Chapter 2

Literature Review
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2.0 Introduction

The relationship between population growth and food production has been the subject of discussion since Malthus. Over the past few decades, most nations have worked towards achieving food surplus. Today the population – food equation has ceased to have any significance in the more advanced developing countries but this is the opposite with regard to the population housing equation. As a UN-HABITAT study\(^1\) points out, “Uncontrolled urban settlements are the product of the difference between the popular demand for housing and that demanded and supplied by institutionalized society. Policy objectives and the institutional framework for their fulfillment are often geared to one sector of society (the wealthy minority) which makes them economically unacceptable to the remainder - this remainder being composed of four fifths of the urban population.” The study concludes that uncontrolled settlement is not the product of willful lawlessness but the only solution for large and often dominant sectors of the population whose housing needs are in adequately served by society’s formal institutions.

While public consciousness of the urban population explosion and its impact on the prices of land and housing is fairly recent, the critical importance of explicit policies to control the use, ownership, tenure, prices and disposal of land in the urban context has been recognized at the international and national levels since the early sixties\(^2\). Yet such awareness is not reflected in the details of the policies articulated by the Government or the scale of implemented projects.

The essential justification for government intervention in urban development, as elsewhere in the economy, is the failure of the market mechanism to provide an outcome that is satisfactory to society as a whole. The market mechanism offers considerable

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\(^2\) Sundaram, PSA - Land for Metropolitan Development, GOI, 1986
benefits as a system of economic management; but it is often highly imperfect and fails to produce a socially desirable outcome. Often situations arise where the pattern of costs and benefits to individuals do not match the pattern of benefits and costs to society as a whole. The nature of cities, with their high population densities means that negative externalities are likely to become a significant problem.

2.1 Urbanization and its effects

One of the essential features of the modern economy is the big difference in the income of agriculture workers and those employed in manufacture, industry and services. The concentration of economic activity in the major metropolitan areas is due to the synergetic effects of the coming together of industry, services, and qualified manpower in a large city region on the basis of the economies of scale. The inter-relation between the concentration of economic activity and the concentration of population is complimentary, with better employment prospects attracting migration, while the larger market and manpower resources attract industry. The rural areas lose population since they become less desirable locations (in terms of employment and level of services) relative to the city. Rapid urbanization is a global phenomenon today, primarily fuelled by the rural-urban disparities in income levels and the standard of living. Bose notes that the challenge of urbanization in developing countries is more serious due to the endemic urban poverty that is largely a carryover of rural poverty. Even if the general level of urbanization is still considered to be low in India, the magnitude of the urban population in absolute terms is very high.

Urban centers evidenced slow population growth till the nineteenth century. High birth rates compensated for high infant mortality and for losses from epidemics and wars. In the present century, improved public health services and medical care have reduced

infant mortality and increased life expectation, thereby causing rapid increase in population.

2.1.1 Rural – Urban Migration

The year 2000 is a watershed year in the evolution of human society. Throughout human history the population has been predominantly based in rural areas and small towns. This trend is now reversed – from the year 2000 onwards more than 50 percent of the populations of the world reside in urban centers. Most countries of the western world have already achieved 75 to 80 percent urbanization.

The movement of people from rural areas to city regions is the largest migratory movement in human history that dominates the scenario of all urban centers. The most important consequence of rapid population growth in rural areas is under-employment. Job opportunities in the agriculture sector do not increase with the increase in population. Attempts to increase food production through improved farming methods and to extend arable land through irrigation and land reclamation are slow to produce results.

Thus the young people who find themselves in surplus in the rural economy have only two alternatives - they can stay back to farm their small holdings, or they can move to the city, either temporarily to support their starving families in the village or permanently to start afresh in the "brave new world" of urban opportunities.

The idealistic pattern of migration initially from rural areas to the nearest small towns and then from small and medium towns to larger towns and cities has been short-circuited to one of migration directly from the rural and smaller towns to large cities. The migrants have inadequate work skills and lack the economic backup necessary to survive in a large

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2 Habitat Agenda, UN Habitat I, 1978
3 ibid
economy. This has resulted in the proliferation of slums and slum like conditions in cities.

2.1.2 Effects of Migration

The labor pool formed by large numbers of new residents may actively contribute to the economic growth of society and maybe the basis of such growth\(^1\). The people living in slums and squatter settlements subsidize the formal economy. Societies with inadequate economic resources use cheap labor but do not provide them with housing and services, thus indirectly subsidizing the labor market.

Two examples in contrast to this situation are Singapore and Hong Kong; these cities have subsidized their labor forces by funding and developing extensive low cost housing projects – the two instances are also indicative of the massive capital required to house/rehabilitate a large low income urban population\(^2\).

2.1.3 Effects of Growth

The demographic pressures and an endemic shortage of financial resources have created a situation where dynamic urban growth is outstripping the ability of the government to create infrastructure and deliver services as expected. The implications of the pattern of growth can be summed up as follows:

- The increase in urban population and activities leading to the physical expansion of the settlement and an attendant extension of the transportation networks.
- The multi directional expansion of the urban area causes loss of precious agricultural land in the urban fringe and prevents efficient delivery of public services.

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\(^2\) Aldrich and Sandhu, eds. Housing the Urban Poor: Policy and Practice in Developing Countries, 1996.
• The rising densities in the central areas over strain the infrastructure and create sharp deterioration in the living conditions.

Rapid urbanization and concentrated population growth pose the problem of the availability of land to meet the requirements for various uses in the future. The demand for more space is accommodated partly by

• increasing densities in central and well networked locations and utilization of any available unused land
• the expansion of the physical boundaries of the municipal / metropolitan jurisdiction\(^1\).

