Land-based Financing for Infrastructure:
What is New about India's Land Conflicts?

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The past ten years has been a decade of land wars in India. Some of the most violent and contentious land conflicts were over the use of land-based financing: the state acquired surplus land, more than was needed for the actual infrastructural project, with the justification that property development on the surplus land can generate revenues and cross-subsidize the building of the new infrastructure. The conflicts over the building of new infrastructural projects, including tolled highways such as the Bangalore-Mysore Infrastructure Corridor and the Yamuna Expressway) and new greenfield airports such as the Bangalore International Airport, are clear examples of this new type of land conflict.

Proponents of land-based financing see the mode of financing infrastructure as heralding a new paradigm of infrastructure provision: that of public-private partnerships (PPPs). The frenetic pace of 21st century urbanization in India generates new infrastructural demands that the fiscally strapped Indian state cannot meet by itself. $1.2 trillion dollars in capital investment for urban infrastructure, 2.5 billion square meters of roads to be paved (which is twenty times the road capacity added in the past decade), commercial and residential space equivalent to the built-up area of Chicago has to be added every year: these are some of the statistics that convey the giddying pace at which infrastructure has to be developed in India.[1] Advocates of PPPs argue that the public sector lack, by itself, lacks the capacity to mobilize such large-scale financial resources and it has to combine in new ways with private sector financing to meet these infrastructural demands. But infrastructure

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projects, as long gestation projects, hold little attraction for the private sector. The state, then, has to experiment with new incentives to rope the private sector into the infrastructural sector, and one such incentive is surplus land: the lure of high returns from property development on the surplus land can bring a reluctant private sector into the infrastructural sector. Surplus land, then, is the bait for the private sector to enter infrastructure, in the absence of which India cannot build the new types of infrastructure needed to propel a country with what Raj Krishna disparagingly called the 'Hindu rate of growth' into double-digit growth figures.

Land-based financing is met with vociferous opposition from the critical left. The critical left is unequivocal that the new infrastructural projects are a variation on the old theme of accumulation by dispossession. Post-Independent India has had ambitious infrastructure development programs, starting from the dams (the temples of modern India) to the new tolled highways and international airports. And the cost of development, according to the left view, is disproportionately borne by the country's most vulnerable: low-caste groups, landless groups, and small farmers. The violent and publicized land conflicts of the past decade – Bangalore-Mysore Infrastructure Corridor, Yamuna Expressway – are framed as episodes of land grabbing, with the state (often acting on behalf of the private sector) expropriating land through legal manipulations, and dispossessing peasants and low-caste groups to further corporate and real estate profits. The acquisition of surplus land to finance infrastructure is seen as the latest version of an old trend of enclosures that dates back to the Irish and English enclosures of the seventeenth to nineteenth centuries, the dispossession of Native Americans from their land by the new settlers of seventeenth century US, and the land rushes that characterized the African colonial experience of the nineteenth century ( ).

The optimistic view of LBF sees it as a new phenomenon, and pays little attention to the use of this financing instrument in the past. The critical view, on the other hand, views LBF as an old historical process that plays itself out ad nauseum and pays little attention to what is new about the latest iteration of LBF projects. Here, I argue that LBF has a long, albeit relatively unacknowledged history, in India, but the new generation of post-liberalization and post-decentralization LBF projects marks some critical junctures and departures in India's development history. I use LBF as a window into the new political economy of land in India, including the new role of land in India's development, the new cast of actors involved in these LBF/infrastructure projects, and the distributional implications of these changes on the provision of basic infrastructure. The paper is in four parts. Part I starts with a very brief overview of LBF in the Indian context. Part II delves into the case of the Bangalore International Airport as a paradigmatic example of the new generation of LBF projects. Part III highlights three key changes between the old and new LBF projects: the new price regime of land, the privatization of surpluses, and the decentralization of surpluses. Part IV shows how these changes come together to produce new land conflicts and new balances of power, and how the recent amendments to the 1894 Land Acquisition Act reflect the challenges faced by the Indian state in balancing the new configurations of class power that emerge in a decentralizing, liberalizing society.

