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The Indian Urban Land Ceiling Act

A Critique of the 1976 Legislation

Policy of Land Acquisition and Development

Analysis of an Indian Experience

Ballabh Prasad Acharya

(Reprint Series)

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*Economic Development Institute
of the World Bank*

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A CRITIQUE OF THE 1976 LEGISLATION

POLICY OF LAND ACQUISITION

ANALYSIS OF AN INDIAN EXPERIENCE

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THE INDIAN URBAN LAND CEILING ACT

CONTENTS

	Page
Introduction	39
Major Provisions of the Act	41
Limitations in the Implementation of the Act	42
Implications of the Act	46
Conclusion	49
References	50

The Indian Urban Land Ceiling Act*

A Critique of the 1976 Legislation

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ABSTRACT

The *Urban Land (Ceiling and Regulation) Act* was enacted in India in 1976 with a view to curbing land price increases and promoting low-income housing through socialisation of urban land. This paper critically examines the stated objectives of the Act and the major achievements after its implementation, and finds that the Act has so far not lived up to its expectations. The paper begins with an introductory background for the evolution of the Act and highlights its major provisions. A careful examination of the limitations in the implementation of this Act and its major implications as per experience is then presented. The paper concludes with the necessity for a thorough reappraisal of major policy instruments, search for alternative strategies and consideration of the realities of the existing situation in the country for possible improvement.

INTRODUCTON

The Indian Government has for a long time been concerned with the apparent shortage of land in urban areas for housing, especially for low-income families, and other public purposes. The nation, after its Independence in 1947, has been undergoing various experimentation on public intervention to dilute some of the disturbing trends in the urban land market. In this connection, the *Urban Land (Ceiling and Regulation) Act, 1976* came into existence with a view to curbing land price increases and promoting low-income housing through socialisation of urban land. However, even after a decade of application of this Act in a number of large cities in various states and union territories, the debate on the usefulness of this legal instrument is still very lively. Therefore, in view of mixed reactions on the opportunities provided by the Act, there is a need to carefully analyse the potentialities and constraints of this Act under the existing general situation in India. This paper critically analyses the limitations and constraints in the implementation of the provisions of this Act before highlighting some of the major achievements and outcomes through its application. The paper begins with an introductory background which led to the promulgation of this Act in 1976.

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It is believed that the effectiveness of government intervention in the urban land market depends a great deal on the extent to which land is publicly owned (Linn, 1979, p. 240). If large tracts of public land are available, the government may intervene for various purposes such as making land available to various housing programmes, upgrading the slum and squatter settlements, and providing security of tenure to squatters. But as most of the urban land in India is in private ownership, due to legal and financial constraints, public intervention poses serious problems.

Due to the rapid pace of urbanisation in the country, there has been greater pressure on land, which has manifested itself in the form of continuous increase in the price of urban and urbanisable land (Mitra, 1984, p. 1; Wadhva, 1983, p. 76). It is believed that there is an undesirable concentration of land holdings in few land ownerships; therefore, the increases in the price of land were due not only to its scarcity but also to speculative activity in the market which considerably decreased the supply of land (Planning Commission, 1983, p. 135). Consequently, long withholding of land from the market and a "leap-frog" type of suburban development often result, because of inefficiencies of the land-market. Government intervention in the market through its eminent domain power to acquire land compulsorily for "public purpose" under the *Land Acquisition Act* of 1894 has been largely ineffective because of the lengthy and cumbersome legal procedures, as well as due to limitations to dispose the acquired land for individual use or for commercial or industrial purposes. Since compensation is to be paid on the existing market value of the land at the date of notification, the financial implications of acquisition — due to high priced urban land — would make the proposal mostly unattractive. The *Land Acquisition Act* has been labelled further as bearing no relationship to the land policy of any particular state (Gupta, 1985, p. 144). The government also tried to regulate the market through various measures such as the *Vacant Lands in Urban Areas (Prohibition of Alienation) Act, 1972*. However, these regulatory measures were found to be inadequate to achieve the objectives set by the policy-makers (Wadhva, 1983, p. 76).

The government seems to be concerned almost equally with the impact of rapidly rising land prices in metropolitan areas — for example, the prices have increased 10 times in Delhi between 1960 and 1975 — and with equity, the sharing of land (Gartler, 1978, p. 27). The statement of urban land policy objectives, such as "to widen the base of land ownership specially to safeguard the interest of the poor and underprivileged sections of urban society" (Planning Commission, 1983, p. 128) amply illustrates this concern. Thus, the shortage of urban land, speculative land prices, disturbing trends in the urban land market, the equity considerations and the failure of previous legal measures suggested the necessity of much more stronger action by the government. It is in this background that the promulgation of the *Urban Land (Ceiling and Regulation) Act, 1976* (ULCRA) has to be understood. This revolutionary piece of legislation for the socialisation of urban land aimed at curbing speculation and making land available at reasonable prices, to the users. As the preamble of the Act states:

"An Act to provide for the imposition of a ceiling on vacant land in urban agglomerations, for the acquisition of such land in excess of the ceiling limit, to regulate the construction of buildings on such lands and for matters connected therewith, with a view to preventing the concentration of urban land in the hands of few persons and speculation and profitability therein and with a view to bringing about an equitable distribution of land in urban agglomeration to subserve the common good."

MAJOR PROVISIONS OF THE ACT

The ULCRA was enacted by the Government of India and came into force on 17 February 1976 simultaneously in 11 states of India: Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Orissa, Punjab, Tripura, Uttar Pradesh and West Bengal, and all the Union Territories. Such an Act was already in force in Tamil Nadu. It was later adopted in the states of Assam, Bihar, Madhya Pradesh, Manipur, Meghalaya and Rajasthan. The Act has been made applicable to all cities with a population of 0.3 million and above and in a few other smaller cities which have had high growth rates. Significantly, the Act is applied not just to the city but the city agglomeration, generally identified by a 5 km belt around the city and within which the conflict between prime agricultural land and future urbanisation is most prominent. The number of cities covered by the Act has been increased considerably since the inception of the Act, and at present it operates over 73 urban agglomerations (Mitra, 1984, p. 3).

The basic objectives of this Act, as already noted, were to ensure orderly urban development, to check speculation and price escalation in land, and to promote the production of low income housing. These objectives were to be implemented through: (1) imposition of a ceiling on the vacant land holdings of individuals or companies; (2) limiting the size (in terms of plinth area) of the dwelling units to be built in the future on lots; and (3) regulating the transfer of urban property.

The Act specifies 4 urban categories with different land ownership ceiling limits, viz:

Class A (Delhi, Bombay, Calcutta, Madras) — 500 sq. m; Class B (Cities with a population of over a million, e.g. Bangalore, Hyderabad, Ahmedabad, Kanpur and Pune) — 1,000 sq. m; Class C (Cities with a population of 0.3 to 1 million) — 1,500 sq. m; Class D (Smaller cities with a population of 2–300,000) — 2,000 sq. m.

A separate department known as the “competent authority” is set up to implement the Act. The competent authority is vested with all powers of the civil court. All landowners in specified cities are required to register their land holdings within a specified time (Section 6) and, where vacant land exceeds the specified limits, such excess vacant land is to be surrendered to the state government for a token payment (Section 10). It should be noted, however, that in Madras the imposition of the ceiling has been much more liberal, allowing 500 sq. m per head in a family subject to a maximum of 2,000 sq. m (Planning Commission, 1983, p. 140). The compensation payable for the excess land is fixed at 8.3 times the net average annual income from land, if any, derived during the preceding 5 consecutive years (Section 11). In case no income was derived from such land, the government could fix a price taking into account various factors such as location, price of land in the past 20 years and so on. For this purpose, the state government would divide the urban agglomeration into various zones and fix the rate per sq. m of vacant land in each zone; but the rates are not to exceed Rs. 10 per sq. m for categories A and B, and Rs. 5 per sq. m for categories C and D cities. In Ahmedabad, for example, the rates of compensation varied between 50 paise to Rs. 10 per sq. m for land in various zones (Wadhva, 1983, p. 77).

The Act specifies a cash compensation to the tune of 25% of total compensation, subject to a ceiling of Rs. 25,000, and the rest in negotiable bonds redeemable after 20 years but carrying an annual interest of 5% (Section 14). The land, thus acquired, can be disposed of in any manner at the discretion of the state government (Section 23). The state could also reserve this land for public benefit or for some future use.

The Act, however, provides exemptions to various institutions and groups and for different purposes, too, under Sections 19–22. Thus, lands belonging to national and state governments, local authorities, certain institutions like life insurance corporations, industrial finance corporations, public charitable or religious trusts, co-operative societies, educational institutions, and foreign diplomatic missions, *etc.* are exempted from the provisions of the Act. Exemption is also granted if the landowner concerned intends to use the excess land either for public purposes or for low-income housing. For the purpose of low-income housing, a ceiling was defined on the cost that a landowner was allowed to charge; furthermore, a ceiling of 80 sq. m on the plinth area of such dwelling unit was fixed. However, each state government has evolved its own guidelines for the size of dwelling units for low-income groups. A person may also be permitted to retain excess vacant land in case it has been turned into vacant land because of the demolition of building or property on such land.