The physical expansion of the city occurs due to rapid suburban growth and is characterized by sprawl and ribbon development along the highways. In cities where there has been no periodic increase in municipal limits, expansion occurs by the conversion and subdivision of agricultural lands on the fringes of the city and by ribbon developments along the highways, followed by residential and industrial pockets filling up the vacant wedge areas in a haphazard manner.

Suburban growth is most often unplanned and uncoordinated. Suburbs occur beyond municipal boundaries and are insufficiently governed by regulatory agencies as regards licenses, planning controls, building regulations, etc. They are also much deficient in infrastructure and services as compared to the main city. This unregulated situation initially suits individual residents and businesses who enjoy the scale economies of the main city without corresponding tax obligations. Yet the separation of work places and residences necessitates daily commutation involving lot of personal inconvenience and expenses, and pressure on the transportation system. The suburban development could be a consequence of the high land values in the core city as well\(^2\).

\(^1\) Sundaram, PSA - Land for Metropolitan Development, GOI, 1986
\(^2\) ibid
As the public authorities in most of the growing cities in the developing world have been unsuccessful in supplying land for housing for lower income groups, the smaller lots outside the legal framework are gaining importance in city land markets. As a result large scale sale and transfer of lands in the fringe areas are occurring on a large scale¹.

Several factors contribute to the existing scenario of suburban expansion:

- The inadequacy or irrelevance of existing land use planning and land control measures, building by-laws and of planning standards
- The inability of local governments to develop and service new land as also maintain a tolerable level of civic services and transport.
- The failure of metropolises with a large concentration of the urban poor to generate adequate employment opportunities and reasonable incomes for the population that they hold.

Thus the issues involved in providing land for metropolitan development go beyond the physical and legal problems of land development and involve a wide range of interconnected areas including urbanization policy in relation to the scale of human settlements, urban form, land use planning and density standards, rural-urban relationship, location policies, municipal jurisdiction, attitudes and values pertaining to ownership of land and tenure – all this and more in the context of the limitations of the economy to generate resources for development ².

### 2.1.4 Response to Metropolitan Growth

It has taken a long time for the leaders of opinion in developing countries to accept the inevitability of the demographic revolution and its results. There are the numerous voices who advocate investment in rural development and rural industrialization in order “to

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² Sundaram, PSA - Land for Metropolitan Development, GOI, 1986
stop migration at the source". 

Suggested solutions include:

- development of new towns and metropolitan concentrations “to divert the stream of migration to alternative targets”
- decentralization of employment opportunities in order “to create a better balance between regions”
- freezing growth and “putting a stop to further population growth by force of law”

The primacy of large cities is sustained by non-economic factors like the concentration of political, administrative, educational and cultural authority. While investment in rural development is bound to play an essential part in the long term planning of any city region, it must not be expected to have immediate effects on rural-urban migration. Similarly, the building of new urban centers may form an important part of a country’s development strategy, but it cannot be expected to make a noticeable impact on the growth rate of existing cities. Brasilia, one of the largest new town ventures of our times, has done a lot to stimulate development in a hitherto under-populated and under-developed region, but its effect on the population growth in the metropolitan regions of Sao Paulo and Rio de Janeiro appear to have been negligible.

Decentralization as a policy has many political and social advantages; but the economic advantages are open to debate. A rapid expansion of employment opportunities is necessary for a rapidly growing urban population. A number of studies show that highly concentrated settlements such as Singapore or Hong Kong have done better in synchronizing job creation with population growth than settlements with more decentralized patterns.

Many intellectuals in the highly urbanized countries of Europe and North America are of

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1 Habitat Agenda, UN Habitat I, 1978
the view that very large cities are uneconomical parasites that drain the country's resources; that there are optimum sizes for cities and that urban problems become progressively more difficult to solve the more a city exceeds this theoretical optimum.

Cities like Calcutta, Bombay, Lagos, Djakarta, and Manila definitely have numerous concerns and issues of an overwhelming nature, which require to be solved in a low resource base and low per capita income context. Yet the problems of these cities may be solved if approached from a case specific view that does not seek to apply western methods that evolved over the last century in a vastly different socio economic and political context.

2.1.5 Effects on Housing

In the global economic context the scarcity of housing in the third world is concomitant to industrialization and city growth. According to the UN, by the year 2,000 half the populations of most Asian cities live in slums and inadequate housing is a characteristic of 25 to 70 percent of the population in these cities.

The proliferation of slums in cities is a result of the inefficiency and weakness of the urban system to respond adequately to meet the shelter requirements of the economically weaker sections, which migrates to the city primarily for economic reasons. In the absence of adequate access to shelter or land, the economically weak migrant population attempt to occupy the vacant urban land.

Housing is a highly visible dimension of poverty and is thus a highly emotive issue. On any index of service provision, household density or physical quality, a majority of the urban population is living at standards that are way below par. Housing represents the

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1 Habitat Agenda, UN Habitat 1, 1978
largest single item in most household budgets and is simultaneously the most highly regulated of all goods. There are very few studies of such regulations in terms of the benefits produced and the impacts on land and housing prices, welfare and distribution and equity.

The increased land prices make the housing problem for the low income strata in the developing countries extremely critical. A World Bank study\(^1\) states that 35 – 68 percent of the urban population in these countries cannot afford even the cheapest housing. A comparison of per capita income with housing costs will illustrate the severity of the problem. The effect of high land prices is also shown by this study, with cost of raw land being up to 45 percent of the total cost of single family low – income housing in Mexico City, and 30 percent of the cost of multi-family dwellings located on the periphery in Hong Kong. The study reiterates the fact that while land is only one of the factors in housing costs, it is of essential importance for low income households.

Often spontaneous settlements are allowed to develop where -

- Land occupied by the poor does not directly threaten the principle of private ownership
- Political parties require the support of the poor as a group.

