer of freehold land is done under the Registration Titles Act, Chapter 230. Also, because of the existing population pressure in the districts where freehold tenure system is mostly found; the freehold tenure in Uganda is normally characterised by land fragmentation. Fragmentation of land has its own effects on the implementation of value capture. This will be discussed later in the section below.

Leasehold tenure according to Section 3 of the Land Act, Chapter 227 is defined as the “holding of land for a given period from a specified date of commencement, on such terms and conditions as may be agreed upon by the lessor and lessee.” The law does not provide restrictions on the duration of the lease period that can be awarded to a lessee provided it is awarded to a citizen of Uganda. Section 41(3) restricts the maximum lease period that can be awarded to a non-citizen to ninety-nine years.

The Land Act allows any private owner of customary land, Mailo or freehold the right to grant a lease to another person out of his land. The Uganda Land Commission and district land boards also have the powers to grant out leases of the land vested in them (Mugambwa, 2002). The leases provided from private ownership normally have a payment of rent attached to them while in practice the leases out of public land have a condition of use (Mugambwa, 2002; USAID, 2010).

This section has provided a brief overview and explanation of the current land tenure system in Uganda. The overview was crucial because it provides a basis to further discuss the effect that the land tenure system of Uganda has on the implementation of value capture by the state.

Effects of the land tenure system in Uganda on Value capture

Of the above mentioned four types of land tenure systems, the Mailo and Customary tenure system provide challenges that may make the use of the value capture mechanisms in Uganda difficult.

This is because these tenure systems are currently characterised by complex land ownership rights. For example, in regards to the customary tenure, there is a challenge of recognising individual ownership particularly in the regions of Uganda where the customary tenure in land is still based on communal ownership. This means that the application of value capture mechanisms such as the levying of property rates or taxes maybe a challenge to administer in those areas.

Secondly, in relation to the Mailo tenure, there is a concern in regards to managing the relation between the Mailo land owner and the customary and statutory rights of the

lawful or bona fide occupants of the land. The term lawful occupant under Section 30(1) has three meanings thus one who occupied land by the virtue of the *Busuulu* and *Envujjo* laws of 1928. The *Busuulu* and *Envujjo* laws of 1928 regulated the rights and obligations of *Kibanja* (plot) holders who were peasants that had settled on Mailo land with the consent of the Mailo land owners. These *Kibanja* holders had inheritable permanent rights and their eviction was disallowed unless where the land was required for public use or it was unattended by the *Kibanja* (plot) holder for more than six months and in all cases the eviction would require to be sanctioned by court (Mugambwa, 2002). The other two meanings refer to the person who enters the land with the consent of the registered owner and those who had occupation of certain land under customary tenure but whose tenancy was not disclosed or compensated for by the registered owner when he or she applied for a public lease over the land.

The term bona fide on the other hand refers to the person, who before coming into effect of the constitution of 1995, had occupied or improved the Mailo land without being challenged by the registered owner or agent of the registered owner. Unlike the lawful occupant of land, the bona fide owner does not require to seek the consent of the land owner. The limitation period for this challenge is twelve years. Bona fide also refers to those persons that have been settled on land by the government or its agent including a local authority (Mugambwa, 2002).

These lawful and bona fide occupants are recognised as tenants by the law. The Land Act deems a bona fide or lawful occupant of the Mailo land to be a tenant by occupancy of the registered owner of the land and that such tenancy is secure as long as the tenant fulfils his/her terms and conditions. The main condition is the payment of ground rent to the registered owner. The Act provides that no tenant by occupancy shall be required to pay ground rent in excess of one thousand shillings (approximately less than half a dollar at prevailing dollar exchange rates with the Uganda shillings) per annum irrespective of the size of the land or its location. The reason why parliament passed this law was because it did not want to overburden tenants by occupancy with payment of commercial rent, which the vast majority of them could not afford (Mugambwa, 2002).

Considering that the vast majority of Mailo land is occupied by tenants (Green, 2005), the successful implementation of value capture in those areas maybe a challenge. This is because, the registered owners of the land are not free to fully transact with their land given the tenancy of occupancy. The tenants are also not comfortable enough to fully develop the land with permanent structures because they do not possess the land title that gives them full ownership rights. Furthermore, the ground rent received by the land owners is also too small to make any commercial and economic sense. The option of also paying the compensation to the bona fide occupants is also expensive. For example, in 2009 a small property with temporary building materials on average cost \$3,000 to \$6,000 depending on its location (Giddings, 2009). This system of having 'twofold' ownership rights on the same property poses a challenge to the implementation of the value capture process in the sense that it makes it difficult for government to capture a portion of the increment in the land values when there are two types of existing ownership rights for a given parcel of land.

4.2.4 Land Use Planning and Management in Uganda

The Physical Planning Act, 2010 provides the legal framework for land use planning in Uganda and it further designates the whole of Uganda as a planning zone. This therefore implies that, much as the constitution provides that all the land belongs to the people, the mandate of the use and organisation for the development of land belongs to the government.

The Physical Planning Act, 2010 in effect makes the whole country a planning area; there is however still a long way in implementing this provision because of the following reasons;

Firstly, Uganda currently has no national physical development plan at the moment. Secondly, the existing sectorial and Local Government development plans are also not harmonised with physical plans. And lastly, although the government is in final stages of formulating a National Urban Policy, Uganda currently lacks a policy framework that guides urban development (National Planning Authority, 2015).

The above-mentioned reasons coupled with Uganda's high urban growth rate of 5.2% which is among the highest in the world and the low levels of planned urban development that range between 7% and 15% has led to rapid urbanisation that is not matched with adequate physical planning. This uncoordinated and unplanned development has further led to most towns in the country experiencing urban sprawl (National Planning Authority, 2015).

Furthermore, the land tenure system also provides challenges to the implementation of physical plan for a given area. This is more pronounced in some parts of Kampala. When the British protectorate government introduced the Mailo tenure system, the Mailo land owners over time became very reluctant in controlling the type of development and pattern of settlement on their land as long as the tenants were paying them rent. This eventually led to uncontrolled and haphazard settlement on land. This was also later coupled with high rates of rural urban migration that over time led to some of the present day slums in Kampala (Giddings, 2009). The Mailo land with its dual system of ownership where both the Mailo land owner and tenant enjoy rights that grant them protection has led to situation where the owners cannot utilise or sell their land because in order to do so, they have to adequately compensate the tenants and the tenants are also not comfortable enough to develop the land with permanent building materials because they do not possess the land title that grants them full ownership rights (Giddings, 2009). This dual system and the history of haphazard and uncontrolled developments have led to challenges in the effective use and development of the land particularly in Kampala.

In conclusion, the discussion above shows that the land use planning and management in Uganda still lacks a national physical development plan. Also, other factors such as the tenure system have an impact on the effective use and development of land in some parts of Kampala. These issues are expected to present similar challenges to the use of value capture mechanisms in Uganda. On a positive note though, the government is currently requesting for proposals from consultants to design a national development plan which if implemented will be a good starting point. It is expected that the national development plan will have gazetted areas for infrastructure or what is termed as

'infrastructure corridors' assigned specifically for the provision of infrastructure in the different parts of the country. This is expected to result to positive spin offs that will make the implementation of value capture much easier due to improved land use planning and management.

4.2.5 Institutional Capacity

The literature review showed that in order for value capture to be successful, there is a need for the presence of strong institutional capacity to handle the value capture process.

Currently, the institutional capacity at the national level is sufficient to adequately manage the value capture process. Institutions such as the Ministry of Lands, Housing and Urban Development, Uganda Land Commission, Uganda Revenue Authority, Uganda National Road Authority and Kampala Capital City Authority that are expected to play a central role in the implementation of value capture on a national level have the capacity and systems to efficiently handle value capture. The concern however is at the Local Government level. This is also why, much as the decentralisation process has been significant in Uganda, the process has not been monotonic. The central government has carried out some recentralisation reforms with the objective of shifting some undertakings to its control. For example in 2010, the governance of Kampala ceased to fall under an autonomous Local Government and became controlled by Kampala Capital City Authority which is currently directly under the control of the central government (KCCA Act, 2010; World Bank, 2013).

Local governments in Uganda have existing gaps in terms of human resource capacity and operating systems (World Bank, 2013). The government acknowledges this and has initiated plans to address this challenge. For example in 2000, the government in collaboration with the World Bank initiated the Local Government Management and Service Delivery program (LGMSD). The core objective of this program is to provide a performance grant whose purpose is to provide modest investment and capacity building resources to the local governments. Another initiative is the capacity building grant that is annually rolled out to all local governments to spend on training and other

capacity building activities based on the single condition that the local governments have a capacity building annual plan which guides the use of the fund (World Bank, 2013). In addition to these interventions, there is also another running program which is funded in conjunction with the World Bank called the Uganda Support to Municipal Infrastructure Development (USMID). It targeted 14 out of the 22 municipalities based on their maturity to handle increased funding and its objective is to build municipality capacity and also provide infrastructure to them.

The discussion above shows that Local Governments have insufficient capacity in terms of human resource and operating systems. This is expected to pose challenges in efficiently managing the value capture process. On a positive note though, there are initiatives being undertaken by the government to improve on this capacity. The implemented initiatives are showing remarkable improvements and it remains to be seen whether in the future these local governments will have the capacity to manage processes such as value capture.

In regards to Wakiso district (where majority of the Entebbe Express Highway is located), the following table 4 below, shows human resource staffing levels as of March 2009. The latest figures as of 2015 were not yet readily available at the time this research was conducted. From the table, it can be seen that the district had only filled 61% of the approved posts required to run the district efficiently. In respect to the department in charge of infrastructure (see water and works) only 52% of the approved posts were filled.

Table 4: Human Resource Office Status of Wakiso District as at March 2009

Department	Approved No. of posts	Filled No. of posts	Vacant Post	% of filled posts
Administration	36	26	10	72%
Finance	23	20	3	87%
Council & Statutory bodies	9	6	3	67%
Production & Marketing	31	7	24	23%
Works & Water	33	17	16	52%
Education (DEO's Office)	17	14	3	82%
Health Services	12	9	2	75%
Natural Resources Services	28	16	12	57%
Community Based Services	9	5	4	56%
Internal Audit Unit	11	6	7	55%
Planning Unit	7	5	2	71%
Procurement Unit	3	2	1	67%
Total	219	133	87	61%

Source:http://www.ubos.org/onlinefiles/uploads/ubos/2009_HLG_%20Abstract_printed/WAKISO_FINAL_%202009.pdf: Accessed online on 1st May 2016

4.2.6 Market Conditions

In order for the benefits of value capture to be enjoyed, there should be conducive property market conditions that allow for this to happen. This section will discuss the general trend of the property market in Uganda and establish whether it is favourable for the implementation of the value capture process. It will discuss in detail the property market conditions of Uganda as a whole and those of some of the different regions in the country.