Furthermore, the Act not only puts a ceiling on vacant urban land, it also regulates the private urban property transactions (Sections 26 and 27). Thus, no person could transfer any vacant land or urban property without the written permission of the competent authority. This authority is vested with pre-emption rights in case the land/property is on sale. In such a case the price of land is either mutually agreed upon between the competent authority and the landowner, or determined as per the provisions of the *Land Acquisition Act, 1894* or any other corresponding law in force.

In order to curb luxurious residential construction, the Act specifies a permissible maximum plinth area at 300 sq. m for the cities in A and B categories, and 500 sq. m for those in the categories C and D (Section 29).

LIMITATIONS IN THE IMPLEMENTATION OF THE ACT

Before discussing the implications of the Act as experienced, it may be worthwhile to indicate some of the more prominent limitations or hardships in its implementation. These hardships are caused by both the inherent limitations of the Act as well as other institutional factors which are necessary for the smooth implementation of the provisions of the Act. Some of the more apparent limitations are: lack of clear-cut land holdings records, limitations due to master plans, jurisdictional limitations, shape of the vacant land, consequences of densification, obstacles on bulk acquisition and development, absence of clarity in the exemption clauses, unequal treatment before the law, neglect of the dynamism of urban growth, excessive standards for low-income housing, and difficulty in efficient allocation of land. A brief description of these items follows.

Lack of clear-cut land holding records

In India, the maintenance of proper cadastres has been one of the neglected aspects of urban land management. The land records in urban areas form a part of the system instituted for registration of transactions of immovable property. All transactions of immovable property with a value of over Rs. 100 have to be registered compulsorily under the *Indian Registration Act* of 1908. However, except in Maharashtra, and notably in Bombay where a cadastral register is maintained for urban property, most of the other cities in India do not have reliable cadastres (UN-ESCAP, 1985, p. 39). The absence of any systematic documentation of urban land holdings comparable to the old revenue records in

respect of agricultural holdings, is a serious obstacle in the smooth implementation of the Act.

Limitations due to master plans

After the promulgation of *Model Town and Country Planning Act, 1961* by the national government, the state governments initiated activities to prepare master plans for the development of urban areas under their jurisdictions. So far, more than 575 conventional master plans have been prepared, of which only a few have been implemented (Ansari, 1977, p. 20). But unless the Master Plan of a city declares any land as vacant land, it is not treated as such by the *Urban Land (Ceiling and Regulation) Act* of 1976. Consequently, a substantial part of land, which is used for agricultural purposes in many cities, gets exempted from the provisions of the Act. Exemptions are also granted to those pieces of land where construction of buildings is prohibited by the master plan. This provision of the Act is inconsistent in the sense that not many master plans have legal backing. But under this provision, lands designated for utility networks and social services will have to be acquired under different laws and Acts.

Jurisdictional limitations

Although the Act is applied not just to the city but also to the city agglomeration generally identified by a 5 km belt around the city, there are some jurisdictional limitations on the applicability of this Act. The problem arises in respect of peripheral areas or urban agglomerations in one state which fall within the boundaries of another state. For example, this Act excluded peripheral areas of Delhi agglomerations which fell within the boundaries of Haryana. Another consequence of this jurisdictional concern is that the Act appears to be causing large distortions in the physical development of cities. Land is developed outside the ULCRA limits because closer land is not available. Furthermore, the pursuance of a growth centre strategy by the urban development authorities may be for a need to be outside the limits of the Act where land can be acquired (for example, the Draft Development Plan of the Ahmedabad Urban Development Authority calls for the development of 4 growth centres in its jurisdictional area at Kalol, Sanand, Dehgam and Mehmdabad; see, Shah, 1985, pp. 35-36). Clearly, this loophole is conducive to speculative dealings in peripheral lands.

Shape of the vacant land

There is a practical difficulty relating to the shape of the vacant land which would be available to the government. The Act gives the option to the landowner to decide upon the shape, dimensions and the relative location of the plot which he could retain within the ceiling limits. The landowner is thus in a position to leave with the government excess land in a shape which may be difficult for building construction (Gupta, 1985, p. 146).

Consequences of densification

As the Act encourages fragmentation of vacant land in excess of the ceiling, it will also affect the existing densities in built-up areas. This may have both the positive as well as negative effects on the community as a whole. The positive result is obtained if the development leads to achieving an optimum density through densification, but the negative results such as overcrowding, traffic congestion, lack of open space, and burden on the already overloaded urban services are likely to outweigh the positive results.

Obstacles on bulk acquisition and development

Public ownership of vacant lands opens up new vistas for urban development, because in this situation the government intervention is more effective. The concepts of land banking and development are based on sound principles (Fishman, 1977; Kamm, 1977; Shoup, 1978; Strong, 1979). Therefore, whenever it is proposed to undertake large-scale corporate development, the government may find it difficult to assemble large tracts of land in urban agglomerations due to the imposition of this Act. As the excess vacant land likely to come in government ownership will be fragmented and scattered at various places, so will be the vacant land left with the landowners. Thus, there will be difficulty in undertaking large-scale development works unless the remaining lands left with the landowners are also acquired by the government under the *Land Acquisition Act, 1894*. But such remaining lands in the urban areas are likely to be quickly developed than left vacant for a long time. By the same token, this Act is also likely to hinder the preparation and implementation of town planning schemes or plot reconstitution schemes, which have been quite successful in achieving planned urban development in some cities in Maharashtra and Gujarat.

Absence of clarity in the exemption clauses

The exemption clauses do not have the required clarity and their interpretation by competent local authorities varies considerably, to the extent that exemptions in many agglomerations have been given to industrial, educational, health and other public facility institutions — often in conflict with development plan provisions (Planning Commission, 1983, p. 139). This is contrary to the objectives of the Act. A further difficulty is due to politicisation of the issues, since granting of exemption is decided at the political level and this power can not be delegated to an official of the government. The phenomenon of granting exemptions to large property owners, bogus co-operative societies who enter into agreement to purchase land, and commercial builders, etc., is noted to be universal with the result that the very purpose of the Act is defeated (Buch, 1984, p. 5).

Unequal treatment before the law

The provisions of this Act make unequal treatment to different individuals in various situations. The first is an inequality of values fixed by the ceiling in different locations of a city, and the second is an inequality in the treatment between individuals having properties adjacent to each other. In this regard, doubts can be expressed whether this Act has violated the fundamental rights guaranteed by the Constitution of India, *i.e.* "equal treatment to all citizens before the law" (Rao, 1978, p. 175).

Contrary to rural land, where the imposition of a ceiling based on the productivity of the agricultural land is easier to administer, and the price difference between different qualities of lands may not also be greater than 1:10, administration of a ceiling on urban land brings inequality among the landowners (Planning Commission, 1983, pp. 139–140). As the difference in land values between the edge of the city and the centre may be 1:100 or more, the imposition of an absolute physical ceiling means that different individuals are subject to ceilings which are quite different in value.

Under the existing economic situation, opportunity costs of well-located urban land — whether built or vacant — are more important than its state of vacancy, but the Act erroneously assumes that speculation and profiteering can only be in regard to vacant land. The second unequal treatment is based on this false

assumption (Buch, 1982, pp. 18–21). As the Act is applicable only to vacant land, a person having plenty of built-up lands in a city is fairly exempted from the provisions of the Act. But an unfortunate person who happens to have a vacant piece of land on the day of the application of the Act, for any personal reason, is subject to the ceiling. Further, the government, under this Act, can acquire an excess vacant land by paying only a token amount; but if an adjacent built-up property is to be acquired, it has to be processed under the *Land Acquisition Act, 1894* which allows compensation to be paid on the market value of the land. Since the government's decision to acquire any land is often based on a master plan, this inequality in the payment of compensation between owners of adjacent lands can hardly be justified.

Neglect of the dynamism of the urban growth

The Act specifies different ceilings, between 500 to 2,000 sq. m, in cities according to their sizes. Because of the dynamism of the urban growth, a logical question can be raised: will these ceilings be altered as cities grow (Planning Commission, 1983, p. 140)? For example, the number of "million plus" cities is projected to increase to about 22 in 1991 from a figure of 12 in 1981 (Planning Commission, 1983, p. ix). What happens to the ceiling limits in these 10 additional upgraded cities? Will the ceiling be reduced from 1,500 to 1,000 sq. m? Similarly, to take a case of Bangalore, where the ceiling is currently 1,000 sq. m, will it be brought into line with the 4 "jumbo" cities and the urban land ceiling reduced to 500 sq. m when its population increases to 5 million? The answers to these questions are unknown. Even if it is assumed that such a change in the ceiling patterns is sanctioned by a government action, it is unclear how the surpluses in the same city in question at different periods of time will be squeezed out.

Unrealistic standard for low income housing

The Act specifies a ceiling of 80 sq. m as the plinth area of a dwelling to be classified as low-income housing for obtaining exemptions on the land holding. Although state governments may have different figures for this dwelling size ceiling, this ceiling fixed by the Act is unrealistic in view of the limited affordability of the economically weaker sections (EWS) of the community. Furthermore, this figure is contrary to the spirit of the National Building Code of India, which allows a building plot as small as 25 sq. m in size in the metropolitan areas (Indian Standards Institution, 1983, Part III, pp. 30–31). Similarly, the upper limit imposed on the cost of dwellings for EWS is also unrealistic in relation to the present levels of incomes of the EWS and the cost of construction (Gupta, 1985, p. 147). For example, the Maharashtra Government has stipulated a price of Rs. 500 per sq. m for such dwellings. This hardly covers the construction cost, and if this measure is to succeed, sufficient incentives must be provided to the landowners. But the government is hardly prepared to opt for this alternative.