The process of migrants getting absorbed in informal settlements directly supports or at least reduces the need for changing the existing economic and social system. While informal settlements are expensive to service and encourage very high-density patterns of urban growth, they do provide land for the poor. Many who cannot compete in the formal land market tend to purchase land in speculative subdivisions in peripheral locations (locally called revenue sites). Such land lacks planning permission and all services. Yet, unregulated developments are often permitted by Governments as a means of keeping the poor in the land market – helping the poor help themselves. This supports the principle of

\(^1\) Housing - Enabling markets to work, World Bank 1992
private land ownership by reducing the need for continued illegal occupation and encouraging the poor to turn into land owners, with due processes of regularization and upgradation.

Thus the process of spontaneous settlement supports the existing social, political and economic systems. Self help keeps the Third World economy functioning. The low cost of non formal housing supports development in the following ways:

- allows the poor access to the housing market
- lets the labor force to sustain and reproduce itself despite the low wages;
- enables economic development with availability of low wage labor - industrial labor, plentiful supply of domestics, and innumerable other inexpensive services.

Consequently spontaneous settlements are functional to the system since they reduce the cost of labor, accelerate capital accumulation and allow reproduction of labor supply.

### 2.1.6 Effects on Supply of Land for Housing

Any analysis of the urban housing sector in developing countries is best carried out by first investigating the demand for and supply of housing and then by considering the interaction of demand and supply to determine how they create the symptoms of the urban housing problem.

As cities become larger, unbuilt land becomes scarcer, and land availability is determined by price. Evers notes that 'population increase and other social processes have intensified the pressure on urban land and have led to a wave of land speculation and spiraling land prices. There is no doubt that the profitability and low level of risk

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2 ibid
3 Linn, J., Cities in the Developing World: Policies for Their Equitable and Efficient Growth, 1984
connected with land transactions as compared with other investment opportunities attract large amounts of capital and push up prices. In a statistical analysis of the effects of land prices, Grimes\(^1\) shows that costs are ensuring that public housing is built on the cheap edges of cities and that many of the poor are being priced out of the land market. What makes matters worse is that Government servicing and zoning policies frequently have the effect of valorizing land and increasing prices still further; intervention accentuates land shortages and fuels further rises.

Though the extent of service delivery tends to gradually improve over time, the Government is clearly unable to provide serviced urban land in adequate quantum to meet the shelter requirements of the large number of new households, even if there is no provision for backlogs. This means the urban population must essentially meet its shelter and service needs by relying on market solutions. Solutions within the formal housing sector with standards adhering to building and town planning codes are affordable to a small minority. Sizeable segments of the urban population are forced to depend on the informal market and find solutions by compromising on quality.

The demand pressure results in the formation of slums and squatter settlements as well as the densification of existing low income housing areas, particularly in core areas of the city. This is largely caused by the failure to deliver of public land development agencies. In fact the operations of such agencies have often tended to stultify the urban land market and to obstruct the affordable supply of urban land rather than enhance it\(^2\).

2.1.7 Local Authority Reaction

Generally the first solution to increasing population pressure and demand for housing is public housing – preferably subsidized to benefit low income earners. Many countries and cities of the developing world have tried this remedy, only to find out soon that their

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2 Wegelin, E.A., Land for Housing the Poor, 1983
resources were insufficient to make an adequate impact. Lack of funds make it necessary to restrict public low income housing to state employees along with a few demonstration or pilot projects for industrial labor.

The second reaction is to remove squatters from locations where land ownership is in the private domain. The unlawful users are evicted and their tenements cleared by bulldozers. The occupants are forced to find shelter in other parts of the city where they form the nucleus of new slums. The Government's scarce resources are spent on demolishing huts, instead of being used to create new accommodation. The result is the worsening of the overall housing shortage. Substantial sums have been invested in slum clearance, urban renewal, resettlement, squatter colony upgrading and site and service schemes – to say nothing of investments in public housing, water supply and sewage schemes, traffic improvement, refuse collection and other infrastructure projects. Yet the gulf between public sector provision and urban welfare needs is widening in all fields of urban life and endeavor. Severe shortages remain and backlogs of unsatisfied demand continue to build up. Municipal revenues stagnate or grow at a much lower rate than expenditure. National governments become more and more reluctant to finance capital works and grant loans that are increasingly difficult to service.

The UN Habitat Conference on Settlement Planning held in 1978 states the ingredients of a much needed new approach.

'There is an urgent need for policies, plans and programmes that

a) concentrate on the potentials rather than on the problems of urban population growth,

b) look upon migrants as a valuable national resource that needs developing,

c) utilize the increase of job opportunities and productive capacity in the informal and formal sectors that result from concentration of populations in urban areas,

d) assist and accelerate the absorption of newcomers in the urban community and economy,
e) stimulate self-help and minimize the suffering inevitably associated with change and migration, and
f) reduce the national investment needed to get the urban development process under way\textsuperscript{1}.

2.2 Theoretical aspects of Urban Land Development

Land use forms the basis of city structure. The limited availability of land creates a close inter-relationship between different land uses, with each particular land use having an impact on the availability of land for other essential uses. The extended life of structures once erected freezes the utility of land and its urban use for a very long time. The land use, by determining the location of various city functions, influences the future development of urban society. The complexity of land use planning is an outcome of the disparity between rapid urban changes and the time consuming processes of land use allocation.

The Habitat Agenda also identifies different levels of conflicts in land-use planning as follows:

1. The short-term needs of the population for housing, and the long-run consequences (due to the permanence of erected structures).
2. Different uses and socio-economic functions competing for the same land space
3. Individual, private needs versus collective land use needs and the conflict between local, regional and national interests over the use of land.

2.2.1 The Land Market and its Effect

Urban land as a commodity differs from other goods in that it does not follow the general laws of supply and demand. The peculiarities of urban land, with the linkage of the demand and supply factors to the location characteristics, influence the behavior pattern

\textsuperscript{1}Habitat Agenda, UN Habitat 1, 1978
of the urban land market. Location has an effect on land value depending on the land use, but location as a factor is more critical to commercial use of land than residential use.

