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For the World Bank

The Evolving Role of World Bank Urban Shelter Projects:

Addressing Land Market and Economy-Wide Constraints

Final Report

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Executive Summary

Introduction

As part of its review of urban shelter lending over the past three decades, the World Bank found that its practices have changed dramatically from small pilot projects in the world's poorest countries to large-scale, multi-year adjustment programs in large developing countries such as Brazil, Mexico, and the Russian Federation. For instance, the first four shelter loans were for an average of USD6 million while the most recently approved loan to Brazil was for USD500 million. The Bank has also seen significant changes in its client countries with respect to levels of urbanization and to the spatial dimension of poverty. The urban population has doubled (to 3 billion) since 1975 and it is expected to increase to 5 billion by 2030. Moreover with widespread urbanization, poverty is increasingly becoming an urban phenomenon. According to some estimates, over 50 percent of the world's poor will be living in cities by 2035, further exacerbating the situation whereby the formal housing sector cannot absorb urban slums. As already exemplified in the cases of Brazil and India, slums are becoming permanent housing settlements. In some instances, such as that of Dharavi in Mumbai, some people have lived in slums all their lives without exposure to any other form of housing.

Trends have prompted shifts in the design and regional focus of housing loans. Throughout the decades beginning in the 1970s the Bank has shifted its focus to follow historical trends. In the 1970s, the focus – driven by an attempt to address the needs of the poor directly – was on slum upgrading and sites-and-services projects. The focus then shifted to housing finance during the 1980s when it became evident that the Bank needed to address broader sectoral concerns if it was to tackle poverty on a large scale. In the 1990s after the fall of the Soviet Union and the opening up of markets in China and India, many countries adopted a public-policy approach to complement new market-oriented policies. Research since 2000 has shown that correcting policy distortions actually made a difference in terms of growth (Independent Evaluation Group 2004). The Bank, after careful analysis of studies on land use regulations, realized that the focus on policy and institutions was lacking in its urban shelter project support. A key aspect of the Bank's review of urban shelter lending was in the identification of areas in which improvements might be made, specifically in the broader array of instruments used in making improvements and the most effective approach to determine the circumstances under which those instruments will work.

The four case study cities of Mumbai, Lahore, Bandung, and Da Nang were selected to explore the role of land development instruments and areas in which improvements can be made. By using a political economy approach to four case study cities in South and East Asia, this study traces the role of various land development policies in these cities to guide the World Bank in understanding the effects of the constraints on the land and housing markets and in determining alternative policy measures to address the shelter needs of the urban poor. It aims to provide a way forward for using less conventional instruments under land and housing market constraints, thereby playing a critical role in shaping urban development outcomes.

Key Findings

Considering the study objectives and the aforementioned constraints, the key issues in developing effective land development policy instruments for efficient urban land and housing markets were

found to be (i) increasing the supply of land, services and credit in line with existing and projected levels of need and demand, especially the poor; (ii) creating a sense of civic responsibility in which all sectors, public, private, and civil society groups develop a shared vision and strategy; and (iii) formulating and enforcing an equitable tax and other revenues streams to finance such increased supply.

In the four case study cities, inefficient land development policies as well as inadequate management of land administration – both of which are exacerbated by urban growth – have caused varying degrees of distortions in the market. For instance in Lahore and Da Nang, institutional and legal cultures are extremely entrenched while the social and economic environment in which they operate is changing fast and revealing limitations. Without changes in institutional and legal framework, major progress in improving access for the urban poor to legal and affordable land will be impeded. Nonetheless, in many respects, there are some indications of improvement. In November 2007, the Government of Maharashtra repealed the Urban Land Ceiling Act (ULCA), which was seen as a major obstacle for the land and housing market in Mumbai where land is extremely scarce and resulted in artificial shortage of dwellings that, in turn, sent prices skyrocketing. Although Maharashtra was the last state to repeal the Act, the repeal – albeit sluggish – is indicative of the changing policy environment as market-oriented policies are becoming more widely adopted. Improvements have also been made in the enhanced role of civil society. Without doubt, the civil society organizations involved have pioneered highly innovative approaches to urban land development in ways designed to help the poor by increasing tenure security and improving living conditions in cities such as Mumbai. Partnerships have also been developed between state and metropolitan agencies and between politicians and bureaucrats, which have enabled some cities, such as Bandung, to make major steps forward.

Urban development is closely linked to the overall functioning of the market economy and land and housing markets and is dictated by the supply and demand of land, its accessibility through transport and the availability of infrastructure. In the case of Mumbai, enhanced coordination needs to support the required intensity of development in line with the overall functioning of the urban land market and appropriate balance between the demand and supply of land. Due to many competing claims for urban land and the consequent rise in land prices, supplying land which can be developed at the pace and scale required is a major challenge for authorities in the Mumbai Metropolitan Region (MMR). Nonetheless, the multi-faceted land development in the MMR continues, often despite the constraints on the market – extending up to the eastern suburbs, including the Ghatkopar-Thane belt, and beyond.

In the case of the Da Nang, the supply and demand of land is dictated and managed by the state. Thus, proper planning and regulatory flexibility must support the need for private land ownership in line with the overall functioning of the mixed-market economy. In order to achieve this approach, Da Nang must work towards the devolution of powers to local authorities to make mandatory land use rules that uniformly apply to all land parcels with similar characteristics regardless of the occupants' status. The city must also strive for a reduction of “state land management” powers to micro-plan land use through discretionary land allotments and transfer controls while encouraging local authorities to base detailed plans on community consultation, publicizing each planning stage to minimize the corrupt use of confidential information by officials. Lastly, emphasis on community participation to encourage flexible adaptations and applications of central urban design standards is essential.

Lahore presents a case similar to Da Nang in the sense that experience concerning innovative instruments is lacking. The application of less conventional land development instruments therefore needs to focus on the low-income housing supply. Furthermore, in terms of land tenure, there was a positive response to the introduction of community-based forms of land

tenure in cases where the upgrading of informal settlements was considered appropriate. Accordingly, it is recommended to hold discussions with the relevant authorities in Lahore to introduce a Request for Proposals (RFP) pilot project for new development in an area appropriate for mixed land uses and a range of income groups.

In Bandung, although the practice of land consolidation was implemented in 1985, it could not continue mainly due to the lack of cooperation by the landowners, who live outside of the city. The municipal government prefers to acquire the land and control the development although constantly rising land prices eventually became beyond public budgets. Therefore, the provision of houses for low-income households is critical. Currently, the Regional Development Planning Board (RDPB) is proposing to adopt a land banking approach. However, experience with this approach in India suggests that it does not provide an effective means of developing new urban or peri-urban areas, since agencies often use their powers of compulsory acquisition to acquire land at low agricultural values and develop it for allocation or sale at high urban land values. One consequence is that farmers may feel so exploited that they attempt to sell informally prior to acquisition, thereby making public sector acquisition contentious and slow. In addition, government agencies are able to make such easy profits that they tend to become inefficient, arrogant, and corrupt. An alternative approach for land already held or acquired by the public sector could be to introduce joint venture companies in which public and private sector entities share a market-based investment in terms of land, infrastructure, and building costs, and the profits generated from them are in proportion to a mutually agreed valuation.

Opportunities and Recommendations

The literature review and detailed case studies contained in this report provide a basis for understanding the constraints on the land and housing markets and assessing the prospects for introducing or expanding alternative policy measures to address the shelter needs of the urban poor.

It is evident that the attitudes of political and administrative elites towards the contribution of the urban poor to social and economic development is central to all discussions on the ability of land policy instruments to improve access by the urban poor to legal land and shelter. The study has found that where attitudes regarding the existence and contribution of the poor are apathetic or hostile, resources spent to introduce alternative land policy instruments are unlikely to yield any significant results. Instead, efforts should be made to encourage, persuade, and pressure such elites to change by measures emphasizing the outcomes of inaction or the continued application of inappropriate approaches. As a leading international development partner, the World Bank is in a unique position to exert influence over central and local governments in the countries to which it lends. By strengthening collaboration with other key multilateral as well as bilateral donors, including the Cities Alliance, this influence can help to encourage acceptance of the need for change.

Once agreement has been achieved on the need to introduce a range of socially progressive and market-sensitive land policy instruments, discussions should be held with key stakeholders in selected countries and cities on which policy instruments are most appropriate to meet local needs. Again, the World Bank is in a unique position to influence such prospects, which could usefully take the form of a forum of key stakeholders in government, the private sector, civil society groups, key professions, and the media, to discuss options for progress in selected cities.

In cities such as Shanghai, London, New York, Barcelona, and Curitiba mayors have transformed their cities. By providing a focal point for decision making, elected mayors help to improve governance and administrative coordination, providing they possess the necessary powers and resources. Since a large proportion of city populations in developing countries are within the low-income category, it also has

the potential prospect that policies will need to respond more to the needs of the electorate, although this is subject to the constraints identified in the section on political economy, which referred to the tendency of political and administrative elites to insulate themselves from such pressures.

Finally, the report highlights a lack of awareness by many central and local government officials, particularly in rapidly expanding secondary cities (such as Bandung and Da Nang) of any alternative land policy instruments other than those already being implemented locally. This suggests that there is an urgent need to produce and disseminate a range of materials on alternative land policy instruments to inform politicians, professionals, and officials of the strengths and limitations of each approach. This report seeks to provide a first step in that process.

List of Abbreviations

ACHR	Asia Coalition for Housing Rights
BEAG	Bombay Environmental Action Group
BEST	Brihan Mumbai Electric Supply & Transport Undertaking
BHDC	Birmingham Heartlands Development Corporation
BMC	Mumbai Municipal Corporation
BOLUC	Building Ownership Use Certificates
CBD	Central Business District
CBO	Community-based Organization
CDGL	City District Government Lahore
CDS	City Development Strategies
CIIU	Clasificación Industrial Internacional Uniforme
CLT	Community Land Trust
CM	Chief Minister
DDA	Development and Disposition Agreement
D-G Agraria	Bali Provincial Office of the Directorate-General of Agrarian Affairs
DFID	Department for International Development
DNRE	Department of Natural Resources and Environment
DOC	Department of Construction
DRC	Development Rights Certificate
FAR	Floor Area Ratio
FDI	Foreign direct investment
FSI	Floor Space Index
GBP	United Kingdom Pound Sterling
GDP	Gross Domestic Product
GIS	Geographic Information System
GLD	Guided Land Development

HBEE	Home-Based Economic Enterprise
HDA	Hyderabad Development Authority
HUDC	Housing and Urban Development Corporation (Japan)
IHD	Incremental Housing Developments
JNURM	Jawaharlal Urban National Renewal Mission
KIP	Kampung Improvement Program
KNHC	Korean National Housing Corporation
LC	Land Consolidation
LDA	Lahore Development Authority
LMA	Lahore Metropolitan Area
LP	Land Pooling
LP/R	Land Pooling/Readjustment
LR	Land Readjustment
LUDTS	Lahore Urban Development and Traffic Studies
LUR	Land Use Right
LURC	Land Use Rights Certificate
LVT	Land Value Taxation
MCGM	Municipal Corporation of Greater Mumbai
MHADA	Maharashtra Housing and Area Development Authority
MIDC	Maharashtra Industrial Development Corporation
MMR	Mumbai Metropolitan Region
MMRDA	Mumbai Metropolitan Regional Development Authority
MTSU	Mumbai Transformation Support Unit
NESPAK	National Engineering Services Pakistan
NGO	Non-Governmental Organization
NSDF	National Slum Dwellers Federation
PHATA	Punjab Housing and Town Planning Agency

PPP	Public-Private Partnership
RFP	Request for Proposal
RFQ	Request for Qualification
RSDF	Railway Slum Dwellers Federation
SDI	Slum Dwellers International
SEZ	Special Enterprise Zones
SPARC	Society for the Promotion of Area Resource Centers
SRA	Slum Rehabilitation Authority
SRD	Slum Redevelopment Scheme
TDR	Transfer Development Rights
TTL	Task Team Leader
UGB	Urban Growth Boundary
ULCA	Urban Land (Ceiling and Regulation) Act
UNCRD	United Nations Centre on Regional Development
UR	Urban Renaissance Agency
USD	United States Dollar
VND	Vietnamese Dong
VVSR	Vasai-Virar Sub Region
ZE	Zone Expropriation

Introduction

Introduction to the Study

The urban population in developing countries is expected to more than double over the next 20 years. Cities have so far absorbed their growing numbers in settlements with a varying quality of living. However, research has shown that a large majority of the new urban population do not have easy access to land and that much of the new development is not adequately serviced. Furthermore, in some cases appropriate land for housing exists, sometimes in relatively central locations, but it is not accessible to vast sections of society because of factors such as a lack of appropriate land use zoning and cumbersome administrative procedures. Current practices and policies regarding urban land development cannot effectively manage the situation and major efforts are needed to improve land market efficiency. Thus, in many ways urban land markets remain the most pervasive binding constraint on the provision of shelter for the urban poor.

Study Background

As part of its review of urban shelter lending over the past three decades, the World Bank found that its shelter lending has changed dramatically – from small pilot projects in the world’s poorest countries to large-scale, multi-year adjustment programs in large developing countries such as Brazil, Mexico, and the Russian Federation. For instance, the first four shelter loans were for an average of USD6 million while most recently approved loan to Brazil was for USD500 million.¹ The Bank has also seen significant changes in its client countries with respect to levels of urbanization and to the spatial dimension of poverty. The urban population has doubled (to 3 billion) since 1975 and it is expected to increase to 5 billion by 2030. Moreover with widespread urbanization, poverty is increasingly becoming an urban phenomenon. According to some estimates, over 50 percent of the world’s poor will be living in cities by 2035, further exacerbating the situation whereby the formal housing sector cannot absorb urban slums. As already exemplified in the cases of Brazil and India, slums are becoming permanent housing settlements.² In some instances, such as that of Dharavi in Mumbai, some people have lived in slums all their lives without exposure to any other form of housing.³

Trends have prompted shifts in the design and regional focus of housing loans. Throughout the decades beginning in the 1970s the Bank has shifted its focus to follow historical trends. In the 1970s, the focus – driven by an attempt to address the needs of the poor directly – was on slum upgrading and sites-and-services projects. The focus then shifted to housing finance during the 1980s when it became evident that the Bank needed to address broader sectoral concerns if it was to tackle poverty on the large scale. In the 1990s after the fall of the Soviet Union and the opening up of markets in China and India, many countries adopted a public-policy approach to complement new market-oriented policies.⁴ Research during the 2000s has shown that correcting policy distortions actually made a difference in terms of growth (Independent Evaluation Group 2004). The Bank, after careful analysis of studies on land use

¹ Buckley, R., and Kalarickal, J. (eds.), 2006. *Thirty Years of World Bank Shelter Lending: What Have We Learned?* World Bank, Washington, DC.

² Ibid.

³ ‘The Strange Allure of Slums’, *The Economist* [print edition], issued 3 May 2007.

⁴ Buckley, R. and Kalarickal, J. (eds.), 2006. *Thirty Years of World Bank Shelter Lending: What Have We Learned?* World Bank, Washington, DC.

regulations, realized that the focus on policy and institutions was lacking in its urban shelter project support. A key aspect of the Bank's review of urban shelter lending was the identification of areas in which improvements might be made, specifically in the broader array of instruments used in making improvements and the most effective approach to determine the circumstances under which those instruments will work.

Purpose of the Study

The purpose of this study was to augment the Bank's research on land markets and investigate key land market issues in four case study cities in South and East Asia. From the study results, the consultants have attempted to determine whether or not certain policy instruments can be adopted in the respective cities and in other regions of the world. Ultimately the study, in tracing the role of various land development policies in these cities, may provide guidance to the World Bank in understanding the effects of constraints on the land and housing markets and in determining alternative policy measures to address the shelter needs of the urban poor. The study aimed to provide a way forward for using less conventional instruments under those market constraints.

Characteristics of Urban Land and Housing Markets

As mentioned, urbanization in many developing countries continues to gain momentum. For instance, Indian and Chinese cities have grown rapidly over the past 30 years. This growth creates enormous pressure on cities to accommodate development—specifically in access to land for housing. In many cities in developing countries, distorted land and housing markets – both of which are exacerbated by urban growth – have proven to be major obstacles for the poor to obtain adequate housing and for cities to improve urban livelihoods. Effective land and housing markets need more than just adequate infrastructure and services. They should comprise, inter alia, sufficient infrastructure capacity, appropriate regulations, adequate information (as well as access to it), tenure security and effective titling and registration systems, efficient pricing and taxation, institutional capacity and coordination, as well as an integrated land information management system.

Urban land and housing markets play a critical role in shaping urban development outcomes – determining the location, density, form, and price of residential, commercial and industrial development – and are driven by both demand and supply factors. Factors such as population growth, income, and level of economic activity determine how much land is demanded to support development. On the other hand, topography and physical conditions, patterns of land ownership, availability of infrastructure, and government regulations determine urban land supply. This interaction between demand and supply affects urban land prices. For instance, if urban land supply is very responsive to demand, land prices will tend to reflect the productive value of land. In contrast, if urban land markets are constrained and cannot effectively respond to demand pressure, land prices will tend to be much higher—exceeding their productive value. These constraints are often the result of restrictive land use regulations, inadequate network infrastructure to support urban land development, unclear property ownership and titling records, and the actions of landowners to drive up land prices by withholding land from the market.⁵

Considering the study objectives and the aforementioned constraints, the key issues in developing effective land development policy instruments for efficient urban land and housing markets lie in:

⁵ Serra, M. V., Dowall, D., Motta, D., and Donovan, M., 2004. *Urban Land Markets and Urban Land Development: An Examination of Three Brazilian Cities: Brasília, Curitiba and Recife*. Institute of Urban and Regional Development, University of California at Berkeley. World Bank Working Paper. 2004-03. Washington, DC.

- increasing the supply of land, services and credit in line with existing and projected levels of need and demand, especially the poor;
- creating a sense of civic responsibility in which all sectors, public, private, and civil society groups develop a shared vision and strategy; and
- formulating and enforcing an equitable tax and other revenues streams to finance such increased supply.

Report Organization

This Final Report shows the results of the work conducted after the submission of the Inception Report in May 2007 and the Draft Final Report in August 2007. It is divided into four sections. In this first section, a brief introduction provides the background to the study, its objectives, and the main characteristics that effect urban land and housing markets. It also provides the context for the study by illustrating the methodology used in carrying it out.

The second section focuses on a literature review of innovative land policy instruments. It is subdivided into six subsections, the first three of which correspond to a different overarching policy instrument. The fourth subsection explores the issue of land development policies in the context of promoting efficient and equitable urban land and housing markets. The fifth subsection discusses key issues in urban land development and the sixth the prospects for adopting innovative land development options. These include prospects for regulatory reform, increased institutional effectiveness, awareness of the need to put all land, especially areas already under public ownership or control to more efficient use, and a willingness by government agencies to forge more creative and mutually beneficial relationships with private and civil society sectors.

In the third section, the main political economy issues involved in promoting and implementing innovative land policy instruments are discussed. This section draws heavily on the information collected from the four study cities surveyed together with materials known to the authors. The fourth and final section will assess the applicability of indicators used for data collection and propose a core set of indicators for analyzing the policy-making processes in urban land management. Appendix A contains the survey instrument used to conduct the study while Appendix B provides the specific guidelines used in interviewing stakeholders on less conventional land use instruments.

1.6 Methods of Data Collection and Analysis

Information, including available empirical data, was collected from various sources including national, state, metropolitan, and municipal government agencies from the four countries/cities concerned; non-governmental organizations (NGOs); civil society associations; companies operating within the private sector; as well as recent reports, studies, and other articles made available to the consultant team. Due to the general lack of detailed and up-to-date data on urban land within the study cities, compounded by difficulties in accessing information that may theoretically be available, particularly within the timeframe of the study, qualitative information predominated.

Data collection was facilitated by local consultants in each of the four study cities. Guidelines (see Appendix B) were prepared for the local consultants for conducting stakeholder interviews in order to maximize the comparability of findings and ensure that the local consultants understood their responsibility of engaging local officials in discussions on less conventional instruments of land development. For each city, the consultant team attempted to answer the following questions: Where has the instrument been tried? With what intention

was the instrument tried? Who implemented the instrument? What were the implementation problems? Who were the strongest supporters? Who resisted the most and on what grounds? And for instruments that have not been tried: What do you think would happen if such an instrument was tried? Who would resist? Why? What changes to which laws or regulations would need to be made? Which parts of the city would be most feasible to try the instrument? A survey instrument for investigating policies on land and housing was also developed by the consultant team and distributed to local consultants in order to prioritize the data collection. A copy of the survey instrument can be found in Appendix A.

In addition, field visits were undertaken to each of the cities so that further information could be collected and verified, and an appreciation of the specifics of each city could be gained. The field visits involved semi-structured interviews with representatives of key stakeholder groups in the public, private, and civil society sectors.

Using the output from the data collection via the survey instrument, stakeholder interviews, and secondary literature, the consultant team provided an analysis of the impacts that certain land and housing policies have had on the land markets in each study city. In each city's report, the consultants highlighted the main issues within each city's land market and identified where policy actions could be taken. This analysis ultimately led to the development of a set of indicators on urban land management, which is presented in the final chapter of this report.

Literature Review

Review of Land Tax Policy Mechanisms

□ Land Taxation Systems

Land taxation systems in major countries are summarized in Table 2.1. In general, land tax is collected by local governments because land is immovable so that it can be easily identified and monitored by the local governments. Taxation subjects include capital transfer, immovable property, and land distribution. Capital transfer taxes tend to be applied to the net amount of income tax and corporate tax. Only Japan and France separate it from the net amount.

Property taxes are applied to the remaining amount after the tax deduction; the land price provides the basis of taxation. Except in the case of Japan, land and houses/buildings are considered one property type subject to taxation. The tax collected contributes to local government finances. However, some types of taxes such as capital transfer taxes flow to national government treasuries in some countries.

Table 0.1 Land Taxation Systems in Major Countries

Items	Japan	USA	England	Germany	France
Capital Transfer Tax (Individual)	Income tax (separate) Residential Tax (local/separate)	Income tax (net) Income Tax (local/net)	Capital gain tax (net)	Income tax (short-term: net /long-term: exemption)	Income tax (separate)
Capital Transfer Tax (Corporate)	Corporate tax (net) Business tax (net) Residential Tax (local/based on corporate tax rate)	Corporate tax (net) Corporate tax (local tax/net)	Corporate tax (net)	Corporate tax (net) Business tax (local tax/net)	Corporate tax (net)
Property Tax	Land price tax (based on land price after basic deduction)* Fixed asset tax /Urban planning tax (local/ based on land price) Special land property tax (local/ based on a acquired land price)*	Property tax (local)	Non-residents property rate (based on official rent price for business capital) Council tax (local/based on asset appraisal)	Property tax (local/based on remaining after basic deduction) Real estate tax (local/based on appraisal value)**	Wealth tax (based on remain after basic deduction) Real estate tax (local/based on appraisal value on land edger) Residential tax (local/based on appraisal value on land edger)
Tax on distribution	Registration license tax (based on land price) Real estate possession tax (local/based on land price)	Real estate possession tax (local/based on transferred price)	Land stamp duty (applicable to transferred price over GBP120,000)	Real estate possession tax (local/based on transferred price)	Registration tax (local/based on transferred price)

* Taxation under suspension

**Due to the court ruling, taxation under suspension

Source: Ministry of Finance Japan, Tochi Zeisei Kankei Shiryouno (land taxation materials), Ministry of Finance Japan 2002

□ **Land and Property Taxation**

□ Roles and opportunities

Taxation of land and property is a commonly applied method and related issues have been examined by many studies. For an overview of world trend in land and property taxation, Enid Slack's review provides significant information.⁶ It was based on paper reviews of property taxes in 25 countries in 5 regions⁷ and reviews of Latin American case studies highlight the diversity in how the tax has been applied in terms of the role of the property tax in sub-national finances, the revenue potential of the property tax, impacts on land use, and property tax reform.⁸ Findings included following:

- Taxes on land and property are minor revenue sources in all countries.⁹
- Property tax is more important in developed countries than in developing or transitional economies.¹⁰
- Property tax is an important revenue source for sub-national governments.¹¹

It was also mentioned that as an instrument of land use management, land and property tax can impact land use, as indicated below:

- Higher taxation of vacant land discourages speculation and encourages more rapid and dense development of urban areas.
- Higher taxation of commercial/industrial properties distorts land use decisions if no justification on the basis of benefits received were mentioned.
- Favorable taxation of owner-occupied residential properties does not influence land use decisions.
- Favorable taxation of agricultural land¹² is supposed to preserve farms but lower taxation of farms on urban fringe will feed land speculation and may drive up urban land prices.
- Differentials in commercial/industrial tax rates across jurisdictions to attract these properties may result in perverse competition, loss of local revenues.¹³

As indicated, some issues related to land and property taxes have been the subject of reform in many countries.¹⁴ Reforms have addressed different needs in different countries at different times such as collecting more revenues by improving the tax base or collection method, simplifying the tax system, improving tax administration, and improving the fairness of the tax system.¹⁵ Preconditions for successful reform have been noted as having a strong tax administration in

⁶ Slack, E., 2002. *Land and Property Taxation: A Review*. Presentation to the Regional Workshop on Land Issues in Latin America, World Bank, May 2002.

⁷ OECD, Central and Eastern Europe, Asia, Africa, and Latin America

⁸ Central versus local government control, the extent to which the tax funds local government, tax policy choices, and efficiency of administration

⁹ 4 percent of tax revenues in OECD countries; 2 percent in developing and transitional countries

¹⁰ 4.1 percent of GDP in Canada, 2.9 percent in the United States and 2.5 percent in Australia compared to less than 1 percent in developing and transitional countries property taxes relative to GDP are 0.9 percent in Argentina, 0.6 percent in Chile, 0.13 percent in Nicaragua, and 0.31 percent in Mexico

¹¹ 40 percent of local taxes in developing countries, 35 percent in developed countries but only 12 percent in transitional countries

¹² When value is assessed in current use instead of highest and best use

¹³ May need to impose national minimum rates

¹⁴ Canada, United Kingdom, Colombia, Indonesia, Kenya, and Hungary have carried out reforms.

¹⁵ Colombia introduced a self-assessment system to increase the base, fused four earlier taxes into one unified property tax, and updated the cadastre registry. Colombia also introduced a land value increment tax (impuesto de plusvalia) so that public entities could participate in the appreciation of property derived from their actions (e.g., authorization to change land use); coordinated with valorization contribution (levy on appreciation of property arising from public works).

property identification, assessment, collection, and enforcement, as well as taxpayer support and strong political will.

As a conclusion of a land and property tax review, Slack claimed that:

- The property tax is of a character that allows it to be tailor-made by local governments. In some countries decentralization and promotion of local government autonomy may mean an increase in the property tax.
- A number of policy choices can be made with respect to the structure of the property tax that have an impact on local government revenues and land use policies. These choices include what is included from the base, the choice of tax base, and differentiation of tax rates.
- Designing land and property taxes that are uniform within taxing jurisdictions is needed. However, differentiation with respect to heavier taxation of land as opposed to improvements may be an option.

Another comprehensive study is the CITYNET report, which focused on South and Southeast Asian characteristics in exploring five municipalities as case studies.¹⁶ The objective of this study was to compile a practical source of land management options and analyze their effectiveness. Property taxation was examined in one chapter out of ten as a typically underutilized source of municipal revenue.

Contradicting the Slack's findings, it claims that property taxes contribute only 20 percent to total municipal budgets. Most municipalities still depend on transfers from national and state governments. Traditionally, property taxes have been high in Anglophone countries. As central government funding has become increasingly scarce, local governments have had to find other sources of revenues for their expenditures for the provision of infrastructure and services. Property taxation is considered to be an increasingly attractive source of such revenue, particularly to the extent that it has been underutilized.

The case studies included the metropolitan cities of Bandung (Indonesia) and Dhaka (Bangladesh) with a population of several million, as well as medium-sized cities such as Makati (Philippines) and Penang Island (Malaysia), with other cities studied including Hue (Vietnam) and Kandy (Sri Lanka), which are relatively small. The case study municipalities differed in various ways:

- The highest property tax per capita was USD 30 and the lowest was less than USD 10.
- The share of tax collected from other nonresidential land was high in some municipalities.
- Some municipalities are not authorized to independently set tax structure, tax rate, and deductions.

Based on the foregoing assessments of land and property taxation, major roles and opportunities of land and property taxation may include the following:

- Land and property taxation can contribute to municipal revenue since land is immovable and hence difficult for persons to avoid taxation on it.
- The opportunities for land and property taxation can be expanded if the value of land is properly and fairly assessed.
- Such taxation may encourage the decentralization process and promote autonomy of municipalities with the transferring of decision making authority related to taxation including the setting of tax rates. However, land and property taxation needs to be consistent with land management policies in national and local governments.
- The tax collected should be used to benefit taxpayers by providing infrastructure/services such as roads, water, electricity, and parks, which will help achieve taxpayer consensus with respect to the taxation.

¹⁶ CITYNET, 1995. *Municipal Land Management in Asia: A Comparative Study*. United Nations.

Another set of literature examines the introduction of property taxation in transitional economies¹⁷, which offers a unique perspective from which to study fiscal and governmental decentralization, land privatization, and market development. These reforms all involve fundamental changes from the centrally controlled and planned societies of the Communist period. Countries studied have included: Armenia, the Czech Republic, Estonia, Poland, the Russia Federation, and the Slovak Republic. The study results demonstrate similarities in the challenges and problems faced by countries in transition and the extraordinary changes that have taken place in less than a decade since the fall of Communism. At the same time, each country has followed a somewhat different path, adopting strategies that reflect its unique set of past traditions and current circumstances (Malme, 1999).

□ *Tax Base and Rates*

There are many ways to set the tax base and rates for land and property taxation. A high tax rate on land encourages improvements on the land and provides a disincentive for large speculative landholdings. A high land value tax would decrease the market value of land and provide a stimulus to develop all land to its full potential. Despite such generally accepted theoretical advantages, empirical research rarely shows that land use patterns differ much between areas with a property tax and areas with only a land value tax.¹⁸ Decentralization has led to recognition of the desirability of setting tax bases and rates by municipalities, which should know more about the status of land and property than the national government.

However, the property tax system is based on a cadastral system that often is separated from the legal (land registration) cadastre. A malfunctioning fiscal cadastre will have an impact on the tax revenue collected. Many countries are trying to implement a single land information system based on parcels and land registration. In many developing countries, property tax rates are low due to an insufficient registration system lacking correct information on ownership. Although many municipalities are trying to improve the accuracy of the system, they should be aware that low property taxes simply do not attract landowners to register their deeds.

□ *Valuation Methods*

The values in the property taxation system can be calculated on either the annual (rental) value or the capital (market/sales) value. The rental value is based on the actual or estimated annual rent and the capital value is based on the value of property that has recently been sold or an estimate thereof. The rental value reflects the value of the property in its current use, while the capital value system includes a bigger element of the market's expectations on its future use. It is considered that the fluctuations in capital values should be bigger than with the rental value system. It has been argued that it may be an advantage in fast-growing areas to use the capital value system in order to tie tax burdens closer to urban growth. There is, however, often not much difference concerning the tax level on vacant land as most countries with the rental value system also have included a provision to value classes of land without rental value according to the capital value system.

¹⁷ Malme, J. H., 1999. "Taxes on Land and Buildings: Case Studies of Transitional Economies". *Land Lines*, May, Volume 11, Number 3. The Lincoln Institute of Land Policy.

¹⁸ Japan and New Zealand are countries where property tax is levied on land only. Japan levies the fixed asset tax on the properties on the land separately. Jamaica and the state of Hawaii, USA, are examples of entities where there are many landowners with large landholdings and where they have shifted their tax bases and increased the tax on land. However, in the state of Hawaii it was later abolished because of the drastically increased costs for the many homeowners who leased home-sites (CITYNET 1995).

Other factors that are important to consider concerning valuation are as follows:¹⁹

- For economic reasons, property should be taxed using a mass appraisal method as much as possible rather than plot-by-plot.
- The valuation system should be transparent and the practice clear in order to avoid disputes and ensure consistency in valuing property.
- The methodology used should be appropriate to knowledge in the locality.
- Values should be indexed to reduce the negative effects of inflation.

□ **Instruments of Land and Property Taxation**

The land and property taxation may be applied in different forms depending on the policy of governments. Several instruments of property taxation are described below.

□ Land Value Taxation

Land value taxation (LVT), or site value taxation, is a tax that charges landholders a portion of the unimproved value of a site or parcel of land. LVT is a special form of property tax. There are three species of property: land, improvements to land, and personal property. An improvement to land refers to immovable manmade things such as houses and buildings and personal property refers to movable things such as cars and furniture. LVT is an ad valorem tax where only the value of land is taxed, ignoring improvements to the land and personal property. This is different from other property taxes that generally tend to fall on real estate with the combination of land and improvements to land.²⁰

□ Split-Rate Property Taxation

The split-rate property tax, also known as the land value or two-tiered real estate tax, takes the value of a piece of property and splits it into two parts: the value of the land and the value of the improvements to the land. It reduces the tax on the improvements to the land and increases the tax on the land. It is used to encourage historic renovation, building rehabilitation, and development of vacant land in existing neighborhoods.