Difficulty in efficient allocation of land

Assuming that the urban land ceiling provisions are implemented efficiently, it will result in all excess vacant land coming in the government possession at any point in time (Planning Commission, 1983, p. 140). Other things remaining same, this would mean an absolute limit for acquiring the excess vacant land such that nothing will be left for the future. In this scenario, the government has to decide when and how to release which parcels of land. Owing to the pressures on

the government for allocating lands at desirable locations, the short-term objectives are likely to dominate the long-term ones. And, as the land is acquired at low prices, its inefficient uses might be practised further. In this situation, land for government purposes, such as the location of government offices, are likely to get preference over providing land for housing the poor. Here again, the basic objectives of the Act are likely to be put in the shade.

IMPLICATIONS OF THE ACT

The Act had sought both to curb undue rise in urban land prices and to promote low income housing. However, the actual working of the legislation has run into a number of operational difficulties. The limitations present in the smooth implementation of the Act have hampered its success and the actual implementation brought home results which were unexpected. The implications of the Act can be elaborated under the following 5 major headings: high price of urban land, reduction in the supply of land, insignificant land being acquired, insufficient low-income housing promotion, and management problems. These points are, in most cases, inter-related but the purpose to deal with them separately is only for clarity in analysis and not for indicating their discreteness.

High price of urban land

With regard to the objective of reducing land prices, the Act seemed to have just the opposite effect. In the initial period of the operation of the Act, theoretically, the government may be in a position to provide land at cheaper price for low-income housing. However, in the long run, as sizeable amounts of land come into public ownership, the supply of land available for private development would decline, causing the market price of exempted land to continue to rise. In fact, evidence shows that vacant land exempted under the Act is fetching a much higher price when compared to land not exempted (Gupta, 1985, p. 147). Although land prices in the urban areas have increased to such a high extent of about 40 to 60 times in some cities like Gauhati, Kota and Trichur over two decades in the 1950s and the 1960s, in most of the other urban areas the increases had been quite moderate — both at the city centre and at the periphery before the Act came into operation (Chaudhari, 1984, pp. 37–38, 61). But a different picture emerged after the Act came into force in 1976. To take a case of Ahmedabad: while the average price of land in the city area increased at an annual rate of 18.4% during the 1976–1981 period, there had been sharper increases of land prices at the fringe areas to the tune of 30–50% *per annum* (Wadhva, 1983, pp. 78–99). In contrast, during the 1970–1975 period, the relevant price increase had been much lower in almost all parts of the city. Similarly, in some locations in Delhi (*e.g.*, Baird Road, Barakhamba Road, Khan Market, Defence Colony and Kalkaji), the increase in unit price of land during 1976–1981 period was between 3.3 to 5 times for residential uses, and between 3.5 to 7.5 times for commercial uses (Chaudhari, 1984, p. 38).

Reduction in the supply of land

In an attempt to regularise the transaction on urban land, the Act drastically reduced the supply of land in the market by putting a ban on transaction in land exceeding the ceiling and putting a restriction on transaction of land below this size. The sluggish nature of the land market was intensified by such restrictions on urban land transactions. But after the imposition of the Act, when the supply of land contracted, the demand had continued to increase. As land supply is

relatively inelastic, the Act put some psychological pressure on the would-be consumers of land to make more demand (Wadhva, 1983, p. 82). But the demand was from both consumers, who wanted to put the land to some immediate use, and the investors who considered land as a good investment and a hedge against inflation. To take an illustration from Ahmedabad again, it was demonstrated that during 1960–1981 period, the annual growth of urban land prices in most of the locations was well over 20% *per annum*, which could not be surpassed by any other form of asset, because even gold and silver registered an annual growth rate of around 14% (Wadhva, 1983, pp. 80–81). Furthermore, the investment on land yielded higher returns on any time horizon. Another immediate impact of the Act reducing the supply of land was that there was a sudden decline in land transactions. In Ahmedabad, for example, the land market, which had shown a growth rate of 8.2% *per annum* during 1970–1975, froze into inaction in 1976 (Wadhva, 1983, p. 79). The total number of transactions declined by 25.5% during 1976–1981 period as compared to 1970–1975 period. This decrease in the activity in land market is significant since it happened during a period of rapid population increases in the city. It appears, therefore, that the actual working of the speculative land market was not assessed with a fair degree of confidence during the formulation of this Act.

However, this bleak position of supply side was not a direct consequence of the imposition of the Act; the government could not get hold on all potential vacant land in excess of the ceiling limits due to various reasons as explained below.

Insignificant land being acquired

Under the provisions of the Act, the government was to acquire all vacant land in excess of the ceiling limits and make it available to people at reasonable prices. In this connection, there were certain exemptions from the ban under Sections 20–22 of the Act. The government, however, did not seem to have been adequately prepared either financially or administratively to deal with the aftermath of the Act. Consequently, the actual excess land acquired by the government had been only marginal. Gupta (1985, pp. 148–149) states that according to the 1980–1981 *Annual Report* of the Ministry of Works and Housing, 385,141 persons holding vacant land in excess of the ceiling had filed statements and 40,532 of these statements were disposed of. Further, the state governments had so far acquired only 1,925 hectares of excess vacant land as follows:

<i>State</i>	<i>Area in ha</i>
1. Andhra Pradesh	94.19
2. Bihar	0.21
3. Gujarat	64.27
4. Karnataka	185.52
5. Madhaya Pradesh	182.52
6. Maharastra	1,103.00
7. Rajasthan	10.44
8. Uttar Pradesh	240.79
9. West Bengal	44.66

The exemptions granted for the purposes of industries were significant. Out of 74,251 applications for exemptions received, 18,751 were granted exemptions involving 38,599 ha of land. Similarly, the low-income housing *rationale* attracted 12,181 declarations, and — out of 5,657 schemes received — 1,132 were approved, covering 1,794 ha of land for 163,000 dwelling units. Therefore,

the amount of excess land actually acquired (1,925 ha) appears to be quite insignificant in comparison to the land being exempted (40,393 ha). Even by 1982, only 0.015% (5,034 ha) out of the total of about 327,008 ha of excess vacant land had been acquired (Naiker, 1983, p. 18). Chaudhari (1984, p. 35) provides more recent figures, but the general trend is similar — the government had acquired only about 5,724 hectares of excess land and over 60,000 hectares of land have been granted exemption. Up to January 1984, only 10,122 hectares of vacant land had been acquired and vested with various state governments out of an estimated excess vacant land of 182,571 hectares (UN-ESCAP, 1985, p. 34). The government's inability to participate in the land market effectively has been responsible for acquiring only about 22 ha (0.3% of total estimated excess land) in Ahmedabad during the period 1976–1982 (Wadhva, 1983, pp. 82–83). However, the amount of vacant land in excess of the ceiling has often been estimated on the basis of unrealistic assumptions that many individuals have large landholdings. An illustration from Madras would clarify this remark: out of the 1,700 ha of potentially available excess land, only 700 ha were with individuals, while the remaining 1,000 ha were in industry (Planning Commission, 1983, p. 140).

In addition to the many exemption provisions of the Act, and financial and administrative constraints, there were procedural and management aspects which delayed the decision-making process by the competent authority in the statements filed with it. This delay in the acquisition process further reduced the amount of land actually acquired. The management aspect is dealt with separately.

Insufficient low-income housing promotion

The impact of the Act in the promotion of low-income housing should be seen against the background of housing situation in India. With a growing population and the steady shift of population from the rural to urban areas, the housing problem has become more difficult, both in qualitative and quantitative terms and there is an acute shortage of housing in both urban and rural areas.

As in other developing countries, an average person in India simply cannot afford to pay for the basic housing needs. It is stated that nearly 75% of the families with monthly income below Rs. 350 cannot afford a house costing more than Rs. 3,000 and even families earning around Rs. 500 per month cannot pay for a house costing more than Rs. 6,000 (Sundaram and Ahuja, 1984, p. 76). The situation in urban areas is much worse as nearly 80% of the urban population are poor. The shortage of housing has been growing steadily every year from 14.5 million dwelling units (MDU) in 1971 to 21.3 MDU in 1981 and was expected to reach 24.7 MDU in 1985, 18.8 MDU in rural areas and 5.9 MDU in urban areas (Chaudhari, 1984, p. 43). In this situation, the government's effort to tackle a part of the problem of low-income housing in urban areas through the provisions of ULCRA can be considered as a timely action.

The Act has sought towards socialisation of urban land and promotion of low-income housing. Despite the various weaknesses and the limitations pointed out earlier, the Act, in principle, if implemented, probably has great potential for providing low-income housing. As the cost of acquiring excess vacant land under this Act is virtually insignificant as compared to the provisions of the *Land Acquisition Act of 1894*, the government appears to be in a favourable position to supply low-income housing to the poor. The government can further induce the private sector, through exemption provisions, to promote low-income housing. However, experience has shown that the Act has also not lived up to its expectations in this regard. There are a number of factors contributing towards this insufficient promotion of low-income housing.

