

Promoting well-functioning land markets for sustainable growth in Ethiopian Cities

Recommendations and guidelines

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Foreword

This work has been carried out over the period April - November 2021 by Nathan Associates supported by ILand Consulting Ltd. The work involved a team including Mr Esrael Tesfaye, Dr Frew Mengistu and Dr Richard Baldwin. The findings are based on case studies undertaken in Assosa, Bahir Dar and Addis Ababa with additional follow up and interviews at the Federal level in Addis Ababa. The team would like to thank Mr Mekuria Feleke and the GIZ Ethiopia team for advice, comments and for kindly assisting with the arrangements and facilitating workshops to discuss the case study findings. The findings and opinions in this report are those of the consultancy team and do not represent any official GIZ position.

RA Baldwin, Bath November 2021.

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Acronyms

CALM	Climate Action through Landscape Management
COVID	Coronavirus
ECCSA	Ethiopian Chamber of Commerce and Sectorial Association
ECF	Ethiopia Competitiveness Facility
ECSU	Ethiopia Civil Service University
FFP	Fit for Purpose land administration
GDP	Gross Domestic Product
GIS	Geographic Information System
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit
IGAD	Intergovernmental Authority on Development
ILA	Institute of Land Administration
ILO	International Labour Organisation
LIFT	Land Investment for Transformation Programme
LMDT	Land Market Development Tool
MCC	Millennium Challenge Corporation
MFI	Monetary Financial Institutions
MS	Microsoft
MUDC	Ministry of Urban Development and Construction
NRLAIS	National Rural Land Administration Information System
PEPE	Private Enterprise Programme Ethiopia
PILUP	Participatory and Integrated Land Use Planning
QC	Quality Control
REILA	Responsible and Innovative Land Administration
SLLC	Second Level Land Certification
TOR	Terms of Reference
UK	United Kingdom
UN	United Nations
UN-Habitat	United Nations Agency for Human Settlement
UNDP	United Nations Development Programme
WB	World Bank
WLRC	Water and Land Resource Centre

SECTION 1. INTRODUCTION

This report is the final output of the study **Promoting well-functioning land markets for sustainable growth in Ethiopian Cities**. The aim of the study is to understand the land related challenges (including access to land) generated by rapid urban growth in the urban and peri-urban areas of Ethiopia's cities and has involved case study research in Addis Ababa, Bahir Dar, and Assosa; three very different cities.

This report presents the final **Recommendations and Guidelines** based on the case study findings and wider consultation activities, including a workshop involving stakeholders from the three cities. The report develops evidence-based policy recommendations that can yield real benefits and can be adopted and implemented through guidelines for future programme development.

The approach adopted in the report is as follows

- **Section 1** sets out the background and context, aims of the study, the approach and introduces the concept of land markets with a demand/supply approach.
- **Section 2** sets out the key issues arising from the case studies and recommendations arising.
- **Section 3** sets out a theory of change and guidelines for how the recommendations can be implemented.

The aim of the theory of change and the guidelines is to provide practical guidelines that can be implemented by policy makers at the federal and policy level, as well as practical measures that can be implemented at the city level.

1.1. OBJECTIVE OF THE ASSIGNMENT

This study aims to understand the land related challenges in the rural - urban continuum in Ethiopia which arise as a by-product of urban growth and to prepare evidence-based recommendations and guidelines for improvement.

Urban growth involves expansion and densification, and involves changes in patterns of land use and tenure. Population increases and economic pressures drive increased demand for land for residential, commercial and industrial purposes, often at the expense of the adjacent agricultural hinterland (the peri urban zone). These changes in land use, occupancy and ownership are effected through the land and property market. Where land and property markets work well, there is a balanced supply of land and property; scope for development opportunities with both public and private finance; security of tenure and transparency of information with a well-coordinated land administration structure; and a professional real estate support sector (including real estate agents, developers, lawyers, notaries, valuers). Conversion of purpose of land is also permissible (provided planning regulations and policy decisions are respected) and in most jurisdictions, any change in value of the land accruing to an owner and arising as a result of change of use is usually taxed, thereby ensuring that the public also benefit from this increase of value.