I: An overview of land-based financing in India

Land-based financing is a form of land monetization, i.e. the process of an asset into money or legal tender. At its simplest, land can be monetized through land disposition, i.e. through the leasing or selling of it. Land can also be used to generate further

capital through using it as collateral for raising debt. In its most complex forms, land can be used as the underlying asset for the creation of new fungible and easily transferable financial instruments through processes known as securitization (less common in India, but widely practiced in the West and one of the main reasons for the 2007 global financial crisis).

Land monetization in the form of land disposition is not new to India and dates back to the 1880s when the colonial state set up City Improvement Trust Boards (CITBs). The CITBs acquired agricultural lands outside the city boundaries and built India's first planned suburbs. The CITB activities were partly a move to relocate the native poor from slums to these "model hygienic suburbs" in response to the plague epidemics sweeping through colonial cities, and partly a legitimization of colonial rule through demonstrating the civilizing effects of these rationally planned suburbs over the unsanitary and chaotic native settlements. The colonial government framed the Land Acquisition Act—the subject of much recent controversy and debate in India - in 1898 to enable the conversion of agricultural lands in the peripheries into CITB planned suburbs. In post-colonial India, the CITBs took the organizational form of parastatals. Parastatals are hybrid organizations that perform the functions of public agencies, but with the nimbleness afforded to private corporations. They are generally set up to perform specialized functions and as such, are referred to as special purpose governments, in contradistinction to general-purpose governments such as municipalities. The parastatals that proliferated in the 1960s and 70s are institutional choices to circumvent some of the restrictions imposed on municipalities. For one, the members of parastatals are not elected, but are nominated by the state government. Parastatals then are more insulated from democratic politics and their centralized authority can lead to more efficient and expedited decision-making. Second, they have higher degrees of fiscal autonomy compared to municipalities. For instance, in order to

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safeguard the public interest, local governments in India can use their landed assets only for public uses (not even public purposes) such as parks, public schools and public hospitals. In contrast, parastatals can develop their land to its 'highest and best use' and dispose of it to the highest bidder. Because parastatals can extract the maximum commercial value from their landed assets, land development parastatals such as the Bangalore Development Authority (BDA), set up in the 1970s, soon became one of the richest public agencies in the city. The BDA acquires privately owned land through eminent domain, subdivides and services the land into developable plots, sells most of the plots to the public at affordable rates, but makes huge profits through selling advantageously located plots such as corner plots through public auctions. Though the BDA has the legal powers to borrow from banks and capital markets (again, something that municipalities were prohibited from doing), their lucrative business in land development and disposition precluded them from looking for any other sources of revenue. Bangalore's water and sanitation provider is also a parastatal, the Bangalore Water Supply and Sewerage Board (BWSSB). The BWSSB also owns large land banks in the city and revenues from land development and disposal enable it to cross-subsidize the provision of basic services to city residents ( ).

In the past two decades, PPPs have replaced parastatals as the key organizational form for structuring LBF for infrastructure. I outline below the use of LBF to finance an ambitious greenfield international airport for Bangalore.

II: The Bangalore International Airport

In 2006, the National Commission on Infrastructure set up a Task Force to develop a financing plan for modernizing and expanding India's airport infrastructure. Envisioning a capital outlay of around Rs. 40,000 crores, the Task Force strongly

recommended public-private partnerships as the only viable strategy for building new greenfield airports and for overcoming the logistical bottlenecks imposed by India's existing publicly owned airports. The new airport policy took its cue from international airports such as Heathrow, where the airport promoters profit not from the revenues generated through aeronautical activities, but from the income generated from non-aeronautical, real state activities. For instance, most international airports earn the bulk of their revenues from non-aviation activities. The British Aviation Authority, which operates Heathrow and other airports, derives 72 percent of its revenues from real estate uses (hotels, restaurants, upscale housing and office enclaves, and convention centers) in the land surrounding the airport (KPMG, 2006; Ohri, 2009). The policy of separating aviation income from property development income, and in using the latter to cross-subsidize the former, became particularly important in the Indian context because airports and their connected aviation activities, which are categorized as 'infrastructure,' are subject to pricing controls by the Aviation Authority, and it is only non-aviation/real estate activities that are open to market pricing ( ).