First, the government has used unrealistic standards in the creation of low-income housing. The fixing of a ceiling on the plinth area of dwelling unit at 80 sq. m is quite prohibitive and is beyond the means of EWS. In Ahmedabad, a low-income family can hardly afford a unit even with an area of 40 sq. m which costs something like Rs. 50,000 (Wadhva, 1983, p. 84). The case of Maharashtra is quite opposite: the private sector cannot produce a dwelling unit under the extremely low plinth area rate of building construction. Therefore, the Act has not even induced the private sector to promote low-income housing. In fact, the cost of low-cost dwellings constructed within the terms and conditions prescribed under the Act has gone beyond the economic capacity of the EWS of the society (Naiker, 1983, p. 18). Secondly, even if government wanted to provide cheap dwelling units by constructing on its own, this would not materialise because of the financial constraints. Thirdly, as mentioned earlier, the net excess land acquired by the government has been quite insignificant and, because of the pressure on the allocation of the little land so acquired, low-income housing can hardly compete on a priority basis. Fourthly, the escalating land prices have excluded the poor from entering the land market. Therefore, the Act so far does not appear to have contributed towards the provision of low-cost housing.

Management problems

There are problems inherent in large-scale estate management vested in public authorities. When land is acquired and given in different kinds of leases with different conditions, the administrative problem of management becomes immense (this is clearly exemplified by the failure of the Delhi Development Authority to manage the bulk acquisition, development and disposal of land — see: Howland, 1975; Datta and Jha, 1983). Inevitably, transfers of land, changes in land use, etc. have to be dealt with administratively. These are potential avenues for corruption. Even in the absence of corruption, delays in changes in land-use are built into the system and the flexibility in urban structure essential for a growing city becomes retarded. These management problems are further aggravated by the cumbersome administrative procedures to be followed in any decision-making process, and a lack of adequate number of well-qualified technical personnel trained in urban land management aspects.

CONCLUSION

Despite the great promises and rosy pictures offered by the *Urban Land (Ceiling and Regulation) Act, 1976*, it is unfortunately true that the Act has not only been a failure in the sense that the objectives set by its founding fathers could not be achieved but also (and much worse) that the results have been just the opposite of what was expected. In short, the Act has so far not lived up to its expectations. The Act was aimed at curbing speculation and price rise in land. Both have touched new heights after the imposition of the Act. The Act was also intended for the socialisation of urban land and promotions of low-income housing to EWS of the society. Government acquisition of excess vacant land by the provision of the Act has been quite insignificant and no desirable distribution pattern could be achieved. In most cases, the only persons whose lands have been taken were genuine agriculturists who practised farming within the city limits or the single house-owners with a plot marginally larger than the prescribed ceiling (Buch, 1984, p. 5). The EWS are worse off in the post-Act period than they were earlier. Some of the more visible side-effects of the implementation of the Act were: emergence of speculative investors in the land market, increased corruption, urban sprawl in the form of a "leap-frog" type of

development, and distortions in the urban development and settlements pattern. These outcomes further deteriorated the already pathetic situation in urban areas.

In spite of many limitations and constraints, and the general failure of the Act to fulfil its stated objectives, many still see this Act as a powerful tool in the urban development process, simultaneously curbing land price increases and promising equity. Mitra (1984, p. 3) considers it an effective instrument in making developed land available if its numerous loopholes could be removed. Gupta (1985, p. 148) considers that this Act has great potential for providing low-income housing. Mathur (1981, pp. 68-69) is hopeful that the Act can bring about the socialisation of land which would make excess land available to the government for its activity to benefit the community, especially the EWS, if the principles of this Act were incorporated in the National Building Code of India, the town planning and the municipal laws. Chaudhari (1984, p. 21) is optimistic that this revolutionary piece of legislation will ensure an even distribution of land in urban areas. Wadhva (1983, p. 86) is more cautious in her remarks and suggests that there is a need for a thorough reappraisal of the Act itself, keeping the realities of the land market in mind. Buch (1982, p. 22), however, questions whether the administrative expenses incurred in the implementation of the Act can be justified in view of the limited success of the State Governments in acquiring excess vacant land. Rao (1978, p. 202), on the other hand, feels that it might be wise for the government to withdraw the Act, to promulgate an ordinance socialising vacant lands and to provide for payment of compensation on graded basis.

The solutions to the ills of the working of the urban land markets and the realisation of the objectives of this Act should be sought from both within the framework of the ULCRA itself as well as without it. This Act is one of the various policy instruments available to government, and to succeed in the desirable impact on the land market depends on the combined efforts of many instruments, applied in a favourable environment. Therefore, besides eliminating the various limitations and loopholes present in the Act after its through reappraisal, suitable reforms are necessary on other policy instruments such as acquisition, development and disposal policy of land, and taxation measures. Furthermore, the formulation of a national settlements policy and the identification of alternative strategies of planned urban development must be initiated. In this connection, an assessment of the present "plot reconstitution" technique used in India should be carried out and the desirability of introducing the much-acclaimed "land pooling/readjustment" technique for achieving planned urban development and an adequate supply of urban land should be studied. Timely reforms on other statutory provisions such as the town planning, housing, and municipal laws, and the building bye-laws will be necessary. In addition, the realities of the existing situation such as the financial capability, black market economy, inadequate cadastral register records, lack of qualified urban land managers, and political will and commitments, etc., must be thoroughly examined and considered as pre-requisites for the successful implementation of the Act.

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POLICY OF LAND ACQUISITION AND DEVELOPMENT

CONTENTS

	Page
Introduction	
Acquisition of Land	100
Principles of Bulk Acquisition and Development	101
The Delhi Model	101
Limitations of the Approach	103
The Policy in Practice: The Delhi Case	107
Conclusions	111
Notes and References	114

POLICY OF LAND ACQUISITION AND DEVELOPMENT

Analysis of an Indian Experience

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The 'Scheme for Large-Scale Land Acquisition, Development, and Disposal of Land in Delhi' was announced in 1961 with a view to bringing about socialisation of urban land in Delhi. The policy sought to control land prices and speculation, and promised an equitable distribution of land for all users through government intervention in the land market by the use of seed capital as a Revolving Fund and land as a resource. This 'Delhi Model' is also considered as a prototype for other growing cities in India. However, experience has shown that except for making financial profits by the executing public agency, the Delhi Model did not live up to its expectations.

This paper discusses land acquisition procedure in India, introduces the principles of bulk acquisition and development, and highlights the salient features of the Delhi Model before pointing out the confusion, vagueness and contradictions in the land policy objective statements and limitations of the approach, and illustrating the failure of the Model in achieving an equitable distribution of land. The paper concludes with some remarks on the improvement possibilities of the existing Model, but at the same time suggests the desirability of introducing alternative strategies for planned urban development and adequate urban land supply.

The Government of India gave serious consideration to the planned development of Delhi even before Independence in 1947. The land policy for Delhi, announced in 1961, is based on the concept of nationalisation of land, formation of a land bank by a public authority and undertaking urban land development by using land as a resource through the revolving fund technique. This 'Delhi Model' of urban development has often also been suggested for application in the development of other growing cities in the country. However, the experience in Delhi has been mixed with both successes and failures depending on how the implementation of the policy is interpreted.

The number of Class I cities (with a population of 100 000 and above) is projected to reach a figure of 300 in 2001, and even the number of million-plus cities is expected to increase to 22 by 1991 from a figure of 12 in 1981. Considering the possible impact of the 'Delhi Model' in a number of cities in India, there is a need for a thorough analysis of the 'policy of land acquisition and development' in order to assess the potentialities and constraints of the approach. This paper examines the concept of 'large-scale land acquisition, development and disposal'

in the Indian context and evaluates the achievements of the Delhi Model. The paper begins with an introductory background for the evolution of land policy in Delhi.

The rapid pace of urbanisation in India has put greater pressure on land which had manifested itself in the form of continuous increase in the price of urban and urbanisable land.¹ It is believed that there is an undesirable concentration of land holdings in few land-ownerships: therefore, the increases in the price of land are not only due to its scarcity but also due to speculative activity in the market which decreased the supply of land considerably.² Consequently, long withholding of land from the market, haphazard urban growth and 'leap-frog' type of suburban development often result due to inefficiencies of the land market.

The government seems to be concerned almost equally with the impact of rapidly rising land prices in metropolitan areas and with equity, the sharing of the land. It is believed that the effectiveness of government intervention in the urban land market depends a great deal on the extent to which land is publicly owned.³ If large tracts of public land are available, the government may intervene for various purposes like making land available to various housing programmes, upgrading the slum and squatter settlements, and providing security of tenure to squatters. But as most of the urban land in India is in private ownership, due to legal and financial constraints, public intervention poses serious problems.