The land market in Uganda is generally active. It is characterised by a scarcity of productive land with the values of land on the increase (Giddings, 2009; USAID, 2010). The land market in Kampala is characterised by both formal and informal transactions. The formal transactions involve contracts and registration while the informal transactions involve the provision of use rights and sub-leasing without any form of record of the transaction or contract between the parties involved (Giddings, 2009). The land in Kampala includes Mailo land, public land held by KCCA with some of it leased out to private interests and freehold tenure land (mostly owned by religious and

educational institutions). Most of the land in Kampala is under the Mailo tenure system, accounting for more than 52% (Giddings, 2009). This creates a complication in terms of the rights relationship between the Mailo land owner and the bona fide occupants as earlier discussed. The complication arises from the requirement of paying compensation to the bona fide occupants in addition to the cost of purchasing the land (Giddings, 2009). The compensation costs as a stand-alone cost are usually high making the total cost of acquiring land expensive. Giddings (2009) suggests that the compensation cost varies depending on the location of the land and the type of structure that is built on the land by the bona fide occupant. This however, does not imply that land free of tenants and squatters is much cheaper than that with occupants; it is the reverse that is actually true (USAID, 2010). The explanation for this is, because the demand of land free from tenants and squatters is higher than that of land with occupants. Also, most people are willing to pay a higher price for land provided the transaction process is more convenient, faster and less stressing compared to dealing with the inconvenient and long compensation process that comes with buying land that has occupants.

Much as the above-mentioned complications are expected to constrain the land market in Kampala, the land market in Kampala is nevertheless active. Majority of the land transactions for the fully serviced land involve small sized parcels of land that are less than one acre. Obtaining large sized parcels of land that are greater than one acre is hard because they are scarce in the market. Obtaining non-serviced land is also expensive and cumbersome. It involves the cost of providing for the services and in some instances additional infrastructure such as a good road network (Giddings, 2009). The acquisition of leasehold for public land from KCCA is also very cumbersome and the process takes a very long time usually more than a year. It is also affected by political interference and the process is susceptible to fraud and corruption (Giddings, 2009).

In summary, research shows that the land market in Uganda is generally characterised by the following:

1. The land market is active

2. The land sales market does not lead to land concentration
3. Land rental market provides higher opportunities for the poor to access land compared to the land sales market
4. The rental market activity increases with the increase in economic activity
(Baland *et al.*, 2007; Giddings, 2009; USAID, 2010)

Furthermore, Giddings (2009) argues that as a whole, the functionality of the land market particularly is constrained by a number of factors and these include the existing land tenure system, the absence of a coherent land policy, urban planning standards and regulations and their enforcement, land registration systems, land taxation regimes, land speculation and corruption. Researchers and policy makers proposed a land tax that will assist in curtailing the issue of land speculation (USAID, 2010).

These aforementioned issues mentioned will not only constrain the land market in isolation but will also pose challenges to the use of the value capture mechanisms.

The above-discussed contextual framework provided the account of the context in which the value capture process will operate in Uganda. The following section will discuss whether the provision of public transport infrastructure leads to the creation of value in Uganda.

4.3 Value Creation from the provision of public infrastructure in Uganda

The literature review has shown that there is a general positive correlation between the provision of public transport infrastructure and surrounding property values.

In regards to the Entebbe Express Highway, this study ascertained that values of the adjacent properties increased after the construction of the highway commenced. This was established through the review of the valuation rolls made by the contracted valuation surveyor. The valuation surveyor was required to carry out valuation for land acquisition and compensation before the road was constructed and also redo the valuation of the properties after the road had started being constructed.

In view of the above, Table 5 below shows the market values of the land before and after construction of the road commenced.

Table 5: Market Values of adjacent land before and after the construction of the Entebbe Express Highway

Location	Before Construction (UGX 000,000)	After Construction (UGX 000,000)	Percentage change (%)
Kinaawa	155	200	29%
Katale	150	210	40%
Nakigalala	160	225	41%
Kabojja B	160	250	56%
Nalumunye	175	275	57%
Lumuli	170	275	62%
Bandwe	150	250	67%
Kilyamuli	185	350	89%
Wamala	125	250	100%
Mpala	350	750	114%
Ziru/Bukasa	60	150	150%

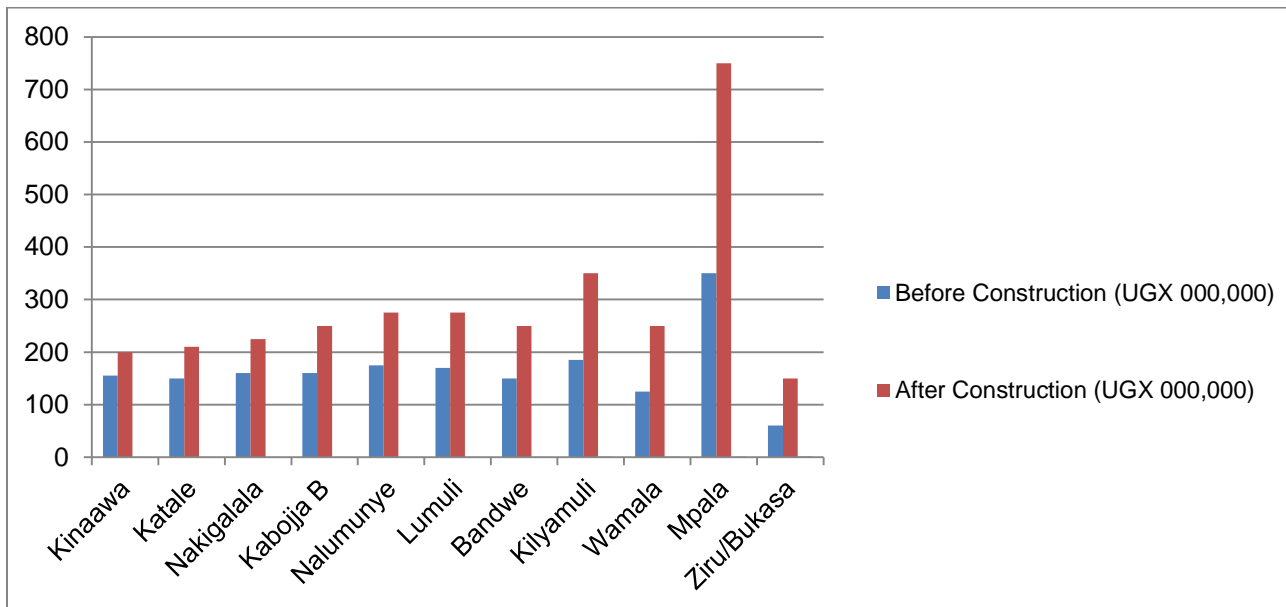


Figure 3: Graph showing market values before and after construction of the Kampala-Entebbe Express Highway

The market values used for this analysis are the mean market values of the suburbs surrounding the Entebbe Express Highway. The mean market value was obtained by

dividing the market values of all the properties on the valuation roll in that suburb with the corresponding total number of properties.

Table 5 and its Figure 3 above show that there was an increment in the market values of the land surrounding the Entebbe Express Highway before and after the construction of the highway. It is also important to note that the proportion of the increase in the values of the properties was varying for the different suburbs. For example, Kinaawa has a percentage change of 29% compared to that of Ziru/Bukasa which is 150%. The disproportionate change of the property values can be explained by interaction of the forces that affect the real estate market for each given suburb.

These include social forces (e.g. population density, household sizes, employment levels and extent of crime); economic forces (e.g. household income levels, property values and trends and amount of development and construction); governmental forces (e.g. public services and local zoning) and environmental forces (e.g. topographical features, open space, land availability and access to public transportation, stores, schools, workplaces and places of worship) (Appraisal Institute, 2008). For example Kinaawa is generally a suburb with low economic activities so the increase in land value was generally small. Mpala on the other hand is a very vibrant suburb due to the presence of Nkumba University within its vicinity and therefore its increase in property value was generally high.

The review of the valuation rolls of this case study and the information collected from the interviews indicated that there is generally a positive correlation between the provision of public transport infrastructure and property values in Uganda.

4.4 Constraints to the issues that encourage the use of value capture in Uganda

This section discusses the constraints to the use of value capture mechanisms in Uganda. The findings presented here were obtained from the responses given by the interviewees. This was achieved by analysing the responses given by the interviewees using Nvivo, a qualitative data analysis tool.

The interview questions were structured with the objective of seeking for responses that provide answers to the issues that affect the value capture process. The issues were mainly obtained from the review of the literature. They included value creation, applicable value capture mechanisms in Uganda, the capacity of municipal governments to handle the value capture process, land tenure system, valuation of land parcels, institutional capacity, legal reforms, political interference, state intervention and land administration.

The interview process involved conducting face-to-face interviews with six carefully selected respondents that were knowledgeable in the research topic. In order to mitigate the response bias, the findings in this section will be cross-referenced with the secondary information that was obtained from documentation review in case the answers are divergent.

4.4.1 Value Creation

All the respondents interviewed suggested that the construction of the Entebbe Express Highway led to the increase in the values of the adjacent properties. Some however also pointed out that it is not always the case for value to be created when there is provision of transport infrastructure. They gave two reasons for this; firstly for the Ugandan property market, they highlighted that in some instances the increase in the values of land can be purely due to speculation. They cited examples where the values of land increased even before construction of the road starts. The residents start speculating on the possible location of the road to be provided and the positive impact it is expected to have. They then, use this speculative basis to start hiking the prices of land in those areas. Secondly, the location and type of public infrastructure provided also plays a role in determining the impact on the adjacent properties. Two of the respondents that are physical planners argued that if there are no intersections and links to the provided road, it may lead to the decrease of property values due to closing out some properties and thereby reducing their accessibility. The interviewees gave an example of the Kampala Northern bypass which was constructed to divert traffic heading to the western part of the country, Rwanda and eastern D.R Congo away from

Kampala City. This bypass however closed off some properties in its vicinity that had no access or intersection to it. It required the owners of these properties to use alternative longer routes to re-access the bypass. This increased travel time and inconvenience and eventually led to the decrease in the values of some of these properties.

For the Entebbe Express Highway, the respondents were of the view that much as it is a gated toll road; the Entebbe Express Highway is connecting Kampala, the capital city to Entebbe airport and it is therefore a '*gateway*' to the outside world. This will help to boost international travel and trade by reducing the travel time to airport given that the existing road is congested with traffic. Secondly, the highway has several intersections that will improve accessibility and also assist in decongesting the central business district which in turn will also boost domestic trade and business. These factors they argued will lead to positive impacts one of them being the increment in the properties.