The use of surplus land as a source of financing airport infrastructure was a key element in the financing of the Bangalore International Airport. The industrial parastatal, the Karnataka Industrial Areas Development Board (KIADB), acquired through eminent domain/compulsory purchase 4,017 acres of land in the Devanahalli area in north Bangalore. Of this, 2000 acres is for aviation activities and the remaining land is for property development. The land was transferred to a parastatal agency of the Government of Karnataka (GoK), the Karnataka State Industrial and Investment Development Corporation (KSIIDC). KIADB paid landowners a compensation rate equivalent to the market price of agricultural land at the time of notification, which was around Rs. 600,000 per acre. Since the

GoK proposed to develop the airport as a PPP, KSIIDC would enter into a land lease arrangement with the airport concessionaire and lease the land for a specified term. Besides its contribution of land equity, the GoK also committed Rs. 350 crores towards the project in the form of an interest-free loan.

In 2002, following a global bid under the build-own-operate-transfer (BOOT) model, the GoK selected the Bangalore International Airport Limited (BIAL) consortium as the concessionaire for the new airport. The public partners in this PPP are the Airport Authority of India (AAI) and the GoK through its parastatal agency, the KSIIDC. The private sector partners include Seimens Project Ventures, Unique Zurich (the operator of Zurich airport and other airports) and Larsen and Toubro (L&T). The KSIIDC, as the owner of the airport land, entered into a land lease agreement with BIAL for leasing the land to the concessionaire for a term of 30 years and for a lease rate as follows: Re. 1 till the airport opening date, and thereafter as a percentage of the land acquisition cost of Rs. 175 crores - 3 percent for the first seven years, 6 percent after the eighth year, and thereafter a sum equaling the rent of the preceding year plus three percent.

The shareholding pattern of BIAL in 2002, the time of signing the shareholders agreement, was as follows:

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Shareholders	Shareholding pattern (%) in 2005	Share-holding pattern (%) in 2011
Private Promoters:		
Siemens Project Ventures GmbH	40%	26%
Flughafen Zurich AG Ltd.	17%	5%
L&T IDPL	17%	Nil
GVK Group	Nil	43%
Sub-Total	74%	74%
State Promoters:		
Airport Authority of India – (GoI)	13%	13%
Karnataka State Industrial Investment & Development Corporation Limited (GoK)	13%	13%
Sub-Total	26%	26%
TOTAL	100%	100%

The acquisition of surplus land for the purpose of property development has generated much controversy. Some have pointed out that it was not necessary for the GoK to lease the land to the consortium whose majority stakeholders are private sector firms. Instead, there are other institutional arrangements that would have enabled the Karnataka government to mobilize financial resources through land, while also retaining control over the revenues generated through property development. Bangalore itself has the earlier precedent of Electronic City, the information technology (IT) hub that rings the southwestern periphery of the city. Lacking the financial resources and the expertise to develop the IT enclave, the GoK took responsibility for land acquisition and property development, and used the revenues from property development to hire developers for the new urban development. Another option is for the public sector to divide the project into its real estate and infrastructure components, to ring fence these finances, and to use the revenues from property development directly to cross-subsidize infrastructure. This model is similar to the land monetization practices of parastatals like the BDA. In the BIAL case, the main intention of the public sector is to attract private sector firms to the infrastructure

sector, and this leads to contentious arrangements where the surplus land is directly transferred to private sector control either through a long-term, renewable lease.

