



**Addis Ababa University**  
**College of Business and Economics**  
**Department of Public Administration and Development Management**

**A Critical assessment of urban land policy implementation and its  
benefit: The case of Bole Sub city**

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**May, 2019**

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**Addis Ababa University**  
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**A Critical assessment of urban land policy implementation: The case  
of  
Bole Sub city**

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This is to certify that the thesis prepared by Daniel Berihe Tessema entitled A Critical assessment of urban land policy implementation the case of Bole Sub city which is submitted in partial fulfillment of the requirements for the Degree of Masters in Public Management and Policy (MPMP).Complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

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I, the undersigned, declare that this thesis is my original work and has not been presented for a degree in any other university and that all sources of materials used for the thesis have been duly acknowledged.

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## **ABBREVIATION**

AA	Addis Ababa
BPR	Business Process Reengineering
CIS	Cadastral Information System
CSA	Central Statistical Agency
FDRE	Federal Democratic Republic of Ethiopia
FAO	Food Association Organization
FIAS	Federation of international association for surveyors
GGP	Good Governance Package
ICT	Information Communication Technology
ICR	Implementation Completion Report
LA	Land Administration
LLHP	Land Lease Holding Proclamation
LRC	Land Registration and Cadastral
MIS	Management Information System
MUDHC	Ministry of Urban Development, Housing and Construction
NCRPRS	National Cadaster and Real Property Registration System
UH	Urban Hierarchy
ULD	Urban Land Development
UGGP	Urban Good Governance Package
ULRP	Urban Land Registration Package
UNDECA	United Nation, Department of Economic and Social Affairs
UN/FIG	United Nation Federation of International Surveyors
UNECA	United Nation Economic Commission for Africa
WB	World Bank

## ABSTRACT

*The main goal of this research is to critically assess the urban land lease policy implementation the case of Bole sub city. The specific objectives of the study were to identify the challenges in the practical implementation of the policy, evaluate the benefit of the people and local government from the urban land lease policy, evaluate the lease policy in line with its effect on financial contribution for infrastructure development of non serviced land and to identify problems that expands the gap between supply and demand of land in the study area. For the sake of achieving the objectives of this study descriptive method were employed and, questionnaires were analyzed by using table, percentage and average. The results of the data are presented in qualitative and quantitative forms. The information collected through questionnaire from 120 sample respondents. The respondents were selected using purposive and convenience sampling technique. The study was focused on assessing the effect of urban land lease policy on infrastructure of non-serviced land, demand & supply of land and on benefit of the people from urban land policy. The finding of the study indicates that the land market regulation mechanism cannot control imperfection and not benefited the people and the people do not satisfied in current supply performance of housing and land supply. Based on the findings, the key recommendations made such as, bole sub city government should take lesson and share the experience of similar well-functioning and effective land lease system implemented countries in global level. Continuous and timely revision of the land lease law to reduce emerging constraints and make intervention for lowering land lease price. Revenue collected from lease should be used for its intended purpose in accordance with what says the proclamation 272/2002.*

**Key words:** Urban Land Policy, Transfer modality, Lease Revenue, Infrastructure of non-serviced land.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Back Ground of the Study

There is a very strong relationship between land and human in every part of the world. The land administration system to promote that relationship will always need reform and change. Williamson (2001) Land is a fundamental resource for the economic development of any country in the world. As Deininger et al (2010:2) discussed, land is an enormously valuable asset, typically accounting for 30-50% of national wealth in developing countries. Globally, land governance is about the policies, processes and Institutions by which land, property and natural resources are managed. This includes decisions on access to land, land rights, land use, and land development (Deininger et al., 2010:2).

The reform activities on the land laws and regulations in the help of modern systems are becoming important to achieve efficient and effective land administration in every part of the world and as a result it can address the demand of the society. (Burns, 2006) .As (World Bank, 2009:6) stated, -land governance is basically about determining and implementing sustainable land policies and establishing a strong relationship between people and land.

The same with the other world, the laws and regulations related to land administration in Africa largely lacks clarity and overlaps responsibilities. Knowing all these gaps, many countries have implemented legal reform to solve the problems and to begin new initiatives. Tanzania, for instance, has passed new land laws since 1999 and other countries like Uganda and Mozambique have also issues various land laws and regulations. But the expected result and the coverage is high and yet could not achieve in full scale for many of the reform initiatives (Burns, 2006). In many instances, traditional ownership and informal land administration systems are sufficiently exist in parallel with formal system, which make the formal system ineffective and inefficient. In addition, in most African countries the official land administration system is often not functioning independently, and where some land administration activities are implemented in traditional way which affects customer's interest (Deininger et ai, 2010).

When compare to advanced countries, land Governance in Ethiopia is still at very early stages of the process of development (World Bank, 2011). Significant efforts and improvements are required in order to make land administration more efficient and effective. Kaganova (2005) has identified three areas that seem to be especially necessary for good land governance: introducing some fundamental principles of good governance; clear distribution of the decision-making power and overall responsibilities the government system; and deploying additional resources

In fact, Ethiopia is not the only nation to have a law which says government is the owner of all land in the country. If the public is controlled all the land in the country, the people own land only through possession of use rights. Therefore, it is only possible to perform well with land use right system for the economy, provided that different relevant dimensions of land policy and administration are appropriate to development (World Bank, 2011).

When we are looking back at the past period, the land decree which was issued in 1932 has recognized private land ownership with the aim of improving the land tax system of the city of Addis Ababa (Jagemma 2001). Even in earlier time, those who could not afford to buy land from the land lords had the only choice of leasing land. Then after 1975, the proclamation no 47 of 1975 has stated that it is necessary to bring under government ownership and control urban lands and extra urban houses to bridging the wide gap of the standard of living of urban dwellers.

The urban land lease law had officially been in effect in Ethiopia since 1990s with different aims. In 1993, the government enacted the first and new leasehold proclamation that has been amended in 2002 and then in 2011. Nonetheless, the focus of this study, the new Urban Lands Lease Holding Proclamation No.721/2011 aimed at enhancing development and enabling citizens benefit as much as their contribution to the development. Since these land lease policies have come to existence, different problems have so far been occurred especially during the implementation process. Source: Development Hub/Addis Ababa Chamber of Commerce and Pectoral Associations, 2016

Following this, various policies are formulated that aim to promote investment and urban development. Among these, the Urban Land Development and management Policy and Strategy formulated in 2013, proclamation No. 818/2014 that establish the foundation for urban landholding registration, proclamation 455/2005 that guides the expropriation of land holdings for public purposes and payment of compensation and proclamation No. 721/2011 that serves as a directive for urban land lease holding are the key institutional arrangement that have direct implication for promoting private sector investment in Ethiopia. These reforms affirm that no land can be obtained or transferred other than on a leasehold basis. They also issue the authority to lease land and determine the terms of redevelopment to the nine Regional Governments and two city administrations.

Many measures have been taken to tackle urban problems in our cities. One of which is regarding the land policy that is very delicate, the most important and politically sensitive area, which the national government has directly involved in it. Addis Ababa is presently ahead of other cities to adopt land lease regulation as well as land and housing management practices. Although land is a scarce resource and due to its immense implication for development, different proclamations and policies have been exercised in the country.

The study by the World Bank group (2014) on urbanization in Ethiopia revealed that access to jobs, infrastructure and services are the three key gaps for urbanization, but did not give emphasize to these areas to meet the demand of growing numbers of urban residents. According to World Bank (2012) study land allocation is the second most area of corruption in Ethiopia following customs services. The most corrupt activity in the land sector occurs at the implementation stage suggesting that the level of corruption is influenced by the way policy and legislation are formulated and enforced.

The service providers are expected to deliver efficient, cost-effective, and sustainable land related services. But, as indicated in the 2013 Evaluative Training Module of the city, the provision of land administration services is not efficient and satisfactory.

The provision of this service is not able to meet the demands of the dwellers. This is because of various problems which may emanate from different sources and are interrelated and complex in their nature.

This study, therefore, has taken into account the broader context of the Country's urban land lease policy (with a main focus on the currently functional land lease law) assessed the Urban land policy implementation in the study area of Bole sub city administration boundary.

## **1.2 Statement of the Problem**

There are many studies conducted by the city government to tackle the problems related to improving land supply, housing development, and land management and implementation activities. Many of these problems have got response by the government but some of them are not getting consideration yet. Although the issues that have peaked up are interconnected, the research could not overcome to look at all problems.

The Urban Land Development and management Policy and Strategy formulated in 2013, proclamation No. 818/2014 that establish the foundation for urban landholding registration, proclamation 455/2005 that guides the expropriation of land holdings for public purposes and payment of compensation and proclamation No. 721/2011 that serves as a directive for urban land lease holding are the key institutional arrangement that have direct implication for promoting investment in Ethiopia. These reforms affirm that no land can be obtained or transferred other than on a leasehold basis. These different proclamations are not only constitutionally founded; they have also social and economic goals that are expected to be achieved through their effective implementation. However, the city characterized by inadequate of housing, poor infrastructure, growth of unemployment, low investment, corruption and the land administration authority of Addis Ababa has indicated the way how land lease came into effect and the situation of land market in the city. They have reached to a conclusion that the policy could not meet the objective with respect to renewal of the core area, efficient use of land and attracting investment (Nega Woldegebriel, 2005)

The study by the World Bank (2014); revealed that land leasing becomes the major sources of revenue for infrastructure development for cities in Ethiopia. Besides, unlike the period before ten-years during which the city has increasingly been expanding haphazardly, its development has started to be implemented with well-prepared plan and well-coordinated manner. On the other side of the argument, there are well observed shortcomings since the experience shows that the reforms give little concern for sustainable expansion possibilities and only adds in efficiencies in land utilization, for instance corruption, non-transparency and unfairness have reigned in the system.

More importantly, the urban land lease policy ignores the demand side of urban land management, which is an essential element in promoting investment and there is a marked gap between the demands for basic services and the supply of those facilities by the city. Moreover, urban land for investment has emerged as a key bottleneck and evidence revealed that many investors, who got discouraged or cancelled their investment plans in Addis Ababa, because of lack of access to industrial land. A survey report by the foreign investment advisory service (2001), for instance, indicated that the costs of acquiring an appropriate piece of land in the city are prohibitive. Based on a recent administrative data, it is estimated that about 6000 investors are in a waiting list requesting land for investment as of June 2016. This does not only discourage private investment (and thereby employment opportunities for many unemployed and educated youth) and created distortions in the land, rental market and price hike. (FIAS, 2001)

The study by the World Bank group (2014) on urbanization in Ethiopia revealed that access to jobs, infrastructure and services are the three key gaps for urbanization, but did not give emphasize to these areas to meet the demand of growing numbers of urban residents. Also according to World Bank (2012) study land allocation is the second most area of corruption in Ethiopia following customs services. The most corrupt activity in the land sector occurs at the implementation stage suggesting that the level of corruption is influenced by the way policy and legislation are formulated and enforced.

The service providers are expected to deliver efficient, cost-effective, and sustainable land related services. But, as indicated in the 2013 Evaluative Training Module of the city, the provision of land administration services is not efficient and satisfactory. The provision of this service is not able to meet the demands of the dwellers. This is because of various problems which may emanate from different sources and are interrelated and complex in their nature.

The current legal framework has certain gaps in the implementation process along with certain discrepancies in harmonization among various laws and regulations (World Bank, 2011). This created lack of clarity in the provision of services due to which governance of the institution has become poor. The 2011 World Bank report has discussed on the lack of capacity and resources led to inefficient service delivery and ineffective land management. Weak capacities of the institutions adversely impact the service delivery. Land related technology in the institution has not been implemented which was expected to benefit the sectors like land use planning and infrastructure service (UGGP, 2006)

Bacry Yusuf (2009) conducted a study on the land lease policy in Addis Ababa qualitatively evaluates the performance of the urban land management system and identifying issues and problems underlying the gap between supply and demand. These studies are made using qualitative information and review of documents. However, even if the findings and conclusions from such studies are open to debate and subject to individual judgments, they are important since they pose important questions that need to be addressed quantitatively.

To this end, the research has focused first on the major issues of implementation on the demand and supply of land and the benefit of urban dwellers from the policy. The second issue that the research has emphasized on Article 10 of the proclamation No 272/2002, under the title Utilization of Income from Lease indicated that, at least 90% of the revenue collected from lease should be used for building urban infrastructure, accordingly the research has assessed the policy in line with its effect on financial contribution for infrastructure development of non-serviced land on the research area of Bole sub city administration boundary.

## **1.3 The research objectives**

### **1.3.1 General objectives**

The main objective of this Research is critically assess the implementation of urban land lease policy the case of Bole sub city administration

### **1.3.2 Specific Objectives:**

The specific objective of the study were stated below

- To identify the challenges in the practical implementation of the policy.
- To evaluate the benefit of the people and local government from the urban land lease policy
- To evaluate the lease policy in line with its effect on financial contribution for infrastructure development of none serviced land.
- To identify problems that expands the gap between supply and demand of land in the study area.

## **1.4 Research Question**

The study used the following major research questions:

- What are the major challenges in the practical implementation of urban land lease policy?
- How peoples and local government benefited from urban land lease policy?
- What is the financial contribution of land lease policy for infrastructure development of non-serviced land?
- What are the factors that expand the gap between supply and demand in the study are?

## **1.5 Significance of the research**

The Intention of the research is to assess the practical implementation of urban land policy towards its benefit to urban dwellers and the provision of demand and supply of land. Additionally findings from this research would stimulate further studies in the area of land

policy especially identifying the obstacles that have occurred during the implementation process.

So it is essential to critically and comprehensively assess the existing pitfalls of the policy. In general the research has intended to assess where the real problem for improving the delivery of serviced urban and to set out clear recommendations on how the priority objective of the policy will be achieved. The result and findings will be helpful to the responsible bodies of the sub city in many ways.

## **1.6 Scope of the research**

The study is limited in scope to assess the implementation of the current land lease policy in light of the land proclamations and directives in Bole sub city administration. The time scope of study focused on after 721/2011 urban land lease holding proclamation. However, in some instances urban land proclamation 80/1993 and 272/2002 have been assessed. Spatially, the study was limited only to Bole sub City administration's legal boundary.

In fact there are different issues that have been assessed regarding the existing policy document, but due to the limited time and lack of sufficient information, the research has focused on the limited critical area of the policy.

## **1.7 Limitation of the research**

The limitation was that the number of samples that has been taken is small as compared to the size of the area and number of the population. Furthermore, the unwillingness of some respondents to fill the questionnaires as well as the responded answers that were not clear was the other limitation of this paper.

## **1.8 Structure of the research**

This research paper is constructed with six parts; the first chapter contains the background up on which sufficient information is gathered in order to allow the reader to have the clear picture of the city's land administration performance and statement of the problem which is the core area of the research that shows the critical problem and gaps filled.

The second chapter is supported by different theories and practices of the world, which was assisted the research to produce different arguments on the selected area. The theoretical framework has focused on how urban land lease come to effect in countries where land is state owned.

The third chapter deled with the methodology that described how to go through the issues that were raised in the objective and research question. Preparation of questionnaires and distribution for the key persons was one of the approaches, which the research has followed and also compared different practices with respect to existing situation of the city.