Under a split-rate tax system, land is taxed at a higher level than buildings in areas where the community wishes to encourage investment and land development. The lower rate for buildings provides an incentive for owners to maintain and improve their properties. The higher land rate discourages real estate speculation, which often leaves potentially productive urban space vacant; the disincentive for speculation in turn encourages infill development. It has been said that by helping to prolong the life of existing buildings, the split-rate system has the potential to promote more efficient use of land and public infrastructure to direct growth toward downtown and inner city areas.²¹

□ Vacant Land Taxation

The vacant land tax aims to encourage earlier development of vacant land parcels by placing a penalty on undeveloped property. The definition of vacant land may include the land, where left without buildings/houses including building demolished sites and sometimes unused or allowed to develop farm land. The rate of vacant land tax is usually set higher than the developed land. The authority expects landowners to utilize land in order to follow the land management plans/policies. It is desirable to have a clear picture of land management plans as well as future urban land use when

¹⁹ CITYNET, 1995. *Municipal Land Management in Asia: A Comparative Study*. United Nations.

²⁰ WIKIPEDIA, 2007. *Land Value Tax* [online]. Available from World Wide Web: <http://en.wikipedia.org/wiki/Land_Value_Tax>

²¹ Tompkins County Planning, *Vital Communities Tool Box* [online]. Available from World Wide Web: <<http://www.co.tompkins.ny.us/planning/vct/principles.html>>

applying the vacant land tax. Without those visions, it may lead only to ad hoc development in the urban areas.²²

The vacant land tax has been applied since the early 1990s in Latin American countries such as Mexico and Brazil. For example, the tax rate for the vacant land is 2.5 times higher than the rate of built property in Yucatan, Mexico. The effects of taxation included reduction of vacant land reduction of 233 ha within three years in Mecicali and 8.5 percent contribution for the total collected tax revenue.²³

□ Value Capture

As described by the Lincoln Institute of Land Policy, value capture refers to the process by which all or a portion of increments in land value attributed to "community interventions" rather than landowner actions are recouped by the public sector. These "unearned increments" may be captured indirectly through their conversion into public revenues as taxes, fees, exactions, or other fiscal means, or directly through on-site improvements to benefit the community at large. Value capture mechanisms are being implemented in several Latin American countries, while in other parts of the region the notion of value capture continues to meet with suspicion and resistance.²⁴

It is also called as "benefits sharing tax" or "betterment Levy". Examples of application are found in Bogota, Colombia, and Porto Alegre, Brazil.²⁵

The benefits and disadvantages of the land tax instruments noted above were analyzed by Williams in her review as below.²² Benefits mentioned include:

- Reductions in land speculation by the shift of taxes from urban buildings to urban land;
- Productive use of land, particularly in urban areas;
- More compact cities, promoting investment in vacant and underused land, and promoting a more efficient use of the existing infrastructure.
- Increased funding for public infrastructure and projects, with funds coming from immediate and direct beneficiaries instead of taxpayers who do not benefit; and
- Curtailing the process of physical and social degradation through implementation of vacant land taxes..

Meanwhile disadvantages were also identified:

- The Land Tax Instruments can also work in reverse. If a development has a negative impact on land values such as the closing of a nearby transport link, the owner of a site needs to be compensated with a reduction of the charge on the property.
- Although vacant or underutilized land - located in high-demand areas - can increase public funds, there is a risk for private profitability to supplant the public good. This could mean the disappearance of privately unprofitable but socially valuable land uses such as parks, schools, and medical facilities.
- The enforcements of these instruments, such as the vacant land tax, will not be fully effective if not backed by other policies such as access to credit.

²² Oates, W. E., 1999. *The Impact of Urban Land Taxation: The Pittsburgh Experience*. Department of Economics, University of Maryland.

²³ Williams, S. M., 2007. *Improving Access to Urban Land Markets through Less Conventional Land Policy Instruments – Literature Review (Draft Report)*, World Bank, Washington, DC.

²⁴ Lincoln Institute of Land Policy, <http://www.lincolninst.edu/topics/value_capture.asp>

²⁵ Socially responsible public administrators and planners considered the use of the value capture principle as a regulatory device to "discipline predatory practices in informal land markets and as a means to provide services to low-income areas"²².

Williams also mentioned that in order to implement land tax instruments, legislative arrangements must be undertaken before.²⁶ Introduction of such instruments may face great resistance by the civil society. Moreover, inconsistency of legislation is also a big problem that developing countries face. In the case of Latin America, urban development and tax policies are very inconsistent, aggravated by a “virtually nonexistent and shaky legal framework.”²⁷ This description may apply to other developing countries as well.

□ Practices in Asia

A case study report done by CITYNET in 1995 indicates the status of land taxation practices in the South and Southeast Asian region based on a review of several municipalities.¹⁶ Table 2.2 shows the status of land taxation and Table 2.3 shows the revenue performance of property-related tax in five municipalities.

Characteristics of land taxation found in the CITYNET case study cities are explained as follows.

Table 0.2 Summary of Taxation in CITYNET Case Study Municipalities

	Bandung	Dhaka	Makati	Penang
Taxes	Real property tax	Holding tax, conservancy tax, street light tax	Real property tax, annual tax	Assessment (property) tax, quit (annual) rent
Property types taxed	Residential, commercial, industrial, mines and agriculture, forestry	Residential, commercial, industrial, institutional, recreational	Residential, commercial, industrial, special	Residential, commercial, industrial, institutional/clubs, agricultural, vacant land
Tax rate	8.0-11.5% depending on property type and location	9-12% on all property	1.0-2.5% depending on property type, capital value and tax base	510.5-13.5% depending on property type and location
Tax method	Annual and market value	Annual value	Market value	Not clear
Last valuation	1995	1989-90	1994	1992
Valuation period	10 years	5 years	3 years	Every 5 years

Source: CITYNET, Chapter 9 Municipal Land Management in Asia: A Comparative Study, 1995

In Bandung, taxation on land and buildings was broadly based including various categories such as residential, commercial, industrial, agriculture, and mines/forestry. Tax rates applied were 8.0-11.5 percent and differed depending on the value of the tax object, road access, availability of public services, location etc. The tax rates were adjusted according to inflation.

²⁶ In most cases, these were written in the Constitution before being implemented. Porto Alegre’s innovative progressive tax on vacant land was implemented after the 1998 constitution which provided for urban policy instruments that ensure the social role of property. The policy called for the monitoring of vacant and underutilized parcels, requiring that they be developed or pay the time-driven progressive tax. Before introducing the Usme Project on value capture to benefit the poor, the policy was established in the Colombian Constitution. Law 388 of 1997 prescribed that the revenues generated from land value increments be used for social investments²².

²⁷ Williams, S. M., 2007. *Improving Access to Urban Land Markets through Less Conventional Land Policy Instruments – Literature Review – Draft Report*, World Bank, Washington, DC.

Dhaka had a holding tax (7 percent), conservancy tax (2 percent), and if a plot is serviced with street lights within 300 yards, a street light tax (3 percent) was levied. The purpose of the conservancy tax was basically to keep the streets clean. Property tax was only imposed on buildings and not land. Factors that contributed to the value included, for example, floor area, location, construction cost, rent, fixture, and fittings. In calculating the annual rental value, the calculation was based on 10 months' rental value. Further, the valuation was reduced by 40 percent for owners who live on their property. The property was revalued in case there were any additions or alteration of the property.

In Makati, the first component was called a "basic real property tax". The rate was 1.0 percent of the so-called fair market value for residential land and 1.5 percent for other types of land use including commercial, industrial, and "special."²⁸ The second component was the "annual tax", which was 1.0 percent of the assessed value. The assessed value was obtained through a calculation that applied an assessment level to the fair market value of land, buildings, and machinery.

In Penang, property tax structures, tax levels, exemptions, and reductions were proposed by the municipal council but approved by the state (regional) authority. The state government, on the one hand, collected quit rents on land and property that, for example, were 1.2 US cents per square foot for residential land in the city area.²⁹ The municipal council, on the other hand, levies property tax on land and buildings. The tax rates in Penang differed depending on the type of use and location. For instance, residential property and buildings within the city area was levied at 12.0 percent of the annual value and industrial property and buildings at 13.5 percent, whereas the tax level in rural areas was 10.5 percent for residential use and 13.5 percent for industrial use. Moreover, the tax level on residential land was 6.0 percent of annual value in the city area and 1.7 percent in the rural area.

Table 0.3 Revenue from Property-related Taxes in 1993 (thousands of USD)

	Bandung ¹	Dhaka ²	Kandy ³	Makati	Penang
Property tax	7,212				
Residential		10,358	173	1,036	7,807
Commercial		2,046	132	2,692	5,464
Industrial		512		125	2,459
Institutional⁴		1,138			171
Agricultural					77
Recreational		215			
Vacant land					718
Others⁵				20	
Registration Fee		767	68		
Others⁶					1,178
Total	7,212	15,036	372	3,873	17,874
Percentage of total revenue	47	N.A.	5.2	9.4	N.A.
Property-related revenues per capita	3.5	4.1	2.9	8.6	35
Municipal Revenues	15,666	N.A.	7,175	41,185	N.A.
Total revenue per capita⁷	7.6	N.A.	55.2	91.0	N.A.

1 Population in Bandung refers to the metropolitan area. No breakdown on sources available.

2 Figures for Dhaka from 1993-94.

3 United Nations official rate of exchange for 3 October 1994 has been used (1 USD=49.00 Sri Lankan rupees).

4 Makati has a property tax category called "Special", which includes land used for hospitals and scientific and cultural buildings.

5 Include Institutional and "club" land.

6 Penang receives "contribution in aid of rates".

²⁸ It consisted of land occupied by hospitals or for cultural or scientific purposes.

²⁹ Equivalent to 12.9 US cents per square meter.

7 In one US-dollars only

Source: CITYNET, Chapter 9. Municipal Land Management in Asia: A Comparative Study

In terms of contribution to the municipal revenue, Table 2.3 shows differences in the respective cities. The municipalities with higher per capita revenues, Penang and Makati, obtain a substantial share of their revenues from other than residential property. In contrast, Bandung and Dhaka obtain most of their property-related revenues from residential land. This may provide an indication of the economic vitality of the respective municipalities.

Referring to the revenue attained from institutional land, Dhaka received the highest proportion of its total property tax revenue from institutional land. The report noted that in most cities of the region, especially capital cities, national and state governments own a considerable amount of centrally located land for administration, military installations and other purposes. Therefore, in many cities there is currently a debate on whether and how this land should be taxed locally. As with any other economic good, services and infrastructure should be charged. It is important that all landowners are taxed for equity reasons and to avoid wasteful practices. Long-term tax exemptions should be avoided as much as possible.

Table 2.3 further shows that, with the exception of Penang, there was little revenue from taxes on vacant land. Dhaka did not have a specific tax on vacant land while the revenue from the vacant land tax in Makati did not accrue to the municipality.

Regarding the tax base and rate in these five municipalities, there is a wide variety of options on property-related taxes including conservancy tax; annual/quit rent, as well as the general property tax, which may include components of tax on land, buildings, machinery, and others. The tax rates typically differ depending on the value, standard, and location of the tax objects. However, what should be taxed and to what extent are the unresolved issues.

Also, the administrative system of each country determines whether or not a municipality has a power to decide the tax base and rates. For example, Dhaka and Makati could independently set tax rates and decide on property taxation structures including exemptions and deductions. On the other hand, states in Malaysia's federal system are powerful; Penang could only propose changes to Pulau Pinang State. In Bandung, the national Government decided tax rates and structures through the General Directorate of Tax.¹⁶

□ Taxation Reform

In terms of the reform of land and property taxation, notable examples do not emerge from Asia. Currently, Japan has been seeking feasible options for its future.³⁰

The land tax system in Japan is often revised due to changes in land prices. Most taxation measures strengthened and introduced in the "bubble" economy period were discontinued or abolished and returned to the level before the bubble economy. At present, land prices are bi-polarized and individualized. Thus, land prices must be analyzed not only from the standpoint of adjustment period after the bubble economy but also from the standpoints of trends in local economies and changes in industrial structure. With structural changes, all land policies required revision, including the positioning of the policies embodied in the Basic Law of Land. In line with the revision of land policies, the land tax system needs examination considering changes in land prices and erosion of the taxation base due to reductions in income from land transfers. For special policy purposes, various tax reduction measures have been instituted for owner-occupied housing at the levels of acquiring, holding, and transferring of the home. However, with falling birthrates and an aging population, housing demand in Japan is expected to decrease. On the other hand, demand for leased houses will

³⁰ Tax Commission Japan, 2002. *Policy Guidance on the Establishment of a Desirable Tax System (Draft)*. Tax Commission, Ministry of Finance, Japan.

increase. Thus, housing policies centering on promoting home ownership house must be reexamined. Under these changing circumstances, tax reduction measures, such as deductions for home loans, should be reexamined.

Review of Land Management Tools Used Worldwide

The City Summit in Istanbul in 1996 endorsed the Habitat Agenda, in which all countries agreed to the active participation of private sector developers, NGOs, and local communities in decisions on urban development and the formulation of shelter policies. This new strategy was designed to reorient the role of the public sector in urban development away from the direct acquisition and development of land and replace this direct approach by more indirect methods, in which public sector agencies prepare site development and design briefs and invite a range of groups to respond with proposals. This should encourage more market-sensitive and demand-led approaches, while reducing the burden on scarce public sector resources.

The following sections describe some innovative examples applied in various countries and their actual or potential application in developing countries, particularly in South and Southeast Asia. They include examples cited in Williams³¹ plus a number of other approaches that have been applied in different countries. Approaches are described with examples where possible. Their strengths and limitations are also noted, together with implications for wider application.

□ Land Pooling/Readjustment³²

Urban land pooling/readjustment (LP/R) is a technique for managing and financing urban land development. It is widely used in Australia, Japan, South Korea (the Republic of Korea), and Taiwan, and is being transferred to the developing countries of Southeast and South Asia, such as Indonesia, Malaysia, Nepal, and Thailand. Local and central governments in these countries are undertaking LP/R projects to assemble and convert rural land parcels in selected urban-fringe areas into planned layouts of roads, public utilities, public open spaces and serviced building plots. The process involves the amalgamation of individually owned land parcels into a single area for its efficient subdivision and development. Projects are funded by selling some of the plots to recover development costs, with remaining plots distributed to the original landowners on the understanding that the asset value of the reduced area of subdivided land received will be significantly higher than the existing value. Local governments undertake these projects mainly to facilitate the orderly and coordinated development of new urban areas in ways which are financially acceptable to the rural landowners.

By meeting the primary interests of both landowners and government, LP/R has become a valuable technique for transfer to developing countries. However, as many of the cities of these countries have 20-40 percent of their populations living in slum and squatter housing settlements, there is also a need to provide land for low-cost housing so as to enable low-income households to gain access to better housing.

In a comprehensive review of land pooling and land readjustment, Archer³⁰ starts from the premise that the aim of government housing policy should be to enable all urban households to gain access to adequate, acceptable, legal and affordable housing by purchase, owner-build or rental. He notes that each LP/R project is an explicit government/private partnership to produce urban building plots, but it should not be overlooked that the government and private sectors are also in a more fundamental partnership by their complementary roles in urban land development and land supply and that while the private sector provides the development, the public sector provides the legal and physical planning

³¹ Williams, S. M., 2007. *Improving Access to Urban Land Markets through Less Conventional Land Policy Instruments – Literature Review* –.

³² This section draws heavily on Archer, R., 1999, 'Land Pooling and Readjustment: Examples from Asia' in Payne, G. (ed.), 1999.

framework and services. He notes, however, that such partnership arrangements are not yet recognized and properly structured in many Asian cities, so that they are subject to inefficient urban development and land use, and inadequate urban land supply.

Archer describes reports that in a typical project, the authorized LP/R agency selects and designates the urban-fringe area to be developed and identifies the land parcels (and owners) to be included. A draft LP/R scheme is then prepared to plan, define and explain the project, and to demonstrate its financial viability. The scheme for each project therefore includes a map of the land parcels in the project site, a list of the landowners, the land parcels and their valuations; plans of the proposed road, drain, water, sewerage and electricity line networks and the plot subdivision layouts; a list of the plot valuations; a plot reallocation plan; an implementation program; and cost estimates and a financial plan. It also includes a written statement of the project objectives and principles, and the project implementation measures. The scheme is prepared in consultation with the landowners in the project area and in co-operation with the public utility agencies that will be involved in its implementation. It is prepared as a draft scheme and then presented for majority landowner approval and placed on public display. After any necessary amendment it is submitted for central government approval. The approved final scheme authorizes and regulates the implementation of the LP/R project. The scheme can be seen as a partnership agreement for the project.

The LP/R agency then arranges a short or medium term loan to finance the implementation activities and works. It designs the engineering works and engages contractors to construct them. The land is surveyed and subdivided into roads, open spaces and serviced building plots with the issue of title documents. The roads, drains and public open spaces are transferred (dedicated) to the local government and the utility service lines to the public utility agencies. Some of the building plots are sold in order to recover the project costs and repay the project loan. The remaining plots are transferred to each of the landowners in proportion to their share in the project. The landowners can then sell or build on (or simply hold) their new plots.

A key requirement in developing LP/R projects is the need for a central government law and regulations to specify the approved LP/R implementation agencies, to set out the principles and procedures to be followed, and to authorize and regulate the preparation and implementation of LP/R projects in accordance with the stated principles and procedures. This law is administered by a central government unit to oversight the working of the system and to improve it, and to review and approve each LP/R scheme and monitor their implementation.

Another key requirement for each proposed LP/R project is landowner support. Requirements vary from one country to another with some specifying a simple majority (51 percent), while others have a higher threshold. It is important that the LP/R agency be able (and willing) to use the government power of compulsory purchase against any minority of holdout landowners in the designated project area, if this becomes necessary.

According to Archer, the calculation of each landowner's share is generally based on the area of his/her land parcel as a proportion of the total land area, or based on the estimated market value of his/her land as a proportion of the estimated market value of the total area. (Any building improvements are excluded, as they are either returned to the landowner or paid for with cash compensation if demolished). The land area basis is simple and visible but it does not recognize the differences in land quality, accessibility, and value among the original land parcels and among the new building plots. The land value basis is more realistic and equitable but it requires the services of skilled land valuers/appraisers, which may not be available.

There is an important legal difference between land pooling (LP) and land readjustment (LR) in the matter of land ownership. In a LP project, the land is legally consolidated by the transfer of the ownership of the separate land parcels to the LP agency with the later transfer of ownership of most the new building plots back to the landowners. In a LR project, the land parcels are only nationally

consolidated with the LR agency having the right to design service and subdivide them on a unified basis, and then at the end of the project the landowners exchange their land parcel title documents for those for their new building plots.

The practical importance of LP/R also lies in the fact that it is a technique for improving land development in mixed-economy countries that is politically feasible, financially feasible and administratively feasible. It is politically feasible because it is acceptable to most landowners who usually support LP/R projects because they can thereby share in the land value gains from urban land development. This majority landowner support encourages politicians to overrule the opposition from any minority of holdout landowners who oppose the proposed LP/R project. LP/R is financially feasible because the project site does not have to be purchased and the cost of the infrastructure works and subdivision can be financed with a short/medium term loan and then quickly recovered by the sale of some of the new building plots. It is administratively feasible because it can be undertaken with the help of consultant professionals and it can be learned by beginning with small, simple projects.

Archer acknowledges that the benefits of LP/R listed above can also be achieved, possibly more efficiently, by government land acquisition and subdivision projects such as large sites-and-services projects. But he notes that many governments are reluctant to undertake the compulsory purchase of private land due to: their support for private property rights, the strong opposition of the landowners, the legal limits on government use of the compulsory purchase power, and the shortage of government funds. In most mixed-economy countries, government land acquisition and development is not a politically feasible alternative to LP/R (South Korea has been a notable exception).

□ Strengths and limitations of LP/R

Although LP/R has important advantages over the usual land development process, they are potential rather than automatic advantages and they have to be achieved by the appropriate and efficient application of the technique. The technique has to be used selectively and each LP/R project has to be financially viable and equitable, and then efficiently implemented. It is appropriate to use the technique when:

- the local government (or other approved government LP/R agency) is genuinely interested in achieving the sound development of its urban-fringe lands to a planned pattern of urban land use;
- the urban-fringe areas proposed for LP/R are divided into numerous separate landholdings (usually with most of the individual land parcels having no public road connection), and with few buildings and residents on the land;
- the urban-fringe areas proposed for LP/R are legally, physically and economically suitable for urban development, i.e., they are zoned/designated for urban development, have a public road connection and the utility network main lines nearby, and there is sufficient market demand for serviced building plots to support the profitable subdivision of the land;
- the majority of landowners in the proposed LP/R areas understand and support the use of LP/R for the urban development of their land;
- there is a central government law and administration to authorize and oversee the preparation and implementation of LP/R projects; and
- there are skilled and competent personnel available to manage the preparation and implementation of the projects.

Given these general conditions, each project will need to be carried out successfully, which requires financial viability and sound management. Specifically, each project has to generate land value increases sufficient to cover project costs and leave the landowners with a significant gain in their total land value despite the reduced size of their land holdings.

Although LP/R can (and does) provide advantages over the usual land development process for the government LP/R agency, for the landowners and for the public, the technique has limitations and disadvantages. Its main limitation is that it is a land development technique only that produces urban building land that may take many years to be built on and occupied, whereas the government's objective is to achieve early building development so that the new urban areas with their costly infrastructure can be occupied and used. The transfer of most of the building plots back to the rural landowners does not facilitate early building construction. In fact, in some cities the landowners become land speculators and withhold many of their plots from sale and building for years. However, the undue withholding of plots can be countered in a number of ways. The LP/R agency could sell many of the landowners' plots and pay the money proceeds to them. It could also attach a building development covenant to the title of each plot requiring the building construction to be commenced within a specified time period, failing which it has the right to repurchase the plot at its assessed value. The LP/R agency (and the government) should also adopt the strategy of encouraging and assisting the landowners to become landlord investors rather than speculators, by selling some of their plots and then constructing rental buildings on their remaining plots. This approach would provide the former rural landowners with an urban livelihood as well as increasing the supply of rental housing.

A second, widely perceived limitation of LP/R is that it is oriented to producing higher-value building plots rather than cheap building plots, because both the LP/R agency and the landowners are oriented towards higher value plots. The landowners naturally prefer to obtain larger land value gains for themselves from each project while the LP/R agency aims for higher land values so as both to recover the project costs and to provide the landowners with a significant land value gain which will encourage their support and co-operation for the project. However, this bias of LP/R towards higher value building plots does not necessarily prevent LP/R projects from providing land for low-cost housing. A larger increase in the land values in a project actually can provide a greater opportunity to allocate some of the new plots at cost or below cost for low-cost housing. But being higher value land these plots should be used for multi-unit housing for sale or rent rather than as plots for single houses. Another way of obtaining land for low-cost housing from LP/R projects producing higher value land is for the public housing agency and non-profit housing groups to purchase land parcels in the sites for proposed LP/R projects so as to participate as landowner partners and thereby obtain plots for low-cost housing at the cost of the rural land parcels plus interest on the funds employed. Here again, as higher value land, the plots should be used for multi-unit housing rather than as plots for single houses. Realizing such a social benefit does, however, require effective powers or negotiation capacity within the local government agency implementing the project and this is not always available.

Another widely perceived limitation is that LP/R projects take a long time to prepare and implement, partly due to the time-consuming negotiations and re-plotting plan revisions that are usually necessary to gain the landowners' acceptance and support for the project. The projects in Japan and South Korea usually take upwards of eight years to complete, although the individual landowners lose possession of their land for only one or two years. LP/R projects are not inherently slow, as in Taiwan the projects are prepared and implemented in two or three years.

A fourth limitation of LP/R is that there are significant barriers to its adoption by both central and local governments, so that there has been slow adoption of LP/R in the developing countries of Asia despite its major contribution to urban development in Japan, South Korea, and Taiwan. Although LP/R was described earlier as a politically, financially, and administratively feasible technique, it does require cadastral information, capable land valuation and project management personnel, and the availability of credit finance. (The management personnel should be dedicated and have negotiation skills, and need to be well-paid.) These requirements can be met in most countries and, in principle; LP/R is feasible in every country where private developers are undertaking urban land subdivision

projects as a business activity. But its adoption also requires the enactment of LP/R laws. Although a few early LP/R projects might be undertaken on a voluntary basis, the transfer of LP/R to a country requires a central government law and administration to authorize it, to regulate it, to oversee it, and to promote and assist its adoption by local governments.

The tardiness of many central governments in adopting LP/R is due to a number of factors, including:

- the need for significant effort to arrange the law and administration plus the support to local governments;
- the absence of national advocates and pressure groups for LP/R, as the main potential beneficiaries, the local governments and the smaller landowners, have little knowledge of the technique and are not well organized to lobby for it;
- the general tardiness of many governments in modernizing their country, and
- the ambivalence of many governments towards urban land reform due to the strong links between politicians and the large landowners and developers, and the lure of rising urban land values for "money politics" and corruption.

Even with a central government law and administration for LP/R, the adoption of the technique by local governments in urbanizing areas is likely to be slow and uneven, for a number of reasons. The most important barrier is that LP/R is a land development technique and most local governments are not directly involved in land development, so that it is a major decision for them to create a LP/R unit and resource it with staff, funds, and authority. Many of the local governments in metropolitan-fringe areas are also relatively weak organizations with a small staff and limited funding that are struggling to meet the many needs of their new urban areas.

Although LP/R has limitations and has demanding preconditions for its successful application, Archer contends that it can provide substantial benefits, even for low-income groups. For example, by increasing the overall supply of urban land and housing, albeit mainly for middle-income groups, they reduce the need for middle-income intrusion into the low-cost market. At a wider scale, LP/R should also be recognized as a technique for a government/private partnership to improve the process of private land and building development through the land market. When a local government adopts it for general use, as is the case in Kaohsiung, Taiwan, and Nagoya, Japan, where most of their urban expansion is through LP/R projects, it becomes a technique for urban land reform.

When considering the potential of the LP/R technique to provide land for low-cost housing, it should be recognized that LP/R is mainly used in urban-fringe areas with few buildings and residents, and although these projects produce the cheapest building plots, they are usually at locations too distant from employment and self-employment opportunities for many of the low-income households. This location disadvantage is reduced if factories and other employment establishments are also developed in the urban-fringe areas. The LP/R projects in infill development areas (i.e., the pockets of rural land bypassed by earlier urban expansion) can also provide plots close to employment and self-employment opportunities, but these will be higher value plots.

Although the LP/R projects producing higher value building plots can provide some plots at cost or less than cost for use for low-cost housing, the market value of these plots should be recognized, so that they should be mainly used for multi-unit housing rather than for single unit housing to be owner-built by individual households. This multi-unit housing can be as row houses and apartments to be sold or rented, and as blocks of rental rooms to be rented to low-income households. In each case, the multi-unit housing has to be constructed for allocation as ready-made housing to the low-income households.

□ Examples of LP/R programs in Asia

The LP/R projects carried out in Asian countries have produced a large amount of land for housing development. These projects have accepted the prevailing market land values and have been designed to achieve project cost recovery plus a significant net land value gain for the landowners, so that they have produced very few building plots that were affordable to low-income households. However, some of their plots have been allocated to public housing agencies for the construction of housing for sale and rent, some of it to low-income households.

□ Japan and South Korea

In Japan, LP/R projects have been applied since 1919 and by the end of the 2006 fiscal year, 11,808 projects for a land area of 394,484 ha had been undertaken under the provisions of the City Planning Law, 1919 and the Land Readjustment Law, 1954, (Takashi 1995).³³ This is about 1/3 of the urbanized area of Japan.³⁴ The majority of the LP/R projects were undertaken by cooperative associations formed by landowners (with a minimum of 7 members) that, if agreed by the participants, local governments, agencies, and Urban Renaissance Agency (UR)³⁵, could join. Local governments and agencies can also implement LP/R (developing nearly 29 percent of the LP/R area), followed by individual and landowner cooperative associations (11 percent). Currently, about 1,700 projects covering 64,294 ha are being implemented with 49 percent undertaken by cooperative associations. Most of the LP/R projects have been undertaken in urban-fringe areas as "sprawl prevention" projects and new town projects to convert rural land to urban building land, but some (about 20 percent) were urban renewal and town center infrastructure projects. This regular use of LP/R for the reconstruction of established urban areas is unique to Japan and is partly due to the success in using LP/R for the reconstruction of large areas of earthquake and war-damaged land in Japanese cities. The LP/R contribution for the provision of urban parks totals amounts to 50 percent of Japan's urban parks area. The regular use of this technique in Japan is also partly due to the availability of central government grants to finance much of the cost of infrastructure works in LP/R projects.³⁶

The LP/R projects undertaken for "sprawl prevention" and for new town development have provided about 40 percent of the total annual supply of urban building plots in Japan since 1977. Some of these projects have provided land for housing for low-income households, mainly the LP/R projects undertaken by the Housing and Urban Development Corporation (HUDC). HUDC was established in 1955 as the national housing agency, and up to March 1995 had constructed 1,341,575 houses and apartments, including its 726,682 rental units.³⁷ It has since expanded its activities from housing construction into urban development, new town, and urban renewal projects, plus the construction of railways and public facilities. Most (77 percent) of its land development has been undertaken with LP/R; it undertakes large-scale, mixed development projects and new town projects using LP/R in which it participates as a partner landowner. For example, HUDC developed Oyumino-Chiharadai New Town in Chiba Prefecture on a 974 ha site for a population of 130,000 using LP/R after purchasing 396 ha (40.6 percent) of the site. Some 15,900 houses and apartments were constructed on the HUDC building plots and 16,600 units on the landowners' plots in 1990.³⁸

³³ Yajima, T., 1995. "Globalization of Land Readjustment and its History and Practice in Japan". *Proceedings of the 8th International Seminar on Land Readjustment and Urban Development*. pp. 19-45.

³⁴ The latest figures are from website of Ministry of Construction of Japan:

<<http://www.mlit.go.jp/crd/city/sigaiti/kukaku/top.html>>

³⁵ Formally named the Housing and Urban Development Cooperation (HUDC), a central government agency; it was privatized in 2004 and renamed the Urban Renaissance Agency.

³⁶ Governmental grants covers public infrastructure provisions including land costs and buildings for road, parks and public facilities.

³⁷ According to HUDC in 1996.

³⁸ As noted in footnote 33, HUDC was privatized in 2004 and its mission shifted to utilize and renew the inherited stock of 770,000 apartments and 4,600 lease facilities. They no longer undertake new town development and rail road projects. <<http://www.ur-net.go.jp/aboutus/plan/stock.html> 2007>

In the case of South Korea, nearly all LP/R projects have been carried out by local governments that utilized the technique to construct network infrastructure and produce urban building plots. ["During the 1962-1981 period, land readjustment accounted for 95 percent of the total supply of urban land", (Lee 1997:275).] However, in 1980 the central government took over responsibility from local governments for the supply of housing land and commenced a large-scale national program of land acquisition and subdivision projects through the Korean Land Development Corporation (KLDC) and Korean National Housing Corporation (KNHC). Despite its major contribution to urban development during a period of rapid urbanization, the central government put the LP/R technique aside, preferring and able to use the more efficient approach of government land purchase and subdivision so as to accelerate the production of building plots and to slow increases in the price of land for housing. Since 1995 there has been a reduction in the role of central government in land development in favor of local government with a resumption of their LP/R activity.

Seoul was the main city applying LP/R, with the Seoul City Government producing 132.6 ha of urban land in the 1950s, 5,912.3 ha in the 1960s, 3,990.8 ha in the 1970s, and 1,442.1 ha in the 1980s, through a total of 41 large-scale LP/R projects. (Another seven LP/R projects by KNHC and landowner groups produced a total 808.6 ha of urban land in Seoul during these four decades.) The City Government undertook its projects mainly to construct the network infrastructure and to produce building plots for housing, with full cost recovery by the sale of some of the plots at their market value. In 1974 it began selling some of these "cost recovery plots" at concession prices to the KNHC and to local municipalities for the construction of multiunit housing for low-income households. These sales of plots at concession prices were cross-subsidized by the sale of additional cost recovery plots at full market prices, and this increased the building plot area designated as cost recovery plots from 11 to 15 percent of the plot area before 1974, up to 21-35 percent in the later projects. This indicates that 10 percent or more of the building plot area from the LP/R projects was being allocated for low-cost housing development.

□ *Taiwan*

In Taiwan, most LP/R projects have been carried out by local governments but there are many small projects undertaken by landowner cooperatives, mainly in commercial areas. The first LP/R project was completed in 1958 and through 1993 local governments had completed a total of 190 projects to produce 8,379 ha of urban land, including 5,615 ha of building plots mainly for multiunit housing.³⁹ Landowner groups had also completed 240 projects for 632 ha, including 448 ha of building plots. Kaoshuing City Government is the leading local government in the use of LP/R; more than 40 percent of the Kaoshuing urban area has been developed through LP/R projects. Up to mid-1993 the City Government had undertaken 49 projects (with 33 completed and 16 in progress) to produce 2,538 ha of urban land, including 1,605 ha of building plots mainly for multi-unit housing (Department of Land Administration 1993). Landowner groups had also undertaken 15 projects to produce 77 ha of urban land, including 52 ha of building plots.