In 2009, hardly eighteen months after the opening of the new airport, the GVK Group - supplier of equipment to infrastructure companies such as power plants and airports - acquired 12% stake in BIAL from Unique and 17% from L&T (see table above). In 2001, GVK further acquired 14% stake from Seimens GmBH, thus giving the former management control of the project as majority shareholder. In order to lock-in the private sector capital and to ensure a longer-term commitment to the project, the private sector promoters were subjected to the following lock-in restrictions: Seimens GmBH shall subscribe and hold at least forty percent of the paid up capital of BIAL for a period of three years after airport opening and no less than twenty six percent for a period of seven 7 years after airport opening; and Unique Zurich shall subscribe and hold at least five percent of the paid up capital of BIAL for a period of three years after airport opening. As a construction partner, L&T was not subject to any lock-in restrictions. It is telling that at the end of the stipulated lock-in periods, all three private sector promoters divested their stakes down to the permissible minimum. All three private promoters made windfall profits from their divestitures, as the appreciated cost of land and the non-aeronautical revenues were capitalized into the new share values. In 2005, Siemens invested Rs. 130 crores, Unique Zurich Rs. 55.5 crores, and L&T Rs. 55.5 crores. In 2009, GVK acquired Unique Zurich and L&T's shares at Rs. 485 crores and Rs. 686 crores respectively, and it acquired 14% of Siemens' shares at Rs. 613 crores. In a matter of just four years, the new transferred value of L&T's shares, for instance, are almost ten times its original equity contribution in 2005.

The increased transferred value reflects in the BIAL's balance sheets as increased project cost, and these escalated project costs are ultimately passed on to the

public in the form of increased user development fees. Though the Airports Economic Regulatory Authority regulates user development fees, poorly negotiated contracts like the BIAL one saddle the company balance sheets with high costs, leaving both the GoK and the regulatory authority with little recourse but to succumb to pressure and escalate the user development fees. Contracts like the BIAL one defeat the purpose of competitive bidding: the concessionaire was awarded the contract because it quoted the lowest price in a competitive bid which would result in affordable fares for the public for air travel. And yet, the opportunistic exit of these promoters has resulted in escalating project costs and high user development fees.

III: Land-based financing – What is new?

Using the case of the Bangalore International Airport as an empirical lens, I outline below three key changes in the political economy of land-based financing for infrastructure. The long history of LBF enables us to track these differences over time, and the change in the organizational form of LBF projects – from parastatals to PPPs – is particularly helpful as a starting point.

New price regime of land surplus

In the earlier era of parastatal-led land monetization, the parastatals acquired un-serviced land from private landowners, they reassembled the fragmented plots into developable ones, installed basic infrastructure, and sold the gridded, serviced plots to the public. It was primarily the change from unserviced to serviced plots that contributed to the increase in land value. In other words, the benefits of urban infrastructure were capitalized

into the land values, and it was this land value increment that the parastatals captured. Econometric studies show the rates of infrastructure capitalization in land value: investment in wastewater leads to gains in land value of 3.03 times the cost of investment, piped water supply to gains of 1.02 times the investment cost, and paving roads to gains of 2.58 times ( ).

In the past decade, however, the value of appropriately located agricultural land has increased even in the absence of infrastructural provision. Though it is difficult to get systematic data on agricultural land prices in India, microstudies and spot analyses of compensation rates for recent land acquisitions show the stirrings of a "great rural land rush" with farmland prices rising upto 100-fold in some places ( ). In the Devanahalli area, land value at the time of acquisition in 2002 was Rs. 6 lakhs per acre. In 2004, even before the PPP was finalized and airport construction broke ground, the villages at the fringes of the airport registered land prices of around Rs. 80 lakhs. In 2007-8, the Department of Registration and Stamps notified an upward revision of property guidance values[2] in the Devanahalli districts. The airport was opened in May 2008, and, in the preceding year, in 2007, land in the village of Hire Amanikere was selling at the rate of Rs. 7 crore per acre. These meteoric increases represent a new price regime for appropriately located agricultural land.