The fourth and the fifth chapters have put the result of the collected data. The issues of the citizens and perception, the relation between the lessee and the lesser (leaseholder) as well as the utilization of resources are explicitly discussed.

The conclusion drawn in the final section concerned the suggestions which were relevant to the issues mentioned in the previous chapters have been pointed out. It provided a general overview of the recommendations, which contained the scope for future research.

# CHAPTER TWO

## LITERATURE REVIEW

### 2.1 Introduction

In Ethiopia, land is constitutionally state owned. The Constitution provides that the right of ownership of all rural and urban land is exclusively vested in the State and in the peoples of Ethiopia. As a result, land can be acquired through lease hold system. A number of proclamations and regulations have been formulated that determines the value of urban land and to facilitate investment in business, residential and other uses. So, this section mainly deals about the concepts on land lease policy, current situations of land lease policy and its implementations.

### 2.2. Concepts and Definition

The definition of land used to be: "a physical entity in terms of its topography and spatial nature"; this is often associated with an economic value, expressed in price per hectare at ownership transfer. The broader, integrative or holistic view takes into account the socio-economic resources of the physical entity. (UN, Report 1994):

**Lease:** means a system of land tenure by which the right of use of urban land is acquired under a contract of a definite period.

**Urban Land lease policy:** is a directive for urban land lease holdings on lease basis.

**City Administration:** means the Addis Ababa City administration or Dire Daw city administration.

**Appropriate Body:** means a body of a Region or City administration vested with a power to administer and develop urban land.

**Grace Period:** means a frame of time that a lease is relived from payment after effecting the advance lease payment and before the commencement of the annual lease payment.

**Lease Benchmark price:** means the threshold price determined by taking in to account the cost of infrastructure development, demolition cost as well as compensation to be paid to displaced persons in case of built up areas and other relevant factors.

**Allotment means:** A modality applied to providing urban lands by lease to institutions that

could not be accommodated by way of tender.

**Tender:** means a modality of transferring lease of urban land to a bid winner fulfilling the competition requirements issued based of the rule of market competition of urban land tenure.

**Urban Plan:** means structural plan, local development plan, and basic plan of an urban center including annexed descriptive documents which are legally indorsed by the authorized body and have legally binding effect.

**Compensation:** means, payment to be made in cash or in kind or in both to a person for his property situated on his expropriated landholding.

**Region:** mean any region referred to in the Constitution and includes the Addis Ababa and Dire Dawa city administrations;

**Landholder:** means an individual, government or private organization or any other organ which has legal personality and has lawful possession over the land to be expropriated and owns property.

**Urban administration:** means an organ to which urban administrative powers. All duties have been given by law or delegated by the concerned government body to exercise such powers and duties.

**Public purpose:** means the use of Land defined as such by the decision of the appropriate body inconformity with urban structure plan or development plan in order to ensure the interest of the peoples to acquire direct or indirect benefits from the use of the land and to consolidate sustainable social economic development.

Source: urban land policy proclamation 721/2011 and Proclamation No272/2002

### **2.3 Conceptual Framework:**

The neo-classical economic theory of property rights asserts that clearly defined individual property rights to land, secure and easily transferable land rights are necessary and sufficient conditions to boost economic agents' attempt in land-related investment (Deininger & Jin 2006). At the other end of the ideological spectrum, the social aspect warns that individual rights to land are not inherently beneficial endeavor in all societies. There might be adverse social consequences in creating unequal opportunities. This creates inequalities among the richer and the poorer societies when claiming their rights. This may result in a consequence of accumulation of land by less efficient operators, on non-equitable terms in the land market. It also may distort credit markets in favor of 'inefficient but wealthier' operators (Feder, 1999; Fitzpatrick, 2006).

State ownership to land has been introduced as a reaction to the negative consequences of unrestricted private ownership to land by only a few. The concept of state ownership to land has proven to have many limitations. The dichotomy between economic and social perspectives calls for multi-disciplinary rigorous analysis. The literature indicates that to minimize the economic and political conflicts arising from land reforms, public officials in many former socialist countries have been practicing within a public leasehold system. Supporters of a leasehold tenure argue that it allows state intervention if the tenant fails to utilize the land or damages it by mismanagement. They find that unrestricted ownership of land offered by a freehold tenure is undesirable because it may also result in speculation, fragmentation, underutilization or damage to the land by irresponsible practices.

Leasehold tenure has in large become the dominant form of land tenure. It is believed that leasing public land may lessen the tension between the communist's desire to uphold public land ownership and the reformists' demand for increasing private property rights (Hong and Bourassa, 2003). If existing institutions can credibly commit to lease contracts, giving users secure, transferable and long-term lease rights. Long-term land leases with provisions for automatic renewal will be the most desirable option. If the leases awarded by state institutions are not credible, measures to increase tenure security or, alternatively, full privatization, will be required to give users sufficient security of tenure and the associated benefits. An indicator of limited credibility of leases is that even where there is strong, effective demand for credit, financial institutions will not accept long-term leases as collateral (Deininger, 2003)

Many scholars have suggested that public leasehold systems have advantages. In general, the reasons for adopting public land leasing is classified as financial, urban planning and financial instruments reasons that are presented below:

**Financial reason to social benefit:** One of the advantages of retaining land in public ownership is the appropriation of future land price increases by the public and distributing it to society. When a municipality grants the use of land under a leasehold system, it reserves the right to claim a substantial proportion of future increments in the capital value of land at the end or in the middle of the contract. There are social benefits because the income generated by the leaseholds can be

invested in urban projects that are beneficial for all citizens (The Development Corporation Amsterdam, 2003 Hong and Bourassa, 2003).

**Planning tool reasons for effective implementation of the lease:** In principle, public leasehold systems allow the government to manage urban growth by incorporating land use regulations into land leases. If lessees do not develop their land according to the lease provisions, the government has the right to take back the land, a contractual right not available to the government when land is privately owned. Public leasehold systems indirectly permit the government to control the undesired expansion of the city. The leasehold system also does away with speculation and the non-transparent system (corruption) of plot allocation. This is accomplished by charging the extra profit made in the case of an undeveloped land transaction, designing a proper institutional set up for the disposal of land (using mainly an auction system) and discourages those land speculators and government officials of the past who benefited from public sector land allocation ( Hong and Bourassa, 2003).

**Financial instrument for infrastructure development:** In other cases, public ground leases may be used as a financial instrument to ease the way into home ownership. The urban problems related to water supply,, housing and other social and economic infrastructures are priorities to be addressed through the leasing of land in the city. Today, ground leases serve mainly as a financial instrument for building projects which are assumed to provide principal importance to society with low or free rent.

It has to be stressed, however, that the reasons for offering a ground lease are not limited to the above reasons. In other cases, public ground leases may be used for political and social purposes. For instance, in Stockholm (Sweden) and London Haringey (Great Britain) ground lease are mainly used for political and social reasons. In Stuttgart (Germany), one of the major reasons for offering a land lease is social (The Development Corporation Amsterdam, 2003). Although the above mentioned reasons for leasing are persuasive in principle and at a policy level, empirical studies have shown that governments fail to achieve these policy goals in practice. This does not mean countries which have leasehold systems cannot achieve all the objectives mentioned above. For instance, study by Chengri and Knaap (2003) demonstrated that China's urban land policy reforms promoted the development of land markets, enhanced the fiscal capacity of local governments, and

accelerated the advancement of market socialism. However, the same study has shown that the government lacks the ability to capture its share of rents as they increase over time. There are still non-transparent systems of plot allocation through administrative channels. This causes price distortions and large losses of local government revenues.

A study conducted by the Lincoln Institute of Land Policy (2003) discusses and compares land leasing experiences from six countries around the world (Canberra, the Netherlands, Sweden, Finland, Israel and Hong Kong). The study reported that among all of the systems, Hong Kong was the most financially successful: the proceeds were more than enough to cover the cost of public works and land development. The revenue generated helped finance public infrastructure and improve many social services. More importantly, the money collected from leasing is not a substitute for property taxes in Hong Kong (Hong, 1999). The public leasehold systems in the Netherlands, Sweden, and Finland also generated public funds, but the lease revenue played a much smaller role in those countries while the Canberra leasehold system has not generated significant public funds.

In Ethiopia, the urban lease policy has been considered an important change in the evolution of the urban land tenure system. In spite of the wide range of legal and institutional reforms undertaken by the government, the fundamental elements and principles in the process of enacting policies have not been the same as achieving what the policy intended. In addition, it is argued that in the absence of a willingness from the majority to promote reform, there are important issues that are not covered in a revised land lease proclamation. It has been more than two decade since Ethiopia has experienced an urban leasehold tenure system by passing three urban lands lease holding laws. Therefore, This paper critically assesses the implementation of urban land policy in terms of its benefit to urban dwellers, infrastructure of non-serviced land, and on demand and supply side of land.

## **2.4 Institutional Framework**

Belete et al (2008) has discussed that the weakest link in Ethiopia public sector is the lack of focus on building institutional structures with clear responsibilities, in addition to working process and human resource development. Addressing these problems is not simple due to lack of attention on the long term capacity building initiatives towards designing sustainable institutional reform. Well-functioning institutional frameworks important to support and organize

services, and considerations of transparency and accountability to decrease un ethical functions.

The situation within government institutional set ups strongly affect the effectiveness of land administration systems and the services delivered (Brown, 2012). In assuming the appropriate organizational arrangements and administrative capacity, different issues has to be handled on how best to provide land administration services. According to article 40 and 52 of the constitution, the federal government shall issue laws for the utilization and management of land while the regions shall have the powers and responsibility to manage land with respect to the federal laws. Therefore, land administration offices in the regions/ city administrations must be accountable to their respective governments, while also being responsible for technical matters to the central government agencies in charge of supervising national standards.

In Addis Ababa city administration, most of the implementation of the activities of land administration takes place at the sub city and woreda offices. The 2011 World Bank report also documented that the federal government can have a critical role in supporting the regions in land administration functions like formulating lessons and best practices in a way that can easily be adapted in the region Sub city administrations; designing policies and standards that might direct the region Sub city administrations on the issues such as data structures and standards, and publicizing information; developing service standards, working process and other activities that the regions / city administrations could adopt to their interests; and designing standards for the land administration system and other services. It is noted that this kind of structure is also applicable for any reform initiatives as indicated in the national service delivery policy of 2001.

The local offices provide operational responsibility and key technical activities of ownership certificate, building permit, dispute resolution, surveying for land management, and other services. Land officials and experts are assigned to help the offices in the woredas and systems are applied to exchange data among the offices. Since land administration offices at woreda or sub city level usually exchange information with each other and have a direct relationship with customers, the coordination among the offices should be smooth to deliver efficient services. But this is not the case in most land related service providers.

The 2013 report of the city administration has mentioned additional reasons for this weak coordination including lack of modern system; unclear responsibility; unavailability of skilled experts; etc. The existence of weak coordination of these institutions may result in resource

wastage, duplication of effort, unethical treatment to the customers if the land administration services require improving its provision, the office should focus on the skill development or build capacity of those responsible for land administration services. Williamson (2001) strongly recommended that the offices must provide specialized trainings to the experts so that they can provide quality services to the customers.

Similarly, the 2013 report of the city administration was also support this point as availability of skilled experts in land administration offices will secure for efficient and effective service e provision. Therefore, central body takes responsibility to coordinate on job and specialized trainings on the subject matters through various mechanisms. In the existing land management system, most of the staffs are trained in land use-planning rather than land administration (World Bank, 2011).It has its own impact on the service provision. In this regard the government should identify the capacity gaps in the existing staffs in the land offices so that it is possible to design good training schemes.

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The training will also help to introduce the experts with the latest working and information system. Abuye (2006) has also concluded that the designs of the appropriate land administration working system and having educated and trained staffs to function the system are the two critical factors for efficient provision of land services. Similarly, Tigistu (2011) has 'found out the same conclusion regarding the coordination of different offices and capacity building. It is good to strengthen in human and material resources to harmonize the implementation of all land administration offices and use proclamation by preparing a national level strategic framework, aliening and standardizing land administration procedures and processes, coordinating stakeholder activities and offering technical support (like specialized training) to sub city and woredas.

## **2.5 Empirical Literature**

### **2.5.1 Country Experience**

The following presentation of country experiences and practices, including the world's most well developed leasehold systems; in urban land administration tries to briefly dwell on the different aspects of the issue. Land transfer modalities, administrative procedures, land leasing as a major source of municipal revenue to finance urban infrastructure, different approaches of delivering housing to the urban poor have been the peculiarities for which these countries from Africa, Asia, Australia, and Latin America have been selected.

#### **2.5.1.1 Some examples from other countries experience:**

##### **Chinese urban land administration**

Land leasing provided land-use rights for a period ranging between 40 and 70 years. The tenure was determined on the basis of the type of property development. Earlier on, approval of investment used to precede allocation of land. This was, however, changed when the state began parceling out land to be developed by prospective investors. Starting from the mid-1990s municipalities could confer land-use rights to individuals or private organizations after private negotiations and bargaining. Inviting prospective investors or developers to bid in tenders was the other means. Such practices which obviously were prone to corruption had to be done away with when the Central Government promulgated a decree in 2002, which made public bidding at auctions mandatory.

The most distinguishing feature of the Chinese urban land - administration is the breakthrough it registered in making land rights assignable, expediting for transfers through exchange, sale, mortgage, gifts and inheritance.

##### **Vietnam:**

Land administration in Vietnam is carried out in accordance with the basic tenets laid out in the 1992 constitution and the Land Law of 1993 as amended in 1998.

In 1994 the General Department for Land Administration, in collaboration with the Ministry of Construction, started issuing land use rights and construction permits. In line with the collaboration

of the two institutions at the central level local departments under their respective supervisions were merged to issue building ownership and land use certificates.

The fundamental principles governing the system of land administration are “people’s ownership” and “state management”. Land, being owned by the people is said to have deprived it of any market value, officially at least. So, access to land is affected through allotment, leasing and transfer. Allotment, carried out under the auspices of city people’s committees, is the most important mechanism that grants beneficiaries the highest form of land-use rights.

### **In India Urban Development Authorities:**

In India Urban Development Authorities (UDAs) are the highest state institutions entrusted with tasks of handling urban land and infrastructural development. Municipal governments and many other agencies have responsibilities of deferring magnitude. During the last two decades over 600,000 hectares of rural land had been converted to urban use. This amount of land is enough to accommodate twenty new cities with the size of Mumbai. And in Mumbai alone 3000-5000 hectares of rural land are brought to urban use every year.

To mitigate, if not to eliminate, the accompanying problems of such a massive urbanization as the vulnerability of the urban poor the government of India had issued sweeping policies designed to subdivide large holdings of urban lands. The famous Urban Land Ceiling Act of 1976 has the prime objective of making land available to poor households in affordable prices.

### **Ghana A Mix of Traditional and Modern Land Administration**

“Land belongs to a vast family of which many are dead, few are living and countless numbers are still unborn.” This is often accompanied by yet another dictum declaring that no body owns the land and the living are only custodians of the land. These maxims, expressing the attitude in West Africa, seem to provide the underlying elements of the land administration in Ghana.