4.4.2 Land Tenure System

All the respondents interviewed indicated that the current land tenure system may provide some constrains to the use of value capture mechanisms. They argued that the land tenure system particularly the Mailo and customary tenure system pose challenges. They further elaborated that majority of the Mailo land has occupancy tenants and this poses a challenge of applying value capture mechanisms particularly the income generating mechanisms. For the customary tenure, they highlighted that in some parts of the country, customary tenure is practiced on the basis of communal land ownership. This may present hurdles in the implementation of the property taxation and application of value capture mechanisms. The applicability of value capture mechanisms is best situated where there are individual land ownership rights. The respondents however agreed that the other forms of land tenure ownership such as freehold and leasehold provide the suitable conditions to apply value capture mechanisms.

4.4.3 Registration of Land Ownership and Valuation of land parcels

The respondents suggested that the current levels of the land ownership registration and valuation of land parcels are not sufficient for the successful implementation of the value capture process in Uganda.

Obtaining actual data to verify this revelation was a challenge because getting hold of information on land registration and particularly valuation of land in Uganda is difficult. This is because; there is no central registry for the valued properties. Most of the data on property values is with different consulting firms that have their own internal databases. This made the information patchy and difficult to aggregate. Nevertheless, discussions with officers that work in the Ministry of Lands and Housing in addition to interviews with former government physical planners revealed that much as the government introduced a land information system to capture all the existing land titles into a database, an approximation of only about 15% to 25% of land is titled in Uganda. The respondents further argued that this figure is low and may provide a hindrance to successfully capturing value that may be created. Some reports also support this approximation; they suggest that land registration in Uganda is at 15% to 20% (USAID, 2010). The respondents highlighted that there is no mass appraisal system in place to assist with the valuation of land parcels on a grand scale. The current practice is that the government appoints a valuation surveyor to conduct the valuation of land when the need arises for example during the required compensation process before the government can acquire private land.

In conclusion, all respondents agreed that the current level of registration of land ownership and valuation of parcels is still insufficient for successfully implementing the value capture process by the state. The new land information system provides a platform and opportunity for digitally registering more land on a central registrar however, there should be some thought given on how to carry out a mass appraisal of land throughout the whole country.

4.4.4 Legal Framework

The responses given by most of the interviewees in relation to whether the legal framework allows for the implementation of value capture were consistent. Five out of the six respondents agreed that the legal framework allows for value capture.

The responses to what types of legal reforms were needed provided various suggestions. Some of the respondents suggested introducing a legal reform that allows for the use of betterment levies. The constitution as earlier stated gives authorities the mandate to charge levies in order to raise revenue. Exploring this provision of the constitution by allowing for betterment levies is one way to encourage value capture.

Another legal reform proposed by some of the respondents was to change the way the government acquires land for the provision of infrastructure to serve the interest of the public. Article 26 (a) of the Constitution of 1995 provides that the “taking of possession or acquisition is necessary for public use or in the interest of defence, public safety, public order, public morality or public health”. The challenge with this article is that while the executive branch has interpreted public use to have a broad meaning, the courts of law have interpreted it to narrowly include the general interests of the community and not individuals or institutions (Viet *et al.*, 2008). Furthermore, Section 7 of the Land Acquisition Act Cap 226 provides that the assessment officer shall take possession of land as soon as he or she has made his or her award in accordance with Section 6 of the same Act. This implies that the government has to pay the full compensation before they can compulsorily acquire one’s property. The government has attempted to amend this provision in the law to allow the President to acquire land for economic development before the government pays compensation but they have been unsuccessful up to date (Tumushabe & Bainomugisha, 2004).

Most of the respondents were of the view that by the law providing that the government can only compulsorily acquire land on the condition that they fully pay for compensation presents a challenge to the value capture process. This is because this creates two challenges; the first is that this provision delays the construction progress because the compensation process has to be first completed, yet there are always disagreements

about the price payable to acquire the land. This makes projects expensive and also hinders the use of social related mechanisms such as land banking. Secondly, it also leads to speculation by land owners, where land owners get the information that the government intends to provide infrastructure within their neighbourhood, the prices of their land is hiked so that they can get higher compensation.

Lastly, other respondents called for a tax on land. Currently, Uganda does not tax land. The respondents proposed a land tax not for the purposes of revenue generation but rather a tax on holding vacant land so that it is expensive to hold bare land and rely on speculation as the practice is. This, they suggest, will also assist in the value capture process because when the values of land increase particularly on the vacant land where the owner has not put effort increase, the government gets a benefit through the land tax. They suggested that the tax rates should vary according to the location and value of the land.

4.4.5 Land Use and Planning

The respondents provided that the biggest challenge is that Uganda lacks a national physical development plan. Secondly, the central and local governments have to ensure that the physical planning requirements are adhered to through the enforcement of physical planning and land use standards. The control of the development and use of land is very crucial to success of value capture. This is particularly important in the implementation of use-related value capture mechanisms such as incentive and inclusionary zoning and land banking. The respondents highlighted that control of the development and use of land is still an issue in Uganda. They further hinted that for example throughout the country so many people are constructing in wetlands yet the law does not allow it. Government bodies such as National Environmental Management Authority (NEMA) and the Ministry of Lands should play a further active role in controlling land use and development.

Conclusively, the respondents acknowledged that the biggest challenge with land use planning and management in Uganda is that a national physical development plan does not currently exist and that the enforcement is still lacking. They however acknowledged

that the government has called for proposals from consultants to design the national physical development plan.

4.4.6 Political Interference

The literature review has shown that in developing countries, political interference affects the implementation and enforcement of property taxes (Cervero & Susantono, 1999; Goodfellow, 2015; Heggie, 1989).

In regards to Uganda, the respondents were in agreement with the review of the literature. They, however, stated that in Uganda the political interference is more evident at the policy implementation level. For example, policy makers have called for a land tax (USAID, 2010). However the politicians are against implementing it. The respondents argue that the reason for this is that the politicians are probably cautious about implementing a tax on land that is unpopular with the masses and it may therefore backfire on them in terms of political support and popularity. The other reason they gave is that politicians own a lot of land and property and the support of property taxation creates a conflict of interest for them. Another respondent also suggested that the political scene in Uganda is characterised by what he termed as '*political myopia*', thus in reference to the short-sightedness of most politicians when it comes to policy implementation. In his own words, he suggested that, "they prefer to support the policies that are popular with the masses and are cautious when it comes to implementing those that are unpopular with the masses". Also given the five year election cycle in Uganda, some politicians do not look beyond the next election.

That being said, the literature review has shown that the benefits from the implementation of the value capture process in a country like Uganda are undoubted. However, the verification of whether the implementation of the value capture maybe popular with the masses is beyond the scope of this study. Also, most of the views given by the respondents in regards to political interference are only opinions and they could not be checked against factual data to rule out response bias.

Table 6 below provides a summary of the response patterns given by the six respondents in respect to the constraints that may encourage or hinder the successful implementation of value capture in Uganda.

Table 6: Summary of responses to constraints of value capture

Constraint of Value Capture	Agreed (Yes, Constraint)	Disagreed (Not Constraint)
Value Creation	0 out of 6	6 out of 6
Land Tenure System	6 out of 6	0 out of 6
Registration of Land Ownership and Valuation of land parcels	6 out of 6	0 out of 6
Legal Framework	2 out of 6	4 out of 6
Land Use and Planning	6 out of 6	0 out of 6
Political Interference	6 out of 6	0 out of 6

Source: Primary data (Interview transcripts)

In conclusion the research has shown that the provision of public transport infrastructure generally has a positive impact on adjacent properties in Uganda. However in order to successful capture this created value; there should be certain existing pre-conditions in place. These preconditions include adequate registration of land ownership and valuation of land parcels, a strong legal framework and institutional capacity, favourable market conditions, land tenure system and efficient land use planning and management. The discussion of the findings showed that most of these pre-conditions are not at a sufficient level to successfully capture the value created in Uganda. This is further confirmed by the patterns of the responses given by the interviewees as shown in Table 6 above.

5. CONCLUSION AND SUGGESTIONS FOR FURTHER RESEARCH

5.1 Aims of the Research

The aim of the research was to establish the issues that facilitate and constrain the use of value capture mechanisms by the state in Uganda.

5.2 Objectives of the Research

In order to achieve the objectives of the research, a series of steps were undertaken throughout the research process. These included the following:

Firstly, a review of the literature was undertaken to establish what other researchers had done and the key issues that arose from their studies.

Secondly, a mixed methods research was used to conduct the research while adopting the triangulation approach. The research methodology further adopted the case study design and used a single case study of the Kampala-Entebbe Express Highway.

The qualitative data collected through face to face interviews was analysed using thematic analysis. There was also, to a lesser extent, the analysis of the quantitative data which was carried out through the use of descriptive statistics on the data of the property values adjacent to the Kampala-Express Highway.

5.3 Summary of findings

This study showed that, generally, the provision of public transport infrastructure in Uganda has a positive impact on the surrounding properties. It used the Kampala-Entebbe Express Highway as a single case study to establish this. The properties adjacent to the Express Highway increased in value after its construction commenced.

The study also established that much as this value is created, there are issues that facilitate and constrain its capture by the state. These issues arise from preconditions that are required to successfully implement value capture mechanisms by the state. These preconditions include adequate registration of land ownership and valuation of

land parcels, a strong legal framework and institutional capacity, favourable market conditions, land tenure system and efficient land use planning and management.

The research on these issues showed that, in the Ugandan context, they are generally inadequate to successfully allow the state to capture value. First of all, there is insufficient registration of land ownership in Uganda, only about 15 to 20% of the land is titled, the figure for the amount of land valued was difficult to obtain although interviews with the respondents showed it is also insufficient. The legal framework has the laws that provide the basis to allow for the application of the value capture mechanisms. However, further reforms are needed that specifically allow for the use of value capture mechanisms. The land tenure system particularly the Mailo and customary tenure pose challenges to the implementation of the value capture process.

The market conditions show that the land market is active although it is also constrained by the challenges posed by land tenure system. The institutional capacity of the local governments is insufficient both in terms of the human resource and operations systems to successfully handle the value capture process. However, the government together with the World Bank have over the past years implemented several programs to improve on the institutional capacity of local governments. The programs are showing remarkable benefits and may in the future equip the local governments with the capacity to handle the value capture process.