As a commodity, land does not depreciate in value over time, unlike most other commodities. Also land is limited in quantity, and more so in urban locations. The demand for land in urban areas is high, and it cannot be satisfied by vacant land in other regions of the state. Thus urban land has certain monopolistic features by which it cannot be substituted by supply in other areas\(^1\).

These characteristics of scarcity and undepreciable value make land profitable to hold for long periods without putting it to productive use. Land as an investment option is more attractive than other commodities whose value diminishes with depreciation. The costs of maintenance of land such as interest and taxes are generally low in comparison with the expected capital gains realized on sale of land. This exceptional capacity for appreciation in value keeps usable land vacant. These unique characteristics of inherent limitations in supply and the erosion of land value when put to productive use create a disequilibrium which is demonstrated by the high percentage of vacant land in the metropolitan area despite the high demand.

Thus the existence of large vacant areas coupled with a very high increase in land price in an urban area are inter-related phenomena wherein the expected profit from future land use changes restricts the supply of land to the market. A taxation system which does not impose a high tax on the vacant land provided for future urban development makes the capital costs of maintaining vacant land low. Generally, in countries with restricted investment possibilities and a high rate of urbanization and of land price increase, the holding of vacant land for speculative gain is one of the most profitable economic enterprises.

\(^1\) Habitat Agenda, UN Habitat I, 1978
The high price of land in certain desirable locations creates a "chain effect" by which land prices increase in adjacent locations. Gradually the prices in all areas in the city are affected. The higher paying capacity of a small section of the population influences land prices in adjoining areas where owners tend to withhold sale in order to capitalize on higher rates. In the scenario of rapid economic change, a small segment of the market can have a large effect in the urban land market, with its limited possibilities of supply. The larger section of the population with lower paying capacity is forced to relocate in stages to less desirable locations. While peripheral locations maybe less costly, invariably any urban land are more valuable than land in non urban use.

The other factors that have a considerable impact on land price are planning decisions eg, changes in land use, construction of new roads or development of commercial centers. The decisions of public authorities to allow development make possible the capital gains which result from changes in land use. The investments in infrastructure create the aggregate increase in value of land in newly developed areas. Planning decisions are instrumental in determining the distribution of these windfall gains to particular groups or individuals.

It is also observed that the land values in newly urbanized areas are not based on their economic costs i.e. the cost of agricultural land plus the cost of infrastructure and development but on the level of land prices prevailing in the adjoining city areas. The highest rate of increase in land price can be observed in these new urban areas, which experience increases in hundreds of percentage points.

Studies of industrialized countries in Europe\(^1\) show that the land price component of housing cost has increased dramatically in areas where land is in short supply. This illustrates the effect of the demand side of the market mechanism. Developing countries experience greater market fluidity and show exponentially high rates of increase in land

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1 Harvey, J., Urban Land Economics, 1986
2 Mills E., Economic analysis of urban land-use controls- Current issues in urban economics, 1979.
Land markets are significant for several reasons. Shelter represents the largest single item in most household budgets - several orders of magnitude more important than the output of utilities, for example - and is simultaneously the most strictly regulated of all goods. Nevertheless, there have been remarkably few studies of this regulation in terms of the benefits it produces and the impacts it has on land and housing prices, welfare and distribution.

The globalization of the economy has its impact not only on economic activity but also on social structure creating what Soja calls the dual city where the differentiation of the rich and poor, native and immigrant, etc. becomes more pronounced.

### 2.2.2 Intervention in the Urban Land Market

The social objectives of urban land policy in India are stated as follows:

- a) to achieve an optimum social use of land,
- b) to make available land in adequate quantity, at the right time and at reasonable prices for public agencies and individuals,
- c) to encourage cooperative community efforts and bonafide individual builders.
- d) to prevent concentration of land ownership in a few hands and safeguard the interests of poorer sections.

These objectives were sought to be ensured by regional and urban land use planning within the framework of the Five Year Plans in the Indian context.

While direct intervention by the public authorities in supplying land for development has

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1 Soja, E.W., Postmetropolis: Critical Studies of Cities and Regions, 2000
occurred in most countries, the extent of intervention varies widely depending on the socio-economic structure of the country. Socialist countries have deemed it the role of the local authorities to supply all needed land for development. Concepts of ownership rights also vary between countries in terms of different degrees of public and private ownership of land.

Most of the countries with a mixed economy use an advance land acquisition policy for restricted purposes or in restricted areas only. The most comprehensive policies have been in Sweden and the Netherlands, where all land needed for urban development is acquired by the municipalities with the financial assistance of the central government. Such a policy has been able to ensure the continuous, planned development of Stockholm and Amsterdam while at the same time reducing the rate of land price increase there.

The price structure of urban land serves to allocate scarce urban land to the most productive uses. The main role of intervention is therefore to –

- Regularize tenure in cases where lack of clarity regarding ownership and titles is an impediment to private housing investment.
- Assist selectively in the subdivision of new land, particularly for the benefit of the poor and those displaced from central locations due to expansion of commercial uses.
- Limit private monopolies
- Develop effective land registry and cadastral records.

The experience of Israel, France, UK, India and other countries has shown that a policy of public land acquisition or landownership by itself does not necessarily affect the urban land market, and may not even supply enough land for the growing areas of urban concentration. It may be suggested that the effectiveness of a land acquisition policy mostly depends on the extent of land acquisition in comparison with the size of the needs. The most important part of a public land acquisition policy is that it allows the public authorities to fix the timing of land use development precisely, thus enabling them to
effectively implement a long term development scheme\textsuperscript{1}. Yet, large scale land banking may not always be an effective tool of urban management given the limitations of public management and the scope for corruption and abuse\textsuperscript{2}.