Contrary to the experiences in the other countries, the Ghanaian land administration system exemplifies the complex type, especially as epitomized in the process of gaining access to land. This is also reflected on the highly centralized nature of the Lands Administration Commission which has the final say on each and every land transfer. There are two types of land tenure in Ghana state owned and tribal (“Stool” or “Skin”) lands. Any prospective user of land within the

domain of the state is supposed to submit their application to the regional secretary of the Lands Commission.

### **Canberra and Hong Kong**

The important lesson to be learnt from these country experiences is not to set unrealistic expectations on what public leasehold systems can achieve. Failure to deliver their promises could frustrate a well-intended reform and bring the effort to a standstill. The debate must focus not on the choice between leasehold and freehold systems, which are not mutually exclusive, but on designing specific institutions that respond to different political, economic, and social contexts to minimize problems associated with both systems, because no land tenure system is perfect. In Hong Kong, the leasehold system has helped the government recover a large portion of development windfalls from landholders. Over the period 1970-1991, the government of Hong Kong is reported to have recaptured an average of almost 40 percent of the increased land value from selected land sites through land leasing (Hong, Yu-Hung, 1999), financing an average of 55 percent of the annual infrastructure investment during the period.

The process of elective participation and consultation can be successful depending on the competence of civil society organizations and the willingness/openness of the government. The competence of civil society organizations indicates management capabilities or may mean the availability of experts.

### **Mauritian experience**

A great deal may be learned from the Mauritian experience, in this regard, where an effective system of governance is the hallmark of policy design and implementation. Policy making in Mauritius is participatory, based on an effective partnership between the government, business and trade unions, all contributing to the formulation of the national economic strategy. Private sector needs are fully recognized in government policy in line with the overall development objectives of the country.

### **Lessons:**

The important lesson to be learnt from the above country experiences is not to set unrealistic expectations on what public leasehold systems can achieve. Failure to deliver their promises could frustrate a well-intended reform and bring the effort to a standstill. The debate must focus not on the choice between leasehold and freehold systems, which are not mutually exclusive, but on

designing specific institutions that respond to different political, economic, and social contexts to minimize problems associated with both systems, because no land tenure system is perfect.

### **2.5.2 Urban land policies**

Governments around the world pursue urban land policy objectives and they rely on a vast range of policy tools and institutions to achieve them. Many cities use master plans, zoning, subdivision regulations, building codes, and other public policies to shape development. These regulations are normally adopted to help protect the urban and natural environment, gear infrastructure investments with development, and maintain and enhance property values. Other objectives are more difficult to achieve: providing the poor with access to land, controlling land speculation, and land inflation.

In the minds of many policy makers achieving these goals requires stronger medicine: nationalization of land, public land development, and highly centralized property registration systems to control and monitor land ownership.¶ Clarke, G. and Dowall, David.E. 1991, since many government interventions are inefficient and lead to sub=optimal distributions of land resources, some policy experts argue that the best way to manage land use and development patterns are to rely on market forces. On the other hand, without planning and regulations, land markets are likely to generate enormous external costs and fail to produce public spaces. In fact, without government intervention critical public facilities such as parks, open spaces, and major infrastructure and urban services, which the private sector cannot profitably produce and sell, will not be provided. Thus the solution to ineffective and counterproductive urban land policies is not to do away with governments interventions and policy initiatives, but to find the proper balance between the public and private sector regarding urban land development and management. (Clarke, G. and Dowall, David.E. 1991)

In countries of free market economics, private property is recognized and protected by the state as a natural means of accomplishing individual, familial and societal aims. However, the role of the state in providing essential services for society and the growing environmental and other social concerns, have influenced the concept of private urban land ownership by subordinating all or some land to the needs of the Nation and of the common welfare. Even in countries where private land ownership constitutes a basic element of the society's values, such as the USA and Switzerland; a more focus towards the communal aspect of land ownership has been recently

observed. On the other hand, in countries where the private ownership of land was restricted and the communal concept was the only criterion in the use and allocation of land (countries of the command economy), a transition is being made towards privatization where individual ownership of land through lease hold or free hold is allowed. Other non-socialist developing countries such as Nigeria, India, etc, which nationalized urban land for the benefit of the community in the belief that public control and allocation of land will be both more efficient and more equitable than leaving it to market forces or to traditional authorities, have proved the failure of the public sector to accomplish this task efficiently and equitably. (Favacque, C. and McAuslan, 1991)

The above argument shows that in the case of private ownership of land, the private market has proved to be adequate for the effective demand but inadequate for the need of the society at large. On the other hand, the public ownership has also been unable to satisfy the communal and individual demand. What we can learn from all this is that concerning land ownership and allocation, the most efficient system may be neither the government monopoly, which fosters corruption, bureaucracy, lack of transparency and probity, etc, nor the market, which brings negative externalities and inequity. Thus, the solution to ineffective and counterproductive urban land is not to do away with government interventions and policy initiatives but to find the proper balance, or division of labor, between the public and the private sector regarding urban land development. (Dowall and Clarke. 1991)

### **2.5.3 The lease policy and its characteristics**

In spite of the fact that there are an infinite number of tenure arrangements in every country, however, when dealing with the legal policy issue (whether land is considered to be a public and or private property), the two most common ways of owning and using urban land are lease hold and free hold. Oxford student's dictionary (1988), defines lease as a written agreement by which the owner of land or a building (the lesser) agrees to let to another (the lessee) to have the use of it for a fixed rent payment and period of time. Simpson (1978) on the other hand defines lease as follows:

A lease may be defined as a contract granting the exclusive right to possession of land for a fixed or determinable period shorter in duration than the interest of the person making the grant. The

interest created by the grant is formally called a term of years –but is more usually referred to as an easement or a leasehold interest. The grantor is called the lessor or land lord and the grantee the lessee or tenant.

All leases are necessarily derived directly or indirectly from the free hold. Thus X, the free holder, may grant a lease to Y for any period of years he thinks fit. Y may then grant a lease to Z for any period ending before the expiration of his own term. Y's lease is then known as the –head lease, and Z's an –under lease or –sublease. (Farvacque, C. and McAuslan 1996, pp.38-39)

Farvacque and McAuslan define free hold tenure as the absolute ownership of the land. (Farvacque and McAuslan 1991.) A freehold is of indefinite duration and is inheritable. Leasehold tenure, in contrast, involves a landlord and in most cases the tenure is of fixed duration. The main difference between the two is that the leaseholder is governed by the laws of the land and the terms of the lease laid down by the landlord while the freeholder is only bound to the laws of the land and nothing else. Leasehold tenure of land is not new to Ethiopia; however, it was part of a variety of land holding types prior to 1974. It became part of the overriding urban land holding system through Proclamation No.80/1993.

The National leasehold policy of urban land was enacted to address the inequalities brought about by the nationalization of urban land and extra houses (Proclamation No 47/1975) brought land under public ownership; however, the real benefit occurred only to those who had access to it. This law did increase the accessibility of land to low income people, but its inability to express land value in monetary terms decreased the distribution of benefits to those who cannot get access to land for different reasons. Therefore, the main objective of the urban land leasehold policy (Proclamation No.80/1993) was to provide monetary value for the utilization of urban land. In this respect the leasehold policy of land is one step ahead of the previous policies on land. Proclamation No 80/1993 enabled the government to transfer urban land administration from a permit system to a leasehold system. According to this proclamation;

- **Ownership:** All urban land is public property and transfer will only be carried out through the lease system,
- **New land allocation:** All new land allocation to Ethiopians or foreigners, as of the date the proclamation entered into force (1993) is to be made under the lease.

## **2.5.4 Urban land policy and management**

Land holds a unique and pivotal position in social, political, environmental and economic theory. It is of central importance to country's urbanization, economic growth and social stability. Land not only stands at the center of human culture and institutions, it is also required directly or indirectly in the production of all goods and services. Land's uniqueness stems from its fixed supply and immobility. Therefore, the nature of property right towards land is very crucial in the process of economic growth and poverty reduction. Deininger, et al (2003) argues that well defined and secure land rights are critical to provide incentives for investment and sustainable resource management, facilitate the low cost transfer of land and credit access as the rural non-farm economy develops. It is, therefore, essential to briefly discuss urban land policy since its property right crucially determines mode of its management and administration.

Land Policy describes an official statement by a government of its intentions and plans regarding the conservation, use, and allocation of land, but does not have the force of law. It expresses political choices concerning the distribution of power and interests in land between the state and its citizens as well as determines rights of access to and use of land related resources. Land policy commonly aims to achieve equity, enhances investment, attains assurance of developers or investors, and may consider cultural as well as environmental sustainability. Aesthetic value also considers in land policy formulation. Thus, land policy not only promotes security and social stability but also serves as a base for economic development.

The realization of land policy objectives requires different institutional arrangements that facilitate land administration activities, land information management as well as facilitating organization and management. Both theoretical and empirical evidences revealed that urban land policy is a complex undertaking and not only vary by country but also that such policy must involve a large number of policies instruments, carefully designed to be mutually supportive.

The debate on urban land policy fundamentally originates whether or not it should be private or public ownership. Deininger and Chamorro (2002) stated that even if the principle of private ownership is considered to be largely valid, experience has shown negative consequences of unrestricted private ownership of land.

As a result, public land ownership, as opposed to private freeholds, became popular, for

example, in many former socialist countries, especially in the 1960s and 1970s (Hong and Bourassa, 2003). On the other hand, experience has repeatedly shown that in many countries state ownership of land has conducive to mismanagement, underutilization of resources, and corruption (Deininger, 2003). The implication is that urban land epitomizes the classic conflict between equity and efficiency.

One of the unique features of land is that demand is the sole determinant of land value. Given the type of property rights, this feature of land influences the efficient management of the land through its effect on the value of land, the price paid annually for the exclusive right (a monopoly) to use a certain location, piece of land or other natural resource. Changes in land rent and land taxes have no impact on the supply of land, because the land supply is fixed and cannot be significantly expanded. Since land is fixed in supply, as more land is demanded by people, the rent will increase proportionally. Land rent results from the desire made by everyone who lives within a community to use land.

Economic rent is the only source of revenue that could be taken for community purposes without having any negative effect on the productive potential of the economy. When a community captures land rent for public purposes, both efficiency and equity are realized. Sale of land or land rights has the advantage of producing revenue quickly and being easier to administer than betterment taxes, land re-adjustment schemes, or universal property taxation. For example, the study by the World Bank revealed that many cities in China have financed half or more of their very high urban infrastructure investment levels directly from land leasing, while borrowing against the value of land on their balance sheets to finance much of the remainder (George E. Peterson, 2006).

The same study also indicated that since land is publicly owned in Ethiopia, land leasing has become the single largest source of municipal revenue in Ethiopia, overtaking the traditionally largest source of revenue, the local fee and tax items covered in Regional Tariff Proclamations<sup>4</sup> in Ethiopia (George E. Peterson, 2006). The study shows that the revenue from land lease ranges from 21% to 45% of total revenue of the cities under study and 77% to 145% of their total capital spending. Though the cities more than double land-leasing revenue in 2004-2005, leasing has introduced an unprecedented degree of volatility in their own-source revenues. However, the Study also indicated that use of land leasing as source of revenue can

also introduces a new set of risks that can profoundly affect fiscal management. The cities are unable to obtain revenue growth from other sources, which risks their future recurrent budgets from other sources.

Many factors contribute to the value of land. Physical attributes of land are one of the key factors that contribute to land value. These include quality of location, lot size, topography, access to basic social services and infrastructures, environmental features such as absence of bad smells, noise, etc. The regulation that governs land management and administration such as the type and amount of taxation, zoning and building laws, planning and restrictions are also key determinant of land value.

The social factors include population growth or decline, changes in family sizes, typical ages, and attitudes toward law and order, prestige and education levels. The economic forces include value and income levels, growth and new construction, vacancy and availability of land. It is the influences of these forces, expressed independently and in relationship to one another that help the people and the assessor measure value of land.

### **2.5.5 Land policy in Ethiopia**

Article 40 of the 1995 Ethiopian Constitution (which concerns property rights) provide that, the right to ownership of rural and urban land as well as of all natural resources is exclusively vested in the state and in the people of Ethiopia. Land is a common property of the nations, nationalities and peoples of Ethiopia and shall not be subject to sale or other means of exchange (Ethiopian Constitution, 1995: 95).

Land is a public property in Ethiopia. It has been administered by the government since 1975 radical land reform. The reform brought to an end the exploitative type of relationship that existed between tenants and land lords. Tenants became own operators with use rights but with no rights to sell mortgage or exchange of land. The change of government in 1991 has brought not much change in terms of land policy. The EPRDF led government that overthrew the military government (Derg) in 1991 has inherited the land policy of its predecessor. Even though the new government adopted a free market economic policy it has decided to maintain all rural and urban land under public ownership (Mulat, 1999 cited by Samuel Gebresillasie, 2006: 3).

According to NUPI (2003: 7), immediately after the down fall of the Derg, no one was certain what the new government would take regarding land tenure. The Transitional Government of Ethiopia had declared that the issue was settled in the process of developing the new federal constitution.

As a result of globalization and technological advancement along with the prevailing comparative advantage and competition requires the need to change fundamentals of urban land policy and strategic actions. Ethiopia is one of the countries in transition that adopted similar reform on urban land policy and strategy within the framework of public ownership of land. The transformation of urban land holding from permit to lease holding system has been introduced.

However the existing lease policy is characterized by lack of limited implementation capacity, public awareness and understanding and absence of land and land related laws which can create a strong supportive role to express land rights. Absence of tenure security right registration, land and property laws and land accumulation act (NUPI, 2003: 48).

### **2.5.6 Urban land policy in Ethiopia**

It is obviously known that as there are different ideologies in different countries, there are also different land policies which reflect the balance between the utilization and allocation system with regard to public and private ownership of land. Under the Emperor regime there was free hold system and private land ownership was encouraged. During the Derg Regime Ethiopians socialist policy entailed nationalization of all means of production. In addition, government institutions were inefficient to design, direct, executes and manages development related issues of urban land. The absence of compatible and user friendly land management and development system hampers effective administration of urban land following the abolition of military regime in 1991, the new democratic government of Ethiopia worked to transform the national command production system in to market economy.

As part of the overall effort to shift the responsibility of production of goods and services from the government to the private sector through facilitating conditions for various sectorial policies and strategies to increase the participation of private sectors involvement. One of the first important steps made by the government is that it has adopted a new land lease policy which, however, has yet not to be fully operational zed and implemented in all regions (NUPI, 2003:50-

51).

Additionally, Ethiopian land tenure experts who are anxious to see the current policy regime reformed often suggest that the alternative to the prevailing system should come from exercises in which the land users assume a decisive role. If LA, through differentiation is used to provide a framework within which local administration and communities could experiment with suitable LA modalities then it might possibly result in institutional learning that could impact policy at macro level. In this manner, it may ultimately help reform the existing tenure regimes through popular participation and operational experience (Solomon & Rein fried, 2003: 9-10).