This study has focussed on how to make the Ethiopian urban and peri-urban land markets more effective so that they can better support sustainable urban growth. The study is based on three case studies undertaken in Assosa, Bahir Dar and Addis Ababa between June and September 2021. In each case study, team members visited the city and conducted extensive

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interviews with city officials, representatives of local communities and the private sector. Interviews were also conducted with federal and regional officials to assess policy matters and the legal framework. The case studies are available as separate reports, and a summary of the findings of the three case studies is attached as Annex A.

To implement the case studies we have implemented a land markets approach, ensuring that the analysis focused on both the supply and demand sides.

- The **supply** side relates to the availability of land, and the regulatory framework that controls the supply of land in the market; how it is held, used, transferred, developed or leased. This is heavily influenced by the legal framework, institutional structures; land policies and how they are regulated and implemented by the responsible institutions.
- The **demand** side is driven strongly by demographics and the economic needs of citizens, investors, householders, farmers and economic operators which stimulate the demand for land (and property of all types) in both the rural and urban sectors. It also depends on access to finance; availability of suitable land (including infrastructure), and other barriers to entry.

1.2. CONTEXT

Ethiopia, like many other African countries is experiencing a rapid growth in urbanisation with the urban population expected to triple to over 42 million by 2037 (Ethiopia Statistics Agency), although other predictions suggest even faster growth. This reflects population increase; the shift of people from rural to urban ways of life as well as expansion of the urban space itself and the inclusion of former rural areas. Managing urban growth in an effective manner while protecting environment and resources is one of the great challenges faced by planners and policy specialists across the political spectrum and has a clear link with social, economic and advancement of a civil society able to provide opportunities for employment, innovation and improving quality of life.

All land pressures are attenuated in the peri-urban zone where the interests of urban, rural, commercial and industrial land users collide. While physical planning and land use planning are used as regulatory tools to manage this; in practice they are often ineffective as they lack enforcement leading to unregulated development, informal housing with poor services and infrastructure, densification, lowering of building standards and poor housing stock; blocking investment, development and leading to tenure insecurity with a lack of access to finance and opportunity. This can be even further complicated by separate tenure systems in the rural and urban areas, with different institutions responsible in those sectors, and no clear arrangements in place for dealing with tenure regime changes during city expansion (as is the case in much of Ethiopia's cities). Expropriation, compensation and public land provision can raise tensions further resulting in civil unrest or conflict.

Urban growth rates in Ethiopia have accelerated over the last 25 years. A key element in supporting continued growth and expansion is the effective mobilization and use of land resources. Yet Ethiopia's main cities do not have well-functioning land (and property) markets able to meet the needs across residential, agricultural, commercial and industrial use; nor do they have adequate measures in place to ensure development and land use proceed in line with the regulatory and policy framework. Finding ways to manage urban spatial growth, and balancing the development interests of citizens, investors and an expanding economy while providing the necessary supporting infrastructure and ensuring that poorer residents are not

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further marginalized, dispossessed and have adequate access to housing, employment, health and education is perhaps the greatest challenge facing these cities at the present time.

In Ethiopia the land supply is restricted and most city expansion is through expropriation followed by land allocation and land consumption. There are different tenure systems in the rural and urban sectors with separate land administration authorities. Land is not easily converted from rural to urban. The cities are growing rapidly driven by rural urban migration, demographics and lack of rural opportunities, however the city growth is not matched by economic growth and is largely at the expense of the rural and peri urban periphery.

1.3. WHY ARE LAND MARKETS IMPORTANT?

A nation's real estate reflects the social, cultural and economic profile of a country. Economically, real estate will usually represent the single largest investment in fixed assets within a country. Socially, real estate is utilised and enjoyed at all levels of society, both in public and in private. Culturally, each country will place its own special stamp on appearance, size, patterns of use and how land and built-up property create a fabric to be used and enjoyed by its citizens. It has been reported that

- Real Estate can represent up to 50% of the value of a country's GDP and can be responsible for up to 25% of economic activity within a country.
- According to the World Bank (2005), those countries with secure tenure and a well-functioning registration system are up to 25-40% more likely to attract foreign investment than a country with a poor record of title security.
- On average within Europe, every \$5 spent on land administration within the public sector generates \$95 of economic activity in the private sector.
- Secure real estate title not only provides security of tenure for occupancy (ownership or rental), but can support food security, fosters better land management and can serve as secure for loans, while protecting against unlawful eviction of expropriation.

