NCAER
Unlocking land markets in the nation’s capital

Using research, data collection and policy modeling, and working with municipal, government, civil society and industry stakeholders, the National Council of Applied Economic Research (NCAER) is influencing policy on urban land availability in Delhi.

SETTING THE SCENE — Delhi and its extended suburbs, with some 22.7 million people in 2011, is the world’s second most populous urban area after Tokyo, outsizing mega-cities like Shanghai and New York. Delhi’s population has grown more than seven times in the fifty years since 1961. Today, Delhi’s mounting challenge of building an inclusive city that sustains and accelerates economic growth can be seen daily on its streets.

Land, and its use, is at the heart of city growth. Unfortunately, Delhi’s land availability — for housing, commercial use, green spaces, roads, schools and other infrastructure needed for urban living — has not kept pace with its growth. Leaving aside an agricultural belt and a few environmentally critical areas, almost three-quarters of the Delhi National Capital Region is already in use.

Land prices have soared, and are among the highest in the world.

Delhi’s yawning demand-supply gap is partly the result of policy — the less-than-stellar success of the Delhi Development Authority (DDA), granted the monopoly on land acquisition in Delhi, to develop land it had acquired in the 1960s and to convert more land to urban use. In August, 2011, the Indian Minister for Urban Development asked NCAER to develop expertise in land economics to help his ministry deal with key urban policy issues in Delhi and beyond.

WHAT NCAER DID — NCAER is India’s oldest and largest independent, non-profit, economic research institution committed to assisting the government, civil society and the private sector to make informed policy choices. Its first assignment for the land economics project involved working with the DDA to explore alternative models for expanding urban land use through public-private partnerships in land pooling. The Master Plan of Delhi 2021 (MPD2021) already anticipated such partnerships as critical to expanding Delhi’s land supply. At roughly the same time, the NCAER Director-General was invited to join a new Advisory Panel.
assisting the Lieutenant Governor of Delhi in reviewing the MPD2021.

Land pooling, if done well, offers many advantages. It offers opportunities to private land owners, often hesitant to part with their land for redevelopment, to share in the dramatic valuation gains from changes in urban land use and infrastructure provision. By unlocking land values systematically, pooling can greatly increase the supply of new land for urban use, and allow planned urbanization rather than the urban sprawl that usually results from piece-by-piece sales. It can help overcome land acquisition difficulties and the financial misfortunes of urban local bodies, a major reason for the scarcity of well-serviced land. For cash-poor local bodies, pooling can offer a way of financing infrastructure development without having to dip into scarce general tax revenues.

NCAER examined alternative models of land pooling and provided a detailed technical assessment of their economic merit and suitability for implementation. It helped design policy options focusing both on private profitability and the creation of affordable housing stock—an important objective for the government. Learning from experiences elsewhere, NCAER’s work showed that successful pooling will depend greatly on a healthy convergence of interests among four key stakeholders: (1) the local government regulating the process, collecting revenues from it and building infrastructure where necessary; (2) land owners, particularly farmers, who can realize the value locked up in their land; (3) private land developers who will bring capital, resources and technology for creating sound living and commercial spaces; and (4) the urban citizen who will benefit from a more habitable urban environment.

**THE OUTCOME** —NCAER presented its findings to the DDA, other agencies, industry, civil society, and industry stakeholders, and the Lieutenant Governor’s MPD2021 Advisory Panel. In January, 2013, NCAER presented its findings to India’s Minister for Urban Development, who asked for rapid policy formulation after final consultations with stakeholder groups. Later that year, in September 2013, the government announced a new land pooling policy for Delhi. In January, 2014, the Delhi Lieutenant Governor approved the enabling regulation and a new DDA office to handle land pooling, putting in place the first major overhaul of land use policy in the nation’s capital in over six decades. Delhi’s experience will, in turn, provide vital lessons in land use policy to others striving to build more sustainable, productive, and inclusive cities in India.

*For more information on NCAER visit [www.ncaer.org](http://www.ncaer.org)*

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