### **2.5.7 Land lease system in urban Ethiopia**

In Ethiopia, land is constitutionally state owned. The Constitution provides that the right of ownership of all rural and urban land is exclusively vested in the State and in the peoples of Ethiopia. As a result, land can be acquired through lease hold system. There are various arguments for adopting land lease system. Some of the key advantages of this system include it is advantageous for achieving efficient land use planning; and encourages investors and investment since when the price of land is to be paid in a form of a lease rent, the initial investment will be small and it gives the investor additional capital to invest on construction. As stated above, in Ethiopia, land is constitutionally states owned, and developers have the right to use the land that they acquire through lease holding.

A number of proclamations and regulations have been formulated that determines the value of urban land and to facilitate investment in business, residential and other uses. A number of studies have been made on the land lease policy in Ethiopia (Zelalem Yirga (2014); Zemen (2013); Belachew (2010); Bacry Yusuf (2009); Alebel and Genanew (2007a; 2007b). Zelalem (2014) conducted a review of the various proclamations related to urban land lease policy in Ethiopia. Based on a review of the different land lease regulations, the author tried to identify gaps, inconsistencies and ambiguities in the urban land lease regulations as well as the constraints and challenges that impede their effective implementations. These studies concluded that the lease system is expected to be implemented through adherence to transparency and accountability so as to address the prevailing problems of infrastructure, ensure impartiality in the lease tender and land delivery system, which is one of the most important aspects of the lease policy through giving priority to the interest of public and urban centers so as to ensure rapid urban development and equitable benefits of citizens.

In order to realize the constitutional article, the government of Ethiopia formulated various proclamations related to urban land use. Proclamation No. 80/1993 is the first proclamation related to urban land lease system enacted in Ethiopia since the reform 1991. Following this, the country has enacted Proclamations 271/2002; and 721/2011 in 2002 and 2011, respectively. These proclamations can be cited as the Urban Land Lease Holding Proclamation No 80/1993, 271 / 2002 and 721/2011 respectively. These different proclamations are not only constitutionally founded; they have also social and economic goals that are expected to be achieved through their effective implementation. At the heart of these proclamations sustainable rapid economic growth through appropriate land administration that is efficient and responsive to the growing demand for land resource as well as good governance that requires efficient, effective, equitable and well-functioning land and land property markets are key concepts. The proclamations aim to realize robust free market economy and building of transparent and accountable land administration system that ensures the rights and obligations of the lesser and the lessee. These objectives are expected to be realized through the role of the proclamations in enhancing investment (economic growth), improvement in housing and infrastructure (equity ) through revenue collection (capital mobilization), regulated expansion and/or restrict the informal expansion of cities (social objective).

Accordingly, the lease policy states that the right to use urban land by lease is permitted to realize the common interest and development of the people. In this regard, the lease policy is expected to address the development challenges in urban Ethiopia. Evidences revealed that the key challenges in urban Ethiopia include, among others, lack of affordable and decent houses, unemployment, infrastructure such as water supply and sanitation, and poor waste management. According to the World Bank study, the fundamental causes for these development problems in urban areas of Ethiopia are land management, governance and municipal finance (World Bank, 2015).

In relation to realizing good governance, the lease system is expected to be implemented through adherence to transparency and accountability so as to address the prevailing problems of corruption and ensure impartiality in the lease tender and land delivery system. One of the most important aspects of the lease policy is that priority should be given to the interest of public and urban centers in the urban land delivery system so as to ensure rapid urban development and equitable benefits of citizens.

The effective implementation of the regulations is directly related to the key features of these regulations which can be explained from the contents of the regulations. Each regulation

explicitly defines the scope of application, property rights related to transfer, mortgaging, compensation, and associated duties, ways of acquiring new development land, manner of fixing rates and modalities of lease fee payment, and duration of lease period. As stated in the proclamation 721/2011, grace period is determined based on the type of development or service of plot of land as well as the conclusion of the lease contract and completion of construction period.

The same regulation also clearly indicated that a lessee may transfer his leasehold right or use it as collateral or capital contribution to the extent of the lease amount already paid. He can transfer prior to commencement or half completion of construction. However, the period of urban land lease shall vary depending on the level of urban development and sector of development activity or the type of service. For instance, residential plots have 99 years of lease period, 70 years for industry, 60 years for commercial use but business like urban agriculture has only 15 years of lease period. 15 years for urban agriculture. However, the lease period may be renewed upon expiry on the bases of the prevailing benchmark lease price and other requirements.

Review of the Proclamation No. 80/1993, indicates that the regulation is being applied only to urban land permitted to be held by lease. Since the proclamation was not applicable to an urban land held by other means prior thereto, it created ambiguity. Because it allowed the co-existence of the land acquired by permit or informally prior to the proclamation, on the one hand, and formally acquired through leasehold systems. This problem has been addressed by proclamation No. 271/2002, which declared that any urban land held by the permit system, the lease-hold system, or by any other means prior to it should be under lease system. Besides, the proclamation is also intended to meet the ever increasing demand for land, reduce unfair allocation of land and control illegal settlements that have been prevailed in urban areas of the country.

Proclamation No. 721/2011 has emphasized that any urban land which has not been under leasehold system shall be permitted to be held only by lease system. The proclamation also addressed issues that are not covered in the previous two land lease regulations. These issues include failure to push permit holders to make annual rent payments for use rights, the absence of formalizing informal tenure, and consolidation of the permit and leasehold tenure systems. The intent is to create uniformity of the informal settlement of the old possessions with the new, consolidated leasehold system. The new proclamation clearly states that lease payments are

provided when informal land settlements are unified with old possessions and are merged with newly leased lands.

The effect of transfer of land right or the status of a landholding, in the event of the above two situations, is a –lease benchmark price (The lease benchmark price is defined as the threshold price determined by taking into account the cost of infrastructural development, demolition cost as well as compensation to be paid to displaced persons in case of built up areas and other relevant factors)

In sum, a critical examination of the policy and institutional arrangement of the land acquisition system for investment revealed that at least three main modes of access to land for business purposes are practiced in urban Ethiopia (Proclamation No 721/2011; Regulation No.14/2004; Regulation No.4/1994; Regulation No.3/1994). These include rent from private source, lease hold and public allotment. There are both advantages and shortcomings of each option. For Instance, while the land rental market is characterized by very expensive prices and uncertain contracts, the main problem with lease hold arrangement is that the land supplied for bid is very limited, and hence is quite competitive and expensive for investors.

### **2.5.8 Shift from freehold to lease holding**

Freehold right was recognized before 1975. At that time extensive area of urban land and numerous houses were in the hands of an insignificant number of individual land lords, aristocrats, and high government officials (Proclamation 47/1975). Freehold is of indefinite duration and is inheritable. No land-right holder is superior to the freeholder (Farvacque and McAuslan 1992).

The major two formal tenures, which are applied in the city is freehold –permit hold and leasehold systems (the freehold and permit hold are the same in terms of the period in which to use over land). There are few freeholds in the city due to the nationalization of urban land, and there is no new freehold grants have been made by the city government after the nationalization. For this reasons instead of free hold, the city government grant title or permit land for development. The other tenure-ships, such as customary and informal landholding systems are also common characteristics of Ethiopia and other developing countries as well. The meaning of

customary and informal landholding and the impact on the development process have been discussed thoroughly. What makes freehold right different from leasehold right is that the freeholder could sell the vacant land which it occupies, whereas the leaseholder could not.

There are terms that are stated in the agreement, which the leaseholder has to respect during the lease period. Once the agreement has finished there is no restriction or a need to ask permission to the local government. In Ethiopia freehold right is considered as private ownership which the land owner has a right to use the land according to the regulation issued by the local government.

The regulations that are provided include building permits and other development controls. Essentially, the crux of the legal difference between freehold and leasehold is that the free holder is bound by the laws of the land and nothing else.

Whereas the lease holder is bound, in addition, by the terms of the lease laid down by the landlord. The leaseholder is then less free and unrestricted in his or her use of land than is the freeholder (Farvacque and McAuslan 1992)

As Barlowe, 1958 has mentioned, land sited in the jurisdiction of the city is regulated by the city government. The land use regulation particularly the master plan is legally bind so that landholders and developers have to have permissions for every construction they desired including changing the tenure form and land uses.

Even under a freehold system, such as the one in the US, private land owners 'ability to develop land as they desire is always restricted by land use regulation, and government always retains the right to resume ownership of land for some public purposes (Raleigh Barlowe 1958)

### **2.5.9 Urban land delivery system in Ethiopia**

Urban centers in the country range between the federal capital where millions live and those tiny settlements which can be confused for rural villages. As such, they have different needs and capabilities. Therefore, the urban centers need to be clustered and generalized according to some common attributes if any meaningful intra-urban differentiation that also takes into account the possibility of giving capacity building support in the form of broad land administration framework and other technical expertise are to be made.

The phasing modality which is of necessity, in use in the ongoing municipal decentralization

endeavor could be of help in distinctly identifying a town or a group of towns with similar land administration concerns and target the same in a bid to assist them find feasible urban management models including systems of LA, systematic, durable and all-encompassing grouping or clustering is, however, better achieved by establishing urban hierarchy (UH) as a precondition for differentiation. The UH would systematically and comprehensively characterize, rank, categorize and designate urban centers and provide an overall framework for area specific development interventions. Approaching the task in this manner, one could clearly see distinct systems coming up in the federal capital, the special city administrations, large state capitals and other cities of similar stature, emerging urban areas, rural towns etc. In short, differentiation based on UH can be considered to help figure out LA arrangements for urban areas. Implicit in this thought is the assumption that land delivery mechanisms of a specific location are directly related to the position of the place in the UH. Land delivery mechanisms, being the functions of land policy, demonstrate that the latter is still the underlying rationale that dictates LA. In the end, urban areas where advanced systems are required and places which could be served with intermediate or less sophisticated systems will be easily and markedly identified to be followed by a specification of LA in urban Ethiopia, the same global phenomena are at issue (Solomon & Rein fried, 2003: 11).

#### **2.5.10 Urban Land Allocation Modalities and Supply Performance**

Alternative methods of land supply modalities are applied in allocating land for different functions. In Chinese cities to regulate and control the land and housing markets, and consequently the level of economic development, the central government sets an annual quota for the amount of land allowed to be leased or appropriated. as a result, from 1997 to 2009, it allocated about (about 12.36 million acres) for land construction and collected about 7 trillion Yuan in concession fees from land use rights, which have played a key role in local economic development (Lincoln Institute of Land Policy, 2016).

The previous/earlier land transfer modalities applied to Ethiopian urban canters had been tender, negotiation and allotment mechanisms. Prior to proclamation No.721/2011, the foremost land transfer modalities were for business use negotiation and allotment (lottery) system for residential function. In this period a total of 4,973 residential plots were transferred to beneficiaries with seven rounds of the lottery system. However, negotiation systems were

subjected to mal-administration by the land management authorities and government is forced to abandon it in the land transfer modalities by the new lease Proclamation No.721/2011 (Proclamation No. 721/2011, 2011).

Within the current lease law, urban land is transferred by two principal modalities. The first is through allotment mechanism for projects and programs that have welfare implications and national significance. The second modality is reserved for market allocation through an auction system. Entities that have privileged to get access through allotment are a substitute plot of land for displaced households for urban renewal, government entities for office premises, social service institutions run by the government or charitable organizations, government support housing development program, religious institutions for place of worship and cemetery, working premises for micro and small enterprises, manufacturing industries, a lawful tenants of kebele or government house, diplomatic mission and international organization, and projects having special significance for a country development (Proclamation No. 721/2011, 2011)

#### **2.5.11 Leasehold tenure ship and it implication**

Land tenure could be expressed as the possession and use of land by individuals or groups for limited or unlimited period of time. According to Oxford dictionary (1998), tenure is defined as the condition or form of right or title, under which real property is held. Ethiopia has endorsed different tenure systems.

In theory, public leasehold does appear to be a compromise because the system allows the state to remain as the landowner and lease the development. The use rights of land go to private individuals. However, in practice, it does not matter who the landowner could be. It could be the government or private landlords who have real control over land but what matters would be depending on how lease conditions are constructed (Bourassa and Hung Hong 2003).

Chen (1990) has pointed the comparison of the land policies of China and western countries. He has stated out that, what distinguishes the private ownership and public ownership over land is their differing point of departure.

In the west, where land has long been privately owned, the state exerts control by regulation: in China, where the point of departure is state ownership, similar results are achieved in a more proprietary manner- through the use of leasing contracts. What is being reflected by Chen (1990)

sounds quite right for countries in transition.

What was discovered one among the most reasonable routes to the transition into a vibrant land and housing market has been the adoption of a public leasehold policy. This option could be regarded as a transitory alternative to the building of a well-functioning market economy. This is what Ethiopia is trying to achieve. In particular a shift of land holding from strict public ownership to semi-private or to full private would bring social unrest. It needs to consider the steps performed in a country like China where there was a profound communist regime and a country with a highest population of the world. Moreover, China's experience in this regard is often cited as one of the best practices in stimulating the urban land and housing sector along the free market lines. Thus, Tung Pi Chen's conclusion in this case is an additional proof to the success story.

As Knaap et.al (2003) have described regarding the separation of use rights and land ownership. In the current property rights regime, use rights for a specified period (eg 40 to 70 years) can be obtained from the state through the up-front payment of land use fees. The fees are determined by the location, type and density of the proposed development. This separation of land ownership and use rights allows the trading of land use rights while maintaining state ownership of land. Knaap and his colleagues have pointed out three advantages, which the Chinese government has achieved. First, market mechanisms could help guide the allocation of land resources; second, land use fees would provide local government with a new resource of revenues, and Third, by retaining state ownership, social and political conflict would be minimized.

Theoretically, leasehold would bring social, economic and environmental benefits. All would agree with the idea of the economic advantage of land. Economists frequently refer to land along with labor, capital, and management as one of the basic factors of production. Land as property has legal connotation and could be described as individuals or groups have been exercising rights of ownership and use they hold in land. And from the standpoint of the average investors, land must be purchased or leased like other capital goods, so land could be described as capital. (Raleigh Barlowe 1958)

One of the reasons for letting the local governments to impose land lease payment is for financial reasons. However, the city has encountered problems during the implementation processes. For instance, the high lease price has kept away potential investors from involving in the city's

economic development.

Suggestions have indicated that it has happened for the reasons of low supply but on the contrary, Land Administration Authority has found that the supply is improved lately but only 60% of the prepared land would be sold in most tenders. The financial strength should be converted to social benefits, and it has described in the proclamation. The proclamation 272/2002 has mentioned about the determination of leasehold price for residential properties. In terms of section(8) the local government may make available land for residential or other purposes to persons at a reduced price if such action shall lead to the furtherance of the government's economic objectives as specified in article 89 of the constitution.

In practice the term available of land has been mis-interpreted and the local government has only provided raw land but un- serviced land makes the situation severe. The costs and socio - economic benefits of the public leasehold has been described by Jogan and Patassiin (ed) (1996). They have put seven (7) evaluating criteria to determine the effectiveness of public land lease hold using a) global productivity of the lease systems; b) capacity in satisfying the demand of land and urbanization; c) effectiveness in the managing land and physical form of urban centers; d) fairness of the system with regards to various categories of users; e) compatibility with various policies, measures of taxation and planning at local, regional and national level; f) continuity with respect to tradition and risks connected to sudden changes; g) possibility of maintaining a double regime of land renting and leasing. These criteria have to be investigated thoroughly to come across to conclusion that the process of public leasehold is in the right trunk or not in the city.