The land use planning and management shows that Uganda currently has no national physical development plan and that the land tenure system particularly the Mailo tenure is hampering the planning of land use in Kampala. These hindrances are also expected to pose challenges to the value capture process.

5.4 Limitations to the study

The research encountered some limitations that may have an impact on the validity and reliability of this study. A brief overview of these limitations is given as follows:

First of all, considering that the survey method was used to undertake this research; it was susceptible to both response bias and sampling bias. Response bias arises from

the quality and content of answers given by the interview respondents while sampling bias is due to excluding a certain category of people as respondents to the interview questions. The effect of the response bias was mitigated by cross referencing it with the findings from reliable secondary source of data such as published government documents and other researched papers. The sampling bias was also mitigated by ensuring that the respondents were carefully selected by ensuring that those selected for the interview had extensive knowledge and experience in relation to the subject matter of this research. The mitigation of the sampling bias was however hampered by an on-going commission of inquiry of Uganda National Road Authority implying that it was not possible to get some of the preselected respondents.

Lastly, a single case study was used to obtain the results and findings of this research. A single case study has a limitation in regards to the generalisation and validity of its findings. The higher the number of cases studies used, then the more suited are their findings for generalisation.

5.5 Recommendations for further research

In order for value capture to be successfully implemented in Uganda, the study recognizes that some of the issues that constrain its implementation can be addressed. For example the legal framework in its current form has the basis to encourage the use of value capture; however this can be improved through some amendments and reforms of the laws such as allowing for the taxation of land. Secondly, the government has implemented the digitalization of all existing registered land titles and looks to create a land information system. This process should be expedited to include land that is not yet registered. The same can be said of the valuation of property. There should be a central database of land values throughout the country and/or a mass land appraisal system. Lastly, proper land use and planning in the country should be improved. This is achievable because the government has called for proposals from consultants to design and establish a national physical development plan.

For the further study, given that Uganda is already using development charges during the planning approval phase of developments, it will be interesting to conduct further

research on how developers can play a role in financing infrastructure through the use of development charges or in kind contributions (building infrastructure themselves).

References

- Abbot, A. (1992). What do cases do? Some notes on activity in sociological analysis. In C. Ragin , & H. Becker, *What Is a Case? Exploring the Foundations of Social Inquiry* (pp. 53-82). Cambridge: Cambridge University Press.
- Alterman, R. (2010). *Takings International: A Comparative Perspective on Land Use Regulations and Compensation Rights*. Chicago: American Bar Association Publications.
- Alterman, R. (2012). Land Use Regulations and Property Values: The 'Windfalls Capture' Idea Revisted. In N. Brooks, K. Donanghy, & G. Jan Knapp, *Handbook on Urban Economics and Planning* (pp. 755-786). Oxford University Press.
- Appraisal Institute. (2008). *The Appraisal of Real Estate* (13th ed.). Chicago: Appraisal Institute.
- Baland, J.-M., Gaspart, F., Platteau, J.-P., & Place, F. (2007). *The Distributive Impact of Land Markets*. Economic Development and Cultural Change.
- Batt, W. H. (2001). Value Capture as a Policy Tool in Transportation Economics: An Exploration in Public Finance in the Tradition of Henry George. *American Journal of Economics and Sociology*, 60(1).
- Bennet, A., & Elman, C. (2010). Case Study Methods. In C. Reus-Smit, & D. Snidal, *The Oxford Handbook of International Relations*. Oxford: Oxford University Press.
- Bhattacharjee, A. (2012). *Social Science Research: Principles, Methods and Practices* (Book 3 ed.). Textbooks Collection.
- Boxall, P., Chan, W., & McMillan, M. (2005). The Impact of oil and natural gas facilities on rural residential property values. *Resource and Energy Economics*, 27, 28-269.
- Braun, V., & Clarke, V. (2006). Thematic Analysis in Psychology. *Qualitative Research in Psychology*, 3(2), 77-101.
- Brown-Luthango, M. (2006). Capturing unearned value/leakages to assist markets work for the poor. *Urban Land Seminar*. Muldersdrift: Urban Land Mark.
- Brown-Luthango, M. (2011). Capturing Land Value Increment to Fianance Infrastructure Investment - Posiibilities for South Africa. *Urban Forum*, 22, 37-52.
- Burrell, G., & Morgan, G. (1979). *Sociological Paradigms and Organisational Analysis*. Aldershot: Ashgate Publishing Company.
- Byrne, D. (2009). Complex Realist and Configurational Approcahes to Cases: A Radical Synthesis. In *The SAGE Handbook of Case-Based Methods*. London: SAGE Publications Ltd.

- Cameron, T. A. (2006). Directional Heterogeneity in distance profiles in hedonic property value models. *Journal of Environmental Economics and Management*, 51, 26-45.
- Cervero, R., & Murakami, J. (2009). Rail and Property Development in Hong Kong: Experiences and Extensions. *Urban Studies*, 46, 2019-2043.
- Cervero, R., & Susatono, B. (1999). Rent Capitalisation and transportation infrastructure development in Jakarta, Indonesia. *Review of Urban and Regional Development Studies*, 11(1), 11-23.
- Charbit, Y., & Virmani, A. (2002). The Political Failure of an Economic Theory. English Edition. *Population*, 57(6), 855-883.
- Chi-Man Hui, E., Sze-Mun Ho, V., & Kim-Hin Ho, D. (2004). Land value capture mechanisms in Hong Kong and Singapore. *Journal of Property Investment and Finance*, 22(1), 76-100.
- Creswell, J. W. (2003). *Research Design: Qualitative, Quantitative and Mixed Methods. 2nd Edition*. London: Sage Publications Ltd.
- Dannermark, B., Ekstrom, M., Jakobsen, L., & Karlsson, J. (2002). *Explaining society*. London: Routledge.
- Debrezion, G., Pels, E., & Rietveld, P. (2007). The Impact of Railway Stations on Residential and Commercial Property Value: A Meta-analysis. *Journal of Real Estate Finance and Economics*, 35, 161-180.
- Director of Economic Affairs. (2013). Annual Economic Performance Report. Kampala: Ministry of Finance, Planning and Economic Development.
- Du, H. G., & Mulley, C. (2007). Transport accessibility and land value: A case study of Tyne and Wear. 7(3).
- Farber, S. (1998). Undesirable facilities and property values: A summary of empirical studies. *Ecological Economics*, 24, 1-14.
- Fedderke, J., Perkins, P., & Luiz, J. (2006). Infrastructural investment in long-run economic growth: South Africa 1875-2001. 34(6), 1037-1059.
- Fletcher, M., Mangan, J., & Raeburn, E. (2003). Comparing Hedonic Models for estimating and forecasting house prices. *Property Management*, 22(3), 189-200.
- Freeman, A. M. (1993). The management of environmental and resource values: Theory and methods. Washington DC: Resources for the future.
- Friso, V. d., & Henri, L. (2009). The impact of industrial sites on residential property values: A hedonic pricing analysis for the Netherlands. Tiribergen Institute Discussion Paper.
- Gallimore, P., Fletcher, M., & Carter, M. (1996). Modelling the influence of location on value. *Journal of Property Valuation and Investment*, 14(1), 6-19.

- George, H. (1920). <http://www.econlib.org/library/YPDBooks/George/grgPP26.html> . Retrieved July 7, 2015, from Library of Economics and Liberty: www.econlib.org
- Giddings, S. W. (2009, January). Retrieved September 20th, 2015, from International Housing Coalition: www.intlhc.org/docs/giddings-kampala.pdf
- Goodfellow, T. (2015). Taxing the Urban Boom: Property Taxation and Land Leasing in Kigali and Addis Ababa. *Institute of Development Studies*.
- Gordhan, P. (2014, February 26). Budget Speech. Pretoria: National Treasury.
- Green, E. D. (2005). Ethnicity and the politics of land tenure reform in central Uganda. *Development Studies Institute Working Paper Series*, pp. 05-58.
- Hammersley, M. (1996). The Relationship between Qualitative and Quantitative Research: Paradigm Loyalty versus Methodological Eclecticism. In J. Richardson, *Handbook of Research Methods for Psychology and the Social Sciences*. Leicester: BOS Books.
- Heggie, I. G. (1989). Financing Public Transport Infrastructure: An Agenda for Reform. *Proceedings of seminar MPTRC Summer annual meetings, P327*. Planning and Transport Research and Computation (Internationa) Co.
- Hite, D., Chern, W., Hitzhusen, F., & Randall, A. (2001). Property-Value impacts of an environmental disamenity: The case of landfills. *Journal of Real Estate Finance and Economics*, 22, 185-202.
- Huxley, J. (2009). Value Capture Finance: Making Urban Development pay its way. (A. Notay, & G. Clark, Eds.) London: ULI Europe Publication in partnership with the ULI Urban Investment Network Founding Partners.
- Ingram, G. K., & Hong, Y.-H. (2011). Value Capture and Land Policies. *Land Policy Conference*. Cambridge, Massachussets: Lincoln Institute of Land Policy.
- Janssen, C., Soederberg, B., & Zhou, J. (2001). Robust estimation of hedonic models of prices and income for investment property. *Journal of Property Investment and Fianance*, 19(4), 342-360.
- Jay, I. C., & Viruly, F. (2013). The local impact of infrastructure projects: a case of complexity. University of Cape Town.
- Jia, G., Yang, F., Hong, B., & You, R. (2011). A study of mega project from a perspective of social conflict theory. *International Journal of Project Management*, 29(7), 817-827.
- Kiel, K. A., & Williams, M. (2007). The impact of superfund sites on local property values: Are all the sites the same? *Journal of Urban Economics*, 61, 170-192.
- King, G., Keohane, R. O., & Verba, S. (1994). *Designing Social Inquiry: Scientific Inference in Qualitative Research*. Chichester: Princeton University Press.