A mature and well-functioning land and property market allows investors to participate in the market through various investment mechanisms, conveying different types of property asset and with a range of terms and conditions suited to a whole variety of purposes. There is a range of different assets available, information about these assets is easy to access, and the regulatory environment does not pose significant barriers. Investors also have access to a range of financial instruments to support the investment. The investors themselves can be recognised as operating in a segmented market, e.g. residential, commercial, large-scale developments. If the market is operating properly, then supply and demand are matched over the economic cycle and real estate is seen as a safe and secure investment.

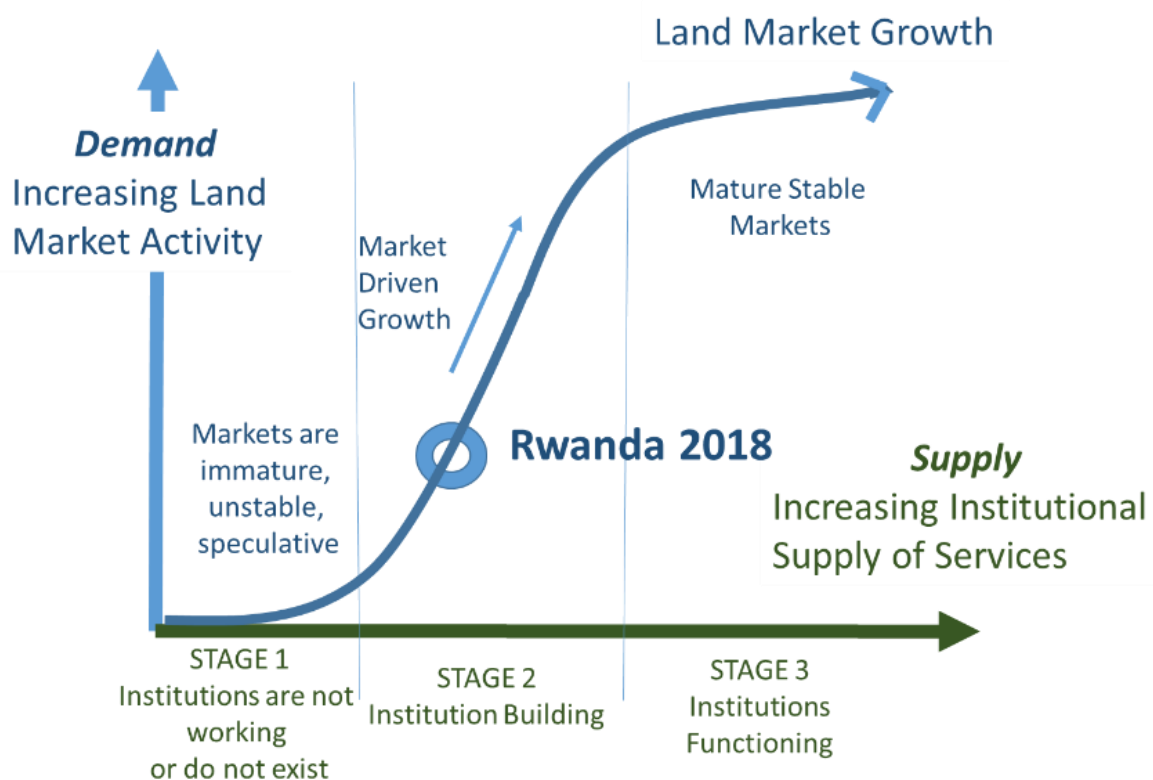
From an economic perspective, active land markets allow assets to be redistributed and repurposed so that the best overall rationale economic use is made of the asset. In practice, numerous constraints apply; one group of constraints are linked to the land unit itself; its size, location, level of infrastructure; physical and environmental characteristics, development potential; a second group of constraints arise due to the legal and regulatory regime (tenure security, legal ownership rights, development and use rights etc.), and a third group can arise if the regulatory environment does not support suitable financial instruments and if taxation regimes are punitive or uncertain. Underlying all of this is a requirement for transparency and the ability of the land administration institutions to support these activities.

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Where a land administration system is not functioning well, then there is a lack of security in the property title; information flows are weak; prices are volatile and loans cannot be raised using the property as collateral. There is a reluctance to invest or mobilize the land for development.