The environmental benefits would be evaluated with respect to achieving the objective of the city plan. The holder of a registered right of leasehold must utilize the land in accordance with the land use zoning of the land and must develop the land in terms of approved development plans to control and bring environmentally sustainable development.

The city has anxious about renovation of the inner city slum, adequate drainage system, road and other infrastructure. With this respect there is no significant practices observed but it has release to the private sector to negotiate about the price and the project to develop the inner city.

## **2.5.12 Housing development objective**

Besides raising the city government's finance, improving the housing development is also one of the objectives of the lease policy. In other words, it is aiming to accommodate the shortage of dwelling houses in urban centers for various sections of the population. Bourne (1981),

Housing problems are both market and policy failures. When one looks at the Bourne's idea and the situation of the city of Addis Ababa, the city government intervention in the housing market is insignificant, meaning that there is no well-functioning market. The direction and the mismanagement of housing development would be believed to be the policy failure.

Complaints are always revealed from the new development areas regarding the inadequacy of infrastructure provision in the city. The challenge could be perceived as the contradiction between urbanization rate and the scarcity of resource, which leads to a drastic increase in demand of serviced land. The city government is running for shortage of financial resources and become a handicap to tackle the obstacles to implementing the policy objectives.

In recent years, China has made some progress with increasing funding for urban Infrastructures from government to ease the shortage of urban infrastructure. The Hong Kong government also emphasizes the use of land leasing to raise public funds for financing public infrastructure investment. (Bourassa and Hung Hong 2003) Where land is state owned, the mere advantage of the local governments is, they can reserve land for housing construction and infrastructure developments. In addition, the purpose of land lease would be reserving land for residential uses with no cost. Otherwise the high cost of land would affect the low and middle income groups. For instance in Canberra Australia, among all purposes of land leasing, reserves land for buildings, foreign embassies and other public infrastructure appears to be most achievable (Bourassa and Hung Hong 2003).

Turner (1982) believes that a proper division of tasks between public, private and community sectors is the only solution to the housing of any class of people in any place of the world. Although Turner has not been the first or the only one who emphasis division of tasks on housing development, he certainly put the issue as main exponent. Housing production could be stimulated across the range of private and social sector providers. According to Ambrose and Barlow (1987) cited in and direct state subsidies for social housing and indirect support for

production, consumption and profitability in the private sector is indispensable.

The most profound change in the housing policy has aimed at the densification of the city through condominium housing program. Although there is a subsidy on infrastructure provision, the beneficiaries would be the middle income groups for the reason that the advance payment and annual payment requires somehow adequate financial capability.

This form of housing development would provide ownership of apartments under an agreement to contribute to the upkeep of the building and cooperative ownership only of the common grounds (Abrams 1994). When we look at condominium housing with respect to utilization of land, it could accommodate many households in small area, which normally the city government persuaded the citizens to build their own houses with a minimum lease payment. It is commonly observed that there is a shortage of serviced land and housing in the city, then this shortage is reflected by the high price that it fetches in the open market (Mathema 1999). She has discussed in her report on the housing and land market in Katmandu, Nepal. The situation has similarities with Ethiopia especially with regard to demand and supply relation (Blake 2004) a number of mechanism including

### **2.5.13 Demand and supply for urban land in Ethiopia**

Land supply is one of the critical issues of land development and management system. In every urban centers of Ethiopia it has been a major bottleneck. The existing realities in many urban centers reveal that it has restricted the realization of a variety of development vision of the centers. Past and present experience show that detail land use plan preparation land acquisition (expropriation) and development of land with services lag behind the allocation and delivering system due to various policies, legal, institutional and procedural problems. The Addis Ababa City governments 5 years development strategy recommends and planned to provide pro-actively developed land from 7000-10,000 plots/year. Considering the amount of backlog and the coming needs, the recommended supply of developed land is still much lower, compared to the prevailing effective and future demand of 438,000 plots for the next ten years. Sources in different regions and city administration and bureaus indicate that land use and detail plan preparation, land acquisition process and land development activities which include major infrastructure provision substantially, reduced the capacity satisfy the effective urban land demand in various urban centers (NUPI, 2003: 63).

Different regions, towns and city administration wish to ensure the supply of sufficient developed land in a well located expansion and inner city areas for investors, residents, businessmen and also try to develop a system to increase and satisfy the prevailing effective land demand (NUPI, 2003: 67).

According to DHAACCSA,2016 on the problems and prospects of housing development in Ethiopian found out that there is a substantial imbalance between the demand for and the supply of housing units in Addis Ababa. Accumulated demand for residential housing on the one hand and the low supply of residential land on the other have pushed prices beyond the reach of the majority of residents in the country including Addis Ababa. According to this study to overcome the housing problem requisites efforts in three main areas, housing demand, housing supply and institutional framework. Improving these areas, in turn, requires the combined efforts of the government of Ethiopia, regional administrations and donor agencies taking the view that overall development of the economy is crucial for the housing development in Ethiopia (Abraham, 2007: 1).

### **2.5.14 Housing demand and supply**

#### **1. Poor respond to market demand**

Economic development in urban centers induces in-migration, causing an increase in demand for housing and urban services. If the supply is unresponsive to market demand, the price of housing increases substantially. This typically happens when,

##### **i) Supply is inelastic;**

- Due to shortage of land due to speculation,
- Imposition of high standards and regulations such zoning, land use and subdivision regulations, building standards etc., that do not allow people to respond to changing to market demand (by subdividing, or constructing, rental units),
- Monopolistic supply of urban services

**ii) Demand is inelastic,** due to imposition of high standards and regulations such as zoning, land use and subdivision regulations, building, standards etc., that do not allow people to live

below preset standards.

**iii) Both demand and supply are elastic**, but demand increases faster than supply due to other factors that encourage investment on land/ housing as an asset.

## **2. Effective response to market demand**

An effective respond to market demand can be brought about by:

### **i) Making supply elastic**

- Discourage speculation
- Promoting competition in provision of urban services,

**iii) Making supply demand-** responsive, as in a competitive market situation.

Source: Ashman S.Mathema (1999)

In general, as mentioned above it demonstrates the demand-supply relation and the effect on the land and housing price. When demand increases, there is a sharp increase in price so the low income group cannot afford therefore they prefer to go to informal land market. When the supply tends to increase to meet the demand, the land price will be lower in some extent. So there will be access to land not only to the poor but also to developers.

So narrowing the gap between housing demand and supply is partly attributable to the impediment created in the process of implementation of the urban lease policy. However, had the land supply been adequate enough and land price affordable? It would have positively responded to at least the effective demand which has been estimated to constitute about 20% of the demand. The inability of the lease policy in adequately addressing this particular demand thus has contributed to unwarranted increasing of housing prices making the construction costs and rental rates excessively high.

It could be possible to realize from the report distributed by Land Administration authority in 2003. The report has pointed out that more than 40 round for auction were executed since lease holding system was first introduced. About 7673 plots of land for different activities were designated and 7239 persons have participate on the auction and the cumulative ratio seems virtually 1 to 1 but when we take the year 2003 auctions, the number of applicants was 5 to 10 times more than the land displayed for auction.

### **2.5.15 Land administration system and its main components**

Land management, whether formal or informal, comprises an extensive range of systems and processes to administer. (FAO Land Tenure Studies, 2002) It is the way in which the rules of land tenure are applied and made operational. According to the most accepted definition worldwide, land administration is the process of determining, recording, and disseminating information about the tenure, value and use of land when implementing land management policies (Dale & McLaughlin, 1988). An effective and efficient land administration system is of vital importance for the government to manage land related issues. The typical essence of land administration system involves public land management, private land recordation and registration, land value assessment, land taxation, land use definition and development application support. Those essences can be concluded as land registration and cadastre, land use planning, land valuation and taxation, land development and Dispute resolution & conflict management.

Today most Ethiopian cities lack a comprehensive and well-organized land administration system. The paper files containing the documents of land parcels are poorly organized in the city archives. In some cases, even the basic documents as those showing the rights on the land and land property are not in a position to administer urban land. For the last six years the Government of Ethiopia has been preparing a Cadastre and Real Property Registration System (CRPRS) for its urban areas. Moving to this system requires not only formulating legal framework, but the adoption of a land administration model that may serve the basis of the data handling and be coherent with the country's strategies.

The existing land administration models working in different countries look different systems but in principle they are largely the same: they are all based on the relationships between people and land, linked by (ownership or use) rights, and are in most countries influenced by developments in Information and Communication Technology (ICT). Furthermore, the two main functions of every land administration (including cadastre and/or land registry) are:

- Maintaining the contents of these relationships up-to-date (based on regulations and related transactions)

- Providing information from the (national) registers. Land occupancy is by the state and titling documents are not widespread. In this context the Ethiopian Government has initiated a land administration reform that has already enacted an Urban Landholding Registration Proclamation (ULRP) that sets basis for a process to regularize land possession and title-ship.

Two regulations and two directives that specify the proclamation have been enacted. It is in this reform context that the National Cadastral Real Property Registry System (NCRPRS) is designed, and today in under development and with planned deployment. Important efforts leading to the deployment of this system have been made mainly in what relates to the preparation of base maps, these maps are completed and have been used for 23 cities.(WB, 2018)

### **2.5.16 Land organizations before ULRP**

In addition to the lack of information and system, there are several institutional challenges often articulated in one, or a combination of, the following forms:

- Public institutions in charge of property registration are run without clear definition of responsibilities as well as functions in relation to land information/records.
- There are no clear and comprehensive cadastral and property registration rules and regulations.
- Difficult to recruit and retain qualified and competent staff.
- Lack of knowledge about the interests and needs of land information use is invariably shared by all public institutions engaged in the management of urban lands.

The five year strategic plan of MUDH has identified key intervention areas with broad objectives and projects in urban land development, management and information. The Addis Ababa City Administration has started to implement an integrated land information system. The MUDH's strategy in land information focuses on rolling out the experience of Addis Ababa to other Regional States.

Currently, Ethiopia has established an agency at the federal government level responsible for cadastral and real property registration and regional land registry agencies for the implementation of a cadastral and real property registration system which is underdevelopment. Even though, establishing cadastral and real property registration agency and offices at the regional and city level is not yet completed, four regional states and 23 cities, SNNP, Dire-Dawa

City Administration and Amhara Regional State have done to the expectation. To support the CRPRS development, the Ethiopian Government has recruited an international supervisor (IGNFI). The supervisor is performing and supporting the system development process based on the set of defined roles for the success of the overall implementation. (World Bank, 2018)

**A. Land Registration and Cadastre** is the core component of land administration system which is aimed to record and archive land information (Williamson, 2001). The terms of land registration and cadastre has to be distinguished to avoid the confusion (Zevenbergen, 2002). McLaughlin and Nichols (1989) define land registration as —the process of recording legally recognized interests in land, and cadastre is defined as —an official record of information about land parcels, including details of their bounds, tenure, use, and value. The foundation of a successful land administration system is reliable land records. The important land attributes such as ownership, value, and land use has to be carefully recorded and archived. Each of the attribute of land has its own necessity. The record of land ownership is the basic evidence of protecting tenure security, which is the most important function of land registration; the record of land value can ensure the equity of land taxation and land acquisition; the record of land use can be used to guarantee the efficiency of resource administration (Feder & Nishio, 1998). Meanwhile, land registration and cadastre is meaningful to all citizens. Without official record, they are not qualified to involve in any land use planning and development project. Therefore, establishing a proper land registration and cadastre system is an inevitable activity that must be done by every government.

**B. Land use Planning:** is the systematic evaluation of the potential of land, social economic situation and alternate land use for the sake of optimal land use selection. (FAO, 1993) Generally speaking, land use planning is aimed at making the best use of limited and scarce land resources. Under the current context of rapid urbanization, land resource becomes very scarce.

**C. Land Development:** as its name implies, is the process of converting raw land into constructed settlement. It mainly focuses on construction planning, permission, regulation, and implementation. SEMCOG (2003) describes the role of land development as protecting agricultural lands, preserving public open space, managing residential development and so on. Without the support of land development, any land policy or land use plan is not able to be implemented. The tools of land development are various such as land readjustment, land

consolidation, land pooling and land sharing. Each of the tools is adapted to different development requirements. For instance, if government wants to upgrade certain settlement, land readjustment or land sharing should be a suitable choice. And if a certain settlement has to be relocated, land pooling is qualified for the task.

**D. Land Valuation and Taxation:** is another important process for the owners and the state to maintain their benefit that came from the land consequently. Land taxation is an annual tax, commonly based on the capital or rental value of real property. In previous centuries, taxes on property formed the most important source of tax revenue for both national and local taxes. The potential significance of property tax is considerably higher for developing countries. Property tax remains an important source of revenue for many local governments. (FAO land tenure studies, 2007)

**E. Dispute resolution and Conflict Management:** Given the secular forces affecting land values, the magnitude of the resources and the vested interests at stake, and the rapid pace of social and economic change experienced by many developing countries, it may be to assume that conflicts over land can be avoided. What is more important from the point of view of land governance as well as social justice is to ensure that potential sources of conflict are handled in a consistent fashion rather than on an unplanned basis and that institutions to resolve disputes and manage conflict are accessible, have clearly defined mandates, and work effectively. (K. Deininger, Selod, & Burns, 2011) to handle the existed and potential problems, conflict resolution institutions should be legitimate, accessible to most of the population, and legally authorized to resolve conflicts. Additionally the conflicts should not wait for a long time; they have to resolve at the beginning at locally and timely.

#### **2.5.16 Good governance in land administration**

Although much has been written about the importance of good governance in achieving development goals, there is comparatively little material on good governance in land tenure and administration. Failings in governance have adverse consequences for society as a whole. By contrast, good governance can help achieve economic development and the reduction of poverty. Good governance matters: (United Nation University, 2002) Land is the single greatest resource in most countries. Access to land, security of tenure and land management has significant implications for development.

Land administration provides important parts of the infrastructure for an efficient economy, which means that it touches all aspects of how people earn a living. Land administration through taxes on land plays a significant role in raising revenue for public finances. Through registration and cadastre systems, land administration provides security of tenure and allows people to obtain loans through mortgages. Yet formal land administration systems commonly fail. Customary land tenure arrangements also may not adequately serve citizens especially when those arrangements are weakened by transition and commercialization. (FAO, 2007)

Experts agree that when land governance is weak, the powerful are able to dominate the competition for scarce land resources. In an extreme form, corruption can occur on a grand scale through state capture. State capture refers to a situation where powerful individuals, institutions, companies or groups within or outside a country use corruption to shape a nation policies, legal environment and economy to benefit their own private interests (Transparency International 2009). In the land sector this means that those in power may illegally transfer lands to themselves or their allies (FAO, 2002). Or they may implement land distribution policies and laws in their favor.