The urban land policy in Delhi came into being as a consequence of the distortions in the functioning of the Delhi Improvement Trust (DIT) set up in 1937.⁴ Due to heavy demand on land as a result of an exodus of refugees after the partition of India in 1947 and the inability of the DIT to deal with the situation, the Government set up the Delhi Development Provincial Authority in 1955 and then finally the Delhi Development Authority (DDA) in 1957 to implement the Interim General Plan of Delhi. Simultaneously, considerable thinking was also given to the formulation of an appropriate urban land policy for making available a sufficient quantity of urban land as an important policy measure for the implementation of the Delhi Master Plan. Following the recommendation of a committee appointed in 1959, the Government of India announced the 'Scheme for Large-Scale Acquisition, Development and Disposal of Land in Delhi' in 1961. A brief note on the land acquisition procedure in India, and the principles of bulk acquisition and development follows before highlighting the salient features of the Delhi Model.

Acquisition of Land

In mixed-economy countries, such as India, where land is not a state monopoly, compulsory acquisition is considered as one of Government's most extreme powers to be used only for specific purposes. Consequently, all legal measures for land acquisition recognise an individual's right to property while at the same time applying the principle of eminent domain.

The Constitution of India guarantees every citizen 'the right to acquire, hold and dispose of property' (Article 19(1)(f)), but the state 'can impose reasonable restrictions on the exercise of the said right in public interest or for the protection of the interests of any Schedule Tribe' (Article 19(5)). The Constitution further states: 'No property shall be compulsorily acquired ... save for a public purpose

and save by authority or law which provides for acquisition . . . of the property for an amount which may be fixed by such law . . . (Article 31(2), 25th Amendment).

Public authorities in India have for long exercised powers to intervene in the urban land market, though initially for the limited purpose of acquiring land for public works or for carrying out town planning schemes. Most of the urban land in India is in private ownership and the national Land Acquisition Act 1894 forms the basis of all land acquisition procedure and determination of compensation amount.⁵ Accordingly, the government is required to issue a preliminary notification under Section 4 to acquire certain land for some 'public purpose'. This freezes transactions in and use of land and allows possible objections to acquisition from the landowner. Following its consideration of such objections, the Government issues a notice under Section 6 of the Act stating its decision to acquire the land. Sections 23 and 24 lay down matters to be considered in determining the amount of compensation which should be based on market value of the land at the date of first notification under Section 4. An additional '15 per cent solatium' (30 per cent since September 1984) of the market value is payable in consideration of the compulsory nature of the acquisition.

Principles of Bulk Acquisition and Development

One of the boldest experiments in large-scale land acquisition was made in the development of Delhi as a national capital. In the past two-and-a-half decades, the DDA acquired substantial portions of land, used it as a land bank and made extensive use of land as a resource. The Delhi Case was the first effort for the socialisation of urban land through a comprehensive package of planned land use measures and public intervention aimed at creating a land bank and for holding land on lease. It envisaged coordinated growth through an apex planning, land development and controlling authority and the revolving fund implied the use of land as a resource for the common good.

This example has also been increasingly used as a model for urban development measures in other growing cities.⁶ The principle has been that all the land on the yet-undeveloped periphery of a growing city should be notified at an early stage and acquired by a public authority, at the prevailing agricultural price. This would prevent the undesirable speculation in land dealings when the rural land is being converted to urban uses. There are a number of additional benefits attached to this approach, such as: it allows all increases in land values to accrue to the public benefit; it can promote orderly planning and development of the city since the public authority has control over the urban fringe land; appropriate control can be exercised in the land distribution policy so that the aims of equitable income and wealth distribution can be achieved; and the development of land is largely left to the public sector.

The Delhi Model

The Delhi Development Authority (DDA) was created in 1957 to promote and secure the development of Delhi through a civic survey and a master plan. In the

1950s, DDA planners were frustrated in their attempts to direct and control Delhi's growth in a systematic and planned fashion due to a number of problems such as rising land values, speculative land dealings, skewed land ownership pattern, and a flow of rural migrants.⁷ Thus, to facilitate the implementation of the master plan (sanctioned in 1962), the Government announced a 'Scheme for Large-Scale Acquisition, Development and Disposal of Land in Delhi' in 1961.⁸ Under the Scheme, all the land required for urban development was to be compulsorily acquired and the metropolis was to be developed under a public land and leasehold system. The main objectives of this Scheme were:

to lay down a clear and rational land policy consistent with the socio-economic and physical needs of the city and to prevent speculative and other unhealthy transactions in land; to provide developed and undeveloped land for bona fide residential, industrial, commercial and institutional use and to ensure a systematic distribution of land through the prescribed land use pattern.⁹

It can be seen that most of the objectives of Urban Land Policy in India as recommended in 1965 were based on the land policy for Delhi.¹⁰ It is clear that speculation was considered one cause of the rapid rise in land values and was believed to be best controlled through the socialisation of urban land.

All the land designated for urban development was to be acquired by the Delhi Administration under the Land Acquisition Act 1894 and transferred to the DDA.¹¹ The cost of acquisition was to be met out of the Revolving Fund created by the Government for this purpose. Seed capital of Rs 50 million was allotted to the Fund to be operated by the Delhi Administration for the implementation of the Scheme.¹² The expenditures incurred by the DDA on land development were to be met out of the sale proceeds of industrial, commercial and residential plots, with the surplus sale proceeds credited to the Revolving Fund.

The DDA would subdivide the acquired land and develop it by providing the necessary services like roads, water, sanitation and electrical services. Various-sized residential plots were allowed under the master plan, viz: 67–105, 105–167, and above 167 square metres for low-income, middle-income and high-income families respectively. Alternative allotments were to be reserved for families whose land had been acquired and the size varied from 105–669 square metres.¹³

The Scheme laid down that, as a general policy, disposal of serviced land should be by auction to the highest bid except in the following cases where land could be allotted at pre-determined rates, viz: to individuals whose lands have been acquired; to industrial units functioning in non-conforming areas which have to be shifted; to individuals in the low- and middle-income groups (LIG and MIG), and to cooperative house building societies and cooperative societies of industries. The residential plots to MIG were to be allocated at cost of acquisition and development, and to LIG at subsidised rates with the profits from the auction to the high-income group (HIG) providing cross subsidy.

The serviced plots were to be distributed in the ratio of 50 per cent to LIG, 30 per cent to MIG and 20 per cent to HIG. It was envisaged that, in the initial years, the sales to the HIG would have to receive priority in order to generate funds. At a later period, surplus resources would permit land distribution to the middle- and low-income groups.

However, the actual implementation of the Scheme ran into a number of operational difficulties. These difficulties were caused by the inherent limitations of the approach itself as well as by the inefficient undertaking of land development and disposal programme by the public authority.

Limitations of the Approach

When the large-scale land policy took its final shape, there were several problems it was designed to alleviate, such as: unequal land ownership pattern, rapid rise in Delhi's land values caused by an increase in demand for land, speculation, and difficulty in implementing the zonal plan. The stated policy goals were:¹⁴

1. To achieve optimal social uses of land;
2. To ensure the availability of land in adequate quantities at the right time and for reasonable prices to both the public authorities and individuals;
3. To prevent the concentration of land ownership in a few private hands and safeguard the interests of the poor and underprivileged; and
4. To control urban land values and to eliminate speculative profits.

However, there are a number of difficulties in achieving the desired effects of these stated goals. The difficulties are caused by the limitations of specific objectives as well as by constraints caused by the acquisition, development and disposal policies.

LIMITATIONS OF SPECIFIC OBJECTIVES

The vagueness apparent in the stated objectives appear to be motivated by political concern. For example, it is difficult to measure the relative success of the first two objectives.¹⁵ Since 'optimal' is a conceptual construct and different people have different perspectives of it, it becomes difficult to operate it in practice. Secondly, as 'optimality' changes over time whereas the land use patterns are relatively inflexible, it is difficult to make its evaluation. Similarly, the vagueness of the words 'adequate, right and reasonable' in the second objective makes it difficult to evaluate, although some qualitative comments may be possible. Ensuring an equitable distribution of urban land, as stated in the third objective, is difficult to measure without fixing a target year in the future. Given the dynamism of urban growth and development, it may perhaps be possible that this objective was assumed to be attained (by maintaining a plot distribution ratio of 50 per cent, 30 per cent and 20 per cent among the LIG, MIG and the HIG respectively) at the final stage of the initial plan period (1961-81). However, this is a highly optimistic assumption.

There are some confusions as well as inherent inconsistencies in the statement of the fourth objective.¹⁶ This objective implies that the urban land policy should try to eliminate speculation by supplying developed land as needed, but if profits do happen to arise, they should be available for the public benefit. The confusion is whether a development authority (such as the DDA) should intend to eliminate land speculation altogether or to eliminate only private speculation and assume the role of speculator itself. If the development authority is in fact speculating, i.e.

holding land off the market, waiting for values to rise, and selling, then there are serious inconsistencies between its actions and its stated goals of 'controlling urban land values', 'ensuring the availability of land in adequate quantities at the right time for reasonable prices', and 'preventing the concentration of land ownership in a few private hands and safeguarding the interests of the poor'. However, an authority such as the DDA cannot help making speculative profits, otherwise its very existence will be threatened. As the whole operation in the land market and land development was to be financed through the revolving fund and using land as a resource, the contradictory provisions of the stated objectives are impossible to attend simultaneously. In fact, the financial success of the DDA (the revolving fund rose as high as Rs2067.5 million in 1981)¹⁷ is conclusive evidence that it has been consciously speculating and has in fact given to the earnings of speculative profits a higher priority than to any other professed goal.