It is important to note that not all agricultural land is equally increasing in value, but only appropriately located land, specifically those lands that are at the peripheries of large cities and along infrastructure corridors ( ). The dramatic new price regime for

[2] Guidance value of immovable property is set by the State Government through a committee constituted by the Inspector General of Registrar. Guidance value marks the minimum value below which a property cannot be registered, and is used primarily to determine the stamp duty and registration fees for land transactions.

urban and appropriately located rural land has attracted much attention from scholars. Some argue that the price hike is because of a demand-supply mismatch. New demand-side factors – including the demographic shift, the burgeoning middle class and the growth of dynamic new sectors such as information technology (IT) and pharmaceuticals – combine with outdated land regulations that restrict the supply of serviced land, thereby leading to the scarcity and high price of urban land ( ). Others point to the dizzying rush of black money into the real estate sector, and the organized interests that stand to gain from the existing system and that oppose any changes to land regulations ( ). Yet others point to growing inequality now manifesting itself through skewed land markets, where the ultra rich (the 1 percenters) can afford to pay extremely high prices for the best plots of land, thereby creating a ripple effect in the entire land market ( ).

Rather than focusing on the economics of demand-supply alone, I agree with the latter two viewpoints that the new price regime is a more complex product of the new political economy, and specifically of how certain sectors of the economy are liberalized and others are not, which ones are regulated and which ones are not, and the constellation of actors that make these decisions and that benefit from them. More on investment land, gold, stock market.

Privatization of surpluses

The BDA and other parastatals have recently come under intense flak for their limited public accountability. Having upward channels of accountability to state governments, they are criticized for undermining local democratic institutions, and particularly for contravening the recent efforts at democratic decentralization as envisioned by the 73rd and 74th Constitutional Amendment Acts. Though not directly accountable to the

politicized electorate, as public agencies, parastatals do come under the recent transparency law, the Right to Information Act. Questions of public accountability become thornier for the new PPPs. Operating for profit under market conditions, private sector promoters want to maintain their competitive edge through some keeping some proprietary information confidential. These confidentiality requirements are at odds with the accountability norms under which the public sector operates. In the BIAL case, a Bangalore resident challenged the BIAL's refusal to furnish information under RTI. BIAL argued that since private promoters owned majority stakes in the consortium, it was not a public authority and hence was outside the purview of the RTI. In a definitive judgment, the Karnataka Information Committee, and later the Karnataka High Court, rejected BIAL's argument with the verdict that the airport project is "substantially financed" by the government and as such it is subject to audits by the Comptroller and Auditor General (CAG). Though the BIAL case tilted in favor of public disclosure, the question is unresolved in other airport cases (including Hyderabad and Chennai) where the matter is still pending in the courts.

Besides public accountability, a key difference between parastatals and PPPs is who captures the surpluses from land monetization. In the case of parastatals, revenues from land redevelopment and disposition are captured by a public agency. These surpluses are then either reinvested in new affordable serviced residential layouts (in the case of the BDA) or to cross-subsidize the provision of basic services (in the case of the BWSSB). Parastatals may not be directly accountable to the public, but surpluses from land monetization accrue to the public. In the case of the PPPs, on the other hand, it is not the public, but private shareholders of the promoter companies that benefit from land monetization. The opportunistic exit of L&T from the BIAL consortium reflects the incentives of private sector firms in maximizing the returns to their shareholders. As soon as

the airport was completed and the market value of the land around the airport was 'discovered,' all three private sector promoters had their shares valued at more than ten times their investment in 2005, captured the appreciated land value in the new share price and either partially or completely exited from the partnership.

The private sector has benefited from state-mediated transfer of land in the past. Since the early decades of Independence, private sector firms have been amassing vast tracts of land to build their offices and industries on. In the past decade, however, firms have turned to monetizing their land banks. The cash-strapped national carrier, Air India, recently announced plans to sell key plots of land as a financial strategy to revive its sagging balance sheet.[3] Privately owned textile firms like Arvind Mills and Bombay Dyeing are likewise using their vast land banks to start lucrative real estate developments, and the revenues generated from real estate are helping boost the companies' stock values.[4] Firms that heavily borrowed before the 2008 global financial crisis and that are now saddled with heavy debt in a slow economy have also turned to land monetization to pare their debts: the 10 large business houses[5] whose combined debt accounts for nearly 20 percent of bank loans in the country are planning ambitious real estate projects on their vast land banks as a strategy for deleverage their balance sheets. In other words, the land banks no longer serve as the key input factors for the generation of industrial wealth; the land banks themselves become a source of wealth as the returns from property development outpace the returns from even industrial development. Private sector firms are increasingly moving into the infrastructure sector not in anticipation of gains from infrastructural development, but in anticipation of the soaring returns from property development on the surplus land.

