

ADDIS ABABA UNIVERSITY
COLLEGE OF DEVELOPMENTAL STUDIES
URBAN DEVELOPMENT AND MANAGEMENT CENTER (UDMt)

ANALYZING LAND MANAGEMENT CHALLENGES AND WILLINGNESS TO PAY OF DEVELOPERS
TO PAY FOR LAND IN SPECIAL ZONE OF OROMIA REGION SURROUNDING ADDIS ABABA:THE
CASE OF SULULTA,SEBETA AND LEGETAFO-DADI TOWNS

IN PARTIAL FULFILMENT FOR MASTER OF ARTS IN URBAN DEVELOPMENT AND MANAGMENT

By: Wondwossen Jima

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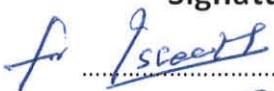
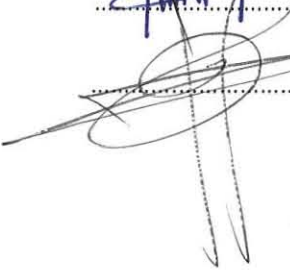
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A Thesis presented to graduate studies office, Addis Ababa University, in partial
fulfillment for the degree of Master of Arts in Urban Development and Management.

By: Wondwossen Jima

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Acronyms and Abbreviations

ADLI: Agricultural Development Leads to Industrialization
BPR: Business Process re-engineering
CSA: Central Statics Authority
ETC: Ethiopian Telecommunications Corporation
ELPA: Ethiopian Light and Power Corporations
EPRDF: Ethiopian People's Revolutionary Democratic Front
GIS: Geographic Information System
GTZ: German Technical Support
MLMIS: Modern Land Management Information System
OLS: Ordinary Least square
LIS: Land Information System
PASDEP: Plan for Accelerated and Sustained Development to End Poverty
SPSS: Statistical Package for Social Scientists
UDSS: Urban Development Support Service
UNDP: United Nations Development Program
WTP: Willingness to pay

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ABSTRACT: Land management addresses all issues related to the sound and sustainable use of land. It is the process by which the resources of land are put to good use. Like in many other developing countries, in Ethiopia, land management process has not been immune to the growing phenomena of land management challenges. This paper analyzes land management challenges and determinant factors of Willingness to pay (WTP) of investors for land. It specifically questions causes, effects and response options of the problems such as land speculation, the issue of governance and information in relation to land management and land lease policy implementation as well as informality on land. It also seeks to identify factors that affect WTP of developers to pay for land using Ordinary Least Square (OLS) econometric model. The study utilized the survey method, interviews with selected government officials, and review municipal documents to generate empirical data. A sample of 290 households from formal residents (200), informal settlers (40) and developers (50) was used. Simple random sampling technique was employed to select formal residents and developers, whereas purposive sampling was used to select informal settlers. Empirical evidence was complemented by a study in three selected towns from a Special Zone of Oromia National Regional State surrounding Addis Ababa, namely Sebeta, Sululta and Lege Tafo-Dadi. Descriptive statistics, multivariate analysis and Likert Scale questions were employed using SPSS-16, E-Views-6 and Severity index calculation, respectively, to analyze the collected data. The results obtained from this study indicated that governance, information, lease policy, speculation and informality in the land management process are plural and characterized by multiple linkages. These multiple dimensions affect the content, process and outcomes of the land management system in the study area. A significant number of developers buy land not for consumption but for saving. Like the local town government, land speculators have also provided land for those who have the capacity to buy. Farmers at the expansion area have break up their land in small sizes and offered it for sell. Informal settlements in the study area are not necessarily perceived as illegitimate by the actors concerned. Major determinants of informality in this analysis include poverty, shortcomings associated with the social housing programs, unrealistic urban land use regulations and standards, bottleneck bureaucratic tendencies and bad governance. Institutional response options from state and local authorities have taken a variety of forms including 'laissez-faire' approach, negotiation and bulldozing.

Public opinion on some governance norms (like transparency, inclusiveness, equity and responsiveness) clearly depicts the absence of good governance in the study area. Rampant corruption is also another major factor that decreased the efficiency of the land administration and delivery system. Adequate land information systems are prerequisites to land management and administration. However, the findings of the study revealed that land registration procedure in the study area is time consuming and cumbersome. Most town municipalities in the study area lack clear enabling law to affect real property registration. Shortage of critical mass of skilled man power coupled with lack of technological support system further compounded the problem. Respondents blame the existing lease price as discouraging real developers and unaffordable to the poor. Lease was initially publicized as it will finance the local government's revenue from land lease and has to be re-invested for local infrastructure development. However, in reality, the commitment on the part of the implementing agencies is incredibly low. Even though more efforts have to be carried out to promote the notion of lease holding tenure, no significant measure had so far been taken by the local administration to build trust among the citizens. Econometric model indicated that the value for a particular land in towns is positively affected by plot size, investors' capital and accessibility to basic services. In the study area, investment cost, distance of the plot from the main road and price of land had negatively affected investors' WTP for a particular land. Finally, the analysis of the study strongly suggest for the need to promote public participation, public awareness raising and outreach on land lease policy, build institutional capacity including critical mass of skilled manpower, facility, etc in local administrations, bridge the prevailing gap in the contract agreement and information communication technology transformations. A more proactive mechanism to deal with informality is adopting a collaborative approach consisting of three steps, namely recognition, awareness creation and identification, and result assessment is recommended.

Chapter one

1. Introduction

1.1. Background of the study

Land, which is fixed in quantity and position (place), can neither be produced nor brought to market. W.Churchill (1909) explained it as a necessity of all human existence, the original source of all wealth, strictly limited in extent, fixed in geographical position. The concept of land includes properties and natural resources, and thereby encompasses the total natural and built environment.

Land is a critical factor in urban development (Stig Enemark, 2006) and is a basic natural resource, which today, has reached a stage of scarcity in urban areas as a result of rapid urbanization process. This situation calls for an economical and efficient utilization of this resource, which makes systematic planning and management of land very important.

Effective or modern land management addresses many critical objectives: improves the efficiency of the use of land resource, provides incentives for development, including the provision of housing and basic infrastructure such as sewer and water facilities, protecting the natural environment from degradation, providing efficient real estate transactions such as sale and lease, and highly increasing government revenue through real estate taxation, and helps secure a guaranteed ownership or use rights. In Ethiopia, land management has been generally based on traditional and customary institutions and laws. Ethiopian Urban centers in general and towns of oromia region around Addis Ababa in particular being the centre of one of the most populous towns in Ethiopia, cannot tolerate inefficient real estate management any longer (Melkamu.B, 2008)

The main objective of the Ethiopian urban land policy is: to promote urban development and the development of a free market economic system that promotes equitable distribution of land , economical use of it for priority development initiatives , stable land price and to provide strong ownership right of land and housing properties (PASDEP, 2005).

1.2.Statement of the problem

As a scarce resource cities and towns need to efficiently allocate land in return for appropriate value i.e. considering land as property, its efficient and effective usage would support the development of towns and cities in urban settings. Despite of this fact however, there are symptoms that clearly depict the prevalence of inefficiency and ineffectiveness with respect to economical, fair, equitable, transparent and accountable use, delivery and management of land. Land development and management actually faces many challenges in many urban parts of Ethiopia including in towns and urban settlements surrounding the capital, where by these study selected most of them. These challenges are significant and critically hamper sustainable urban development.

The practice of keeping land unexploited without adding value to it for a long time waiting for higher profit opportunities is a common observation. This may lead to unhealthy development of towns. In this respect, Nega.W (2005) in his study entitled “Who are benefiting? The urban land Lease Policy” indicated that almost 50% of the urban land in the country occupied by individuals is either vacant for the last couple of years or underutilized. The occupiers have claimed that the increase of the cost of building materials, inaccessibility of getting bank loans due to stringent bureaucratic procedures, and the policy itself have contributed for the halt of their investments. Some of the reasons seem to be right, but it may as well be possible speculation to wait for increased land value.

One of the main objectives of the urban land lease policy document is to finance infrastructure and service provisions. Ideally, the revenue collected from lease payment should not mix with other revenues; therefore it will be easy to allocate money for the desired development (Ethiopian Urban Land Proclamation No 80/1993). However, in practice, the situation is different. All the revenue collected in the towns disposed in one place, and the government distributes uses money for different activities. There is no particular budget allocated for infrastructure related to the revenues collected from urban land lease.

In the selected towns for the purpose of the present study the public formal land delivery system has failed to cope with the needs of the community. Procedures related to access to land,

registration of land, and permission to develop the land have often been dismissed as costly and time consuming and consequently making the legal system difficult to embrace. Land information systems put in place are found to be generally inadequate and lack uniformity.

Like many urban localities in Ethiopia, the selected study towns found in special zone of oromia around Addis Ababa suffer from poor implementation of policies for land development and management including poor planning, slow provision of infrastructure and services as well as poor land information system, etc. These constraints often result in land speculation, creation of slums and squatter settlements. These problems are highly exacerbated by absence of efficient and updated land registration system. In fact, it can be argued that many of the problems associated with land delivery, management and administration stem from the absence of property registration and land information system and good governance.

Private developers in the area is also challenged by long lasting bureaucratic procedures, inaccessibility to basic services, high investment cost and capital that negatively affect their decision to invest on land. In this regard pricing of land is the key component and appropriate for coordinated and equitable development but the pricing system in the towns under study concentrates on the supply side seems to neglect the effective demand of the majority of developers. So there is a need to fill the gap of information on the demand side in order to understand the fundamental importance of the value the developer places on land characteristics.

All the above assertions strongly suggest that urban land management and developers' decision to invest on urban land is currently in a problematic situation. Nevertheless, studies made so far paid little emphasis on the issue. Hence it is the conviction of the researcher that it is high time and pertinent to investigate into the issue in a systematic manner in order to provide adequate clue to the extent of the problem and fertile ground for more profound future studies. The present case study is hence to be conducted in selected localities where there exist perceived but significant urban land management and development challenges.

1.3. Research question

In the light of the above arguments, this study will attempt to answer the following questions:

- What are the cause and effects of land speculation and possible options to reduce it?

- What are the cause and effects of land informality and ways it can be curbed or reduced?
- What is the situation of applicability of some good governance norms on land management?
- What are the main obstacles of establishing modern and effective land information system in the town?
- What are the major reasons for ineffective implementation of the land lease policy in the town and what factors do investors consider in their decision to investment?

1.4. Study Objectives

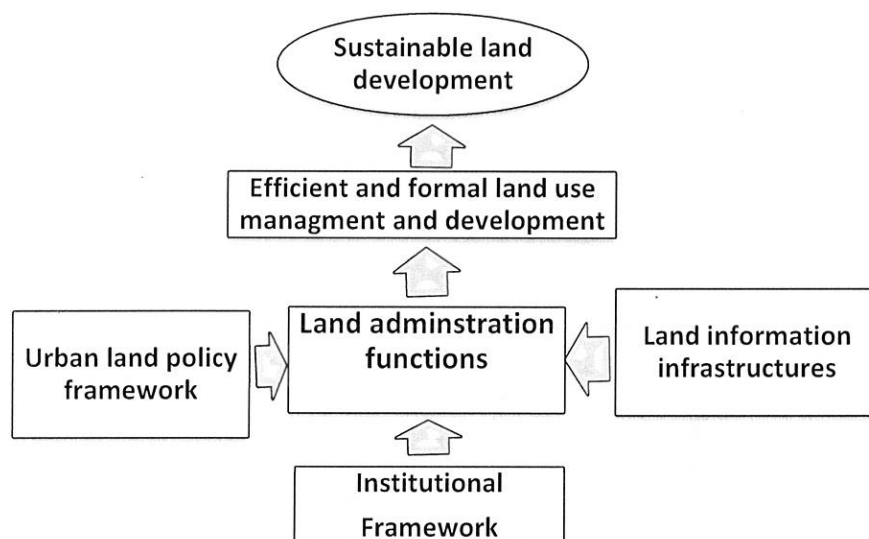
The broad objective of this study is to analyze and explain the challenges of urban land management & willingness of developers for land in selected towns of Oroima around Addis Ababa as case study. The attainment of this broad objective is predicated on the simultaneous achievement of the following specific objectives:

- To discuss and analyze challenges of land management, development and administration in the study area(i.e. land speculation, land lease policy implementation, good governance on land and land information system)
- To examine factors significantly affect willingness of developers to pay for land in towns found in the special zone of oromia region surrounding Addis Ababa.

1.5. Conceptual framework

To explain and understand the problem at hand there is a need to have appropriate conceptual framework that is adequately explanatory. The adopted conceptual framework of the study draws from land management perspective that leads to sustainable development as suggested by Stig Enemark. As the diagram below (Fig.1.1) illustrates sound and formal land management is the operational processes of implementing land policies in compressive sustainable ways. The operational components of land management concept are a range of land administration functions that ensure proper management of rights, restrictions, and responsibility in relation to property of land and natural resources. These functions include land tenure (securing and transferring right in land), land value (valuation and taxation of land and properties) land use (planning and control of the use of land and natural resources) and land development (implementing utilities, infrastructure and construction planning).

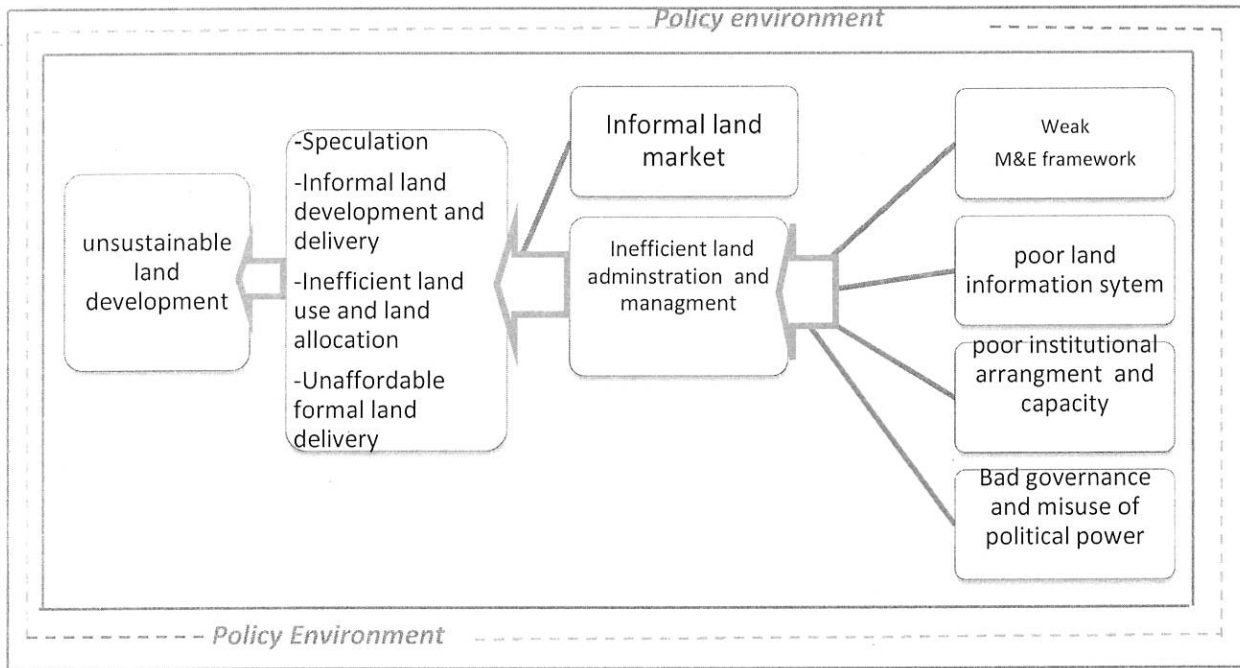
Figure 1.1: formal and efficient land management perspective



Source: Adopted from Stig Enemark, 2006

The conceptual understanding takes the form of a hierarchy of levels. The foundation stone is an overall national urban land policy. It determines values, objectives and the legal framework in relation to Management of land as a legal, economic, and physical object. It is also Basis for building sound land administration infrastructures.

Appropriate land management information system (cadastral, GIS) support implementation of land policies by providing identification of the land parcels and a framework for security of tenure. These systems also support a wider land administration infrastructure within the areas of land tenure, land value, land use, and land development. Appropriate land administration systems form the basis for sound land management towards economic, social, and environmental sustainability. The urban land policies may be revised and adapted to meet the changing needs in society. This process of adjustment should be based on constant monitoring of the results of the land administration and land management activities.



Source: Modified by the researcher, 2010

As Figure 1.2 clearly depicts In contrast to sustainable land development that would be achieved through formal land management there exists the informal land management .The main cause of which is mainly bad governance poor institutional arrangements and capacity(skilled man power ,technology and training institutions),poor land management information system and weak monitoring and evaluation framework. These constraints make land management informal and inefficient. Informality and inefficient management of land in turn results in problems like land speculation, informal land delivery and development, corruption on land and poor land use and valuation etc. Again this problems reduce the social, economic and environmental benefit effect of land i.e. sustainability.

1.6. Scope of the study

The thematic scope of the study focuses on the analysis of land management challenges and willingness to pay of developers in the newly established towns as special zone of oromia region found in urban fringe zone of Addis Ababa. To this effect three towns namely Sululta, Sebeta and Lege Tafo-Dadi were selected .The challenges of land management are many and very much interrelated by nature. However, this study focuses on selected a challenge that is speculation, informality, governance, lease policy implementation, and land management information system.

Since each of the challenges are very vague and broad the study tries to limit and narrow by relating each problems analysis only in relating to important land management and administration issues. With regard to willingness to pay of developers for land the study limit itself to identify only the significant determinant factors that determine willingness of developers to pay for land.

1.7. Significance of the study

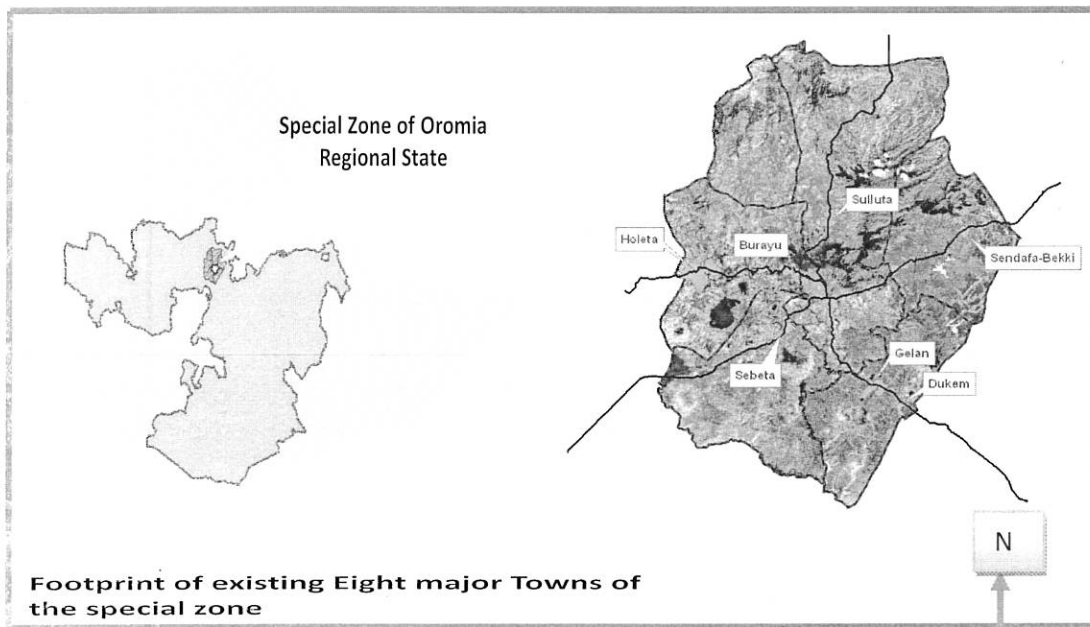
The study by looking at the causes, implications, impacts and response options of the challenges of land management and administration and identification of determinants WTP of developers for land would make significant for both academicians and practitioners. Its Practical significance includes input among other things to land managers, administrators and policy makers so as to use it in policy formulation, reformulation regarding land management and development of the study area. It is also hoped that the finding of this study would help as a benchmark and source of information through providing important insight for academic researchers who want to do further research on land management and development issues.

1.8. Background information of the study area

Geographical setup of the study area

Oromia Region, which is found in the central part of Ethiopia, is the biggest regional state in Ethiopia in terms of both its population size and area it covers. Astronomically its location extends from 8°N, 34° E in the West to 9°N, 42°E in the East and 10°N, 38°E in the North to 3° N, 39°E in the South. Relatively the Oromia region is bordered in north with Amhara region, in northeast with Afar, in east with Harari and in southeast with Somalia, in south with Kenya, in southwest with Sudan and in west with Benishangul Gumuz and Southern People Nations and Nationalities Region.

Figure1. 3: Geographical map of the towns



Having nearly a compact shape, Oromia Regional State has approximately an area of 353,690km², which is about 32 % of the total area of the country. Moreover, this total area of Oromia is divided into 18 administrative zones, 284 districts and 375 urban centers.

Realizing the necessity of establishing special administrative and development strategy for areas surrounding the capital (Finfine), the Regional State of Oromia restructured these areas as Urban Fringe Zone of Finfine City – Special Zone of Oromia Regional State”. It consists of six districts (Akaki, Berek, Mulo, Sebeta – Awas, Sululta, and Welmera) and eight major towns (Burayu, Dukam, Gelan, Holata, Laga Xaafoo – Laga Daadhi, Sebeta, Sendafa –Beke, and Sululta).

Sebeta

Sebeta is the capital town of Sebeta Awas District situated at about 24kms west of Addis Ababa along Jimma road. Due to its current fast growing status, the two satellite towns of Alemgena and Welete are considered as its administration part. Hence, based on the geographical location of these satellite towns, administratively Sebeta is subdivided into three local government

kebeles of Sebeta as 01, Alemgena as 02 and Welete as 03 kebele. Sebeta town is located within an approximate geographical coordinates of 8053'38.50''N-8059'58.17''N latitude and 38035'11.91''E-38039'33.75''E longitude. With regard to relative location, it shares common boundaries with Finfine in the North, Northeast and East, Burayu town in the North, and rural villages of Sebeta Awas district to the south and west. The total area that is covered with the current base/topographic map of Sebeta town is estimated about 99km².

Laga-Taafoo and Laga- Dadi and Sendafa Town – Barak District

The distance of Laga Taafoo - Laga Dadi town from the regional capital Finfinne, is approximately 21kms from the center of the town; its distance from the district capital (Barak) capital is 133kms, and from Sendafa 24kms. The existing built up area which is developed as an urban out of the total 100% in hectare is estimated to be almost 30 % and totally the area under administration of the town reckoned to be about 2431.3 ha (24312654.96m²), as the data obtained from topographic (base) map of 1:2000 of the town. On the other hand, the district – Barak with its administration seat Sendaf has a total land size of 601.4 km².

Sululta town – Sululta District

Sululta town is located in Sululta District of the previous North Shewa Administrative Zone of Oromia Region, currently under the Special Zone of Oromia. It is situated very close to the District capital town Chanco and Addis Ababa which are far about 15 and 23km in the north and south direction, respectively. The total surveyed area of Sululta town, according to Oromia Urban Planning Institute data is about 49 square kilometer. The total size of the district is 1,026.5 km².

The special zone has a major business activity and population movement than any part of the region and as some areas of the country. It has a population size of 696,020. Even assuming that most of the people live in the rural areas, the proportion of urban dwellers has been increasing from time to time; particularly as a result of the increasing investment activities by different groups – including foreign investment. The major population growth in these major towns is as a

result of both rural-urban and urban urban migrations. Particularly, movement of the urbanites from the capital Finfine is of a significant impact on the socio-economic activities of these areas.

The co-existence of the perceived abundant natural and human resources and the socioeconomic and environmental issues were a concern for many stakeholders. Particularly, the Regional Government of Oromia demanded undertaking development strategy for these areas. As a result, for example, the land use has changed in these areas because of the population dynamics and/or economic pressures. Simply put, it means that changes in land use are made without any previous studies to show what would be the most appropriate use and what effect on the environment the different uses will make and in a manner and in places which are appropriate. Moreover, sustainability, by which any development strategy and/or program should address, is glossed over in such activities regarding land use, economic development, environmental activity, and other related socio-economic tasks of the people in these areas.

Demographic and socio-economic issues

According to responsible municipalities in the eight towns, the estimated population figure is 258,857. This is more than the figure provided by OUPI and CSA, which are 134, 846 and 183,138, respectively. However, the figure demonstrated under the 2007 census survey is 171,114. To give a detailed information, the exact figure of inhabitants in the eight major towns based on the 2007 census result is, Dukam and Galan – 6,669, Burayu – 48,864, Laga Daadhi/laga Taafo and Sendafa – 10,750, Sebeta – 62,704, Sululta 12,452 and Holata – 27,380.