ACQUISITION POLICY CONSTRAINTS

Perhaps the most significant aspect of land policies and also the one which poses a major difficulty to the government in its effort to provide land for the poor is the issue of land purchase and compulsory land acquisition. Since purchasing land at market prices would be prohibitive to make land available to the urban poor as it involves a huge subsidy, resorting to compulsory land acquisition is often preferred by the government. But as the acquisition process under the Land Acquisition Act 1894 is cumbersome and expensive in time and money, it is difficult to acquire land at a rate sufficiently steady to sustain a regular programme of land or housing development for the poor. The land acquisition process usually encounters four types of constrictions.¹⁸ These are the legal authority to acquire, the 'public purpose' as a rationale for land acquisition, the amount of compensation payable and the ability of the acquiring authority to occupy land before all litigation is completed.

Cumbersome Process

In India, the legal authority to acquire land compulsorily rests with the 'collector', and as defined in the Act, this term includes District Administration Officer, Deputy Commissioner or an officer specially appointed for this purpose.¹⁹ These authorities must follow the procedures established by the Act and obtain not only the government approval, but often the matter is decided by a high court. With such a lengthy procedure, usually the authorities can occupy land only after three or four years, but some cases can be held up for 20 years in the courts and still remain undecided.²⁰

Public Purpose

Until very recently, the expression 'public purpose' was not adequately defined in the Act.²¹ However, an amendment made to the Land Acquisition Act 1894 in September 1984 provides a comprehensive definition of the expression 'public purpose'.²² It now includes the provision of land for town or rural planning, any planned development of land from public funds, land for housing the poor, any housing scheme or slum clearance, etc.

Compensation

The amount of compensation is perhaps the most critical issue in the process of land acquisition. The Land Acquisition Act allows compensation to the landowners at the market value of land at the time of first notification. The usual time gap in the acquisition process means that the rural landowner does not receive the market value of agricultural land at the time of acquisition because of inflation. In Delhi, the farmers were receiving 1961 compensation levels in 1981 and about 2430 ha of land were still under Section 4.²³ Assuming that the farmer does receive the actual market value of his land at the time of acquisition, this pays for his asset but does not compensate him for his other costs as a consequence of acquisition. The 15 per cent solatium can hardly be considered as an adequate amount for this purpose. As a result, there are large incentives to go to the court in an attempt to prevent or delay acquisition. Although the Constitution of India in Article 31, Clause (2) provides that no law relating to compulsory acquisition for a public purpose shall be questioned in any court on the grounds of the question of compensation not being adequate, in actual practice, the term 'compensation' was often interpreted by courts in such a way as to require the state governments to make 'full indemnification' to the expropriated owner.²⁴ Consequently, in the 25th Amendment to the Constitution in 1971, the word 'compensation' was replaced by the word 'amount' to allow the state governments to acquire land for public purposes by paying an 'amount' which is less than the market value of the land being acquired.

Equity Considerations

When the agricultural land is converted to urban uses through large-scale acquisition of land, the loser is the poor farmer and the beneficiary is usually the better-off urban dweller. There is now growing resistance on the part of the farmers to compulsory acquisition of land, particularly for urban development, due to the meagre compensation they receive and the windfall profits made by the public agencies.²⁵ In this context, it has often been questioned how far the acquisition of land in the urban fringe at low agricultural use price for high-income housing, commercial development or beautification of the city can be justified in terms of public purposes?²⁶ By depriving the periphery landowners of their rightful prices and allowing most of the benefits to accrue to the élite and the public authorities, this large-scale land acquisition approach not only gives rise to a political debate, it also contradicts the objective of equity implicit in the policy statements.

Additional Consequences

The public authorities also suffer considerably from the land acquisition programmes since the costs of the projects increase because of delays in the acquisition process, and planning and development itself becomes difficult. Furthermore, financial constraints do not permit them to offer more than the legal compensation to the rural farmers. Because of such delays, the public at large suffers, for land is not developed at the right time and in sufficient quantity. This results in very high increases in land prices and, consequently, housing costs.

DEVELOPMENT POLICY CONSTRAINTS

In the absence of a comprehensive urbanisation and human settlements policy, the deficiencies in knowledge and appreciation about specific city growth, its functions, and uncertainty about the future seriously handicap planning exercises. The first hindrance in the efficient utilisation of the publicly-acquired land is therefore lack of knowledge and appreciation of what a city should look like, how it should grow and the requirements of the future.²⁷ Thus, the planning authorities assume an omniscient role and the 'papa knows best' approach is often practised in isolation of citizen participation and also without giving full consideration to the realities of the situation. One of the outcomes of such a practice is the usual lavish density and development norms followed by the planners. These high standards are conceived as per the planners' perception. The result is that the city gets landed with unmanageable areas, higher services and transport costs. In this process, the public authority can soon run out of land and finance. Another result is the creation of a situation in which the urban poor can hardly match the development standards to erect their humble shelters. These two factors also encourage the formation of slum and squatter settlements.

Reliance on the 'revolving fund' as a strategy to finance land and urban development is another development policy constraint. The contradictions brought home by this strategy have been noted earlier. After an appraisal of the Delhi Case, it has been shown through the formulation of a hypothetical model that, under the present set of urban land policy objectives, the 'revolving fund technique' just cannot work and it is not possible to distribute land according to the composition of various income groups.²⁸

DISPOSAL POLICY CONSTRAINTS

The constraints on the equitable distribution policy briefly sketched out here refer mainly to the Delhi Case. However, most of these limitations are also likely to be present in other Indian cities. These limitations can be briefly stated as: cumbersome administrative procedures, high auction price, difficulty in defining the deserving users, inappropriate allocation procedure, restriction on sale of leasehold land, and bonus to DDA employees.

Cumbersome Administrative Procedures

The process of application for allotment of plots or accommodation has been confusing and time-consuming. An applicant is required to visit various offices before his application is put in a queue for processing.²⁹ With cumbersome administrative procedures and short supply of plots or flats, there is usually a large distribution backlog. It is also likely that many people, especially the poor, do not apply at all to keep themselves away from a process which looks complicated.

High Auction Price

One problem linked with the inefficient allocation of publicly-acquired land is the difficulty in determining prices.³⁰ The usual policy is to provide the land at costs and rates to the deserving users and to auction the rest for the remaining ones.

Difficulty in price determination and amount of land to be released for auction would encourage the speculative motive of the public authority. So, supply is usually restricted in the interest of rising current prices for the budgetary reasons to which most public authorities are subject.

Difficulty in Defining the Deserving Users

There are practical difficulties for a public authority to define the deserving users who get land at predetermined and essentially low prices.³¹ Under the existing politico-economic-administrative framework of India, almost everyone regards himself as poor to get land at low prices. For example, co-operatives are considered as deserving groups. As only the educated, employed or professional élite are likely to be organised enough to form housing cooperatives, the distribution of land is likely to be more skewed depending on the relative accessibility of a particular group to the public authority. In this situation, the poor, who are less organised, are likely to get cornered towards the unauthorised illegal sector of the market.

Inappropriate Allocation Procedure

As the allocation of land is usually done by priority or by lottery, the access groups, i.e. the élite, public bodies, politicians and the HIG are likely to receive centrally-located land, because the public authority will be under pressure to fulfil the apparent short-term objectives. The slum and squatter dwellers would then be relocated along the periphery of the city. But as a city grows and the periphery shifts further, the poor are likely to be on a constant move further and further away from their places of work.

Restriction on Sale of Leasehold Land

The sale of leasehold land is permitted only after 10 years of its being leased out by paying 50 per cent of the land value increment to the revolving fund. In an effort to avoid such a loss, a large number of leasehold lands tend to change hands outside the legal framework. This practice not only prohibits the public authority capturing a part of land value increases, but the government revenue, by way of stamp duty and fees, is also lost.

Bonus to DDA Employees

The DDA employees are entitled to a bonus on the profits it makes as per the Factory and Wages Act.³² As the distribution of land through auction brings more profits and larger bonuses, this practice of profit-sharing encourages the unequal distribution of land in a manner contrary to the stipulated goals of land policy.

The Policy in Practice: The Delhi Case

The working of the urban land policy in Delhi has been periodically reviewed by different individuals and agencies.³³ They provide a good insight into the policy put into practice. Here an attempt is made to present in brief some facts and figures on the operationalisation of the 'Scheme for Large-Scale Acquisition,

Development and Disposal of Land' in Delhi. This review of working of the land policy in relation to plan implementation is made in terms of land acquisition, land development, distribution of land, and land values.

LAND ACQUISITION

The urbanised area of 17280 hectares at the start of the Delhi Master Plan (1961-81) was to be enlarged to about 44718 ha by 1981, which meant an additional 27437 ha of land were to be acquired for various land uses to cater to the projected population of 4.6 million (Table 1). Of the additional area, 12140 ha were intended for residential use; 769 ha for commercial; 1943 for industrial; 202 ha for government offices; 2266 ha for institutional, universities and colleges, hospitals, cultural centres and major roads; and 10117 ha for recreational purposes as district and regional parks. The intended area for acquisition was revised to 30939 ha in 1971.