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Decentralization of surpluses

Though the BDA and other parastatals have been actively acquiring land since the 1970s, it is only in the past decade that these coercive takings have escalated into such violent and visible conflicts. A key protagonist in the recent land conflicts is the group that has been variously identified as the agrarian propertied class ( ), the dominant caste agrarian landowners ( ) and the real estate politicians ( ). This class includes caste groups such as the Vokkaligas in Southern Karnataka and the Maratha-Kunbis in Maharashtra. The acquisition of privately owned surplus land that would purportedly cross-subsidize the building of new highways such as Yamuna Expressway and the Bangalore-Mysore Infrastructure provoked the wrath of this class of agrarian landowners: the Jats in the former case and the Vokkaligas in the latter. In cases like the BIAL, the surplus land was owned/occupied not by powerful agrarian propertied classes, but predominantly by "unauthorized cultivators," i.e occupiers who had been cultivating on government land for decades. The remaining land was owned by authorized cultivators who belonged to more dispersed caste groups, many of them low-caste Dalits. These cultivators with titles to their land received paltry compensation of Rs. 5-6 lakhs. The villages surrounding the airport have seen dramatic increases in land prices. Agrarian elites, both from the region and from surrounding regions, are now actively involved in consolidating these lands through purchasing them from marginal landowners, often with the mediation of local brokers.

In other words, the rising price of appropriately located agricultural land has led to new urban real estate aspirations for certain classes of agrarian landowners – the agrarian propertied classes. These landowners see a lucrative opportunity in converting their agricultural land into high-demand urban land. But, existing regulations governing

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agricultural land conversion often prevent them from doing so. For instance, the Land Reforms Acts impose strict restrictions on the conversion and transfer of agricultural land. Owners of agricultural land cannot sell, lease or mortgage their land to non-agriculturalists, or to educational, religious, charitable society, trust, company, association or cooperative other than the cooperative farming society.[6] To prevent concentrated land ownership, the acts also placed ceiling limits on agricultural landholdings and any person owning land in excess of the ceiling was prohibited from alienating any or all of the surplus holding. As a result of these restrictions, it was only parastatals like the BDA and the KIADB that could successfully go through the various regulatory steps and develop formal residential and industrial sites on previously agricultural land. These land reforms have been steadily modified and even repealed since the 1990s onwards to enable expedited and unmediated agricultural land conversions. In Karnataka, the changes came in the form of the 1996 amendment of the Land Reforms Act, during the Chief Ministership of Deve Gowda. The amended act enabled agricultural landowners to directly lease their land to certain non-agricultural uses including aquaculture, horticulture, floriculture, housing projects and educational institutions. These uses were also granted exemption from the land ceiling limits. The amended act was justified on the grounds that frequent violations of the old Land Reforms Act defeated the very purpose of the act – the protection of small and marginal farmers – and the new act was merely legalizing land practices that are rampant and that will continue irrespective of the letter of the law. The real motivation for the amendment was political. As an astute politician, Deve Gowda recognized the aspirations of his party's leading political constituency – the Vokkaliga agrarian propertied class – to be a part of the 'India Shining' growth story and to partake in the benefits from a booming real estate sector.

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[6] Sections 79A and B of the 1961 Land Reforms Act.

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The new land reform amendments were intended to remove the parastatals as mediating land agencies and to ease the entry of a politically strong agrarian propertied class into real estate.