On the other hand, the recent census result shows the total figure of the rural people in the special zone is 531,479. On the contrary, figures provided by district administration, OUPI (oromia urban planning institute) and CSA estimation and projection is 498,281, 640,781, and 800,356, respectively.

1.9.Limitation of the Study

It is well known that resources are scare as to use the maximum amount anyone/any organization needs. Thus, Researchers, development agents and stakeholders strive to get the optimum resource utilization, so that they can achieve their objectives. The very concept of time is to let

people plan their work and use resources appropriately; however, in some circumstances the type and amount of work and the time allotted for that particular work might not go hand in hand, which might have adverse impact on the outcome of the objective. While undertaking this study, time and shortage of reading materials were the major constraint to achieve the objectives stated. In addition, it was exacerbated by the unwillingness and uncooperative nature of some of the officials and investors in many of the towns under study.

1.10. Organization of the study

This study is divided into five major chapters. The first chapter, chapter one, is Introduction: about research problem, objectives and description of the study area and other related issues. Literature related to urban land management and its challenges is reviewed and described in chapter two. In Chapter three research methodology and model specification were presented. The data collected were presented and analyzed in chapter four. Chapter five is all about conclusion of the findings and recommendations forwarded.

Chapter two

2. Related Literature Review

2.1. Introduction

2.1.1. Defining Land Management and Land Administration

The issues of land management and administrations are the two sides of the same coin. They have the same connotation but with slight difference. Land management focuses on long term management, qualitative themes and includes environmental protection, while land administration focuses on day to day activities of land and real estate's¹.

Land management addresses all issues related to the sound and sustainable use of land. It is the process by which the resources of land are put to good use. Land management encompasses all activities associated with the management of land and natural resources that are required to achieve sustainable development. It also covers all activities concerned with the management of land as a resource both from environmental, social and economic perspective (USAID/Ethiopia 2004). These include, but are not limited to:

- Improving the efficiency of land resource use to support a growing population
- conducting land use planning
- protecting the natural environment from degradation
- providing equitable and efficient access to the economic benefits of land and real estate market
- Supporting government services through taxation and fees related to land and Improvements and providing incentives for development, including the provision of residential.

Land administration On the other hand, is the regulatory framework, institutional arrangements, systems and process that encompass the determination, allocation, administration and information concerning land. it refers to the processes of recording and disseminating

¹ (<http://www.fig.net>)

information about the ownership, value, and use of land and its associated resources. Such a process include the determination of rights and other attributes of the land; the survey, description, registration and recording of these rights; and the provision of relevant information in support of land markets.

According to S.Enemark (2006) the operational component of land management is the range of land administration functions that ensure proper management of rights, restrictions, responsibilities and risks in relation to property, land and natural resources. These functions include the areas of land tenure (securing and transferring rights in land and natural resources); land value (valuation and taxation of land and properties); land use (planning and control of the use of land and natural resources); and land development (implementing utilities, infrastructure and construction planning).The land administration functions are based on and are facilitated by appropriate land information infrastructures that include cadastral and topographic datasets and provide access to complete and up-to-date information about the built and natural environment.

The mission, goals and strategies that any land administration system might have is clearly stated by R.Wessely (2002) and is presented as follows:

1. Mission of a land administration system:

- Administration of all functions related to land (real property, i.e. the physical space needed for food and shelter, the protection of nature, the cultural roots of a society).
- Implementation of (otherwise) abstract rights of subjects on (physically) defined real Property objects.
- Application of economic measurements to objects through a valuation process needed to facilitate transactions, to develop a land market and to enable property based taxation.

2. Goals of a land administration system:

- To guarantee (private) real property ownership, security of tenure and other rights (Such as mortgages) on real property.
- To facilitate real property transactions through simple and efficient, transparent and affordable procedures.
- To improve land planning and control and infrastructure development.

- To promote maintenance use and improvement of buildings, particularly of housing.
- To protect the environment.

3. **Strategies** (Some sample) that have to be developed to achieve the above goals

- Land reform: privatization, consolidation, agricultural land.
- Land policies: spatial planning, land use and urban planning.
- Cadastre modernization.
- Real property rights registration system.
- Land market promotion.

2.1.2. **Trends in urban Land Management of developing countries**

The actual trends of Urban land management and administration in developing countries like Ethiopia clearly depicts that urban land management and administration in these countries actually faces many problems which hamper their effort for sustainable urban development. According to Dale and Peter (1997) the following are among the major problems:

Urban land policy: There is rarely a clear urban land policy that takes into account activities of all agencies involved in land management. Land administration and urban planning are often over-centralized. As an example, conventional centralized procedures limit the effects of regularization programs. This situation is worsened by the limited enabling capacity of central governments and the absence of a clear distinction of responsibilities between sector policies (ministries), between national, intermediate and local level as well as between State and Civil Society which leads to the duplication of some efforts while ignoring others.

Capacity to manage land: Besides the weak institutional and professional capacity to manage land, there is a lack of adequate financial resources, especially at the local level. In this regard Abuye (2006) also clearly stated that in Ethiopia human resource development is the weakest link. Another weakness is the lack of emphasis on building institutional infrastructures with clear responsibilities. Responding to these problems is not simple mainly because of lack of emphasis on the long-term capacity building measures towards developing sustainable institutional infrastructures. So establishment of the appropriate land administration system itself; and

ensuring sustainable long-term capacity of educated and trained personnel to operate the system are the two important aspects of capacity building.

Complex land regulations and lengthy procedures: This hindered land regularization to be fast and cost-effective solutions.

Legal pluralism and Corruption: It is generally understood that security of land tenure, efficiency of land markets, and effectiveness of land use control are crucial components in any land policy. However, the availability of multiple land tenure systems in these countries often lead to tenure insecurity and can result in severe land conflicts which are aggravated by the lack of (adequate) land conflict-resolution procedures. Corruption and illicit practices often hamper to improve the land delivery system for the urban poor.

Lack of information on land: There is often lack of information about land tenure rules, regulations and practices which limit transparent land market activities as well as a lack of reliable information on land use and ownership because of non-existing or uncoordinated recordkeeping systems and a lack of institutional co-ordination and – as a consequence – a lack of land information systems.

2.2. Challenges of land management and development

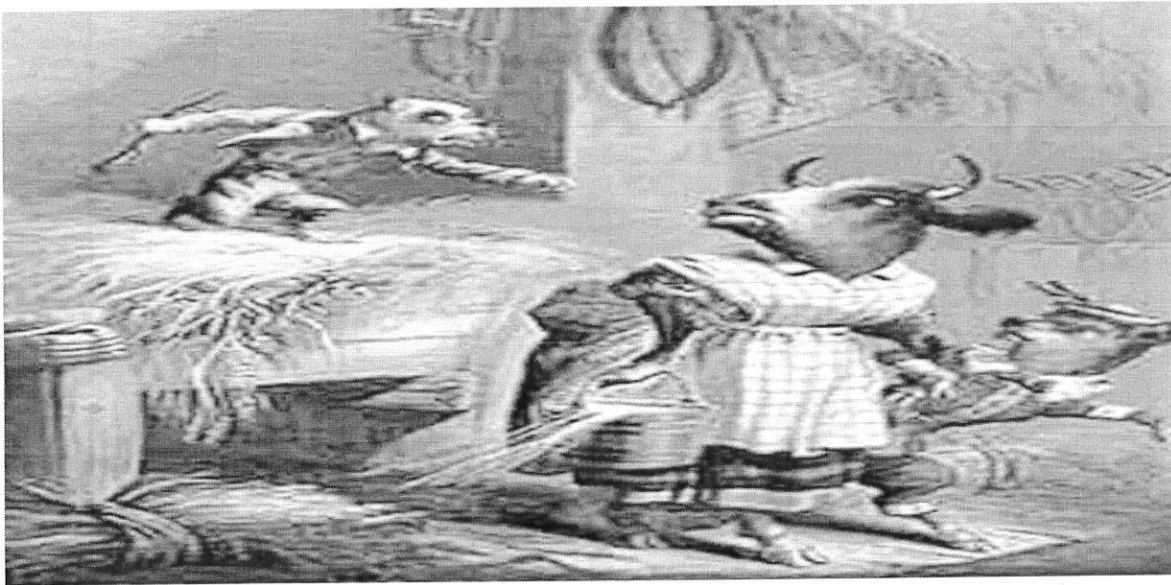
As I mentioned in the introductory part in developing countries urban land management and administration is not efficient and effective that negatively affect their overall sustainable development. Among other land speculation, informality, governance, capacity and inefficiency of lease policy implementation are the main challenges urban land management and development which is the main theme of the following discussion:

2.2.1. Land speculation

What is speculation and how it occurs? The term speculation is used to signify something about the time horizon of the investor. In some cases the term is used to denote short term investors, rather than those who buy and hold. It is also used to identify investors who purchase a parcel of land but who hold it vacant (or in a current less-intensive use) in anticipation of a profitable development opportunity in the future (S.Malpezzi and S.M.Wachter, 2004). In this sense it intimately bound up with the question of optimal timing of development which is the

main theme of this study. Land speculation can drive land prices beyond the productive value of the land, causing a "bubble" land and property market. When the "bubble" breaks, financial institutes which lent money to land and property speculators find themselves unable to recover their loans, causing a crises in the financial markets.

Figure 2.1: Description of how land speculation occurs



Source:George, 2000.

Figure 4 above shows the expression "dog in the manger" refers to one of Aesop's fables, in which a dog, who didn't want hay, nevertheless commandeered a manger, refusing to let the other animal's eat. When this situation comes to the context of urban area it can be an apt (suitable) description of the economic role of land speculators. Not ready, or willing, to use the land they hold, they deny its use to others, and the whole community suffers (H. George, 2000).

When it comes to the urban context dog represent land speculator while cow represents real developer. Both the dog and cow wants the hay (or land in this case).However why the dog want is not to develop the land but to sell to others at higher price and the cow wants the land not to sell it but to use it for real development . Here, both dog and cow are rational thinkers in which their main objectives were to make money by maximizing their own profit. However, they

mainly differ in the method they follow to make the money they want i.e. Dog wants to maximize by speculating the land while the cow wants maximize his own profit through developing the land by adding other factors of production i.e. labor and capital.

Land speculation occurs when the demand for land, at the present time or in the near future, outstrip the supply of land. This can be caused by several factors both on the demand side and on the supply side. On the demand side land speculation can be triggered by excess liquidity in the financial markets caused either by rapid economic growth or by a lack of opportunities for investors in other sectors of the economy, in slow growing economies. In either scenario investors invest, on a short term to medium term basis, in the land market, waiting for prices to increase and sell their tenure at a profit².

Who Are the Land Speculators? According to Henry George's explanation (1890) Land speculation was an explicit "occupation" in the early days of the United States, and the vast North American continent was being emptied of native peoples and opened for settlement. Nowadays, though, land speculation so thoroughly pervades the economy that it's just about meaningless to try to identify "land speculators" as a group. Because land is necessary for all production, land's tendency to increase in value bears on many, many economic decisions.

Homeowners(Residents): Probably the largest overall set of participants in today's land speculation game are the roughly 65% of US families who own their homes.(Of course, when we say "own", we understand that to mean "hold some equity in" and "are making mortgage payments on".) Homeowners make interest payments far in excess of the selling price of their real estate. Some 65% of US households, then, are counting on land speculation for their retirement nest-egg (reserve).

Corporations (this includes business, company, firms etc): corporations are also major land speculators. Land makes up a significant portion of corporate assets, and land rent is a big part of corporate profits. Corporations own concentrations of pricey urban land, as well as vast acreages of farm, timber and mineral lands. This is not usually emphasized, but it is a huge part of doing business. It comes into clear focus in the case of corporate buyouts financed by high-interest

² (www.unescap.org)

"junk bonds". How could such deals be profitable? Easy -- when the buyer liquidates the bought-out company's under-valued real estate, suddenly there's plenty of cash! Corporate control of land is not just the province of the super-rich. Many citizens don't put all their retirement eggs in the real-estate basket; they invest, either singly or via pension funds, in stock markets (such investment, if used to save for retirement, also receives favorable tax treatment).

The effect of Land speculation (What is it bad for?): The character of land speculation is differing according to the land ownership set-ups. As Abrams (1994) has demonstrate the example of Turkey's land speculation character, private speculators buy large aggregations of land from farmers or from the state or the city, run a line through each plot horizontally as many times as possible, then as many times vertically as possible. This situation would be proper where land is privately owned but in the case of Ethiopia, the farmers shall not be allowed to sell their land. More often what the private speculators did is, they buy a plot of land and build a small house at the back of their plot. They keep the land until the development reach in their surroundings. E. Foldvary (1998) also explained that Speculators buy land because they expect the price to go up in the future. While waiting for the price to go up, speculators do different things with land. Such as:

- Some land speculators buy raw or underdeveloped land and just let it sit until they think the time is ripe for development. When many speculators are doing this in some area at the fringe of a city, often developers skip around them to areas further away from the city. That creates land-wasting urban sprawl, which then requires more roads and longer water pipers and makes it uneconomical to have public transportation.
- In other cases, when speculators are buying land within a city they expect to be developed soon, development instead shifts to other, less expensive, areas, and the speculators lose out. Society also loses, since that area can stay relatively undeveloped even though it is within the city.
- Other land speculators buy land in order to develop, expecting the rise in land value to be a big chunk of their profits. That works out well for the first ones to do it, but at the end of the land boom, when many developers are building and hoping to cash in on the land bonanza, the land value stops rising. Those who bought near the top don't get the land gain profit, and even worse, when the real-estate market crashes, the developers end up with

empty houses and office buildings, and shopping centers they where they built but folks aren't coming. The go broke, can't pay back their loans, and the banks fail, making the economy fall even more.

To sum up, although the effects of land speculation in the urban economy and society are dramatic, they are so much a part of the normal state of affairs that they are sometimes hard to identify. The economic role of land is profoundly obvious, if only one can see it at all. Examples abound. For now, it will suffice to mention the four main types of effect that land speculation has: on economic efficiency, on the environment, on community and on poverty.

Effect of land speculation on the Efficiency of urban economy: The land speculator stands to benefit from long-term increase in land value. However, during that time, labor and capital, that would have been willing to put that land to its best economic use, must go elsewhere, farther from the centers of population and exchange. This decreases overall production every single time it happens. Across the economy, the lack of access to the best sites, and the resulting increased production costs, retards production. To elaborate the effect of land speculation on the economic efficiency let's have a close look at the law of rent. Adding a few specific factors can help us to understand how land speculation works. Here is a model with five different grades of land (H. George,200).

Assumptions of the model

- Workers are more productive on the better land - they can produce more units of wealth. and,
- On the better grades of land, more workers can be employed on each plot.
- The cost of public services (infrastructure) is higher on the better land.
- the infrastructure cost per worker is the same, in this simple model (in the real world, public infrastructure is more efficient where population is more concentrated)

As the table below depicts the model from the low of rent there are four plots (plot one to four) of each grade (one up to five) of land, and one of each has been held out of use, for speculation. For both table rows show plots while columns depict grades of each plot. Since the model itself is a hypothetical description the numbers used in the tables are taken arbitrarily. So based on this let's give numbers randomly as follows

Workers: Each of the four plots can employee 50, 40, 30, 20, and 10 workers /day at grade one up to

five respectively.

Output: Each of the four plots can produce 5, 4, 3, 2, 1 and 1 units/worker/day at grades one up to five respectively.

Table 2.1: Model with speculation land shows how the effect of land speculation process works on the efficiency of the economy.

4 plots of each grade of land	5 units per worker/day; 50 workers per plot	4 units per worker/day; 40 workers per plot	3 units per worker/day; 30 workers per plot	2 units per worker/day; 20 workers per plot	1 unit per worker/day; 10 workers per plot	
1.	50 x 5	40 x 4	30 x 3	20 x 2	10 x 1	
2.	50 x 5	40 x 4	30 x 3	20 x 2	10 x 1	
3.	50 x 5	40 x 4	30 x 3	20 x 2	10 x 1	
4.	0	0	0	0	0	Totals
# of workers	150	120	90	60	30	450
wealth output	750	480	270	120	30	1650
infrastructure cost	200	160	120	80	40	600

The above table depicts when plot 4 is speculated left idle and as a result the total output that would be produced with the given 450 workers is only 1650units.the infrastructural cost also be 600 birr. However, Table 3 below depicts what happens if we employ the same number of workers, but without speculation. When plot four is not left idle or used for production both the productivity and volume of production increase i.e the output increase from 1650units to 1910units and the total infrastructural cost decrease from 600 birr to 480 birr.

So from the above explanation one can simply understand that by eliminating wasteful hoarding of land by speculators, one can increase volume production, reduce infrastructure costs, and raise wages. Taking an even deeper look In addition to this, land speculation has an effect on employment and social welfare of the society.

Table 2.2: Model without speculation land shows how the effect of land speculation process works on the efficiency of the economy.

4 plots of each grade of land	5 units per worker/day; 50 workers per plot	4 units per worker/day; 40 workers per plot	3 units per worker/day ; 30 workers per plot	2 units per worker/day; 20 workers per plot	1 unit per worker/day; 10 workers per plot	
1.	50 x 5	40 x 4	30 x 3	free	free	Totals
2.	50 x 5	40 x 4	30 x 3	free	free	
3.	50 x 5	40 x 4	30 x 3	free	free	
4.	50 x 5	40 x 4	free	free	free	
# of workers	200	160	90	-	-	450
wealth output	1000	640	270	-	-	1910
infrastructure cost	200	160	120	-	-	480

Approaches to combat speculation: The two methods used to reduce speculation on land are;

Net gain tax: The concept is basically that the net gain from land will be taxed when the land is sold. The net gain is defined as the selling price minus the buying price and incurred expenses such as development charges. It is a commonly used method and very effective in developed countries but faces several problems in developing countries. When setting the capital gains tax rate, it is important not to set it too high as this may encourage illegal subdivisions and sales. Reasons for shortcomings in developing countries often include an inefficient and not up-to-date land registration system and low interest in tax collection among municipalities, as yields typically belong to the national government.³

Setting time limit for starting and completing of construction as per the leased land agreement: As previously mentioned usually speculators take land by way of lease contract and keep it idle with no or little building on it and wait for price rise to sub lease it. Such rent collection by way of keeping land idle for speculation has been a way of abusing land use and profiteering taking advantage of land scarcity. experiences of Finland and Sweden clearly depicts

³ (www.unescap.org).

that it is possible to combat land speculation by Setting time limit for starting and completing of construction as per the leased land agreement. Accordingly different acts of misusing land like keeping it idle, violating planning and environmental laws to construct buildings are penalized severely in all the above referred countries. These penalties include levying fee or tax on idle land, demolishing buildings that violated city/town plan or environmental protection. Standard rules, norms are set and construction supervision undertaken to assure conformity of lessees to the term of contract and to planning rules. (Abay T, 2005).

2.2.2. Applying good governance norms on urban Land management and administration.

Overview of governance

Definition: The term governance has been defined as “The exercise of economic, political and administrative authority to manage a country’s affairs at all levels. It comprises the mechanisms, processes and institutions, through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations and mediate their differences”(UNDP,1997).

Two aspects of this definition merit closer attention. Firstly, the concept of governance is broader than government. Governance is normally described as involving government, civil society and the private sector. In the context of urban it means the responsibility of managing a city’s/towns affairs is not limited to local governments but includes a wide variety of stakeholders including national and regional governments, private sector, NGOs and CBOs, media, professional associations and other members of civil society. Secondly, the concept governance focuses on institutions and processes. In the context of scarce resources, competing but valid, priorities must be reconciled through processes that involve all stakeholders in decision-making.

Results of Good Governance: The result of Good Governance is opportunity for development that gives priority to the poor, sustains the environment and creates needed opportunities for employment and other livelihood.

As our previous discussion on the trend urban land management and administration in transition countries it actually faces many problems which hamper their effort for sustainable urban

development one of which is absence of good governance on land. To overcome these problems, norms of good governance have to be incorporated in urban land management and administration. Since the existing definitions of good governance such as the ones of the World's Bank or UNDP tend to be rather vague, good governance is often called an “umbrella concept” unifying ambitious creative measures (Hyden.G, 1998) or more skeptically a “container concept”, covering a wide range of policy objectives hardly to achieve. In the following, we will refer to the norms defined by UNCHS global campaign for (good) urban governance and discuss what it means to apply these norms to urban land management. Following the introduction, each norm is applied to land management.

Sustainability in all dimensions of urban development: In urban context sustainability means that Cities and towns must balance the social, economic and environmental needs of present and future generations. This should include a clear commitment to urban poverty reduction. To achieve this Leader of all sections of urban society must have a long-term, strategic vision of sustainable human development and the ability to reconcile divergent interests for the common good (UNCHS, 2000). Applied to urban land management this includes:

- Certainty in the law and rule of law
- A comprehensive reform in legal order affecting the regulation of land property rights and the overall process of urban land development, policy-making and management
- Recognition of the various (formal and informal) segments of the urban land market and ensuring their proper co-ordination
- Environmental planning and management – including land readjustment - to reach agreement on acceptable levels of resource use
- Controlling the supply of land to prevent low density urban sprawl and to limit the fragmentation of urban land and – in the long run – to reduce costs for far reaching infrastructure at the periphery (by taxation, the establishment of public reserved areas, long-term strategic land use planning, land use control measures, appropriate fiscal incentives etc.)

To finance the above mentioned long-term land Management Increasing revenues from land tax, and Private-public-partnership in land management (i.e. the co-operation of the public sector with the private-profit as well as the private-non-profit sector including civil society

organizations , community based organizations , non-governmental organizations) are the most important issues due attention by the local government.

Subsidiary of authority and resources to the closest appropriate level: “Responsibility for service provision should be allocated on the basis of the principle of subsidiary, that is, at the closest appropriate level consistent with efficient and cost-effective delivery of services. This will maximize the potential for inclusion of the citizenry in the process of urban governance” (UNCHS 2000).Applied to urban land management this includes:

- Decentralization of urban planning (still centralized in many countries) and transfer of financial / tax resources such as taxes on land and buildings to the local level
- Establishment of municipal cadastral and land registration systems accessible for low income People and Introduction of a simplified local land information system accessible and user-friendly to the poor (to replace the former / actual centralized, excessively technical approaches which – if existent at all – only have been used by the middle-class and/or professionals)
- Capacity building at the local level in the above mentioned fields. Technical personnel have not only to become acquainted with simplified technical methods of land administration, urban planning and information and financial management but has to be capable of participatory, flexible and innovative approaches, integrating the local formal and informal land and service delivery systems
- Legal recognition and integration of informal but legitimated land management in the formal provision of land and services.

Equity of access to decision-making processes and the basic necessities of urban life:In urban context Inclusive cities provide everyone be it the poor, the young or older persons, religious or ethnic minorities or the handicapped with equitable access to nutrition, education, employment and livelihood, health care, shelter, safe drinking water, sanitation and other basic services. Women and men must participate as equals in all urban decision-making, priority-setting and resource allocation processes (UNCHS 2000).Applied to urban land management this includes:

- Ensuring equal access to land, property, credit, natural resources, technologies and Knowledge related to land management for all groups of society
- Efficient and equitable land policies which ensure secure access to affordable and suitable land and property ownership to all, thereby guaranteeing adequate shelter to all.
- Ensuring that women and men have equal access to decision-making processes, resources and basic services and that this access is measured through gender disaggregated data and marginalized groups have the same opportunities to get involved in Participation and capacity building on issues related to land management.
- Removing unnecessary barriers to secure tenure and creating fair and predictable regulatory frameworks on land management and Promote awareness campaigns, education and enabling practices regarding, in particular, legal rights with respect to tenure and land ownership

The above demands for equity are interpreted as human rights as mentioned in the final statement of the International conference on access to Land “Hence, for instance a lack of proper legislation [by-laws or regulations] towards women’s and indigenous communities’ rights, is a violation of these social groups’ human right to be respected”(M.Thomas,2001).Moreover, to guarantee equity governments have to provide for adequate conflict resolution institutions respecting these human rights and accessible by all people (short distance, low fees, and all social groups).

Efficiency in the delivery of public services and in promoting local economic development:

Towns and Cities must be financially sound and cost-effective in their management of revenue sources and expenditures, the administration and delivery of services, and in the enablement, based on comparative advantage, of government, the private sector and communities to contribute formally or informally to the urban economy (UNCHS, 2000).

In the case of urban context this include development of efficient, transparent and simplified land delivery mechanism including cadastral systems, land registration mechanisms, land transactions, legal frameworks, land valuation and taxation as well as land consolidation and readjustment that would enhance effectiveness and efficiency of local revenue collection and

Delivery and regulation of public services through partnership with the private profit and private non-profit (civil society) sectors, e.g. while supplying sites with or without services for the urban poor or during physical upgrading of informal settlements.