### **2.5.17 Social and Economic Benefits of Good Land Administration**

There are a number of benefits of good Land Administration. According to UNECE, 2007 some are as follows:

#### **2.5.17.1 Land as a source of wealth and economic success.**

No country can sustain stability within its boundaries or economic development within the wider world, unless it has a land right policy that promotes internal confidence among its people, its commercial enterprises and its governments (UNECE 2007: 1)

#### **2.5.17.2 Facilitating Private Land Ownership and Security of Tenure**

The societies which have internal stability and a functioning market economy recognize the need for effective system for registering private land rights. Land ownership, registered in a guaranteed system, facilitates greater mobility, for those who need to move to alternative employment in a new region, or for those whose family circumstances have changed with the passage of time. It makes possible access to secured credit.

The major wealth of families and people is their home, not only as a shelter, but also as a realizable financial asset. Their provides the owner with choices to sell and buy, to borrow against to collateral that the property represents in order to invest or develop, to make provision for future inheritance by his or his family (UNECE 2007: 2).

#### **2.5.17.3 Recording Public Rights in Land for the Wider Benefit of the society**

Governments will maintain public rights which can affect privately owned land. Appropriate recording and publication of public restrictions on use of land and buildings are important for the implementation and sustainability of land use plans.

#### **2.5.17.4 Providing a Basis for Land Taxation**

One of the essential features of maintaining national land records is to enable national governments to establish an efficient and equitable basis for raising taxes from those who owns or occupy land and property.

#### **2.5.17.5 Providing a Basis for Land Management**

Appropriate land information is vital for land management, whether that be for developing sustainable agriculture, managing the rapid growth of cities or protecting the environment to mention only a few examples (UNECE 2007: 4).

### **2.5.18 Identification and definition of good governance principles for land administration**

This section is meant to find out the principles of good governance within land administration system up to now, various organizations and academics have developed their own principles for good governance. Worldwide Governance Indicators (WGI) categorize the principles of good governance into six dimensions, namely voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law and control of corruption (Kaufmann, Kraay, & Mastruzzi, 2010) cited in (L. Qian, 2014). Ibrahim Index of African Governance (IIAG, 2014) summarizes the principles into four overarching categories – safety and rule of law, participation and human rights, sustainable economic opportunity, and human development. Meanwhile, Urban Governance Index (UGI) has defined effectiveness, equity, accountability, participation, and security as the principles of the framework (UNHABITAT,

2004b). Moreover, United Nation development programme defines the principles of good governance as participation, rule of law, transparency, responsiveness, consensus oriented, equity and inclusiveness, effectiveness and efficiency, and accountability (UNDP, 1997).

In terms of the particular emphasis of certain land administration system, the selection of principle of good governance has different priority. For example, a land administration system which is aimed to promote economic development certainly has different priority of good governance than the system designed to improve the aspect of pro-poor. Thus, under the purpose of reversing the customer service problems, five most representative principles have been selected based on summarizing existing principles of good governance from different indexes and guidelines. These principles are effectiveness & efficiency, transparency, accountability, equity and public participation & responsiveness. The relevance of each principle is discussed below.

**Accountability** is mainly concerned with that governmental institutions have to be accountable to the people who are influenced by their decision and activity (Scott & Wilde, 2006). The responsibility of government body has to be clearly defined and that responsible body has to be answerable to its decision and activity. With regard to the significance of accountability to affected customers, if there is not any clearly mandate of who should take the responsibility for the damage, the governmental institutions will not have enough consciousness to take the initiative. Meanwhile, once land owning customers are treated unequally or evicted without enough compensation from their holding, the responsible body has to be accountable for its misbehaved decisions and the negative act.

**Equity:** implies that all the human beings, including economically weak groups, children or elderly, women, and minorities, have the right to unbiased access to basic necessities (UN-ESCAP, 2006). It is one of the most important principles that relates to every citizen. Frequently, the conflict between the service provider office and the customer is triggered by the unequal treatment. Once the customers feel that they are marginalized and do not have equal right in the society, they start to fight for their right. Therefore, whether customers are equally recognized by the state land administration agencies is the prerequisite of settling the dispute of equal treatment of customers. Meanwhile equity refers to the institutional priority and financial subsidy for the poor people, and it also implies the prevention of illegal property grabbing by the elite groups (Graham, Amos, & Plumpre, 2009).

**Transparency:** implies that the process of decision making and implementation has to be done in an open manner, and the information of decision making and implementation should be freely and reliably accessible to those people who will be directly affected by those decisions (Graham et al., 2009) cited in (L. Qian, 2014). A land administration complying with the principle of transparency can deter the corruption effectively and improve the standardization of service procedure. Applying transparency can positively affect the condition of customers as well. If the affected customers are able to receive the information about related policy or planning, they get the opportunity to negotiate with the government body and even involve in the process of decision making and implementation to defend their right. Furthermore, the acceptance of transparency can also show the promotion of anti-corruption. Once the process of land related service is transparent, the chance of asking for informal payment will be reduced.

**Public participation and responsiveness:** shows the promotion of representative democracy and decentralization of authority (UN-ESCAP, 2006) and the provision of necessary response for the request of customers/service recipients. It also imply client orientation and responsiveness through improved access to information, customer surveys to measure customers\_ satisfaction and hotlines to enable customers to report corruption and misconduct. Public, especially the vulnerable groups should be involved into the process of decision-making. It is necessary for the vulnerable service recipients to take part in the important decision-making of planning or policy which is directly related to their community. Currently land administration system in most of the developing countries is a centralized system. Government is the only institution to manage land related issue. However, with the increasing awareness of political involvement, government is shifting to governance which depends more on negotiation and cooperation with civil society and private sector (Louw, van der Krabben, & Priemus, 2003).

In order to reverse the problems that might face the customers, it is necessary for the government to initiate the participation among civil society, private sector, and other interested parties. For solving the service problem, the bottom-up strategy shows more effectiveness than the traditional top-down strategy to stimulate the initiative of grass root level.

**Effectiveness and efficiency:** implies that the services and results of land administration system have to meet the requirement of society while making the optimal use of social resources (Graham et al., 2009). It is reflected by the rapid reaction time of system, simple and short

procedure, affordable service cost and so on. Once land administration system remains effective and efficient, government is able to improve the service delivery to land tenure owners and reduce their service cost.

These principles of good governance within land administration system are the major dimensions of this evaluation. It can be treated as the benchmark to evaluate whether the existing land management system in the sub city in line with good governance.

### **2.5.19 Necessity of public participation in urban planning**

The development of issues of government from a centralized command and control system to a more democratic and participatory approach is an evolutionary process in social development. Transformations in the system of production and distribution gave necessitated small, autonomous but coordinated operations. Public administration is partly the reflection of the socio economic structure of society. Hence, decentralization of administrative structure has been advocated for as part of the democratization process in various countries. Decision making on behalf of others requires an explicit system of public participation. Participatory planning, one of the critical elements for the failure of planning in most urban centers in Ethiopia is the lack of participation in planning. (NUPI, 2003: 23-24).

### **2.5.20 Land leasing and urban infrastructure finance**

In searching for infrastructure-financing options, local governments can look to their balance sheets as well as their budgets. Municipalities often have a wide array of assets on their balance sheets, ranging from infrastructure networks to public buildings, from housing to municipally owned enterprises, as well as municipally owned land. Active asset management involves deciding what to do with these assets. Should they be held and operated in their present form? Should they be re-leased so that users pay true economic costs? Or should a municipality sell some assets, marginal to basic service delivery, and re-invest the proceeds in core urban infrastructure facilities. Asset sales have some attraction as a way to mobilize investment resources. From a local perspective, local governments often have more flexibility in managing their assets than they do in adjusting tax rates, introducing new taxes, increasing user fees, or borrowing funds for investment all of which may require higher-level governmental approval or be prohibited altogether by the intergovernmental fiscal framework.

Generally, the literature review part of the study deals with the review of land lease reforms and its objective to benefit the urban dwellers, infrastructure development and demand and supply performance from various literatures which enhance the understanding of the subject matter in terms of evolution of land tenure system, review of urban land lease proclamations, land development & administration, land policy, urban land use and management and urban land delivery system in the country Also, cases from other countries are reviewed in this literature review part of the study.

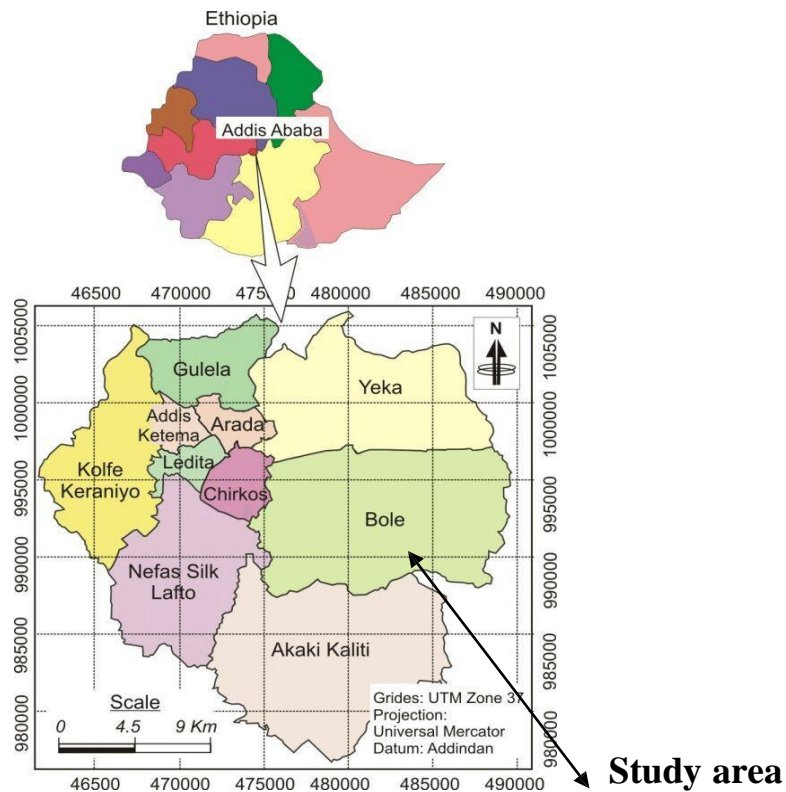
# CHAPTER THREE

## RESEARCH METHODOLOGY

This section presents the study area, the research design, sampling techniques, sample size, methods of data collection, sources and types of data and the methodologies that were employed to analyze data.

### 3.1 General Description of the Study Area

Bole sub city is one of the 10 sub cities of Addis Ababa, the capital of Ethiopia. The district is located in eastern area of the city, not far from its center. It borders with the districts of Yeka in the north, Oromia region in the east, Akaki kaliti in the south and Kirkos in the west. Astronomically, in national grid reference, it is located at the coordinate of 489000 and 995500. The district has 10 Wereda and bole Ethiopian airlines, Africa's largest airline found in this sub city



Source: Addis Ababa city land administration office

Fig 3.1 Map of study area

### **3.2 Research Design and Method**

The nature and objectives of the problem to be studied and the means of obtaining information are the most important factors to be considered in order to choose the appropriate research design. To conduct this study design has been prepared which helps to plan the data collection and data analyses process and data was collected from both primary and secondary sources. Therefore, to summarize, analyze and interpret the collected data from both sources and explain the research scenario, the researcher used descriptive method as this method describes the state of matters as exists on the ground. Hence, this research described the pros and cons of the policy in terms of its benefit to urban dwellers, utilization of income from lease, provision of serviced land for housing development and the trend of land utilization and implementation in Bole sub city administration boundary. In general, it has described the state of matters as exists on the ground. Additionally, both quantitative and qualitative approaches were used to critically assess challenges through the use of questionnaire and by conducting structured interview.

### **3.3 Sample selection process**

As a general approach, the process involved interviews and questionnaires to staff and customers at a sub city and woredas offices and analyzed the data collected. The interviews guided by a sort of checklist that included structured types of questions while standard questionnaires were designed for further data collection. Only close ended questions were included in the questionnaire that was responded by office staffs and customers.. Once the questionnaire designing finalized, thorough discussion was done with advisor on the feasibility of data collection, and questions that should rephrase, include and modify for the ease of data collection from sample respondents. The final questionnaire translated to Amharic language for easily understanding of the respondents and later back to English language for research analysis. Related literatures from various sources were also reviewed to strengthen the ideas got from primary sources. Finally, the assignment began with kick off discussion with advisor and primary data were collected from office staffs and customers with support of questionnaire at the later stage.

### **3.3 Sampling method and Sample size**

Out of the ten sub cities of the city administration, the research focused on Bole sub city because the demand of land is high in the sub city. Furthermore, it has been informed by Addis Ababa land administration office that the service transaction on land and land related activities in Bole sub city is very high as compared with the other sub cities. Therefore All Weredas building land permit offices under Bole sub city land administration office, Bole sub city land administration offices, and Bole sub city Housing and infrastructure office. Bole sub city Land bank administration office and customers of these offices were considered as a sample frame. Therefore, in order to obtain accurate and reliable data for the study purposive non probability sampling technique used, on which sample respondents selected based on judgment and picks only those best meet the purpose of the study and also as it us extension of convenience sampling technique allows to pick the nearest possible sample respondent as like in convenience sampling technique.

Accordingly wereda 05 building permit office and wereda 06 building permit office selected purposively as long as many constructions are carried out on these Weredas and also Bole sub city land administration office, Bole sub city housing and infrastructure office, Bole sub city land bank administration were selected purposively as long as they are working directly on land issue activities as well as sample respondents from customers who have been come to bole land administration office for five consecutive working days were obtained using convenience sampling technique on which samples are obtained from the nearest possible sample respondents.

Therefore all these mentioned offices, two wereda permit offices and customers were considered as a sample population and from it 120 sample respondents were selected for the study. Additionally 3 office heads were selected for interview, which are head of housing and infrastructure office, head of land administration office and head of land bank administration office. Generally 120 samples were participated in the course of data collection while structured interview was conducting with three office heads.

### Number of samples selected for the study by types of service:

Department	No of sample selected
Wereda 05 Building permit office	10
Wereda 06 Building permit office	10
Sub city Housing and infrastructure office	20
Sub city Land administration office	20
Sub city land bank administration Office	20
Customers of these offices	40
<b>Total</b>	<b>120</b>

Table 3.1 Sample targets for the study by types of service:

### 3.4: Data source and collection

The data used for this research were collected from both primary and secondary sources. To exhaust the primary sources, data were collected from two dimensions i.e. sub city land administration officials and customers of these offices. The objective of the former group (officials) was to get information from sub city and woredas office staffs and office heads regarding the land policy implementation and its benefit to urban dwellers and the interviews were guided by checklist and questionnaire for the sub city land administration officials. On the other hand, the latter group (customers of these offices) to obtain their agreement level on the particular statement given through questionnaire regarding land lease policy implementation and its benefit to them.

The study consists of empirical instruments like questionnaires which were addressed to the customers, office staffs and office heads and also interview checklist which was addressed to office heads. The questionnaire was designed and the layout of the questionnaire was kept very simple to encourage meaningful participation of the respondents. The questions were kept as concise as possible with care taken to the actual wording and phrasing.