Assuming there is a ready land supply, then as the institutional structure and service delivery develops and more land is registered then formal transactions grow. Demand is stimulated by access to capital, economic growth, demographics, labour movements and local, national development policies. The market then drives demand and land market activities increase even more. Most markets reach a quasi-equilibrium (barring shocks) and we see this in residential markets for instance, with an annual turnover of 3-5% of total stock, at this stage the land administration institutions and services are well advanced and able to meet the demands of citizens. Figure 1 shows the model for Rwanda, according to a land market assessment carried out in 2018 when Rwanda had completed its registration programme and put in place to provide land administration services and support transactions.

Figure 1. There can be no formal land market without a well-functioning land administration system



For Ethiopian cities and peri urban areas to experience similar growth, there needs to be clarity and support on both the supply and demand side, underpinned by an enabling legal and policy framework

In the following sections we set out recommendations and guidelines to both strengthen the land administration supply side and the land market demand side. We also make recommendations to address the legal and policy framework.

SECTION 2. KEY ISSUES AND RECOMMENDATIONS

2.1 INTRODUCTION

This section provides a summary of the case study findings and develops the key issues and recommendations. Many of the issues raised in the case studies were remarkably similar, although the cities themselves are quite different. This points to the existence of **systemic** issues with the current land policy and legal framework as well as **implementation** issues at city level.

The key issues and recommendations are considered from three different viewpoints:

- Federal policy and legal issues and recommendations
- City level – supply side issues and recommendations
- City level – demand side issues and recommendations

Looking at the issue through these three different levels allows us to set up a robust framework and formulate a theory of change to address the key issues, which are then set out as guidelines in Section 3. The guidelines present the adjustments needed at the national policy and legal framework level, as well as at the city level, with or without development partner support.

2.2. KEY FINDINGS IN THE CASE STUDIES

While Assosa, Bahir Dar and Addis Ababa are quite different cities in terms of size, geography, economy and tradition, they all suffer from similar land market impediments. Table 1 briefly summarises the key findings grouped according to policy and federal issues, land administration supply side, and public demand side.

It is important to note, however, that in all three case studies it proved difficult to obtain quantitative data. Where data was collected, it was not easily accessible as it is not used to inform policies at the city level. Many respondents commented on the absence of a city led urban growth strategy and the lack of cooperation and exchanges of information across local government institutions.

Some findings were also common in all three case studies. These include the issues of rural – urban tenure conversion; growth by expropriation; land allocation; and lack of alternate land supply (including land readjustment / land sharing mechanisms). These issues have led, in all cities, to severe land supply problems as well as increasing the level of informal settlements.

Table 1. Key case study findings

Case study findings – Federal and policy level	Land market implications
<ul style="list-style-type: none"> • No holistic land policy embracing urban, rural, and peri-urban land. • Legal separation of tenure in urban and rural domain and no simple conversion of occupancy and development rights from one domain to another. • Separate land administration bodies in rural and urban domains, with no focus on peri urban areas. 	<p>There is no real functional land and property market in the conventional sense, and there is limited supporting infrastructure / framework.</p>

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<ul style="list-style-type: none"> • Land value is not captured and no real consideration of land value from policy viewpoint. Buildings and land are separated in law. • Land supply for city expansion is limited to government/city led land expropriation and payment of compensation. • As the Government is the sole provider, developer and regulator, there is no role for the private and other community-based actors. 	
<p>Case study findings – Supply side city and regional level</p>	<p>Land market implications</p>
<ul style="list-style-type: none"> • No city-wide strategy for managing urban spatial growth (which reflects the absence of national land policy) other than expropriation and compensation. • Land administration agency duties are fragmented, urban land management is under resourced, has limited infrastructure, and low capacity. • No innovation in approaching land issues. The system is rather reactive. • Lease and permit system do not encourage investment. Rental markets are under-developed. Initial land supply has no competition and tendency to monopolistic supply. • Land supply on primary market is mostly via expropriation and land lease allotment. • No land market monitoring or oversight, lack of professionalism. • Land revenues are linked to providing infrastructure but are insufficient. Benchmark system outdated. More land value could be captured. 	<p>Supply side unable to provide adequate range of real estate objects that are easily tradeable, matched to demand and with adequate security.</p>
<p>Case study findings – Demand side city and regional level</p>	<p>Land market implications</p>
<ul style="list-style-type: none"> • Rapidly growing demand, currently partially met through a) high end developments for affluent, b) city led housing programmes, and c) informal purchase and rental. • Citizens prepared to take short term solutions using informal housing. • Lack of professional services in the sector. • Price information and market activity is not transparent and is not accessible. • Lack of access to finance and few savings schemes linking savings and housing. • Land value is lost through the expropriation/ allocation process, with only new ultimate holders benefitting after redevelopment. • Limited private sector activity by companies. When it happens, focus on local retail development (e.g. commercial mall). • Limited opportunity for land readjustment/land sharing (redevelopment rather than expansion, efficiency and equity gains, improve housing, reduce informality). 	<p>Demand consistently exceeds supply and private sector part of land market largely absent. Land redevelopment opportunities and rental markets remain underdeveloped.</p>