Very little of the building plot land from LP/R projects has been used for low-cost housing mainly because, until recently, local governments have built very little low-cost housing. The land that they have used for their housing projects was mainly acquired by reservation and expropriation (i.e., by compulsory purchase), and in recent years by a land development technique known as "zone expropriation" (ZE). The ZE technique has evolved out of the excess expropriation technique of government land acquisition that is authorized by the Land Law. A limited version of ZE was introduced in 1969 and continued until June 1986 when the current version of ZE was adopted by amendment of the Equalization of Land Rights Act.⁴⁰

³⁹ Hsieh, P. C. R., 1993. "A Study on Urban Land Consolidation and a Case Study in Taiwan, ROC". Land Reform Training Institute, Taoyuan, Taiwan, pp. 73-74.

⁴⁰ Ueng, S.-H., 1996. The Use of the Zone Expropriation Technique for Urban Development in Taiwan: A Case Study of the Hsinchu County Project. Masters degree thesis, HS-96-10, Asian Institute of Technology, Bangkok, pp. 148-173.

Although ZE is based on the land expropriation law rather than the LP/R law, the ZE technique might be described as a modified and compulsory form of LP/R, as the ZE project land is expropriated and then serviced and subdivided into building plots with some of these plots (up to 40 percent of the project land) transferred to the landowners as compensation for their land. The landowners can choose to receive their compensation entitlement either as money or as "equivalent-value land" up to the same amount in the form of building plots valued at their average cost and up to a maximum at 40 percent of the land area. Nearly all the landowners choose to receive plots as compensation for their land. The local government can also sell about ten percent of the project land as cost recovery plots so as to recover the cost of preparing and implementing the project.

Whereas the LP/R projects in Taiwan enable local governments to allocate up to 35 percent of the project land for public facility purposes (mainly roads and public open space), the ZE projects enable them to allocate up to 50 percent of the project land for public facility and government purposes, including housing development. (In each case it is assumed that the local government recovers the cost of the local infrastructure works from the sale of cost recovery plots – about 10 percent of the project area). The ZE projects enable local governments to obtain an additional 15 percent of the project land at no cost and they use some of this land for housing development.

During the 25-year period from 1969 to 1994, six of the local governments in Taiwan completed nine ZE projects covering 423 ha, with four of the projects providing 51 ha of land for public housing and "low-middle income housing" for sale. The Taipei City Government also completed during the 1969-1989 period some ten ZE projects covering 90.1 ha to produce 51.5 ha of building plots, including 16.3 ha for its public housing program. In December, 1990 the Taiwan Provincial Government announced a new policy to acquire land for "low-middle income" housing development and issued its "Five Year Plan for Implementing ZE Projects in Taiwan Province". This plan proposed that 14 local governments in the Province would undertake 25 ZE projects covering 3,330 ha of land in newly urbanizing areas, over the five-year period 1993-1997. The objective of the Plan was to produce 832 ha of building land for government use, including 499 ha of plots for "low-middle income housing", sufficient for some 100,000 houses and apartments. The cost of land servicing and subdivision was to be funded by government loans rather than by the sale of some of the building land. The 25 projects were in progress with five delayed by landowner opposition, but as of mid-1996 some 22 of the projects were reported as "well advanced" and scheduled for completion in 1997 (Ueng 1996).

□ *Indonesia and Nepal*

LP/R projects are known in Indonesia as Land Consolidation projects and were initiated in 1981 by the Bali Provincial Office of the Directorate-General of Agrarian Affairs (D-G Agraria), By August 1995 some 132 projects covering 8,300 ha had been undertaken in 25 provinces.⁴¹ All but a few of the projects had been prepared and implemented by D-G Agraria and its successor, the National Land Agency (BPN-Badan Pertanahan Nasional). The projects were to be undertaken to convert rural land in urban-fringe areas into layouts of public roads and drains, reshaped land parcels with registered land titles and public facility sites. The roads, drains, water supply, and electricity supply lines were constructed later by the local government and public utility agencies as the land parcels were gradually brought into housing development and as funds become available. Most of the land was sold as plots for middle- and high-cost housing but some landowners constructed rental rooms and apartments on part of their land from the projects. According to a United Nations Centre on Regional Development (UNCRD) seminar in Nagoya in 2005, land consolidation in Indonesia has been hampered by an insufficiently developed land titling and registration system. Local people are more concerned about land certification and tend to regard land consolidation as a project of certification. As a result, they do

⁴¹ Talkuputra, H. M. N. D., 1997. 'The Use of Land Readjustment on the Improvement of the Urban Environment' *Proceedings of the 8th International Seminar on Land Readjustment and Urban Development*, pp. 126-148.

not agree to make land contributions and some withdraw from projects as a result. The UNCRD meeting sought to promote land consolidation in Indonesia, indicating that previous efforts had not been sustained and confirming the reasons cited above for the cessation of the approach.

In Nepal, three LP/R projects were undertaken in the provincial town of Pokhara during 1975-1983 so as to acquire the land for two main roads and a bus station, and to finance the construction of the roads.⁴² No further projects were implemented in Pokhara but 14 projects have since been undertaken in the Kathmandu Valley plus one in the nearby town of Dhulikhel.⁴³ The first of these was commenced in 1989 and by mid 1997 five projects covering 80.6 ha had been completed. The other nine projects covering 498.3 ha were in various stages of preparation and implementation. All but one of the projects were undertaken by the Kathmandu Valley Town Development Committee and its subsidiary town development committees for Kathmandu, Lalitpur, and Bhaktapur. Two of the three projects in Bhaktapur were undertaken jointly with the local government, and the Kathmandu Municipal Corporation was undertaking one project. All the projects provided land for housing but little land, if any, for low-cost housing.

Williams (2005) cited Karki (2004) concerning a land pooling initiative in Nepal that did not have the support of the central government, which was providing significant subsidy for the extensions of key network infrastructure and services. Apparently, “the government preferred to support the development of unplanned areas (non-pooling areas) and provided the necessary resources for roads, drainage, water supply, electricity and telecommunication free of cost through the central government agencies and municipalities. The landowners from land pooling schemes were forced to self-finance these services by contributing their land in the form of reserve plots. This disparity created tensions among the two groups. Landowners oppose LP projects because they preferred receiving services free of charges.”⁴⁴ Clearly if LP/LR projects – and by implication, other innovative approaches – involve decreased benefits to landowners compared to more conventional approaches, this will seriously restrict their potential application.

▪ **Transfer Development Rights (TDR)**⁴⁵

According to Adusumilli (1999), the Government of India has adopted the “development plan” model to ensure orderly physical development of urban areas. The plans earmarked physical and social amenities required for the expected population, such as roads, open spaces, schools, and hospitals. These were referred to in general, as reservations. Apart from a few examples of new towns, where bulk land acquisition of the entire town was resorted to, the lands in Indian towns largely remain in private ownership. The municipalities and urban development authorities are empowered to acquire private lands under reservations by paying monetary compensation under the Land Acquisition Act of 1894.⁴⁶ Meager compensation is awarded in general, resulting in landowners approaching courts seeking de-reservation or enhanced compensation, encouraging encroachments on their property or

⁴² Acharya, B. P., 1988. *Urban Land Pooling in Nepal: The Land Pooling Projects in Pokhara*. HSD Research Report N2 1. Asian Institute of Technology, Bangkok, p.67.

⁴³ Joshi, A. B., 1997. *Improving Urban Land Development in the Kathmandu Valley with reference to Land Subdivision and Land Pooling Projects*. Masters degree thesis, HSD Program, Asian Institute of Technology, Bangkok, pp. 485-502.

⁴⁴ Karki, T. K., 2004. “Implementation experiences of land pooling projects in Kathmandu Valley”. *Habitat International*, 28 (1): 67-88.

⁴⁵ This section draws heavily on Adusumilli, A., 1999, “Partnership Approaches in India” in G. Payne (ed.), *Making Common Ground: Public-private partnerships in land for housing the poor*, Intermediate Technology Publications, London.

⁴⁶ *Land Acquisition Act of India*, 1894 provides for acquisition of lands designated for public purpose, by the State and requires that compensation be paid to the affected landowner. The Act also provides for appeals by the landowner to challenge the contention of public purpose and to seek enhancement of the compensation awarded. If the acquisition does not take place within a specified time after notification for acquisition, the land ownership reverts to the landowner.

resorting to illegal developments themselves, thereby preempting the official procedures. Thus, in addition to the authority lacking the necessary financial resources to acquire these lands, new problems of litigation and encumbrances are added, and the reservations are generally not developed as intended.

Making the compensation terms more acceptable and retaining the development rights with the owner even after the lands are acquired, are two ways to overcome reluctance on part of those affected by the reservations. One form of land compensation being attempted is by granting Transferable Development Rights (TDR). These involve separating development rights from the ownership of land where development is to be discouraged and make them transferable to lands where it is considered desirable. In other words, the parcels of land where development rights originate and where they are consumed are different. As Williams²⁹ noted, although TDR does not increase the land supply, it potentially increases the housing supply.

The concept of making development rights transferable originated in the USA, where it is used for various purposes such as protecting environmentally sensitive areas. In its present form in India, TDR is used as a development control tool for implementing plans. In Greater Mumbai, it is one of the two options available to the landowner whose land is to be acquired for public purposes, the other being monetary compensation. The options available to the landowner are to use the TDR on the remaining area of land owned (if there is any), to use it on any other land owned by him/her, or to transfer (sell) it to others who can use it on other lands.

In Greater Mumbai, TDR is granted on lands reserved for roads, open spaces, and amenities. It is granted in the form of Development Rights Certificates (DRCs). The use of land from which the TDR originated and the use of land on which it can be consumed is specified in the DCR. It also contains details on the entitlement, successive consumption⁴⁷, and the balance at each stage. The land on which TDR is granted must be first surrendered to the Mumbai Municipal Corporation (BMC) unencumbered, leveled and compounded, free of cost. The amount of TDR granted is equal to the plot area surrendered, but if the amenity for which the plot is intended is also built and handed over free of cost to the BMC by the landowner, an additional TDR to the extent of built area of the amenity is allowed.

While TDR can originate from anywhere in Greater Mumbai, it can be consumed only at designated receiving zones, which exclude sensitive and congested areas. For example, it can be used in northern areas which are less congested and have more development potential where higher infrastructure can be laid, but not in the island city.⁴⁸ There is a ceiling on the extent of additional construction area on TDR receiving plots. For example, irrespective of its original Floor Space Index (FSI),⁴⁹ FSI on the plot receiving TDR cannot exceed by a total of one. For example, a plot with a permissible FSI of 1.0 will now have 2.0 or a plot with a permissible FSI of 1.33 will have 2.33. To maintain equal demand for TDR originating from amenities, roads and slum redevelopment schemes (SRD), this additional FSI arising out of TDR is apportioned such as only a maximum of 0.4 FSI can be added by way of TDR arising out of surrendering land for roads. For example a plot with base FSI of 1.0 can only buy 0.4 TDR arising out of a surrendered road and this plot can buy the remaining TDR of 0.6 only from plots surrendered for other amenities.

⁴⁷ TDR can be consumed or sold in whole or in parts.

⁴⁸ Greater Mumbai consists of three main geographical areas: the Island city (old Mumbai), the Western and the Eastern Suburbs. Island City is congested due to activity concentration.

⁴⁹ Floor Space Index is the ratio between the construction area on the plot and the plot area. In India, FSI is prescribed by local/development authorities and is generally different for different land uses and location. FSI determines the development potential of a parcel of land. FSI is 1.0 for residential and 1.5 for commercial areas in Navi Mumbai

Development charges⁵⁰ and municipal property tax are both payable on TDR consumption. TDR cannot be mortgaged, as it has no fixed value.⁵¹ Being a negotiable instrument, both transfer and use of TDR attract payment of stamp duty. Thus, TDR generates revenue for the State.

□ Performance of TDR in Greater Mumbai

A TDR unit is firmly established in the Bombay Municipal Corporation (BMC) and the statistics on TDR available for the period June 1993 to the end of July 1994⁵² show that 30 Development Rights Certificates were issued, generating a TDR of 1 6.32 ha. Out of this, about 7 percent was for roads and the rest for amenities. In comparison, between 1991 and 1994 about 15.0 ha was acquired by paying monetary compensation.

This parallel rate of delivery may not necessarily reflect the non-acceptance of TDR as an option, but could be attributed to the introductory period, where everybody waited and watched. Box 2.1 presents the case of TDR in Vasai-Virar in metropolitan Mumbai.

Box 0.1 The Case of Vasai-Virar Sub-Region (VVSR)

VVSR is a sub-region of Mumbai Metropolitan Region, located to the north of Greater Mumbai. It comprises four municipalities and several villages where widespread unplanned development was taking place during the 1980s. CIDCO was appointed a Special Planning Authority for this area and was given the task of preparing the development plan. Land in VVSR is in private ownership and hence needs to be acquired for implementing the public reservations. TDR was introduced in VVSR as part of the development control regulations right at the beginning of the plan implementation period. They are yet to be accepted by the Government and hence TDR in the VVSR is mentioned only to the extent of the variations they provide to the Mumbai case.

VVSR prescribes a minimum plot size to receive TDR and fixes the minimum TDR to be consumed at a time (the minimum area of receiving plot is 4,000 m² and TDR utilization is of minimum 50 m²). Several provisions were being formulated at the time of this study to make the TDR option more attractive and to improve its consumption base. One example is to grant of higher TDR on land placed under reservations than the construction permissible on a plot without any reservation (If a plot of 100 m² is granted 75 m² of construction area, the same plot if placed under reservation is granted TDR of 100 m²).

As much as 74 percent of TDR is generated from the eastern suburbs having low property values and large reservations, 7 percent from the affluent western suburbs, and the remaining 19 percent from the congested island city. Due to the real estate boom during 1993-95, TDR potential was found to be withheld for speculative purposes. One of the reasons for low generation of TDR from the island city is encroachments on lands that would have to be cleared to seek TDR.

During the corresponding period, the consumption of TDR was limited to 4.31 ha, utilizing 26 percent of the TDR generated. A total of 83 percent of consumption was by the sea-fronting areas in the western suburbs with high property prices. Average utilization has been about 385 m² with even existing buildings utilizing TDR by adding floors raised on columns as freestanding blocks above existing buildings.

Up to December 1996, about 40 ha of TDR had been granted, while total consumption had risen to 1 6 ha. Based on consumption trends, a scenario was forecast in the study mentioned earlier identifying

⁵⁰ Development charges are payable to a Municipal/Development Authority at the time of granting development permission (charges are levies on every m² of constructed area), and is a large revenue base for these bodies.

⁵¹ TDR value can be fixed only when it is used in terms of the transacted value.

⁵² Even though TDR was introduced in 1991, actual generation started only in 1993. Initial apprehensions in the minds of users of TDRs may have marginally settled by then. There was also a catalytic property market boom that reached a peak in 1995, which may have been a factor.

five potential municipal wards that are likely to receive the highest amount of TDR arising out of the above reservations. Their capacity in terms of physical and social infrastructure was also examined and the need for augmentation analyzed.

□ Advantages and Concerns of TDR

TDR offers several advantages to the local authority over monetary compensation, such as the possession of immediately usable and unencumbered lands, speedier procedures, and an improved tax base, as theoretically the entire urban land becomes saleable. The property owner is free to trade TDR on the open market. TDR can also be used for other purposes, such as conserving heritage/landmark areas/buildings and environmentally critical areas.

TDR can also contain/control urban sprawl by intensifying the use of urban land, put transportation networks to efficient use, and reduce travel distances and costs. Considering the worsening land-people ratio, it becomes essential to ensure that every part of the land area is utilized in such a manner that economic and social objectives are achieved.⁵³ In a country where population growth is likely to continue for many decades, it would be appropriate to adopt higher densities of population and restrain land consumption under urban uses.⁵⁴

It is expected that 25 percent of the amenities in Greater Mumbai will ultimately generate demand for TDR (the rest may opt for monetary compensation or be encroached), amounting to nearly 700 ha and its absorption will accommodate an additional population of about 600,000.⁵⁵ Further, SRD is expected to further generate TDR of around 3,000 ha bringing the total to over 3,700 ha, which is large when compared with the total designated residential land in Greater Mumbai (about 20,000 ha). Taking into account that all lands cannot receive TDR, its supply appears to exceed demand reducing the market potential for the same.

Reasons for slackness of TDR generation and consumption are perceived as due to a lack of land title clearance by owners, the slump in the property market⁵⁶, and the restricted TDR receiving base. Indexing of TDR generation (as explained in the case of VVSR) may improve the situation as higher TDR is granted on land acquired from prime areas.

Concerns with respect to TDR include unpredictable demand, assessment of re-densification potential of receiving zones, and possibility of speculation. Since it is a new concept, review and monitoring are essential to forecast future trends so that infrastructure needs of the additional population can be met. While preconditions for the success of TDR include a stable and growing property market, and an adequate receiving base; the following factors may affect the viability of TDR:

- the value of land versus the cost of construction land values will generate a good market for TDR;
- interest on compensation versus TDR value (market appreciation of TDR should be more);
- the value of compensation versus the value of TDR (TDR value should be higher than compensation); and

⁵³ Patel, S.B. (1995) *Slum Rehabilitation: 40 Lakh Free Lunches?*, Economic and Political Weekly, 07 October, India.

⁵⁴ Maitra, A. K., 1994. 'Land in Metropolitan Development: Delhi, Bombay, Calcutta, *Space Journal*, Delhi School of Architecture and Planning.

⁵⁵ Lukuchan, B., 1994. *TDR – an enabling mechanism for urban planning and management*. Masters thesis work for the Centre for Environmental Planning and Technology (CEPT), Ahmedabad, India.

⁵⁶ Currently, there is a buyers' market for TDR due to the slump in the property market, and hence rates have fallen to the extent of one-fifth of the "normal" property value. For example, if the built-up premises is selling at a rate of Rs. 5,000 (USD 119) per m², TDR can be sold only at Rs. 1,000 (USD 23.81) per m², while the construction cost itself is Rs. 700 (USD 16.67) per m².

- the availability of vacant developable pockets as the TDR receiving base (if the entire city is built up, it may be difficult to consume TDR even if permitted).

□ Replicability

Apart from Greater Mumbai, TDR has been initiated in the towns of VVSR and Waluj Mahanagar. The government of Maharashtra has already asked the local bodies of towns above a population of 200,000 to submit proposals to include TDR in their development control regulations. Other cities experiencing severe pressure in housing supply such as Hyderabad (capital of Andhra Pradesh state) are also examining the feasibility of introducing the concept. There has been no single taker for TDR in the newly developing Waluj Mahanagar, indicating that where land values are currently lower than construction costs, TDR will be feasible only when this situation reverses. While on the one hand it is possible to anticipate and provide the necessary additional infrastructure for TDR in newly developing areas, it may remain unutilized until TDR becomes a viable proposition.

While it is essentially a land acquisition mechanism in India, the principle of separating development rights from the land can be made applicable to spheres outside land acquisition. It can be granted for areas where development is restricted (generally due to restrictions on height imposed due to airport/defense considerations).

Replicability is also to be examined in the context of extending the principle to other areas requiring urgent attention. The government of Maharashtra has already extended TDR to slum redevelopment schemes and is finalizing its extension to heritage buildings. (e.g.: Historic building A has consumed only 0.1 FSI whereas presently the zone is allowed one. The owner of A will now receive 0.9 TDR, which can be utilized elsewhere. He is thus prevented from demolishing A.). However, this will have to be viewed with caution, considering the preconditions for the success of TDR as already discussed above.

□ Land Sharing

Sandhu⁵⁷ reports that while LP/R is primarily a public-private (formal) alliance, land sharing may involve different actors and a range of formal and informal partnerships that develop where more than two actors may be involved depending precisely upon the local circumstances. Land sharing has been implemented with success in Thailand and to some extent in the Philippines, Colombia, and India.

The concept behind land sharing partnerships is that the landowner (public or private) and the land occupants (squatters) reach an agreement whereby the landowner retains the economically most attractive parts of the land parcel and the dwellers are allowed to build houses on the other part, usually with full tenure rights. In some cases, the public authority or the private owner may build the units and sell them to the previous occupants at subsidized rates.

Based upon the results of the application of the framed evaluation criteria to the land sharing model in two cases (the Wat Lad Ba Kaw and Senki land sharing projects in Bangkok), it can be stated that this model does seem to bear the potential of providing access to land and secure tenure to the urban poor in inner city locations, serving as a sound alternative to eviction and relocations that can cause severe social and economic disruptions for the lower income groups and add to their hardships. Therefore, in the context of the inner city, land sharing seems to be a feasible model that could play to the advantage of all the actors concerned as has been revealed through the evaluation.

Sanhu notes that as with all land development options, the land sharing model is not without its share of problems as some references in the literature point out. Three problems could be encountered in land sharing projects. First, where the land size is too small, it may be difficult to work out an

⁵⁷ Sandhu, K., 2006. *Land sharing model; can it deliver to the poor?* [online] Posting on Global Land Tool Website, 14 June 2006.

agreement that is beneficial to the parties involved. Second, a land sharing project requires considerable community cohesion to become active partners and sometimes this could be difficult to achieve. Third, the process requires a great deal of initial negotiations and working out of modalities, which could require a time-consuming and complex process as was seen in the case of the Senki project.

It is inevitable that if the site is small it may be difficult to initiate a successful land sharing partnership. However, the other two constraints could be overcome if the actors are made aware of the benefits that will arise from this form of partnership. Also, as the case studies in Bangkok have pointed out, the public authority plays an important role in this partnership form, whether or not it is directly involved to support the lower income groups, and a lot depends on it to ensure that the approach works to the advantage of the less powerful actors.

Williams²⁹ noted that government endorsement is critical and depends upon political openness and political will. In Cambodia, a successful land sharing initiative was the result of years of groundwork by peoples' organizations, NGOs, and international development partners' dialogues with the Municipality of Phnom Penh.⁵⁸ Political will was particularly important in the Cambodia case because communities were established on public land.⁵⁹

□ **Community Land Trusts (CLT)**

A Google™ search for Community Land Trusts produced 7.1 million hits, suggesting that it is an extremely active, as well as innovative, land management tool. The Institute for Community Economics' website reports that they developed the Community Land Trust (CLT) concept in the 1960s as a way to encourage affordable resident ownership of housing and local control of land and other resources. For more than three decades, ICE has promoted public understanding and acceptance of this approach to ownership; it has helped local groups establish CLTs in a variety of urban and rural communities; and has provided technical assistance and financing to the growing number of CLTs.

A Community Land Trust is a private non-profit corporation created to acquire and hold land for the benefit of a community and provide secure affordable access to land and housing for community residents. In particular, CLTs attempt to meet the needs of residents least served by the prevailing market. Community Land Trusts help communities:

- gain control over local land use and reduce absentee ownership;
- provide affordable housing for lower income residents in the community;
- promote resident ownership and control of housing;
- keep housing affordable for future residents;
- capture the value of public investment for long-term community benefit; and
- build a strong base for community action.

CLTs have been implemented in countries as diverse as the United Kingdom⁶⁰ and Kenya.⁶¹ They have been a success in Voi, Kenya, although as Yahya⁵⁹ acknowledges, the technique has not been widely replicated because it is not regarded sympathetically by administrators who are untrained in its application and because it requires a degree of community cohesion that cannot be guaranteed in all cases.

⁵⁸ Political openness, the emergence of civil society, a new constitution, democracy at the local level, and the rise of NGOs and CBOs made this possible (Rabé, 2005).

⁵⁹ Rabé, P., 2005. *Land Sharing in Phnom Penh: An Innovative but Insufficient Instrument of Secure Tenure for the Poor*. Proceedings of the Expert Group Meeting on Secure Land Tenure in Asia and the Pacific, 8-9 December 2005, UN Conference Centre, Bangkok, Thailand. Published at the FIG website, 2005.

⁶⁰ See Building and Social Housing Foundation 2005

⁶¹ Yahya, S., 2004. "Community Land Trusts and Innovative tenure in Kenya" in G. Payne (ed.), *Land, Rights and Innovation: Improving tenure security for the urban poor*, ITDG Publishing, London.

□ Guided Land Development

Most urban development occurs in the urban fringes where rural land is converted to urban uses. Guided land development (GLD) is a land management technique for guiding the conversion of privately owned land in the urban periphery from rural to urban uses. GLD uses the provision of infrastructure as a mechanism to guide urban development. It is done in partnership with landowners who pay for the cost of servicing their land through donation of land for public infrastructure and payment of a betterment levy⁶².

Governments can use infrastructure investment policies to guide the direction of land development, as well as to ensure that land development is efficient, environmentally sound, and equitable. GLD has been proposed for Indonesia, but is yet to be implemented. It uses a combination of the traditional government role of providing infrastructure and the enforcement of land subdivision regulations. The key advantage of the approach is that it is less costly than outright land acquisition and more equitable than land banking.

The approach involves the government agency entrusted with urban planning or land development proactively selecting the direction where it considers that urban development should take place and provide infrastructure in those areas to encourage private developers to develop land in that area. By not building infrastructure in other areas, it acts as a disincentive for private development in those areas.

The GLD technique is cost-effective since land development is planned, designed, and implemented with the landowners of the designated area, who donate land for roads and right of way for infrastructure, and public spaces, as well as pay a betterment levy to meet the costs of the project. The betterment levy is justified because of the increase in the value of land from the provision of infrastructure and from conversion to urban land use from rural land use.

As landowners are to donate land, as well as, pay betterment levies, the infrastructure development plan is prepared using both topographical and land cadastre maps, ensuring that wherever possible roads and infrastructure follow the existing plot boundaries. To finance the scheme, a loan is initially taken out to build the infrastructure, which is paid from betterment levies provided by landowners either on annual installments or in lump sum upon sale of land.

Individual landowners are to subdivide or service their own lands. In case of subdivision of land, adherence to subdivision regulations is strongly imposed in the designated area.

Although quite attractive on paper, GLD is often fraught with difficulties on the ground. First, as with LP/LR approaches, it requires the consent of landowners, so it cannot be applied in areas with fragmented landownership. Too many landowners mean that greater time and effort is needed in building consensus. It is very likely that those landowners who have access to roads will refuse to participate voluntarily. Landowners may also want to continue the rural use of land.

Second, collection of betterment levies, particularly on an annual basis, may not be acceptable to landowners. Or even if it is acceptable, they may for various reasons default on the payments. The option of holding a land parcel as collateral against default of payment may not be feasible. Judicial proceedings in civil cases in most developing countries take several years to complete. This would mean that the particular parcel of land will be out of the market until the civil case is settled. Moreover, it may be politically undesirable to repossess lands of small landowners who are most likely to default.

⁶² ESCAP, 1997. Urban Land Policies for the Uninitiated. <<http://www.unescap.org/huset/landjolicies/>>

The advantages and disadvantages of guided land development are in fact very similar to those of land readjustment and land pooling. The only advantage that guided land development has over land pooling/land readjustment is that the government does not need to decide on the amount of land to be returned to the landowners at the end of the project.

□ Incremental Housing (Self Build) Developments

Self-Build or Incremental Housing Developments (IHDs) adopt the principles used in squatter settlements, recognizing that people are perfectly capable of building and developing their own houses if they are given the opportunity. Land is allocated and plots sold at very low rates to accommodate the needs of the very poor. Granted security of tenure to their plot, households are then free to build whatever they want and can afford, on the assumption that they will improve over time as resources permit.

The primary condition of IHDs is that households occupy their plots within a specified period, often about three months. This is intended to ensure that plots are occupied by those in need, rather than those simply seeking additional land. If it is found that people do not build on their plots, sales are cancelled, and ultimately the down payment can be forfeited. Only very minimal services are supplied in the beginning.

The IHD approach has been most widely adopted in Hyderabad, Pakistan (in Sindh Province), where it is known as Khuda-ki-Basti and has been implemented with some success by the Hyderabad Development Authority, (HDA). However, attempts to organize people along lanes, and the scheme as a whole, met with no success. Government then simply stood aside and permitted natural community organizations to emerge. It found that for some issues, such as electricity and water supply, which concerned the entire scheme, people did organize at the scheme level. For other issues, they organized themselves in different units, specifically relevant to the issue.

The Gulshan-e-Shabbaz IHD project in Hyderabad won an Aga Khan award for giving homeless families the chance to settle on land, and to obtain legal housing. The scheme entailed entirely self-financing - there was no subsidy, formal or informal. The entire cost of the developed plots was borne by the beneficiaries, in installments spread over a period of eight years. The first house was usually made of reeds, wood, or cardboard. Slowly, more permanent houses of brick or cement block were erected, with roofs of tiles or corrugated tin. Ten percent of the owners eventually added a second floor. Each group of four houses was served by a septic tank linked to a pumping station. Over 70 percent of the houses now have individual water connections, and the rest collect water from conveniently located taps.

In another project known as the Garo Pilot Project, the HDA agreed to provide cheap semi-serviced land to all these applicants who displayed immediate need.⁶³ To verify the need, the HDA constructed a temporary shelter known as the reception area, which was the entry point to the project. Those who wished to obtain a plot were required to spend a period of 3-4 weeks living on the site in temporary housing with their family and belongings.

Although the scheme was intended to reduce the cultural gap between the target group and developers by simplifying the procedures, it could not function effectively. Often the government overruled the innovation of displaying the procedure for allocation and development on public notice boards. Instead, advertisements in national newspapers were published that low-income people did not read.

As Ahmed (1999) notes, a major problem in developing innovative partnerships is the current legislation and regulatory framework. For example, the Sindh Land Disposal Ordinance 1980 specifies

⁶³ Ahmed, N., 1999. "Public-private partnerships in Pakistan" in G. Payne (ed.), *Making Common Ground: Public-private partnerships in land for housing*, Intermediate Technology Publications, London.

that whenever a scheme is announced by a public agency, it has to allot plots in accordance with quotas fixed by government. There are certain categories which have to be catered in every housing scheme, including government servants, defense personnel and nominees of the government and/or competent authorities. Fixing these quotas is time consuming and cumbersome. One of the central objectives of the Ghara Pilot Project was to bring about a change in government's thinking. It aimed to make the government realize the usefulness of contractual partnerships with NGOs and informal land developers. However, this could not be done as the government refused to share its authority of land allocation with any other actor. Thus, it could not help stimulate land supply, nor could the formal system be made more efficient.

The government quota and allotments also opened the way for speculators, as in so many other official schemes. In addition, there was anecdotal evidence of wealthy households sending in their servants to claim one or more plots, which were then reclaimed by the wealthy households once the land values had increased.

This approach has practical limitations and is not a land management tool per se. However, the approach has much to commend it as a means of reducing entry costs to planned and legal land and housing for the urban poor. Other land management tools and techniques discussed in this report can be used together with self-build and incremental housing approaches to regularize informal settlements.

□ **Site Development and Urban Design Briefs**

Site development and urban design briefs are a means of informing developers and other interested parties of the constraints and opportunities presented by a site, and the type of development expected or encouraged by local planning policies.⁶⁴

A planning brief is intended primarily to promote development or attract a development partner might be called a development brief or a vision statement.

An urban design brief can give information on the form and spatial organization of a site area to potential developers.

A good brief will be just that - brief. It should also be *clear* and based on criteria that are *realistic* in terms of yielding an acceptable return on investment by developers, in return for the reduction of risk involved. After all, the benefit of this approach to a developer (whether a commercial developer, NGO or community group), is that it eliminates risk by specifying *in advance* the conditions which need to be met in order to proceed.

□ *Site Development Briefs*

Preparing a brief for a feasibility study requires the ability to place oneself in the mind of a reader who may not share the same assumptions or objectives. It is therefore important that a site development brief should:

- be based on a realistic assessment of the likely development costs (including short term finance), selling prices and potential profit margins for each project component;
- specify social and environmental requirements that maximize the public benefit of a development without deterring potential developers;
- concentrate on aspects of particular public concern;
- distinguish between those elements that are mandatory and those which are preferred, but optional; and

⁶⁴ Davidson, F. and Payne, G. (eds.), 2000. *Urban Projects Manual*. 2nd ed. Liverpool University Press.

- be clear, concise, and unambiguous, and provide only that information that a potential developer needs to know in preparing proposals.

Options for increasing the proportion of non-profitable elements, such as housing for low-income groups or communal facilities, will be increased if provision is permitted for a proportion of more profitable components. The balance between these will vary according to the specific characteristics of each site and the extent to which a mixture of activities and social groups is acceptable locally. Assessments of costs should be based on current commercial rates of interest.

Whereas a feasibility study may begin with an assessment of a target population, a site development brief will usually be based on the constraints and opportunities presented by a specific site. These will exert a strong influence on the target population that is most likely to want and be able to afford to live and work there and the range of appropriate activities.

Once a feasibility study has confirmed an appropriate range of development options for the site, steps can be taken to prepare the site development brief.