These changes have led to the emergence of a new political class that Pani has identified as the "real estate politician." But existing regulations prevent the agrarian propertied class from monetizing their agricultural land. Recognizing the aspirations of this class, astute politicians like Deve Gowda have changed. MLAs. Often lacking the educational qualifications to join an urbanizing economy, these agrarian elites invest their real estate profits in election campaigns. A review of the mandatory declaration of assets of Karnataka's Members of the Legislative Assembly (MLA) in the past decade reveals a striking trend. In the 2008 Karnataka Assembly elections, 23 of the 30 MLAs received their recent wealth as real estate developers. The trend continued in the 2013 Karnataka Assembly elections, with more than 14 of the 28 MLAs owning considerable amounts of real estate in the peripheries of the city.[7] Land monetization as a source of state-level political power also has to be seen in the context of India's liberalization reforms. The setting up of SEBI and the dramatic increase in the size of initial public offerings (from ___ in ___ to 600 crores in ____) led to a segmentation with large scale investors controlling the regulated stock market and regionally powerful agrarian propertied classes investing their surpluses in unregulated land markets.

[7] Merinews 2009 a and b; Goldman; affidavits filed by candidates with the Election Commission as made available by National Election Watch at http://myneta.info/karnataka2013/index.php?action=show_winners&sort=default.

IV: Private Land and the 'Publicness' of Infrastructure

Using land monetization to finance infrastructure is not new in India. As evident from the long history of parastatals (and their earlier colonial institutional versions of City Improvement Trust Boards), public agencies have frequently turned to land redevelopment as a source of revenue for public infrastructure. What is new in the new millennial experiences of LBF are the three trends of the new price regime of land surplus, the privatization of surpluses, and the decentralization of surpluses. As India experiments with two key policy changes of liberalization and decentralization, two powerful constituencies that were hitherto kept distinct now start competing over the allocation of land surpluses. Industrial firms whose core business till a few decades back did not include property development are now diversifying into real estate and becoming prominent players in this sector. Agrarian propertied classes that earlier exercised material control over the agrarian economy now use their landed assets to finance their election campaigns and propel them into prominent elected positions at the state level. As the state appropriates privately owned surplus land for financing infrastructure, the flashpoint of the new land conflicts is how the land surpluses are allocated between the financially powerful industrial (now property development) firms and the electorally strong agrarian propertied classes. The Indian state has responded to this conflict through amending the 1894 Land Acquisition Act and amending the terms of transferring agricultural land from one private actor to another, i.e. from agrarian landowners to private sector firms. The policy response of the Indian state reflects a pendulum swing from, at first, capitulating to the demands of the private sector firms, and then, swinging to the other extreme and yielding to the demands of an agrarian propertied class.

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Bangalore is replete with new infrastructure projects financed via land monetization. Besides the BIAL project, another infrastructure project that has captured the media and public attention is the Bangalore-Mysore Infrastructure Corridor, a tolled highway connecting the cities of Bangalore and Mysore. Bangalore's public agencies acquired 7000 acres of land for the tolled expressway and handed over the land to the private sector concessionaire, the Nandi Infrastructure Corridor Enterprise (NICE). While the tolled expressway will be handed over to the Karnataka government after 30 years, another 21,000 acres of acquired land was sold to NICE for the building of five new townships along the expressway. In interviews with senior bureaucrats in Karnataka, they conceded that the new tolled expressway is redundant – the intended goal of faster connectivity between Bangalore and Mysore could have been achieved through expanding and improving the existing rail link that exists between the two cities. And yet, an ambitious $ 1 billion expressway project was proposed in order to justify the transfer of 21,000 acres of agricultural land to private sector firms for real estate development. The exit of Siemens, Unique and L&T in the BIAL case vividly captures the incentives of private sector promoters who enter the infrastructure sector only for the gains to be made from property development. Since the returns from property development are faster and higher than the long gestation infrastructure projects, private sector promoters find ways to exit the poorly negotiated PPP contracts as soon as they are able to capture the appreciation from land redevelopment.