- Kohlhase, J. E. (1991). The Impact of Toxic Waste sites on Housing values. *Journal of Urban Economics*, 30, 1-26.
- Levy, J. S. (2008). Case Studies: Types, Designs and Logics of Inference. *Conflict Management and Peace Science*, 25, 1-18.
- Li, M. M., & Brown, J. H. (1980). Micro-Neighbourhood Externalities and Hedonic Housing Prices. *Land Economics*, 56(2), 125-141.
- Lindholm, R. W., & Lynn, D. J. (1982). *Land Value Taxation: The Progress and Poverty Centenary*. Madison: University of Wisconsin Press.
- Local Government Finance Commission. (2012a, June). Retrieved August 18, 2015, from www.lgfc.go.ug/?q=download/file/fid/140
- Local Government Finance Commission. (2012b, October). *Review of Local Government Financing - Financing Management and Accountability*. Kampala: Local Government Finance Commission.
- Local Government Finance Commission. (2014). *Publications & Reports>Transfers to Local Government*. Retrieved August 22, 2015, from Local Government Finance Commission: <http://www.lgfc.go.ug/?q=content/transfers-local-government>
- McGaffin, R. (2011). *Value Creation? Value Capture? An Assesment of Three Different Types of Transport Interchanges*. Cape Town: University of Cape Town.
- McGaffin, R., Napier, M., & Gavera, L. (2013). Value Capture in South Africa - Conditions for their Successful Use in the Current Legal Context. *Urban Forum*, 25, 375-387.
- McGaffin, R., Napier, M., & Gavera, L. (2014). Value Capture in South Africa - Conditions for their Successful Use in the Current Legal Context. *Urban Forum*, 25, 375-387.
- Merriam, S. (1998). *Case study research in education: A qualitative approach*. San Francisco: Jossey-Bass.
- Ministry of Finance, Planning & Economic Development. (2014, June 12). Budget Speech. 2014. Kampala.
- Ministry of Local Government. (2013). *Study to Assess and Develop Guidelines for Local Governments to Issue Bonds*. Kampala: Ministry of Local Government, Uganda.
- Mugambwa, J. T. (2002). *Principles of Land Law in Uganda*. Kampala: Fountain Publishers.
- Munoz-Raskin, R. (2007). *Walking Accessibility to Bus Rapid Transit in Latin America: Does it affect values? The case of Bogota, Columbia*. TRB.
- National Planning Authority. (2015). Retrieved September 20th, 2015, from National Planning Authority Website: <http://npa.ug/wp-content/uploads/NDPII-Final.pdf>

- Obola-Ochola. (1971). *Customary Land Law and the Economic Development of Uganda*, LMM Thesis. University of Dar-es-Salaam.
- Pagourtzi, E., Assimakopoulos, V., Hatzichristos, T., & French, N. (2003). Real estate appraisal: a review of valuation methods. *Journal of Property Investment and Finance*, 21(4), 383-401.
- Phatak, V. K. (2013). Land Based Fiscal Tools and Practices for Generating Additional Financial Resources. (Ministry of Urban Development , Government of India, & World Bank, Eds.)
- Punch, K. F. (2006). *Developing effective research proposals*. London: Sage Publications Ltd.
- Ragin, C. (2004). Turning the tables: how case-oriented research challenges variable-oriented research. In D. Brady, *Rethinking Social Inquiry* (pp. 123-168). Lanham MD: Rowman and Littlefield.
- Ranganathan, R., & Foster, V. (2012). Uganda's Infrastructure: A Continental Perspective. World Bank. African Region. Sustainable Development Department.
- RICS. (2002). *Land value and public transport*. Retrieved September 24, 2014, from www.rics.org/downloads/static/land_value.pdf
- Rodriguez, D., & Mojica, C. (2008). Land Value Impacts of Bus Rapid Transit - the case of Bogota's Transmilenio Land Lines. *April Lincoln Institute of Land Policy*, 2-8.
- Salon, D., & Shewmake, S. (2012). Opportunities for Value Capture to Fund Public Transport: A Comprehensive Review of the Literature with a Focus on East Asia. *Institute for Transportation and Development Policy*.
- Shapiro, P. (2012). Takings and Givings: The Analytics of Land Value Capture and its Symmetries with Takings Compensation. In G. K. Ingram, & Y.-H. Hong, *Value Capture and Land Policies*. Lincoln Institute of Land Policy.
- Simons, R. A., & Saginor, J. D. (2006). A meta-analysis of the effect of environmental contamination and positive amenities on residential real estate values. *JBER*, 28(1).
- Smith, J. J., Gihring, T. A., & Litman, T. (2014). *Financing transit systems through value capture. An annotated Bibliography*. Victoria Transport Policy Institute.
- Spiegel, H. W. (1991). *The Growth of Economic Thought* (3rd Revised Edition ed.). Duke University Press.
- Stake, R. (1995). *The art of case study research*. California: Thousand Oaks. Sage.
- Steiner, P. (2003). Physiocracy and French Pre-classical Political Economy. In W. J. Samuels, J. E. Biddle, & J. B. Davis, *The History of Economic Thought*. Blackwell Publishing.
- Tshangana, A. H. (2011). *Legislative and Policy Context for the Application of Value Capture Mechanisms by Municipalities*. Urban Land Mark.

- Tumushabe, G. W., & Bainomugisha, A. (2004). *Submission on the Government White Paper on the Constitutional Reform and the Political Transition Process. Memorandum to the Committee on Legal and Parliamentary Affairs, Parliament of the Republic of Uganda*. Kampala: Advocates Coalition for Development and Environment.
- Uganda Bureau of Statistics. (2012). *Statistical Abstract*. Retrieved April 15th, 2015, from Uganda Bureau of Statistics: <http://www.ubos.org>
- Uganda Bureau of Statistics. (2014). *Publications: Statistical Abstract*. Retrieved August 20, 2015, from Uganda Bureau of Statistics website: <http://www.ubos.org>
- UN-HABITAT. (2013). *Property Tax Regimes in East Africa*. Nairobi: United Nations Human Settlements Programme.
- United Nations. (1976). The Vancouver Action Plan - Recommendation D.3. *United Nations Conference on Human Settlements*. Vancouver, Canada.
- Urban Land Institute. (2013). *When the Road Price is Right: Land Use, Tolls and Congestion Pricing*. Washington, DC: Urban Land Institute.
- Urban Land Mark. (2012). *Improving Access to the City Through Value Capture*. Urban Land Mark.
- USAID. (2010, August). *Country Profile Uganda: Property Rights and Resource Governance*. Retrieved September 2nd, 2015, from <http://usaidlandtenure.net/uganda>
- Vadali, S. (2008). Toll Roads and Economic Development: Exploring the Effects on Property Values. *The Annals of Regional Science*, 42(3), 591-620.
- Veit, P. G., Nshala, R., & Odhiambo, M. O. (2008). *Protected Areas and Property Rights: Democratising Eminent Domain in East Africa*. Retrieved September 30, 2015, from pdf.wri.org/protected_areas_and_property_rights.pdf
- Walters, L. C. (2012). Are Property-related taxes effective value capture instruments. In G. K. Ingram, & Y.-H. Hong, *Value Capture and Land Policies*. Cambridge, Massachusetts: Lincoln Institute of Land Policy.
- Walters, L. C. (2013). Land Value Capture in Policy and Practice. *Journal of Property Tax Assessment and Administration*, 10(2), 5-22.
- Wells, A., Hirshberg, D., Lipton, M., & Oakes, J. (2002). Bounding the case within its context: A constructivist approach to studying detracking reform. In M. B. Miles, & A. M. Huberman (Eds.), *The qualitative researcher's companion* (pp. 331-348). Thousand Oaks, CA: Sage.
- World Bank. (2007). *World Bank*. Retrieved August 23, 2015, from http://www.worldbank.org/transport/roads/toll_rds.htm
- World Bank. (2011). *Uganda Demography and Economic growth*. Washington, DC: World Bank.

World Bank. (2013). *Uganda Support to Municipal Infrastructure Development (USMID)*. Washington, DC: World Bank.

World Bank. (2014). *World Bank*. Retrieved August 23, 2015, from http://www.worldbank.org/transport/roads/toll_rds.htm

Yin, R. K. (2003). Case study research: Designs and methods. In *Applied Social Research Methods Series, No.5* (3rd ed.). Thousand Oaks, CA: Sage.

APPENDIX A – INTERVIEW QUESTIONS

Research Title: What issues facilitate and constrain the use of value capture mechanisms by the State in Uganda: Case Study of Kampala-Entebbe Express Highway

This research seeks to examine the issues that constrain and facilitate the use of value capture mechanisms by the state in Uganda. It will seek to determine whether the provision of public transport infrastructure leads to the creation of value and whether this value can be captured through the use of different types of mechanisms. These mechanisms can either be income (e.g. betterment taxes, property rates and fees) or use-related (e.g. air rights, land banking and Public private partnerships). Furthermore, considering that limited research on value capture in Uganda has been undertaken, this paper will primarily be exploratory and will use the Entebbe Express Highway as a case study.

The aim of the research is to establish the issues that facilitate and constrain the use of value capture mechanisms by the state in Uganda.

The following are the specific questions for this research.

1. Is value created from the provision of transport infrastructure development in Uganda?
2. Which value capture mechanisms in Uganda can be used to capture value?
3. What are the issues associated with using these value-capture mechanisms to capture value by the state resulting from the provision of transport infrastructure in Uganda?

I thank you very much for your time and highly appreciate your courtesy of allowing me to conduct an interview with you. The following are the interview questions.

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?
3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?
4. In the Ugandan context, please give a brief explanation on how value created can be captured?
5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?
6. What legal reforms are needed to allow for the greater use of value capture in Uganda?
7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?
8. Are local governments authorized to provide municipal bonds?
9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?
10. Is state interference crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

11. Briefly explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?
12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?
13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?
14. How does the land tenure system affect the value capture process in Uganda?
15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

APPENDIX B – INTERVIEW TRANSCRIPTS

Interview Transcript – Participant A

Name	Participant A
Date	5 th August 2015
Profession	Former Chief Government Valuer & Land Policy Specialist in Uganda
Time	4:00pm to 5:00pm
Format	Face-to-Face Interviews

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

Participant A:

I would say to a great extent yes. It will all depend on the following:

- opening up to areas that are populated and have economic activities
- If the transport infrastructure is opening out of the city to neighbouring areas or suburbs and as it opens up it creates expansion of the city and therefore creates new areas. An example would be the Gayaza-Zirobwe area.

However some of this is speculative, people tend to think that buyers will be attracted to go to these areas and therefore raise the stakes in their offers. However some of the roads may not be leading to value as such, they are called through fares, for example like the Entebbe Express Highway. But as you know that Uganda as it is, some of the increment in values can be speculative. But also there are some intersections for example the Nateete-Nakawuka road. We have seen in the Kampala Hoima road, this road opened up on Kakiri. Other public infrastructure have led to increase in value for example the Naalya Housing estate led to the transformation of Naalya into a very marketable area due to the provision of good roads and some good stuff.

Ian: Question on roads being political?

Participant A:

Some may be political but not all roads, because roads lead to the increase in the mobility of the road.

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?

Participant A:

Yes. The statement you made about Entebbe Express Highway is correct. The current existing Entebbe road is too crowded. And it being a gate way to the outside world, there was a need to build another road to connect the capital Kampala to Entebbe. However, to note also the areas surrounding the express highway are highly populated. This means that if intersections are made off the road then it can assist in improving the property values around.