This should contain information on the following:

- The site:
 - The site location and address, plus boundaries and access points, together with a site location and layout plan.
 - Land area and topographic details
 - Existing uses, if any.
 - Details of ownership and rights.
 - The history of the site and the reasons for its being available for development.
- Site development:
 - Any restrictions on permitted uses and their location.
 - Requirements regarding public open space, road reservations, landscaping, and public amenities.
 - Requirements regarding minimum plot size, setbacks, or floor area ratios and initial density levels.
 - Requirements regarding building materials and construction systems for initial development, together with levels of initial services provision.
 - Requirements regarding the extent and nature of any non-profitable, social, or environmental components to be included in the development. These may include social housing, car parking requirements and children's play areas, etc.
 - Details of any financial or other contribution by the public sector.
 - Any requirements regarding phasing, especially the provision of less profitable project components.
 - Other factors that would generate a public benefit and encourage the development authority to approve one proposal in preference to another.

Special care is required when selecting tenure options for upgrading projects in informal settlements. The aim should be to provide the minimum level of security required to encourage investment, without increasing costs or rents.

- The target population:
 - The proportion or number of lower income households to be included in the development.

- The nature and extent of any external subsidy available to assist such households, or contribute towards the costs of on- and off-site infrastructure and public amenities, such as schools, health clinics and other facilities.
- Identification of local groups or organizations.

▪ *Urban design briefs:*

Urban design briefs have an additional objective to those of site development briefs: They seek to ensure the achievement of appropriate, good-quality environments. Unlike planning, which is primarily concerned with two dimensions, urban design is concerned with three dimensions – the creation of urban form and the spaces between buildings. It is particularly concerned with the form and design of the public realm.^{65, 66, 67}

Urban design has two means of achieving policy objectives – design guides and design briefs. The former are general documents that specify the range of architectural forms and treatments that will be acceptable to a planning authority over a wide area, whereas design briefs apply to specific sites or well-defined areas ensuring that the urban design potential of that site is maximized, while controlling the architecture as little as possible.

In central urban areas, a considerable degree of control may be required over development proposals, especially if the site is in an area of historic, tourist, or economic importance. In primarily residential neighborhoods, development control requirements can be restricted to key areas of the public domain, leaving residents to decide on the use of their plots and the form of their immediate environment.

Briefs therefore need to be sensitive to specific site conditions and identify the key factors of concern to the wider public. They will need to be based on a feasibility or site development study to ensure that they are economically viable.

It is vital that briefs contain a clear and concise summary of development policies applicable to the site. All conditions to which development proposals should conform need to be specified. At the same time, any aspects which are open to negotiation, or on which requirements may be optional, rather than mandatory, should also be specified. The views of all key stakeholders should be sought before finalizing individual briefs and comments incorporated as appropriate to ensure widespread public acceptance.

A good brief should contain the following sections:

- An analysis of the site, indicating the reasons for the brief, the character of any existing development and the pressures for change which proposals should address. Connections and links to surrounding streets, land uses and buildings should be shown in detail, together with any site conditions which will influence development options. Any transport or parking requirements should also be specified.
- A statement of design objectives which lists the qualities to be encouraged and those which will not be acceptable. These may include reference to the scale and form of new buildings, their relationship to communal and public spaces and landscaping requirements. In many cases, the character, form and morphology of existing settlements can suggest options for

⁶⁵ Hayward, R. and McGlynn, S., 1993. *“Making better places: Urban design now”*. Butterworth Heinemann, Oxford.

⁶⁶ Bentley, I., Alcock, A., Murrain, P., McGlynn, S., and Smith, G., 1985. *Responsive Environments: A Manual for Designers*. The Architectural Press, London.

⁶⁷ Punter, J., Carmona, M., and Platts, A., 1994. “Design Policies in Development Plans”, *Urban Design Quarterly*. Issue 51, July.

- future development. Any restrictions on building heights, setbacks, or floor area ratios should be specified. Plans and drawings should be used wherever appropriate.
- Controls to be exerted over proposed developments and the sanctions to be imposed in the event of non-conformity.

Key elements in proposals will be the size and shape of plots. Invariably, these will be smaller for low-income households, although it is important that briefs permit a range, so that households can choose the combination of plot size, levels of infrastructure, and type of initial building that reflect their needs and priorities.

An effective brief is one that concentrates attention on the key elements of general public interest and stimulates creativity in other areas by adopting as relaxed an approach as site conditions permit. Care should therefore be taken not to be overly restrictive.

It is important to invite a wide range of stakeholders to assess proposals based on the brief, which will increase support for the decisions reached and promote a transparent administrative process. Time taken at this stage can also result in considerable savings later, by reducing the risk of local hostility to new development proposals.

Design briefs provide an opportunity for local development authorities to initiate proposals without having to seek recourse to unpopular, time-consuming, and inefficient land acquisition and development procedures. They are cost-effective means of increasing public control over urban development and increasing the participation of key stakeholders.

They also have major advantages to potential developers in eliminating risk and reducing the time required for processing development proposals. Once the brief has been published, interested parties can be given a reasonable time to prepare and submit proposals. Once the decision has been taken on the successful proposal, the developer can begin on site as soon as convenient. Project costs can be reduced considerably as a result, with benefits passed onto consumers in the form of lower prices. The rate of planned urban development can also be enhanced without increasing the burden on scarce public sector staff and other resources.

Planning and urban design briefs offer government agencies an opportunity to indicate the conditions that landowners or developers must satisfy in order to obtain planning permission. As such, they reduce uncertainty and enable applicants to save time and money, thereby enabling them to reach lower-income groups.

Since planning and urban design briefs are site-specific, each one has to be prepared separately bearing in mind local conditions and opportunities applicable at the time. For this reason, their success depends upon the existence of an adequate number of suitably trained professionals within urban development agencies capable of making market sensitive assessments of site development potentials while also assessing possible social and environmental benefits to be realized in order to protect the public interest. At present, this requirement cannot be met in many urban areas of developing countries.

Partnership Arrangements Used Worldwide

Over the last two decades, increasing innovation has taken place in developing and disseminating experience with a range of partnership approaches to urban land markets. A marked change has taken place, particularly in the countries such as the UK, where conventional practices whereby planners planned and investors did as they were told were swept aside and the market makers set the pace. Planning has become far more responsive, some would say far too responsive, to market forces and the drive to stimulate local, and attract, foreign investment. While the outcomes are still too early to enable a definitive assessment to be made, it is clear that local economic investment has increased as a

result, with considerable macroeconomic benefits. However, it is equally evident that there are many social groups that have not benefited from this change and some have lost out, not just in relative, but in absolute terms. The gap between haves and have-nots has increased in those countries that have followed market-driven processes and social tensions have increased as a result.

As Williams²⁹ noted, “cooperation between central and local government roles, as well as with other actors, is important to achieve integrated operations between land registration and land administration systems. The cross-cutting nature of land issues makes integrated institutional approaches critical to the success of land policy interventions,⁶⁸ which applies not only to government agencies but also to partnerships with the private sector, NGOs and program beneficiaries. According to Dewar (in Payne 1999), successful public-private partnerships require clear roles and responsibilities for the different partners as well as sufficient institutional space for each partner to carry out its role efficiently. Dewar also suggests that, since most government agencies or authorities tend to play the role of player and referee at the same time, there must be a space consciously created between those two roles.”

This change in the relationship between public and private sectors in developing and managing urban land markets has, however, opened the door to a range of innovative approaches that have, in some cases, broadened out from mere binary public-private partnerships (PPPs) to much inclusive and socially responsive Multi-Stakeholder Partnerships.⁶⁹ This section of the review draws on that research and provides an assessment of key examples.

□ **City Development Strategies (CDS)**

City Development Strategies are promoted by the Cities Alliance.⁷⁰ A CDS involves a collaborative decision-making process designed to help reduce poverty and provide the basis for sustainable development. The CDS approach is increasingly being used to improve the quality of life in urban and peri-urban areas around the world.

A key feature of a successful CDS is to consider implementation issues from the outset, not just how to prepare a proposal. Another is the need to include *all* key stakeholders, including community groups. See Annex 1 for key elements of a CDS.

The goal of a CDS is to create a collective vision and action plan aimed at realizing improved governance, increased economic growth, and employment and sustained poverty reduction. It is vital to identify and include all key stakeholder groups at the outset. Once this has been done, an organizational framework is needed to provide a forum in which views can be exchanged and decisions agreed. The organizational group will then need to prepare a work program. The steps therefore involve:

- Identifying all stakeholder groups;
- Establishing an organization;
- Building capacity; and
- Preparing a work program.

The CDS group can then be formed and meetings held to define objectives and roles. In assessing local capacity, it will be necessary to assess what technical and financial support is needed for the group to prepare a plan. Once these steps have been completed, the CDS will be able to provide the basis for an agreed vision, strategy, and comprehensive plan for future development. However, to be

⁶⁸ Rajack, R., 2006. “Land Market Issues: The mystery of Capitalism Revisited”. In R. M. Buckley and J. Kalarickal (eds.), 2006. *Thirty years of World Bank shelter lending: what have we learned?* World Bank, Washington, DC.

⁶⁹ Archer, P., 1999. “Public/private sector partnerships in the UK context”, in G. Payne (ed.), 1999.

⁷⁰ www.citiesalliance.org

effective, the process will need to be repeated in response to changes in the macro economic climate in which the area exists.

The strength of the CDS approach is that the process of preparing and revising the strategy is a consensual process and one that can therefore command local ownership. A precondition for the effective application of a CDS is the existence of effective local government institutions and leadership that is committed to the creation of a genuinely participative process of decision making. It might be considered that towns and cities where these conditions apply are already halfway to meeting the challenges they face and that where these conditions do not apply, a CDS is unlikely to be undertaken.

A local variation on the concept of a CDS can be seen with Bombay First,⁷¹ an enterprise established by Mumbai business leaders with enlightened civil servants and civil society groups to ensure a dynamic future for Mumbai as a world-class city. Bombay First aims to serve the city with the best that private business can offer and seeks to achieve this through partnerships with government, business, and civil society. It plans to improve the economic and social infrastructure of the city to make it globally competitive and improve the quality of life of its citizens. This vision will be achieved by:

- Advocating: creating public opinion based on facts and researched information.
- Networking: bringing together people and institutions from diverse fields to resolve problems and find solutions.
- Catalyzing: creating an environment, by setting in motion processes whereby things begin to happen.
- Facilitating: forming an agenda for action and helping to organize resources for effective, efficient performance.

A recent report on Bombay First by McKinsey⁷² makes many comments about Mumbai and the poor state of its economy and infrastructure (e.g., that the city fell from 26th in 1996 to 33rd in 2000 out of Asia's top 40 cities). However, it unfortunately made no mention of the initiative that it was reviewing, namely the civic partnership of Bombay First, which was established largely to address the very challenges the McKinsey report identifies. It instead refers to initiatives in other cities,⁷³ but not to the innovative financing arrangement that helped create Navi Mumbai, currently the largest new town development in the world.⁷⁴

□ Participatory Budgeting

Participatory budgeting is a process in which a wide range of stakeholders debate, analyze, prioritize, and monitor decisions about public expenditures and investments. Stakeholders can include the general public, poor and vulnerable groups including women, organized civil society, the private sector, representative assemblies or parliaments, and development partners.

Participatory budgeting can occur in three different stages of public expenditure management:

1. Budget formulation and analysis. Citizens participate in allocating budgets according to priorities they have identified in participatory poverty diagnostics; formulate alternate budgets; or assess proposed allocations in relation to a government's policy commitments and stated concerns and objectives.

⁷¹ www.bombayfirst.org

⁷² McKinsey, 2003. Vision Mumbai: Transforming Mumbai into a World Class City. Report for Bombay First. <<http://www.bombayfirst.org/McKinseyReport.pdf>>

⁷³ e.g. Cleveland in USA, plus Bangalore and Hyderabad in India.

⁷⁴ *National consultant's report*, Mumbai.

2. Expenditure monitoring and tracking. Citizens track whether public spending is consistent with allocations made in the budget and track the flow of funds to the agencies responsible for the delivery of goods and services.
3. Monitoring of public service delivery. Citizens monitor the quality of goods and services provided by government in relation to expenditures made for these goods and services, a process similar to citizen report cards or scorecards.

Increased participation in budgeting can lead to the formulation of and investment in pro-poor policies, greater societal consensus, and support for difficult policy reforms. Experience with participatory budgeting has shown positive links between and among participation, sound macroeconomic policies, and more effective government. In fact, Participatory Budgeting is an important means of validating decisions on resource allocation. Even more importantly, it can assist in moving from passive forms of representative democracy to more active forms of participatory democracy. The approach originated in Porto Alegre, Brazil in 1989 and has since been adopted successfully in countries as diverse as Ireland, Canada, India, Uganda, and South Africa.

□ Requests for Proposals⁷⁵

The rapid collapse of Communism and the adoption of market-based economic policies in Central and Eastern Europe have opened the door to new forms of market-sensitive partnerships that seek to realize social policy objectives. The following notes refer to examples in Bulgaria and the Russian Federation. Bulgarian municipalities carry a large liability in the form of housing units to compensate households whose property was expropriated during the 1980s for public purposes. The prospect of receiving between 20-30 percent of the proposed number of housing units in exchange for granting development rights on municipally owned sites to private developers enabled the authorities to meet the needs of the dispossessed households at no direct cost. From the developers' perspective, the RFP approach increases access to highly desirable sites for development and offers an attractive alternative to the often complex and lengthy negotiations with private landowners.

A Russian example has sought to capitalize on the value of land as a source of public revenues after years during which it contributed virtually nothing to the city budget. Although it is early, the approach has been adopted enthusiastically and is rapidly transforming options for efficient and affordable land development in both countries. The RFP initiative is summarized below.

The step-by-step public-private partnership process RFPs are intended to:

1. Announce and encourage an open, fair competition between developers;
2. Elicit proposals that provide a complete and detailed description of a developer's plan, allowing for the judgment of a bidder's capability to carry out the proposed project; and
3. Protect the municipality's financial and legal interests.

In general, an RFP should include at least the following:

1. Mandatory performance standards;
2. General and special conditions or terms under which the developer will operate;
3. A time frame for construction;
4. A recommended format and specific procedures for preparing and submitting proposals;
5. Criteria by which competing proposals will be evaluated; and
6. A schedule and process for reviewing the proposals and selecting a "winning" developer.

⁷⁵ These notes are based on the chapter by Lynch, J., Brown, M., and Baker, L. in G. Payne (ed.), *Making Common Ground: Public-private partnerships in land for housing*, Intermediate Technology Publications, London.

As an alternative to issuing an RFP, a municipality can first issue a Request for Qualification (RFQ), which typically explains the objectives, time frame, and parameters of the proposed public-private partnership and also requests interested developers to submit their qualifications (e.g., experience, personnel, financial statements) for review. Hence, RFQs can be used to “pre-qualify” or “short-list” developers interested in participating in the project. Once this short list is determined, the municipality can issue an RFP inviting the qualified developers to submit detailed project proposals.

It cannot be overemphasized that municipalities must have a solid understanding of local real estate markets before attempting to structure public-private partnerships. On the demand side of the equation, consideration needs to be directed toward such factors as population growth, employment trends, the distribution of incomes, vacancy rates, and sales activity.

In transitional economies, housing demand is profoundly affected by macroeconomic conditions, such as high inflation and interest rates, as well as the absence of long-term mortgage instruments. On the supply side, construction activity and absorption rates, differentiated by product type, size, and location, should be considered. Last but not least, information about private developers themselves is very important. A comprehensive assessment of the financial health, experience, and reputation of private developers provides invaluable information about potential “business” partners.

As shown in the below, there are a total of seven steps in the RFP Process. Presented below is a description of steps one through five, leading to the selection of the “winning” developer(s).

Box 0.2 Steps in the RFP Process

1. Monitor Project and Enforce Contract
2. Establishing Specific Development Objectives
3. Identify Municipal Sites for Development
4. Prepare an RFQ and/or RFP
5. Prepare a Model Development and Disposition Agreement
6. Review Development Proposals and Select Winning Developer(s)
7. Negotiate and Sign Development Contract with Developer

Step 1: Establishing Specific Development Objectives

It is important for a municipality to establish specific development objectives before initiating the RFP process. The municipality can use this process to achieve such housing development objectives as:

- Promoting affordable housing;
- Preserving historic structures and landmarks;
- Stimulating private sector development;
- Maximizing economic and social returns on municipal assets; and
- A range of other more specific objectives related to a particular site.

Objectives should be clearly outlined in the RFP. It is likely that the municipality will have multiple objectives for a site, and it may be useful to rank these objectives in order of importance.

In order to achieve as much as possible by way of private development, municipalities will need to articulate their objectives clearly. It may be necessary to separate objectives, such as those pertaining specifically to a site (e.g., provide a play area for children) from those pertaining to city-wide or even national objectives (e.g., use energy-efficient technology).

Step 2: Identifying municipal sites for development

Municipalities should carefully consider the suitability and attractiveness of a site before it is selected for a development project through the RFP process. In examining candidate sites, municipalities will want to consider the following types of issues:

- Is the location a good one for housing and would housing be consistent with existing land use plans?
- Is the size of the site appropriate for private investment?
- Is there access to critical infrastructure or, if not, will this infrastructure or connection be built?
- Is there clear title to the land?

The importance of site location and size is directly related to market demand. Because the private developer would assume the risk and responsibility of selling the housing to prospective buyers, it is critical that the proposed site be located where there is effective demand for the proposed type of housing.⁷⁶ At present, effective demand is likely to be greatest for housing in infill locations with access to central city amenities and services. In terms of site size, smaller sites appropriate for perhaps 10 to 30 units are likely to be most desirable at present, given the chosen developer's probable need to pre-sell units in order to secure construction financing. With smaller projects, it is also easier to create a condominium ownership structure to ensure proper building management.

Box 2.3 sets out municipal roles and objectives in the RFP process.

Box 0.3 Municipal Roles and Objectives in the RFP Process

It is important for municipalities to establish specific development objectives early on in the RFQ/RFP or RFP process. Some general municipal objectives that can be achieved through a public-private partnership housing project are: promoting home ownership, meeting housing needs, promoting economic development, generating municipal revenue, stimulating the real estate market, and enhancing the physical environment. As a starting point, some Bulgarian cities may find it useful to develop a comprehensive housing strategy as a framework for setting objectives for specific development projects. The principal roles and responsibilities of municipalities in the RFQ/RFP process include the following.

Creating the Spirit of Entrepreneurial Partnership. A spirit of partnership is extremely important. It leads to the effectiveness of many other performance factors. In addition, the public sector needs to view its activities as would an entrepreneur, i.e., it must be willing and able to take risks to achieve results.

Preparing the Master Plan and Setting Objectives. The master plan and development objectives establish a framework for private sector response. The designation of certain lands for development provides a level of predictability of public actions. Setting objectives, both general and site-specific, aids private developers in preparing realistic responses to an RFP.

Facilitating Project Completion. This function includes taking all steps to make a land parcel legally available for private development, making a pre-appraisal of the site's market value, arranging for the effective phasing of development on the site, and expediting necessary government permits.

Promoting Fairness and Competition in Free Market Systems. The public sector must ensure participants that the bidding process will be open and fair. The careful and thorough preparation of an RFP, with objective standards to guide the selection of a developer and with the drafting of a model DDA, can result in a fair process that stands up to any challenge.

Providing Infrastructure and Related Community Facilities. Careful consideration needs to be given to the provision of infrastructure on proposed development sites. If the public sector is going to insist that the private sector provide the infrastructure, then, in the spirit of partnership, the public sector needs to

⁷⁶ Effective demand means that people both would want to and could afford to buy or rent the housing at full, unsubsidized costs.

examine other ways it can offset the higher costs to developers. One way would be to reduce requirements on the number of living units that a municipality might otherwise insist on retaining, or by discounting the sales price of the site.

Assisting with Project Feasibility. The public sector can help with project feasibility by such measures as providing gap financing and discounting land prices and various fees. However, a municipality should offer no financial commitment unless (i) it has determined that the measure is justified in order to make a project feasible or affordable and (ii) it is able to meet its financial commitment on time.

Project Management and Contract Enforcement. This is a key role for the public sector. Once a partnership has been established, it is important that the municipality manage its commitments to ensure that there will be no unnecessary delays due to permit processing or compliance with other agreed commitments. In a similar vein, the municipality needs to monitor the developer to ensure that the developer's performance meets agreed standards. The public sector must further ensure that legal remedies are available in the event that the developer, for whatever reason, fails to comply with some aspect of the written partnership agreement.

Access to infrastructure is another important factor in a site's attractiveness to private developers. Until mechanisms for funding infrastructure expansion exist, new housing should be promoted in areas served by existing infrastructure. Developers would ordinarily need to assume responsibility for on-site infrastructure improvements according to standards established by the municipality.

A fundamental prerequisite for the participation of private developers in a development agreement with a municipality is the existence of clear title to the site. In Bulgaria, municipalities are more likely to transfer "development rights", in effect, and not freehold interest in the property. Even though municipalities "own" many sites, they must ensure that they have the full authority to transfer development rights.

An RFP should contain a location and site map with a description of site features, planning constraints, and other salient information.

Step 3: Preparing an RFQ and/or RFP

A municipality can use either the RFQ/RFP (two-step) or the RFP (one-step) process. The advantage of the RFQ/RFP process is that developers not selected to receive an invitation to submit a proposal do not have to spend resources on the preparation of a full proposal. Eliminating some bidders at this point could reduce unrealistic bidding, and also reduce the municipality's effort in the selection process.

As part of an RFP/RFP or RFP preparation process, municipalities must undertake a number of activities, including the following:

- Clarifying the permit approval process and simplifying if necessary. The permit approval process should be streamlined so as to reduce the developer's uncertainty, costs, and schedule. The permits are of two types. One type is for infrastructure connections to water, sewer, electricity, gas, telephone, and possibly heating. The other type, associated with the municipality and the state, permits the developer to develop the site (e.g., planning permits, building permits, historic/cultural permits). At a minimum, the RFQ/RFP should contain a complete listing of all permits required and the sequence of steps the developer needs to go through in order to secure all permits.
- Defining relocation and site clearance responsibilities. Relocation and site clearance responsibilities should be defined in order to ensure that development can proceed without unnecessary delays. If the project to be constructed is on a site with occupied housing, the municipality or the developer may be responsible for relocating tenants to other suitable

housing. If the developer is responsible for site clearance, the value of the materials salvaged from the site should be taken into consideration in the bid price for the building rights.

- Conducting market analysis. To ascertain the feasibility of proposed development projects, a market analysis needs to be conducted. This could be achieved by requiring developers to submit a market study or analysis as part of their bids. Alternatively, the municipality could conduct a housing survey (a method used in developed market economies as well), which would yield valuable information to potential developers.

Listed below are the major criteria by which proposals are usually evaluated:

- Conformity to municipal objectives. The extent to which the proposal conforms to city-wide and site-specific objectives.
- Timeliness of construction. The time frame from contract to commencement of construction and to completion of construction, including the schedule when payments and/or transfer of living units to the municipality would occur. The municipality and could also be shared with private developers to help them better understand the market for new housing.
- Defining proposal selection criteria. Developers need to be assured that they are competing on a “level playing field” and that the selection process is objective and transparent. In order to ensure that developers clearly understand how their proposals will be reviewed and evaluated, proposal selection criteria need to be explained in the RFP along with the process and time frame for bid review.
- Performance. The quality of the development team, including references for the developers, the contractor, the investor, the architect and engineers, and the marketing person or organization.
- Aesthetics. The exterior appearance of the proposed building and grounds.
- Quality of development. The quality of the proposed construction.
- Financial feasibility. The likelihood that the project could be built and marketed as proposed.
- Social housing needs. The commitment of the developer to set aside housing units for low-income or disadvantaged groups, either directly or through the municipality. Also, the municipality might give preference to projects that contain market units designed to be affordable to the middle class.

Step 4: Preparing a Model Development and Disposition Agreement

The instrument that provides the basis for implementing a public-private partnership is the Development and Disposition Agreement (DDA). This is a comprehensive legal document that specifies the performance requirements and auditing procedures for a particular project. The DDA sets forth the specifications for all aspects of the project, including, among other things, site preparation and utilization, infrastructure provisions, financing, phasing, and scheduling. The DDA also provides the basis for resolving disputes.

A model DDA should be prepared for inclusion in the RFP so that developers understand the legal ramifications of entering into a development agreement with a municipality. A draft DDA also serves to clarify the project’s specific objectives and procedures.

Step 5: Reviewing Development Proposals and Selecting Developers

The RFP submission, evaluation, and negotiation process must ensure fairness to all parties. Submission requirements should not unnecessarily preclude smaller or more recently established firms from competing. Evaluation criteria should be pre-specified in the RFP and should incorporate a numerical ranking system for judging proposals. A numerical ranking system ensures that proposals are evaluated on an objective rather than a qualitative basis.

Municipalities should establish official proposal review and selection committees. Such committees should be comprised of appropriate municipal personnel and should also include non-municipal employees. The purpose of including non-municipal employees is to add expertise as well as to promote greater transparency to the review and selection process. Examples of appropriate non-municipal professionals for such committees include business leaders, local residents, and community interest groups.

Last but not least, the negotiation of the final agreement between the developer and the municipality should be relatively consistent with the RFP and the proposal itself so that the fairness of the selection and negotiation process is not in question. A graphic portrayal of the public-private partnership process underlying RFPs is shown in Figure 2.1.

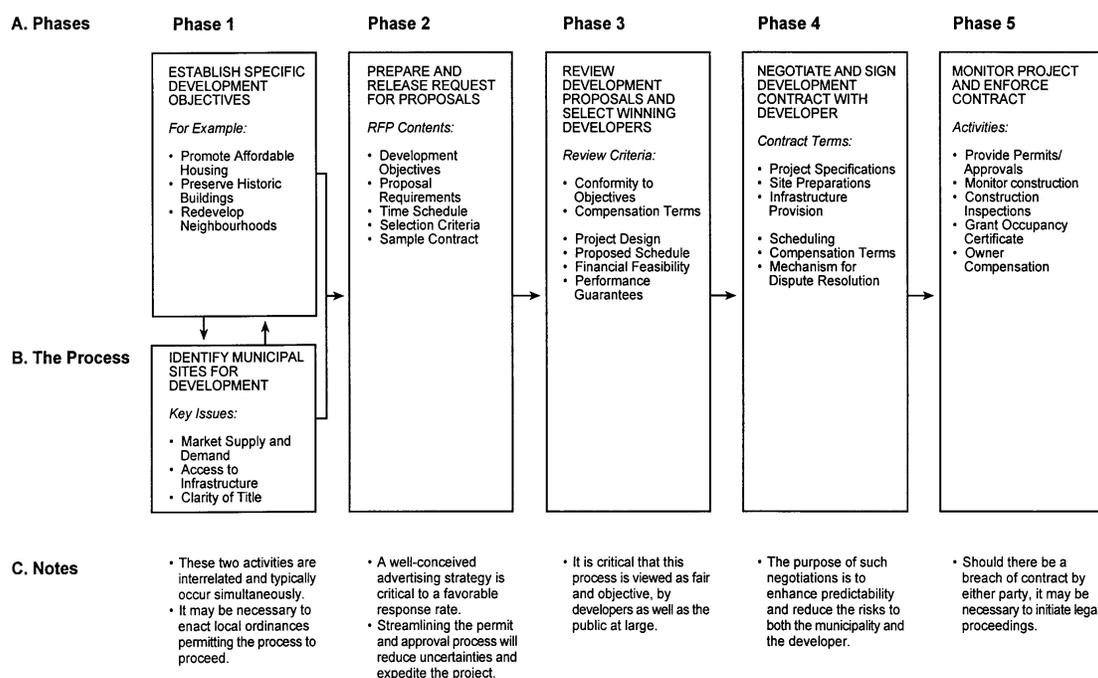


Figure 0.1 The RFP Public/Private Partnership Process

□ Companies Limited by Guarantee⁷⁷

Another example of a partnership approach can be found in England, where a City Partnership Program was formed in Birmingham, UK, to encourage government, developers and local communities to collaborate in revitalizing the declining inner cities.⁶⁷ Subsequently, a range of initiatives have emerged, including “*companies limited by guarantee*”. The Birmingham Heartlands Development Corporation was a partnership established by the City Council in 1987, with five major private construction companies. This was soon succeeded by Birmingham Heartlands Development Corporation in 1992. The current Board of the Birmingham Heartlands Development Corporation (BHDC) comprises 12 non-executive directors including 50 percent representation from Birmingham City Council, representatives of private commercial companies, and the local community.

For many years, Birmingham has operated under the ethos of “City first and politics second”. Birmingham Heartlands Ltd was established in 1987, a time of optimism and plentiful financial

⁷⁷ For more information on the British partnerships approach, see Archer, P., “Public/private sector partnerships in the UK context”, in G. Payne (ed.), *Making Common Ground: Public-private partnerships in land for housing*, Intermediate Technology Publications, London.

resources. However, there was recognition that the problems of the area would not be resolved through normal market forces. Land was in the ownership of many different companies, and much of the land was derelict and required decontamination. Birmingham Heartlands was established by the Labor City Council, with the full support of the Conservative government and was chaired by a local Conservative Member of Parliament, with the full backing of the Labor City Council.

In 1992, it was decided to convert Birmingham Heartlands Ltd into an urban development corporation. At that time, the government offered a resource allocation of GBP 50 million over five years. In fact, this original allocation was reduced to GBP 38 million, but BHDC was able to attract a further GBP 14 million from the European regional development fund, and a further GBP 8 million from the private sector. The City Council's main contribution was through the targeting of the area for additional housing finance via the Housing Investment Program, and through Estate Action.

Although urban development corporations are vested with the powers of a planning authority, it was decided in Heartlands to follow the same planning policies as in other parts of Birmingham, and for development control, to be handled by a planning team from Birmingham City Council. The impact of both Birmingham Heartlands Ltd and its successor Birmingham Heartlands Development Corporation has been considerable, with the reclamation of a large area of derelict and often contaminated land. Most of this land was effectively unusable in its previous condition, and there was virtually no potential for building residential properties.

□ **Civil Society Networks**

The last decade has witnessed the emergence of several dynamic and influential grassroots civil society organizations and international networks. Among these, Slum Dwellers International (SDI), Asian Coalition of Housing Rights (ACHR) and the National Federation of Slum Dwellers in India are perhaps the most visible. Much has been written about these networks and federations⁷⁸ and one example from Mumbai summarizes a recent example (Box 2.4).⁷⁹

Box 0.4 How Railway Dwellers in Mumbai Managed Their Own Resettlement

In Mumbai, the commercial capital of India and home to 12 million people, some 24,000 families have lived for almost two decades along heavily traveled suburban rail lines, with some huts hardly a meter from the tracks. Besides risking death and injury, these residents suffer from a near total absence of basic services.

A project to improve the city's traffic and transportation system required resettlement of these slum dwellers. To represent civil society in the resettlement plan, the Maharashtra Government task force sought the participation of an alliance of the Society for the Promotion of Area Resource Centers (SPARC) (a registered NGO), the National Slum Dwellers Federation (NSDF), and a savings cooperative of women slum and pavement dwellers. A constituent unit of the NSDF is the Railway Slum Dwellers Federation (RSDF), made up of the Mumbai families who would have to move for the railway project.

In just over a year to June 2001, the alliance resettled 10,000 families, without force, to accommodations with assurance of secure tenure and basic amenities of water, sanitation, and electricity. How was this done? The Mumbai Metropolitan Regional Development Authority in charge of the railway project was willing to give up some of the powers normally held by government agencies in resettlement and rehabilitation—determining eligibility, obtaining baseline information on the community, allocating housing. Such functions, which provide opportunities for rent-seeking and corruption, were ceded to the NGO alliance.

Long before the railway project was initiated, the RSDF had collected information on the railway dwellers as a means of community mobilization and had the trust of its own members as a resource for the resettlement process. The households agreed on the criteria for allocating

⁷⁸ Satterthwaite, D., 2005 and 2006. Various articles and reviews in *Environment and Urbanization*.

⁷⁹ Burra, 2001 cited in C. Kessides, Chapter 6 in *World Bank Report*, 2002

permanent and temporary accommodations. In the new settlements the families have formed lending cooperatives to compensate for income forgone as a result of the move.

The experience shows that a mobilized and self-governing community of poor people can act collectively for its own good and that of the larger urban society when there is mutual trust and flexibility on the part of the community and government agencies.

SDI, ACHR and numerous local and international NGOs and Community-Based Organizations (CBOs) have transformed the international understanding of, and approach to, housing and urban development. They have also grown into highly effective institutions for mobilizing large numbers of people to realize the legitimate needs of the poor and established productive relationships with local, regional and national governments, as well as realizing positions of influence in international organizations. These achievements have been rapid and extensive and are due to the presence of a large number of committed and capable professionals. The example of slum upgrading in Mumbai is widely regarded as a prime example of the effectiveness of civil society organizations in compensating for the evident failures of governments and the formal private sector in meeting even the most basic needs of the vast majority of the urban populations for access to land, services and housing.