One could argue that in both these cases, state agencies could indiscriminately transfer agricultural land from one class of private actors to another because of the low compensation regime. A fair market value compensation for acquired land, or 'just compensation,' is generally justified based on the principles of utility and fairness. The utility principle argues that when governments are obliged to pay fair market value

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compensation, the price system deters governments from acquiring more land than is needed for the public use/public purpose, and it incentivizes the government to utilize the condemned land most efficiently. In the absence of compensation, the government is not paying for the full cost of its regulations and the costs of government regulation are not fully internalized. The fairness principle argues for compensation so that the costs of a public infrastructure, i.e. infrastructure that is enjoyed by a diffuse public – is not disproportionately borne by a small group of landowners. Had the compensation rate not been determined by government diktat, and had it been more reflective of the market price of urban land, the state would have been more fiscally prudent in its land acquisition, and the agrarian landowners would not have been so unfairly excluded from the surpluses from land redevelopment.

These coercive land acquisition practices however did not go unchallenged. Agrarian propertied classes reacted vociferously to these acquisitions that deprived them of capturing the windfall profits from monetizing their converted agricultural land. Faced with a huge public backlash that was spearheaded by dominant caste landowners across the country, the Indian state teetered to another extreme position and introduced a new compensation regime for land acquisition. The 2013 LARRA obliges the state to compensate land at the rate of two times the prevalent market value for urban land and four times the market value for rural land. The marked-up compensation regime in one stroke shifts the decision-making process on land acquisition from government diktat to the market. In doing so, it overcompensates the small group of agrarian landowners whose lands are needed for the new infrastructure. In relying on the price system to allocate land, the Indian state will now be forced to prioritize those infrastructure projects that promise high rates of return so that it can recover the high costs of land acquisition. The use of LBF for infrastructure

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reinforces spatial imbalances: infrastructure will be developed in already prosperous areas where the land values are high enough to enable LBF. In addition, the new compensation regime further skews infrastructural development towards international airports, tolled expressway and other types of infrastructure that can generate higher user charges and achieve higher cost recovery, and away from public infrastructures such as rural roads and rural irrigation systems.

The question of the right compensation price for land is removed from the larger context of the type of public infrastructure needed for India at specific moments of its development trajectory. The state acquired private land for the Bangalore international airport under the old Land Acquisition Act and compensated the existing landowners with a low rate that did not capture the value of the land value increment. Those who bore the cost of the new project through losing their land – the unauthorized cultivators and authorized marginal landowners – had little voice in determining the type of infrastructural project that would come up on their land. In other words, these marginal landowners gave up their land for an infrastructural project – an international airport – that they would in all likelihood never use or benefit from. The question of what type of infrastructure is needed for the Devanahalli region was insulated through vesting decision-making in the PPP company. The new compensation regime mandated in the 2013 LARRA, in a different way, insulates the deliberations of the type of public infrastructure needed for different regions from the public domain. In relying on the price system, the Indian state has effectively ceded decision-making control to the market. Instead of crucial decisions on public infrastructure being sited in the public domain, they are being increasingly depoliticized, first through

outsourcing them to technocratic organizations like parastatals and now through a turn to the market.

In the BIAL case, the poorly negotiated contract led to escalation in project cost, and the state legislative assembly had little choice but to authorize the hike in the user development fees. Now, with the marked-up compensation regime of the new land acquisition act, democratic forums have little choice but to choose infrastructure projects that are financially viable, given the high costs of land acquisition. In the Indian state's careening from responding to the demands of one constituency – the financially powerful urban firms – to the demands of another constituency – the electorally strong agrarian landowners – the question of the type of infrastructure needed for the inclusive growth of the other diverse publics remains unattended. The choice of infrastructure – whether a country with limited resources should invest them in rural roads or tolled highways, in rural irrigation projects or urban international airports – is a contested one, with different publics having different preferences. Countries like Brazil are innovating with new experiments such as participatory budgeting, so that these contested decisions can be more firmly and closely entrenched in the politicized electorate. India on the other hand is further depoliticizing these difficult choices, leaving even its formal deliberative bodies like the state legislative assemblies with their hands tied in making decisions on public infrastructure.

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