Transparency and Accountability: The accountability of local authorities to their citizens is a fundamental tenet of good governance. Similar, there should be no place for corruption in cities. Access to information is fundamental to this understanding and to good governance. Laws and public policies should be applied in a transparent and predictable manner. Citizen Participation is a key element in promoting transparency and accountability” (UNCHS, 2000).Applied to urban land management this includes:

- Regular, organized and open consultations of citizens on all matters concerning land;
- Ensuring transparent management of an open land market by removing administrative and procedural incentives for corruption, including mechanism to avoid that cheap land released by the public sector and designated to the urban poor is taken by officials and civil servants and sold at a much higher value on the market (often after years of speculation);
- Ensuring transparent, comprehensive and accessible systems in transferring land rights and legal security of tenure;
- All measures that improve transparency in general, such as establishing codes of conduct, promoting an ethic of service to the public by putting into place adequate remuneration for public servants, creating public feedback mechanisms, providing access to information (on land (management)) and the like.

2.2.3. Informal settlements

Definition and emergency of informal settlements

UN-Habitat(1995) defined Informal settlements as residential areas where a group of housing units has been constructed on land to which the occupant has no legal claim or which they occupy illegally, unplanned settlements and areas where housing is no compliance with current planning and building regulations.

So the above explanation would lead us to conclude that informality is not only access to land through illegal means but also building shelter below housing standards of municipalities. Squatter settlements refer to the legal ground of accessing plot of land which occurs usually on occupied land that is in either city centers or urban peripheries without the permission of the land owner. On the other hand slums refer to the physical conditions of a settlement which comprises older areas of both existing cities and towns undergoing deterioration and decay that may be rented or owner occupied legal or illegal. It is contagious (infectious) neglect settlement that can be found in the town/city centers or peripheries where the inhabitants experience the problems of characterized by having inadequate housing and basic services.

The major causes for squatter settlements are;

- High cost to acquire land from the formal market
- Rising cost and high standard of construction materials beyond one’s capacity
- Booming business of land
- Absence of government responses to deal with the affairs of residents
- Inflexible but rigid rules and regulations
- Lack of skilled manpower, technology and resources to serve the community.

Generally the major factors that contributed for the emergence of informal settlements can be categorized as socio-economic, and political and institutional deficiencies by nature:

Table 2.3: major factors that contribute for the emergency of informal settlements

No	Scio-economic	Institutional and political factors
1	Shortage of houses	Absence of transparency and accountability in government and non governmental institutions
2	Increased urban poverty	Corruption and existence rent seeking behavior
3	High rate of migration(from rural to urban)	Poor coordination of institutions dealing with urban poverty
4	High rate of unemployment and related economic hardships	Lack of political commitment to deal with the problem of squatter settlements

Land administration Vs. informal settlements

The cause for the failures of governments in housing sector has been mainly due to the incapability to stimulate a supply of sufficient, officially recognized and serviced land (UNCHS,

1990).As it is well explained previously informal settlements develop when the system of land administration and management(policy, rules, regulations, procedures and processes) in fail to operate properly, the city/town wide planning activities neglect the needs of all the segments of the society, when there exists weak institutional and professional capacity to manage urban environments and when there is corruption.

According to UN-Habitat (2004) explained that in many developing countries the laws of land delivery ,management and administration hamper the access to land by the disadvantaged groups. Government regulations tend to emphasize on the control of land rather than supporting and facilitating the supply and development of land to ensure demand is met as quickly and cheaply as possible. These passed decrees with regard to land administration results in/end with massive mushrooming of informal settlements since they are irresponsive to the needs and demands of the community.

Utilization of urban land in countries under transition experience difficulties of meeting all the key economic, social and environmental sustainability considerations. This is due to as mentioned before inflexible rules, regulations, procedures and processes of accessing land which results in informality. However, these informal systems of land delivery provide land and housing for the poor and the low income groups.

According to UN Habitat (2004) developing countries should take the following remedy that helps them to tackle use and administration of the land resource problems?

Formulation of effective and efficient urban land policy, management and administration systems: This requires: In developing countries like Ethiopia Instituting the principle of good governance that enhances equal access to land and property and promotes the inclusiveness of the urban marginalized citizenry is the major task that should be done. Building the institutional capacity, conducting legal reforms to do away with rules and regulations, Re-engineering the process and procedures to be followed in accessing and developing land and services, tackling corruption, undertaking regular public consultations and promoting transparency.

Regularization of informal settlements: This is to mean that the governments should support the informal sector by approving and implementing flexible land and housing policies that aim at regularizing the informal settlements. Demolition or eviction the built houses ones by the poor is disrupting the social ties that the poor rely on and worsening the housing conditions. So the poor should be encouraged to participate in all development activities to benefit their households and cities/towns.

Background of Urban land policy and the practice of land delivery system in Ethiopia

Land delivery system in Ethiopia has undergone different land tenure systems. This has largely been a reflection of the prevailing land policy and land holding tenure systems of the country under different regimes. Notable examples include the free hold land tenure system (pre-1975), public controlled permit system (1975-1992) and public lease hold system (1993 up to date). Besides, these there are also customary (usual or normal) and informal land holding systems, which are commonly known in Ethiopia and other developing countries. Let's us briefly look into the background.

Pre-1975 freehold system under feudal regime: The Monarchical feudal regime of Ethiopia had a monopoly of political and economic power for centuries, including the monopoly of ownership of land, (both rural and urban) and other property. It was after the emergency of the capitalist economy at beginning of 20th century that, saw the middle classes started to own land parcels by way of concession from the government or contracting from the property owners. At that time extensive areas of urban land and numerous houses were vested in the hands of individual lords, aristocrats, loyal families and high government officials.

However, some intellectuals and few emerging owners of capital managed to buy some plots of urban lands. All unused land was presumed to be the property of the state. The monarch and feudal nobilities had the right to allocate or reside wherever they liked in any city and town. On the other hand, the urban poor or low-income groups were compelled to acquire land for their proprietors as a gift, tenancy, inheritance of family, and informal settlement by group. The bulk of the most productive land assets remained in the hands of the few. The emergency and

proliferation of early slum areas and the unprecedented rise in urban poverty can be traced back to the feudal ownership of land. It is now mostly acknowledged that the urban poor in developing countries (Ethiopia inclusive) have resorted to informal means of accessing urban land (Abay T, 2005).

Public controlled permit system (1975-1992): The demand for the land reform was the main economic issue during the 1974 revolution in the country when most of the rural and urban population joined hands to making a country wide uprising. Hence country falls down under the control of the military junta in 1974 doing so the military junta made a law land nationalization and subsequent expropriation of extra houses reform (Negarit Gazeta 1975, Proclamation number 47 of 1975). This act of nationalization paralyzed land marketing in urban areas since it is transferred only by eye of state allocation or by inheritance of a building. This also hindered any private real estate development so this makes housing supply by the government to decline. All such bottlenecks and standstill urban development led to urgent need of urban land public leasehold policy and legislation.

Public lease hold system (1993 up to date): The EPRDF after overthrowing the military junta has formulated a free market economic policy with ADLI (Agricultural Development Lead Industry) as its strategy and adopted the structural adjustment program. Such market economy oriented policy strategy and program become the basis for adopting urban related policies and laws regarding land, housing, investment and industry etc. It was within this reform framework that urban land leasing policy and legislation was adopted by the present government in 1993.

Formal and informal urban land delivery system in Ethiopia

Formal land delivery system in Ethiopia

The major formal land delivery system for residential housing and investment in Addis Ababa and other big cities is through the lease mechanism. But in some smaller towns it is on a rental bases. Land is a public property and an individual can enjoy only the use right of land under his/her possession. Thus, the means to acquire legally (formally) a plot of land for housing development, and investment purpose is dependent on the efficiency of lease policy application. Lease proclamation No 272/2002, is the current active law regarding land provision, and

indicates different ways how one can acquire a piece of land. These include Auction, negotiation, lottery system and sometimes through an award system.

In 1994 new Ethiopian constitution was promulgated. The constitution retains state ownership of the land. Article 40 sub-sections 3 of the constitution states that land “is exclusively vested in the state and in the peoples of Ethiopia. It further stipulates that ‘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.’”While every Ethiopian citizen has the right to own private property (article 40, subsection 1 of the constitution), the constitution does not provide for private ownership of land.

The land tenure system for urban areas is comprehensively dealt with by the Urban Lands lease holding Proclamation No. 172/2002. Land is allocated through the leasing system. While the leaseholder of urban land is free to dispose off part or all of the interest by sale or other means of exchange, the lessee of public land is prohibited by law to sell the land or enter into any contract that binds the land. The policy allows that the government can retain land needed for public interest and individual holdings for better development activities by paying compensation to owners for the properties located on such pieces of land.

The important dimensions of Ethiopia’s urban development policy as they relate to the land policy are ;(Urban development policy, 2005)

- Allocating land in a sustainable way through tender, negotiation and permit and Stabilizing the price of land and marketing of real property.
- Ensuring the equitable distribution of land to both the rich and the poor and facilitating mechanisms by which low income groups are allocated adequate land at reasonable cost.
- Facilitating efficient and sustainable delivery of land to investors engaged in the construction of residential and commercial buildings for sale or rent and creating a system for registration and marketing of real property as well as issuance of title deeds.
- Ensuring that land is delivered for construction of residential houses and that commercial uses have adequate provision of infrastructures and bringing economical uses of land for intended development works.

According to the urban land policy of the country urban land should mainly be allocated on competitive bidding basis although it may also be allocated on negotiations and direct allocations. Accordingly its use and allocation to beneficiaries should be in the following priority order: Economical housing, social services, industry, micro and small business enterprises, other residential real estate development and recreational centers. The relationship between land and poverty is clearly articulated in Ethiopia's Plan for Accelerated and Sustained Development to End Poverty (PASDEP) policy document (2005/06-2009/10). Improved access to land, infrastructure and facilities is one of the four pillars of PASDEP that is aimed at ending poverty. The other three pillars include,

- Promoting urban - rural and urban – urban linkages
- Support for Small and Micro Enterprise and job creation
- Integrated housing development.

The symbiosis that exist between land, housing and support for small and micro enterprise and job creation is obvious. Improved access to land by the poor is therefore recognized as a key to ending poverty, by the federal government of Ethiopia.

Situation of Informality on land and in Ethiopian cities and towns.

According to T.Gondo (2006/7) the level and scale of informality associated with Ethiopia's urban land policy has often been difficult to discern quantitatively. However a more qualitative approach based city / town officials perceptions reveals that the most affected land use has been residential, followed by commercial, industrial and lastly recreation. The major cause of such informality has been the challenges or flaws Associated with the land administration (includes functions that involve in regulating the development and use of the land, gathering revenue from the land (through sale, lease, or taxation, etc), and resolving conflicts concerning the ownership and use of the land. It is concerned both with private and public lands and involves land settlement, land survey, land registration, land valuation and assessment, land use control and management, infrastructure and utilities management) process among other factors that relate to historical land tenure systems and urbanization.

2.2.4. Land Information system (cadastre and land registration)

General overview

Land registration & information system is a tool for legal, administrative and economic decision-making and could also be used as an aid for planning and development activities. Prevailing high rate of urbanization, which is mostly manifested in higher growth of urban population and its expected continuation, are to aggravate the problem of urban land use from time to time. The pattern of growth of Ethiopian towns is irregular, uncontrolled and often leads to the emergence of rapid expansion /proliferation of slums and squatter settlements. Without proper registration, taxes related to property could not be collected efficiently in most of the towns (Abuye, 2006). Moreover, without having sufficient knowledge and information about the base, the land itself, urban planning in these towns is unthinkable. Land registers; tax registers, building registers, population data, physical planning and development control need current information about geographic location. A parcel based system, which is the basic unit of a cadastre, seems to offer many advantages for the undertaking of these different tasks. Because of the above fairly obvious reasons, the need for land registration & information system has become a dire necessity.

Organization of Land Information System

Establishment of land inventory and LIS are recommended by the Agenda 21. To promote sustainable land-use planning and management, the following means are suggested:

- Improving urban management by Strengthening urban data systems and Undertaking a comprehensive national inventory of their land resources,
- Accessing to modern techniques of land-resource management, such as geographical information systems, satellite photography/imagery and other remote- sensing technologies.

According to the issues of the agenda of Habitat II conference that held in Istanbul in 1996, the necessity of construction of LIS for the more integrated and better land management is emphasized. And the existing urban infrastructure has to be fully utilized and the development

has to maintain the proper density according to the carrying capacity of facilities. At the same time, the International Federation of Surveyors (FIG), particularly Commission 7 that is responsible for cadastre and land management published Statement on the Cadastre in 1994. Among the roles of cadastre, the sustainable development and environmental protection are stressed. A Cadastre is normally a parcel based, and up-to-date land information system containing a record of interests in land (e.g. rights, restrictions and responsibilities). It usually includes a geometric description of land parcels linked to other records describing the nature of the interests, the ownership or control of those interests, and often the value of the parcel and its improvements. It may be established for fiscal purposes (e.g. valuation and equitable taxation), legal purposes (conveyance), to assist in the management of land and land use (e.g. for planning and other administrative purposes), and enables sustainable development and environmental protection.

Cadastre and its system

The basic building block in any land administration system is the land parcel as identified in the cadastre. The International Federation of Surveyors (FIG, 1995) defined a cadastre as “a parcel based, and up-to-date land information system containing a record of interests in land (e.g. rights, restrictions and responsibilities). It usually includes a geometric description of land parcels linked to other records describing the nature of the interests, the ownership or control of those interests, and often the value of the parcel and its improvements. It may be established for fiscal purposes (e.g. valuation and equitable taxation), legal purposes (conveyance), to assist in the management of land and land use (e.g. for planning and other administrative purposes), and enables sustainable development and environmental protection”.

A more detailed definition of cadastre also can be obtained in the following statement of (Mabogunje A.L, 1992). “A cadastre is an official public record usually maintained to register the ownership rights of land in a given jurisdiction...the cadastre records location, physical description, value, any improvement on the parcel, all persons with some rights to the parcel (occupancy, ownership, right of way, etc) as well as the exact nature of these rights”.

However, the concept of “cadastre” is difficult to identify. It may be designed in many different ways, depending on the origin, history and cultural development of the country or jurisdiction. Basically, a cadastre is just a record that identifies the individual land parcels/properties. The purpose of this identification may be taxation (as was the original reason for establishing the European cadastres) or it may be security of land rights (as was the case in Australia). Today, most cadastral registers around the world are linked to both land valuation/taxation and to the securing of legal rights in land.

Therefore it makes sense to talk about cadastral systems or cadastral infrastructures rather than just a cadastre. These systems or infrastructure include the interaction between the identification of land parcels, the registration of land rights, the valuation and taxation of land and property, and the present and possible future use of land.

Throughout the world different organizations of cadastral systems are apparent, especially with regard to the land registration component. Basically, two types of systems can be identified: the deeds system and the title system. The differences between the two concepts relate to the extent of involvement of the state, and to the cultural development and judicial setting of the country. The key difference is found in whether only the transaction is recorded (deeds systems) or the title itself is recorded and secured (title systems). Deeds systems provide a register of owners focusing on “who owns what” while title systems register properties presenting “what is owned by whom”. The cultural and judicial aspects relate to whether a country is based on Roman law (deeds systems) or Germanic or common-Anglo law (title systems). This of course also relates to the history of colonialism.

Deeds registration is rooted in Roman culture and is, therefore, common in Latin cultures in Europe (France, Spain, Italy, Benelux), in South America, and parts of Asia and Africa which were influenced by these cultures. The concept is also used in most of the United States. Deeds systems are found in different forms, with significant variations in the role of cadastral identification and surveyors. Title registration originated in the German culture and is found in central European countries (Germany, Austria, and Switzerland). Different versions of the German system are found in Eastern European and Nordic countries. The various versions relate

to the use of the property concept and the organization of the cadastral process including the use and the role of private licensed surveyors. A special version of the title system is found in UK, where the concept of general boundaries is used to identify the land parcels on the large scale topographic map series. A third variant, based on the original German concept is found in the Torrens system introduced in Australia during the mid 1800's to serve the need of securing land rights in the New World.

Even though cadastral systems around the world are clearly different in terms of structure, processes and actors, their design is increasingly influenced by globalization and technology towards multipurpose cadastres. The same influences push land rights and land use towards integrated, multifunctional information systems. Modern cadastres and land information systems also reflect urbanization and microeconomic reform incorporating decentralization, privatization and quality assurance. The most significant driver is sustainable development with its demand for comprehensive information on the environmental conditions in combination with other land and property related data. As a result, the traditional surveying, mapping and land registration focus has moved away from being primarily provider-driven to now being clearly user-driven. The success of a cadastral system is a function of how well it internalizes these influences and achieves these broad social, economic and environmental goals.

Factors to be considered in establishing Cadastre System

Goals Setting

For a workable and operationally efficient system it is crucial, right from the very start, to determine the purpose of the land registration is intended to serve. Therefore, it is essential to define the purpose of establishing the system clearly at the beginning. As already described, the problems arising from a lack of land related information or nonfunctioning cadastral systems are many. Generally speaking, it is possible to note that the purpose or aim for establishing this system could emerge from these problems. Thus, a cadastral system need:

- To bring about more secured feeling of ownership of land. To encourage capital investment through bank loans and other credit institutions.
- To minimize to the lowest possible means the time and cost factors in the operation of the system and create a more fair and effective land taxation system

- To create a better land record system in order to facilitate adequate data for carrying out land reforms and better control of land administration
- To establish a multipurpose land information system and guide properly urban development programs and land use policies concerning land division, land ownership, land management, land transfer, and land information system.

Economic Analysis

The introduction of cadastral system requires justifiable pre-assessment of the existing conditions and timing. The gradual approach in implementation has wide acceptance. At the initial stage the low-cost project planning is preferable within the limit of financial potentialities. The gradual approach is preferred because specific reasons like limited resources, Time required for training and installation of hardware and software and Promote public awareness. In considering the future benefits of the system possible economic and social outcomes have to be analyzed by making use of the cost-benefit analysis and the discounting factors. Below, future benefits and cost-benefit factors are outlined:

- Better security to landowners and more steering control for government for taxation, fair valuation, planning, etc
- Better land reform possibilities and hence improvement in production and also better guidance for urban development and land use programs in relation to ownership, management, subdivision, etc.
- Easily understood and accepted since formalities in registration, subdivision would decrease and as a result will become cost and time saving and Better investment and development due to extended bank credits, loans, etc
- Higher degree of accuracy and actuality in mapping and information so as to reduce chance of disputes.

Land Registration and cadastral surveying

Land that is registered is easier to transfer and therefore more saleable. It can also be important source of revenue to the Municipality. Once facts are recorded and individuals are given titles or

documents, land will be bought and sold with fewer obstacles and helping the phase of development. This is possible with the system set up to issue documents quickly and efficiently. On the other hand, more people get access to credit as they could produce the documents they need for collateral. Land developers also will benefit from an efficient land registration, because it reduces their transaction cost.

The most expected output of the system would be a cadastral map and cadastral raster. This map should be sufficiently accurate for exact boundaries and the ownership of real property (cadastre) to be shown. All land registration operations should be carried out in coordination and cooperation of all other concerned organizations and agencies. It is also necessary to establish one comprehensive cadastral system for each of the urban areas embracing both the central and peripheral areas. However, the implementation process should be designed on incremental basis starting with smaller areas so as to cover the whole town eventually.

Current status of urban cadastre in Ethiopia

It was during the reign of Haile Selassie I the Ministry of Land Reform and Administration engaged in registering and measurement of rural land in collaboration with the Ethiopian Mapping Agency, until 1974. The purpose of the registration was to: practice cadastral survey, create the system of free hold tenure, register individual title to land, and institute land sale (Hoben, 1973 cited in Daniel.T, 2006). Even though, there was a sporadic effort to register urban land, the experience of instituting a systematic cadastre in almost all cities of the country was very insignificant, except the famous Addis Ababa cadastre.

Modern urban cadastre in the history of the country was started by a French company right after Menilek II decree, but remained without maintenance for more than 80 years. A cadastre and cadastral map unless otherwise constantly up dated loses validity. That is what happened in the case of Addis Ababa. Therefore, the City Administration around 1995 decided to launch a cadastral project initially intended to register all property owners liable for property taxation and collect data that would enable the city administration to assess a value of a property more realistically. Even though, a step forward was achieved and some experiences were gained as a

result of launching the cadastral project in Addis Ababa, it was not possible to evaluate this project as successful.

Cadastre as a system is non-existent for most cities and towns in developing countries. This is true for Ethiopian towns and cities. By considering this reality the UDSS/GTZ took an initiative long time ago to assist municipalities establish their own cadastral system. There were four regional towns selected by the then UDSS to be assisted to establish cadastre and serve as pilot project areas. These include Nazareth, Awassa, Bahir Dar and Mekelle, which are capitals of the four major Regional States in Ethiopia. UDSS/GTZ, played the leading role in promoting cadastre in the four mentioned towns among others, by providing material support, by organizing workshops and trainings, by evaluating the progress of the project in each city, and by giving technical advisory support. Even though, the rationale in choosing these regional capitals as pilot areas to a cadastral project was justifiable, until now it was not possible to replicate the system to other urban centers in the country, since the project is still going on for more than 8 years.

2.2.5. Overview of Land lease policy of Ethiopia

Implication of Leasehold tenure-ship

Land tenure could be expressed as the possession and use of land by individuals or groups for limited or unlimited period of time. 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).

What is being reflected by Chen (1990) sounds quite right for developing countries like Ethiopia. What was discovered one among the most reasonable route to the transaction 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 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 testimony to the success story (cited in Nega.W, 2005).

Regarding the separation of use rights and land ownership Knaap (2003) also have described regarding described it as follows" In the current property rights regime, use rights for specified period (eg 40 to 70years) 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 (cited in Nega.W, 2005).

Theoretically, leasehold would bring social, economical 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 connotations and could be described as individuals or groups have been exercise rights of ownership and use they hold in land. And from stand point of the average investors, land must be purchased or leased like other capital goods, so land could be described as capita. The costs and socio - economic benefits of the public leasehold has been described by Jogan and Patassiin (1996). They have put 7 evaluating criteria to determine the effectiveness of public land lease hold using;

1. global productivity of the lease systems
2. capacity in satisfying the demand of land and urbanization
3. effectiveness in the managing land and physical form of urban centers
4. fairness of the system with regards to various categories of users
5. compatibility with various policies, measures of taxation and planning at local, regional and national level
6. continuity with respect to tradition and risks connected to sudden changes
7. Possibility of maintaining a double regime of land renting and leasing.
- 8.

Objectives of the Ethiopian land lease policy

Some of the objectives stipulated in the new policy as reflected in Lease Proclamation No. 80/1993 and revised Proclamation No. 272/2002 were:

To give market determined exchange value to land: One of the basic goals of the new land policy is to turn land from a timeless and cost less resource into formally exchangeable commodity with both cost and time limit. With this approach:

- a) The government is assumed to generate the required revenue;
- b) Land users are made to realize the cost of urban land and make an efficient use of the resource;
- c) Land prices will provide a clear signal that leads to efficient land use and allow the recycling of prime lands for best uses.

Encourage investment: Through the provision of land tenure terms long enough and allowing the right to use and to benefit from land, the policy is anticipated to enable investors to plan their activities well in advance, to confidently recover their capital expenditure and to enjoy secure land holdings.

Control the undesired expansion of cities: As it has been indicated earlier, the main cause of the uncontrollable horizontal expansion of the cities is the fast increasing population growth. By utilizing urban land efficiently, and attaching a market value to it, it is aimed at enforcing planning laws and problems related to the undesired costly expansion of cities.

Provide housing and infrastructure: At present Addis Ababa with a population of about 3 million (600,000 households), the current housing stock is estimated about 350,000 showing a backlog of 250,000 housing units. The other problems related to water supply, sewerage and other social and economic infrastructures are first priorities to be addressed through the leasing of land in the city (Addis Ababa housing development project report, 2009).

Combating speculation and the non-transparent system of plot allocation: By changing windfall speculative earnings made in case of undeveloped land transaction, and designing a proper institutional setup for the disposal of land (using mainly auction system), it is aimed at

discouraging land speculators and corrupt and rent seeking public officials who deliberately strive to benefit from illicit transaction of the public resource.

Land Lease policy gap: As it is well described by (Abu'ye ,2006) there are three important issues that are not covered in the federal land lease proclamation & the regional lease regulation and still considered as the main challenges of urban land management practices. These are;

The formalization of informal tenure: Prototype (model) law dealing with this is in the process of being prepared

The conversion of 'permit' land to lease: The Ministry has decided that it is not appropriate to legislate this process but gradually and incrementally adopt the land permit rate entice permit title holders to opt out for entering the public leasehold system voluntarily. Provided it is well designed the possibility of influencing the permit holders to objectively see in to the meriting of capitalizing in their respective holdings is optimistically high. To push permit holders conversion their respective holding to leasehold –create incentives to make more attractive. Communicate and market the plan to the public with simple brochures.