However, as with the rapid growth of any new institutional arrangement, the scale of operations of some civil society groups and networks has now reached the point where some rather basic questions become relevant. For example, while government agencies are clearly weak, at least they can claim to reflect the mandate of a democratically elected government, while NGOs are only accountable to their funders, many of whom are far away. Transparency of NGOs is not necessarily any better than many of the governments for whom they provide alternative options. In addition, by attracting a cadre of talented and committed young professionals, is there a risk that they are further eroding the capability of the public sector to the point where it ceases to provide any real service? If such concerns were to prove justified, the situation could emerge in which the worst of both worlds unfolded – a completely emasculated but democratically accountable public sector and a large, increasingly politically active yet unaccountable NGO sector. Anecdotal evidence of scandals in Mumbai suggests that there is a need to address such questions so that the real achievements of civil society groups and networks is not tainted with the same brush that has already colored the other two sectors.

Another form of civil society initiative is that of the Bombay First group referred to elsewhere in this report. This consists of a group of business leaders, together with senior government officials and professionals who met and prepared proposals for each stakeholder group to put ‘Bombay First’ in preparing proposals for urban development.

Role of Land Development Policies

This section explores the issue of land development policies in the context of promoting efficient and equitable urban land and housing markets. This raises the question of what constitutes such efficient and equitable markets. If it is defined as a state in which demand and supply are in a state of dynamic balance, then this is easy to accept, since demand for any type of land and housing would generate an appropriate response from suppliers. However, all markets, particularly in a world driven by market forces, are to a large extent unstable and need regulation to reduce uncertainty and sustain investment. This is particularly relevant in urban land markets, where needs, demand, and supply are presently a long way out of balance. As such, it poses a second question; to what extent should regulation take the form of a “light touch” or more interventionist controls? How is the public interest to be defined and protected? Who is to make this assessment and take on such responsibility? These are not questions to be resolved in a short report. However, they inform the sections that follow.

▪ Land Development Policies in the Case Study Cities

□ Lahore

The case study report for Lahore projects the population of the Lahore Metropolitan Area (LMA) for 2001, 2006, 2011, 2016, and 2021 as 7.7 million, 9.0 million, 10.5 million, 12.2 million, and 14.4 million, respectively. With an equivalent annual average growth rate of about 3.5 percent, the population is expected to double over a 20-year period.

Between 1981 and 1998, Lahore's population increased by 3.46 percent a year, whereas the housing stock during this period increased by only 2.79 percent, well below the growth in population. This failure to increase supply in line with demand, added to the non-affordability of housing by the lower income group, and also contributed to earlier land price increases.

The Master Plan for Greater Lahore⁸⁰ estimated the housing shortage to be between 39,086 and 80,399 dwelling units, whereas the Lahore Urban Development and Traffic Studies⁸¹ in 1980 (LUDTS) estimated this "backlog" to be as high as 300,000 dwelling units. A recent National Engineering Services Pakistan (NESPAK) study estimates the present backlog in Lahore District (Urban) to be approximately 154,000 dwelling units.

There are two main agencies responsible for spatial development in Lahore. These are the Lahore Development Authority (LDA) and City District Government Lahore (CDGL). Other government agencies engaged in land management in specific areas are:

- Punjab Housing and Town Planning Agency (PHATA), previously working as Housing and Physical Planning Department. This is mainly working at Provincial level and has participated in different activities at the city (District) level.
- Cantonment Boards responsible for the Cantonments.
- Katchi Abadi Directorates (Offices established in LDA and Local Government) mainly dealing with squatters in LMA.

Up to now, none of the innovative land development instruments referred to in Section 2.3 have been applied in Lahore, although a number of guided land development projects were undertaken near Hyderabad due to the personal initiative of a local official. Interview results indicate that the constraints to innovation were financial, institutional, legal, political, and economic (the low affordability of the public).

Urban land administration in Lahore is essentially supply driven. The LDA has virtually complete autonomy in formulating, implementing, and evaluating urban land and housing policies. At present, large areas of land in Lahore are held by government and LDA owns and controls 80 percent of this, giving it an exceptional ability to regulate land prices. It also appears that the government has allocated most land and housing resources to meeting the interests of the military and its other supporters. By restricting and channeling supply, it is therefore able to maximize profits on each unit developed, which acts as a powerful disincentive to change. For example, LDA estimates that 30,000 new housing units are needed annually in Lahore, of which LDA contributes about 2,000, with the formal private sector adding a further 5,000. The shortfall is met through various informal processes.

Its overwhelmingly powerful position in Lahore's land and housing market has also insulated LDA from sensitivity to market pressures. For example, it is considered appropriate to allocate 50 percent of all urban land in developments to public open space, even though this effectively doubles unit land prices compared to a more modest and realistic proportion of one third. They are also able to impose conditions on private developers that discourage them from participating in joint schemes. Still, this

⁸⁰ Lahore Development Authority, 1972. *Master Plan for Greater Lahore*.

⁸¹ Lahore Development Authority, 1980. *Lahore Urban Development and Traffic Studies*.

has not deterred a major foreign investor from proposing a major investment in urban housing in Lahore that will create a high-standard residential district, presumably for high-income groups. LDA frequently comes under criticism for acting less as a public sector agency to assist the poor in obtaining affordable housing within a market system and more as a private entity maximizing profits by focusing on middle- and high-income needs and interests. Critics contend that this has forced large sections of the population to obtain land and housing through extralegal channels.

As with the Delhi Development Authority in India, the LDA has pursued a policy of land banking that has effectively increased land prices by withdrawing large tracts of peri-urban land from the market. This inflationary pressure has been reinforced by the failure to develop large areas of other government-owned land. As the national report notes, land values in Defense Colony (cantonment), range from USD 195 per m² to USD 261 per m². Between 1991 and 1999, land prices increased between 2.5 percent and 12 percent annually in residential areas. After 2001, prices are reported to have risen dramatically as many Pakistanis returned from abroad in the aftermath of the 9/11 terrorist attacks and capital was invested from other countries inland, especially from the Gulf States. However, many of these investors have since withdrawn their funds and land prices appear to have moderated and are even in reverse. It is believed that prices have now bottomed out and are likely to rise, although it remains to be seen if the current political crisis in the country will deter investment.

Elsewhere in Pakistan, the most innovative approach to urban land development is the case of the Orangi Pilot Project.

□ *Bandung*

The 1999 Census recorded the population of Bandung City as approximately 2 million with an equivalent annual average growth rate of 3.48 percent. The 2000 population census showed a modest increase to approximately 2.14 million with a reduced growth rate of about 0.37 percent. A calculation of projected population for Bandung City in 2013 was undertaken with an average population growth per year about 2.5 percent,⁸² so that population in 2008 was projected at ± 2.6 million and in 2013 at ± 2.95 million.

The Bandung City Planning Agency is proposing a major new urban development covering an area of about 500 hectares on the eastern boundary of the city. This is proposed as a new CBD for Bandung and is being justified by the need to reduce congestion in the existing center and by the creation of a new direct link to the national highway, which will provide easy access to new well-planned and serviced commercial sites. It is considered necessary to make such a new investment in view of the high congestion levels currently experienced in the existing CBD.

The Planning Agency is proposing to adopt a land banking approach for the development of this area. However, international experience with this approach in India suggests that this does not provide an effective means of developing new urban or peri-urban areas, since agencies often use their powers of compulsory acquisition to acquire land at low agricultural values and develop it for allocation or sale at high urban land values at a rate significantly lower than increases in demand. One consequence is that farmers feel so exploited by inadequate and often delayed compensation payments that they endeavor to sell informally prior to acquisition, thereby reducing the scope for planned urban development. In addition, government agencies are able to make such easy profits that they tend to become inefficient, arrogant, and corrupt.

A significant proportion of the population is living in various slums and informal settlements scattered throughout the urban area. Some of these are more than 40 years old and one, along the riverbank, accommodates more than 10,000 households, is more than 60 years old, and extends for 15 km through the city, often at very high densities. Some of these settlements lack any sanitation system and

⁸² The percentage depicted population growth rate as natural growth, migration and commuting of people.

this adversely affects the health of the residents, especially the elderly and children. It also pollutes the river or other localities in which the settlements are located.

The only innovative land development approach applied in Bandung is land pooling (known locally as land consolidation). As stated in Section 2.2.1, many land consolidation (LC) programs were implemented locally in the 1980s, but these have not been pursued since. Due to the long time that has elapsed, reasons for the abandonment of the approach could not be ascertained. LC programs are, however, still carried out elsewhere in Indonesia and the National Land Agency target for 2008 is 100,000 plots in 17 Provinces. Successful projects have recently been undertaken in Eastern Kalimantan and in Bali for housing development, although other projects are also undertaken for agriculture and for urban land use. There are three types of budget for LC projects: LC funded by national budget, by local budget, and self-financed (by the community). The National Land Agency or Land Office in each province or kabupaten is working together with the Department of Public Works and Ministry of Housing to apply the LC concept for low-income apartment projects.

Of all the innovative land development instruments pioneered in Indonesia, perhaps the most innovative and widely adopted approach is that of upgrading informal or traditional urban settlements, known locally as kampungs. The Kampung Improvement Program (KIP) was launched in 1969s and was expanded with financial support from the World Bank in the 1970s. Since then, the concept has spread to more than 800 cities in Indonesia and benefited 30 million people, making it among the best urban poverty relief programs and housing upgrading programs in the world. The KIP has been undertaken in three main phases. The first two concentrated on physical upgrading and the third added a socio-economic dimension by devoting 12% of funding to economic development, much of it to stimulate home-based economic enterprises (HBEEs). A major reason for the success of the program is that it was locally driven by communities that have a long tradition of self help. Throughout the three phases, no international consultancy firms were involved, helping the program to remain under local ownership. A second reason is that the approach received strong support from local political leaders. A third reason for success was that upgrading did not impose unrealistic official planning and building standards, but accepted the narrow roads and paths alongside which water supply networks and drainage channels were installed. This minimized social disruption and relocation and helped build community participation. As in other countries, once the residents saw the government was investing in their communities, they felt encouraged to invest what they could themselves in building and environmental improvements. Finally, another key reason for the successful implementation of the KIP was that separate project units were established with multidisciplinary teams consisting of staff seconded from existing departments. The project leaders selected the best professionals from each department and paid them double the salaries applicable in local government offices. This helped to ensure a highly motivated and committed staff cadre. Among the lessons learned from the KIP, one is the need to include funding for maintenance of the upgraded facilities and this was not adequate in many settlements.

□ *Mumbai*

With an estimated population of 18 million people, metropolitan Mumbai is one of the world's most populous urban areas. Over the last few decades, it has emerged as the financial and commercial capital of India. The Mumbai Metropolitan Region (MMR) generates about 5 percent of national GDP and about 25 percent of national government revenues.⁸³ Applying growth rates from the past three decades, the Mumbai Metropolitan Regional Development Authority (MMRDA) estimated that the population of the entire MMR will reach 22 million by 2011. Out of this, the population of Greater Mumbai, which is already showing a declining growth rate, is expected to be 12.9 million. Improving transportation links with Pune, itself a large urban center, will increase the potential for the creation of

⁸³ According to the last census in 2001.

a major regional urban conurbation, with all the administrative challenges and opportunities this presents.

Mumbai's topography, constrained as it is by the sea on three sides, has resulted in extremely high densities. The gross density of Greater Mumbai doubled between 1971 and 2001 and was found to be 27,715 persons per km² in 2001. The highest density of 107,723 is found in ward C.

Rapid population growth and the inability of the public and formal private sectors to keep pace with increasing needs has led to the growth of informal settlements. In 2001, it was reported that approximately half of the population (48.9 percent) of Greater Mumbai lived in informal settlements – more than 38 percent of the urban population in the MMR. Unofficial estimates claim that the total population of informal settlements lives on about 3.5 percent of the urban area, which represents a population density of approximately 400,000 persons per km². Although densities are extremely high and there is a shortage of housing, Mumbai possesses about 3,500 hectares of empty land in prime locations that could bring in much needed supply of land into the city for development.

Presently the open land available for development is by way of “mill land”. At the heart of the matter is the ongoing courtroom battle between Bombay Environmental Action Group (BEAG) and Maharashtra Government, the National Textile Corporation Ltd, Maharashtra Pollution Control Board and more than a dozen mill and real estate barons over the appropriate division of mill lands among the real estate developers, Municipal Corporation of Greater Mumbai, and Maharashtra Housing and Area Development Authority.

Land management in Mumbai is hampered by the multiplicity of agencies responsible for different aspects of development, together with legislative and regulatory regimes based on outmoded historical practices. For example, the Land Acquisition Act was enacted in 1894; the Urban Land (Ceiling and Regulation) Act (ULCA), rent control legislation, and the rigid application of a FSI are all based on circumstances when the city occupied a smaller area and had a smaller population. Attempts to offset these problems have included the development of Navi Mumbai (a major new town across the estuary) and the application of Transferable Development Rights, which have had modest success in encouraging development to move from congested central locations towards areas considered more suitable for new development.

Among the innovative land administration instruments applied, Town Planning Schemes are fairly similar to LP/LR approaches, while land sharing has been used in already developed areas in the MMR or lands that have been encroached. The principle behind land sharing is that the land is shared equitably between the landowner and the tenants. The landowner develops the land in such a manner that the original inhabitants in that area are given shelter in the very same area, lands for public facilities are made available to the planning authority, and the remaining area is developed and sold freely in the market. In Mumbai, the approach has been proposed for the redevelopment of the mill lands but has become controversial and is now being considered in the courts.

For the future, an ambitious and progressive proposal has been approved to construct a 22 km road and rail bridge linking the island city to two new Special Enterprise Zones to be developed on the mainland by the private sector, plus a major airport and container port, all linked to Navi Mumbai. This proposal offers the prospect of a multi-nucleated metropolitan conurbation capable of realizing the Vision Mumbai proposed by the Bombay First group. Whether or not this potential will be realized will depend on the key public, private, and civil society stakeholders working effectively together.

Of all the planning land policy instruments operating in Mumbai, one of the most controversial is that of FSI. This determines the amount of built development that is permitted on a given site and is currently only 1:1.33 in the prime locations of the island city and 1:1 in the rest of the city. This means that for a given area of land, the amount of building permitted in the city center is only 1.33 more than the area of the land parcel. As discussed below, this has been held to increase both unit land prices

throughout the city (which has some of the highest land prices in the world) and extend the built-up area far more than would be necessary if market principles were allowed to operate freely. In particular, Bertaud and Buckley (2005) have made a strong case in arguing for a “common sense” level.

Two key questions arise from this assessment. First, what represents a “common sense” FSI in the case of Mumbai and, by implication, other cities in which this is a major planning instrument? It is encouraging that Bertaud and Buckley and other analysts are actually “kicking at an open door” in that discussions with key public sector stakeholders confirmed that these criticisms are to some extent valid. There are proposals afoot to relax FSI regulations in selected areas in order to make it easier to develop to a higher density. However, it was pointed out that the actual levels being considered remain far lower than market forces themselves would indicate as appropriate. The reasons cited for not following the levels cited by some critics comparing Mumbai with Manhattan, Hong Kong, and Singapore are as follows:

- The practical ability to provide basic services, such as water supply to high rise developments is limited.
- Roads in some parts of the island city are so narrow that an increased FSI would result in massive overdevelopment and overcrowding.
- The institutional capability to cope with any emergencies in high developments is limited and could result in a massive disaster.
- The island city is a centre with many landmarks of national heritage value and there are strong lobby groups campaigning for their protection and preservation.
- FSI remains a useful tool to guide development to areas considered more appropriate for future investment.

To date, measures to relax FSI constraints in the existing city and Navi Mumbai are being processed, it is intended to exclude all new development from the Rent Control Act and to repeal the 1976 ULCA, all of which are major impediments to effective and equitable land markets. In fact, the central government repealed the Act through an ordinance in 1999. It has come into force in many states, including Haryana, Punjab, Uttar Pradesh, Gujarat, Madhya Pradesh, and Rajasthan, and remained in force in Maharashtra until late November 2007. After receiving pressure from the central government, the state finally introduced a bill that repealed the ULCA during the monsoon session of the state legislature. Indeed, the state heeded the warning of the central government, which noted that if they did not repeal the ULCA, funding from the central government’s Jawaharlal Urban National Renewal Mission (JNURM) would stop.⁸⁴ Following the repeal, the island city will receive 500 ha of additional land (although it is unclear in which areas). The impact of repealing the Act is considered to be far reaching due to the effect it will have on developers to develop land in excess of 500 m². While it would free up a large area of land and provide the impetus for urban infrastructure projects in the MMR, it may not bring about a decrease in property prices.

□ *Da Nang*

The fourth largest city in Vietnam, Da Nang’s total population (excluding transient workers and students) was 792,895 as of 2006. In recent years, as the pace of urbanization has increased, Da Nang has witnessed major changes in terms of population growth and in economic development along its beach and river basin. At its current growth rate, for instance, local authorities estimate that the population will reach 930,000 by 2010 and

⁸⁴ Makarand Gadgil, “Repeal of land ceiling Act paves way for huge Central funds,” Business Standard, December 11, 2007.

1,300,000 by 2020. Furthermore, Da Nang's role in Vietnam is being enhanced with the establishment of the interregional East-West Economic Corridor, connecting Vietnam with the Lao People's Democratic Republic and Thailand, and involving port improvements and the development of a number of new urban centers in the northwest, west, and south, and allow Da Nang to further develop its economic, industrial, and tourism potential.

With its increasing urban development and improvements in infrastructure, enterprises and businesses have been relocating to Da Nang. This has consequently attracted more people from neighboring cities, which has led to increased demand for housing to accommodate the city's growing population. The Da Nang Housing Development Proposal for 2005 to 2010, which is under the Department of Construction (DOC), provides for the construction of 25,721 housing units, equivalent to 1,154,000 m² floor area to keep the pace with the demand of the growing population. The targeted beneficiaries of the housing program include the poor, households affected by resettlement, low-income public servants, and industrial workers. Nonetheless, this housing development program was not designed to meet all of Da Nang's housing needs, but only a portion of the total housing needs commensurate with the city's available financial resources and budgetary priorities during the period. As such, the program provides only 4,721 housing units for the poor and low-income households which is equivalent to about 20 percent of the actual demand for housing by the city's poor.⁸⁵

Based on the above, the DOC estimates that the total residential floor area needed for the period of 2005 to 2010 is 1,154,000 m². In relation to the aforementioned housing proposal to satisfy the demand for housing to the year 2010, the Da Nang People's Committee has developed a two-phase plan. The first phase (2005-2007) costs about VND 509 billion (USD 31.5 million) and consists of the construction of 170,000 m² of apartment blocks; 30,000 m² of single-story houses; 40,000 m² of attached houses; and 100,000 m² of dormitory buildings. VND 140 billion would go towards housing for workers, pupils, and students and would be financed by businesses and investors; the remaining cost would be financed by the following: (i) municipal budget (roughly VND 184 billion); (ii) capital from economic sectors (VND 92 billion); and (iii) other sources (VND 93 billion). The second phase (2008-2010) includes the construction of 248,500 m² of apartment blocks; 54,000 m² of single story houses; 71,600 m² of attached houses; 430,000 m² of dormitory buildings; and 10,000 m² of villas. While no details were available on the government's record of past housing delivery, it is significant to note that the government's record in public housing – particularly in terms of maintenance – has been poor. Most public housing units in Da Nang are in poor condition with some already dilapidated. In terms of occupancy, about half of the households in public housing are not using their units as they have either transferred to other units or leasing them out.

Da Nang employs a very robust strategy for land development. In recent years, Da Nang has reclaimed land for urban use from four major sources: the military, underused state-owned enterprise (SOE) land, agricultural land, and areas of relatively low-density traditional housing. Once the land has been cleared and redeveloped through the provision of roads and public services, prime plots are sold for commercial development, while others are utilized for the resettlement of displaced households. Funds from the sale of commercial real estate are used for reinvestment in infrastructure and urban upgrading.⁸⁶ Two factors have facilitated the successful conversion and utilization of land for urban development in Da Nang. First, there is a lower demand for land compared to other cities such as Hanoi and Ho Chi Minh City

⁸⁵ Of the 4,721 low-income households, 2,621 households are in the urban area and 2,100 households are in the rural area.

⁸⁶ Assessment of Housing for Low Income Groups in Da Nang, Vietnam, The World Bank, Hanoi, Vietnam, 2007.

(HCMC), which has allowed Da Nang to secure the return of SOE and unused military lands. Second, the People's Committee has been quite effective in mobilizing public opinion regarding land redevelopment procedures.

Da Nang mainly applies two land development policies both of which have been quite successful and have received public support. The first is the “state-people coordination” policy, which has been implemented since 1996 for the purpose of urban upgrading. This policy, which stipulates that local residents will receive financial compensation for houses, architectural works, and housing repairs if their land undergoes clearance, has been successful because the majority of people affected by urban upgrading were compensated with better resettlement packages with improved infrastructure.⁸⁷ Damage to housing was fully compensated by the government; however, people could not claim compensation on the portion of land lost during road widening. According to the Department of Natural Resources and Environment (DNRE), the contribution from residents for the implementation of the policy was VND 111.5 billion, equivalent to 42 percent of the total investment capital. By leveraging the value of their land use rights (LURs), residents contributed part of their land or houses on their land, which in turn increased land values.

The second land development policy that Da Nang applies is the “land in exchange for infrastructure” policy, which has the objective of upgrading the city's infrastructure and improving the living conditions of local residents via ground clearance, compensation, and resettlement. The implementation of “land in exchange for infrastructure” policy can be conducted either directly by the state or by investors to whom the state transfers LURs. In principle, the latter is carried out through a scheme whereby an investor invests in infrastructure construction and the city reimburses him/her with LURs. The investor can then make business by transferring the LURs; directly investing in the allocated land area; or by cooperating with other investors to develop the land. More commonly, land is allocated to Project Management Boards or Land Trading Companies, which trade land, i.e., LURs, so that they can pay compensation, construct the infrastructure as planned, and distribute the land for resettlement. The municipal People's Committee supports provides legal support to investors, and urban and rural districts and communes together with Project Management Boards form a ground clearance council to allocate resettlement lands to local residents in a fair manner. Overall, under the “land in exchange for infrastructure” policy, Da Nang has implemented 1,250 projects on 16,700 ha of land and resettled 70,000 households to reconstruct and improve the urban core. Ultimately, the policy has had a positive impact on the majority of households. Some of the relocated households had to make employment changes while others received some state assistance, particularly agricultural households.

Regarding the clearance and resettlement arrangements of households, the municipal People's Committee issued specific regulations on the conditions and the procedures for compensation and resettlement. These are as follows:

- As for households having agricultural land exposed to clearance, they are to receive compensation for the land area under clearance, but not for their houses.
- As for households under housing clearance, depending on the housing area under clearance and the number of household members in each household, the city will compensate those households with the appropriate area of land for resettlement.

⁸⁷ No compensation is granted for gated communities or land exposed to ground clearance.

Large households with extended families or clearance land area of over 1,000 m² will be allocated extra plots of land in addition to the resettlement land area. As for people with financial difficulties, according to the DNRE, they will be provided with financial support for building resettlement houses or can postpone paying their land use fees.

- Households directly exposed to ground clearance will be given priority in resettlement land allocation. In cases such as these, many households often sell part of the resettlement land in order to finance the construction of a new house.

The resettlement land market is, of course, an unofficial market that emerged when households began selling their LURs. In this respect, LURs come in the form of a document to ensure that the relocated household has the right to use the resettlement land that is mainly in low-density areas in the city. The buyer must pay the LUR fee and obtain the LURC, which can then be transferred to obtain further benefits. The differential price between each transfer can be from VND 10 to VND 100 million depending on the location and the amount of land. While the compensation price is relatively low, the tradeoff is that people will receive a larger resettlement plot in return as well as occupation transition assistance. People can then sell the plot at “market” prices and generate income to rebuild their houses. Households with large land areas, however, have been at a disadvantage because the compensation of residential land was limited in the urban area at 200 m² and in the rural area at 300 m². The extra area of those households is considered agricultural land, which receives lower compensation.

The conversion of agricultural land for non-agricultural use, which has greatly changed the status of land development in Da Nang, is a major factor affecting the urban poor, particularly those in peri-urban areas. The relationship between agricultural land conversion and poverty is complex in Da Nang. On one hand, relocated households are affected directly through the loss of livelihood and changes in occupation. On the other hand, agricultural land conversion helps increase the supply of land for urban use and improving access to land for businesses and commerce is a vital requirement for private-sector development, economic growth and poverty reduction. Thus, the government land development policies work towards balancing the interests of the urban poor as well as the benefits derived from land conversion in an efficient and fair manner – in contrast to the LDA in Lahore, for instance, which plays to mainly middle- and high-income interests.

Despite official statistics, many of the land transactions operate on the informal land markets due to the inflexibility of urban development regulations and the centralized system of Land Use Rights Certificates (LURCs). In fact, the government does not currently have proper policy to control the informal market wherein land prices are often five times higher than the prices in brackets. Moreover, due to the inflexibility of regulations and the system of LURCs, many people opt to trade within the informal market to evade property and administrative taxes. The main thrust of government’s current urban land administration policy is therefore the issuance of LURCs and Building Ownership Use Certificates (BOLUC’s). The process for registering a LUR and obtaining a certificate is quite burdensome and for this, most secondary transactions on urban land still going unregistered.

The difference between the land and housing prices set by the informal market and those set by the state vary depending on the land area and location. The land and housing prices on the informal market for the central area (Hai Chau and Thanh Khe districts) are typically two to three times higher than state-set prices. For example in the central area of the city, land prices along Le Duan Road are regulated at VND 14.4 million per m² but that on the informal market, prices are close to VND 40 million per m². The land along Trieu Nu Vuong road is

priced at VND 14.4 million per m² according to regulations, but when under the open auction the price jumps to VND 25 million per m². In the area adjacent to the center of the city, the land transaction prices are about 1.5 to twice as high on the informal market than the state-set prices. For instance, the land along Nguyen Tat Thanh road in Thanh Khe district was auctioned at VND 4.8 million per m² compared with the starting price of VND 4.5 million per m². For land transferred by private individuals, it is not uncommon for prices to increase from VND 50-100 million per parcel (equal to roughly 100 m²). For example, resettlement land allocated to a resident exposed to ground clearance is typically compensated for preferential price of roughly VND 200 million per parcel. While this price partly reflects the land prices of a specific residential area, some fairly large parcels (over 1000 m²) in convenient locations still enjoy high land price increases regardless of the residential area. Moreover, price differentials are powerful incentives for bureaucratic corruption. They enable officials to profit from land zoning, land allotments and leases, land levy and transfer tax collections, and the conversion of agricultural land into residential land.⁸⁸

According to the Land Law of 2003, land is considered the primary responsibility of the state to resolve, though the social and economic environment in which both land and housing operate are changing fast and revealing limitations. Private sector developers and individuals have yet to establish themselves as active agents in land and housing provision. Meanwhile, urban land policy and practice continues to reflect an authoritarian approach to land management, which has had a particularly adverse impact on the urban poor. For many, total income is often exceeded by expenditure, thus creating a growing gap between high- and low-income groups and a decline in the potential for improvement of latter. Those unable to obtain a parcel or dwelling from the authorities are forced into informal settlements, which have been greatly reduced in recent years – from about 19 percent to 5 percent – primarily due to city’s beautification program, which cleared all informal settlements from along the Han River and beach 5-6 years ago.

Key Issues in Urban Land Development

The discussion below is structured under four main headings for ease of presentation and readability. In practice, however, they are closely interconnected, For example, information on land in different locations, which is critical for spatial planning, is commonly held by a range of different agencies, making planning extremely difficult. While this is discussed under the heading of regulatory and institutional issues, it clearly needs to be understood as a multidimensional issue. This applies to most of the issues under consideration.

□ *Regulatory and Institutional Issues*

Information on land in urban and peri-urban areas of the case study cities is difficult to obtain, since it is often out-of-date, incomplete, or unreliable. It is also collected and held by different authorities and may be difficult to access. For example, Punjab is an agricultural province and the institutional and administrative system has not adapted to urbanization. The Board of Revenue collects records of landholdings and transfers for rural areas, but as urban areas have expanded, so they have encroached on land previously held by farmers. Large areas of Lahore are now maintained under the old system. As a result, land records are dispersed among several agencies, including the Excise Department, which holds records relating to the Walled City. Outside this, records are kept by the LDA, while deeds relating to land transfers are held by the Board of Revenue. Most land records are held in manual formats, though a unified and digitized database is being prepared, and will be applied once the legal framework is approved. Similar duplication applies in the other cities. In Mumbai, different institutions are involved in land administration in one way or another. These include:

⁸⁸ *Land Management for a Real Estate Market*, 2001. Report for the World Bank Urban Upgrading Mission to Vietnam, June 2001.

- Mumbai City District;
- Mumbai suburban district;
- Municipal Corporation of Greater Mumbai (MCGM);
- Maharashtra Housing and Area Development Authority (MHADA);
- Maharashtra Industrial Development Corporation (MIDC);
- Mumbai Metropolitan Region Development Authority (MMRDA);
- Slum Rehabilitation Authority (SRA);
- Mumbai Transformation Support Unit (MTSU); and
- NGO Councils.

As in many countries, the State does not guarantee land titles in Pakistan and the land registry is a deeds registry, not a title registry. There is a long-term proposal to create a title registry. However, there is an estimated 70 million owners and 50 million land parcels in Punjab and it was considered that it will take 20-25 years to create a title registry for the province and at least 7 years to prepare one for Lahore. First, they require a legal framework for this, then the institutional framework, and then the registry. For the present, litigation over land disputes is a major problem. Litigation over land is a major proportion of all court cases in Pakistan, India and Bangladesh.

In Lahore, the Board of Revenue director considered that dispute resolution will present his Board with a major challenge in future. The deeds registry is used for collecting property taxes on registration, transfers, capital value tax, and user fees. These represent a considerable cost and have resulted in significant levels of underreporting.

Planning and building standards are high in all the case study cities and present a major barrier to low-income groups seeking affordable land and housing. By requiring that all new urban development in Lahore should include 50 percent of land for public open space, and stipulating that reservations for main roads should be 46 m wide, the LDA has imposed an excessive unit land cost that effectively, and perhaps intentionally, excludes the poor majority from being able to afford legal access to land and housing.

Land use zoning is commonly imposed in order to prevent incompatible uses, such as industry and housing, being developed on adjacent sites. However, in most cases, zoning is conceived and promoted in arbitrary and simplistic terms without consideration for the social, economic, or even environmental consequences. For example, by locating commercial and residential areas far from each other, transport times and costs increase, with consequent increases in air pollution and CO² emissions.

Similar issues apply to the regulatory aspects relating to the level of development permitted on a land parcel. The FSI in most cities surveyed is low and restricts the amount of development permitted legally. While the FSI in residential areas of Lahore is a reasonable 1:2.4, in Mumbai it is only 1:1.33 in the prime locations of the island city and 1:1 in the rest of the city.

FSI has attracted a considerable amount of attention in the literature. In a keynote presentation at the World Bank Urban Research Symposium, Brueckner⁸⁹ for example, noted that “lower-income countries also provide examples of stringent FSI regulations, with a case in point being India. Maximum FSI values in the central areas of Mumbai, Bangalore and other major Indian cities are much lower than free-market values. The dramatic effect of FSI regulation is easily seen in Mumbai, a peninsular city with severe land constraints and a vast population. Without FSI limits, land-use in Mumbai would probably resemble the high-intensity pattern seen in Hong Kong, a similarly situated city. Instead, Mumbai is mostly a low-rise city, with the occasional tall buildings that exist having

⁸⁹ Brueckner, J. K., 2007. *Government Land-Use Interventions: An Economic Analysis*. Paper presented at the World Bank Urban Research Symposium, Washington, DC.

been constructed under exemptions from the FSI regulations.” Brueckner cites Bertaud and Brueckner⁹⁰ to the effect that FSI limits, like restrictive urban growth boundaries (UGBs), tend to raise housing prices in cities where they are imposed. This prediction matches the reality in Mumbai, whose real estate prices are among the highest in the world.”