The case studies show the urban/peri-urban land market is highly dysfunctional. The current system does little to provide land opportunities for middle- and lower-income level groups or promote housing. Farmers are effectively forced to give up their lands through expropriation and compensation and have limited opportunities for alternate livelihood and integrate into urban society. Despite recent changes in the compensation law, the compensation is neither

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adequate nor affordable by the city authorities. No land value capture mechanisms exist and the result is increased informality, encroachment, suppression of land market and private sector development possibilities, and loss of potential revenues.

In all three cities where land is auctioned rather than allocated, the bid prices are very high and out of the reach of ordinary people, forcing them to look at public sector housing initiatives or informal occupancy. There is no support for rental markets; a lack of housing improvement incentives and little access to finance for housing savings purposes. The private sector is almost totally underdeveloped, even in the case of Addis, the capital city. In order to better inform future debate, the suggestion is to develop and implement a land market information system with a geodata model to introduce quantitative reporting and transparency. At the same time, there is very limited urban land administration capacity and only a small percentage of properties are formally registered. As a result, informality is increasing and land supply is outstripped by demand. There is little encouragement and few incentives for private sector involvement and official data is difficult to access.

2.3. ISSUES AND RECOMMENDATIONS – POLICY / FEDERAL LEVEL

Issue 1 - There is no overall holistic integrated land policy and legal framework across urban, rural and peri urban land

Rationale

The overlapping and conflicting urban and peri urban land tenure legislation and land administration responsibilities in cities has had a dramatic impact on the efficient use of land resources. Promulgations and policies exist in the urban and rural sectors, but they do not adequately cover the peri –urban areas. There is not a single overall holistic integrated land policy covering rural, urban and peri-urban lands.

Evidence base

The land in the expansion areas of cities which is designated as peri urban (normally used for agricultural purposes and owned by farmers) is supposed to be administered under the rural land administration legal domain. However, the lease proclamation states the land located within the urban boundary is supposed to be administered under the urban land law. Hence the laws are somewhat overlapping and there is no real legislation concerning the administration of these rural lands included into the urban domain. This is quite surprising, and the matter does require urgent attention.

Some of the legal provisions that are meant to benefit the peri urban farmers have not achieved their target. For example, the recently adopted Expropriation Directive No.20/2021 of the city of Addis Ababa gave full right to a farmer to take up an investment activity on his/her land based on the land use plan of the city in partnership with other farmers or investors to get a maximum benefit out of his land. This provision seems to be misused by land speculators who informally purchase a large tract of land, subdivide it and then sell it out illegally at higher price without putting a single infrastructure in place and taking a higher profit at the expense of the city's infrastructure. This means that the administration of the peri urban land tends to be neglected and is considered to be as no man's land by both the rural and urban administrations. Consequently, the peri urban land resource is misused and underutilised.

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The tenure status of most rural property in the city boundaries remains unclear. Tenure administration directive No.12/2012 allows the issuance of permit held titles, but only some farming residential properties qualify because of land use planning restrictions; other preconditions of the directive and the low institutional capacity. In addition, the directive does not consider the certification of agricultural properties and farmland.

Government ownership of urban land and public ownership of rural land is the premise on which land policy of Ethiopia is historically based. It is enshrined on the urban and rural land proclamations from 1975, 2005, and 2011. However, city administrations are not playing their role as guardians of government ownership of urban land, which considers land to be effectively a communal resource. Under some circumstances, institutional entrepreneurs are benefiting disproportionately.