Land markets typically represent the main source of independent revenue for local governments, either as land alone or as the land plus structure unit. Since the values of local public goods and amenities are capitalized into real estate prices, their provision interacts with land taxation twice. Although land taxation has a long history of interest, there is substantial scope for looking at it afresh, as an alternative to land regulation but also as a mechanism for funding local public goods and achieving an efficient distribution of functions between local and national governments.

\textbf{2.2.3 Constraints to efficient delivery of land for housing}

A coherent land delivery process is critical to the efficient functioning of land and housing markets and is an essential element of sound urban management. The constraints that inhibit the formal land development process have to be eliminated to improve access to property rights for low and moderate income households – rights that are essential to the functioning of an open economy\textsuperscript{3}.

In an efficient land market, land which is required for public uses like parks, civic amenities, etc. is allocated by the Government. Land needed for all other uses is allocated and developed largely by the private sector in response to market forces and prices. Government intervention in urban land markets is needed to fulfill social objectives, to the extent required. Various studies show that overweening and rigid government control over land development, utilization, and allocation creates serious inefficiencies like restricted supply of residential land, higher land prices and commuting costs, and

\textsuperscript{1} Habitat Agenda, UN Habitat I, 1978
\textsuperscript{2} Linn, J., Cities in the Developing World: Policies for Their Equitable and Efficient Growth, 1984
\textsuperscript{3} Kissick, D. and Westfall, M., Serviced Land Delivery, 1991.
increased costs of service provision.

The elements which affect the efficient delivery of serviced land are identified in numerous studies as follows:

- Overlapping roles of Public and Private Sectors in land development
- Resistance in Government bodies to greater private sector involvement in land development
- Administrative delays in processing of development applications from private sector
- Lack of inter-agency co-ordination
- Lack of customized land use standards which reduce the saleable land in schemes and result in higher plot costs per square meter.
- Emphasis on construction activity in the public sector diverts funds from more productive use leading to low coverage of underprivileged groups
- Under-utilized public land in prime areas not put to more productive use
- Lack of availability of urban land in appropriate locations for development
- Limited avenues of finance for development of trunk infrastructure.
- Lack of information on functioning of private markets at decision making levels
- Limited and unaffordable supply by public agency
- Private Sector Initiatives and dynamism of informal housing process not capitalized on.

Thus there is a combination of Administrative, Management, Legal, Fiscal and Environmental factors that contribute to the dysfunction of the system and effect delivery of serviced land for housing.

2.2.4 Tenure Implications

The legal forms of tenure that prevail are the leasehold and freehold systems. Ownership
in the freehold form of tenure is absolute and entitles the owner to develop, sell or use the land as collateral, subject to land use regulations and building by-laws. Tenure by lease restrict the transfer, sale or subdivision of the property, stipulate payment of premium and ground rent, periodic revision of rent, and recovery of unearned increase in land value at the time of second and subsequent sale. Further restrictions may include construction to be completed within a stipulated period, require the lessor’s approval for construction, etc. The term of tenure may also vary, with both short term and long term lease forms in operation.

The advantages of freehold ownership to the individual owner are manifold. The disadvantages are societal, since market forces predominate in a freehold system and can be manipulated to the benefit of the privileged few and the detriment of many. Adoption of a freehold system limits the options available to the Development Agency for all time to come.

The disadvantages of the leasehold system are the prescribed restrictions, the administrative expenditure, and the inconvenience to the lessees. But the balance of experience all over the world is in favor of the leasehold system. In Israel, 92 percent of the total land area is state-owned and is usually given on lease for 49 years. In Stockholm, the land belonging to the State is leased generally for 60 years by the local body. In Amsterdam, land is given on long term leases and action is taken to mop up increase in land values. Hong Kong has been able to take up large scale housing due to its leasehold system. In Canberra, all land is disposed on leasehold basis.

The leasehold pattern provides the State with an effective means to channel urban development, discourages speculation in land, and raises resources for financing urban infrastructure. The leasehold system supports the enforcements of land use controls and helps the community to share in the increase in the value of land over time.
A third form of tenure that is specific to housing and is much encouraged by
Governments all over the world is group or cooperative housing. This tenure form is
seen as an ideal solution to achieve optimum use of land in context of high land prices.

Land tenure policies recognizes the dual nature of land both as a public and private good.
As a public good:
(a) it is permanent and cannot be destroyed,
(b) its productivity is dependent on location in a dynamic situation,
(c) its value is created by the process of urbanization\(^1\).

An optimum land tenure system seeks to reconcile this dual nature of tenure and other
arrangements that maximize the productivity of land in a dynamic sense.

Tenure controls are generally more powerful than land use controls because:
(a) their violations may result in loss of the property itself,
(b) can be specific to individual properties, and
(c) permit wider range of responses to policy matters like efficiency, equity and
mopping up incremental land values\(^2\).

2.2.5 Directions for the future

The fundamental question is: how to create more equity in an increasingly
competitive and interdependent world?