The detailed requirements of a land rights registration system: Draft legislations on Urban Real Property Registration, Urban Real Property Registration organization, Cadastral Surveying proclamation & Regulations are ready for reviewing and approving by relevant federal & regional bodies).

2.2.6. Summary

Land management and administrations are issues that can't be separated like two sides of the same coin. Their difference lay mainly on focus i.e. Land management focuses on long term management, qualitative themes and includes environmental protection. While land administration is the regulatory framework, institutional arrangements, systems and process that encompass the determination, allocation, administration and information concerning land. The trend of urban land management shows that there is centralization in Land administration and urban planning, weak institutional and professional capacity to manage land, complex land regulations, corruption legal pluralism and absence of adequate land information system problems that hinder the developing countries to achieve sustainable urban development. In

revising the challenges of land management and administration which was the main theme of this topic the chapter shows what does the problem what causes it and solutions forwarded.

Land speculation is the main challenge of land management discussed in this chapter. During the time land speculator stands to benefit from long-term increase in land value, labor and capital, that would have been willing to put that land to its best economic use, must go elsewhere, farther from the centers of population and exchange. Decreases overall production every single time it happens. Across the economy, lack of access to the best sites and the resulting increased production costs, retards production. It occurs when the demand for land, at the present time or in the near future, outstrip the supply of land. This can be caused by several factors both on the demand side and on the supply side. Speculating land has negative impact on economic efficiency, environment, on community and on poverty.

With regard to governance this chapter shows how the incorporation of some of the norms of good urban governance- sustainability, subsidiary, equity, efficiency, transparency and accountability - in urban land management offers ways to improve the actual situation. One by one, the norms are briefly described according to their objectives proposed by UNCHS and subsequently are applied to urban land management.

This chapter seeks also to define that Informal settlements as residential areas where a group of housing units has been constructed on land to which the occupant has no legal claim or which they occupy illegally, unplanned settlements and areas where housing is no compliance with current planning and building regulations UN-Habitat (1995). Major determinants of informality in this analysis include chronic poverty, shortcomings associated with the social housing program, unrealistic urban land use regulations and standards, bureaucratic tendencies.

Theoretically, leasehold would bring social, economical and environmental benefits. The main objectives of Ethiopian land lease policy is also to encourage investment, Combating speculation and the non-transparent system of plot allocation and to give market determined exchange value to land. However two things are identified as the gap of the current land lease policy the formalization of informal settlements and the conversion of 'permit' land to lease.

According to the issues of the agenda of Habitat II conference that held in Istanbul in 1996, the necessity of construction of LIS for the more integrated and better land management is emphasized. Land that is registered is easier to transfer and therefore more saleable. It can also be important source of revenue to the Municipality. Cadastre and land registration as a system is non-existent for most cities and towns in developing countries like Ethiopian. For a workable and operationally efficient system it is crucial, right from the very start, to determine the purpose of the land registration is intended to serve. Therefore, it is essential to define the purpose of establishing the system clearly at the beginning on one hand introduction of justifiable pre-assessment of the existing conditions and timing on the other hand.

Chapter Three

3. Methodology of the study and model specification

3.1. Methodology of the study

3.1.1. Data Collection Technique

Structured questionnaire was designed, pre- tested before use and used after removing some unnecessary and redundant questions to collect data from residents and investors in the respective towns. An elaborated checklist was also used to ensure comprehensive data collection from key informants, government officials and relevant professionals.

3.1.2. Method of sampling and sample size

From a total of eight towns in Oromia Regional State towns located around Addis Ababa (currently organized as special zones), three of them namely Sululta, Lege Tafo-Dadi and Sebeta were purposively selected for this study. These three towns account for 35 percent of the total number of towns. The rationale behind selecting the three town'were:

- Entertaining all types of business activities, the eight major towns, however, are showing some form of specialization. Laga-Dadi and Lega- Tafo in Real estate and Non-pollutant industries, Sebeta–Agro industry Sululta- Recreation and Agro Industry.
- In terms of volume (size, number and capital registered). The smallest volume of investment is found in Lege-Tafo-Dadi and the biggest in Sebeta town. Sululta town lie in the middle.
- Sebeta town is known for increased squatter and informal settlements than other towns
- Considering type of investment sector and total population the selected towns would best represent the study area. Purposive sampling technique was used in selecting key informants from town residents and government officials and relevant professional experts who had participated in the survey.

Table 3.1: Sample size of respondents (formal residents)

No	Name of the town	ONUPI	CSA	ONUPI	
				Number of household	Sample size
1	Sebeta	14076	27584	2815	100(3.55)
2	Lege Tafo-Dadi	7578	7052	1515	39(2.57)
3	sululta	10590	9129	2118	61(2.88)
	Total	32244	43765	6448	200(3.1%)

Taking table 3.1 data from ONUPI (Oromia National Urban Planning Institute) there are around 32244 formal town resident household in three sampled towns. From the total number of households a total of 3.1% i.e. 200 households were selected using random sampling method (i.e. 100(3.55%) households from sebeta, 39(2.57%) households from Lege Tafo-Dadi and 61(2.88%) households from sululta).

Table 3.2: sample size of respondents (investors)

No	Name of the town	Number of investors	Sample size
1	sebeta	59	26(52)
2	Lege Tafo-Dadi	418	7(14.0)
3	sululta	340	17(34)
	Total	817	50(6.11%)

From the total number of developers a total of (6.11%) i.e. 50 developers was selected using simple random sampling method i.e 26(52%) developers from sebeta, 7(14.0%)from Lege Tafo-Dadi and 17(34) from Sululta.Since there is no definite empirical data of informal settlements a total of 40 households selected purposively were interviewed from the sampled three towns i.e. 18(44%) from Sebeta,8 (20%) from Lege Tafo-Dadi and 14(35%) from Sululta.

3.1.3. Data Organization Techniques

Both quantitative and qualitative data was collected from primary and secondary sources. The primary data was collected from the town residents, government officials and relevant professionals. Secondary data was collected from literature review including books, journal articles, legal documents, published and unpublished repots and other relevant data sources.

Collected data was edited, encoded, and entered into an MS Excel, SPSS (Statistical Package for Social Sciences), EViews (quantitative data analysis software), a computer-based software program, which allows preliminary analysis and exportation to other statistical packages for thorough analysis.

3.1.4. Analysis and Presentations Technique

Properly organized data were subjected to various statistical analysis including, simple ordinary least square regression and student test (t-test) R^2 and F-test to measure the presence of significant differences between comparable measured parameters. The analysis outputs were presented in a tabular, chart and graphic formats.

Analysis of liker style questions: In order to obtain information on respondents' general opinion on attitude and perception on the situations of transparency, equity, inclusiveness and responsiveness of the land administration and management of the towns. The questionnaire was prepared according to the Likert scale in order to measure the strength of the respondents' opinion land management and administration issues under consideration. The respondents were provided with several statement options such as strongly disagree, disagree, neutral, agree, and strongly agree. By Liker's method, a person's attitude is measured by combining (adding or averaging) their responses across all items.

All data collected was then analyzed using statistical tools for simple percentages, frequency analysis and severity index calculations. The answers to questions were displayed on a 0 to 4 point Likert Scale while the Severity Index (SI) was calculated using the following equation after Al-Hammed & Assaff (1996) cited in E.O. Longe, 2009:

$$SI = \frac{\sum_{i=0}^4 a_i x_i (100\%)}{4 \sum_{i=0}^4 x_i}$$

Where:

a_i = the index of a class; constant expressing the weight given to the class

X_i = the frequency of response

$i = 0, 1, 2, 3, 4$ and described as below: where: x_0, x_1, x_2, x_3, x_4 are the frequencies of response corresponding to $a_0 = 0, a_1 = 1, a_2 = 2, a_3 = 3, a_4 = 4$, respectively. The rating classification was adapted after Majid and McCaffer (1997) cited in E.O. Longe, 2009:

Table 3.3: Severity index values

a_i	Response	Severity index value
a_0	strongly disagree	$0.00 \leq SI < 12.5$
a_1	Disagree	$12.5 \leq SI < 37.5$
a_2	Neutral	$37.5 \leq SI < 62.5$
a_3	Agree	$62.5 \leq SI < 87.5$
a_4	strongly agree	$87.5 \leq SI < 100$

In order to assess the general attitude of respondents to applicability of governance on land management and administration, related questions on the issue from the questionnaires were grouped as follows for ease of analysis.

- Public opinion and perception on transparency in land management and administration system.
- Public opinion and perception on equity in land management and administration system
- Public opinion and perception on inclusiveness in land management and administration system
- Public opinion and perception on responsiveness in land management and administration system

On the point scale, the ratings given to each group are as follows: strongly disagree (0), disagree (1), neutral (2), agree (3), strongly agree (4). For ease of interpretation, each rating is given the following denotation: Strongly disagree (SD), Disagree (D), Neutral (N), Agree (A) and Strongly Agree (SA).Only the responses to the questionnaires directly related to the scope of the present study have been analyzed and discussed.

3.2. Model Specification

3.2.1. The Econometric Model of Developers willingness to pay for land in the town

In this study an econometric model is used which more technically, is an example of a linear regression model. According to Gujarati(2005)Regression analysis is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables, with a view of estimating and/or predicting the (population) mean or average value of the former in terms of the known or fixed (in repeated sampling) values of the latter. The econometric willingness to pay for land function hypothesizes that the dependent variable Y_i (willingness to pay for land) is linearly related to the explanatory variable X_{ik} (Size of the plot, access to basic Services ,developers registered capital and etc see table 3.4).However, the relationship between the two is not exact; it is subject to individual variation. Thus, to obtain data on dependent and independent variables, It would not be expected that all observations to lie exactly on the straight line because, in addition to the included independent variables (x_i), other variables affect the willingness of developers to pay for land. For example other human institutional, administrative and managerial aspects and social factors etc, are likely to exert some influence on willingness to pay for land.

To allow for the inexact relationships between variables, Alebel.B. & Genanew.B(2007) modify the deterministic willingness to pay for land function (Eq1). Multivariate-analysis model that is used to analyze the variation in the offer prices against observed auction (sale price) variables in the towns. The multivariate analysis is used to estimate a function that relates developers' offer to the observed site characteristics for the past 8 years (1995-2002EC).The estimation of this functional relationship helps to understand the relative strengths of the characteristic variables on the investor's decision to offer for a particular site. Table 4.3(see below) specifies the variables included in the Ordinary Least Squares (OLS) estimation. The econometric model of the willingness to pay of developers for land function can be depicted as estimation equation is specified using the OLS method as (1) as follows:

$$Y_i = \beta_1 + \beta_2 \sum X_{ik} + \mu_i \text{ (.....1)}$$

Where:

Y_i = is the winning price offered by developer i over the standard or initial price of the Specific plot the investor is wanting or competing,

$Y_i = \sum (WP-IP)$ Where, WP=Winning Price of plot or the amount Investors offered for a plot & IP= Initial Price or floor price of the plot)

β_i = parameter of the model (i.e. β_1 and β_2 are parameters of the model)

X_{ik} = is a set of k plot characteristic/ explanatory variables (As specified in table 4.3), and

μ_i = is prediction errors (is known as the disturbance, or error, term, is a random (Stochastic) variable that has well-defined probabilistic properties where $\mu_i = Y_i - \beta_1 + \beta_2 \sum X_{ik}$. So the disturbance term μ_i may well represent all those factors that affect willingness to pay for land but are not taken into account explicitly.

3.2.2. Specification of the variables

The legal agreement between investors and local government clearly shows that mandate for infrastructural development is the responsibility of the local government. In this case the independent variables Investment cost and Access to basic services couldn't explain or affect investors' Willingness to pay for land in the study area. However, in practice the local government didn't accomplish the responsibility of supplying basic services in most cases. Hence, the model assume that inefficiency of the local government to supply basic services affect investment cost of developers. Since these in turn determine developers' decision to pay for land the model included investment cost and access to basic services as explanatory variables. Detail of the variable is depicted in the table 3.4 below.

Table 3.4: Specification of the variables included in the OLS estimate

No	Variables	Specification of the variables
Specific equation of the model is , $Y_i = \beta_1 + \beta_2(X_1 + X_2 + \dots + X_6) + (\mu_1 + \mu_2 + \dots + \mu_i)$		
Dependent variable (Y_i)		
1	Winning price (Y_i)	This variable is defined as the amount of developers offered for a plot minus the floor price of the plot. This difference is considered in this analysis as the willingness to pay of developers for the plot. mathematically it can be expressed as: $Y_i = \sum (WP-IP)$
Independent variable ($\sum X_{ik}$)		
2	X ₁ =Size of the auction plot	Investment plot size in meter square
3	X ₂ =Access to basic Services	The bench mark (initial) land price of the towns labeled plots in to 3 grades where Grade 1 plot is with better development condition, and so on. Thus, access to basic services here is specified as: 1 if a plot is Grade 1, 2 if Grade 2, 3 if Grade 3.
4	X ₃ =selling price of the land	the selling price of the plot at the time of the negotiation or auction, as a measure of the Value of the site
5	X ₄ =Capital	The amount of capital and/or loan capacity of the investor as registered by the town's government during the leasing or renting land.
6	X ₅ =Investment cost	The amount of investment cost that the investor is expected to incur when Developing the plot
7	X ₆ = Distance from the main road	Distance of the plot from the main road of the respective town measured in meter.

Chapter Four

4. Data presentation and analysis

4.1. General overview

This chapter consists three main sections. The first section describes and analyze the socio-economic and demographic characteristics of respondents. Findings on the challenges and problems of land management and factors that determine WTP for land were discussed and analyzed in the second and third section respectively. In the context of this study Informal settlements are those who access land through illegal means. Formal residents are those who accessed land legally but may or may not have legal registration certificate due to inefficiency of the local governments land administration system. Both informal settlements and formal residents may or may not built shelter below housing standards of municipalities.

4.2. Demographic and socio-economic characteristics of respondents

Gender profile: The gender profile of respondents indicates that among formal residents 66% of them are male and 34% female. While for informal settlers, 65% were male while only 35% were female. Of the total developers interviewed, 78% were male and 22% were female (Table 4.1).

Table 4.1: Gender distribution of respondents (N=290)

Gender	Formal residents	Developers	Informal residents
	Valid Percent	Valid percent	Valid percent
Male	66.0	78.0	65.0
Female	34.0	22.0	35.0
Total	100.0	100.0	100.0

Source: Field Survey, 2010

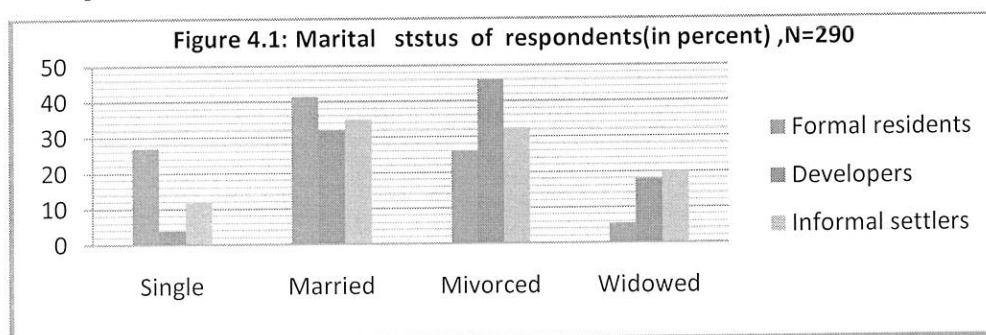
Place of birth: The data on birth place is presented in table 4.2 below 63% of the formal resident respondents were born out of town and only 37% of them were born in town. Amongst developers, 72% were born out of town indicating that most of the investors, including those in Diaspora, in these towns came from Addis Ababa and are benefiting from proximity of these towns to the capital of the country. More than half (57.5%) of the informal settlers interviewed were born out of the town. This is related to the situation of informal settlements in Addis Ababa and shows the growing migration of people from both rural and other urban areas in search for better job opportunities.

Table 4.2: Birth place distribution of respondents (N=290)

Birth place	Formal residents	Developers	Informal settlers
	Valid Percent	Valid Percent	Valid Percent
Out of town	63.0	72.0	57.5
In town	37.0	28.0	42.5
Total	100.0	100.0	100.0

Source: Field Survey, 2010

Marital status: Fig.4.1 depicts that most (41.5%) of formal residents are married, 27% are single and 26% divorced. An almost similar trend is noticed among the informal settlers (35% married, 32.5% divorced and 12.5% single). However, the highest proportions of widows are present in the informal settlers followed by developers. The majority (46%) of the developers are divorced and 32% are married. The least proportion of single respondents (4%) is found amongst developers.



Source: Field Survey, 2010

Family size: A close observation of table 4.3 depicts the majority respondents in all the three categories have a family size that range from 4 to 10 persons. This accounts for 60.5% of formal residents, 78% of developers and 67.5% of informal settlers.

Table 4.3: Family size of the respondents (N=290)

Family size	Formal residents	Developers	Informal settlers
	Valid Percent	Valid Percent	Valid Percent
1-3	12.5	4.0	12.5
4-6	32.5	32.0	35.0
7-10	28.0	46.0	32.5
>11	27.0	18.0	20.0
Total	100.0	100.0	100.0

Source: Field Survey, 2010

Educational attainments: About 76% of the developers have diploma, first degree and above education, while higher school education level accounts for 45% for formal town dweller resident respondents. Almost 45% of the informal settlers had not received any formal education and only 55% of them had either primary or secondary level education (Table 4.4). This clearly depicts that level of educational attainment is another most important factor to be considered as influencing peoples’ choice or access to land ownership.

Table 4.4: Educational attainments of respondents (N=290)

Education level	Formal residents	Developers	Informal settlers
	Valid Percent	Valid Percent	Valid Percent
Illiterate	13.5		45.0
Primary	17.0		37.5
Secondary	22.5	6.0	17.5
certificate	17.0	18.0	
Diploma	24.5	32.0	
First degree and above	5.5	44.0	
Total	100.0	100.0	100.0

Source: Field Survey, 2010

Occupational status: Occupational status of a household is one of the most determinant factors that influence the capacity and accessibility of the household heads to formal land and housing that, in turn, the influences the security of tenure. Table 4.5 depicts that majority (72.5%) of the informal settler respondents were either self employed or jobless. On the other hand, most (68.5%) of the formal resident respondents are employed either in governmental or non-governmental organizations. About 66% of the interviewed developers are self employed.

Table 4.5: Occupational status of respondents (N=290)

Type of occupation	Formal residents	Developers	Informal settlers
	Valid Percent	Valid Percent	Valid Percent
Farmer	10.5	4.0	7.5
Governmental employee	41.5	18.0	-
Non-governmental employee	27.0	16.0	20.0
Self employed	18.5	66.0	30.0
Jobless	2.5	-	42.5
Total	100.0	100.0	100.0

Source: Field Survey, 2010

Income level: The average monthly income of respondents was considered an important variable that could influence people’s choice of land ownership and security of tenure. The data obtained reveals that the majority (77%) of informal settler respondents earn less than 1000ETB/month, of which 60% the lowest income earners are amounting to be less than 500ETB/month. Conversely, almost all of the interviewed developers earn above 2000ETB/month. The majority (56%) of formal resident respondents earn an average monthly income ranging from 501 to 1000 ETB (Table 4.6).

Table 4.6: Monthly income of sample respondents (N=290)

Monthly earning category (ETB)	Formal residents	Developers	Informal settlers
	Valid percent	Valid percent	Valid percent
<500	2.5	-	45.0
501-1000	28.0	-	32.5
1001-1500	40.5	-	-
1501-2000	8.0	-	7.5
2001-2500	15.5	26.0	5
>25001	5.5	74.0	10
Total	100.0	100.0	100.0

Source: Field Survey, 2010

4.3. Analysis of land management and administration issues

4.3.1. Analyzing the situation of Land speculation

4.3.1.1.Overview on the Investment land profile of the special zone of oromia region surrounding Addis Ababa.

The collected data from newly established special zone of the towns indicates that up to Mid-2002 Ethiopian fiscal year, there are a total of 2,457 investment projects for which a total area of about 44 million m² of land was allocated. The Investors have a registered capital of over 30 billion ETB. It is expected that when these projects fully implemented will create job opportunity for an estimated 150,000 people both from within and outside of the zone. In terms of availing job opportunities, manufacturing sector of investment is dominate in terms of job creation, capital invested number of projects and size of plot followed by agro-industrial sector of investment.

Table 4.7: Investment land profile special zone of oromia region surrounding Addis Ababa.

Investment Project			Plot Allocation		Investment Capital		Estimated job opportunity	
Type	Number	%	size/m2	%	(ETB)	%	Number	%
Manufacturing	943	38	13661000	31	18582083420	62	77104	52
Agro-industry	553	23	25699900	59	4808968064	16	37874	25
Social service	161	7	999482	2	1195366532	4	9010	6
Commercial	377	15	999800	2	1799971490	6	9859	7
Real state	19	1	899461	2	1068254000	4	7360	5
Hotel and tourism	404	16	1589911	4	2693457110	9	7682	5
Total	2,457	100	43,849,554	100	30,148,100,616	100	148,889	100

Source: Report by investment office of the special zone, 2009/10

As depicted in table 4.7, of the six investment projects identified, manufacturing and agro-industry constitute the largest number of investment in the study area accounting for 38% and 23%, respectively, of the total investment projects in the area. Hotel-tourism and commercial investments ranked third and fourth. Very few investments are directed on to social services (7%) and real estate development (1%). In terms of plot allocation, about 90% of the land mass given to projects is absorbed by only manufacturing (31%) and agro-industry (59%). The share of the other investment categories is only 10% of the total land allocated.

In terms of investment capital, manufacturing, agro-industry and hotel-tourism ranked first, second and third. Here, it is obvious, on the one hand, that there is no direct parallelism between the size of plot allocated and volume of the investment capital. On the other hand, there is a direct correlation between the size of investment capital and associated job opportunities created for people residing in the vicinities of these projects. Accordingly, over 75% of the job opportunities are availed from manufacturing and agro-industry sectors. Other investment sectors each contribute from 5-7% of the jobs. Various prior researches made in real estate domains strongly suggest that because of the huge housing demand among residents of Addis Ababa, is highly likely that city dwellers prefer to move out to these small towns. This implies that there will be an increase in the demand for investment in real estate sector in the study area.

4.3.1.2. Investment status /construction/ abiding

As the survey data summarized in table 4.8 depicts, most of the investors (68%) are not abiding to the terms investment agreement they reached with local authorities and delay in terms of progress construction. This may be explained with the apparent shortage of construction materials and associated escalated costs as well as due apparently to continuing power interruptions and low level infrastructural development. Formal residents respondents , although have legal basis and obligations to construct following the master plan , significant number of them(37%) didn't follow the master plan (construction regulation) of the respective towns. Not having the legal ground, however some informal settlers (13.5% of respondents) have also constructed following the master plan construction regulations standard. Some informal settlers have full confidence of being regularized.

Table 4.8: Investment status amongst the different respondent Categories visa the agreed legal terms (N=290)

Have you Developed the land visa the agreed legal terms	Investors	Formal residents	Informal settlers
	Valid percent	Valid percent	Valid percent
Yes	32	63	13.5
No	68	37	86.5

Source: Field Survey, 2010

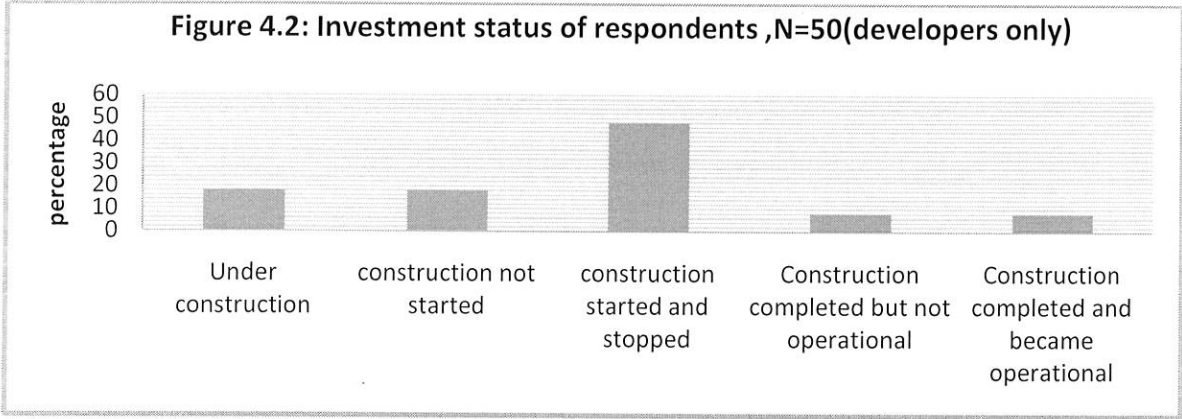
From the total 2457 investment projects, 212 (8.6%) have completed construction, but did not yet start to operate. On the other hand, the construction of 630 (25%) is completed and the projects have been made operational, while 776 (31.6%) are still under construction. In addition, 839 (34.1%) projects didn't yet start any construction activities (Table 4.9).