Even before the Master Plan was approved by the Government in September 1962, about 21019 ha of land were notified for acquisition up to October 1961. By 1977, total land notified under Section 4 was 30069 ha while that under Section 6 was 27434 ha. Until February 1982 awards for only 19761 ha of land could be done and the area actually acquired was 18185 ha. Thus the acquisition of land lagged behind by 8253 ha. Of this, some 1130 ha could not be acquired because they are under unauthorised use while about 174 ha remain under litigation. The process from notification and freezing of land to actual possession for planned growth has not been as rapid as desired. It can be observed that during the plan period, on average, only 850 ha of land were acquired annually whereas it should have averaged about 1500 ha a year. Thus, in spite of notification of large tracts of agricultural land at an early stage and the financial support provided in the form of the revolving fund, a sufficient quantity of land could not be acquired for implementing the master plan proposals.

Table 1 *Proposed and achieved additional land development in Delhi up to February 1982 (in hectares)*

<i>Land Use</i> (1)	<i>Area to be developed</i> (2)	<i>Area developed</i> (3)	<i>Area under development</i> (4)	<i>Achievement %</i> (3) of (2)
Residential	12140	7256	805	59.8
Commercial	769	890	112	115.7
Industrial	1943	1093	162	56.3
Government, Institutions and Roads	2468	2530	30	102.5
Recreational	10117	2562	n.a.	25.3
Total	27437	14331	1109	52.2

Source: DDA Records, 1982 (adopted from Sanjay Arora, op. cit. in note 33, p. 33).

Note: n.a. means data not available.

LAND DEVELOPMENT

Out of the designated area of 30 939 ha, only about 18 195 ha of land had been placed at the disposal of the DDA by March 1982. Table I shows the development of land under the major uses. As DDA happens to be the prime agency for land development for various uses under the master plan, exclusion of other agencies does not seriously affect the land development pattern.

It is obvious that whatever land was acquired, it could not be developed during the plan period. Only 14 331 ha (52.23 per cent) of land had been developed, against a target of 27 437 ha even one year after the expiry of the plan period. Some 1109 ha of land were in various stages of development. This deficiency is particularly seen in residential land use where, after the inclusion of development through cooperative societies (1846 ha) and that of resettlement colonies (1692 ha), the total land developed was only 59 per cent of the estimated additional land requirements. This shortfall is greater in reality since the figure under the resettlement colonies includes some 340 ha of land located in the 'inviolable' greenbelt zone. The estimated residential land proved to be less since the population in 1981 exceeded the plan's projection by nearly 1.1 million.

The slow pace of land acquisition and development further resulted in the formation of a large number of unauthorised colonies housing nearly 192 000 households (one million people). Thus the freezing of land development by the private sector and the slow pace of land development by the public authority created large areas of unauthorised settlements which the urban land policy in Delhi and the master plan were supposed to prevent.

DISTRIBUTION OF LAND

One of the objectives of the urban land policy in Delhi was to supply a suitable proportion of developed land to the LIG. The available information in this regard for different periods of time reveals that the major share in land distribution has gone to the HIG which shows inconsistency with the policy objectives. Over the years, the supply of developed plots to low- and middle-income groups was low and irregular, whereas the plots for auction were put out at a fairly constant rate, and often the plots for auction exceeded the total number of plots allotted to LIG and MIG. The situation of LIG was pathetic until 1975 as only about 1700 plots were allotted to them out of the 14 000 total distributed resulting in a distribution ratio of 12:23:52 among the LIG, MIG and HIG respectively. The distribution of residential land depicts the skewness more sharply—it was in the ratio of 6.5:14.6:68.8. The remaining land was given as alternative allotment. This distribution pattern should be seen in contrast to the policy statement ratio of 50:30:20 and income distribution population ratio of 76:21:3 (in 1972–73) among the LIG, MIG and HIG respectively.³⁴

Except for the sudden increase in 1975–76 when over 9000 plots were allotted to the LIG, its situation has not much improved since 1975. The recent data indicate that, although there has been some improvement in the distribution of land to various income groups, the HIG is still found to have a large share in the distribution of land (Table 2).

Table 2 *Distribution of land to different categories in Delhi (up to March 1982)*

Category	Number of plots	Area (hectares)	% of area distribution
Low Income Group	14 669	108.1	20.9
Middle Income Group	5820	109.1	21.1
High Income Group (Auction)	9570	243.9	47.1
Alternative Allotment	2950	56.2	10.9
Total	33 009	517.3	100.0

Source: DDA Records, June 1982 (adapted from Sanjay Arora, 1982, op. cit. in note 33, p. 34)

Table 2 further shows that as high a proportion as 58 per cent of residential land has gone to HIG through auction and allotment even though it was assumed in 1982 that this group formed only about eight per cent of Delhi's population.³⁵ Moreover, the land distributed to the HIG is situated in the prime areas of Delhi provided with the best of physical infrastructure and social and commercial services.

In addition to the plots shown in Table 2, the DDA distributed 198 000 plots mostly of 21 square metres to the squatters relocated in 44 resettlement colonies at a licence fee of Rs 7 per month. Recently the DDA has been granted permission to develop 25 000 plots of size 21 square metres for relocating squatters.³⁶ The master plan specified a minimum plot size of 67 square metres, especially for the LIG. These plots were found to be acceptable to the MIG and as a result a large number of such plots changed hands illegally. The prohibition of the transfer of land was difficult to enforce; due to shortage of MIG land and high land prices, low-income families often sold their DDA plots to MIG families who were satisfied with the size of these plots.³⁷ In view of such pressure on land, the minimum plot size had to be reduced twice during the plan period, first in 1975 to 33.5 square metres and further to 21 square metres.³⁸ However, efforts are now being made to increase this minimum size to 32 square metres with individual wet areas and small open spaces within plots.³⁹

LAND VALUES

Contrary to the stipulated objective of controlling urban land values, land values in Delhi have been increasing considerably since the initiation of the policy measures in 1961. Land values in some residential locations in Delhi have been reported to have increased ten-fold during the 1972-82 period.⁴⁰ During the 1961-81 period Delhi's Price Index increased about four times but land prices in the most preferred localities in the city shot up by 40 to 60 times. However, the rate of land value increases have varied in different locations, although the centrally-located land was, as expected, valued highest. Even the predetermined land prices 'unjustifiably' increased six-fold in all localities within a span of four years, 1977-1981. Therefore, the price of a plot of 80 square metres (range is 21-125 square metres) for LIG at an average rate of Rs310 per square metre would be

Rs24 800, or about three years' income of an average LIG household. Yet the policy is to allocate plots to LIG at a subsidised rate. Looking at the other extreme, the auction bid in Delhi for the DDA land is generally in the range of Rs3000 per square metre.

The factors contributing to the escalating land values in Delhi are many. Slow pace of land acquisition and development, and inability to release an adequate number of plots at the right time and right locations increased land values. A committee appointed to suggest policy measures for land policy in Delhi in 1959 had suggested a supply of 5000 developed plots a year in the market to meet the demand on land.⁴¹ In contrast, the annual average number of plots disposed of by the DDA during the 1961-82 period comes to about 574 only (Table 2). This inadequate land supply thus led to a general rise in land values and the formation of a large number of unauthorised settlements. The number of unauthorised colonies rose to about 600 in 1982 from a figure of 130 in the 1960-61 period.⁴²

The second reason for the rise in land values is to a great extent due to auctioning of land by the DDA in trickles. By doing so, the DDA created an artificial scarcity of plots for auction which fetches a higher price in subsequent auctions. Thus, by choosing the time, location and number of plots to be put out in auction, the DDA managed to earn large profits. The number of plots sold on any auction ranged between 1 and 30, which kept the supply relatively small, and by auctioning land in developed areas in stages, higher profits were ensured.⁴³ The speculative motive on the part of the DDA was due to its reliance on the revolving fund as a source of financing land development.

In addition, the increasing gap between housing demand and supply as shown by the application registration figures and lack of assessment of land requirements and priorities have been identified as other factors contributing to high land values in Delhi.⁴⁴ Other factors such as the high rate of inflation, limited avenues for investment and the existence of a black money economy can be considered to have a combined effect on demand for land and consequently, on land value increases.

This alarming land price increase has seriously restricted any chance for the poor to buy land, pushed them to the fringe areas further away from the places of work, and at the same time given rise to haphazard development contrary to the spirit of the master plan.

Conclusions

The large-scale land acquisition, development and disposal policy aimed at curbing speculation and land value increases, as well as socialisation of urban land through equitable distribution of land to all the users. In addition, a sufficient quantity of plots were to be allotted to LIG which typically forms nearly two-thirds of the urban population in Indian cities.