The Global Strategy for Shelter formulated by the United Nations Centre for Human
Settlements in 1989 has become the guiding instrument for international and national
action in matters of housing. The Strategy seeks to redress one of the most formidable
manifestations of human suffering and social inequity of our times, caused by

\(^1\) Sundaram, PSA - Land for Metropolitan Development, GOI, 1986
\(^2\) ibid
urbanization and rapid population growth in the developing countries and by the concomitant poverty. The Strategy recognizes that given the resource and fiscal constraints, the solution does not lie in government-financed housing provision and massive public sector contribution programmes. Rather than calling on governments to be the financier and provider of housing, the Strategy urges government and the public sector to assume the role of enabler and to facilitate the speedy construction and improvement of housing by creating an institutional and regulatory environment conducive of accelerated housing provision by those outside the public sector, whether they be the private sector, both formal and informal, small builders or large construction firms, community groups, cooperatives, or individual households. This enabling concept, which is at the heart of the Strategy, and its guidelines and recommendations for national action, calls on governments to do more than they are doing at present in matters of housing, in terms of the establishment of efficient and smooth-functioning housing, land, and financial markets, the absence of which, in developing countries, is a principal impediment to accelerated housing construction. The ultimate aim of this enabling concept is to facilitate all those who can to construct and improve their own homes, so that the public sector can then focus its limited resources on those who are truly destitute directly through housing provision or targeted subsidies.\(^1\)

The Global Strategy places special emphasis on the need for governments to take measures to assure access to credit and land and to create more efficient housing and land markets, with government retaining a key role in the provision of infrastructure. The efforts of the poor and the informal sector in constructing and operating human settlements have been widely recognized in some developing countries, a slow change is taking place towards the adoption of enabling policies, and assistance is being provided to self-help and community-participation efforts.

The Asian Land Policy Seminar was held in 1990 in Chiang Mai, Thailand with leading

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\(^1\) Ramachandran, R., Urbanization and Urban Systems in India, 1989
policy-makers from across Asia meeting to discuss initiatives and imperatives for land policy. Several tools with potential for achieving urban land policy objectives and for achieving efficiency in urban land market operations were identified here:

- Initiate a paradigm shift in function of public agencies from undertaking specific projects towards the identification and elimination of bottlenecks to efficient serviced land delivery and formulation of Market Enabling Strategies.
- Establish Information Systems on land transactions for making Land Market Assessments and analyzing the impacts of government policies and investment decisions.
- Formulate land development strategies that center on the integration of low-income households into housing/land markets.
- Adapt successful international Redevelopment programs to suit the local (Indian) context.
- Utilize Land Readjustment Pooling, and Sharing techniques in redevelopment schemes for replotting and urban service provision with a portion of the land earmarked for roads and infrastructure.
- Increase Infrastructure availability with integrated procedures which include financing options, affordable development standards, cost recovery mechanisms, and programmes for maintenance and gradual upgrading.
- Support innovative efforts such as public/private Sector Initiatives and partnerships in the production of low and moderate-cost housing.
- Explore Taxation mechanisms to combat holding/hoarding of developed vacant land and land speculation to limit speculative gains from short-term land transactions in order to limit real estate demand.

These techniques are in tune with the guiding principles of the UN Global Strategy for Shelter and have been explored/applied in many Asian countries.
2.3 Studies of Asian scenarios

There are few growing cities in the world where public sector built or aided houses represent more than 15 percent of the total housing stock. Exceptions are Singapore and Hong Kong. Both are city states that devote much greater portions of the state’s resources to public housing than other less highly urbanized states.

2.3.1 Working Examples

Fifty years ago, the city of Singapore had Southeast Asia’s largest urban slum and squatter population with housing conditions characterized by overcrowding, dilapidation, and grossly inadequate infrastructure and services. Political will combined with dedicated efforts of the Singapore Housing and Development Board over 25 years ensured the development of half-a-million high-rise public housing units covering 77 percent of the entire population with a 74 percent ownership ratio and an excellent residential environment.

A Land Acquisition Act was passed in 1966 which gave the Government of Singapore wide powers to acquire private land on a mandatory basis. This helped the Singapore Housing and Development Board to effectively implement development programs through land acquisition, development or redevelopment, planning, and construction of public housing. The primary aims of the Board were resettlement of squatters and the housing of the lower-income groups. Greater development of industry and services along with the development of new public housing estates was also undertaken, on the acquired and reclaimed lands. The Singapore housing programmes has had one of the highest rates of housing construction in the world, with a yearly rate of construction of 25,000 dwellings. Densities of the new housing projects have been high, averaging some 650 persons per acre.

Ramachandran, R., Urbanization and Urban Systems in India, 1989
Since then, Singapore has achieved further advances in the improvement of housing and the quality of life of its citizens. With assistance from the United Nations Centre for Human Settlements (Habitat), the Government of Singapore has established a land data exchange center which provides routine services for all land-related data among government departments, facilitating speed and efficiency in urban development and management. The case of Singapore demonstrates that massive housing deficiencies can be overcome within a relatively short time span, with a positive relationship between construction activities and economic development.

Bangkok is another city experiencing rapid urban growth as a consequence of which 32 square kilometers of land is converted for urban development uses per year. It is evident that this creates overwhelming infrastructure needs and massive problems. Such a backlog results in poor land administration and throws up roadblocks to any expeditious form of housing and urban development process; it also causes difficulties in the securing of formal credit for those occupying dwellings and land without the benefit of title, delays land and property transactions, and represents a constant loss of potential property tax revenues for municipal administrations which could be used to finance both day-to-day operations and urban expansion.

### 2.3.2 Rise in Informal Market Activity

The adverse demographic trends are fueling informality i.e. non reported economic activities, with more than 30 percent of GDP and 70 percent of workers in the developing world now engaged in the informal sector. The bulk of small businesses are informal; this traps them in operations of low productivity, with little access to finance and formal customers. The large firms also use informal practices to compete with productive rivals. Informal markets are seen as an indispensable sign of economic vitality. Yet the informal sector carries very high social and economic costs and informal workers enjoy no social rights.

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1. Palmade, V. and Anayiotis, A., Rising Informality, 2005
2.4 Studies in Indian Context

Urbanization and development are multifaceted concerns that have to be understood in the wider context of the nations' economic growth and consequent social/ political change. In developing countries like India, the challenge of urbanization is more serious in the context of urban poverty that is largely an extension of rural poverty. Though the general level of urbanization is low, the urban population in absolute terms is very high. Today the pace of urbanization itself is accelerated and the whole structure of urban centers pose a challenge to urban development.