Table 4.9: Investment status of the special zone oromia region surrounding Addis Ababa

Investment Status	Number of projects		Plot size/m ²		Registered capital		Job opportunity	
	Number	%	Amount	%	Amount (ETB)	%	Number	%
Construction completed but not operational	212	8.6	1,382,790	3.1	941,480,396	3.1	6939	4.6
Construction completed and became operational	630	25.6	24,745,145	56.4	9,757,400,885	32.4	56074	37.6
Under construction	776	31.6	6,973,181	16	11,756,102,516	39	41208	28
No construction started	839	34.1	10,748,438	24.5	7,693,116,819	25.5	44668	29.8
Total	2457	100	43,849,554	100	30148100616		148889	100

Source: Report by the Investment Office of the special zone, 2009

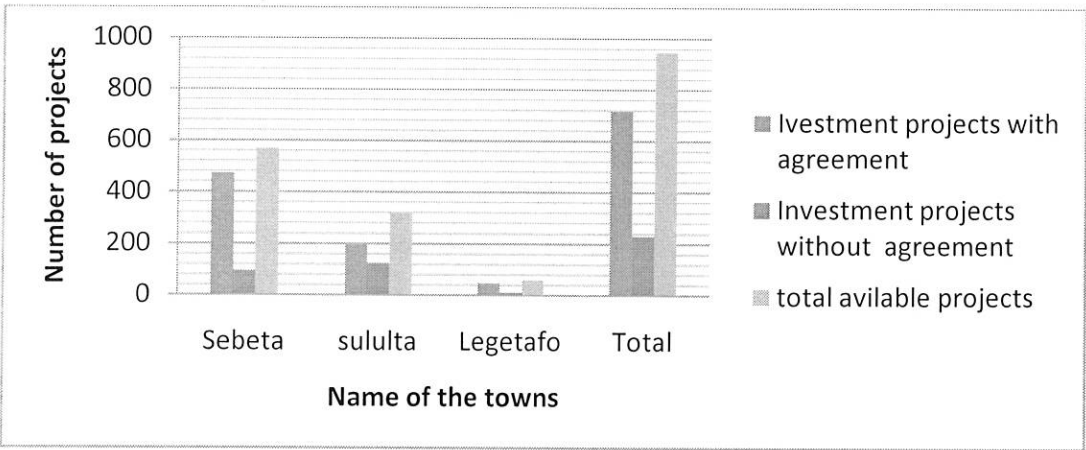
Fig. 4.2 depicts that status of investment in respective towns under study from the total sampled respondents of investors projects 4(8%) projects even though have finished construction but not start to operate 4 (8%) have finished construction and already been operating, 9(18%) are on construction and 9(18%) have didn't started any construction on the land even though the 6 months due date to start construction have passed.



Source: Field Survey, 2010

Fig. 4.3 clearly depict that 231 out of 947 (24%) investment projects do not have any investment agreement with the investment offices of the respective study towns. More specifically, 125 (39 %), 11 (18.6%) and 95 (16.72%) projects in Sululta, Lege Tafo-Dadi and Sebeta towns, respectively, do not have any formal agreement signed with the respective town Investment Offices.

Figure 4.3: Project agreement status of investment projects of towns under study



Source: Computed from respective investment office report, 2009/10.

Closer analysis of the collected data suggests prevalence of poor documentation system within each town administrations. The officials, however, claim the existence of some form of agreements between the investors and the investment offices. They further indicated that some documents may have been lost or not collected during recent changes in administration from zonal or woreda investment offices to the present system (each town investment offices). In addition, the lack of effective coordination system and illegal delivery of investment land as well as conflicts of mandate across the various administrative authorities at different times.

Investment land was granted to the recipients so haphazardly at times by local government, in other times by woreda or zone investment office. Besides, the supervision of implementation of construction activities on leased land and follow up of settlements of lease payments at all authority levels were generally poor. These and other contributory factors encouraged speculators to lease as much land as they can, keep it idle without any construction and no payments in many instances. These findings strongly suggest the need for an efficient and rigorous controlling and monitoring mechanisms in order to hold accountable all players to discharge up on their respective responsibilities and provide support to true developers in bringing about the much needed developments as per the official investment agreement made.

4.3.1.3. Reason /causes for speculation

According to investment and land administration officials, the main reason behind land speculation is the low capacity of developers and lack of feasible investment projects. Prevailing limited infrastructure and services have also some degree contribution to land speculation.

Table 4.10: Reasons for failing to develop received investment land (N=290)

Reasons	Formal residents	Informal settlers	Developers
	Valid Percent	Valid Percent	Valid Percent
Infrastructural problems	27.8	-	26.5
shortage of capital	40.5	43.8	35.3
Bureaucratic bottlenecks to get services in the town	26.2	15.6	23.5
Tenure Insecurity	5.6	40.6	14.7
Total	100.0	100.0	100.0

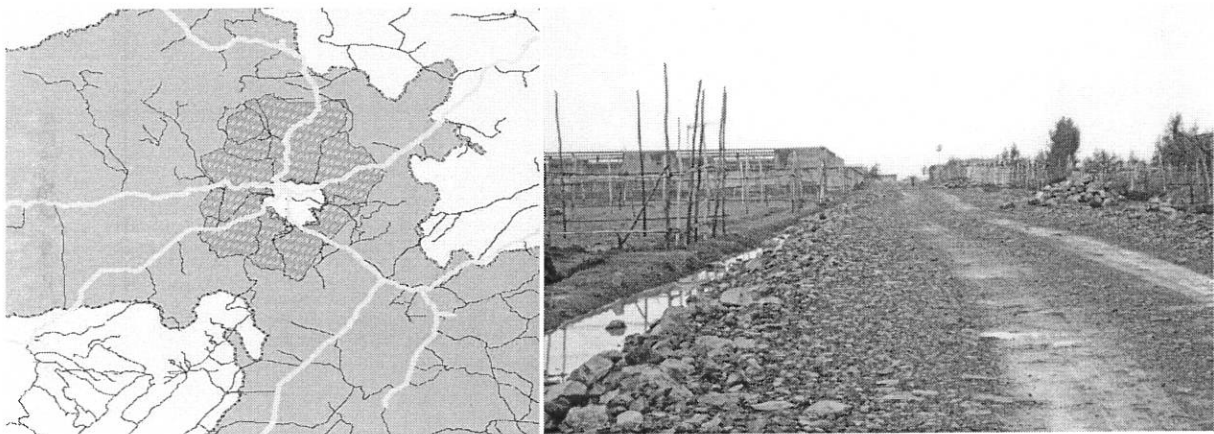
Source: Field survey, 2010

Table 4.10 depicts the reasons for not developing the owned land varies across the different categories of respondents. For developers, the main reason is shortage of capital (accounts 35.5%

of the total) including shortage of foreign currency to import machineries and equipment. Low levels of infrastructural development in the study areas (accounts for 26%) coupled with lack of effective service delivery particularly of local town administrations have also significantly affected development activities. Moreover, tenure insecurity of has some degree of impact (although not significant) especially for developers who want to forge joint ventures with foreign investors as tenure licenses are often considered as guarantee.

Almost the same reason is forwarded by formal residents in the town except the issue of insecurity of tenure is raised as a significant reason. For the informal settlers the main reasons forwarded are shortage of capital and insecurity of tenure which account 43% and 40% respectively.

Figure 4.3: All five major national roads crossing the special zone to and from Addis Ababa



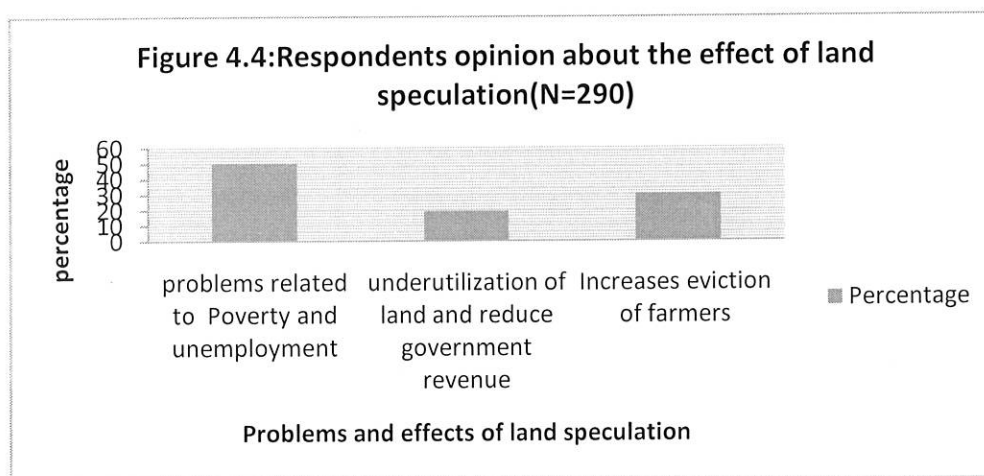
Source: Oromia water works and construction design office, 2009/10

From in-depth interview conducted with key informants and government experts, it was clearly indicated that even though the towns' have town and regional plans poor implementation of it is another cause for slow land development. Personal observation of the researcher showed that provision of arterial (near to the main road) infrastructure is a customary practice by local government authorities. As a result, only land closest to the arterial infrastructure is developed, causing ribbon or corridor development. Such developments are often found on the periphery of many towns in many parts of the country. It's not uncommon to find patterns with large pockets of vacant and undeveloped land cities or towns. This lack of proper town planning implementation leads to accumulation of land far away from the arterial infrastructure, often left subserviced and thereby unusable for the town development purposes.

4.3.1.4.Effects of land speculation

The interviewed government officials seem understood the negative impacts of land speculation and provided adequate explanation supported by practical examples and cases. The officials from Lege Tafo-Dadi town explained that about 27 hectare of land was given to ‘Hope for Africa’ an international organization after expropriating land more than 10 farming households. For over two years, now, the land is still vacant without any significant development investment undertaking on it. Apart from leaving the land idle, it also incurs a minimum opportunity cost of 270 quintals of crop production and employment opportunity for about 20 farmers and daily laborers.

Land speculators stand to benefit from long-term increase in land value. However, the labor and capital that would have been used to put that land to its best economic use must go elsewhere, farther from the centers of population and exchange. This, in effect, decreases overall production of the affected towns every single time it happens.



Source: Own survey, 2010

To get unbiased information from respondents about their opinion on problems of land speculation the researcher has used indirect way of presenting questions through making questions general and not linking to the respondent land use situation. Different mechanisms are used to make respondent don't consider herself/himself as speculator .

As Fig.4.4 depicts most of the respondents (50.5%) believe since land is a critical factor in urban development speculating it results in decrease in the aggregate employment opportunity would

be created on one hand would have a negative impact on the effort of poverty reduction in the town. As per the data computed from the annual report of the special zone depicts Investors amounting 1,488 with more than Birr 9 billion invested on 3,715 ha of land in the past three years on different forms of business. All the investment activities opened job opportunities for more than 30,000 citizens. Based on a survey conducted by CSA, the unemployment rate of the country is 22%, and in oromia region it is 15.3%. However, the unemployment rate of the towns is much more than the region, which is on average 21%; hence the current investment trend is believed to contribute a lot in reducing the unemployment rate in the Special Zone.

Significant number of respondents (30%) also believes that speculating land reduces local government revenue and underutilization of land. The country's urban land policy has allowed transferring property right to the third party in a condition of at least build foundation of the project according to the permit they acquire. The regulation has mentioned only the commencement (start) of the project not the finalizing date. So some people kept the land with foundation only undeveloped and keep it for a long time in expectation for higher land price. A developer has not done this. The parasitic developers in the respective towns do it.

Figure 4.5: Land acquired to build an industry in Lege Tafo-Dadi town.



Source: Field survey, 2010

Fig. 4.5 is a graphic illustration as how speculation could lead loss of money that the government would have earned when an area failed to use the development opportunity. This land is located in Lege Tafo-Dadi town. It has been given to a developer about 7 years ago (In 1999). According to the permit, the construction would have been started within 6 months of the acquisition of the land and it was expected to be completed in a maximum period of 2 years.

It shows that the advance payment or the approval of banks could not impede the trends of land speculation. The local government has observed similar kinds of trends of land occupation and concluded that such condition could be the result of either speculation or fantasy (dream) from historical land hold system “rist”. As a result, the local government has lost money because it has based itself on consideration of only the existing position of the building.

Both the view of the government officials and experts in the respective towns affirm that towns land speculation has multifaceted and far reaching impacts on local development. These include:

A. Economic cost

Government officials and experts divided developers into two categories as actual and parasitic (locally referred to as ‘metentu’ in Oromiffa language and ‘tigegna’ in Ameharic language) developers. Parasitic developers are those who buy a piece of land in peripheral areas of towns for relatively low price, hold it until its value appreciate, and then sell it at a higher price. Such speculation results in an overall rise in the price of land. Given the fact that the cost of the land is the big chunk in the cost of housing, when compared with the cost of construction, speculation in land causes huge increases in the price of housing as well. This type of development causes increased economic costs of doing business in the towns as it results in increased costs of transport and provision of infrastructure.

B. Environmental costs

In addition to high economic costs, land speculation has high environmental costs. Rather than developing existing vacant land within a town setting, parasitic developers find it more profitable to develop new land along transport arteries in the periphery, often by converting agricultural land or land earmarked for other uses. This type of ribbon development puts greater pressure on natural resources. It also increases the costs of disposing waste water and solid wastes.

4.3.1.5. Response options to combat speculation

Measures taken so far: As a response to combat speculation according to the explanation given by zonal and town level investment officials and administrators in the special zone totally around 180 investment projects agreement were dismissed (this includes 11 for leg tafo- dadi town, 6 for sululta and 10 for sebeta town) and last warning was given to 138 investment projects.

The interviewed local government officials further indicated that they have tried to prevent speculation through strict implementation of the existing regional construction regulation where investors are required to complete all ground works and structures of building under construction. Accordingly, investors who leasehold urban land must begin to use the land for the prescribed activities or services within the period of time set in the regional regulation.

In spite of this fact, however, there are still investors who did not begin any construction activities so many years after being granted land through negotiations or auctions. Some of these investors continue providing idle land to the hot market. This clearly shows the inability or lack of desire on the part of the local authorities to reinforce legislation. This kind of land speculation is increasing every year. The issue legality of providing partially built houses for market by individuals is still debatable. On the one hand, the current regulation prohibits the sale of partially developed land. On the other hand, speculators are the main customers who purchase land from the local government. As a matter of fact the sale of land with or without a building over the land is a widespread practice. The owner may have title deed and building permit so it has the legal right to transfer to a third person provided a minimum of the foundation of the building.

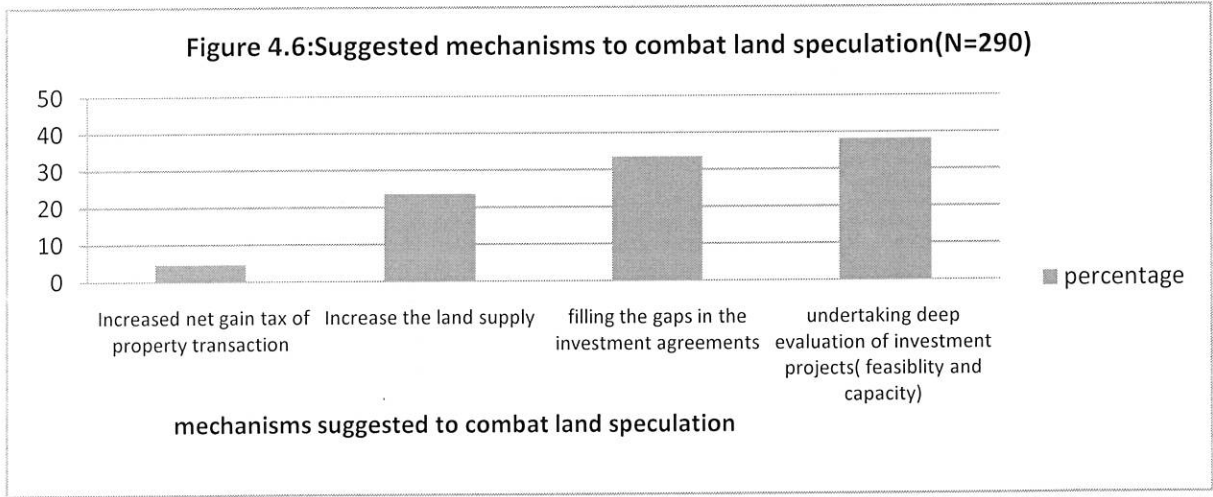
Measures to be taken:

H. George (1890) suggested the need for imposing taxes on land value as one mechanism to combat speculation. He stated that “a full tax on land would increase the land available for use and decrease land speculation”. He has explained the reasons for not looking at the building itself, but the value that has incurred in the surrounding area. He argued that a tax on buildings, farms and capital will lead to fewer or poorer buildings, fewer farms and less capital, respectively. But, if tax and values, there will not be a square inch the less land (no one will want merely (only) to own land). The government land administration and management experts and local officials seem to agree with this mechanism.

Land will then be in the hands of the users and it will become valueless to the speculator who wants simply to hold and not use it. At the same time, the decrease of land speculation would lower the price of land hence reduce cost of living and prevalence of poverty.

From the interviews made with government officials and experts working at both town and zonal levels, it was apparent that additional new measures were to be taken in order to mitigate the effects of land speculation. Accordingly, whoever applies to get land either by negotiation or auction, is required to provide evidences of his/her financial ability to develop the acquired land. The required evidences include a bank deposit of 30% of the lease price or a bank credit worthiness recommendation. In addition, submission of a detail project proposal is required at the project inception level for the contract agreement to be signed with the investment office. Besides, a specified time limit is set to start the construction (at least for the completion of the foundation) of the agreed building.

However, interviewed the officials indicated that all the above preconditions (measures to develop land) are lenient (moderate) measures that couldn't prevent the rising land speculation in the study area. As a result they proposed the following additional and more robust measures: Urging developers to start developing the land within the grace period, setting of deadlines for completion of the agreed constructions. Punishment and other severs deterring penalties is also considered when developers failed to finish construction within the given period of time. Furthermore, strict inspection of the construction work will be carried out as agreed in the contract should be practiced. They also proposed rising of land rent payment in order to prevent permit of holding idle land. They believe that these proposals will be considered and become part of the future regional (Oromia) regulation.



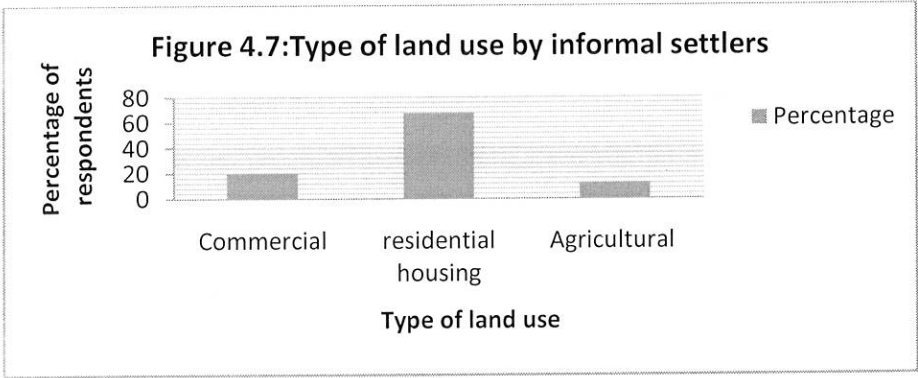
Source: Field survey, 2010

Fig.4.6 depicts that the majority (38.6%) of the respondents agreed that in-depth evaluation of the capacities of developers prior to land delivery is an important mechanism to combat speculation. These include feasibility studies of proposed projects and verifying the presence of adequate resources (technology, equipment and knowledge, availability at local level or importation strategies needed to accomplish the proposed project). The next most important mechanism identified by the respondents (33.6%) the need to have strong and appropriate agreements with developers. The remaining 23% of the respondents believe that increasing the supply of land is a practical mechanism to narrow the prevailing huge demand-supply gap. Some respondents suggest taxing the net gain (i.e. deducting purchased price from the current selling price) during the property transaction is an important mechanism. The latter, however, is not expected to be effective due to inefficiency in property transactions.

4.3.2.Informal settlements

4.3.2.1. Informality vs. type of land use

The level and scale of informality associated with Ethiopia’s urban land policy has often been difficult to discern quantitatively. However, the survey results obtained from informal settler respondents. These survey results revealed that most land uses by informal residents is for residential housing (67.7%), followed by commercial (20%) and agricultural (12.5%) (Fig.4.7).This result mostly corroborates with the perception of town officials interviewed and with other research findings done before.



Source: Field survey, 2010

The major cause of such informalities are the challenges or flaws associated with the land administration process (including functions that involve the regulation of development and use of

land, gathering revenue from the land (through sale, lease, or taxation, etc), and resolving conflicts concerning the ownership and use of the land) and due to factors relate to historical land tenure systems and urbanization.

4.3.2.2.Method of land acquisition

The 1994 Ethiopian Constitution clearly indicates the state ownership of the land. Article 40; Sub-section 3 of the Constitution states that “land is exclusively vested in the state and in the peoples of Ethiopia”. It further stipulates that “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”. While every Ethiopian citizen has the right to own private property per Article 40, Subsection 1 of the Constitution, paradoxically it does not provide any space for private ownership of land. In the case of urban areas of Ethiopia, the land tenure system is comprehensively dealt with by the Urban Lands Lease Holding Proclamation No.172/2002 wherein land is allocated through the leasing system. In addition, this policy allows the government to retain land needed for public interest while at the same time makes a provision for individual holdings for better development through payment of compensations to land/property owners.

In my attempt to identify the process and methods that the squatter/informal settlers use to obtain land in the study areas, it was found out that procedures for acquisition of land for housing have almost entirely been outside the legal and formal framework of acquiring land. Informal land acquisition is made in different forms or methods, the major ones being purchase, illegal permission and inheritance or gift (Table (4.11)).

Table 4.11: Method of land acquisition by informal settlers (N=40,informal settlers only)

Method of land acquisition	Valid Percent	Cumulative Percent
Approved by peasant association or high level government officials	5.0	5.0
Bought from farmers	52.5	57.5
Bought from former squatter settlers and Bought from speculators	35.0	92.5
Inherited or gift form family/relatives	7.5	100.0
Total	100.0	

Source: Field survey, 2010

The respondents clearly indicated that informal land market has existed and still is taking place in the study area (Table 4.11). Majority of sampled squatter settler respondents had acquired land they currently own through purchase from the informal market. More than half (52.5%) of the acquired land was supplied by farmers in the area. In most cases, these farmers used to sell out parts of their agricultural land by parceling and keeping the remaining for cultivation. About 35% was supplied by former squatter settlers and land speculators. It's possible that these former squatters and speculators may have sold out part of or the whole piece of land they manage to acquire.

Some informal settlers are very critical and unwilling to even be referred to as 'illegal' or 'informal' settlers. They strongly argue that they paid their lifetime savings to be able to live like any citizen and see no wrong doing to pay and acquire property in a free market setting. They further argue that this was what is suppose to be the case in a truly free market system as it is the case in many other countries around the world. The incriminate the current faulty (defective) socialistic land policy and governance system (the process of availing small plots of land for the market at any one time that, by any measurement, do not match with the prevailing demand, hence creating artificial shortage and escalated prices that average working citizens could not afford). They aired strong views on the current policy in that arguments to sustain it is deliberate, not because it benefits the large majority of the citizens, but because the authorities and speculators benefit from the land associated extensive and outrageous corruption. Due to the gravity of the problems associated with the nation's land policy, the issue has now become a political agenda by several political entities claiming to promote a more liberal system.

From certain characteristics of informal land markets, the actors (both sellers and buyers) seem to be aware of and understand the provision in Article 40, Sub-section 1 of the Constitution that entitles every Ethiopian citizen the right to own private property, but does not provide for private ownership of land. The fact that selling land is illegal people usually transact land under the cover of small building structure constructed by the developer. On the agreement paper what will be mentioned is not the price for the house but also for the plot which is not mentioned as part of the agreement.

Illegal permission of land by peasant associations and higher officials is also another method of land acquisition by squatter settlers. About 5% of squatter settler respondents indicated that they have obtained permission to acquire land in the study area either from chairpersons of peasant associations or high level government officials. These authorities/officials were providing land without any reference to the legal procedures or other relevant documents. Those who acquire land through inheritance and gift account only for 7.5% percent the respondents among the interviewed informal settlers.