Brueckner claimed that FSI-restricted values in cities such as Paris, Washington, and Mumbai centers are far below the values that a free market would produce, implying that a relaxation of FSI would reduce property values and therefore make land and housing more affordable. Such a change would, if true, be of potentially enormous benefit to lower-income groups. However, at no point does Brueckner provide any evidence from other cities with high FSI ratios, such as Hong Kong or New York, that property values are lower as a result. Manhattan is not well known for being the most affordable place in which to live (or work) in New York. The fact that a free market might prefer a higher FSI does not, in itself, make this desirable socially, environmentally, or even economically. As Williams noted, “left to market forces, land development is displacing the poor and increasing social and economic segregation.”²⁹

Brueckner based his argument on an example in which FSI is imposed on a city that was previously not restricted. He argued that “since buildings taller than the limit, which are located near the center, must be (hypothetically) rebuilt at a shorter height when the limit is imposed, the FSI limit reduces housing supply in the area. This supply loss creates excess demand for housing, which pushes up the housing price throughout the city. In response to this price increase, dwelling sizes shrink throughout the city.” Brueckner suggested that if FSI is not restrictive, prices in suburban locations will be lower. While this may be theoretically correct, he omitted to mention that prices in such locations are often actually higher than his model predicts due to demand from higher income groups wishing to escape the congestion of the center and enjoy greater space and amenities. Neither does a relaxed FSI necessarily restrict spatial expansion. After all, suburban sprawl is a noted outcome of urban development in developed countries, such as the USA, where market forces are free to operate. Similarly, Brueckner’s claim that the high land prices in Mumbai are due to restricted FSI are far from proven. In most cases, high prices are a measure of the gap between demand and supply, as in any free market. This is clearly acknowledged by Bertaud and Buckley.⁹¹

Brueckner acknowledged that FSI limits can be a useful tool in guiding development to areas where it is considered more desirable (as the authorities in Mumbai claim to do) and concluded that economic analysis can help identify effects so that policy makers can make fully informed decisions. This is all to the good, although this may well not be the central message of his paper that readers will remember.

Other analysts focusing on the outcomes of FSI include Henderson (2007) and Bertaud and Buckley (2005). In his own paper to the World Bank Urban Research Symposium, Henderson also addressed the issue (FSI), and concurred with Brueckner in claiming that FSI restrictions are detrimental to the efficient functioning of urban land markets in that increased demand for access to city centre locations, which increase land prices, would be easier to accommodate if building heights were not restricted. He supports claims that Mumbai’s FSI raises densities in the periphery and also forces it further out. However, while this might be correct in economic terms, it overlooks the fact that servicing high rise developments in central Mumbai is not straightforward given the problems of servicing high rise buildings routinely, let alone during an emergency. Mumbai – and Marathi society – is also fundamentally different from Manhattan and Hong Kong, to which Henderson makes comparisons.

⁹⁰ Bertaud, A., and Brueckner, J. K., 2005. Analyzing Building-Height Restrictions: Predicted Impacts and Welfare Costs. *Regional Science and Urban Economics*, 35:109-125.

Bertaud, A., and Brueckner, J. K., 2004. *Analyzing Building-Height Restrictions: Predicted Impacts, Welfare Costs, and a Case Study of Bangalore, India*. World Bank Working Paper WPS3 290.

⁹¹ Buckley, R. M., and Kalarickal, J. (eds.), 2005. *Thirty years of World Bank shelter lending: what have we learned?* World Bank, Washington, DC.

Finally, Bertaud and Buckley (2005) offer an assessment of the outcomes of FSI in Mumbai, where they “used a traditional monocentric model to simulate the effects FSI restrictions would have on the dispersion of the city and increased housing costs.” Claiming that a low FSI increased Bangalore’s ecological footprint by up to 17 percent, they go on to suggest that this, together with Mumbai’s geographical limitations, and the north-south nexus of its transport system, “have resulted in much longer commutes and expansions of the city along that axis. The increase in both cost and average distance is considerably larger, particularly for lower income families who are forced to pay a considerably higher portion of their income on housing and/or commuting or alternatively have to reduce the amount of housing they consume.” Surprisingly, however, the area occupied by Mumbai is dramatically less than that of San Francisco and Hong Kong, which are used as comparisons.

The issue of FSI is of more than local interest in Mumbai. For example, it is instructive that two key papers commissioned by the Bank for the 2007 Urban Research Symposium were on this subject, both of which argued the case for major relaxations in FSI so that free market principles could operate. These in turn cited other papers arguing for relaxations in FSI prepared by Bank staff and consultants, giving the impression that the Bank supports the penetration of free market principles into areas where these are considered locally to be undesirable for a number of reasons. Of even more concern, such an approach has not so far demonstrated in practice that it can realize the claims made for it in reducing unit land costs or the ecological footprint of urban areas, or improving low-income access to land.

Another major regulatory constraint in Mumbai (and elsewhere in India) is that of rent control. In some central areas of Mumbai, tenants have inherited units for which they pay the equivalent of a cup of coffee a month rent. Such rents do not cover the cost of collection, let alone maintenance or capital cost recovery. As such, buildings regularly collapse during the annual monsoon, killing many, injuring more and leading to lost personal property. It could be argued that this is the price that tenants pay (and are presumably willing to pay) to live in central areas at a nominal rent. However, it is no way to manage the urban land market or housing stock. Discussions with the Maharashtra State Secretary for Housing confirmed that the issue is recognized, and that as a result, it is proposed to cancel rent control in all new rental housing. However, the existing arrangements are too politically sensitive to be addressed at present. This can therefore also be considered an aspect of the political economy issues involved in Mumbai and it is difficult to envisage an early solution to this issue since the number of people who are living in rent controlled properties represents a powerful political lobby.

A further regulatory constraint discussed in Mumbai was that of the Urban Land (Ceiling and Regulation) Act. It is understood that the state government plans to follow the example of many other states and repeal this act, though no details were given. If and when the Act is repealed in Maharashtra, it could release an unspecified area of land acquired under the Act for mixed land use developments in which housing for the low-income and very low income groups can form a significant component. To maximize this option, building byelaws may be suitably amended to enable developers to contribute a fixed percentage of the gross area, as proposed in other states. It has to be noted, however, that progress in allocating and developing lands acquired by different states has not been widely released for development in the years since the central government repealed the Act. This is due to bureaucratic complications in deciding how it should be allocated.

As in most cities, the authorities in Mumbai have tended to use a combination of measures to encourage new development to move to locations where it is preferred. These include the development of Navi Mumbai and the application of Transferable Development Rights (TDR) in which landowners are awarded rights to develop additional space on land in TDR reception areas. TDR certificates can be used either directly or can be sold on the open market. Again, TDR has been criticized as restricting land market efficiency. However, it has been successfully applied in releasing land for expanding the area required for increasing railway carrying capacity, when about 200,000 people had to be relocated. This would have cost the government about Rs. 220 crores. However, the application of TDR enabled this to be achieved more or less free of cost. TDR is a useful tool when land prices are increasing, but is not attractive to developers or investors if the land market is static or if prices are actually falling.

A final regulatory constraint in all cities relates to the procedures for obtaining and developing land. In Mumbai, this involves several steps, each of which takes time. For example:

1. Negotiations between builders, communities and NGOs can take 1-6 months.
2. Obtaining land. The collector conducts the survey of the land, which takes another 3-6 months.
3. Obtaining permission for development, which requires a series of documentation including identity cards and clearances from several authorities. Once a developer has permission and funds, the construction stage goes relatively quickly.

Institutional capability is directly influenced by the attitudes and competence of professionals working in public sector agencies. This in turn is heavily influenced by the vocational curricula applied by academic institutions. In many developing countries these are modeled on older models developed in Europe and, to a lesser extent, the USA. Conditions in these countries are fundamentally different in almost every respect, although these differences are often overlooked. As a result, professional planners, architects, transport and municipal services engineers, and surveyors are invariably preoccupied with imposing standards and norms of urban development more appropriate for Europe than the realities with which they have to deal locally.

To a degree, this inability to evolve locally based professional approaches is understandable. It is a daunting prospect for any professional to address this challenge, especially given the apparently limited resources to hand using the sort of approaches they were educated to apply. Also, professionals are understandably reluctant to adopt standards they consider lower than those of developed countries, to which they aspire to be equal. At the same time older and more senior professionals do not find it easy to change the attitudes and assumptions developed over the years, while younger professionals, many of them trained abroad to address local realities, lack the necessary authority to effect change.

Such training creates a mindset that is blind to nonconforming realities. Maintaining what are considered internationally accepted standards of urban development is seen as a badge of office for dedicated professionals and relaxing or reducing such standards is therefore widely considered as admitting failure. Documents that identify general characteristics of “well-functioning” urban land and housing markets (e.g., that markets are relatively transparent and that supply should increase inline with demand) and that draw on examples from the USA, Canada, Australia, and the UK (World Bank 2006: 4-5) only serve to reinforce such possible feelings of inadequacy, even if some of these countries have themselves failed to realize such achievements. While undeniably interesting, such comparisons are hardly helpful in encouraging the development of policy options based on local realities.

Until recently, it could be argued that a lack of information or professional competence could explain the weak performance of public sector agencies. Google™, the Internet, Geographic Information Systems (GIS), and other technical innovations have theoretically transformed opportunities for improving public sector performance in the last decade. However, the reality is not so simple. The introduction of computers in some public sector agencies cannot increase performance when load shedding cuts off electricity supplies. The cost of computers also remains too high for them to be made available for all staff needing them and in one municipality the fact that machines are leased has required staff to maintain traditional paper-based records *in addition to* electronic-based files either because machines may be requisitioned if payments are not made on time, or because software is not licensed. In such cases, computing actually *reduces* performance due to each activity being undertaken twice. Similarly, a lack of transport inhibits the ability of inspectors to visit development projects and ensure conformity with approved proposals.

□ *Legislative Issues*

Much of the legislation applicable to urban development in developing countries has its origins in the 19th century when many countries were part of European empires (e.g., the Transfer of Property Law in Bangladesh was passed in 1882). Legislation enacted at that time was invariably designed to further the interests of the colonial elite, not the majority of local people, and certainly not the poor. In many countries, such laws remain on the statute book, even though more recent legislation has been introduced.

This creates a situation in which laws may not be consistent and no longer reflect the needs or realities of the societies they are intended to serve. As a result, litigation regarding land and urban development represents a substantial proportion of all court cases in South Asia. In Pakistan, it is estimated that there are over a million land-related disputes pending court resolution and that this represents 40 percent of all court disputes (FIAS, 2005b cited in World Bank 2006:12). Thus, court proceedings take years to resolve. In Bangladesh, a similar situation prevails and McAuslan (2000:53) notes that “the process of dealing with land through these laws is complex, time-consuming and extremely expensive”.

It is hardly surprising under such conditions that, as McAuslan also has observed, such laws “have no meaning or relevance to the urban majority – the urban poor”. This is apart from the fact that they are often written in a foreign language and in a form that only professionals, such as lawyers, can understand. It might be adduced that if a small minority of the population break the law, it reflects badly on them. However, if a substantial proportion of a population breaks the law, it reflects badly on the law.

□ *Spatial Planning Issues*

As Bertaud and Buckley have stressed, increasing the supply of urban land into the market is central. In this connection, putting the large tracts of unused or underused government-owned land that exist in each case study city could have a major impact on improving access to land and reducing costs.

In Lahore, a substantial amount of all land is owned by government, an amount that in other large cities it ranges from 20–40 percent (World Bank 2006:6). In Dhaka, Choudhury⁹² estimated that the total urban population at the 1992 level could be doubled if all such land were put to use for housing. Similarly, in Mumbai, Bertaud and Buckley estimated that there are 3,500 acres of empty urban land in prime locations held under public sector ownership and that the income from this “may have exceeded a billion dollars a year, an amount equal to more than two-thirds of the Municipal Corporation’s budget.”

At current average urban land prices, this suggests that vast sums of potential revenues are being lost annually in many cities. It also reduces opportunities for economic development and employment generation, forces up land prices elsewhere, expands the built-up areas into fertile agricultural locations and impedes the provision of transport and services networks. It is difficult to identify any positive consequences of such failure to use prime urban land effectively.

The most common policy instrument for managing spatial planning in the case study cities is that of the master plan. Although these were generally introduced in South Asia when the region was part of the British Empire, they have long since given way to more market-sensitive and socially-responsive measures within the UK itself. Nonetheless, they continue to be applied in the case study cities. For example, Lahore has a master plan approved in 2005, although this was a refined version of a draft submitted in 1998 when the population was significantly smaller and the economic parameters noticeably different. This established high standards of development that are not based on the

⁹² Choudhury, A. I., 1992. *Urban Land Market in Bangladesh*, in N. Islam and M. M. Khan (eds.), *Urban Governance in Bangladesh and Pakistan*, Centre for Urban Studies, USP, University of Dhaka.

economic realities appropriate to the majority of the population. Land use zoning was retained. The Lahore Development Authority has extensive responsibilities for land planning and development (see below), although in practice, the master plan and zoning regulations are not always followed. In fact, according to one informant, the development of Lahore is not driven by the master plan but by political imperatives. As a result, it is land values that determine land use, not the other way round.

There is a proposal in Lahore to develop the area across the river by constructing a new bridge. The psychological barrier of developing this area is, however, at least as great as the physical barrier. Another 31,000 acres of land is available to the north of the city and this is the subject of a major proposed development for high income development.

Urban land uses in Bandung are determined locally. However, since 1988, different aspects of land management have been controlled by three agencies and coordination between them is problematic. This has resulted in uncertainty regarding land ownership with some residents possessing certificates, but some developers submitting claims that the courts often support. In other cases, landowners sell the same plot twice or even more, creating a system in which no transfers can be regarded with confidence. As a result, banks are reluctant to lend on property, even when residents claim titles.

Building setbacks from roads and other amenities are often an impediment to affordable development. In Bandung, setbacks from the riverbank of 15 m are being proposed in upgrading projects. It was pointed out to local officials that such a figure would require large-scale evictions and relocations that would be counter to the objective of improving living conditions for local residents. It would also disrupt sensitive livelihood systems, many of which are location-sensitive. During discussions, a distance of between 3-5 m was suggested according to circumstances and this was received sympathetically.

Another constraint is that private developers seeking to develop an area in Bandung are required to allocate 40 percent of the available land for public use, such as roads and public open space, plus 2 to 3 percent for a local cemetery. They are also required to provide all necessary public infrastructure and hand this over to the municipality on completion. Such conditions might be acceptable for middle- and high-income developments and a new development is currently being completed that meets such requirements. However, this is a “gated” community insulated from the general urban area and cannot be considered to represent a solution for low-income groups, as it is a requirement that increases the unit costs of serviced land significantly.

□ *Social and Economic issues*

Foreign direct investment (FDI) is not encouraged by the problems of insecure land ownership resulting from the confusion over land records that applies in many cities. While foreign ownership of land may be possible in some cities, many public sector agencies fail to realize the need to create an attractive regulatory and legal framework and promote their cities. At the same time, experience shows that FDI can be a double-edged sword in that it can increase land prices to levels that are unaffordable to low-income groups and even middle-income groups.⁹³

Balancing social and economic issues is central to effective urban land management. In Mumbai, the Bombay Chamber of Commerce and Industry was concerned ten years ago that Mumbai was losing its world’s standing as a competitive place of commerce and investment – investors were more likely to choose Bangkok or Jakarta. The Chamber therefore decided to set up a corporate initiative to work with the government. Bombay First was a corporate initiative modeled after London First and produced a vision document, called the Bombay Vision. The document benchmarked a number of

⁹³ This is currently a subject of intense public debate in the UK, which has attracted considerable foreign direct investment in the last decade leading to London’s land and housing prices becoming among the highest in the world and with price to income levels predicted to increase to 10:1.

sectors and went to the government with their findings – stating what aspects needed to be covered. Bombay First emerged as a public-private partnership with the government in order to create awareness about the crucial problems that need to be solved in the city. Progress has been slow, but it is working.

Other social organizations active in Mumbai include the Society for the Promotion of Area Resource Centres (SPARC), working in collaboration with the National Slum Dwellers Federation, which jointly formed Mahila Milan. Together they have been leading the regeneration and redevelopment of the Dharavi informal settlement, which is one of the largest urban slums in Asia. The future of Dharavi is presently under review as the government is proposing to invite local and international companies to submit tenders to redevelop different parts of Dharavi, but has not involved local residents in the process. As a result, these civil society groups and residents associations are threatening disruption to the city's railways and the international airport unless the government agrees to negotiate a partnership arrangement.⁹⁴

Without doubt, the civil society organizations involved have pioneered highly innovative approaches to urban land development in ways designed to help the poor by increasing tenure security and improving living conditions. Partnerships have been developed with State and Metropolitan agencies and with politicians and bureaucrats that have enabled them to take major steps forward. However, their rapid growth to positions of political influence raises a general issue regarding their developmental role at local, national, and even international levels. For example, for all their failings, public sector agencies can at least claim with justification that they enjoy a democratic mandate on behalf of an elected government. On the other hand, civil society groups may claim to be the true representatives of the people but are not so accountable and do not possess such a mandate. Nor often are they as transparent as they might be, which creates the potential situation in which the worst, rather than the best, of both worlds applies; namely one in which the inadequacies of the public sector leads to the growth of an unelected, unaccountable, and increasingly bureaucratic and arrogant civil society sector.

□ Key Considerations from the Assessment

The combination of constraints listed above presents international agencies and national governments with a major challenge. Where and how can these constraints be addressed? The answer to this question will help to inform measures designed to initiate and sustain change.

If the constraint is ignorance, major campaigns are needed to present policy makers with evidence in ways which they can understand. This may require more extensive use of mainstream media as well as professionally sound channels. Williams (2005: 25-26) confirmed reports in the literature that clear and open communication strategies are critical to the introduction of innovative land policy instruments in a new context. Discussions in each city revealed a surprisingly high degree of ignorance on the part of local officials concerning innovative land policy instruments (such as RFPs) that were not already being implemented locally. This suggests that at least part of the challenge in introducing innovative approaches lies in the need to disseminate examples of innovation more widely and effectively.

If the constraint is inertia, a series of practical incentives (both positive and negative) may be developed from performance related pay to outsourcing activities to the private sector. If fear of failure is a constraint, confidence-building measures can be designed, such as exposing staff to colleagues in other locations who have succeeded in formulating and implementing innovative approaches. If a lack of commitment is a constraint, institutional changes such as moving some agencies into the private

⁹⁴ Arputham, J. (2007) "An offer of partnership or a promise of conflict: Slum dwellers views on development plans for Dharavi and for Mumbai International Airport" *Environment and Urbanization* Vol. 19 Number 2 October, pp. 504-508.

sector, releasing incompetent personnel at all levels, and recruiting staff from the private and voluntary sectors might sharpen attitudes. However, there is another possible constraint that is not sufficiently reported in the literature and this relates to the possibility that policy makers and other key stakeholders are major beneficiaries of the status quo, and are themselves the major constraint to change. As a Kenyan NGO spokeswoman recently stated, “the people who are appointed to solve the problems of the poor are the very people who are keeping them in poverty”. This issue is addressed below in Section 5.

A Political Economy Framework for Land Administration

The scale and nature of urbanization and urban growth in developing countries are without historical precedent. More than half of the world's population is now living in urban areas and urban growth is projected to continue for the foreseeable future. At present, approximately 924 million people, or one in six of the global population, live in urban slums or squatter settlements, with limited or no access to clean water, sanitation or electricity. Furthermore, UN-Habitat has estimated that this number could grow to 1.5 billion by 2020. Another UN estimate suggests that the total could even increase to twice the present total by 2030 unless drastic action is taken. Even within 15 years, the number may increase by 62 percent more than the present total.

For example, urban population growth in Punjab averaged 3.4 percent a year in 1981-1998, but has recently doubled to more than 7 percent and is projected to continue at a strong pace over the next 5-10 years (World Bank 2006:1). As a result, the urban population could therefore be twice its present level within a decade. Urban growth rates are similarly high in other Asian countries. Dhaka, for example, is one of the fastest growing cities in the world (World Bank 2006:34) with a population of over 12 million projected to increase to 18.4 million by 2010, just three years away.

It is hardly surprising in the circumstances that reports make such observations as "Punjab's urban housing markets are not efficiently operating" (World Bank 2005:5). It is also understandable that urban managers and policy makers feel overwhelmed and under-resourced in dealing with such unprecedented numbers, especially when a large and increasing proportion of the new urban population are poor. This may partly explain the longstanding view of many administrators, together with some donor agencies, that urban growth needs to be restricted and rural livelihood opportunities increased in rural areas, where it is considered that most of the poor live. The argument repeated in many government offices over more than 30 years is that if better housing and services are provided for the poor in urban areas, it will only encourage more people to migrate, further increasing the demand for such housing and services.

Understandable though this view is, it fails to recognize that urban areas are, and always have been, better at creating employment than rural areas. Urbanization has been taking place for several decades and no amount of wishful thinking on the part of officials, politicians or professionals is going to stop it. Furthermore, a failure to provide adequate housing and services has not reduced urban growth – it simply consigns larger numbers of people to substandard living conditions. In fact, all the evidence confirms that people migrate to improve their lives and are willing to accept worse living conditions than they enjoyed in rural areas for these perceived benefits. How long the poor will tolerate such a situation should raise concerns among donors and enlightened city managers.

Urban development is an asset-generating, or more bluntly, a money-making process. If it were not, then rural-urban migration and indigenous population growth rates of the level currently experienced could not be sustained. Even the poor benefit from the process, although they have to overcome considerable odds and often pay a higher price than more affluent social groups for basic necessities.

This section discusses some of the political economy issues involved in promoting and implementing innovative land policy instruments and draws on the information collected from the various case study cities surveyed, together with materials known to the authors.

Political Conditions for Innovative Land Access Instruments

Innovative approaches to land development can be introduced and can flourish under a range of political regimes and political conditions. This is demonstrated by the extensive adoption of Land Pooling and Land Readjustment in many countries throughout Asia. Identifying the conditions under

which specific policy instruments are likely to be accepted and implemented is therefore fraught with difficulties. Should one simply assume that the conditions under which a particular instrument has been adopted to date are the only ones that will apply in the future? Clearly, authoritarian regimes and conservative administrations are unlikely to embrace approaches that encourage active community participation in decision making. However, they are also free from the constraints imposed by a multiplicity of conflicting stakeholder interests and can therefore push through innovative approaches that they consider beneficial. Singapore, Shanghai, and some Gulf States are clearly examples where innovative approaches have been introduced by relatively authoritarian governments. Conversely, the healthy participation in urban development of many stakeholders in India has, if anything, frustrated attempts to resolve differences and adopt innovative approaches on a long-term, large-scale basis.

Seasoned observers of urban land and housing markets in developing countries will be excused for feeling a sense of *déjà-vu* in reading the aspects identified in many of the documents reviewed. There is the familiar recitation of constraints including:

- anti-urban bias on the part of the political and social elite;
- inertia, or fear of change on the part of officials in land administration agencies;
- a lack of authority;
- poor coordination among actors in the land market;
- conflict between different levels of government (often due to different political parties in power at national and local levels);
- inadequate or counterproductive urban planning policies;
- an inappropriate regulatory framework;
- weak and ineffective institutional frameworks; and
- conflicts of interest, corruption, and disenfranchisement..

Having identified a list of problems, reports proceed to propose a range of eminently sensible recommendations for addressing these constraints, including:

- building an information base to deepen understanding of land and housing market performance;
- strengthening property rights;
- reforming property tax regimes;
- reforming regulatory frameworks;
- reducing levels of public land ownership;
- increasing investment in infrastructure;
- encouraging more private sector participation in real estate development; and
- designing new institutional frameworks (World Bank 2006: 27-30).

These lists of constraints and recommendations are not new. Numerous publications and conference resolutions have expressed similar shortcomings and proposals for more than a decade, yet do not appear to have yielded positive responses by the relevant stakeholders on anything like the speed and scale required. Even the introduction of innovative land policy instruments has not resulted in their adoption in enough locations at the scale required.

This raises two critical questions. First, have the positive attributes of urban growth and the contribution of the poor majority been effectively communicated to politicians and urban managers in urbanizing countries in ways which they can accept? If not, then a major effort is required by professional researchers and practitioners to address this failure. Second, if urban managers *have* been made aware of the inevitability of urban growth and its positive attributes, as well as the contribution of the poor to economic development, then why has so little changed?

This second question begs other questions. What does the literature tell us about the political, institutional, legal, technical, financial, professional, or cultural constraints that might explain the widespread resistance to change? What are the factors that stimulate and reinforce change and innovation? How can the examples of successful innovation be more effectively communicated and adopted? First, we discuss some of the constraints.

□ *Political Constraints*

Governments, especially those in democracies concerned about winning the next election, tend to have short-term priorities that mitigate long-term strategic planning or expenditure. This is particularly relevant if returns on capital investment made in the short term might yield benefits for a future government from another party for which they will not have had to pay an economic or political price.

Similarly, urban constituencies are often more progressive and less conservative than the more numerous rural constituencies, producing national governments that may be different from municipal ones, especially in the case of large cities, where local government can provide a powerful platform for local politicians. This, together with personal ambitions, often creates tension between levels of government in which any innovation by one is thwarted by the other.

One outcome of this tension is that national governments often seek to limit the powers available to local governments, especially in the case of larger cities, since this provides a power base for opposition party leaders to achieve national prominence. The outcome is that such cities become extremely difficult to manage, since they lack a well-coordinated and democratically accountable system of governance, which in turn reduces their ability to meet the needs of their populations and contribute effectively to national development.

□ *Institutional Constraints*

There is a tendency for central, regional, and local government agencies not to speak to each other, although this also applies to the donor community seeking to influence governments. Given that information is a form of power, many government agencies tend to concentrate power and resources within themselves. Decentralization, while frequently promoted, often takes the form in practice of devolving responsibilities, but not authority or resources.

Fear of failure on the part of officials at all levels is a further consideration and inhibits the development of a flexible, pragmatic approach to new challenges, since it is seen as providing, or increasing, opportunities for abuse. The tendency for public sector officials to be insulated from economic realities and opportunities is reinforced by a tendency for them to spend their whole careers in public service, where low pay is compensated for by benefits accrued through long service rather than merit. This discourages staff from leaving for a period to work in the private sector, where they would be exposed to a market-based financial discipline and a greater need for innovation in meeting social needs. Since they are spending other peoples' money and not their own, officials are also somewhat immune to the costs of their proposals. The gap between public and private sectors is now far less in many developed countries, such as the UK, and this makes it easier to create innovative public-private sector partnerships.

Monopolistic powers enjoyed by some public sector agencies also militate against innovation. For example, 30 per cent of all land in Lahore is held by government and LDA owns and controls 80 per cent of this, giving it exceptional powers to regulate land prices. By restricting supply, it is able to maximize unit profits, which acts as a powerful disincentive to change. Of the 30,000 new housing units needed annually in Lahore, LDA only contributes about 2,000, with the formal private sector adding a further 5,000. The shortfall is met through various informal processes.

Its overwhelmingly powerful position in Lahore's land market management has also insulated LDA from sensitivity to market pressures. For example, it is considered appropriate to allocate 50 percent of

all urban land in developments to public open space, even though this effectively doubles unit land prices compared to a more modest and realistic proportion of one third. They are also able to impose conditions on private developers that discourage them from participating in joint schemes. LDA has not acted as a public sector agency to assist the poor obtaining affordable housing within a market system. Instead, it has instead acted as a state capitalist agency maximizing profits by focusing on middle and high income needs and interests. While it is understood that a major foreign investment is anticipated in Lahore that will create a high standard residential district, this will also presumably be designed primarily for high income groups. Options for the low-income group are not promising.

□ *Legal Constraints*

Legal constraints were addressed in the subsection of Section 2.5 above on Legislative Issues and are incorporated here by reference.

□ *Technical and Regulatory Constraints*

One constraint relates to the widespread tendency to regard the formulation of spatially based “master plans” specifying approved land uses and relevant regulatory requirements as an acceptable basis for urban management despite the rapidly changing opportunities and constraints applicable in a globalizing world. Such plans often take so long to prepare (e.g., the current master plan for Lahore was approved in 2005 but was a refined version of a draft submitted in 1998 when the population was significantly smaller and the economic parameters noticeably different).

Among regulatory constraints, Floor Space Index (FSI) is widely criticized, as a major constraint to efficient urban land markets (e.g., Bertaud and Buckley, 2005; Bertaud and Brueckner, 2004; Brueckner 2007) and, if considered in conventional market concepts, this is a justifiable conclusion. Clearly, central land commands the highest prices in most urban areas and FSI restricts potential returns and increases unit land and property prices. However, such research has not been able to demonstrate that, in practice, cities in which FSI is allowed determined largely by market forces, has improved low-income access to land or housing, especially in prime locations where FSI is highest.

Seen in long-term strategic terms, it might be argued that while a “common-sense FSI” as advocated by Bertaud and Buckley (2005) is advisable, a degree of restriction can help in guiding development to what we considered more appropriate locations and helping to create a multi-nucleated as urban spatial structure. This can be seen in the case of the strategic development (self-financed) of Navi Mumbai across the estuary from Mumbai, linking as it is intended to, to a new container port and cargo airport serving other Asian countries and onward to the other major city of Pune. This opens up vast economic potential and presents the possibility that central Mumbai could evolve into a traditional enclave serving a niche role in the wider conurbation. A further consideration is that the physical constraints applicable to Mumbai, and to some extent to Lahore, make increasing densities and FSI in the existing CBD impractical in terms of public transportation capacity, apart from the even greater concerns about environmental vulnerability due to climate change and possible increases in sea level. This is where TDR, plus public-private partnerships, can help in creating positive synergies between public and private sectors. In other words, while there is clearly merit in the proposal by FSI and TDR may be regarded as a means of guiding future investment to more socially and environmentally appropriate locations, rather than blindly following a market-driven imperative based on inappropriate mono-centric urban models. Whether they are successful in realizing such objectives remains to be seen, but criticism of the intentions is premature.

A more pernicious regulatory constraint in most cities is that of administrative procedures.⁹⁵ These are invariably cumbersome, time-consuming, and expensive, without even the certainty of a positive

⁹⁵ Research in Bolivia, India, Lesotho, South Africa, Tanzania, and Turkey undertaken by GPA for DFID found that in each country, administrative procedures represented the greatest single regulatory constraint to enabling the urban poor to obtain legal and affordable shelter. (See Payne and Majale 2004). Similar research by de Soto

outcome. It is this factor that leads large sections of the population, even some middle- and high-income groups, to develop land and modify property without official approval. The number of steps and the time and cost required to register or transfer land and to obtain development permission conspire to deter large numbers of people from completing the course.

Procedures for obtaining planning and building permissions/approvals are lengthy and cumbersome. The incidence of violations of planning and building regulations are frequent and evident. A shortage of capable public sector staff, high prices of land and construction, population pressure on urban land, and corruption all contribute to these violations. Most of the violations can be regularized through the payment of fines prescribed fines, which invites further corruption.

Williams (2005) cited several studies to demonstrate that communication and consultation strategies are critical to the introduction of innovative land policy instruments. They are tools for reaching out to people, for promotion and advocacy, as well as for social mobilization through information sharing (Ahmed 1999). Adequate time for negotiations and discussions should be taken into consideration since constructive negotiations can take from six months to two years, depending on the scale and complexity of the project. Dewar (1999) illustrated the effects of active involvement and participation of future beneficiaries in partnerships for guided land development projects in Cape Town, South Africa. Community consultation was minimal, so that the community felt coerced to take the units without the option to decide what was best for them. Consequently, the project became unpopular and a large number of landlords became absent, which contributed to the illegal occupation of units. Within the case study cities, communication and consultation strategies are most active in Mumbai, where Bombay First has been an active forum for multi-stakeholder debate for some years and where civil society groups have launched offers of partnership with state and municipal government agencies (Patel and Arputham 2007). Examples from the other three case study cities were lacking.

□ *Financial Constraints*

As noted earlier in this chapter, urban development is an asset-generating, or more bluntly, a money-making process. It is often not a lack of finance that impedes the development of economically efficient and socially inclusive urban land and housing markets, but reluctance on the part of those who formulate or approve policy to pay their fair share.

□ *Professional Constraints*

Professional constraints were addressed in the subsection of Section 2.5 above on Legislative Issues and are incorporated here by reference.

□ *Cultural Constraints*

The evidence of the literature, together with recent experience, suggests that of all the constraints listed above, cultural considerations may be the greatest single obstacle to change.

For example, a commonly expressed concern among senior officials and other influential groups is that urban growth needs to be reduced and greater efforts are needed to help the rural poor remain on the land. It is argued that providing land, housing and services in urban areas will only serve to add more fuel to the flames of “uncontrolled urban growth”. This is not so much based on a desire that the rural poor are given increased options as to where and how they live, but on concerns about the arrival in urban areas of large numbers of poor migrants who do not, or cannot, conform to the lifestyles of an emerging urban middle class. Since such views are not supported by empirical evidence, they can only be explained as justifying prejudice against the urban poor who they see as responsible for the problems they face. There is a strong whiff of elitism in such pronouncements, as though the affluent

(1989:142) found, for example, that in Peru, it may take 83 months to obtain all the official permits required to access and develop a plot of land legally.

minority want to pull up the drawbridge to prevent the masses from sharing in the benefits which they currently enjoy.

Despite the resolutions and manifestos produced by numerous international conferences, the World Urban Forums,⁹⁶ the Dubai Best Practice Awards⁹⁷, and the annual Habitat Awards⁹⁸ schemes, the social and economic elites appear to remain as hostile to urban growth, and particularly the presence of the urban poor, as they were before all these initiatives were launched. Until such time as this situation is changed, there is little prospect that significant progress in adopting innovative land policy instruments can be achieved.