The various modes adopted to improve access to land of the urban poor are meager in comparison to the requirements of this group – continuation of subsidy is inescapable if accessibility is to be improved – the only unsubsidized affordable alternatives are slums in the city and unauthorized settlements.

The study by RC Gupta\(^2\) on methods of land assembly and dispersal in selected cities of Delhi, Calcutta, Hyderabad and Jaipur show us that the role of the private sector is not adequately explored.

A landmark study conducted across twelve metros and cities in India by the Urban Development Department of the Ministry of Works and Housing, GOI in 1997 lists the following features of land and metropolitan development:

- while the city level authorities are empowered to prepare master plans, there is as yet no statutory plan to guide land development on a regional basis and no implementation of large scale land development and shelter programmes.
- While the state governments subscribe to the need for large scale acquisition, development and disposal of land based on a statutory plan to make land available to different sections of society, to make an optimum use of land, and to control

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\(^1\) Bose, A., India's Urbanization 1901-2001, 1997
\(^2\) Gupta, R.C., State Planning Organization Report, 1993
land prices, the Development Authorities rely on the Land Acquisition Act of 1894 for acquisition of land. The procedure prescribed is tardy and time-consuming, further compounded by litigation and administrative inadequacies. (A speedier modified procedure is available under the Bangalore Metropolitan Region Development Authority (BMRDA) Act which further enables payment of compensation at 100 times the net average monthly income from the land. Some enabling orders have been issued by the Government of Karnataka to enable acquisition of such lands). Most public agencies have not taken sufficient advance action for acquiring adequate land, especially on the peripheral areas, to operate a land bank.

- The problem faced in advance land acquisition by all the authorities including the Delhi Development Authority (DDA) is the cumbersome procedures of the Land Acquisition Act, 1984, and litigation regarding compensation and possession. The practice of notifying land much in advance of actual need leads to resentment of the farmers over low compensation as demonstrated in Delhi and Bombay. The failure to proceed expeditiously to acquire and develop notified land leads to gaps in developed areas and emergence of unauthorized colonies and squatter settlements – a fact forcibly visible even in the vaunted success story of Delhi. Where the Authority is slow to release the acquired land, either due to delay in providing services, or as a matter of policy or faulty procedures of estate management, this also builds up pressures on prices, encourages speculative transactions, and leads to haphazard or illegal developments.

- Arising from inadequate public intervention in the land market and the pressure of population on the metropolises is the emergence of squatter or slum settlements in all the metropolitan cities. It is estimated that about 10 million slum dwellers were living in the 9 metropolitan cities in 1979, constituting 40 percent of the total urban slum population, and the proportion of slum population to the total population in these cities ranged from 20 percent to 33 percent. They represent the irrelevance of housing programmes designed without reference to the paying capacity of the target groups and the insensitivity of housing policies to the
symbiotic relationship between housing and income/employment opportunities, and hence to the importance of residence near employment centers for poorer sections.

No precise figures as to the proportion of coverage in the metropolitan cities are available though the bulk of the investment has gone to these cities. Some cities like Madras and Bangalore continue to construct tenements while improving slums in situ.

The study concludes that Land use planning is one of the major tools to ensure that spatial development will best serve the social and economic goals of comprehensive planning. And yet, even though urban land policies and land use control measures are critical to the improvement of the city environment, they are the least regarded. These policies are important for several reasons –

- the cost of land is a principal component of development costs in metropolis. The inflated costs of land restrict development where it is most efficient and logical, and contributes to the chaotic pattern of urbanization and its attendant loss of efficiency.

- the economic provision of infrastructure in an orderly manner calls for proper location and grouping of activities on the land rationally and with sufficient room for expansion. The emergence of haphazard settlements hampers the efficient laying of services.

- the failure to control the disposition of land for various uses and the unfettered play of market forces denies suitable locations and adequate land to social, cultural and public institutions needed for proper growth of a big city.

- the provision of adequate serviced land at affordable cost to the poorer sections and a reduction in formation of squatter settlements is possible only by public control over adequate amounts of land and proper land use planning.

- the Government’s responsibility for health safety and welfare of the citizens calls for control and direction of land.
Other studies of the legal framework of the land use planning and management systems in Pakistan and India commissioned by the UN and conducted in India by Christopher Benninger provide further evidence of the long, drawn-out process of obtaining permission to develop land in those countries whose planning systems are based on the British model.

2.4.1 The experience of New Delhi

The most interesting case in land acquisition policy in India has been the experience of New Delhi. In 1959 the Delhi Development Authority was created with the task of the large-scale acquisition, development and disposal of land in Delhi in accordance with the new Master Plan. The Delhi Development Authority developed and sold a large number of plots through public auction at high rates and allotted a number of plots at low rates to low and medium-income groups on a lottery basis (subsidizing these by the sale of the high priced plots). All plots were sold on a leasehold basis. In 1969 a massive programme of house construction for low income groups was launched, both through direct construction by the DDA, financed through the newly created Federal Government Housing and Urban Development Corporation, and by means of loans for middle class housing from the Life Insurance Corporation of India.

DDA has the authority to develop the land that it has acquired. Therefore, the provision of on-site water, sewer, roads and power are under its control. The Delhi Municipal Corporation (DMC) has the authority to provide off-site trunk water, sewer, power and roads. The Delhi Administration is responsible for the co-ordination and planning between DDA’s delivery of projects and DMC’s provision of off-site infrastructure. However, there is little institutional coordination of the activities of the two entities. Therefore, DMC’s capital improvement planning, budgeting and works programmes are mostly carried out without regard for the planning, budgeting and implementation of DDA’s land development schemes. This has proven to be a serious constraint in the
delivery of developed land – as completed dwellings stand vacant awaiting sewer or water services.