However, the above methods of land acquisition contradict with the nation’s formal land delivery system. The formal method of land acquisition for residential housing and investment in towns under study (recently), Addis Ababa and other big Cities is through a lease mechanism and in some smaller towns it is on a rental bases. Land is a public property and an individual can enjoy only the use right of land under his/her possession. Thus, the means to legally (formally) acquire a plot of land for housing development and investment purpose is dependent on the efficiency of lease policy application. Lease proclamation No 272/2002, is the current active law regarding land provision, and indicates different ways in how one can acquire a piece of land. These include auction, negotiation, lottery system and through an award system.

4.3.2.3. Informality vs. economic status (income level)

Table4.12: A summary of perceptions of respondents pertaining to the economic status of Informal settlers (N=40, informal settlers only)

Economic class of participants in informal settlement	Valid Percent	Cumulative Percent
poor or low-income	47.5	47.5
Middle-income	42.5	90.0
High-income	10.0	100.0
Total	100.0	

Source: Field survey, 2010

The survey data (Table 4.12) depicts that nearly half of the respondents (47.5%) perceive that informal settlers are from the low income economic class. The great majority (90%) think that informal settlers are in the low- and middle-income categories, and only few (10%) perceive that they are of high-income status. This result is in line with the view of interviewed government

officials as they affirm that majority of actors involved in informality are low-income people followed by middle income people. Higher income people usually avoid involving in informality. This shows that informal land market is widely spread involving people of various economic status, but predominantly the low- and middle-income groups. On the other hand, when factors like size of the land informally owned, type of houses constructed, amount of money paid for it, capacity to corrupt the bureaucracy and to defend their property considered, the situation generally implies that significant number of informal settlers are by in large poor people who had no other choices, but also to some extent the speculators and others with fair income status.

4.3.2.4.Causes of informality/illegality

Causes of informal land acquisition can be categorized as internal and external factors. From the external point of view factors, institutional problems such as inefficiency and ineffectiveness in urban administration, policies and regulations as well as economic performances of rural areas that are often incriminated for incompatibility of urban land demand and supply. The internal factors include poverty and increased speculative behaviors (Table 4.13).

**Table 4.13: Summary of survey findings on causes of informal land acquisition
(N=40, informal settlers only)**

Causes of informality/illegality	Valid Percent	Cumulative Percent
Bad governance	12.5	12.5
Bureaucratic bottlenecks	15.0	27.5
Inefficient land delivery system	17.5	43.0
Low income and absence of low cost rental housing	12.5	55.5
Building standard and high cost of building material	42.5	100.0
Total	100.0	

Source: Field survey, 2010

The survey findings revealed that 55% of respondents believe that they resorted for informal land acquisition mainly due to economic reason as they are not in a position to meet the high (luxury) building standard and unable to afford high cost of building materials as well as due to the absence of low-cost rental housing. The remaining 45% relate their decision as related to bad governance, bureaucratic bottlenecks and inefficient land delivery system in the study areas. For

some, the formal land delivery process is terrible and frustrating. The bureaucratic process is a burden and time consuming. The process to handover of a plot of land after all the down payment is effected and the rules and regulation governing the quality of construction are way beyond negotiating ability and tolerance of the majority of the towns' poor.

So from table 4.13 it can be summarized that the major causes of informality is high planning standard which is not relevant and affordable to the low and middle income people. High cost of building materials, lengthy and inefficient process to access land through informal channels and the unaffordable price of leasing land appears to be another cause of informality.

Information from officials of land administration and sample respondents shows that unauthorized settlements were usually predetermined and planned by the officials and agents with clear interest in sponsoring these developments in towns. Farmers, expert in land administration offices, speculators and hinter land rural and town Kebeles administrations contributed to the expansion of informality through selling the land and facilitating the informal exchange process and documentation.

Broadly speaking, there were three mechanisms where by these settlements were formed:

- First, in the context of towns, illegal sales of public land over which peasants had use rights only. These beneficiaries find themselves controlling land, which was in great demand due to the expansion of town settings. Plots were therefore sold off by individual payment.
- Secondly, illegal land transfer occurs when private land use right owners illegally subdivide un-serviced plots for sale.
- Thirdly, though it occurs less frequently in case of special zone around Addis Ababa, invasion of public land by squatters whose claims to a parcel of land were being resist.
- Finally, an increasingly common phenomenon was also that of the informal extension to formal housing.

As revealed by several key informants and relevant officials of the town's administration, it is generally believed that institutional and political factors are the major causes of squatting in

towns. However, the causes stated by respondents were more of socio-economic types, except those issues on governance and bureaucratic bottlenecks. Nevertheless, with regard to their overlooking of the political factors, it seems that they know their act is illegal so that they preferred to skip the point. Moreover, since respondents are hopeful that their holdings will be regularized in the future, they intentionally expressed more poverty issues in order to get the sympathetic eyes of the government.

4.3.2.5.Effects of informality and its implications

Based on the field observation made during the field work significant numbers of squatter or informal settlers are mostly daily laborers who can't afford to purchase house. They are also found near borders of Addis Ababa and surrounding major manufacturing areas of the respective towns'.

Figure 4.8: Situation of informal settlers

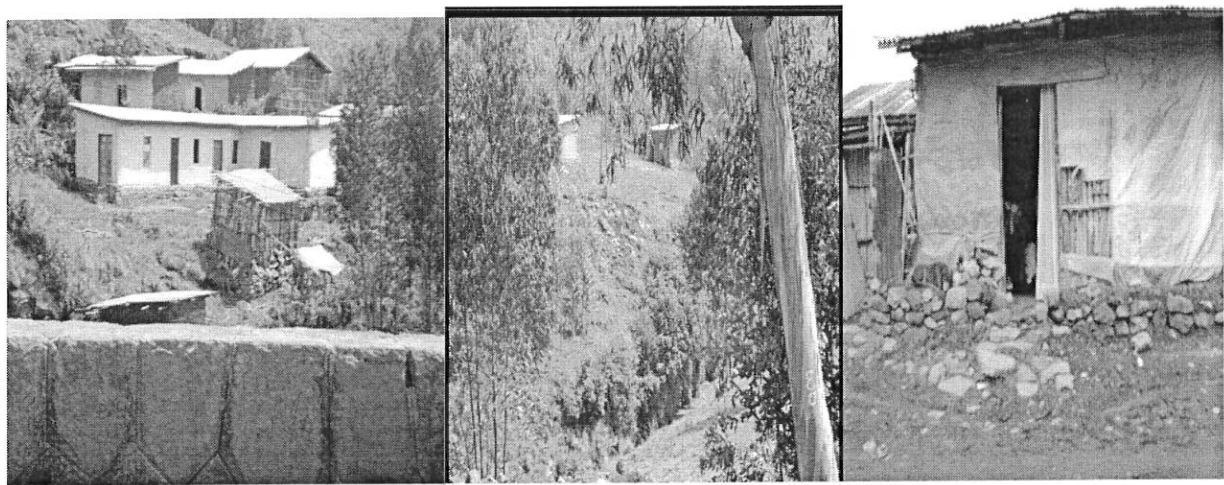


Figure: Field survey, 2010

The problem of informality, as perceived by the sample respondents and experts, has had some ecological consequences as some settlers occupy areas designated as ecologically sensitive(Fig4.10).Living in the informal settlements has a range of negative impacts on the lives of the Settlers including health related problem, insecurity, increase crime rates and rise in land price (Table 4.14).

Table 4.14: Impact and problems of living in illegal/informal settlements (N=40)

Impact and problems	Valid Percent	Cumulative Percent
Health problem	27.5	27.5
Insecurity	22.5	50.0
Increase crime rate	20.0	70.0
Rise in land price	30.0	100.0
Total	100.0	

Source: Field survey, 2010

4.3.2.6. Informality vs. accessibility to infrastructures and services

The analysis of survey result on accessibility and availability of infrastructures and service shows severity index values of about 64%. This falls within the agreed range indicating the absence of any significant variation in service availability and infrastructural accessibility between areas inhabited by formal and legal settlers (Table 4.15).

Table 4.15: Comparison between areas inhabited by formal and informal settlers in terms of accessibility, availability of infrastructure and services (N=40 ,Informal settlers only)

Item	Respondents	Frequency analysis						Result
		SD(0)	D(1)	N(2)	A(3)	SA(4)	SI (%)	
The area is accessible to basic infrastructures and services as compared to formal residents.	NR	4	10	3	5	18		
	PR	10	25.	7.5	12.5	45	64.38	Agree

Source: Own survey, 2010

NR= Number of respondents, PR= Percentage of respondents, S= Strongly Disagree, D=Disagree, N= Neutral, A= Agree, SA= Strongly Agree, SI=Severity Index

According to the interview made with officials in town administration, some of the measures taken by Government service providers such as the Ethiopian Telecommunication Corporation (ETC), Ethiopian Light and Power Authority (ELPA) and the Water Resource Office are contradicting their objective of controlling informal settlements. They have indicated that these service providers are involved in expansion of their respective services with the aim of augmenting revenue collection. Some of the services like access to clean water are very important and key for human survival. There exist, however, a paradox in this assertion of the town administration for they are also installing community water tapes for squatter settlements.

Moreover, the squatters themselves are engaged in informal extension of electric lines from their neighbors.

To wind up, squatting did not. As such, prevent from access to the important infrastructures. There are diverging views between the officials in town administration and informal settlers with respect to access to public services such as water supply, electricity and telephone services. On the one hand, some officials in town administration perceive that squatting is aggravated by ease of access to these public services. On the other hand, informal settlers, entitlements to get essential public services as a justification of government recognition of their settlement status and their legal protection as citizens.

4.3.2.7.Response options to informality

The survey results unequivocally depict half (50%) of the informal settler respondents prefer regularization as the best solution to solve problems of informality. The remaining 50% of the respondents, however, indicated that informal settlement could have a lasting solution when the underlying roots causes are effectively addressed. The latter suggest options such as increase land supply, promoting low cost rental housing and reduced bureaucracy and land price (Table 4.16). It has previously been indicated that the reason why many households have turned to the informal land markets is to compensate for the deficits of the formal land supply that is mainly caused by the demise (failure) of the formal land supply that doesn't meet the demand for it. Making the land price affordable to the poor and promoting low income, rental and condominium housing (like the situation in Sebeta town) are other significant options forwarded by the respondents.

Table 4.16: Summary of suggested options to address informality (N=40)

Response options to informality	Valid Percent	Cumulative Percent
Regularization the informal settlements	50	50
Increase land supply	15	65
Promoting low cost rental housing	17.5	67.5
Reduce land price and bureaucracy	17.5	85.0
Total	100.0	

Source: Field survey, 2010

There are efforts made by town administrations. Officials interviewed have indicated that three approaches, namely negotiation, 'laissez-faire' and bulldozing, have been applied as response options to land informality in the study area.

Negotiation

The negotiation strategy refers to all collaborative efforts that seek to bring all affected parties i.e. government and informal settlers to the drawing board so that they can solve their problems in a mutually acceptable manner. Accordingly, the Lege Dadi-Tafo town administrations have regularized about 500 squatter households through negotiation and application of community policing as prevention strategy. Sebeta town administration has also regularized about 5000 squatter households. However, recognize the lack of capacity of municipalities, the officials underlined that there is a need to have cadastre records of squatter settlements, clear and unbiased identification of the real settlers from land speculators by kebele and/or town administration in order to speed up the provision of quality and continuous regularization services in the future plan.

Laissez – faire approach (Taking no action)

'No action' in this analysis refers to a situation where the concerned bodies consciously or unconsciously ignore the problems of informality either due to lack of capacity or failure to recognize its existence in scale, intensity and severity. All forms of refusal to interfere, and practices that allow people to do as they wish fall into this category. This has been witnessed as a customary practice in Sululta town.

Bulldozing

Bulldozing is defined as all forms of coercive actions targeted at destroying illegally built physical structures. It also extends to include all legal and or non legal measures that result in the forceful eviction of illegal land owners. The use of law and courts refers to the application of law enforcement mechanism in dealing with land disputes. This also covers lawful measures that result in the relocation of illegal land occupiers. In this respect, Sebeta town has demolished about 1000 houses that have no title deed, building permission and not constructed in accordance to the master plan.

4.3.3.Situation of Land Information system

Land is certainly the most valuable physical asset of mankind and probably the most important resource in the study area. Socio-economic development, in particular sustainable development, depends largely on the manner this resource is managed. Without sound land management systems, it will be very difficult to meet the goals of development. In turn, the quality of these systems depends on the quality and extent of availability of information on issues to be managed, and capacity to process it so that better decisions are made. Adequate land information systems are prerequisites to land management and administration, which is the major theme of the following discussion.

4.3.3.1.Size of Plot owned by respondents

The survey result (Fig.4.10 and 4.11) depicts that half of informal settler respondents and about 42% of formal resident respondents own a plot size less than 100m²/household. This is below the provision in the land use standard (i.e.105m²/household for residential purposes) set by the local government in the study area. Furthermore, 48% of respondents indicated that the plot size owned by developers range between 2000 - 5000m², and 38% above 5000m². Only 14% of interviewed developers own plot sizes less than 2000m².

Figure 4.9: Size of plot owned by informal settlers residents (N=240)

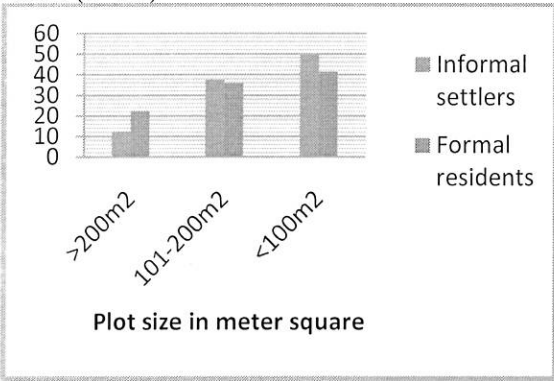
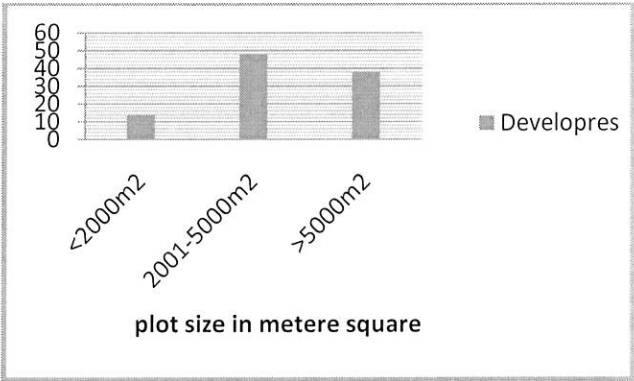


Figure 4.10: Size of plot owned by developers (N=50) & formal



Source: Field survey, 2010

4.3.3.2.land tenure system of respondents

Table 16 below clearly depicts that there exists significant difference among respondents in the type of tenure system which is the result of the different land tenure system the country has undergone in different regimes i.e. feudal land ownership, public ownership under administrative allocation with no leasing and later public ownership with leasing.

The majority of formal town residents have freehold (41%) and permit (51%) type of tenure system. even though it is not significant (8%). Only few (8%) of the formal resident respondents have leased hold land, of which most are residents in houses recently built by real estate developers (e.g. Ropak International in Lege Tafo-Dadi town). A significant number of respondents in the investors category in towns indicated that their access to land through the lease (50%) and rental (44%) systems (Table 4.16).

Table 4.17: Types of land tenure by for formal residents and developers (N=250)

Tenure system	Formal	Developer
	Valid Percent	Valid Percent
Freehold	41.0	6.0
Permit	51.0	-
Lease	8.0	50.0
Rent	-	44.0
Total	100.0	100.0

Source: Field survey, 2010

The official recording of individual immovable is cadastre, and that related to the legally recognized interests in land is land registration(Melkamu.B ,2008).If there is an efficient land registration system (juridical cadastre), it will enable every land owner to have (i) a written record or register with information on parcel, such as owner and the rights of the land and a detailed description of the parcel in a form of a map or survey measurements; (ii) cross-referencing with the written record or register. When records and descriptions are combined, then the land registration system provides considerable benefits such as security of ownership and tenure rights, more efficient land transfers and improved land use and management.

Table 4.17 depicts that significant portion of respondents(25.5%) of the formal residents have no full document, official registration certificate, site map that show size and value of land at parcel

basis and ensuring their legal ownership right on it. In contrast to the formal residents, most (89.7%) of the investors have legal ownership.

Table 4.17: Survey result on provision of official land tenure Documents to formal residents and developers (N=250)

Official Registration	Formal residents	Developers
	Valid Percent	Valid Percent
No	25.5	10.30
Yes	74.5	89.7
Total	100.0	100.0

Source: Field Survey, 2010

4.3.3.3.Impacts of lacking information on land

There exists boundary conflict in the entire categories of respondents (formal and informal settlers, and developers), but with varied frequency levels (Fig.4.18). The survey findings revealed that 65.8%, of informal settler respondents indicated that they have faced land conflict with their neighbors. However, only 24.5 percent of formal residents and 20 percent of investor respondents have faced dispute over land. Absence of information had made conflict resolution task of town administrators very complex and difficult.

Table 4.18: Frequency of occurrences of land conflicts and disputes in the three respondent categories(N=290)

Encountered boundary conflict and disputes on land with neighbor	Informal settlers	Formal residents	Developers
	Valid percent	Valid percent	Valid percent
No	34.2	24.5	80
Yes	65.8	75.5	20

Source: Field survey, 2010

Interview made with experts and officials clearly indicates that the problem associated with lack of land information system is not limited to the study area only but a common phenomenon in all major towns and cities across the country. It had a profound negative impact on the efficient and effective use and management of urban land. The respondents clearly recognize the Lack of land information and more soon the absence of comprehensive database on the number of housing units and land parcels in the towns sampled for the present study. The lack of adequate land related data has resulted in weak real estate management as reflected in inefficient tax collection system and the concomitant effect in attaining the expected socio-economic development.

Table 4.19: Survey results on the impact of lack of legal land right

Impact	Formal residents(n=51)	Informal settlers(n=40)	Developers(n=50)
	Valid Percent	Valid Percent	Valid Percent
Feeling sense of insecurity(involuntary eviction)	33.9	40.0	22.22
Provokes access to bank loan as collateral and create joint venture	35.4	35.0	55.6
Unable to facilitate property transaction	22.8	7.5	22.18
Hinders long term investment on land	7.9	17.5	-
Total	100.0	100.0	100.0

Source: Field survey, 2010

The survey results in Table 4.19 depict that more than 35% of both formal and informal residents who don't have legal ownership certificates believe that do not have access to bank loans because financial institutions require collaterals such as legally registered land, with title deed, site map. About 33% of formal resident and 40% of informal settlers expressed feelings of insecurity in their lives as they didn't secure agreement of the local government on the use and owning land property and fear of being involuntarily evicted from their land. These have also a direct negative impact on facilitating land transactions and developing land in a sustainable manner.

The need for developing an institutional capacity for modern land management information infrastructures using tools like cadastre and GIS (Geographic Information systems) is mandatory. An effective land management system improves efficient use of land resources, provides incentives for development. This includes the provision of housing and basic infrastructure such as sewer and water facilities, protect the degradation of natural environment, provide efficient property transactions .Which substantially increase revenue for local governments through improved taxation, and helps to secure guaranteed land ownership or use rights.

In this regard, raising the awareness of those directly or indirectly involved in land administration on the value and use of modern tools such as GIS and cadastre. It is essential to encourage town municipalities and other authorities to invest in the production, maintenance and management of geospatial data and information system. As well as, promoting the development

of integrated datasets and data standards in order to make relevant information available. Not only to the government bodies but also to the public at large.

In this respect, the assistance of regional and federal governments to local authorities through capacity building for the development of a national geographic information infrastructure that effectively respond to the needs of the various development is crucial. It's also important to recognize that there are a number of government and international organizations in Ethiopia (Ethiopian Mapping Authority, Woody Biomass, International Livestock Research Institute (ILRI), etc) that have rich experience and geo-referenced database and need to forge (build) functional partnerships to have access and make use of valuable resources already available in these institutions.

4.3.3.4. Identified Constraints of establishing modern land management information system.

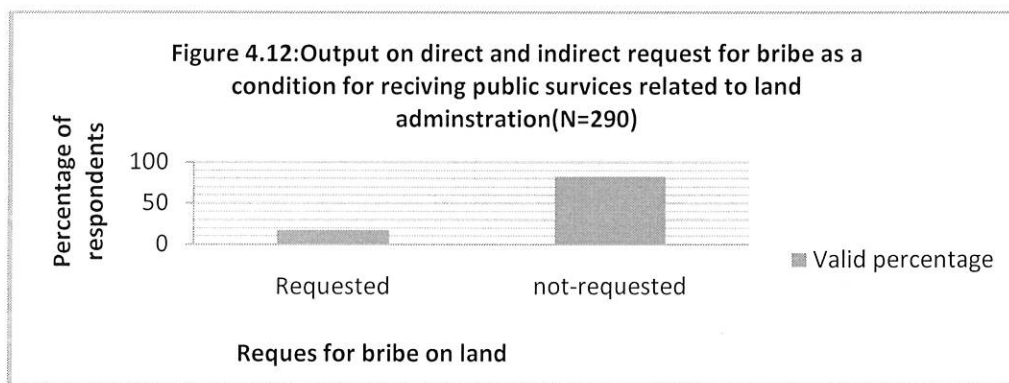
Based on the view of the officials and experts and personal observations made during the field study, the following interlinked constraints were identified as hindering any future efforts to establish modern land information management system in the study area:

- The local decision makers do not have adequate knowhow about on computing, use of computers, the values of modern tools such as cadastre, GIS, etc
- Absence or weak central coordination mechanism.
- Institutional (skilled manpower, facilities, norms and tradition at work) and financial limitations,
- Underutilization of available modern instruments, and
- Lack of capacity and initiative to inculcate modern and innovative approaches and weal level of stakeholders awareness

4.3.4. Land management and application of some norms of Good Governance

4.3.4.1. Corruption and land administration

As defined by K. Maclean-Abaroa and Parris (1996), it is universally agreed that corruption means the misuse of office for private gain. The office is a position of trust, where one receives authority in order to act on behalf of an institution be it private, public or non-profit.



Source: Field survey, 2010

As Fig.4.12 depicts Significant number of respondents (17.7%) confirmed that, during the past 12 months, they were directly or indirectly asked for (or made it clear to them to pay) bribes to government officials working in the land development and administration as conditions for receiving public services therein.

Table 4.20 presents the analysis of results on the assessments of the general attitude of respondents to the degree of corruption on land, effectiveness of BPR on land administration and effectiveness of land delivery and administration. The severity index value for the public opinion and perception on the degree of corruption on land is 47.5%, which is found to be within the neutral opinion range of $37.5\% \leq SI < 62.5\%$. This opinion range of respondents affirms the existence of corruption on land. However, although the respondents recognize that there is no change in size, they perceived that there is a change in the method of doing it and in its form.

Table 4.20: Assessment results of respondent's opinion on degree of corruption, Effectiveness of business process reengineering (BPR) and land delivery (N=290)

Description on measured parameters	Response	Increased Significantly(0)	Increased(1)	No change (2)	Decreased (3)	Decreased significantly (4)	Severity Index	Result
Degree of corruption on land for the past 2-3 years (i.e. after BPR is implemented).	NR PR	69 26.79	78 26.89	33 11.37	33 11.37	77 26.58	47.5	D
Effectiveness of BPR on land development and administration		Very effective	effective	Partly effective	Not effective	Not very effective		
	NR PR	95 32.75	51 17.5	42 14.48	57 19.65	45 15.62	41.89	N

Source: Field survey, 2010

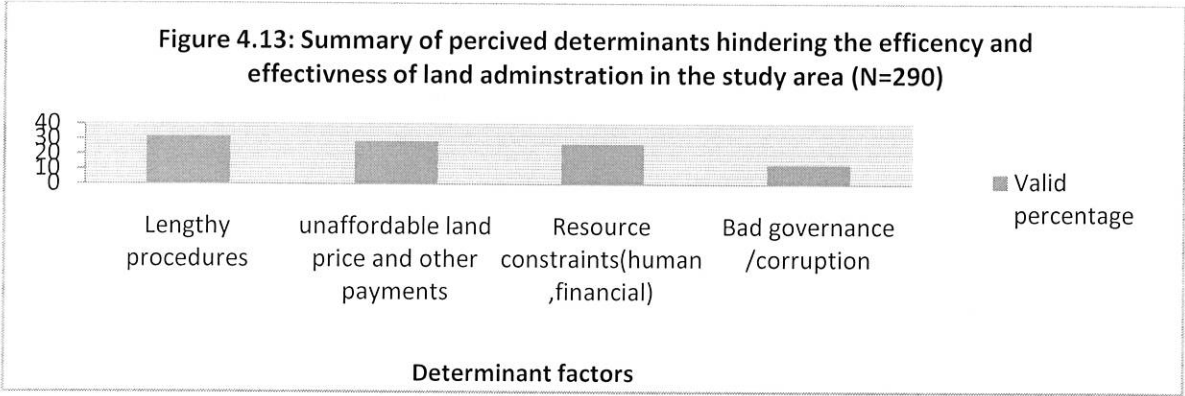
For the past 2-3 years, the government of Ethiopia has started testing and implementing a change process referred to as 'business process re-engineering' (BPR). The attempt in relation to urban land, the application and adaptation of principles of BPR is to improve the efficiency and effectiveness of the land management, administration and delivery system in towns. As cited in T. Gondo, 2008 it is based on five primary concepts, namely:

- Clean slate (line up) approach to organizational designs and changes,
- Orientation to cross functional business processes,
- Need for and the possibility of radical change in performance,
- Information technology (IT) as enabler of change – in how work is performed, and
- Changes in organizational and human arrangements that accompany changes in technology.