A Political Economy Approach

As was noted in the previous chapter, a key constraint to the adoption of innovative policy instruments may be that major stakeholder groups actually benefit from the status quo and do not see it in their interests to change. After all, for politicians, keeping the poor majority under conditions of insecurity and substandard living conditions enables them to maintain power through vote banks created by promising to relieve poor conditions, even if the promises are never fulfilled. For public sector officials, it enables them to maintain a degree of control over private sector groups, whether this is seen as in the interests of the public, or their own private interests. For private developers, it enables them to maintain high profit margins due to the shortage of supply relative to demand, while even NGOs benefit from the continued flow of funds from developed countries through both donor funded programs and charities in the West.

The situation in many developing countries is also influenced by the fact that the political, administrative, and economic elites are drawn from a narrow section of society, educated in prestige schools and colleges and enjoying membership of exclusive clubs. This is consistent with elitist theory, by which many social scientists claim that American politics is best understood through the generalization that nearly all political power is held by a relatively small and wealthy group of people sharing similar values and interests and mostly coming from relatively similar privileged backgrounds. Most of the top leaders in all or nearly all key sectors of society are seen as recruited from this same social group, and elite theorists emphasize the degree to which interlocking corporate and foundation directorates, old school ties, and frequent social interaction tend to link together and facilitate coordination between the top leaders in business, government, civic organizations, educational and cultural establishments, and the mass media. This "power elite" can effectively dictate the main goals (if not always the practical means and details) for all really important government policy making (as well as dominate the activities of the major mass media and educational/cultural organizations in society) by virtue of their control over the economic resources of the major business and financial organizations in the country. Their power is seen as based most fundamentally on their personal economic resources and especially on their positions within the top management of the big corporations, and does not really depend upon their ability to garner mass support through efforts to "represent" the interests of broader social groups. Elitist theoreticians differ somewhat among themselves on such questions as how open the power elite is to "new blood", the exact degree of agreement or disagreement that usually prevails within its ranks, and the degree of genuine concern (or lack thereof) for the broader public welfare that enters into their choices of public policy goals, but all such theorists broadly share the notion that it is these few thousand "movers and shakers" who really run the country and determine the basic directions of public policy, certainly not the manipulated and powerless masses of ordinary voters choosing among candidates at election time (Johnson, P.M. (1994-99) "A Glossary of Political Economy Terms", Department of Political Science, Auburn, AL36849).

⁹⁶ www.wuf3-fum3.ca

⁹⁷ <http://dubai-award.dm.gov.ae>

⁹⁸ <http://www.bshf.org/en/?topselected=World%20Habitat%20Awards>

Another theoretical perspective, known as ‘regime theory’ also seeks to explain the ways in which a small group dominates decisions on urban management. Based again on American experience, Parker (2004:127) notes that “regime theory is based on the work of two American political scientists Stephen Elkin and Clarence Stone. They define a regime as ‘an informal, yet relatively stable group with access to institutional resources that enable it to have a sustained role in making governing decisions’. In the long tradition of American political science research, they developed their ideas through studies of a particular city government, in this case Atlanta, (though with less success in British and European cities)”.

Few studies of elitist or regime theory have been undertaken in Asian cities. However, experience suggests that, apart from some outstanding individual exceptions, the predominance of administrative elites, such as the Indian Administrative Service (IAS) in India and parallel institutions in other countries, operate in much the same way to create a shared view of the world that has more in common with their colonial predecessors and contemporary counterparts in the West than with the majority of local people on whose behalf they claim to act.

Local evidence in support of this view can be found in a recent newspaper article in Bangladesh by the eminent urban researcher Nazrul Islam (Daily Star March 2007 5:11), who claimed that “the corruption of the politicians, which has been widely recognized by one and all, is only possible because of the connivance of the corrupt bureaucrats”. Furthermore “bureaucrat capital controls more than 90 percent of all capital assets in Bangladesh, which includes the infrastructure, public corporations, large tracts of valuable land, the nationalized banks, and so on.”

A similar picture prevails in Pakistan, where the military is involved in all aspects of the national economy. It has been estimated that the military accounts for 40 percent of the economy and controls companies involved in activities as diverse as soap powder and breakfast cereals. Housing is a major activity for the military and as anyone who arrives at Lahore airport can testify, there is a massive new development of uniform high standard villas for army officers on the road into the city. This is one of many examples of the extent to which land, materials, and finance are being channeled through government channels to meet the needs of the elite. A similar emphasis in housing supply is for the benefit of public sector officials. The poor, who lack access to channels for allocating such resources, are left to fend for themselves and because they cannot afford the high standards required by a regulatory regime based on that created under before independence, they are victimized further for non-conformity.

Also, Williams (2007:14) noted that “there seems to be resistance to change and innovation among technicians and administrators. This resistance is fueled by government officials, ministry and state officials’ perceptions that changes in the legislations and programs will have a negative impact on their roles, their power and their jobs. The Lincoln Institute of Land Policy (2002) cites the examples of Uganda, India and Trinidad Tobago, where central government officials not only resisted transferring their powers to local officials but also to conferring the rights of ownership to people. As a Kenyan NGO spokeswoman recently stated, ‘the people who are appointed to solve the problems of the poor are the very people who are keeping them in poverty.’”

Similarly, in India Shirish Patel (one of the original proponents of Navi Mumbai) believes that “government and developers have a strong interest in keeping property prices high” (Economist 2007). Vijay Mahajan, of Bombay First agrees. “The higher the prices, the more builders can charge. As for the politicians, they profit from an invisible line that runs directly from slumlord to local politician to state minister to his boss. Money runs up along this line, and so do votes. In return, the government lets the slums remain undemolished. It is a pay-and-stay arrangement” (Economist 2007:8).

This would certainly explain delays in relaxing constraints on building heights, rent control, and urban expansion, or urban growth boundaries (UGBs). Brueckner (2007:24) portrayed the owners of urban land as attempting to enrich them by restricting the amount of land available for development through

a UGB. “To understand this rent-seeking motive, recall from above that total urban land rent (and thus the income of landowners) rises when a UGB is imposed, provided it does not restrict the spatial size of the city too severely. Although the model used above, which assumes that landowners live outside the city, does not provide a very realistic setting for this rent-seeking scenario, Brueckner and Lai⁹⁹ (1996) provided a more accurate picture. In their model, the city contains homeowners, who collectively own the entire city’s land (including the portion occupied by renters), and they attempt to increase the value of their property by limiting the land made available for development. This outcome is, of course, socially undesirable. It is difficult to ascertain which view of the motivations for UGBs (environmental versus rent-seeking) describes the actual reasons behind their use. However, even when the benign environmental view is appropriate, the potential for misuse of UGBs in the service of a minority viewpoint certainly exists. Thus, a concern is that, on average, the use of UGBs may not be socially beneficial.”

In a similar vein, Henderson (2007:24) concluded: “based on modeling from Brazil, it appears that forcing lower income migrants onto the informal sector is, in part, a strategic device used by existing residents to limit population growth, to fiscally exploit migrants by taxing them with few public services in return, and to avoid the fiscal externalities imposed by migrants who pay less than the full cost of public services if they were admitted to the formal sector” This overlooks the fact that many low-income groups pay far higher unit costs for inferior services such as water, but implies that as the poor cannot pay the full costs of formal sector provision, the higher income groups are justified in discouraging them from living in the cities.

Williams (2005:18-19) also cited several writers who argue that government officials and politicians sometimes are more the problem than the solution due to conflicts of interests and legislations blocking innovative initiatives to protect the status quo. For example, Strassmann¹⁰⁰ (1996) and Dekker¹⁰¹ (1992) observed that among Manila politicians and officials, their “personalism resulted in the concentration of land in the hands of those who use land mainly for investment purposes enhancing the vacancy of relatively scarce land”. At the Malacañang Palace, high officials believed that raising idle land taxes and making related land reforms was impossible because of the strong opposition from some Congressional leaders who owned vast urban properties and because of influential private sector individuals (Strassmann, 1996).

Williams (2007:18-19) also argued that although partnerships require of stakeholders’ participation to be politically neutral, individual and political interests can supersede planning considerations, fiscal liabilities and even legal limitations in determining land supply”. She cited Jenkins (2001) as demonstrating that “this is one of the main challenges in partnerships between government officials and informal developers, who in many cases are the same people. Some politicians have become the informal sources of land and act through brokers and staff in government agencies responsible for land control. Jenkins adds that not only was land allocated, but also some form of illegal documentation on transfer resulting in double allocation of plots, allocation of non-registered land - in cadastre, etc. Partnerships between public officials and informal developers in Pakistan have developed clandestinely according to particular interests. They have been heavily criticized by the media, users and analysts (Ahmed in Payne 1999)”.

According to Williams, “institutional interests centered on image, prestige and public acceptance can impact the acceptance and implementation of innovative land policy instruments. There is a general

⁹⁹ Brueckner, J. K. and Lai, F.-C., 1996. “Urban Growth Controls with Resident Landowners,” *Regional Science and Urban Economics*, 26: 125-144.

¹⁰⁰ Strassmann, W. P., 1996. ‘Limits to market empowerment for housing in developing countries: the case of land’. *Journal of Economic*, 30: 2 11-22

¹⁰¹ Dekker, E., 1992. *Conventional Housing in Manila: The Development of a Residential Subdivision and Government Involvement*. Urban Research Working Paper 28. Institute of Cultural Anthropology/Sociology of Development, Vrije Universiteit, Amsterdam.

sense that government officials tend to seek greater prestige by building new houses in the traditional way, even if fewer people are served (Lincoln Institute of Land Policy, 2002). Other sector agencies view themselves as protectors of the poor against “rapacious landlords and property speculators” and decide to provide for land and housing directly to the poor (Payne, 1999). Lastly, there are some public sectors that are disenfranchised and resistant to innovative approaches to urban management. The perception of an anti-urban bias among scholars, policy makers, and planners was discussed in a round table at the Lincoln Institute of Land Policy (2002). Participants discussed the idea that “people do not want other people to come to the city and make it as difficult as possible” and agreed that a change of attitude among planners and policy makers would allow them to better prepare for the growth of cities”

A final example can be provided from Pakistan, where the most significant developer of land within Lahore is the LDA. This agency was created in 1975 when Lahore had a population of about 2.3 million, which has since expanded to 8 million and is still increasing. The LDA’s responsibilities include policy formulation, development regulation, land use planning, development control, and land development. In other words, the LDA enjoys almost a monopoly of advantages when it comes to developing land since it can acquire, plan, approve, and implement its own plans according to its own policy objectives. Any organization that is in a position of being both player and referee has an unfair advantage over other players and has no reason to relinquish its benefits. The solution, which would undoubtedly be opposed by LDA as weakening its influence, would be to outsource all developmental functions to the private sector, allowing LDA to act as a regulatory body to ensure the effective implementation of policy and the enforcement of planning and building norms.

In summary, it can be argued that hostility to the urban poor by the social and economic urban elite, reinforced by corruption and collusion within government agencies, have all reinforced constraints to the adoption of innovative and progressive land policy instruments.

Arguably, international development partners also cannot escape their share of responsibility for the present impasse. Most allocate completely inadequate proportions of staff and financial resources to addressing urban issues and reducing urban poverty, despite the fact that in 2007, the world finally became more urban than rural and the population living in slums is projected to more than double by 2030 unless firm and concrete action is taken.

Given this situation, and the failure to adopt innovative approaches despite their widespread promotion at various international meetings and forums, as well as in the professional literature, prospects for change will depend upon convincing international, national and local policy makers and other leading stakeholders that they have even more to gain by embracing change than by perpetuating the present approach. Presenting evidence of the negative consequences of inaction, (e.g., crime and drug abuse caused by alienation), may help change attitudes and actions. More positively, examples of successful innovation may prove the most effective approach, though a combination of the two may be even more effective.

The key questions posed by the literature therefore can be defined as asking how social and economic elites can be persuaded that it is in their own interests, not just those of the poor majority, to:

- increase the supply of land, services and credit in line with existing and projected levels of need and demand;
- devolve more powers and resources to local levels;
- create a sense of civic responsibility in which all sectors, public, private and civil society groups develop a shared vision and strategy;
- adopt measures to upgrade existing slums and informal settlements where possible;

- formulate and implement integrated policies for new land development which provide a range of tenure options, a range of land and housing supply options and the provision of basic services to reduce the need for future slum and informal settlements, and;
- formulate and enforce equitable tax and other revenue generating measures to finance such increased supply.

The World Bank is in a unique position to influence such prospects. The Bank should give serious consideration to repeating an initiative it applied in Mexico in the early 1990s and convene a forum of key stakeholders in government, the private sector, civil society groups, the key professions and media, to discuss options for progress in selected cities, where issues were debated without any prospect of loans or grants influencing discussions. Loans or grants should be considered separately and in the context of whether they serve as incentives or disincentives for various actors to change or maintain the status quo. A meeting hosted by the Department for International Development (DFID) in London in which a range of funding agencies is convening to consider support for Shack Dwellers International provides an example of such a forum, but this is only to help one stakeholder group and may be considered a threat by other stakeholders in the public and private sectors. What is needed is an inclusive approach that brings all key stakeholders together within selected cities.

Of the four countries selected for study, Pakistan offers the least scope for optimism since the continued existence of the military government in power is uncertain and no policy initiatives can be expected until the present crisis is resolved (a similar uncertainty exists in Bangladesh). Of all the countries studied, India possibly offers the greatest scope for innovation and progress since the need for change is widely accepted by political, administrative, and professional elites. While implementing changes will undoubtedly take time, given the scale and complexity of the issues to be addressed and the wide range of stakeholders active within the country's vibrant democratic system, the presence of a strong independent media and professionals with commitment to realizing progress provides a sound foundation for optimism. Given the acceptance of the need for change noted in Mumbai, this would appear a good candidate to launch such an initiative.

A Framework for Analyzing the Application of Land Access Instruments in Selected Cities

Findings from the literature review and information collected in the case study cities by the consultant team have revealed a number of preconditions for the adoption of innovative land policy instruments. These relate to the political, institutional, legal, technical/regulatory, financial, professional, and cultural frameworks of a given city. The most effective means of representing these preconditions is in the form of an extended table, Table 3.1.

No single land policy instrument is applicable in all contexts. This applies equally to the innovative instruments identified in Section 2. Before considering the various preconditions applicable in different contexts, it is therefore necessary to summarize the contexts within which each is applicable as a means of improving land markets and low-income access to land and shelter. We can now discuss each example in turn.

Land Pooling/Land Readjustment

This option is applicable in contexts where urban areas are expanding into rural areas where land is held by large numbers of private landowners. In such contexts, it can help reduce sporadic, uncoordinated subdivisions by bringing all land parcels within an area into a single site for coordinated, comprehensive development. These conditions apply in many countries, particularly in Asia and LP/LR programs have been implemented in Indonesia, Japan, Nepal, Taiwan, and South Korea. However, LP/LR projects in Bandung have been abandoned, mainly because information concerning their advantages has been lost and none are proposed by landowner associations. There is also a regulatory constraint in that the Agrarian Ministry Decree No. 4/199 1 states that a minimum 85

percent of landowners who possess minimum 85 percent of the site must agree to participate. In addition, the requirement that landowners must surrender 30-40 percent of their land creates strong resistance. There is no formal policy or plan from the city government to replicate the LC project in Bandung. Equally, there are no proposals to introduce land pooling or land readjustment in the other case study cities. In Lahore, this is due to a lack of enterprise on the part of LDA and in Mumbai because the state and municipal authorities responsible for urban management have their own programs for bringing peri-urban land into development.

□ *Transferable Development Rights (TDR)*

This option is applicable in contexts where land administration agencies need to relocate existing or proposed development in order to release land for other uses, but where the agencies do not have funds to pay adequate compensation. It is only attractive to recipients if land prices are generally increasing, especially in the TDR reception areas. TDR has only been implemented in a few cities within India. The instrument does not exist in the other case study cities partly due to a lack of institutional capability (Bandung) or inclination (Lahore).

□ *Land Sharing*

This option is applicable in cases where private or public land is occupied partly or completely by squatters. If the landowner is unable in practice to effect the removal of the settlers, sharing the land may be acceptable as a means of realizing at least part of the land's potential market value. For this to be feasible, returns on investment must be sufficient to provide an adequate profit after deducting the costs of redeveloping the site and accommodating the existing settlers. This is normally applicable in cases where the land market is buoyant. A relaxation of relevant land use and building height limits can considerably enhance viability. Examples of land sharing exist in Thailand, Colombia, India, and the Philippines. Conditions for land sharing are present in all case study cities, since land prices are rising and there are informal settlements on both public and private land. Success will be dependent upon public sector commitment, which remains to be tested, and a degree of trust between landowners, residents in affected areas and government agencies. This also remains to be tested.

□ *Community Land Trusts (CLTs)*

CLTs are similar to cooperatives in that they are private nonprofit corporations created to acquire and hold land for the benefit of a community. They are applicable in locations where individual households have problems obtaining land and where local community structures are well established. For this reason, they are most widely adopted in rural or peri-urban areas. They require an established legal framework which recognizes community based land ownership. Most examples to date are in the UK and USA, though one project was established in Voi, Kenya. This project was not, however, replicated as there was insufficient community cohesion and local administrators found it too complex to manage. CLTs require a sound institutional and legal framework, trust, and commitment between stakeholders and flexibility on the part of staff involved in promoting and implementing them. These conditions are difficult to establish and replicate in large cities where populations are mobile, community coherence is variable, and institutional commitment and capacity often limited at local levels. This does not mean that efforts to introduce pilot projects would not be worth initiating.

□ *Guided Land Development (GLD)*

This policy instrument is applicable in locations where urban areas are expanding into areas of privately owned land and where government is not able to control the process of land transformation from rural to urban use. By installing public infrastructure in areas where government considers growth can best be channeled, GLD can encourage landowners to realize the increased value of their land resulting from its subdivision and servicing by either selling it to a developer or subdividing and developing it themselves. The approach requires that land administration agencies and service providers act in a coordinated manner and have sufficient resources to install infrastructure mains in advance of demand and without guarantees of repayment. It also does not ensure that landowners will

act as envisaged. GLD projects have been undertaken on open land near Hyderabad, Pakistan, but have not been continued, partly because the locations were too far from established settlements for people to obtain employment and partly because middle income groups took advantage of the project to nominate servants to occupy plots on their behalf for speculative purposes. There are no indications of interest from communities or governments in other case study cities.

□ Site Development and Urban Design Briefs

This policy option is applicable in locations where public sector agencies have adopted an enabling role in urban land development. They stipulate mandatory and a number of additional preferred options considered represented a balance between protecting the public interest and the need for a development to be commercially viable. As such, they require skills in assessing land market behavior by public sector professionals and the application of such skills to key urban sites. Since such skills are not at present widely available in developing countries, examples are restricted to the UK and the transition economies of Central and Eastern Europe, where the skills were imported through international assistance programs. This policy instrument has yet to be adopted in developing countries, possibly due to a lack of awareness of its potential on the part of urban development authorities.

□ Requests for Proposals (RFPs)

These also require local authorities to prepare a brief for a site as a basis for inviting developers to submit proposals. RFPs, however, are applicable in locations where land is already under public ownership, but the public sector lacks professional or financial resources to develop it directly. They also serve to encourage the development of private sector development companies and help to generate a wide range of proposals for a specific site at minimal cost to the local authorities and in ways which reduce uncertainty and delays in obtaining planning permission, since conditions for approval are announced at the outset. RFPs have been implemented successfully in Bulgaria, Romania, and the Russian Federation. They are most suitable in locations where local authorities already own land but lack the resources to develop it. These conditions apply in all case study cities, and discussions on the approach elicited interest. It remains to be seen if this will develop into concrete proposals.

Table 0.1 Preconditions for the Application of Innovative Land Policy Instruments p

	LP/LR	TDR	Land sharing	CLTs	GLDs	Site briefs	RFPs
Political preconditions	Requires central government support to create the legal framework and enforce terms and conditions.	Can be implemented by local government agencies.	Dependent upon landowners accepting that it is better to negotiate with settlers rather than remove them. It also requires settlers to work with owners and trusting that they will be permitted to return after redevelopment.	These require a well developed sense of community within a political regime which accepts the principles of community based development.	Because GLD involves many agencies, it is vital that they have strong political support and that political leaders accept the need for urban growth to be well managed.	No major preconditions apply.	Strong political support is essential.
Institutional preconditions	LP/LR places heavy demands on public sector staff to select sites and negotiate with landowners. One agency needs sufficient powers to coordinate all others.	TDR requires a clear mandate and rationale if it is to be effective. The agency responsible must be well managed and have influence over a large spatial area to include TDR generating and reception locations. It must also be able to enforce its rules.	No major preconditions. However, flexibility on the part of local authorities can help to increase support from landowners if additional development can be permitted within existing planning regulations	CLTs require a well developed institutional framework in which individuals and households have clear benefits and responsibilities which can be enforced.	Good coordination between planning agencies and service providers is vital if GLDs are to succeed in guiding investment to areas intended. Good governance is also vital to avoid abuse.	Good coordination between planning agencies and service providers is vital.	Good coordination between planning agencies and service providers is vital. If the integrity of local agencies is weak, external supervision may be required in the early stages of implementation to build confidence among developers.

	LP/LR	TDR	Land sharing	CLTs	GLDs	Site briefs	RFPs
Legal preconditions	Special legislation is required in order to undertake LP/LR developments. The proportion of landowners required to approve a development has to be determined according to local circumstances.	TDR requires a sound legal foundation. This needs to be clear and consistent, yet able to adjust to changing circumstances.	No major preconditions. It is simply necessary for land sharing to be acceptable within relevant planning guidelines.	As with co-operatives, CLTs require a clear legal foundation. This also needs to be disseminated in ways which local people can understand and accept.	The only major precondition is that planning agencies and service providers are authorized to operate outside municipal boundaries in peri-urban areas.	No major preconditions apply.	RFPs require a sound legal foundation. This needs to be clear and consistent, yet able to adjust to changing circumstances.
Technical/regulatory preconditions	The regulatory framework needs to be appropriate to local conditions. Planning and building standards should reflect local costs and ability to pay costs. Planning regulations should permit a degree of mixed land use. Admin procedures should be simple, quick and not expensive.	The regulatory regime must permit reasonable development on site and sufficient benefits in TDR receiving locations to maintain public acceptance. Administrative procedures need to be simple, quick, and not expensive.	It will often be necessary for a landowner or developer to be able to realize mixed land uses, including a mix of commercial and residential uses on a given site, in order to maximize income to offset the costs of re-housing existing settlers.	No major preconditions apply.	Technical skill in identifying areas where investment is needed is vital for the success of GLDs. The only regulatory requirement is that standards are related to levels of affordability of those served. Procedures also need to be simple, quick and not expensive for those served.	The regulatory regime must permit developers to realize a reasonable return on investment in selected sites. Briefs must be just that – brief – but also clear in stating what is required and what is not acceptable. Ambiguity is to be avoided at all costs.	The regulatory regime must permit developers to realize a reasonable return on investment in selected sites, while also protecting the public interest. Simple and transparent procedures for selecting projects are vital.

	LP/LR	TDR	Land sharing	CLTs	GLDs	Site briefs	RFPs
Financial preconditions	LP/LR requires project agencies to be able to provide short term finance for the promotion and administration of a project, site surveys, provision of all infrastructure and project marketing prior to cost recovery.	These are minimal in that TDR does not require capital expenditure by public sector agencies.	Completely dependent upon the ability of a landowner to obtain an adequate return after paying for redevelopment of the site and re-housing existing settlers.	The costs of establishing a CLT can be a barrier for low-income groups unless external funding is available for pilot projects.	It is vital that all funds needed to meet the capital costs of all infrastructure investments, including roads, water supply and sanitation networks and electricity are in place before commencing development.	No preconditions apply; in fact this is an advantage of briefs in that they only require staff time in preparing them.	No preconditions apply. As with briefs, the only requirement is staff time in preparing an RFP.
Professional preconditions	Staff need to be trained to make market based assessments of suitable sites, able to negotiate with landowners and coordinate other development agency staff.	Staff need to be fully trained to understand and apply what can be complex arrangements. They also need to be able to explain and justify these to developers and the general public.	No major preconditions, as it is up to landowners to prepare and submit proposals. Public sector staff need to be well trained and free from corruption if the approach is to be sustainable.	Considerable professional expertise is required to design and implement CLTs. This is the main reason they have not been adopted in developing countries.	Skills are essential in assessing urban spatial growth needs, coordinating staff from different agencies and negotiating with local landowners. Special training may often be required.	Skills in identifying and protecting the public interest in ways which enable private developers and communities to realize their objectives is vital and will often require special training to be provided.	Skills in identifying and protecting the public interest in ways which enable private developers and communities to realize their objectives is vital and will often require special training to be provided.

	LP/LR	TDR	Land sharing	CLTs	GLDs	Site briefs	RFPs
Cultural preconditions	A climate must exist, or be created, in which public sector agencies can create positive relationships with key stakeholders in the private and community sectors. If not existing, this can be created through the development of pilot projects.	TDR requires public acceptance and a buoyant land market. If this ceases to apply and support declines, it may be difficult to regain even when land prices start to rise again.	A willingness by landowners to live or work in close proximity to lower-income settlers is vital. Land sharing is unlikely to succeed in areas where cultural or social gaps between groups are difficult to bridge.	The need for the existence of strong socially cohesive community structures to exist prior to establishing a CLT restricts their application to rural and close-knit urban communities.	Any differences between urban and rural interests and attitudes will need to be addressed if GLDs are to succeed.	No preconditions apply. However, it is important that public sector professionals understand the legitimate interests of private developers and communities and are able to include these in preparing briefs.	No preconditions apply. However, it is important that public sector professionals understand the legitimate interests of private developers and communities and are able to include these in preparing RFPs.

If the above preconditions can be met, then the prospects for introducing, or expanding existing, innovations in land policy instruments are reasonable. Assuming the willingness by government agencies to apply such instruments, it is vital that professional staffs working on them are fully trained in the principles and practices they will need to apply. This may require on-the-job training, short courses tailored to the specific needs of different agencies and policy instruments, visits to other locations where such innovations have taken place and participation in relevant conferences and workshops.

Opportunities for Expanding Access through Less Conventional Land Development Instruments

Inevitably, prospects for adopting innovative land development options vary from one case study city and country to another and are influenced by a number of factors. These include prospects for regulatory reform, increased institutional effectiveness, awareness of the need to put all land, especially areas already under public ownership or control to more efficient use and a willingness by government agencies to forge more creative and mutually beneficial relationships with private and civil society sectors.

However, an even more fundamental factor will determine medium- and long-term prospects for the development of dynamic, diverse, and socially responsive land markets. This relates to the attitudes which political and bureaucratic elites express towards the rights of low-income urban residents to participate in, and benefit from, urban land development policies and programs. At present, the prospects in India and, to some extent, Vietnam and Indonesia, offer scope for progress, while prospects in Pakistan and Bangladesh suggest that such elites are at best indifferent and at worst hostile to the interests and rights of the urban poor majorities for whom they have responsibilities. Furthermore, it is not clear that the international community, including the World Bank, has been doing as much as it could to redress this situation.

Access to legal and affordable land in urban areas can best be improved by adopting a “twin-track” approach. This involves regularizing existing informal settlements wherever they are not in environmentally vulnerable or economically strategic locations and increasing the supply of urban land in a range of locations and at a scale appropriate to increasing needs. In particular, it requires that central and local governments acknowledge and accept the right of the poor to live in urban areas and facilitate their social, economic, political, and spatial integration by all available means. Secondly, it requires that land administration agencies review and revise regulatory frameworks concerning urban planning and building, implement policies designed to improve living conditions and property rights (not necessarily full ownership), to existing informal settlements, and increase the supply of land for urban use at a scale related to increasing needs. Unless and until such preconditions are met, prospects for improving urban land markets and access to legal and affordable land by the low-income majority will be minimal.

Once such preconditions have been met, prospects for implementing any of the innovative land policy instruments reviewed in Section 2 will depend in the short term on how attractive they are perceived by the key public and private sector stakeholders. For the medium- and longer-term, prospects can be improved by adopting the principles for effecting change listed by Payne and Majale (2004:96-111). These require those seeking to promote innovation to:

- Recognize and accept realities on the ground, especially the contribution of households living in poverty to the urban economy;
- Focus on key aspects of public concern by ensuring that policies and regulatory frameworks are relevant, realistic and focused on key issues of public interest, such as health and safety;
- Acknowledge and apply the information systems of those living in poverty;
- Adopt an enabling role by removing, or at least reducing, barriers to upgrading and affordable new development;
- Invest in precedents by introducing pilot projects or adapting innovative approaches applied in other cities or countries;
- Strengthen inclusiveness by encouraging partnerships between public, private and civil society groups;
- Facilitate local ownership of processes, so that all citizens can contribute and benefit;
- Identify “champions of change” wherever they exist as they can generate momentum for progress;

- Apply rules consistently and avoid favoritism or discrimination;
- Integrate planning and development strategies to meet existing and future needs for urban land and infrastructure;
- Accept the principle of incremental development, which has always been adopted by those in poverty and can bridge the gap between existing needs and the ability to meet them;
- Guarantee open access to information, to improve urban governance;
- Take advantage of “windows of opportunity” such as the election of a new government;
- Build institutional capability in ways that can respond to changing needs;
- Strengthen political will, difficult though this may be, and last but not least; and
- Strengthen professional will to innovate, which is within the power of professionals to achieve.

Options for innovation within the case study cities are considered to be as follows.

□ Lahore

The current political and institutional situation in Pakistan represents a major barrier to innovation on land policy. Short-term progress in the introduction of innovative and policy instruments in Lahore will therefore depend upon them being seen as beneficial to the authorities. In practice, this means the military and the LDA.

The newly established Urban Unit may become the key actor to easing the existing institutional problem, although it will require a major injection of capacity building measures to become effective. Technically, the most likely policy instrument to gain acceptance may be through Requests for Proposals (RFPs), which have been used extensively in Central and East European transition countries where state land holdings are being opened up to market-sensitive approaches. Accordingly, it is recommended that discussions be held with the relevant authorities to introduce an RFP pilot project for new development in an area appropriate for mixed land uses and a range of income groups.

With regard to settlement upgrading, the Orangi Pilot Project in Karachi provides an outstanding example of community-based upgrading and there was a positive response in Lahore to the introduction of community-based forms of land tenure in cases where the upgrading of informal settlements was considered appropriate. It is therefore recommended that discussions are held on community-based land leases as part of a comprehensive settlement upgrading program. This could build on the highly successful Orangi Pilot Project (OPP) settlement upgrading program developed by NGOs in Karachi.

There is no doubt that, as with all developing countries, the government is short of financial resources. Thus there is the need to use the available financial resources more efficiently and at the same time efforts be made to generate further resources. Greater coordination is needed in the existing framework of land development and management between government organizations. One step in the right direction, although in a nascent stage, is the setting up of the “Urban Management Unit”. This has a very limited role at the moment, involving the collection of information about various components related to Urban Development in the cities at the Provincial Level. How this information will be used is unclear.

The large number of vacant plots in Lahore indicates that they are being held for speculative purposes. More effort is needed to encourage landowners, including public sector agencies, to release land for development. A recognized means of achieving this objective is to tax properties based on their market values. Taxing private land might be attractive to the government in theory. However, since the landowning elite are likely to oppose any instruction of land taxation, this is unlikely to be acceptable.

□ *Da Nang*

In Vietnam, land is collectively owned by the people and managed by the state. As described in the sections above, lesser interests identified as LURs are allotted or leased to economic and political organizations, cooperatives and households/individuals. Although the separation of land and house ownership was compatible with a command economic system where the state planned and supplied housing, it is increasingly unsuited to Vietnam's mixed-market economy where the people are responsible for satisfying their own housing needs. As it is, the entrance of market mechanisms into the urban land market has been stifled by the culture of "state land management". More than any other single issue, this inhibits the devolution of land use decision-making to private players as required for a vibrant formal sector land and housing market. The country is therefore in a state of transition from a soviet-based system of centrally controlled administration and land management to a mixed-economy approach in which the interests of private investors and the wider public are being granted more active roles. Progress has been sporadic and there is clearly a long way to go before institutional structures and cultural attitudes on the part of those involved in land management are able to respond effectively to the new relationships and processes. In this respect, Da Nang is a work in progress.

Based on interviews with key stakeholders in land management or construction planning, it was understood that the majority of them were completely unfamiliar with or had a very limited understanding of innovative land development instruments. Since cultural attitudes are a major impediment to local progress, prospects for change will be considerably improved if opportunities can be provided to expose senior officials involved in urban land administration to innovative approaches being undertaken in other countries within the region, such as Thailand. Such exposure can help build confidence based on experience of specific approaches to in-situ upgrading and financially viable and market-sensitive new urban developments.