However it is also important to note, the provision of other infrastructure is far behind. There is no water, no electricity, people are just gambling on their own, UMEME is not helping. It is important that the provision of large infrastructure should go hand in hand with provision of other services

3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?

Participant A:

To a great extent no, this is because of the following:

- There is no clear policy to use the instruments to capture this value
- There is restriction in the property taxation. No land taxation in Uganda. Our rating system based on the annual rental value system so they are not even capturing land. Of course one may say that the rating do have since it is based on the rental. But then again the rating system is not that developed. For example in Kampala the

valuation lists are out of date, terribly out of date. This is an indirect way, it is not on land. The owner has to first develop it and then the rates can be applied.

- There is also a problem of enforcement and people are reluctant to pay. I suggest you look at the Physical planning Act to determine if betterment tax can be charged.
- It is also a political issue. When we were discussing the national land policy, I pushed for the taxation of idle land for the property market. Whether it is in town or rural. It is not for revenue generation but for property market consideration. Because you see, if you hold land without being put to use, it can create artificial shortage. This is because where there is strong demand for land, you are holding onto it without paying cost for holding onto that land. This leads to speculation becoming costless. The holder of idle land is not paying any price and the values are going up. You can afford to wait. Society is contributing value to the owner without them doing anything. The owner is just waiting for windfall and this encourages windfall.

4. In the Ugandan context, please give a brief explanation on how value created can be captured?

5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?

Participant A:

The current legal framework may encourage value capture for example the Local Government Rating Act, Income Tax e.g. Capital gains tax and Physical planning act.

Stamp Duty is really remote. It is not connected to the topic and besides government does not have the capacity to collect stamp duty. People can declare anything and government is so disorganized, so they do not inspect these properties. Also our land information system is so archaic, there are no maps.

6. What legal reforms are needed to allow for the greater use of value capture in Uganda?

Start taxing idle land.

Participant A:

Introduce betterment levy which is related to land use planning and infrastructure development, because the two are related.

The capital gains tax also has to be reviewed. Such that at least value can be captured from those people that sell. For example on the gayaza zirobwe road, land on average used to be 10 million an acre but it is now 30 million. Also when you are looking at this, look at other factors such as economic growth and population

7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?

Participant A:

Only to the extent of property rating. This is also limited because:

They don't have the capacity to do the valuation lists

Don't have the capacity to collect.

The law is very bad because owner occupied properties are not taxed.

The poor do not want to pay

It is very difficult to auction the defaulting properties. They put the properties in papers for auctioning but it never happens. It will be politically inappropriate

8. Are local governments authorized to provide municipal bonds?

Participant A:

These are too advanced. They cannot be applied here as of yet. Maybe you can find out more from the local government finance commission.

9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?

10. Is state intervention crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

Participant A:

It is very crucial. However the state has failed to provide key infrastructure. People are doing it on their own. Where it has been done, it is political. For example the Arkright Kakungulu satellite city, they provided roads and water. I don't know why? Maybe you should be go and find out why. But those are very few isolated cases. Most people are on their own and it is very expensive.

11. Briefly explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?

Participant A:

The use related mechanisms may not work unless you have a structural plan and detailed plan that is adhered to. Currently Uganda does not follow and implement structural and detailed plans this therefore cannot allow the use of use related mechanisms.

12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?

Participant A:

It is not adequate. Less than 25% of the land in Uganda is registered. The figures are lower when it comes to valuation of the land parcels.

13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?

Participant A:

It is not conducive particularly the Mailo because you have dual ownership. It is chaotic actually. Customary also has problems. It is a rural thing. The tenure system is not conducive for property taxation.

14. How does the land tenure system affect the value capture process in Uganda?

Participant A:

The land tenure system may discourage the use of value capture. For example the Mailo land system complicates land rights. The squatters have rights. Actually evicting them has been made illegal. The owners will not benefit from the enhancement in value.

15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

Participant A:

First let me say land is a political tool and where you have people who want cheap popularity. They don't want to get reforms going. For example the land use impasse on Mailo can never be resolved the way politicians look at it. You need to put reforms; you need to open up the market. This nominal ground rent cannot work, and that is why people are selling their land and are people being evicted. At least if people were allowed to get economic rent out of their land. You cannot also evict now, it has been criminalized.

You need to put a compensation law which is fair and just. For example these people staying in Katwe in slums, put a law that compensates them fairly. Let them go to Mukono. Open up that land. This is causing a problem, urban sprawl. I can at Look at this land between Nsambya road, queens land and makyindy. It is a big chunk of land but what is there? Slums. And that is land where we would be putting apartments and infrastructure would be cheaper to provide. But because compensation laws are not fair people are staying anywhere and urban sprawl.

Interview Transcript: Participant B

Name	Participant B
Date	7 th August 2015
Profession	Lead Economist for Uganda at the World Bank
Time	2:00pm to 3:00pm
Format	Face-to-Face Interviews

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

Participant B:

Yes. This is very true. If tomorrow the Entebbe Express Highway is finished, those properties will be impossible to buy. And I have seen it on all roads that have been constructed. The surrounding properties will increase in value.

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?

Participant B:

Yes there is some element of speculation but to answer this very well you need to look at the economic analysis report of the road.

3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?

Participant B:

The above information in question number 2 will answer this question

4. In the Ugandan context, please give a brief explanation on how value created can be captured?

Participant B:

Toll fees can work. The Uganda Road Fund Act, there is some charge on the fuel. Property rates can also work. Also rental income can work, but it is only URA that collects. The roads in the local governments may not be reached; URA is currently focusing on the urban areas. The income tax may also be hard since people do not declare and have poor record keeping.

5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?

Participant B:

The legal framework is okay. It does not inhibit the use of value capture in any way. I will advise you to look at the Acts such as the Local Government Act, KCCA Act, the Local Government Finance Commission and the Income Act. Look out for specific parts of these Acts that encourage the use of value capture.

6. What legal reforms are needed to allow for the greater use of value capture in Uganda?

Participant B:

Basically operationalization of the existing laws. Be specific. The laws are so many. There is need to refine in regards of value capture. There is no specific law that covers value capture. Look at all the laws and refine them to create a policy guideline. Look at laws like the Income Act, Local Government Act. Then suggest if it should be a policy reform. The existing laws are sufficient but you only need to capture issues that relate to value capture.

7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?

Participant B:

Yes.

It is because in every local government there is revenue collection. It is provided for in the local government Act. But it is only provided for charcoal and forests. It is only transportation of goods, for roads they don't. It becomes political. Government gets up and says that all those that are interfering with movement of goods and services, so trade is affected. So how do you expect the local governments to collect revenue?

8. Are local governments authorized to provide municipal bonds?

Participant B:

The guideline on providing municipal bonds was created; however the guidelines were not put into play.

9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?

Participant B:

Yes investor appetite is high. Although the process of implementation is awaiting the approval of the capital markets authority and Uganda Securities Exchange to clear.

10. Is state interference crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

Participant B:

Most of the roads are political. They do not look at the revenue. It would be good to look at the economic analysis of the roads. For example, the Kapchorwa-Aswan road, apart from the politics that was in play, there was no economic requirement for that road. People are using them to dry maize. The Iganga-Tirinyi-Mbale- road, cassava drying is a predominant activity. Also the Hoima-Kaiso-Tonya road, it was only built for the oil. That was pure speculation, because the oil prices have now gone down and there is no other activity in that area. If you look at the economic analysis of these roads, there is a big variation between what actually happens on the ground. The other road is the Hoima-Masindi road the only activity is the charcoal selling. In terms of return on investment, it is not good because these roads are built on borrowed money. In fact there should be environment social impact assessment. The construction of the road should have mitigation for the environment; otherwise the opening up of the road should not only be for charcoal transport. Before the roads are constructed, they should not just be provided for people to transport goods and products e.g. charcoal. Mbarara Ibanda, Rukungiri, Kabala Mirama. The politicians feel that people should just have the roads. All the past budgets, say 10 past budgets have been political. The NRM claims that the roads are for agriculture. The

road should have an integrated approach with the community e.g. the provision of agricultural machinery so that there is a link. The provision of the road is due to political pressure. But some roads have also been done with economic analysis. For example, the Fort Portal Mityana Mubende road.

11. Briefly explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?

Participant B:

They do not have the capacity. They are lacking the capacity in both human resource and the operating systems needed to efficiently manage the value capture process. I will give you a report by the World Bank that we did under the USMID project that provides details on the lack of capacity in local governments.

12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?

Participant B:

No.

The land is fragmented. Less than 100,000 titles are registered. The registered land in place is not sufficient. The other day Sara Blatter was asking whether that is all we have been doing for all these years. Only 62,000 are captured for freehold land. This is mainly Kampala and Wakiso. The whole country has less than 25% titled land and a lot of money has been injected by the World Bank. So far the World Bank has sponsored two of land registration projects with each costing about 100million dollars.

13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?

Participant B:

It is a very interesting question. We don't tax land apart from Stamp Duty. Even the property rating is not sufficient. The valuation may be done but the collection is not. There

is a lot of interference, for example the enforcement team may visit one's property and the person will call the town clerk who may tell the enforcement team to leave the property alone.

14. How does the land tenure system affect the value capture process in Uganda?

Participant B:

The current land tenure system does not encourage the use of value capture in Uganda. It poses complications and challenges in relation to the property rights of the different parties with interest in the land. The Mailo land tenure system for example may complicate issues of capturing value in determining the rights between the squatters and landlords.

15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

Participant B:

Yes. There is political interference. This is because most of the property is owned by the politicians. They will therefore try to frustrate any form of property taxation. For example there is a colleague of mine who is a town clerk, when the local government officials are doing their work of collecting and enforcing the payments for property rates, he gets a lot of calls from politicians telling him to instruct his officers not to demand payment for property rates.

Interview Transcript: Participant C

Name	Participant C
Date	17 th August 2015
Profession	Physical Planner with Uganda National Road Authority
Time	3:00pm to 3:50pm
Format	Face-to-Face Interviews

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

Participant C:

Definitely yes

Ian:

Can you please elaborate?

Participant C:

As you know access is a very important thing. Access to any property is very important. It reduces distances to areas. For example in Kampala, when a road is open, areas where people thought that could not be occupied are easily taken up. As long as people are assured of good transport, they can live anywhere because it reduces travel time.

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?

Participant C:

Yes. It is very speculative. Because it will be a toll road and it will be fenced in. There will be very limited areas of accessing it. People think that they will have easy access to it but this is not true. However, some think that they will good scenery overlooking the road, so they may buy or sell higher.

Ian:

So in that regard does the type of transport infrastructure and its location affect value creation?