The assessment of respondent's opinion on the effectiveness of BPR in land development and administration showed a severity index value of 41.89% (within the just effective opinion range of $37.5 \leq SI < 62.5$). The result indicates that the respondents believe that BPR is partially effective in the case of land development and administration. The general perception among most town administrators interviewed is that BPR has done much in dealing with the effectiveness of land administration and delivery systems. Even though it was not as previously anticipated due to human power, financial and institutional constraints.

Most of the staff in land administrations department of the towns in point have no sufficient numbers and skilled human power (e.g. urban planners) to adequately satisfy the needs of their

clients. The shortage of critical mass of skilled man power coupled with lack of technological support system further compounded the problem. Lege Tafo-Dadi town is the only town among the study areas that has recently established GIS, but there is no expert to operate it. The other two towns (Sebeta and Sululta) have no GIS and cadastral system. The prevailing weak institutional coordination system is also marked by the existence of conflicts in mandate across the various levels (regional, zone, woreda and town levels) of land administration bodies and within the different departments at each level (i.e. land development and administration, housing development, investment office (commission)). These conflicts are also real barriers that contributed for the reduced effectiveness of BPR.



Source: Field survey, 2010

The general perception among most town respondents and town administrators interviewed is that even though there is a slight change in land administration after the adaptation and implementation of BPR, the current land administration and delivery system has not done much in dealing with the prevailing chronic poverty.

As illustrated in Fig. 4.13, a significant proportion (31.37%) of the respondents felt that the land administration and delivery system has not been effective because of bureaucratic bottlenecks that where the functions (i.e. land tenure, valuation, development and use) are marked with lengthy procedures. About 28.62% of the respondents revealed that land price and other payments are just and unaffordable, especially for the poor. Similarly, in line with the above general perception, most town administrators agree that the land administration and delivery system has not done much in dealing with chronic poverty. In addition, 26.89% and 13.12% of the respondents respectively attribute the lack of sound towns land administration and delivery system to bad governance and shortage of resources (manpower, finance and material/facility)

necessary to manage and administer land. Analysis of available data and considering the scope and in-depth of the interviews conducted, it is possible to infer that the general trend of the towns land administration over years has not been sound. While it is acknowledged that slight improvements in the land administration and delivery system have been notice over the last three years along the introduction and implementation of BPR, most officials also still feel that a lot has to be done to change the current situation to the better and effectively address related problems.

4.3.4.2. Perceptions of respondents on applicability of some governance indicators on land management

The results on the assessments on the general attitude of respondents to the situation of governance of land administration and management are presented in Tables 4.21-4.24. Tables 4.21 and 4.24 present calculated values of severity indices related to public opinion and perception on transparency and equity, respectively. The index values for transparency and equity ranged between 26.3 - 39.7%, and 35.6 - 66.5%, respectively. The results on inclusiveness and responsiveness are presented Tables 4.21 and 4.24, respectively. Accordingly, the severity index values obtained for inclusiveness and responsiveness were 36.5% and 68.4%, respectively.

Table 4.21: Respondents' opinion and perception on the transparency in land management system (N=290)

Item		Frequency analysis						Result
		SD(0)	D(1)	N(2)	A(3)	SA(4)	SI (%)	
Existence of regular and open consultation with Investors and residents with respect to existing operational, land allocation rules, regulations procedures and service delivery	NR PR	80 27.57	14 48.28	10 3.45	40 13.79	20 6.91	36.2	D
Existence of codes of conduct for civil servants and system for reward or punishment in land development and administration	NR PR	60 20.69	115 39.65	25 8.62	65 22.41	25 8.63	39.65	N
Existence of mechanism for public feedback (suggestion boxes, free telephone calls, local media, local news papers and complaint committee).	NR PR	86 29.65	157 54.14	7 2.41	23 7.93	27 5.87	30	D
Existence of system (in local media or on regular public meetings) for timely posting and dissemination of information on necessary procedures/steps and required payments for acquisition of plots of land or provision of services	NR PR	90 31.03	150 51.72	10 3.45	25 8.62	15 5.18	26.29	D

NR= Number of respondents, PR= Percentage of respondents, S= Strongly Disagree, D=Disagree, N= Neutral, A= Agree, SA= Strongly Agree, SI=Severity Index

Source: Field survey, 2010

The survey result presented in Table 4. 21 show that the respondents are concerned about lack of transparency and associated problems in land management and administration system in towns. The severity index values for the public opinion and perception on transparency of land management and administration range from 26.29% to 39.65%, which is found within the disagree opinion ranges of $12.5 \leq SI < 37.5$ and a neutral opinion range of $37.5 \leq SI < 62.5$. The finding indicates that the respondents didn't affirm undertaking any open and regular consultation with residents and developers, existence of public feedback mechanisms and timely posting and dissemination of essential information on steps, requirements and procedures of land acquisition in the towns. This perception is strongly pronounced among the low income socio-economic group and informal settlers.

Table4.22:Respondents’ opinion and perception on Equity (equal opportunities) in land management in towns (N=290)

Item		Frequency analysis						Result
		SD(0)	D(1)	N(2)	A(3)	SA(4)	SI (%)	
Quota system is available for the informal settlers the low income, poor and disadvantaged group in the land Delivery system of the town	NR	50	160	15	37	28	35.6	D
	PR	17.24	55.17	5.18	12.75	9.66		
There exists rules and procedures for informal settlers to Access Land formally from the land department	NR	49	159	12	39	31	36.55	D
	PR	16.89	54.83	4.14	13.45	10.69		
There is a system of land reservation for informal settlers to be regularized in certain areas of the town.	NR	15	80	10	125	75	66.46	A
	PR	5.18	27.57	3.45	43.10	20.7		

NR= Number of respondents, PR= Percentage of respondents, S= Strongly Disagree, D=Disagree, N= Neutral, A= Agree, SA= Strongly Agree, SI=Severity Index

Source: Field survey, 2010

The survey results in table 4.22 indicate that the rate of equity in land administration and management system is relatively very low. The values are found within the disagreed opinion range of $12.5 \leq SI < 37.5$. The results therefore clearly depict that the existing land delivery system in towns excludes the informal settlers, low income, poor and disadvantaged groups. It also affirms the inexistence of rules and procedures for informal settlers to formally access land. There is a system of land reservation for informal settlers to be regularized in certain areas of towns. A 66.46% severity index value obtained is within the agreed opinion range of $62.5 \leq SI < 87.5$ and affirms the existence of reserving land for informal settlers to be regularized in certain areas.

From the interview made with local officials in the study towns, it's understood that there are certain attempts made to regularize informal settlers and inclusion of the poor and disadvantaged groups. For instance, in Lege Tafo-Dadi town about 500 settlements were regularized. Sebeta town municipality has also regularized about 5000 squatter houses, but bulldozed about 1000 houses that have no title deed, building permission and which violate master plan. In Sebeta, the municipalities made some efforts to incorporate poor residents to benefit from the town's land delivery system. The poor were verified by pre-established steering committee and were allocated 20% of the total land provided and condominium houses. These efforts are qualified as 'good starts', however sustainability is a major issue.

Table 4.23: Respondents' opinion and perception on the Inclusiveness of land management system (N=290)

Item		Frequency analysis						Result
		SD(0)	D(1)	N(2)	A(3)	SA(4)	SI (%)	
Presence of a peaceful consultation of municipality with informal residents on issues of land tenure security	NR PR	43 15.17	166 57.24	13 4.48	41 14.14	27 9.31	36.46	D
Effort made by municipality to organize informal settlements and facilitate or promote their Involvement in the town's development vision and decision making processes	NR PR	30 10.34	95 32.76	15 5.18	95 32.76	55 18.97	54	N
Efforts to regularization or formalization of informal Settlements	NR PR	7 2.41	68 23.44	4 1.38	127 43.79	84 28.97	68.4	A
No conflicts raised between informal settlers and local government, and no court applications made	NR PR	14 4.83	76 26.23	8 2.76	122 42.07	70 24.14	63.6	A
Local governments have positive perception towards informal settlements/settlers.	NR PR	15 5.18	73 25.17	7 2.41	121 41.72	74 25.52	64.31	A

NR= Number of respondents, PR= Percentage of respondents, S= Strongly Disagree, D=Disagree, N= Neutral, A= Agree, SA= Strongly Agree, SI=Severity Index

Source: Field Survey, 2010

Table 4.23 shows the level of perception of sampled land owner respondents about the inclusiveness of land administration and management system in the study area. A severity index value was found to be within the agreed opinion range of $62.5 \leq SI < 87.5$. The analysis affirms that there is an attempt to regularizing informal settlements, no conflict raised between local government and informal settlers, and that local government has a positive perception towards informal settlements. However, as learned from the experience in Addis Ababa, the continuity of

this trend is doubtful as future town expansion entails more land and informality may no more be tolerated.

On the other hand, a 54% severity index value of a neutral perception suggests that the respondents, to some extent, affirm the existence of efforts to enhance the participation of informal settlers in the overall development of the towns. However, the system is perceived by the respondents as characterized with irregularity and inefficient. Respondent's severity index value 36.46% lies within the range of disagreement and depicts that respondents didn't affirm the availability of peaceful and formal consultation of municipalities with informal settlers; even if it exists, the issue is completely different from tenure security. These perceptions are stronger among the low income socio-economic group and informal settlers.

Table 4.24: Respondents' opinion and perception on the responsiveness of the land management system (N=290)

Item		Frequency analysis						Result
		SD(0)	D(1)	N(2)	A(3)	SA(4)	SI (%)	
Presence of short and simple procedures in land allocation and property transfer registration.	NR PR	18 6.21	59 20.34	9 3.1	123 42.41	81 27.93	66.38	A
Presence of sufficient number of permanent civil servants in the land administration departments to serve the resident population and developers in the town.	NR PR	8 2.76	73 25.17	10 3.45	124 42.76	75 20.7	55.26	N
Presence of permanent civil servants with required skills and professional background as well as availability of technically operational equipment for sound land development and administration	NR PR	46 15.86	168 57.93	12 4.14	39 13.45	26 8.87	35.6	D
Presence of flexibility in implementing standard operating procedures by the municipality (e.g on issues like the building materials to be used in constructions)	NR PR	50 17.57	170 58.62	9 3.1	37 12.76	24 8.28	34.05	D
Customer (both formal and informal residents) satisfaction in land management and administration, land allocation and service delivery mechanisms	NR PR	7 2.41	74 25.52	11 3.79	114 39.3	84 28.97	66.72	A

NR= Number of respondents, PR= Percentage of respondents, S= Strongly Disagree, D=Disagree, N= Neutral, A= Agree, SA= Strongly Agree, SI=Severity Index

Source: Field Survey, 2010

Table 4.24 shows the level of perception of sampled land owner respondents about responsiveness of land administration and management in the study area. A close observation of it depicts severity index value found within the agreed opinion range of $62.5 \leq SI < 87.5$ that affirms since BPR is implemented land delivery and registrations have shown some improvements even to extent of satisfying customers. On the other hand the 55.26 percent severity index value of which is a neutral perception that the respondents to some extent affirm

the existence of efforts to increase number and improve quality of permanent civil servants in the land administration department to serve the total population and developers in the town. Severity index value 35.6 and 34.05 percent that lie within the range of disagreement depicts that respondents didn't affirm that Skill and professional background of existing civil servants and availability of technical instruments are good enough. They also confirm that there exist rigidity than flexibility in standards and building materials by the municipality

The study result depict that one of the most crucial constraints in the effectiveness of policies and programs related to land management, administration and delivery is the limited public participation in planning and services. Although, there are efforts to enhance the participation of informal settlers and the poor in the overall development of the towns. However, the system is characterized with irregularity and inefficient. They have not been taking any significant role in the land delivery processes. Mostly their role has largely remained passive. Currently, the poor is viewed as land beneficiaries as opposed to an active stakeholder in land administration processes. Most local authorities do not have explicit mechanisms of engaging the poor in any land administration and delivery process. This lack of participation by the poorer segments of the society is identified as one of the major factors hindering the urban poor from accessing land.

4.3.5. Implementation of the lease policy

4.3.5.1. An overview of the lease policy of the study area

Almost all the three towns considered in the present study have implemented land deliver through lease system starting from 1996 EC. Land was given to investors depending up on their investment proposals. If the latter is accepted, it leads to price negotiation based on the initial price set by the investment office. However, as of August ,2009 a decision to end a negotiation approach and replace it with an auction system was made by the Board in Oromia National Regional State (ONRS), which consists of nine members including the ONRS President and Commissioner of the Oromia Investment Commission.

The new approach operates through production of bid documents that will usher in auction to give land to investors. The officials believe that the past (negotiation) system was not effective and relevant for efficient land management as a result it opened a wider door for investors to

keep land idle and speculate without developing the land they received. Moreover, the system also vulnerable to corruption and illegal acts by various actors. Auction system is hoped to create transparency and accountability.

The newly established Oromia special zone around Addis Ababa has eight towns that will be implementing the new (Auction) system. of these towns, six including Lege Tafo, Sebeta, Gelan, Dukem, Sululta and Burayu, begun for the preparation to implement the system, while the other two are expected to follow suit. The bid document which is being produced for these towns started early September 2009 expected to be completed in the near future, of it goes according to plan. However, there are already observed problems in implementation of the policy such as absence of efficient allocation of revenue from lease and inappropriate land pricing system.

4.3.5.2. Revenue from land versus expenditure for infrastructure

The local government budget gets significant inflows from lease of urban lands, which allows to effectively solve a wide range of development issues in infrastructure and service demands. Land development consists of preparation of land, and expropriation and compensation payment. The revenue collected from land lease include administration costs, yearly land rent, upfront lease payment, and others. Article 12 of Proclamation 80/1994 (land lease policy) has stipulated that 90% of the revenue collected from land should be earmarked for financing infrastructure development and low cost house building programs. However, the survey data depicts that the majority of the respondents (60.4%) do not believe that this objective of the policy has been achieved.

The empirical data calculated from yearly town administration report also shows the existence of weak relationship between the two variables (i.e. lease revenue and infrastructural development). Table 4.25 clearly shows that in Lege Tafo-Dadi town there is a steady annual increase in revenue collected from land during the year 1999-2001 E.C. However, the growth in infrastructural expenditure decrease from 7.76% in 1999 to as low as 1.38% in 2000 and substantially increased to reach 30.99% in 2001. Nevertheless, this is not much ground to show that the revenue collected from land is significantly allocated for the intended infrastructural development in the town as per the objective of the lease policy. If successfully implemented,

that the new approach will allow: i) recovery of costs incurred for land development, ii) proactive planning of infrastructure development, and iii) assist these fast growing towns to calculate the urbanization cost well in advance of execution.

Table 4.25: Amount of Revenue collected from land and expenditure infrastructure in Lege Tafo-Dadi town between 1999-2001E.C.

Year/EC	Amount of revenue collected form land/ETB	Amount allocated for infrastructural development	
		Amount allocated/ETB	Percentage
1999	739627.81	57447.56	7.76
2000	13489862.8	186665.58	1.38
2001	21452102.64	6650000	30.99
Total	35681593.25	6894113.14	19.32(average)

Source: Field survey, 2010

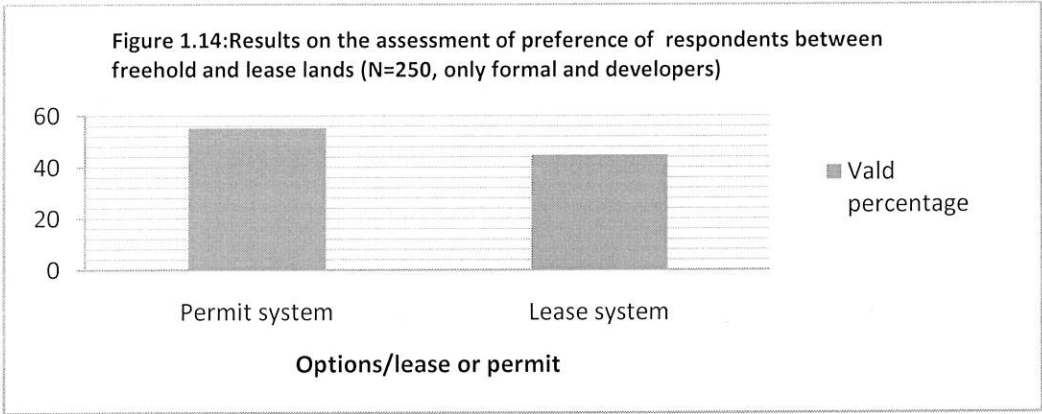
Based on the officials' opinion, the main reason for the failure of local government to meet the objective of the land lease policy (using 90% of the revenue from land to infrastructure and low cost housing development) is because the entire municipal revenue collected is transferred to the regional government. The customary practice is to use the budget allocated by the national government to finance the various sectors in towns as per the annual plan/program. This depicts the inability of individual towns to allocate their budget without the interference of the regional government. Expenditure assignment of the local administrations is mandated to the regional government. The inefficiency and ineffectiveness of the towns in revenue collection further adds to the complexity on the matter.

4.3.5.3.The conversion of “permit” land to lease

The major two formal tenures, as applied in the towns under study, are freehold or “permit hold” and leasehold. In Ethiopia, freehold right is considered as private ownership where the land owner has a right to use the land according to the regulation issued by the local government. What makes freehold right different from leasehold right is that the freeholder could sell the vacant he/she occupied, whereas the leaseholder could not. Farvacque and McAuslan 1992 (sited in Nega.W, 2005) states that essentially, the crux of the legal difference between freehold and leasehold is that the freeholder is bound by the laws of the land and nothing else. Whereas the leaseholder 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/her use of land than is the freeholder.

In the study area, both permit hold and leasehold coexist. As the survey data on the preference of respondents showed that most (55.2%) prefer permit hold than leasehold (Fig.4.17).



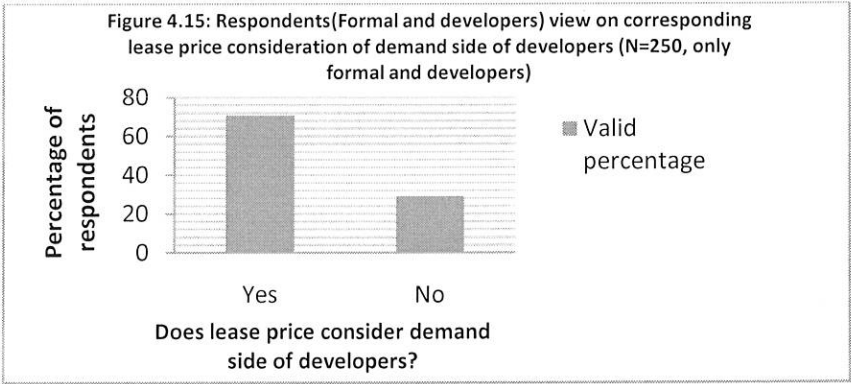
Source: Field survey, 2010

The rationale behind their preference of the respondents is the pro and cons of the two in their extent of use right. Permit hold means urban land which have been left in the possession of individuals or organizations in terms of section 11 of Government Ownership of Urban Lands and Extra Houses Proclamation 47 of 1975 which have a right to use over land for un definite period in a similar was freehold but with the exception of vacant land could not sold or transfer to third person. Right of leasehold means a limited real right to occupy, develop and utilize urban land for a period of 60-99 years granted to a person by a state government against payment of certain prescribed amounts.

The federal government has mandated regional government and the local administrations to effect gradual and voluntary transformation of permit hold to leasehold. In the study area, some measures, such as titling of some permit hold to give them better security and improve their transaction including access to credit, have been started. However, in order to fully realize this policy directive, governments should tangibly prove the benefits of public leasehold and create public consensus in favor of public leasehold. As a result, permit holders may opt for leasehold by their choice than by compulsion. A voluntary approach avoids reluctance, conservatism and resistance which finally made the method easier. Moreover, land supply and lease price stabilization as well as town redevelopment will influence permit holders to come to leasehold system.

4.3.5.4.View of respondents on Lease price

Starting from its introduction, the land lease regulation has not only faced criticism and rejection from both inhabitants and developers, but also considered as the most influential factor for the prevailing unhealthy, haphazard and unbalanced investment environment in towns. From the interviews made with some officials, it's understood that the price for acquiring piece of land in the towns are such prohibitive and some investors obliged to cancel their project and forced to seek land in other regional states. The land lease value varies depending up on the specific location of a site, which is often graded on the level of infrastructure development (such as road, water, telecommunication, education facilities, etc). The survey result depicts that the majority (70%) of respondents believe that the price of lease doesn't consider the demand side of developers and town residents (Fig.4.15).



Source: Field survey, 2010

The above information seems to have much ground. In fact, the existing land price policy in the towns concentrates on the supply side and seems to neglect the effective demands of the majority of investors and residents in the study area. The implementation of such policy decisions should rather focus on the demand and not only on the supply side. This entails adjusting of pricing mechanisms and regulatory measures. Pricing of land is the key component of an appropriate incentive for balanced and coordinated investment/development in the study area. The other major problem here is price formulation in which the method of price setting is needs to be refined since the data and method of establishing current and future land development cost of the area is very crude and unreliable.

Table 4.26: Constraints of implementing the lease policy in the study area (N=250, only formal and developers)

Description of constraints	Valid Percent	Cumulative Percent
High and unaffordable price	31.6	33.5
Lack of appropriate strategies & guidelines	22	53.6
Awareness of the community	23.6	77.2
Lack of transparency	22.8	100.0
Total	100.0	

Source: Field Survey, 2010

Analysis of survey data in table 4.26 shows that 31.6% of the residents perceive non-affordability of the land price is the main determinant factor for the failure in the implementation land lease policy. Besides, 23%t and 22% of the respondents respectively believe that low level of community awareness about the issues of land lease policy and lack of transparency in the system are other significant factors

4.4. Determinants of investors’ willingness to pay (WTP) for urban land

This section examines the factors determining the amount investors’ offer for a particular plot in the study area. Data on investment land delivered between 1995 and 2002 are used to statistically determine the issue of investors' willingness to pay for urban investment land. Other relevant secondary data are also used as a source of information. Ordinary least square (OLS) estimation method was used to analyze investors' value on urban investment land Multivariate analysis that give better information and greater insight into the factors that affect investor’s willingness to offer for plot was used.

Table 4.27: Ordinary Least Square (OLS) regression estimation (investors’ WTP for land)

Dependent Variable: WTP				
Method: Least Squares				
Date: 05/02/10 Time: 21:13				
Sample: 1995 2002				
Included observations: 8				
	Coefficient	Std. Error	t-Statistic	Prob.
C (constant)	22.13830	2.671778	8.285979	0.0765
SP (Selling price of the land)	-0.090417	0.059018	-1.532022**	0.3682
PS (Plot size)	4.090656	0.836673	4.889195*	0.1284
CP (Capital)	0.019749	0.003663	5.391270*	0.1168
DR (Distance from the main road)	-0.067594	0.011173	-6.049972*	0.1043
AC (Accessibility to basic services)	-2.771469	0.503738	-5.501804*	0.1145
IC (Investment cost)	-0.024156	0.004510	-5.355509*	0.1175
R-squared	0.999794	Mean dependent variable		4.123263
Adjusted R-squared	0.998557	S.D. dependent variable		3.308047
S.E. of regression	0.125680	Akaike info criterion		-1.639597
Sum squared residual	0.015795	Schwarz criterion		-1.570086
Log likelihood	13.55839	Hannan-Quinn criteria.		-2.108423
F-statistic	808.1062	Durbin-Watson stat		3.569355
Probability (F-statistic)	0.026921			

* Significant at least at 1% **Significant at least at 10%

The multivariate analysis presented in Table 4.26 is based on the Ordinary Least Square regression models. The analysis output shows that there exists a negative and highly significant coefficient for access to basic services. This confirms that investors are more willing to pay for plot with better access to basic services (as seen specification of the variables table, this variable is specified as 1 through 3 where 1 representing plots with batter development condition, and so on). The result is in agreement with the plot bench mark setting criteria of the local government of the towns in point where a higher price for plots with relatively better development conditions is assigned. However, the analyses result on the relationship between investors’ WTP for a plot and the distance of the plot from the main road shows significant value. It can therefore be concluded that distance from the main road is a critically important factor that investors are taking into consideration in their decision to offer for plot in these towns.