The questions included in the questionnaire are five-point Likert scale type questions which helps to obtain sample respondents preferences, agreement level and measures how people feel about a given particular statements. Then questionnaire was pretested through the use of pilot sample questioners to check its appropriateness for gathering all the required information then distributed to sample respondents and collected back. This was completed by 120 sample respondents selected from customers, wereda and sub city administration offices as well as structured Interview was conducted with housing and infrastructure office, Bole sub city land administration office and bole sub city land bank administration office head.

Secondary sources were also employed and data were collected from literatures which included reviewing government policies and strategies, documents on land administration, various reform materials, related researches and review reports on the issue that could build and enhance the understanding of the subject matter. These documents were gathered from concerned offices, libraries and internet websites.

### **3.6 Data Analyses**

Once the data collection process has completed, it has been followed by data compilation and analysis. The advantage of compiling the data is to identify the missing data and to fill this gap before the analysis has begun. Then triangulation of all data obtained from all sources was performed. Descriptive analysis has been used to examine the primary and secondary data which is one of the important methods to summarize the data collected and to discuss the research findings clearly and concisely Quantitative and quantitative data which were obtained through questionnaire and interview have been analyzed through the use of descriptive statistics like frequency and average then interpreted in the light of literature In addition, data from secondary source were also analyzed either qualitatively or quantitatively. Indeed the research is both quantitative and qualitative by its nature.

### **3.7 Quality Assurance**

A scientific method implies an objective, logical and systematic method, i.e., a method free from personal bias or prejudice, a method to ascertain demonstrable qualities of a phenomenon capable of being verified, a method wherein the researcher is guided by the rules of logical

reasoning, a method wherein the investigation proceeds in an orderly manner and a method that implies internal consistency (Kothari., 2004).

The following research was conducted in the aforementioned assumptions. Every step and procedures taken as part of the study was explained in the manner they create a valid and logical consistency. For instance, there was a strict undertaking of interview guideline seeing of the required data as per the study requirements.

### **3.8 Ethical Consideration**

The beneficence of the respondents was observed in a way that steps taken did not harm the study units. Regardless of the kind and type of response they provided, justice was served. Their answers were not used in any way or meaning to get the better of them or harm any of the participants. The safety of the respondents was duly respected since the study does not intend to use their real names. The analysis and writing procedure was free from labeling and falsification. Creswell (2007) suggest that research should not use language or words that are biased against persons because of gender, sexual orientation, racial or ethnic group, disability, or age. Other ethical issues in writing the research will involve the potential of suppressing, falsifying, or inventing findings to meet a researchers or an audience's needs. Hence, this research stood to the point where the whole processes of data collection to findings presentation was abide by the aforementioned ethical issues.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION**

#### **Introduction**

The proper presentation and analysis of data enhances the ability of researchers to draw valid inferences from the study. Well-conducted research studies have strong internal validity, external validity; construct validity, and statistical validity. This maximizes the likelihood of drawing valid inferences from the study (Geoffrey, et al, 2005).

Every step and procedures taken as part of the study was explained in the manner they create a valid and logical consistency. For instance, there was a strict undertaking of questionnaire and interview guideline seeing of the required data as per the study requirements. Data presentation, analysis and writing procedure was free from labeling and falsification.

#### **4.1 Data presentation**

Data presentation, analysis and discussion have done in this chapter through the use of frequency and percentage results in four tables constructed on the next pages.

The first table presents frequency results for challenges on the implementation of urban land policy followed by the table shows analysis result on how the people and local government benefited from urban land policy, next to this the third table presents results on the financial contribution of the lease policy for infrastructure development of non serviced land and the last table presented frequency results on how responsive is the housing and land supply to the demand of the people

#### 4.1.1 Presentation of frequency results for challenges on the implementation of urban land lease policy

N=120

No	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No	Percentage Result
1	That the land policy plays a vital role as it provides accurate and up-to-date information about the operation of the land market in terms of prices and supply of serviced land	6	30	42	18	24	120	46.68
2	Land management officials performing according to the strategies outlined in the land policy	5	27	55	26	7	120	49.68
3	The previous/earlier land transfer modalities applied to Ethiopian urban center changed by the current lease law, this transfer modality change brought the desired improvement	9	36	48	20	7	120	58.35
4	There are slow provision of infrastructure and poor land information systems	16	28	48	19	9	120	51.68
5	The land lease price is stable as highly appreciated by urban and land development management policy document	0	15	42	37	26	120	39.67
6	The lease law help to curb land speculation, Under proclamation No.721/2011,in the city administration	7	23	38	46	6	120	47.01
7	Real property transactions; land and land market become a lucrative business for speculators	15	40	29	23	13	120	53.01
8	land related regulations and guidelines are clear and harmonized to make the policy implementation efficient	4	28	38	37	13	120	46.34
9	The policy, regulations and guidelines prepare in consultation with citizens	5	48	32	21	14	120	51.34
10	One of the main objectives of the proclamation no 47/75 was to provide help to those people who cannot afford to have shelter of their own.	0	13	36	37	34	120	37.17
11	The land delivery is transparent and accountable for the land recipients/customers	3	24	44	39	10	120	45.84
<b>AVERAGE</b>		<b>6.66</b>	<b>28.36</b>	<b>41.1</b>	<b>29.36</b>	<b>14.81</b>	<b>120</b>	<b>47.84</b>

Table 4.1.1 frequency results

## **Result and discussion on the implementation of urban land lease policy**

From table 4.2.1 the construct, one of the main objectives of the proclamation no 47/75 was to provide help to those people who cannot afford to have shelter of their own. This objective has been achieved Recorded the percentage result of 37.17% and the land lease price is stable as highly appreciated by urban and land development management policy document “ Recorded the percentage result of 39.37% these are the lowest percentage results below the average percentage of 50%. This result shows that most of respondents disagree with the proclamation No 47/75 provide help to the people who cannot afford shelter of their own and its objective could not achieved as well as the land lease price is not stable as highly appreciated by urban and land development management policy document. It is clearly indicated in the current land lease law (proclamation no 721/2011) plainly states that urban land shall be permitted to be held by lease hold through the modality of tender or allotment. Consequently, the minimum (benchmark) price of urban land shall be determined by a regulatory provision of the respected region and city administrations. As to the tender modality the law states that, the highest bidder shall be declared a winner on the bases of his bid price and the amount of advance payment he offers (Article 11, sub-article 5).in short, during the tender process, the winner will be the one that gives the maximum price through auction and lease hold title deed will be conferred on a person/entity to whom urban land is permitted.

As a result the price of land increase from time to time for example in Bole sub city the land price/meter square in 2012 was 11,203.00 birr and in 2016 land price/meter square reached to 65,552.00 birr. This shows that land lease price is not stable and its price dramatically increases. As a result it is difficult to get shelter for those who have medium and lower income in the sub city. Generally the desired objective of the above mentioned proclamation is not achieved.

Additionally table 4.2.1 constructed, that Real property transactions; land and landed market become a lucrative business for speculators, Recorded the percentage result of 53.01% and There are slow provision of infrastructure and poor land information systems Recorded the percentage result of 51.68%, these indicate most of the respondents are agreed on the land and land market become a lucrative business for land speculators. As officials highlighted on the interview high land cost and expensiveness of land lease price is due to land speculators and no responsible government officials.

According to African Herald 2016, the people in the inner part of the city are being evicted from their original settlement for the urban renewal reason which results in reclaiming infrastructure rich prim land will become ready for leasing to bring lucrative profit for the city administration.

On the other hand most of respondents agree on the slow provision of infrastructure. This is greatly observed in reality,. Even though. The proclamation 271/2002 states that revenue collected from land lease income at least 90% should be used for the development of infrastructure however the reality on the ground is different. The above data result and discussion shows that there is a greater problem in relation to urban land lease policy implementation and development of infrastructure with average percentage result of 47.84% which is below average parentage of 50%, where in average 26 respondents Agree, 57 Disagree and 37 remain Neutral.

Generally implementation of urban land lease policy in Bole Sub city has different challenges and it should be implemented effectively in accordance to what the policy states towards the achievement of its objective.

**4.1.2 Presentation of frequency results on how the people and the local government benefited from the urban land lease policy**

**N=120**

<b>No</b>	<b>Variables</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Dis agree</b>	<b>Strongly disagree</b>	<b>No</b>	<b>Percentage result</b>
<b>1</b>	The performance of the lease system in supplying land towards the benefit of the citizens and economic development of the country	2	22	24	55	17	120	41.34
<b>2</b>	The land supply system of the lease accessible to all income groups of the citizens	1	15	23	52	29	120	37.17
<b>3</b>	The mechanisms to regulate market imperfections and efficiencies of land market outcomes to benefit and share the under privileged groups in the society	0	7	25	54	34	120	34.01
<b>4</b>	The policy accommodate harmonious urban spatial patterns that minimize the use of resources relative to economic and social benefits	2	18	36	52	12	120	41.34
<b>5</b>	people feel that the policy does work well	0	9	40	46	25	120	38.01
<b>6</b>	Complaint handling mechanism is accessible to all customers	6	30	36	42	6	120	48.34
<b>7</b>	The quality/performance efficiency of land delivery is good in land offices	6	24	36	42	12	120	45.51
<b>8</b>	The policy provides up-to- date information for land requesters	6	18	42	42	12	120	43.84
<b>Average</b>		<b>2.87</b>	<b>17.87</b>	<b>32.75</b>	<b>48.12</b>	<b>18.37</b>	<b>120</b>	<b>41.17</b>

Table 4.1.2. Frequency Results

### **Result and discussion on the benefit of people and local government from urban land lease policy:**

From table 4.2.1 constructed, The mechanisms to regulate market imperfections and efficiencies of land market outcomes to benefit and share the under privileged groups in the society, Recorded the percentage result of 34.01%, The land supply system of the lease accessible to all income groups of the citizens, Recorded the percentage result of 37.17% and people feel that the policy does work well, Recorded the percentage result of 38.01% these are the lowest percentage results below the average percentage of 50%. This result indicted that most of respondents disagreed on the land market mechanism to regulate market imperfections because the outcome does not benefit and share the under privileged group in the society also the land supply system of lease does not accessible to all income group. According to Addis Ababa land bank and transfer office 2016 report on land lease auction winner price pattern after proclamation 721/2011, The minimum price/meter square was 260.00 birr in 2016, then it becomes 13,00.001birr and The maximum price/meter square in 2013 was 2,151.00 it becomes 69,651.00 in 2016, It shows that the price of land growth in 52% within 3 years. This price pattern indicated that low and middle income part of the society completely out of lease auction.

More over as per in Amharic weekly reporter newspaper (2016), currently 200 square meter apartment in central London costs USD 42,300.00 while land price/meter square in bole sub city is 300,000/00 birr (nearly USD14500). Generally the above discussion indicated that the lease policy solely prepared for very small number of urban dwellers not for the majority of the population living in the sub city and people does not feel that the policy does work well for all dwellers of the sub city. With average percentage result of 41.17% on which in average 20 respondents Agree, 67 Disagree and 33 remains Neutral.

**4.1.3 Presentation of frequency results on the financial contribution for infrastructure development of none serviced land and its development N= 120**

<b>No</b>	<b>Variables</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No</b>	<b>Percentage result</b>
<b>1</b>	Land-based financing enables to stretch possible sources of revenue to finance infrastructure development	8	39	19	45	9	120	48.84
<b>2</b>	There is alternative mechanism for value capture instrument for capital improvement of land revenue	0	36	48	24	12	120	48.34
<b>3</b>	The current tax and real property taxation system might help the city administration in financing urban infrastructure at intended level	10	15	48	45	2	120	48.01
<b>4</b>	The available land development finance mechanism not created scarcity of cash supply for land infrastructure development	1	28	24	57	10	120	39.51
<b>5</b>	The contribution of lease income to city revenue seems significant	6	39	48	21	6	120	52.51
<b>6</b>	The land related and real property tax information is strong,	0	13	27	38	42	120	38.51

No	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No	Percentage result
7	Article 10 of the proclamation of the lease policy has mentioned That 90% of the revenue collected from the lease payment would spend for building infrastructure, low cost housing applied practically	0	8	19	45	48	120	30.51
8	According to the current practical implementation result of land related revenue collection mechanisms are appropriate	0	22	48	44	6	120	45.18
9	There is problems encountered during the collection of lease payment	0	28	54	34	4	120	47.51
10	The tariff on land rent/tax is modest.	0	20	44	48	8	120	43.84
11	It is possible to increase property taxation to improve infrastructure of non-serviced land	10	30	36	36	8	120	49.68
12	There is good coordination of different working processes in the land office	1	15	29	31	44	120	31.67
<b>AVERAGE</b>		<b>2.91</b>	<b>24.41</b>	<b>37</b>	<b>39</b>	<b>16.58</b>	<b>120</b>	<b>44.18</b>

Table 4.1.3. Frequency Table; Financial contribution

## **Result and discussion on financial contribution for infrastructure development of non serviced land and its development**

From the table 4.1.3 constructed, Article 10 of the proclamation 272/2002 of the lease policy has mentioned that 90% of the revenue collected from the lease payment would spend for building infrastructure, low cost housing practically implemented Recorded percentage result of 30.51%, There is good coordination of different working processes in the land office Recorded of percentage result of 31.67%, The land related and real property tax information is strong, Recorded percentage result of 38.51% these are the lowest average percentage results which indicates that most of the respondent disagree on the practical implementation of proclamation that states 90% of the revenue collected from the lease payment would spend for building infrastructure and low cost housing, and shows that there is no good coordination of different working processes in the land office as well as land related and real property tax information is not strong,

On the other hand the contribution of lease income to city revenue seems significantll recorded percentage result of 52.51% ; this indicated that most of the respondents agree on the contribution of lease income to city revenue. On the contribution of lease income, lease exhibit an average annual growth rate of 40% of this amount, about 68% has been made after the realization of new land lease law proclamation 721/2011. The contribution of lease revenue amount for year 2008 to 2015 increased from 40% to 86%. However the average contribution of land lease revenue to the total revenue of the city slightly decline in the period. This is mainly due to the out shining performance of other revenue sources of the city compared to lease that not exceeds 30% of the total lease revenue and the rest 70% accounts the regular annual payment made by leaseholds for the remaining balance of the lease revenue amount (AABOFED, 2016). As per the same source the annual lease revenue Bole sub city is poor due to various reasons like poor enforcement capacity of land bank and transfer office, shortage of man power and efficient technological networking. Generally the source of revenue for infrastructure development of non-serviced land and its development is poor with average percentage result of 44.18%, on which 26 respondents Agree, 58 disagree and 36 remain neutral.