Participant C:

Yes. Actually for the Entebbe Express Highway the values went up but majorly because of speculation. Because first of all, the speculation started when people would approach and ask where the road will be constructed so that they could buy land earlier before the construction commences.

The speculation came from the design and build. Because the construction is done in piecemeal, when you go to acquire another place the values have shot up. The project was implemented in 5Km phases, so when the compensation would go to the next 5km the land prices would have shot up.

Ian: In that regard couldn't the valuation be done for the whole project before it commences to avoid changes in prices for compensation?

Participant C:

It couldn't because some of the design and direction of the road was changing along the way.

Ian: So is it safe to say that design and build roads are not good in relation to compensation by the government? Are they are very expensive given their susceptibility to changes and increases in the land prices for compensation?

Participant C:

No. Actually Design and build is very good for the management side of road construction. This is because it mitigates the risks. For a design and build, all the aspects of the whole project are given to the contractor. The contractor acquires the land. The contractor even handles the compensation of the land. UNRA gives them the funds for compensation and just comes into play to act as a guide for the process. A good example of such a road is the Mbarara-Kikagata road.

It is faster and less contractual and the risks of intervention and delays are reduced

Ian: In this case why didn't you use the same approach of handing over the compensation to the contractor and giving him all the land? Why was the design and build for the Entebbe Express Highway different?

Participant C: It is because of the part of the funding of project was from donors. Donor funding does not provide funds for providing land to the contractor.

3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?

Participant C: Yes. They will be using the road to fit it into the planning of Greater Kampala Metropolitan. It will act as a driver to promote planning, and achieve development, it is going to be joined by the Southern Spur union and later joined by the southern bypass which is also already under design. These will then connect to the Kampala - Jinja, It will be used as a link.

The above information in question number 2 will answer this question.

4. In the Ugandan context, please give a brief explanation on how value created can be captured?

Participant C: Betterment can work. The problem however is that in Uganda, we lack a baseline of taxation. We don't know how people work, how people earn from land and nobody cares to look at that potential.

The government should Tax land because people sit on land and don't use it. The land is not productive and they are just relying on speculation. They speculate on it People have a lot of land and don't use it.

5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?

Participant C: We have our Cap 237 and this issue that land belongs to the people, I think there is a misconception. We do acquisition for publicity, we can't say let me take and I will pay later

Ian: The government has to first pay and then compulsorily acquire land?

Participant C: Yes. Which makes development very slow, I think the laws. The prime minister has picked interest to look at that article 237 that land belongs to the people for an amendment

Ian: What would you recommend?

Participant C: What I would recommend is that land should be owned by the government just like what other countries and most of our neighbouring countries are doing. Article 226

where you have to pay for compensation is a very expensive and long process of acquiring land by the government.

6. What legal reforms are needed to allow for the greater use of value capture in Uganda?

Participant C: The land Act that says law that land belongs to the people, should be amended. Land should be vested in the state to ease the compulsory acquisition of land and therefore ease the process of provision of infrastructure such as roads which in turn can lead to value creation and therefore value capture.

7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?

Participant C: Yes: By use of property rates. Local authorities are very ambitious and serious about property rates.

8. Are local governments authorized to provide municipal bonds?

Participant C:

No: Am not sure about that one

9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?

10. Is state interference crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

Participant C:

Yes. What I know is that, when having a road reserve that is where the public utilities pass. But whether putting up roads increases it, I don't know. But what I know if it's free once we acquire it, we can provide. What I know they are more of hindrance since it's so difficult to acquire. The state acquire their own right of road

11. Briefly explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?

Participant C:

It is possible that they do. This is because we have demystified local authorities. For example by making Kampala City as an authority of the central government and removing the politicians has helped to improve its performance. This shows that the capacity maybe there. What is needed is transparency and accountability; those are the two important issues

12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?

Participant C:

No. It is not sufficient because you see its only 15% and that has been for a very long time. I think government has been very slow, the land information system for the World Bank was very ambitious; we visited Sweden and Lithuania who have very good land information system. However the implementation of the process by our government has been slow.

13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?

Participant C:

Right now the taxation stops with the registered land .I feel a lot can be done like through these customary owned land. If government was to tax them, they wouldn't remain with idle land and they would strive to make their land more productive.

14. How does the land tenure system affect the value capture process in Uganda?

Participant C:

With the current land tenure system, it is difficult to capture land value. The customary and Mailo land have so many issues in regards to the land rights. This can and does affect the value capture process.

15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

Participant C:

Yes. It is a main problem here. It is because it is the political leaders who have land; they will try to go against the administration of tax.

Interview Transcript: Participant D

Name	Participant D
Date	19 th August 2015
Profession	Valuation Surveyor and Lawyer
Time	5:00pm to 6:40pm
Format	Face-to-Face Interviews

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

Participant D:

Yes; because public infrastructure improves accessibility and opens up areas.

However in some cases it is a no. Let's take an example the northern by pass led to the decrement of values because people acquired land along the northern bypass believing that it was going to lead to the accessibility of the land. However, the bypass closed out some of the overlooking properties. By doing that, you find that you have property which is overlooking the bypass which is a few meters from the bypass but you can't access it. You have to go round over 3kms in order to get to it. What Kampala needs is in fact multiple ring roads that interconnect many homesteads.

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?

Participant D:

Yes. Again you need to look at the growth relationship between Kampala and Entebbe. Kampala and Entebbe are converging; all the commercial developments are largely developing towards Entebbe.

In addition, this needs to be understood at a point of view what infrastructure do we need?

Entebbe and Kampala are not 1000 kilometres away from each other, you talking of a distance of 40-50kms. Is it an express way or we ought to expand our ring road network?

Ian: So the type matters?

Participant D:

Yes, how you design it

Ian:

What if some argue that since Entebbe is a gateway to the world, it may be crucial to have one because airports are economically very important.

Participant D:

We shouldn't only assume that the only people that are going to Entebbe are coming from Kampala, there are so many people who want to find the easiest way to get to the airport not the fastest way but the easiest way, For whom are you defining the most convenient way? We need to get a proper way of defining what this infrastructure is. It will then make sense to people, it will improve on the utilization and it is from the course of improving utilization, that you will be able to talk about better productivity, better appreciation and that is when you talk about value.

3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?

Participant D:

Yes: it will transcend to value due to improved business activities that arise in the end. This improved business activity can later be taxed by the government

4. In the Ugandan context, please give a brief explanation on how value created can be captured?

Participant D:

Given our scanty information base, the government should start noticing improved business activity near the provided infrastructure and capture it on our tax register. Presence of infrastructure will lead to improvement of productive activities.

5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?

Participant D:

The current legal framework allows value capture. For example it allows use of property rates. However property rates can only be captured from the productive point, it's not just because that the value of land has gone up. It has to translate to productive elements. The infrastructure must translate into certain level of servicing that area, if the type of infrastructure is such that it doesn't make economic sense to the people, there is no way you can capture value. Map out your infrastructure with a clear definition, for example how do you have a bypass without ring roads?

6. What legal reforms are needed to allow for the greater use of value capture in Uganda?

Participant D:

We should infuse infrastructure in a manner that it is able to generate productivity. After this is done, even the current legal framework it can be able to capture revenue on improved productivity. Value should be seen from a sense of view of improved productivity. The road should infuse and encourage that productivity

7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?

Participant D:

Yes they do

8. Are local governments authorized to provide municipal bonds?

Participant D:

Yes. However, at this stage even government of Uganda can hardly talk about bonds. The local governments have not evolved to the level of sophistication to handle municipal bonds.

Ian:

There is a report by the Local Government on how municipal bonds can be applied in Uganda. Kampala City Council Authority in fact plans to provide its first municipal bonds next year. They are only waiting for the approval of the Capital Markets Authority.

Participant D:

I think it is premature, that is over ambitious. In my opinion I think we should focus on streamlining what we have first and then think of municipal bonds later.

9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?

10. Is state intervention crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

Participant D:

Yes. The state intervention is very crucial. The state should be providing the private sector with incentives to encourage business activity within the vicinity of the provided infrastructure.

11. Briefly, explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?

Participant D:

No they haven't yet got the capacity. The human resource and systems are lacking in some municipalities to efficiently handle the value capture process.

12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?

Participant D:

No

13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?

Participant D:

The whole problem is that, is that we don't tax land because land belongs to the people, we can only tax productivity and therefore the level of control by the state is limited. Furthermore the laws and regulations are ambiguous in regards to the ground rent.

14. How does the land tenure system affect the value capture process in Uganda?

Participant D:

It is difficult to capture value; value can only be captured from productive activities arising on that land. The current land tenure system affects productivity.

15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

Participant D:

It is more of political myopia other than political interference. The politicians in Uganda fear implementing unpopular policies with the masses. Political myopia where leaders worry about implementing proper policy reforms for fear of losing their popularity amongst the locals.

Interview Transcript: Participant E

Name	Participant D
Date	21 st August 2015
Profession	Senior Lecturer and Transport Economist
Time	4:00pm to 5:10pm
Format	Face-to-Face Interviews

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

Participant E:

Yes the provision of public transport infrastructure generally leads to the increment of values. However sometimes it can also lead to the decrement in the property values. This is in very rare scenarios normally in cases where the public infrastructure has negative environmental impacts such as pollution and noise. The roads in most though have a positive impact because they increase accessibility to an area and therefore create more business opportunities.

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?

Participant E:

The location and type of transport infrastructure will definitely determine if value will be created. However, the most crucial aspect is that the planning and development should go hand in hand with the transport infrastructure. This is normally termed as 'Transit Oriented Development'. If that process goes hand in hand with the provision of the transport infrastructure, then there will be value increase irrespective of the type of the public transport. However, if the provision of transport is not planned as earlier mentioned then it

is not guaranteed that the value will increase. This does not however mean that there will not be any value increase. It may be there may be due to speculation or other factors.

3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?

Participant E:

Currently No; some of the tools to capture value do exist in Uganda such as property rates and levies. However, the state is not deliberately using them to capture value. They are using them to generate revenue but not in the context and scope of value capture.

4. In the Ugandan context, please give a brief explanation on how value created can be captured?

Participant E:

As earlier mentioned, property rating and levies may work, if they are explored in the context of value capture. Currently tolls on roads are being introduced for example on the Entebbe express highway that you are using as your case study and the proposed Kampala-Jinja Express. Tolls in this instance are used to recoup the money used in the provision of the highways. The tolls are another way of exploring the process of capturing value.

5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?