Proposals to reorient land use planning policy towards public and institutional openness and flexibility and functional zoning could pave the way for Da Nang's future spatial pattern of land development. In order to achieve this aim, as well as bring planning Da Nang more inline with a mixed-market economy, the city needs to (i) devolve powers to local authorities (districts, wards, and communes) to make mandatory land use rules that uniformly apply to all land parcels with similar characteristics regardless of the occupants' status; (ii) reduce "state land management" powers to micro-plan land use through discretionary land allotments and transfer controls; (iii) encourage local authorities to base detailed plans on community consultation, publicizing each planning stage to minimize the corrupt use of confidential information by officials; and (iv) emphasize community participation to encourage flexible adaptations and applications of central urban design standards.¹⁰²

Since all land in Vietnam is owned or managed by the state, the actual application of innovative instruments at this stage appears premature, although adoption of innovative approaches could help rationalize the use of land and promote more open discussion of market reforms. Of the various innovative approaches to urban land development cited in this report, Land Readjustment and TDR are considered locally to be the best suited approaches to land development in Da Nang, particularly in the context of the "LURs market". However, it is acknowledged that, while the potential exists, at present their application is limited since the legal and regulatory framework is not in place. Nonetheless, Da Nang can claim to have developed its own innovative approach to land development in the form of the "land in exchange for infrastructure" policy, which is carried out through ground clearance, compensation, and resettlement. The objectives of this policy are to upgrade the infrastructure in the city and to improve the living conditions of local residents. It is in many ways similar to the TDR approach adopted in Mumbai in seeking to guide investors to areas considered appropriate for new development and doing so in ways that minimize public sector costs.

¹⁰² *Land Management for a Real Estate Market*, 2001. Report for the World Bank Urban Upgrading Mission to Vietnam, June 2001.

Da Nang is currently the leading city in Vietnam for the implementation of the “land in exchange for infrastructure” policy, which can be conducted either directly by the state or by investors to whom the state transfers Land Use Rights (LURs). In principle, the latter is carried out through a scheme whereby an investor invests in infrastructure construction and the city reimburses him with LURs. The investor can then make business by transferring the LURs; directly investing in the allocated land area; or by cooperating with other investors to develop the land. More commonly, land is allocated to project management boards or land trading companies, so that they can pay compensation, construct the infrastructure as planned, and distribute the land for resettlement. The municipal People’s Committee supports them with legal documents, and urban and rural districts and communes together with project management boards form a ground clearance council to allocate resettlement lands to local residents in a fair manner. Concerning land exploitation by the private sector, they must compensate for land clearance by contributing to the municipal budget so that the city can pay for local residents’ resettlement. One example of this practice is the ongoing Thuy Tu new town tourism project in Lien Chieu district.

Further progress can be achieved in Da Nang by easing land conversion restrictions on agricultural land, although the approach of applying targeted public acquisition of land (land banking) suggests a return to state-managed approaches that could impede the development of a more socially responsive and market-sensitive approach. However, proposals to involve community residents in land planning and to streamline land use planning deserve strong external and internal support. Such proposals have typically received the support of officials in Da Nang, who maintain that a systematic and transparent approach to land use planning, appraisal, and approval work requires the participation of the public. The majority of officials in the DNRE and MONRE also agree that the administrative procedures and detailed regulations stipulated in the Land Law and its implementing guidelines for LURC issuance need to be accelerated and streamlined. This would shorten the time needed to issue LURCs to citizens and force authorities to be more responsible in their work, which was something that stakeholders in Da Nang noted they would appreciate.

The Da Nang case study proved difficult to undertake and insufficient information was obtained to offer a clear indication of prospects for progress. It is, however, evident that Vietnam is making considerable progress in terms of macroeconomic and social policy and this provides a sound basis for sectoral policies dealing with land. It is recommended that discussions be held with the relevant authorities with a view to introducing pilot projects on a number of policy options, especially those that increase the role of the private and civil society sectors.

□ *Bandung*

Interviews with stakeholders in Bandung revealed that as a secondary city, institutional capability was limited and exposure to alternative land policy instruments, even within other parts of Indonesia, let alone other countries, was extremely limited. While discussions with local officials, professionals, and private developers revealed a widespread interest in innovation, there is a lack of examples on which instruments can be relevant to local application.

For new urban land development, the proposed new Gedebage CBD for Bandung provides an ideal opportunity to introduce socially responsive and market-sensitive land policy instruments. The area covers approximately 500 ha and will provide easy access from the national highway to new well-planned and serviced commercial sites on the eastern boundary of the city. Instead of the land banking approach proposed for the development of this area, discussions were held with local officials on an alternative approach for land already held or acquired by the public sector. This could introduce joint venture companies in which public and private sector entities share a market-based investment in terms of land, infrastructure, and building costs, and the profits generated from them in proportion to a mutually agreed valuation. Discussions also produced a positive response to the possibility of reviving Land Consolidation (LP/LR) programs and introducing RFPs as well as Site Development and Urban Design Briefs, which can specify public interest components and be applied on private land.

Once the mayor has decided on the development corporation to run the development, a planning brief for private sector development, with designated regulations, may be prepared. It is understood that private developers would welcome such an approach as it would remove uncertainty regarding the type and form of development, which would be acceptable.

The local authorities have no experience of preparing market-based valuations and environmental impact assessments as required in preparing such briefs and may well require technical assistance until local capability is achieved. Current restrictions imposed by government regulation on local government asset management and public capital investment would also need to be removed for such approaches to be effective. For example, under current regulations landowners are required to give 40 percent of their land to the local authority to recover costs and this would need to be reduced to around 25 percent for schemes to be financially viable. There is also considerable social resistance to almost everything local government proposes due to a lack of trust. Awareness of the benefits of applying alternative instruments should therefore be shared by public agencies with the wider public in order to build a constituency of support.

Bandung provides grounds for optimism in terms of the upgrading of existing informal settlements. The local authorities indicated a commitment to improve the high-density riverbank settlement lining both sides of the local river and have are using the regeneration program in Seoul to provide a practical demonstration of how this can be done. This approach has a lot to commend it, but needs to be adapted to local circumstances. Any support for exchanges between professionals in Seoul and Bandung would be fully justified.

It is recommended that wherever possible other existing informal settlements be upgraded and that appropriate standards employed that reflect the expectations of the residents and minimize the need for relocation. The national Kampung Improvement Programme (KIP) provides an ideal precedent for this approach as it enables the affected communities to participate actively in both the decision making and implementation of proposals for the upgrading of their areas. If possible, any unused land within the proximity of the upgraded settlements should be considered as possible locations for resettling any households that cannot be accommodated within the existing locality. Residents should also be encouraged to provide temporary accommodation for neighbors during the upgrading process as this actually reinforces community solidarity.

TDR is also promising and technically can be applied. However, there is no regulation to support TDR (separation of development right from property right) at present. Thus, the application of TDR will need a proper legal basis (including price and tax calculation), competent institution, and officials, as well as “socialization” of the concept.

Land sharing may be more promising on public land, but more difficult to carry out on private land, since detailed records are not available on plot ownership or boundaries and any proposal for redevelopment would increase potential conflicts between claimants, which would take time to resolve. Legally, the landowners have the right to clear the land from illegal occupants. However, when the financial calculation demonstrates that land sharing is more advantageous than land clearing, probably land sharing will be selected. The size of the site will be also significant: the larger the site, the higher the possibility to accept the tool.

Community land trusts are too ideal for Bandung and no non-profit organization possesses a sufficiently large area of land. When a corporate/cooperative has such a site, commercial projects are more attractive to the landowners. It will be difficult to persuade landowners to prioritize housing for the poor.

Incremental housing development (guided land developments) is of doubtful relevance. An example was implemented in Jakarta in the mid-1980s, but was not realized. The Housing Agency

representative also stated that this instrument will increase land prices, so it will be difficult for poor people to access the land.

For any of these options to be adopted it was agreed that political will is critical. There was widespread official support for innovation in land management, but as a secondary city, technical capability was restricted. This could be addressed by offering training programs to selected staff, funding exchange visits by senior officials to examples of innovative approaches in other countries in the region, and providing technical assistance for pilot projects.

□ Mumbai

In Mumbai there is evidence that both state and municipal authorities are well aware of the need for changes to both the institutional structure and regulatory regime. Many changes are under way and, if they gain political support, offer the possibility that Mumbai could become one of the most dynamic urban conurbations anywhere in the world. While the heavy hand of regulatory constraints, combined with an equally restricted topography, have held Mumbai back from matching its economic success with environmental improvements, senior officials are clearly well aware of what needs to be done and how to achieve it to give considerable grounds for optimism.

A proposed 22 km bridge from the island city to the mainland alone has the potential to transform Mumbai. This will link the existing commercial area on the island city to the mainland where massive private sector developments are planned in a new Special Enterprise Zone (SEZ), together with a new container port, an international airport, and a major railway station connecting Greater Mumbai to north and south India. Locally, the bridge will link the island city eastwards to Navi Mumbai (New Bombay) at Belapur and through Navi Mumbai north to Vashi and the westwards across the existing bridge back south to Bandra and the island city, creating the potential to move away from the conventional mono-centric city model as adopted by Bertaud and Buckley (2005) in their assessment and towards a multi-nucleated metropolitan conurbation. An even greater opportunity can then be added with the improved trunk infrastructure links between Mumbai and Pune, to meet the needs of between 30-40 million people and serving all income groups. If the earlier hovercraft service then becomes viable again, the scope for diversification and investment in housing, commercial, industrial, and recreational activities increases still further. Initial discussions with leading professionals in Mumbai indicated that such a vision was feasible. The key element in this vision is the need to construct the proposed road/rail bridge between the island city and the mainland.

Of course, realizing such enormous potential depends upon the various political and institutional groups acting together in a coordinated way on the basis of a shared vision. The *Hindustan Times* of 03 May 2007 carried a full page spread in which such a view was presented. It is certainly a vision that development partners should support in any way possible. A specific option could include international funding for the construction of the road/rail bridge.

In addition to planning for new land development, there is an urgent need to put empty inner-city lands, especially those held by public agencies, such as the mill, railway, and port lands, to appropriate social and economic uses. However, the situation is somewhat more complicated than it at first appears. For example, even if the restrictive conditions imposed by the Coastal Protection Zone are excluded, there are sound environmental grounds for preserving some coastal sites from development, especially as they are considered by environmental lobby groups as essential protection in the event of floods or rising sea levels. Another constraint is that while the Government of Maharashtra complains that the port land is unutilized or underutilized, the Port Authority sees no need to develop their land at present and replies that the State and BMC are not putting their own land to good use.

Unlike Lahore, where the military and the LDA control all decision making on land issues, in Mumbai there are arguably too many actors competing for influence. Central, State, metropolitan, and municipal agencies are all involved, all with their own political and institutional constituencies and

interests. In addition, there are powerful private sector interests and civil society networks all seeking to influence decision making and resource allocation processes. This has led to a paralysis of activity that shows little immediate sign of changing.

A “Managing Director” of Mumbai would help resolve these institutional and policy issues. For example, London and several American cities have elected mayors who have all the city’s functions under their control, including the police. Effective mayors have transformed Shanghai, London, New York, Barcelona, and Curitiba. For Mumbai, this will probably mean creating a Minister for Mumbai as well as a separate department. However, so that this does not become another bureaucratic hurdle with further delays and transaction costs, the key functions, such as urban development and housing, should be carved out of the respective departments and consolidated under the aegis of the Minister for Mumbai. In addition, key Mumbai agencies such as MMRDA, MCGM, and the City and Industrial Development Corporation (CIDCO) should report to this ministry. However, in the current political environment, this will probably take time. In the short term, therefore, the Chief Minister (CM) should play the role of Minister for Mumbai, leading a Steering Committee.

Coordination between different agencies needs to be developed. Some agencies are doing regulatory work whereas others are implementing projects developed by other agencies. Key agencies such as the MCGM, MMRDA, MSRDC, SRA, MHADA, and the Brihan Mumbai Electric Supply & Transport Undertaking (BEST) need to be made accountable for results. Accordingly, each agency will need to sign output- and outcome-based Memorandums of Understanding (MoUs) with the Empowered Committee. These MoUs should be made public, and the CM should review performance on a monthly basis.

The government should corporatize those departments that need to be completely integrated across the city and have economy of scale of investment, e.g., water, roads (including maintenance), while decentralizing those functions best conducted at the ward level (e.g., trees, encroachment). Certain important functions should be consolidated. For example, to improve coordination and accountability in the long term, Mumbai should consider creating a single transportation agency by combining MCGM (roads department), MRVC, and the Mumbai-related transportation functions of the PWD, MMRDA, and MSRDC.

All government agencies need to set targets for output and outcome (e.g., the water department could have an output target of reducing leakage from the current 30-35 per cent to 15-20 per cent in three years. Staff would then be judged (and rewarded or penalized) according to their performance in realizing these targets.

A notable exception to the institutional complexity and confusion in Greater Mumbai can be found in the case of CIDCO, which was charged in the 1970s with the development of Navi Mumbai. The population of Navi Mumbai is approximately 1 million (which it took less time to reach than Mumbai itself) and it has been planned to permit further increases on a largely self-financing basis. CIDCO’s contribution has been somewhat overlooked to date, although it has established innovative approaches to land development which has enabled a wide range of income groups to benefit within a market driven approach.. This suggests that when agencies are freed from bureaucratic constraints and given specific areas of autonomy and the opportunity to recruit creative and committed professionals, a great deal can be achieved. The fact that Navi Mumbai has not been as successful as had been hoped is due largely to the unfortunate timing of the land market collapse of the mid 1990s, which dampened pressures for outward relocation of businesses to better serviced and cheaper locations.¹⁰³

On less structural issues, the scope for innovation is best pursued by supporting discussions on relaxing the FSI in central areas, repealing the ULCA, and rent control on new housing.

¹⁰³ It is understood that this collapse was linked to scandals in the stock exchange on which properties were heavily quoted, as in Hong Kong and Thailand; however, no further details are available.

There is a strong body of local support for such moves – including the government – so this would be welcome and theoretically not controversial. Nonetheless, the repeal of the ULCA in late November 2007 has highlighted some consternation between Mayor Shubha Raul and Municipal Corporation Commissioner Jairaj Phatak, who have contrasting views on its impact. An article of 30 November 2007 noted that Mr. Phatak has welcomed the state’s move to repeal the Act, while the Mayor has stated that the scrapping of the act will harm the city, stating that the builders’ lobby will be the biggest beneficiary and that Mumbai will become home only for the “rich and ultra rich.”¹⁰⁴ The main challenge here will be to bring all stakeholders together in a way that can enable them to find common ground. International development partner support for a conference on Mumbai’s future could provide a vital catalyst in establishing such common ground between and among the numerous public, private, and civil society stakeholders and formulating the basis for future development.

One step in the right direction is that the Maharashtra state government plans to move away from being a sole provider to a facilitator and intends to encourage public-private partnerships and encouraging Foreign Direct Investment (FDI). The state will use the RFP approach to achieve this objective. It also proposes self approval for architects and designers. Improvements proposed in the new housing policy include:

1. Open competitive bidding to develop slums;
2. Credit rating of developers (so that the government knows who they are);
3. Credit rating of NGOs; and a
4. Third-party system to check accountability.

The state government expected to pass the new housing policy at the next legislative session on housing, which opened in July 2007. However, the implementation of the new housing policy hinges on the repeal the ULCA, which took place in late November 2007 during the winter session of the legislature. The repeal occurred within the state’s deadline, which is March 2008. Without the repeal, the new housing policy cannot be effectively implemented. Meanwhile, the existing land policy instruments addressed in this Report, namely Town Planning Schemes (similar to LP/LR) and TDR, are expected to continue.

General Findings and Conclusions

The literature review and detailed case studies contained in this report provide a basis for understanding the constraints on the land and housing markets and assessing the prospects for introducing or expanding alternative policy measures to address the shelter needs of the urban poor.

It is evident that the attitudes of the political and administrative elite towards the contribution of the urban poor to social and economic development is central to all discussions on the ability of land policy instruments to improve access by the urban poor to legal land and shelter. The study has found that where attitudes to the existence and contribution of the poor are apathetic or hostile, resources spent to introduce alternative land policy instruments are unlikely to yield any significant results. Instead, efforts should be made to encourage, persuade, and pressure such elites to change by measures to emphasize the outcomes of inaction or the continued application of inappropriate approaches. As a leading international development partner, the World Bank is in a unique position to exert influence over central and local governments in countries to which it lends. By strengthening collaboration with other key multilateral and bilateral development partners, including the Cities Alliance, this influence can help to encourage acceptance of the need for change.

¹⁰⁴ “Mayor, Commissioner differ on ULCA repeal,” Daily News and Analysis, India, November 30, 2007.

Once agreement has been achieved on the need to introduce a range of socially progressive and market-sensitive land policy instruments, discussions should be held with key stakeholders in selected countries and cities on which policy instruments are most appropriate to meet local needs. Again, the World Bank is in a unique position to influence such prospects. As stated earlier in this report, this could usefully take the form of a forum of key stakeholders in government, the private sector, civil society groups, key professions and the media, to discuss options for progress in selected cities.

It is worth repeating that mayors in Shanghai, London, New York, Barcelona, and Curitiba have transformed their cities. By providing a focal point for decision making, elected mayors help to improve governance and administrative coordination, provided that they possess the necessary powers and resources. Since a large proportion of city populations in developing countries are within the low-income category, it also has the potential prospect that policies will need to respond more to the needs of the electorate, although this is subject to the constraints identified in the section on political economy that referred to the tendency of the political and administrative elite to insulate themselves from such pressures.

Finally, the report has highlighted a lack of awareness by many central and local government officials, particularly in rapidly expanding secondary cities, such as Bandung and Da Nang, of any alternative land policy instrument, other than those already being implemented locally. This suggests that there is an urgent need to produce and disseminate a range of materials on alternative land policy instruments to inform politicians, professionals, and officials of the strengths and limitations of each approach. This report has sought to provide a first step in this process.

Data Analysis and Outline of Indicators on Urban Land Management

This section will assess the applicability of indicators used for data collection and propose a core set of indicators for analyzing the policy-making processes in urban land management. As described in the previous section, the consultants applied the seven indicators in assessing land markets. These are General Land Use, Land Use Instruments, Institutional, Regulatory, Tax and Investment, and Maps.

Work on housing indicators commenced in 1990 with work by Stephen Mayo and Shlomo Angel.¹⁰⁵ In reviewing work on housing indicators since, Angel acknowledged that the paucity of good housing indicator data, both in the private and in the public sector, can be partly explained by the intrinsic failure to market such data profitably. Information collection is costly and selling it profitably is almost impossible.” He also noted (2000:45) that “many governments do not, in fact, mandate the public disclosure of information they do have, often adding to further distortions.”

Reliable and up-to-date information on urban land and housing markets, together with changes in such markets, is important for understanding market successes and failures, and therefore appropriate government and market responses to realize policy objectives. However, Angel acknowledged (2000:51) that at present, “for global comparisons that include both rich and poor countries, we must make do with a more modest system containing as few indicators as possible. But the fewer the indicators, the lower their power of explanation and the less useful they may be in going beyond a cursory pulse-taking of sector performance.” In developing countries, efforts to collect accurate data are also hampered by the lack of data in general and the fact that a large proportion of the urban population live outside the formal economy and planning system. For these reasons, although the objective of housing indicators is laudable, the present status of data for form such indicators does not provide the basis for global comparisons on a meaningful basis. It is more likely that longitudinal datasets within a given city can provide a more useful basis for comparing trends in market performance and a foundation for policy interventions. The following notes on indicators took into account the availability and accessibility of the data whether or not these were officially released and are relevant in determining land management issues based on the experiences in the four case study cities.

□ *General*

Among the general indicators, demographic data such as population and projected population are usually available from census data. An average population density can be calculated from the area of the city. In this case, it will be important to define the boundary of a city according to either the built-up area or the administrative boundary as these may well not be consistent. It will also be important to adjust population to any increase in administrative boundaries or built-up areas. The year of the latest data totally depends on the data processing efficiency in respective country that sometimes the latest data is still in 1998 (Lahore). GDP per capita for the whole nation is usually announced every year. Nevertheless, regional GDP per capita is not available in every country.

The changes of demographic data can indicate the trends of city growth and future expansion in general. In order to identify the specific area of the city where expansion is concentrated or not, it requires subdivided data of population and area in the same year. Obtaining these data is not always easy. Wherever possible, it is important to obtain data on projected new household formation. This can be imputed from data on age distribution and any evidence regarding ages at which new households are formed. Such datasets will provide a basis for estimating housing needs over specific periods.

¹⁰⁵ Angel, S. (2000) *Housing Policy Matters*. Oxford University Press, 2000.

Evidence of large household sizes might also indicate environmental stress if a limited supply of new housing increases overcrowding higher than cultural norms.

Regarding the household data, average household size is often calculated from data from population and household numbers, if available. Therefore, the accuracy of data is questionable since household surveys are not as common as in industrialized countries. Moreover, household surveys usually do not elaborate on respective municipality information. Information on household income levels and the distribution of incomes is also often difficult to obtain. The designation of poverty also differs between and among countries, as do the thresholds of low-, middle-, and high-income levels. For example, in Bandung, a poor household is categorized based on the accessibility to essential needs and social benefits. The only usable data is the percentage of households who live under a specified daily or monthly income. For very low-income families, a further complication is not just the level of income, but its reliability or otherwise. A high proportion of the very poor is within the informal economy without any reliable source of livelihood. They are therefore particularly vulnerable to external threats such as illness, floods, droughts, or other factors beyond their control.

Identifying the population density and the spatial distribution of poor households is almost impossible unless necessary subdivided data on population, area, household numbers, and incomes are available.

□ *Land Use*

The definition of the urbanized land depends on the land use categories of respective cities. For example, there are 23 land use classifications in Mumbai, 21 in Bandung, 17 in Da Nang, and 12 in Lahore.¹⁰⁶ There is no ultimate definition of urbanized land that can be calculated from the total area excluding land use areas of vacant, agricultural, natural reserve area, and the like. It can also be the sum of housing, commercial, governmental, military, and public facilities use. However, it provides the amount of land that is developed within the city area and indicates how much is undeveloped. It is also useful in indicating the rate at which urban development is taking place.

One indicator of housing sector performance is the extent to which the conversion of land on the urban fringe from agricultural to urban use attracts a financial premium. As Angel noted (2000:54) “when residential land is in artificially short supply because the regulatory environment restricts such conversion, the premium is expected to be high. Conversely, when the regulatory environment does not impede conversion, it is expected to be low. An indicator, entitled the “land conversion multiplier,” was constructed to measure this premium. It was defined as a typical ratio between the median land price if an unserviced plot on the urban fringe given planning permission for residential development and the median price of a nearby plot in rural/agricultural use without such permission”.

It is vital to indicate any areas of unused publicly owned or controlled land within an urban area. This can be obtained from a land use map, GIS dataset, or aerial photos. If these sources are not available, it is advisable to undertake first-hand surveys of known areas as a basis for discussion. The respective government agency, such as a municipality or ministry may separately keep data of the status of the public land although it is often not accessible for public use. If the land use map is linked with its built-up status in a digital data format, the potentials of unused public land in the city can be discussed. This applies to unused private land area as well.

The total number of housing units in a city can also be difficult to obtain, unless it is specified in census data. One basic option is to divide the total population by data on average household size, although this is clearly not reliable. Official estimates of housing deficits should be treated with great caution as they often include all existing housing which does not conform to official planning and building norms, even if this is acceptable to their occupants. Estimates of housing needs should

¹⁰⁶ There are also more than 2,000 in Lima, Peru, which applies the CIU (Clasificación Industrial Internacional Uniforme)

include the number to accommodate new household formation, the replacement of existing dwellings at the end of their structural or functional life (usually a very small percentage in practice unless environmental factors accelerate decay), the reduction of overcrowding and the replacement of substandard or inadequate housing. This latter factor may be highly variable depending on local attitudes to the suitability of such dwellings for upgrading or replacement.

Official residential plot sizes reflect the norms that authorities consider appropriate for different sections of demand. However, they invariably exclude any assessment of costs and affordability and tend therefore to be somewhat arbitrary. They should be compared to plot sizes in different informal settlements to obtain a guide as to local acceptability.

FSI for residential land use reflects the regulations and minimum requirements for housing development. However, whether these are strictly applied or not is another issue, especially when considering the status of poor household residences. Their houses are often illegally built and do not follow these official rules. FSI indicates whether the land management policy encourages or discourages high-, medium-, or low density levels. FSI can be relaxed, for instance if the land management policy wishes an urban center to be densely used for urban activities such as commercial and business. It can only be done with a careful cross check with other factors such as sufficient provision of urban infrastructures in the target areas such as road, water, sewage, electricity, waste management, and emergency management. In general, consistency of policy and FSI is hard to meet even in the industrialized countries.¹⁰⁷

Land price is one of the key indicators for land management. The nominal land price is usually based on the assessment by the authority which deals with land taxation. However, if tax rates on property ownership or transfer are high, it is likely that massive underreporting of planned prices will result, rendering tax returns highly unreliable as a guide to land prices. The market price can only be obtained reliably from realtors. Land prices naturally differ depending on use and location, so it is important to obtain a range. It is also necessary to obtain an indication of the change in prices as this helps understanding land market trends. For example, although land prices tend to increase over time, in the case of Lahore, there was a decline in land prices. Regarding informal residential development, it is important to note that land transfers take place within different submarkets, not only within the formal land market. Indicators of land prices in informal settlements can only be obtained reliably from qualitative surveys. One indicator of informal land prices is to assess household expenditure patterns to impute a market value.

□ *Land Use Instruments*

All the indicators for land use instruments are only provided in a quantitative form to illustrate the application and awareness of these tools to the local authorities. The case studies showed the difference of penetration of instruments within the authorities. In general, the LP/LR and Land Sharing tools were well known and even practiced in some areas. Other tools were not in practiced because their concepts were not well known by the authorities or were not considered applicable to their cities. The reasons include the legal system, political, economic, and social aspects. Especially, consensus building among the stakeholders was difficult even for the major tools such as Land Pooling/Land Adjustment and Land Sharing. The long-term benefits/profits of a project are not always appreciated by landowners and residents.

Public budgetary constraints are particularly problematic in developing countries and reinforce the benefits of ensuring active roles for civil society and the private sector in land management. Therefore, innovative land use management tools should be promoted actively and encouragement given through the provision of awards for socially responsive innovation. The public sector should be at first

¹⁰⁷ There is an example in Japan when the FAR was relaxed in which the developer was requested to donate the ladder truck for the fire department to reach the top of a high-rise building in case of fire.

familiarized with these tools and encouraged by development partners to spread the benefits widely. It was encouraging to learn that some of the tools discussed, such as RFPs for Land Development, Public Private Sector JV Companies, and GLD were mentioned as possibly applicable in current development schemes.

A useful indicator of the costs of entry into the formal housing system is the minimum official plot size permitted for residential development. Where this is small, as in India, access and the provision of services will be facilitated despite high land prices. Where it is large, as in many African countries, access to land and services will be impeded. Another useful indicator is the minimal cost of a house unit in the formal housing market compared to household distribution. As the applicability of tools may require legislative and policy changes under the national government that it is more realistic to seek the possibilities, which may work in the current municipal system or amendments.

□ *Institutional*

In all cities, several national and municipal institutions are involved in land management. In Mumbai, this has created administrative problems with overlapping functions and competition for resources and influence. The infrastructure and land information systems are often administered by the national institutions, with municipal authorities responsible for implementation of projects and schemes. This is a common basis for failure, since the local authorities are required to implement policies and programs over which they have no control or influence and may not receive any benefit. Land-related tax can be collected by either by national or municipal authorities, but they charged based on local records, which are not always consistent. Where such taxes and charges are considered by residents or investors to be unreasonably high, they result in extensive underreporting of prices.

□ *Regulatory*

There are various laws and regulations concerning land management at different governmental levels. Therefore, the introduction of land management proposals often requires amendments to existing standards, regulations, and procedures, or enhanced enforcement. This can be a lengthy process and delay the realization of projects. In some former colonized countries, 19th Century Laws are still on the statute books even though they were designed to reflect the needs and interests of a small elite and not the range of current local needs and interests. Particular attention should be given to the number of steps and the time and cost of applying for planning and building permissions, or to register or transfer property. If such conditions are too onerous, they may lead to increases in informal settlement.

The procedure of land registration and land transfer takes a few days to several months depending on the capability of system. The number of steps, the time and cost of registering a parcel of land, and whether applying for planning and building permission individually and collectively, indicate the degree to which the regulatory framework facilitates or impedes access to formal land and housing markets. Similarly, the number of steps, costs, and time required to register property transfers will indicate the extent to which the formal land and housing market is functioning efficiently or inefficiently. In Bangladesh, property tax, stamp duty, and administrative charges amount to 16 percent of the total market value of a property forcing owners into massive underreporting. In addition, many cities are not yet equipped with a computerized database of land information. Thus, registration and transfer of land is handled manually and this consumes time.

□ *Tax and Investment*

Other than property tax, none of the cities applied land-related taxes such as the vacant land tax. Vacant land taxation should be linked with the land development policy. Clear land use plans must be available for the vacant land tax to be effectively applied. Also, unless land use status, land registration, land ownership status, and property taxation information including immovable property on the land are integrated in a database, it is difficult to identify the potentials of vacant land in a city.

Value capture instruments are also related with land management policies in that a feasible policy should be formulated first before considering its application. For instance, if a municipality wishes to construct new roads in a certain area, they should consider the impacts on not only surrounding areas but the entire city, and then propose plans and introduce its future value to the market to accelerate investment from civil society.

Infrastructure investment activities are often initiated by the national level of the government and depending on regulations, foreign development investment may be allowed. For example, Lahore has a housing development plan funded by Gulf investors. However, in Bandung, foreign land ownership is not allowed under national law, which deters foreign investment unless other incentives are provided.

□ *Maps*

Topographic and land use maps were often acquired from local authorities during this study. Usually, these maps were also prepared in the master plan formulation process. However, information on transport networks (e.g., road, bus, and rail networks) was not always available from local authorities; this was partially due to the different jurisdictions having authority over the development of this infrastructure. For example, major roads and rail routes are under the national government, while minor roads and bus routes are controlled by the municipalities. Combining all of this information requires some effort. A similar comment applies to non-transport infrastructure.

Location and layouts of informal settlements are hard to put onto maps, but any available information should be obtained from surveys.

GIS maps were not readily available in any of the case study cities. It is obviously desirable to prepare a GIS map for all cities; this would facilitate municipalities' work in formulating comprehensive land management plans. However, in order to create the basis of GIS mapping, all land-related data should be input into layers, which requires some time. Lahore indicated that they had started the base mapping but noted that it will take some years to complete.

1.1 A Core Set of Indicators

This section (including Table 4.1) proposes a core set of indicators, which may be applicable to understand the land management status and issues of cities. As explained above, the indicators were used for the selected case study cities. Availability of data was considered when determining the core set of indicators.

The core set of indicators was categorized into quantitative data indicators, qualitative data indicators, and maps (spatial data indicators) as shown below. Depending on the availability of data in the city authorities, the depth and reliability of the data can be expanded and compared with previous data to analyze changes and trends.

The field visits confirmed that one primary indicator of the ability of land management to meet the needs of increasing and diverse needs is the expressed attitudes and actions undertaken in addressing the needs of all segments of the urban population. Where official attitudes and actions are sympathetic towards all segments, prospects for innovation are high. Where they are unsympathetic, prospects are minimal. Key indicators of attitudes towards the urban poor, for example, are the willingness to upgrade and regularize existing informal settlements that are not in environmentally vulnerable or strategically important locations. Similarly, policies and regulatory regimes that reflect standards affordable to the majority of the urban population are more likely to minimize the growth of informal settlements and create well-managed land markets. However, policies and programs that involve slum eviction, relocation, or displacement, or city beautification programs, are likely to reflect authoritarian

and conservative approaches hostile to the needs of the urban majority. Prospects for adopting innovative approaches under such conditions are likely to be minimal.

Table 0.1 A Core Set of Indicators

Quantitative Indicators	Desirable Items
1. Demographic	Population Projected Population increase Household size (average, median and range)
2. Economy	GDP(nation, city) Household income (average, median and distribution)
3. Land Use	Categories and area Urbanized land Estimated unused land (public, private) Floor Area Ratio/Floor Space Index for residential use Land price (nominal, market/ Min., Max, legal, informal/ residential, commercial) Land related tax revenue Transfer charges Population density range (formal and informal areas) Extent of access to piped water supply Access to transport
4. Housing	Housing unit (total number and types) Demand and supply (backlogs, annual demand and supply) Official sizes (plot, area, low-income housing)
Qualitative Indicators	Desirable Items
1. Land Use Instruments Application status (nation, city) Knowledge Constraints Opportunities	Land Pooling/Land Adjustment Land Sharing Community Land Trusts Requests for Proposals for Land Development (RFPs) Guided Land Development Transferable Development Right (TDR) Public Private Sector Joint Venture Companies Planning and Urban Design Briefs City Development Strategies (CDS) Participatory Budgeting
2. Current land development mode	commonly applied mode of land development (residential, commercial)
3. Institutions 4. Hierarchy and roles	Land Pooling/Adjustment, Land Sharing and other Schemes Partnerships on Land Management Land Taxation (System, and Impacts will be included) Expansion of Infrastructure Land Information Systems
5. Regulatory Major laws Hierarchy and roles	Land Management 19th Century Laws still in the Statute Book
Maps	Desirable Items
GIS and digital data are desirable	Topographic Land use (plans, projected expansion) Transportation (road, rail, bus, plans) Informal settlements location

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