Although the concepts of land banking are based on sound foundations,⁴⁵ the application of this principle in India, particularly in Delhi, has been less than satisfactory. In other cities, the urban development authorities have intervened in the land market on an ad hoc basis mainly for limited area development rather

than land banking, and compared with Delhi, other cities have acquired smaller areas of land.⁴⁶

The present review of this scheme and a typical case of Delhi has shown that most of the objectives could not be achieved because of vagueness and confusion in the stated objectives as well as because of inherent contradictions present in them. Due to such serious limitations and the adoption of the 'Revolving Fund Strategy', the DDA is far from achieving the broad goals of socialisation of urban land. Land could not be acquired, developed and disposed of at faster speed, in sufficient quantity, in the right location and at the right time. As a consequence, some of the more prominent visible effects were: soaring land value patterns, skewed distribution of land, very little land being allotted to LIG and MIG, formation of a large number of unauthorised settlements, and pushing the urban poor further away in the periphery areas. On the other hand, large benefits accrued to the HIG and the élite, and the DDA's financial operation was highly successful in increasing its revolving fund many times. All this happened at the cost of the poor farmer whose land had been taken away compulsorily by the public authority, giving him only meagre compensation in return.

Delhi has entered into its second stage of development plan for the 1981–2001 period. The planning has to cover the backlog needs of the existing urban population of 5.7 million people (1981) for land, infrastructure and housing as well as the future needs of the additional anticipated urban population growth of 6.5 million people by the year 2001 when the projected population of Delhi reaches a figure of 12.2 million. It has been estimated that, allowing for accommodating some growth in population in the existing designated urban land, Delhi needs to urbanise a further 20 230 to 28 370 ha of land to accommodate the additional 3.5 to 4.0 million people by the year 2001.⁴⁷

In view of such a challenging task ahead, suitable policy reforms are necessary in order to allow the Delhi Administration to bring additional land into government ownership for transfer to the DDA which will develop and dispose of a sufficient quantity of land for all users. Such reforms are necessary to reduce the constraints posed by the land policy objectives, as well as to speed up the land acquisition, development and disposal procedure. These measures include:

1. Inconsistencies and contradictions in the policy objectives should be removed. One of the serious inadequacies of the large-scale land policy is the conflict between profit-making and the provision of plots for low and middle income groups. The dilemma is: how to absorb wealth from the HIG through profit-making in the land market without the profit motive consuming the total implementation of the land policy? The best solution to this dilemma is the government's effective implementation of its national income distribution scheme (i.e. taxation and, then, redistribution). However, given the scarce resources with the National Government, there are limitations on the vigorous adoption of this policy.
2. Streamlining the land acquisition procedure is necessary so that land can be acquired faster under the Land Acquisition Act of 1894, but at the same time the landowners should be ensured of their rightful compensation.

3. As land development cost forms a major component of the developed land price, suitable measures are necessary to make the land development operation efficient. In this regard, formulation of realistic norms and standards for development of land should be made. Furthermore, to increase efficiency, some portion of land may be allowed to be developed by the private sector too. The reliance on the revolving fund to cater to the needs of the LIG should be removed—it can be financed directly through the exchequer. An appropriate ratio of residential plots should be reserved to be developed for various income groups. Since the bonus granted to the DDA employees cannot be justified economically, its practice should be abandoned.
4. Stipulated quantities of plots in an appropriate ratio should be brought into the market periodically to ensure a regular supply.

After the Urban Land (Ceiling and Regulation) Act 1976 came into force, new imperatives have emerged on the horizon of land management. This Act prescribes a ceiling on individual land holdings to the tune of 500 to 2000 square metres depending on the size of a particular urban agglomeration. It had the effect of reducing the supply of land drastically, thereby increasing the land values.⁴⁸ Further, as this Act is applied not only to the city but the city agglomeration, generally defined by a five km belt around the city, and as land ownership tends to be fragmented due to the imposition of this Act, it is bound to have serious consequences on large-scale acquisition of land at urban fringe areas. The constraints brought home by this Act on large cities would mean that urban development agencies would find it more difficult to apply the principles of 'bulk acquisition and development' within the city limits.

Having reviewed the operation of the policy of bulk acquisition and development, it is now possible to recapitulate the mixed reactions to what has been achieved in Delhi. The implementation of the policy by the DDA has been considered quite successful in view of: (i) the financial success of the whole operation as the revolving fund was increased many times; (ii) a large number of poor households were resettled in different colonies; and (iii) a substantial number of plots were developed and distributed in spite of the constraints posed by the stated policies and land acquisition. Looking at the other side of the picture, the main criticisms have been: (i) the financial success of the DDA was achieved at the cost of other professed goals; (ii) land could not be acquired, developed and disposed of in a sufficient quantity to meet the demand; (iii) land values increased at an unprecedented rate; (iv) an equitable distribution of land among different income groups, as stipulated in the policy, could not be achieved; and (v) a large number of unauthorised colonies sprung up due to the operation of the policy.

It is to be noted, however, that the involvement of the DDA in the resettlement schemes was due to the consequence of the operationalisation of the policy in practice. Therefore, strictly speaking, resettlement of a large number of households cannot be entirely credited to the achievement of the DDA because this was a dealing in the effects rather than in the causes. Moreover, these resettlement

schemes were financed outside the framework of the revolving fund. Secondly, the serious inconsistencies in the policy objectives and the inherent contradictions present in them meant that any effort, whatsoever, to achieve the goals of the stated objectives was bound to be a failure. It can be seen, therefore, that under the existing set of policy objectives, the DDA has been trying to achieve the 'impossible'.

Considering the demonstrated limitations of the Delhi Model to ensure an even supply of urban land and to encourage planned urban development, and the limitations posed by the Urban Land (Ceiling and Regulation) Act 1976, attempts to identify possible development measures outside the framework of the Model should also be initiated so that higher chances of success of the improved technique(s) can be anticipated when the same is applied to other cities, too. These options may include a thorough reappraisal of the present institutional and legal arrangements for urban land development, a review of the present 'plot reconstitution' technique of urban development as practised in some states in India, and an assessment of the desirability of introducing the much-acclaimed 'land pooling/readjustment' technique for achieving planned urban development and adequate supply of urban land as used in Japan, Korea, Taiwan, and in some cities in Australia and Canada. It is to be noted, however, that in any review, reappraisal or assessment study, adequate consideration should be given to the existing socio-politico-economic and administrative organisation of the country.

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- 2 *Ibid.*, pp. 5-6; and Planning Commission, *Report of the Task Force on Planning of Urban Development*, New Delhi, Planning Commission, Government of India, 1983. Preventing land-ownership being in the hands of a few land-holders was one of the aims of the socialisation of urban land which both the 'Urban Land Policy in Delhi' and the 'Urban Land (Ceiling and Regulation) Act 1976' sought to prevent. But such an assumption was often found to be untrue in the case of few cities such as Madras, see Planning Commission Report, *op. cit.*, p. 140.
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- 4 Gangadhar Iha, 'Land Nationalization in Delhi: A Policy Analysis', *Nagarlok*, XV (2) April - June 1983, pp. 9-10.
- 5 Government of India, *The Land Acquisition Act, 1894*, as on the 1st November, 1982, New Delhi, Government of India, Ministry of Law, Justice and Company Affairs, 1982.
- 6 Marie Howland, 'Delhi's Large-Scale Land Acquisition, Development and Disposal Policy: An Appraisal', *Urban and Rural Planning Thought*, XVIII (1) January 1975, p. 50. Also see Gangadhar Iha (1983), *op. cit.* in note 4, p. 9 and Planning Commission Report, *op. cit.* in note 2, pp. 132-133.
- 7 Marie Howland, *op. cit.* in note 6, pp. 23-25.
- 8 E. F. N. Rebeiro, 'Urban Land Policies in the Context of The Development Plan for Delhi', paper presented at the Seminar on 'Land in Metropolitan Development', Calcutta, The Times Research Foundation, 17-18 April, 1982, p. 9.
- 9 *Ibid.*
- 10 Planning Commission Report, *op. cit.* in note 2, p. 128.
- 11 It was not only to the DDA that such acquired land was transferred. Besides the DDA as the major land developer in the capital, other agencies like the Municipal Corporation of Delhi, the Central Public Works Department and Cooperative House Building Societies were also

entrusted to carry out development works in accordance with the master plan and its zoning regulations.

12 Due to the shortage of funds for land acquisition and development, the revolving fund was later increased to Rs 73.1 million with subsequent additions by the Government of India. See Marie Howland, op. cit. in note 6, p. 26.

13 Ibid., p. 27.

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19 Section 3(c) of the *Land Acquisition Act*, 1894, op. cit. in note 5, p. 2.

20 Government of India, 'A Note on Urban Land Policy', op. cit. in note 1, p. 2.

21 The interpretation of 'public purpose' has often been challenged in the courts in India which delayed the acquisition procedure considerably.

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F. N. Ribeiro, op. cit. in note 8; S. S. Shafi and S. S. Dutta, 'Urban Land Policy in Delhi: A Critique', paper presented at the Seminar on 'Land in Metropolitan Development', Calcutta, The Times Research Foundation, 17–18 April, 1982; Sanjay Arora, 'Land for Low Income Housing Under the Land Banking Programme in Delhi', unpublished master's thesis, Bangkok, Asian Institute of Technology, 1982; Gangadhar Jha (1983), op. cit. in note 4; Abhijit Datta and Gangadhar Jha, 'Delhi: Two Decades of Plan Implementation', *Habitat International*, 7 (1–2), 1983, pp. 37–45; Planning Commission Report, op. cit. in note 2; and Gangadhar Jha (1984), op. cit. in note 17. It should be noted that most of the data presented in this paper are derived from these sources.

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