The sign of the coefficient for lease price or land selling price variable is positive and significant. As this variable is specified as a site value variable, it is expected that investors are willing to offer more for the plots with higher value, particularly in the absence of financial constraints. The capital variable, as specified by the amount of capital and/or loan capacity of the bidder/investor as registered during the auction, is shown to be positive and significant. This concord with the general demand theory that income and demand are positively related except in the case of inferior goods. The result shows that developers with higher capital tend to have more willingness to pay for land.

The OLS result also suggests a negative and significant coefficient for investment cost that the Investor is expected to incur when developing the auction plot. A higher cost means less profit and hence do not attract developers, at least in the shorter run. The negative sign of the coefficient for investment cost variable shows that investors are less willing to pay for land which incurs high investment cost. The coefficient for the size of the plot is positive though and significant. The positive sing suggest that as plot size increases investors tend to offer high for the plot. This is because as plot size increases, total offer price will decrease and hence make the bidder reluctant to pay more.

The above result also suggests a negative and significant coefficient for selling price that the Investor is expected to incur when developing the plot .The negative sign of the coefficient for the variable shows that investors are less willing to pay for land as the land price increases. This result corroborates with the collected survey data on the perception of the residents and developers that affirm land price increase more than the increase in infrastructural development of the study area.

The F-statistic also shows the overall model for the estimates of the OLS regression as a good fit. Also the adjusted R squared 0.998, illustrates that the regression explains 99 percent of the total variation in investors willingness to pay, i.e. markup price of the land. This implies that the introduced explanatory variables in the estimated equation are not the only variables that affect investors' markup price for land. This is certainly the case a number of other factors (such as

human factors) can also explain the variations in WTP. The remaining percent of the total variation in WTP is unaccounted for by the regression line and is attributed to the factors included in the disturbance variable (u_i).

To sum up, the study finding indicate that investors' offer value (as measured by their markup price) for a particular urban land is positively affected by plot grade, investors' capital, accessibility to basic services. Investment cost and land price negatively affects investors' willingness to pay for particular urban land. Five

Chapter Five

5. Conclusion and recommendation

5.1. Conclusions

Just like in many other developing countries, Ethiopia's land management process has not been immune to the growing phenomenon of land management challenges. Empirical data from the study has shown that governance, information, lease policy, speculation and informality in the land management process are plural and characterized by multiple linkages. Not only does this challenge has to be explicitly recognized by land management practitioners, but has to be responded to as well. This multiple dimensions affect the content, process and outcomes of the land management in the study area.

5.1.1. Basic problems of land management identified

Besides to the town government, land speculators have also provided land for those who have the capacity to buy. Farmers at the expansion area have break up their land in small sizes and sell it to low and middle income groups. Informal activities and practices as they relate to the study area land may be illegal or extra-legal but are not necessarily perceived as illegitimate by the actors concerned. To some extent it is possible to say there exist a spoil system in which the town's major resources, land is allowed to be sold for party services, favors for political control and prominence; it certainly exhibited a conflict of interest. Corruption is also another major factor that is decreasing the efficiency of the land administration and delivery system of the study area. Public opinion on some governance elements or norms like transparency, inclusiveness, equity and responsiveness depicts the problem with good governance in the study area.

Adequate land information systems are prerequisites to land management and administration. The land registration procedure of the study area is time consuming and awkward, taking months or years. Most municipalities in the study area are not only lacking clear enabling law to effect real property registration but also failed to undertake with coordinated, predictable, long-term and strategic way as the cadastre. There is no cadastre and modern land information systems. The land registration personnel are few in number and lack the required skills and professional background.

Both residents and developers consider the lease price as very high, sometimes more than the investment itself, and that it has discouraged real developers from holding land by way of lease and is unaffordable to the poor. Although, lease was initially publicized to finance the local government's revenue from land lease and has to be re-invest for infrastructure development, one can observe that the required money could not correspond to the allocated one. In a few words, commitment on the part of the implementing agencies is incredibly low or non-existent. The advantages of the policy orientation have not been effectively demonstrated. Even though more efforts have to be carried out to promote the notion of lease holding tenure; no measure is taking by the local government to build trust among the citizen and the authorities.

5.1.2. Main causes

The empirical result shows that the cause for land speculation is increased low capacity of developers and absence of feasible project, poverty, low infrastructural development, rising material cost of construction and building standard. Another cause for slow land development is poor town planning. Main reason for the failure of local government to meet the regulation is that the entire municipal revenue collected by revenue collection office shall transfer to the regional government. Budget will be assigned by the national government and then the town government allocates the entire budget to every town sectors per their plan and program.

Absence of modern land management information system due to financial, technological and institutional constraints is a paramount constraint in land administration in the study area. Absence of public participation involving regular and open meetings and discussions with NGOs, CBOs and private investors and valuing the comments and implementing their decisions. Unable to dichotomize or separate activities of political party and administrative responsibility is another cause for the prevailing lack of sound land management system.

Major determinants of informality in this analysis include chronic poverty, shortcomings associated with the social housing program, unrealistic land use regulations and standards, bureaucratic tendencies as well as informality itself. The conventional way of conveying benchmark price set by the local governments is based on the construction and improvements of

social and physical infrastructures made by the public. However, because of inadequate record system and valuation methods, the system did not work properly.

5.1.3. Impacts of the problems

Land speculation has multi-directional and tangible impacts in the local development. Economically, results in a general rise in the price of land which results in increased economic costs of doing business in the town as it increases the costs of transport and provision of infrastructure. The environmental effect includes ribbon development of the town which puts greater pressure on natural resources and also increases the costs of disposing waste water and solid wastes.

Shortage of comprehensive data on the number of housing units and land parcels in the towns under study means lack of adequate land related data, economic growth and tackling many of the other problems. This makes real estate management inefficient and traditional results among other things in inefficient tax collection system and has hampered the town's administration from attaining the expected socio-economic development. It has also impact on efficiency of land conflict resolution as well as a cause for dispute on land.

Absence of good governance have an impact on the development of the study area as it reduces public participation and contribution to the overall development of the area, particularly affecting the poor and disadvantage groups of the society. Informality is raising the land price due to the proliferation of speculators as there are squatters who are making high profit through buying and selling of land informally. The problem of informality also perceived as having ecological consequences. Since some informal sectors occupy some of the areas designated as ecologically sensitive. Livings in informal settlements have negative impact on the healthy lives of the residents.

5.1.4. Willingness to pay for land in the study area

Ordinary least square (OLS) estimation analysis indicated that investors' offer value (as measured by their markup price) for a particular land in towns is positively affected by plot size, investors' capital and accessibility to basic services. Investment cost, distance of the plot from the main road and price of land negatively affects investors' willingness to pay for particular land in the study area.

5.2. Recommendations

The way forward

The availability of the problems mentioned above resulted in land management inefficiencies (i.e. the local government could not collect the revenue that is expected from land, increasing corruption and rent seeking behavior, increased amount of speculated land and informal settlements and as the same time it could not provide the basic infrastructure and services). That, in turn, leads to dissatisfaction of inhabitants and developers with the services provided them by the town's administration. As a result, they may become reluctant to pay taxes and participate in development activities. To strengthen this line of argument, the research has forwarded the following essential issues.

Promoting public participation: This involves conducting regular and open meetings and discussions with NGOs, CBOs and private investors and informal settlers every quarter of the fiscal year, valuing the comments and implementing their decisions. Participation involves transparency in land management and administration. Cathering and P.Mc Auslan(1990), stated that "people must know the basis for decisions and these basis must be given in advance in comprehensible form and adhered to". Therefore residents in the respective study towns should be involved in planning their future development. Local governments should initiate and nurture functional partnerships with different stakeholders in land development and administration.

Raising public awareness on land policy: In light of the prevailing complex problems, it would be very important to establish a continuous awareness creation programs both for the responsible public organizations and the affected citizens. Furthermore, there should be also a distinguishable account for the revenue collected from lease and other incomes.

Build institutional capacity: This involves adequate investment in human and technical resources buildings and equipment (among other it includes computer, plotter, Tedolite and vehicles). Major and comprehensive institutional capacity building program with a focus on land and property related human resources development supported by establishing relevant institutions and systems is the most decisive solution to the complex and multifaceted problems

of land management and administration in the study area. Whatever appropriate policy and legal framework is put in place, it will not attain its desired objectives without an institutional capacity support system. An immediate, short- medium and long-term plan must be set to build the most important institutions, human and facility resources. The plan need to envisage building of efficient institutions for land development or land banking, land administration (including market survey, titling registration), property valuation and tax for credit to land housing development and property related training and research.

Information Communication Technology (ICT): ICT transforms the management processes of land administration system to serve the people and the public. There is a need for radical change to improve the accuracy, reliability, timeliness, confidentiality, availability and accessibility of land related information for analysis and decision making on land valuation, land use planning and development and management of natural resources.

Bridging the gap in the contract agreement: Currently, a time limit to start the construction, at least the completion of the foundation, of the agreed building is required. However, this arrangement somehow paves the way for speculators. Therefore, improving the land lease agreement by setting time limit not only for start but also for the completion of constructions as per agreed time frame. In addition, the land lease agreement should clearly specify what and how legal measures should be taken by those who left land idle more than the time allowed to complete part of or the entire construction.

Dealing with urban informality: A proactive way of dealing with challenges of informality is required. A systematic and intelligent way of doing so would be to adopt a more collaborative approach. Such an approach would, however, require that land administrators go through a three step process:

A. Recognition: that informality exists and that it operates in a known legal, policy and institutional environment. Resigning to the fate of these external factors (as often is the case with most land management initiatives in Ethiopia) would not assist. It is important for land administrators to take a constructive stance on these dimensions. This would entail an appreciation of the fact the legal, policy and institutional dimensions are not necessarily impediments, but rather constitute a container or support of any process taking shape within their fortresses.

B. Awareness and identification: characterize this as a deliberate search and examine exercise. The ultimate objective of this conscious exercise is to come up with an inventory of the major and minor determinants of informality and the challenges likely to be encountered in dealing with such impediments. Three possible impact scenarios are '*no effect*', '*positive effect*' and '*negative effect*'. It is important as well to document the scale of influence by quantifying the magnitude of effect. This would give land administrators a clear picture as to what to expect from the legal, policy and institutional dimensions of informality. This exercise alone would facilitate the prioritization of possible actions to take and would put the land administrator in a better position to determine when to be proactive / anticipatory, to take remedial action or to be reactive.

Selective formalization: The option of formalization through selectivity is better: criteria for selecting and formalizing or demolishing was to be formulated, procedures were to be set ,public discussion to be conducted preventive measures of supply and control were to be formulated and finally a regulation to be drafted to enforce all these.

Annex-1

1. Structured questionnaire used to collect survey data from investors, Formal residents and informal settlers in the respective towns'

Introduction

This questionnaire is prepared to gather information on the main challenges and determinants of willingness of investors to invest on land in the study area. So, you are kindly requested to deliver the correct information of your knowledge. You are not required to write your name at all and the information you provide in this questionnaire will be kept confidential. Thank you in advance for your cooperation.

Segment 1: Certification

Interviewer's name _____
Signature _____
Date (D-M-Y) _____

Segment 2: Demographic and socio-economic issues

(for formal residents, informal settlers and developers)

- 1. Town (Sebeta=1, Lege tafo-dadi=2, sululta=3)..... ☐
- 2. Sex (Male=0, Female=1)..... ☐
- 3. Birth place (born in the town=0, born out of the town=1)..... ☐
- 4. Marital status (single=0, married=1, divorced=2, widowed=3)..... ☐
- 5. Family size (1-3=0, 4-6=1, 7-10=2, >11=3)..... ☐
- 6. Occupation type (Farmer=0,government employee=1,non-governmental organization=2,self employed=3,have no job=4)..... ☐
- 7. Educational status (Illiterate=0,primary educational=1,secondary education=2,certificate=3,diploma=4,first degree and above=5)..... ☐
- 8. Average monthly income of the household (<500=0,501-1000=1, 1001-1500=2, 1501-2000=3, 2001-2500=4,>2500=5..... ☐

Segment 3: Investment/construction/ issues (9, 10, 11 and 12 for developers and 12, 13 and 14 for formal residents only)

9. Status of investment (construction started=0, construction not started=1, construction started and stopped=2, construction finished and not start production=3, construction finished and start production=4 others specify.....
10. Do you believe you developed the land accordingly according to the investment agreement signed (No=0, Yes=1)
11. If no why? Infrastructural problems=0, shortage of capital and capacity=1, beourocratic bottlenecks to get services=2 others, specify.....
12. How much plot (m²) of land do you have?.....
13. Have you constructed according the master plan of the town ? (No=0, Yes=1).....
14. If no why? Infrastructural problems=0, shortage of capital and capacity=1, beourocratic bottlenecks to get services=2 others, specify.....

Segment 4: Land Speculation issues (for formal residents, informal settlers and developers)

15. Which economic class in the society participated more on land speculation (the poor/low Income=0, middle income=2, higher income =3 other's specify.....
16. What are the effects of land speculation in the town? (Unemployment=0, environmental Degradation=1, poverty=2, reduced land source revenue=3, others, specify.....
17. What mechanisms do you suggest government can do to reduce speculation on land (net gain=0,increase the supply for land=1,In the investment agreement including not only starting construction date but also end date of construction and penalty for not completed in due date=2,deep evaluation of the capacity of investor before permission=3,improving infrastructure and service delivery of the town=4, other's specify.....

Segment 5: Land information system (only for developers and formal residents)

18. What is the type of tenure system you hold the land(freehold=0,permit =1,lease=2,rent=3)...
19. Do you have legal certificate for the land you own? (No=0, Yes=1).....
20. Does your plot officially registered and have legal certificate/site plan map (that contains information on the value, extent and ownership) by the land development and administration office of the town? (No=0, Yes=1).....

21. If no what is its effect on you and development of the town? (Feeling sense of insecurity=0, provokes access to bank loan=1 unable to facilitate land transaction=2, hinders from long term investment=3, hinders land tax collection=4 other's specify.....)
22. Have you experienced boundary dispute with neighboring land holders? (Yes=1No=0).....
23. How do you evaluate effectiveness of the land administration and management office of the town in giving solution to disputes?.....
24. What do you think is the problems for establishing MLMIS system? (High investment cost of the system at the beginning=0, Existing legislation and policies seldom (rarely) meet the requirements of MLMIS system=1, its maintenance and organizational set up=2, certain powerful individuals or families may prefer that rights in land remain nameless=3, Lack of experience and resources in handling the MLMI system=4 others, specify.....)
-

Segment 6: Application of Good governance on land management

(formal residents, informal settlers and developers)

25. Rate your opinion on a five point scale that in the past two years the degree of corruption on land in the town has?(increased significantly=0,decreased=1,no change=2 ,decreased=3,decreased significantly=5.....)
26. During the last 12 months has any government official working in land development and administration office of the town has asked or made clear it was a condition to pay a bribe his service(No=0, Yes=1).....
27. How effective is the implemented BPR on land management and administration of the town(Very effective=0, Effective=1, partially effective=2, Not effective=3, Not very effective=4,don't know=5.....)
28. What are the major determinant factors that hindered efficient and effective land administration and delivery system in the town? lengthy procedures=0,high land price and payments=1,beorocratic bottle necks=2,capacity and manpower=3,corruption=4.....

32. Respondents' opinion and perception on the transparency in land management

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Regular and open consultation with Investors, residents with respect to existing operational, land allocation rules, regulations procedures and service Delivery is undertaking.	☐	☐	☐	☐	☐
2. There is a mechanism for public feedback(like suggestion box, free telephone calls, local media, local news papers and grievance committee).	☐	☐	☐	☐	☐
3. Timely posting and dissemination of information on necessary Steps and required payments to acquire plots of land or Service in local media or on regular public meetings.	☐	☐	☐	☐	☐
4. Existence of codes of conduct for civil servants and system for reward or punishment in land development and administration	☐	☐	☐	☐	☐

33. Respondents' opinion and perception on Equity (equal opportunities) in land management in towns

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. Quota system is available for the informal settlers the low income, poor and disadvantaged group in the land delivery system of the town	☐	☐	☐	☐	☐
2. There exists rules and procedures for informal settlers to access Land formally from the land department	☐	☐	☐	☐	☐
3. There is a system of land reservation for informal settlers to be regularized in certain areas of the town.	☐	☐	☐	☐	☐

34. Respondents' opinion and perception on the inclusivness of the land management system

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1. There is a peaceful consultation of municipality with informal settlement residents on the issues of how to act towards tenure security	☐	☐	☐	☐	☐
2. There is an effort made by municipality to organize informal settlements to facilitate or promote their involvement in the town's development vision and Decision making process	☐	☐	☐	☐	☐
3. There is an attempt to regularization of plots or formalization Of informal Settlements.	☐	☐	☐	☐	☐
4. No conflict arised between informal settlers and local government And no court applications conducted	☐	☐	☐	☐	☐
5. Local governments have positive perception towards informal Settlements/settlers.	☐	☐	☐	☐	☐

35. Respondents' opinion and perception on the responsiveness of the land management system

Strongly Agree Agree Neutral Disagree Strongly Disagree

- | | | | | | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 1. There is a short and simple steps and stages in land Allocation and property transfer registration. | ☐ | ☐ | ☐ | ☐ | ☐ |
| 2. The number of permanent civil servants in the land administration and development department is enough to serve the total population and developers in the town. | ☐ | ☐ | ☐ | ☐ | ☐ |
| 3. Skill and professional background of existing permanent Land development and administration civil servants and Availability of technical instruments are good enough | ☐ | ☐ | ☐ | ☐ | ☐ |
| 4. There is flexibility (rather than rigidity) of standards and building of materials set by the municipality | ☐ | ☐ | ☐ | ☐ | ☐ |
| 5. Customers (both formal and informal) are satisfied by the land management and administration on land allocation and service delivery mechanisms | ☐ | ☐ | ☐ | ☐ | ☐ |

Segment 7: Land lease policy implementation *(for Developers and formal residents only)*

36. Does the lease price consider the demand side of investors/developers (No=0, Yes=1)..... ☐
37. Before the land lease policy is implemented the land delivery system in the town is permit system. Which system do you prefer lease or permit? (permit=0, lease=1). why..... ☐
38. What is the main constraint in implementing the lease policy system? (Price related issues (costly) =0, lack of appropriate implementation strategies and guidelines=1, lack of awareness of the community and implementing bodies=2 others/specify..... ☐
39. As you know one of the objectives of proclamation 80/1993 of urban land lease policy is to provide and help to those people who can't afford to have shelter of their own and to prevent land speculation. Do you believe that these objectives are achieved? (No=0, Yes=1). If no why? and in what way it can be achieved ☐
40. Article 12 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 etc Is it practical in your town (No=0, Yes=1) If no what could be the main reason?..... ☐

Segment 8: Questions related to land acquisition and information system

(Only for informal settlers)

41. How much plot (m²) of land do you have?..... ☐
42. Have you constructed according to the master plan of the town? (No=0, Yes=1)..... ☐

43. If no why? Infrastructural problems=0, shortage of capital and capacity=1, beourocratic bottlenecks to get services=2 others, specify.....
44. How do you acquire the land you owen now?(bought from farmers=0,bought from speculators=1,bought from former informal settlers=2,granted by peasant association,vendor=4, ,gift from relatives or inheritance=6 other's specify.....
45. Which economic class in the society participated more on squatting/informal acquisition of land (the poor/low Income=0, middle income=2, higher income =3.....
46. What the effect of not having legal right on you? (Feeling sense of insecurity=0, provokes access to bank loan=1 unable to facilitate land transaction=2, hinders from long term investment=3, hinders land tax collection=4 other's specify.....
47. For what purpose are you using the land (since level of informality tends from one land use to another it is important to identify which land use most affected land use in the town) commercial=0,residential, industrial=2, agriculture=3, recreational=4 other's, specify.....
48. Have you experienced land dispute with your neighboring? (Yes=1No=0).....

Segment 9:Cause and effect of informal and illegal settlements

(Only for informal settlers)

49. The area is accessible to basic infrastructures and services as compared to formal residents (Strongly disagree=0, disagree=1, Neutral =2, agree =3, strongly agree=4).....
50. What are the causes informality on land(bad governance and corruption =0,in ability to pay for land by the poor=1,inefficientdelivery system=2,inefficient land administration procedures and bureaucratic bottlenecks (delayed land distribution)=3 increasing speculative behavior=4,high price of land(lease)rising cost of building materials=5,others,specify.....
51. What could you suggest as a solution to deal with the challenges of land informality? regularization=0, eviction and demolition=1,.....
52. What impact and problems does living in squatter settlements have? Health problem=0, insecurity of life=1 increase in crime=2, high land price =3.....

2. Interview check-list to collect data from government officials and experts

Segment 1: Land Speculation

1. What causes land speculation in the town or why investors let land idle/vacant rather than working on it?
2. What tangible negative effect does speculation results for the past three years in the town

3. Every person might speculate when he/she buys or hold some valuable goods, but when it Comes to urban land, the effect would be different and could restrain the development process of the town.

3.1. What kind of mechanisms option do you suggest to reduce or combat speculation on land?

3.2. What kind of mechanisms does the town land administration and development office have used so far or currently using as a measure to reduce or combat land speculation.

Segment 2: Land lease revenue collection and allocation and Land management and governance

4. Do you believe lease policy objective of preventing speculation and enhancing infrastructural development are achieved?(No=0, Yes=1) If no why? and in what way it can be achieved?

5. What are the main challenges that constrained effective implementation of the land lease policy in the town?

6. Does the money collected from land lease allocated for infrastructural development of the towns? How much compared to the revenue collected?

7. How much percent of the land revenue invested or allocated for infrastructural development of the town

8. What effort has made by the government to improve good governance on land by reducing corruption.

Segment 3 land information system

9. How much percent of the land owners in the town have title deeds?

10. How much percent of the land owners in the town have been registered formally?

11. Is there real cadastre or land registration system existing in the town's territory? (No=0, Yes=1) if no why?

12. If no what is its effect on you and development of the town?

13. If no what are the problems for establishing modern land management information system this system in your town?

Segment 4: Informal settlements

14. What are the major determinants or causes of informality on land in your town?

15. What could you suggest as a solution (possible options) to deal with the challenges of land informality?

16. What have been done so far to reduce informal settlements in the town?

17. What attempts have been so far or planned for the future to regularize these informal settlements?

Annex-2

Empirical data used for the regression analysis

Year/E.C.	Selling price in birr/m ²	WTP in ETB/m ²	(SP)Plot size/in birr/m ²	(DR)Distance from the main road/meter	(AC)Access to basic services	(CP)Registered Capital/in millions	(IC)Investment Cost/in thousands
1995	1.1	1.1	0.002	20	3	290	704
1996	1.02	1.02	0.01	27	2.67	245	690
1997	1.3	1.3	0.02	41	2.5	120	560
1998	1.47	2.47	0.025	49	2.1	59	480
1999	1.53	4.53	0.35	65	1.67	48	450
2000	2.01	5.01	0.68	123	1.5	50	340
2001	9.916	7.586	0.76	134	1.3	34	200
2002	15.97	9.9701	1.12	145	1.1	24	120

Descriptive statics of OLS Regression

Descriptive	WTP/ET B	SP/ETB	PS/ha	CP/million ETB	DR/meter	AC/	IC/thousand ETB
Mean	4.123263	4.289500	0.370875	108.7500	75.50000	1.980000	443.0000
Median	3.500000	1.500000	0.187500	54.50000	57.00000	1.885000	465.0000
Maximum	9.970100	15.97000	1.120000	290.0000	145.0000	3.000000	704.0000
Minimum	1.020000	1.020000	0.002000	24.00000	20.00000	1.100000	120.0000
Std. Dev.	3.308047	5.588915	0.433860	102.7685	50.63031	0.693294	213.2148
Skewness	0.664963	1.419257	0.611663	0.972096	0.349724	0.181377	-0.230644
Kurtosis	2.127310	3.357097	1.898114	2.251673	1.418114	1.595865	1.819809
Jarque-Bera	0.843430	2.728227	0.903560	1.446626	0.997197	0.701062	0.535213
Probability	0.655921	0.255607	0.636494	0.485142	0.607381	0.704314	0.765209
Sum	32.98610	34.31600	2.967000	870.0000	604.0000	15.84000	3544.000
Sum Sq. Dev.	76.60224	218.6518	1.317643	73929.50	17944.00	3.364600	318224.0
Observations	8	8	8	8	8	8	8

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