The land freeze of 1962 for all intents and purposes put private formal sector activities in authorized colonies in Delhi out of the land development business. There were limited small scale development and construction activities on the DDA auctioned plots. Development of authorized colonies was started again in the late sixties when urbanization was pushed to the Delhi periphery by DDA. This allowed for private sector land acquisition and development in the adjoining states of Haryana and Uttar Pradesh. The co-operative sector has received limited access to land over the years in a start/stop fashion. In spite of this by 1983 there were approximately 2300 registered societies in Delhi, most of which were awaiting access to land to provide housing. In the future, limited amounts of additional land will be available at the periphery of Delhi to absorb population increases. Also, an alternative to be explored is infill and adaptive reuse of existing land uses within the confines of the existing built-up urban area. There are substantial numbers of small sites that can be developed under an infill housing strategy.

Insufficient coordination by the Delhi Administration and an apparent lack of funding for DMC to provide infrastructure also had impact on the private sector which was most strongly felt by a number of co-operatives, who had met the requirements of registration and demonstrated the access to completed dwellings.

Obtaining permission of authorities to undertake development is a lengthy and cumbersome process. A developer of a group housing scheme has to get membership approval from the Registrar of Co-operative Societies, the Competent Authority under the Urban Land Ceiling and Regulation Act, Delhi Urban Arts Commission, the DMC and chief fire officer, and the DDA. The process is sequential – one approval is required before going on to the next. And it is time consuming – it may take from one to three years to complete the process. There is substantial potential for improvement in processing times.
Also access to short-term loans for acquisition and on-site infrastructure construction is limited. While there are a number of fiscal incentives used to promote development and investment by the private sector in industrial development and foreign exchange commodity trading. These are not available for land development. Construction lending is limited by the availability of adequate security in the form of permanent loan take-outs.

2.4.2 Constraints in supply of serviced land by Public Authorities

The Land Acquisition Act requires that compensation to the owner be based on the market price at the time the Development Authority notifies of their intent for compulsory acquisition. Due to delays in the bureaucratic process, market prices appreciate in value by the time the acquisition actually takes place and the owner is compensated at a rate far less than market value. Even with just compensation, land acquisition by compulsory taking of the state is difficult because individuals place a high value on the ownership of property. In many cases owners go to court to increase compensation; the process of seeking legal redress adds substantially to the delay. Other impediments include lengthy procedures for construction of on-site infrastructure and cumbersome systems for allocation and auction of serviced plots low-income beneficiaries. Policy impediments include land supply and pricing objectives established by the need to recycle income; difficulty in prioritizing user need groups; and difficulty in meeting lower income distribution goals for serviced plots.

After acquisition, the process of subdividing, preparation of construction documents for on-site works, bidding and letting of contracts, and management of the construction activities is lengthy. The process of subdividing, preparation of construction documents for on-site works, bidding and letting of contracts, and management of the construction activities is lengthy. The process of allocation can be confusing and time consuming due to the number of visits to various offices that are required. Priority is given to the supply of auction land over allotted land, as budget requirements rather than market demand guide the process. Under severe supply constraints, the formal sector land delivery
process is more likely to be skewed in favor of special interest groups with better access to the bureaucracy. Due to the focus on producing revenue, land in prime locations tends to be auctioned first, while allotments are left to less centrally located areas.

A final major hurdle is the lack of adequate land information. In a land market with a large supply/demand gap, updated information is essential to both the public and private sectors within the land delivery system. Often the inventory of public sector land holdings is incomplete. A second shortcoming is the publication of land prices and sale transactions. Many of the regulations to help keep prices down and curb speculation have resulted in informal market transactions – and the resulting sheltering of information about sales. An underground land pricing structure can only add to the private property dealers and real estate brokers ability of manipulate prices. A third impact is on public sector enforcement. Lack of information makes the enforcement of subdivision regulations and building bye-laws more difficult; the implementation of municipal revenue generating property tax system both inequitable and unenforceable.

2.4.3 Constraints affecting the private sector

The major hurdles faced by the private formal sector in participating in the land delivery process are:

- Access to land for development
- Lack of available off-site trunk infrastructure
- Delay in obtaining sanctions
- Lack of finance

2.4.4 Sensitivity to the poor

A study by Amitabh Kundu\(^1\) in 1993 titled “Sensitivity of the System to the poor” states that “the primary concern of the housing sector has been augmentation of the total supply

\(^1\)Kundu, A., In the Name of the Urban Poor, 1993.
of land and dwelling units; and even this limited objective has achieved limited success. More importantly, the agencies have not taken into consideration the demand pattern and affordability of the lower income strata. On the other hand, several agencies by their very mandate and stipulations have explicitly excluded the poor”. Institutional housing by the Government and Public Sector Units is for employees, who do not belong to the weaker sections of society. Benefits of the Cooperative Sector will not reach the urban poor who are unlikely to organize themselves into housing cooperatives. The activities of private entrepreneurs remain beyond the reach of the urban poor. The ownership pattern of assets and the nature of borrowings for the two bottom most asset categories comprising largely of the urban poor make it clear that bringing them into the fold of formal banking system is still a far away goal. Hence the only agencies that can be approached by the bottom 30 – 40 percent of the population are the Government housing agencies.

The urban poor constitute a substantial percentage of the population in a city or any urban area. While they contribute significantly to the ‘informal’ sector of the city, most of the city development plans do not acknowledge the same and the process of marginalization of the urban poor continues geographically also especially to slums in the city outskirts or the peri-urban areas.

2.4.5 Conclusions

There are many inferences to be drawn from the literature review that are relevant to this study and to the case of Bangalore. The city is experiencing exponential rises in land prices that place land for housing out of reach of the common population. The issue is aggravated since 50 percent of the population belong to the low income category. It is apparent that supply by the Public Agency is the only means for the bulk of the population to access affordable housing. In this context it is relevant to reiterate the role of the Public Sector as the chief source for provision of subsidized housing and land for housing.