Participant E:

The current legal framework as it stands has avenues that allow for the possibilities of using value capture. For example the Local Government Property Rating Act, the Local Government Act, the Local Government Finance Commission and even the Constitution provide for ways on how revenue can be generated through value capture. Others such as the Land Act, Physical planning Act and Land Acquisition Act provide for avenues to explore the use related value capture mechanisms.

6. What legal reforms are needed to allow for the greater use of value capture in Uganda?

Participant E:

The Local Government Property Rating Act can be amended to allow for the use of special rating for specific areas. Reforms are needed to allow for the application of the betterment levies to capture the created value. Also a land policy is needed that will ensure detailed plans of land use are adhered to so that use related mechanisms can easily be applied. The Land Acquisition Act has to be amended to allow the government to easily acquire land, this is crucial for the use of the land banking option by the government.

7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?

Participant E:

Yes. The current fiscal framework provides enough mandates to allow the local governments to use value capture mechanisms.

8. Are local governments authorized to provide municipal bonds?

Participant E:

Yes

9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?

Yes

10. Is state interference crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

Participant E:

The state does have a role to play. They can provide factors that can assist improve the property values for example services and utilities, security and zoning.

11. Briefly explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?

Participant E:

The Municipal governments lack the capacity both in terms of the human resource and financial resources. The government has tried to implement programmes to improve the capacity but there is still a shortfall particularly in the human resource aspect.

12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?

Participant E:

No. Only about 20% of the land in Uganda is registration.

13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?

Participant E:

Tenure affects the taxation particularly the mailo land tenure. It is difficult to tax land now.

14. How does the land tenure system affect the value capture process in Uganda?

Participant E:

Dual ownership for example from the mailo tenure will make value capture practice hard

15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

Participant E:

Yes. Politicians own a lot of the land. There is a conflict of interest.

Interview Transcript: Participant F

Name	Participant F
Date	22 nd August 2015
Profession	Valuation Surveyor
Time	10:00am to 11:25am
Format	Face-to-Face Interviews

1. Does the provision of public transport infrastructure lead to the increment of potential values of surrounding property? If Yes/No, please give a brief explanation why?

Participant F:

It can be both, yes and no. The road improves accessibility, travel time, and appearance of an area. This increases property values. This is in the trend in most countries. However, in some countries a provision of a highway may lead to the decrement in property values. For example in Netherlands, residents in some areas have opposed the construction of highways due to the negative effects that they bring about such as noise and air pollution and negative aesthetics. This is because countries like the Netherlands already have sufficient public infrastructure, the land size is small, and it is not environmentally appealing to have roads. However, a country like Uganda where there is a dire need for more public infrastructure, you can hardly expect people to protest against the provision of a say a highway.

2. Some reports suggest that due to the Entebbe express highway being a gated toll road, the value created is purely due to speculation by the private sector and not from the positive impact of the highway. In this regard, do you think the type of public infrastructure and its location play a role in determining whether it will have a positive impact on the potential value of surrounding properties? If Yes/No, please give a brief explanation why?

Participant F:

Yes, the type of the public infrastructure plays a role. For example, most people are not interested in staying near the northern pass-by. The property values in some areas surrounding the northern pass-by are declining.

The increase of property values due to speculation is because there is no land policy that allows for the taxation of idle land in Uganda. This means that people can afford to wait for the provision of public transport infrastructure and then speculate that the prices have increased due to the transport infrastructure. The government should make it expensive or painful to hold idle land. This will eliminate the speculation on land in the end.

3. Is the state capturing value created from the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please give a brief explanation why?

Participant F:

Yes, the state is capturing the value but only indirectly. It is not applying direct value capture mechanisms but it is benefiting from the roads indirectly. This is through the reduced travel time and there less cost of doing business, which in turn boosts and improves businesses. For example when you provide a very good road, it will make the movement of goods and supplies much easier and in turn improving productivity. This increased productivity will translate to improved business performance, which the government benefits from in terms of taxation. The state can also benefit from using the taxes levied on transport such as the fuel levies and the road tolls. These taxes and levies should however be put in a special road fund that is specifically for roads.

4. In the Ugandan context, please give a brief explanation on how value created can be captured?

Participant F:

Betterment levy can work. However there is need to create a valuation baseline for all the properties in Uganda captured. This will help in the tax collection for example during transfer of land and for property rating. The property rating should not only be in the urban areas but also in the rural areas. There should also be taxation on land; everyone who has land should pay taxes. The tax base for property should be widened to include everyone so that more income is generated from the taxes.

5. How does the legal framework in Uganda allow or inhibit the use of value capture resulting from the provision of public infrastructure such as the Entebbe Express Highway?

6. What legal reforms are needed to allow for the greater use of value capture in Uganda?

Participant F:

There should be changes to allow for use of betterment levy for instance.

7. Does the current fiscal decentralization system allow local governments to use value capture mechanisms?

Participant F:

It does not allow.

8. Are local governments authorized to provide municipal bonds?

Participant F:

Yes. However, the income they generate is so small. The local government Act says that they should only borrow 25% of locally generated income. Therefore, municipal bonds are not viable until maybe the local governments increase their revenue collection figures.

9. If the answer to the above question is yes, is there investor appetite for buying these municipal bonds?

Participant F:

Yes there is investor appetite, however as I mentioned earlier, the municipal bonds are not viable.

10. Is state intervention crucial to the creation of value during the provision of public infrastructure such as the Entebbe Express Highway? If Yes/No, please explain why?

Participant F:

Yes

11. Briefly, explain whether the municipal governments in Uganda have the capacity to efficiently use income and use-related mechanisms to capture value resulting from the provision of public transport infrastructure such as the Entebbe Express Highway?

Participant F:

They do not have the capacity. They cannot even manage their own affairs right now.

12. Is the current level of land ownership registration and valuation sufficient for the successful implementation of the value capture process in Uganda? If Yes/No, briefly explain why?

Participant F:

The land registration is still insufficient. It is at currently around 20%. The ministry of lands is however adopting a new land information system to capture all the existing land titles into a data bank. However, they are not capturing the new land parcels. The valuation of the land parcels is also so small, in order for the value capture to work; there should be a mass appraisal of land with the baseline values of property known. The most of the country is also customary without titles. Customary is about 80%. All the land in Uganda should be mapped and the owners should be known to easily capture the value created.

13. How does the current land use and tenure system in Uganda relate to the implementation of property taxation?

Participant F:

The problem in Uganda is that there is no national physical development plan. The entire country should be planned. Separating the land into industrial, residential, and business uses; Zoning for agriculture, hydropower, and infrastructure. Therefore, from the national physical plan you can then plan at the national level such as the urban areas. The government has called for bids to design a national physical development plan from consultants. There should also be an infrastructure corridor say 200 meters so that all services can be accommodated there.

14. How does the land tenure system affect the value capture process in Uganda?

Participant F:

The land tenure is a challenge. For example, the customary is owned on a communal basis, it will be difficult to capture land value because targeting the owner will be hard. Value capture has to target the individual owners.

The Mailo has a problem of squatters and the kibanja holders. The ground rent they pay is only shs.1000 so also capturing value with these different ownership rights maybe a big challenge.

15. In most developing countries, political interference has been known to hinder policy reforms and effective administration of tax. In your opinion, what is the level of political interference in relation to the implementation of land policy reform and property taxation in Uganda?

Participant F:

The political interference is there. Politicians own a lot of land and property and may therefore interfere for instance with the collection and enforcement of tax collection. The land policy reforms are also affected by politics. There is what is called political popularism where policies that are not popular with the masses are avoided for example the taxation of land.

APPENDIX C – ETHICS CLEARANCE

Application for Approval of Ethics in Research (EiR) Projects
Faculty of Engineering and the Built Environment, University of Cape Town

APPLICATION FORM

Please Note:

Any person planning to undertake research in the Faculty of Engineering and the Built Environment (EBE) at the University of Cape Town is required to complete this form **before** collecting or analysing data. The objective of submitting this application *prior* to embarking on research is to ensure that the highest ethical standards in research, conducted under the auspices of the EBE Faculty, are met. Please ensure that you have read, and understood the **EBE Ethics in Research Handbook** (available from the UCT EBE, Research Ethics website) prior to completing this application form: <http://www.ebe.uct.ac.za/usr/ebe/research/ethics.pdf>

APPLICANT'S DETAILS	
Name of principal researcher, student or external applicant	Ian Kananura Mwesigye
Department	Construction Economics and Management
Preferred email address of applicant:	ianmwesigye@yahoo.co.uk
If a Student	Your Degree: e.g., MSc, PhD, etc.,
	Name of Supervisor (if supervised):
If this is a research contract, indicate the source of funding/sponsorship	Click here to enter text.
Project Title	What issues facilitate and constrain the use of value capture mechanisms in Uganda: Case Study of the Kampala-Express Highway

I hereby undertake to carry out my research in such a way that:

- there is no apparent legal objection to the nature or the method of research; and
- the research will not compromise staff or students or the other responsibilities of the University;
- the stated objective will be achieved, and the findings will have a high degree of validity;
- limitations and alternative interpretations will be considered;
- the findings could be subject to peer review and publicly available; and
- I will comply with the conventions of copyright and avoid any practice that would constitute plagiarism.

SIGNED BY	Full name	Signature	Date
Principal Researcher/ Student/External applicant	Ian Kananura Mwesigye	signature removed	30 Jul 2015

APPLICATION APPROVED BY	Full name	Signature	Date
Supervisor (where applicable)	ROBERT MCGAFFIN Click here to enter text.	signature removed	30/7/2015 enter a date.
HOD (or delegated nominee) Final authority for all applicants who have answered NO to all questions in Section 1; and for all Undergraduate research (Including Honours).	Click here to enter text.		Click here to enter a date.
Chair : Faculty EIR Committee For applicants other than undergraduate students who have answered YES to any of the above	G. Sithole Click here to enter text.	signature removed	3/07/2015 Click here to enter a date.

ORIGINALITY REPORT

9% SIMILARITY INDEX	7% INTERNET SOURCES	3% PUBLICATIONS	3% STUDENT PAPERS
-------------------------------	-------------------------------	---------------------------	-----------------------------

PRIMARY SOURCES

1	McGaffin, Robert, Mark Napier, and Lucille Gavera. "Value Capture in South Africa—Conditions for their Successful Use in the Current Legal Context", Urban Forum, 2014. Publication	1%
2	www.ubos.org Internet Source	1%
3	Submitted to University of Cape Town Student Paper	1%
4	www.urbanlandmark.org.za Internet Source	<1%
5	www.itdp.org Internet Source	<1%
6	scholarcommons.usf.edu Internet Source	<1%
7	www.lawlectures.co.uk Internet Source	<1%
8	www.intlhc.org Internet Source	<1%