**4.1.4 Presentation of frequency results on how responsive is the housing and land supply to the demand of the people.** N=120

No	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No	Percentage Result
1	That urban dwellers are satisfied in current supply performance of housing and land supply	0	12	30	43	35	120	36.01
2	Land policy forced urban dwellers to access land through squatting and informal settlements	6	48	30	36	0	120	61.85
3	Commercial land supply doesn't satisfy even the wealthiest community who is able to pay for land and participated at auction market	6	36	42	30	6	120	50.84
4	The city administration is on the position to supply serviced land for private housing developers and individual house builders.	0	13	30	42	35	120	36.34
5	The city Administration make policy intervention which helps to enhance land supply stemmed from the present performance	4	23	46	42	5	120	47.01
6	There is an organized community consultation meeting to get citizen feedback related with land issue	0	9	26	54	31	120	35.01
<b>AVERAGE</b>		<b>3</b>	<b>23.5</b>	<b>34</b>	<b>41.16</b>	<b>18.8</b>	<b>120</b>	<b>43.01</b>

Table 4.1.: Frequency housing and land supply

## **Result and discussion on the gap between supply and the demand of the people on housing and land**

From the table 4.2.3 constructed, that urban dwellers are satisfied in current supply performance of housing and land supply Recorded percentage result of 36.01%, the city administration is in a position to supply serviced land for private housing developers and individual house builders Recorded percentage result of 36.34% and there is an organized community consultation meeting to get citizen feedback related with land issue, Recorded percentage result of 35.01% these percentage result are the lowest percentage results and it indicates that most of respondents responded that they are not satisfied in current supply performance of housing and land supply, the city administration is not in a position to supply serviced land for private housing developers and individual house builders and there is no an organized community consultation meeting to get citizen feedback related with land issue.

Additionally during interview with Bole sub city government officials they said that, the sub city is not on the position to supply land for house developer and individual house builder because it is difficult to obtain in land in the peripheral part of the city in the current situation and also in the interior of the city. The sub city cannot supply land for individual house builder because proclamation article 11 of proclamation 721/2011 stated that the urban land prepared requires a special development program and implementation action plan so that land lease proclamation clearly states the tender gives priority to investors.

As Okoth-Ogendo (2018) duly observe, land is –an economic resource and an important factor in the formation of individual and collective identity and in the day to day organization of social, cultural and religious life –moreover he further states that land is a resource and defines power relations between and among individuals, families and communities under established system of governancell however land as an economic resource could not create a collective identity in social cultural and religious life rather it is used as a political resource that define the power relation among individuals and the government. People lost their land without claim because the society ruled by an established system of governance, like the urban land lease policy.

Additionally, access to land with sufficient security to encourage investment for its efficient uses and development is vital components in development strategy for individuals, groups, cities and nations. More evident in urban area where demand and therefore prices of land for all uses are highest. Bole sub city makes available urban lands for tender with a high cost of land lease price but the demand supply gap is very high (high demand low supply) Generally housing and land supply system of the sub city is not responsive to the increasing demand of the dwellers of Bole sub city while average percentage result of 43.01% on which in average 27 respondents Agree, 59 Disagree and 35 remain Neutral.

#### 4.1.5 Comparing of challenges

Major variables		Percentage Result	Rank
1	Implementation of urban land lease policy	47.84%	4th
2	How the people and the local government benefited from the urban land lease policy	41.17%	1st
3	How responsive is the housing and land supply to the demand of the people	43.01%	2nd
4	Source of revenue for infrastructure development of none serviced land and its development	44.18%	3rd

Table 4.1.5. Comparing of challenges

The above table shows that people and local government are not benefited in the desired level from urban land policy as the proclamation stated and the housing and land supply to the demand of people could not be responsive. Also source of revenue for infrastructure development of none serviced land does not implemented effectively. Generally, there are a greater limitation in the implementation of land lease policy in terms of its benefit to the people, housing and land supply, infrastructure development with the percentage result of less than average percentage of 50%.

# CHAPTER FIVE

## SUMMERY, CONCLUSION AND RECOMMENDATION

### 5.1 Introduction

This chapter contains summery, which revised the previous chapters, conclusion and recommendation which are made based on result of data analysis and discussion

### 5.2 Summery

The main objective of this study is to critically assess the implementation of urban land lease policy the case of bole sub city, Addis Ababa. The first chapter of the study deals about the back ground information related to the implementation of urban land lease policy, statement of the problem deals with the main reason and justification for why the study is conducted with the aim of achieving its specific objective which are to assess the challenges in practical implementation of land lease policy, to evaluate the policy in line with its effect on financial contribution for infrastructure non serviced land, to evaluate the benefit of the people and government from the policy and to identify factors that expanded the gap between demand and supply of land..Also significance, scope and limitation of the study are included in this chapter..

The second chapter deals with review of related literature. Which included review of government policies, strategies, and documents on land administration, various reform materials, related researches and review of reports that could build and enhance the understanding of the subject matter.

The Third chapter presents research methodology of the study where the primary data was gathered through questionnaire and structured interview as well as on which secondary data was also reviewed that could build and enhance the understanding of the subject matter

On the Fourth chapter data which was gathered through data collection tools was tabulated and analyzed. Also Discussion based on the analysis, conclusion and recommendation have been done under this chapter.

### **5.3 Conclusion**

The Ethiopian urban land lease policy looks to have been adjusted in direct line with the contemporary orientation towards a free market philosophy. It was also within this reform framework that the first urban land leasing policy and legislation was promulgated and put in to effect in 1993 and then revised in 2002 and 2011. The urban lease policy has been built to address the problems in the previous free hold system in order to enhance development and benefit the people as much as their contribution to the development. This study considered the need for assessing urban land lease policies implementation and conducted in Bole Sub City of Addis Ababa with the prime objective of critically assessing the implementation of land lease policy and attempted to examine the major challenges that affect land lease implementation as well as to provide concrete recommendation. Based on the objectives, the data analysis and findings of the study,

The study result revealed that Proclamation no 721/2011 states that urban land shall be permitted to be held by lease hold through tender or allotment. Consequently the minimum price of urban shall be determined by the respective regions and city administrations. As tender modality law stated on article 11 of Proclamation No 721/2011, the highest bidder shall be declared a winner on the biases of his bid and the amount of advance payment he offers. This highly affect the opportunity of low and middle income population access to urban land, this leads the urban land to became the lucrative business for speculators and the objective of the lease policy is not achieved towards benefit majority of the people who cannot affordable to accesses land for residential purpose. Additionally the land market regulation mechanism cannot control imperfection because the outcome does not benefit and share the under privileged group in the society and the land supply system of lease does not accessible to all income group. According to Addis Ababa land bank and transfer office 2016, land lease auction winner price pattern after proclamation 721/2011, The minimum price per/meter square in year 2011 was 260.00 birr becomes 13,001.00 in year 2016 and maximum price per meter square in year 2013 was 2151.00 becomes 69,651.00 in 2016 this record shows that the price of land growth in 52% within 3 years. As a result the land supply system of the lease became not accessible to all income groups of the citizens.

On the other hand the dwellers of Bole sub city are not satisfied in current supply performance of housing and land supply as confirmed by 78 respondents while only 12 respondents disagree on it, the sub city administration is not on the position to supply serviced land for private housing developers and individual house builders as confirmed by 76 respondents while only 12 disagree on it and also there is no an organized community consultation meeting to get citizen feedback related with land issue which is confirmed by 86 respondents while only 9 respondents disagree on this. Additionally during interview with Bole sub city government officials they said that, the sub city is not on the position to supply land for house developer and individual house builder because it is difficult to obtain land in the peripheral part of the city in the current situation and also in the interior of the city priority is given for investors than individual house builder as stated on the proclamation 271/2011, article 11 so Bole sub city do not have the right to supply land as it the authority of Addis Ababa city land administration office

In addition to this there is lack of infrastructure of non-serviced land in the sub city. however the proclamation 271/2002 under the title utilization of income from lease states that 90% of the revenue collected from the lease payment would spend for building infrastructure and low cost housing, but the revenue collected from the lease payment not directly spend for building infrastructure, low cost housing, according to interview with sub city officials the collected land lease revenue is directly deposited to ministry of finance and economic development and the revenue does not refunded as it is because fund released is based on the budget request of infrastructure development sectors.

Generally the sub city has limitation on implementation of the policy, not in line with what written on the policy, proclamation and regulation in terms of dwellers benefit from it, lack of infrastructure of non-serviced land and poor information system with dwellers of the sub city.

## 5.4 Recommendation

Based on the findings and recommendations of the study the following suggestions are provided:

- To make the land lease system implementation effective, equitable, and well- functioning, both sub city land administration, housing and land bank administration offices take lessons and experience from well-functioning countries in global level.( Eg. Like The most distinguishing feature of the Chinese making land rights assignable, expediting for transfers through exchange, sale, mortgage, gifts and inheritance. Also from Mauritius where Policy making is participatory, based on an effective partnership between the government, business and trade unions)
- Timely and continuous revision of the lease law is needed which helps to reduce the emerging constraints and make intervention for lowering land price (example setting the upper limit for auction prices while leasing plots)
- The land price policy should be examined and revised because the existing land price policy concentrate only on the supply side and it seems to neglected the increasing demand of the people in the sub city.
- Focus should be given to infrastructure of no serviced land to avoid supply of only raw land and revenue from land should be used for their intended purpose in accordance to what says the proclamation.
- The current compensation payment law should be reevaluated to give enough compensation by considering the land lease price for people whose land use right is expropriated for public use in accordance to the existing urban land lease policy.
- To benefit the middle and low income group of dwellers of the sub city, it is advisable to introduce new way of land allocation and create equal playing field in land auction for all citizens by
  - Creating saving scheme access to land
  - Creation of access to loan to acquire lease plots
  - Give more focus on the increasing demand side of the dwellers to minimize the imbalance in demand and supply of land

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# QUESTIONNAIRES

## Appendix I

### Questionnaire 1: To be filled by officials and customers in Bole sub city land administration office.

Dear,

I, Daniel Berihe Tessema, am a student of Public Policy and Management at AAU. As part of MA Program in Public policy and Management, I have to do a study or thesis as part of partial fulfillment of my MA Degree. The topic of my thesis is "*A critical Assessment of Land Policy implementation in Addis Ababa: the case of Bole Sub City*". At first, I would like to thank you for taking few minutes to be a part in this study. This questionnaire is designed to gather data from land office officials. This study is being done purely for academic purpose and all information provided by you will be used purely for academic analysis and knowledge. Your answers and suggestions shall be kept confidential and not disclosed to anyone for public consumption.

The information gathered through this questionnaire shall help me understand customer views on the status of service delivery in land administration offices. I request you to provide an honest opinion/ perception which help me greatly to carry out this study with ingenuity and do justice to the task in my hand.

Thanks once again.

#### Part One: General Back Ground of the Respondents

1. Name: -----

2. Position/Occupation: \_\_\_\_\_

3. Sex

Male  Female

4. Educational level

Certificate  Diploma  Degree and above

5. In which working process/ unit are you working for?

Title registration

Issuance of land tenure certificate

Building permit

Planning consent

Other (specify) \_\_\_\_\_

6. For how long have you been in this position?

Less than one month

1 to 3 months

4 to 6 months

6 months to 1 year

More than 1 year

II. After you read each variables in relation to Implementation of urban land lease policy, the people and the local government benefited from the urban land lease policy, How responsive is the housing and land supply to the demand of the people, the source of revenue for infrastructure development of none serviced land and its development. And put a tick mark (X) under the choices below. Where, 5=strongly agree, 4=agree, 3=neutral, 2=disagree, 1=strongly disagree.



**Part Three: Questions designed to answer issues to wareds How the people and the local government benefited from the urban land lease policy?**

No	Variables How the people and the local government benefited from the urban land lease policy?	Strongly agree	Agree	Neutral	Dis agree	Strongly disagree	No	Percentage Result
1	The performance of the lease system in supplying land towards the benefit of the citizens and economic development of the country							
2	The land supply system of the lease accessible to all income groups of the citizens							
3	The mechanisms to regulate market imperfections and efficiencies of land market outcomes to benefit and share the under privileged groups in the society							
4	The policy accommodate harmonious urban spatial patterns that minimize the use of resources relative to economic and social benefits							
5	people feel that the policy does work well							
6	Complaint handling mechanism is accessible to all customers							
7	The quality/performance efficiency of land delivery is good in land offices							
8	The policy provides up-to- date information for land requesters							

**Part four: Questions designed to answer issues regarding the financial contribution of the policy for infrastructure development of none serviced land and its development**

<b>No</b>	<b>Variables</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No</b>	<b>Percentage result</b>
<b>1</b>	Land-based financing enables to stretch possible sources of revenue to finance infrastructure development							
<b>2</b>	There is alternative mechanism for value capture instrument for capital improvement of land revenue							
<b>3</b>	The current tax and real property taxation system might help the city administration in financing urban infrastructure at intended level							
<b>4</b>	The available land development finance mechanism not created scarcity of cash supply for land infrastructure development							
<b>5</b>	The contribution of lease income to city revenue seems significant							
<b>6</b>	The land related and real property tax information is strong,							

<b>No</b>	<b>Variables</b>	<b>Strongly agree</b>	<b>Agree</b>	<b>Neutral</b>	<b>Disagree</b>	<b>Strongly disagree</b>	<b>No</b>	<b>Percentage result</b>
7	Article 10 of the proclamation of the lease policy has mentioned That 90% of the revenue collected from the lease payment would spend for building infrastructure, low cost housing applied practically							
8	According to the current practical implementation result of land related revenue collection mechanisms are appropriate							
9	There is problems encountered during the collection of lease payment							
10	The tariff on land rent/tax is modest.							
11	It is possible to increase property taxation to improve infrastructure of non-serviced land							
12	There is good coordination of different working processes in the land office							

**Part Five: Questions designed to answer issues concerning on How responsive is the housing and land supply to the demand of the people**

No	Variables How responsive is the housing and land supply to the demand of the people	Strongly agree	Agree	Neutral	Disagree	Strongly disagree	No	Percentage Result
1	That urban dwellers are satisfied in current supply performance of housing and land supply							
2	Land policy forced urban dwellers to access land through squatting and informal settlements							
3	Commercial land supply doesn't satisfy even the wealthiest community who is able to pay for land and participated at auction market							
4	The city administration is on the position to supply serviced land for private housing developers and individual house builders.							
5	The city Administration make policy intervention which helps to enhance land supply stemmed from the present performance							
6	There is an organized community consultation meeting to get citizen feedback related with land issue							

## *Appendix II*

### **Specific Issues for Interview with Managers and Officials**

1. The major achievements and challenges of the current land lease policy/ law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained?
3. Do you think that the land lease implementation is successful? In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, Beaurocracy level, etc
4. Do you think that there is sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
5. How do you generally assess cooperation and coordination level among different departments?
6. How do you view transparency of land allocation process through lease?
7. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
8. What are the impacts of the current land lease law and cost of land?
9. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City?
10. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding?
  - Shortage of land supply,
  - Escalated land lease price,
  - Contents of the land lease law that require modification,
  - Land lease law implementation
11. Do you have any future plan to improve gaps identified? If so what are they?
12. How does the city administrative create clarity and awareness to the public about the current urban land policy?
13. Are land administration officials well versed in the existing land law? A. yes b. no c. other (specify
13. Are there issues and problems surrounding the implementation of the policy/ law?
14. Does the revenue from land properly utilized for infrastructure purpose and this revenue kept in separate specific account?
15. Do you think that the compensation for displaced people is fair according to the resale value of these lands by Government?