Because of strong urban growth and positive net migration to the cities, the urban economy needs to generate jobs, housing and infrastructure to absorb migrant labour. New migrants and the urban poor have no chance to access land other than informally, as they are excluded from the lease markets.

If land markets are to develop and contribute to economic growth, then the market value of land needs to be recognised. The value could potentially be based on the sales price of the use rights, or sub lease agreement, but this would need careful introduction. Current leased land valuations are restricted to the value of the lease already paid. Hence it is an artificial construct that does not consider market value nor location or other site attributes. The primary land source available within the urban domain is from the city via the allotment process. This takes place without consideration of alternative development possibilities, resulting in the private sector having little opportunity for involvement.

While there are several possible solutions, given the need to introduce market value, it may be appropriate to consider giving development rights to farmers. Such development rights can then be sold at a free market price. Development rights/use rights need to be applicable in both urban and rural lands. This will also allow the introduction of land value capture processes. If the underlying legal constraints on conversion can be removed, it will also open the way to consider integrating the administration and management of rural and urban land under a single authority.

To resolve these difficulties, it is necessary to rethink land policy and not consider land policies separately for the urban and rural domains but have a holistic integrated policy across the urban, rural and peri-urban domains and include the concept of market value. Interestingly while most African countries have land policies developed in the last 25 years or so, countries such as Rwanda, Tanzania are currently creating new national land policies in the light of current land priorities, population and demographic changes, resource management, and increasing urbanisation and clearer policies on land investments.

Federal and policy level – Recommendation #1: Establish a clear, holistic land policy that includes legal framework that embraces urban, rural and peri urban land.

Issue 2 - Need to resolve the urban – rural land tenure legal and administrative issues, especially in peri urban land areas

Rationale

There needs to be a simple legal way to convert a rural landholding right to an urban lease right when a rural land parcel is included within an area designated as under the jurisdiction of the urban land administration authorities. Similarly, there should be a simple way to convert permit held properties into lease held properties. These problems are particularly evident in the peri-urban domain as there are different land tenure regimes in the rural and urban sector. When cities expand, land which was formerly held as a rural land holding is now included within the newly expanded urban area. There is no simple legal procedure to convert from the former rural land holding to a tenure form recognised within the urban domain. The norm is for the city authority to expropriate the land at some point and then reassign the land through land allocation. Compensation has historically been inadequate, and expropriation is deeply resented by farming communities. Further, the threat of expropriation encourages farmers to informally sell small plots, which is driving increased informal settlement. Similarly, there should be a simple way to convert permit held properties into lease held properties as at the moment there is little incentive for permit holders to do this. These issues need to be urgently solved as they are at the root of the fundamental problems in the peri-urban and urban domains.

Evidence base

Urban Lease Proclamation 721/2011 article 2/2 defines urban land as a land located within the administrative boundary of urban areas and it is applied to all land (urban and peri urban) located within this defined territory. The urban land use planning, the land acquisition and allocation basically follow this rule. The Benishangul Gumuz rural land and administration proclamation No.152/2017 has a defined territory of application as land located outside the urban area, but also has a focus of administration to all the land owned by farmers (Article 2, sub article 2 and 4). This basically deals with the land owned by farmers located in the rural and suburban areas. Essentially, the land registration, certification, land use planning, acquisition and allocation followed the terms of rural legislation. Neither the Urban Lease nor the Rural Proclamation have indicative legislation on how to treat the peri urban land.

In all three case studies, the land tenure system suffers from the duality between the lease held and permit held, as well as the urban land and rural land administrations. Lease and permit-held properties administered under two different systems pay two different rental rates (permit lower than the lease) in the same location. This negatively affects private sector businesses and competition as there are fundamentally different cost structures. According to Lease Proclamation No.721/2011, the permit held property, when transferred to the third party through any means other than inheritance, should be transferred to the lease system. And the person who bought the property is subject to an annual lease rent of the plot based on the lease benchmark price of the area. This means that the buyer is required to double pay on a single plot. On the other hand, when a lease held property with cleared lease payment is transacted, the person who bought the property is not supposed to pay annual lease payment for the remaining lease period. As a result, people tend to be less interested to buy permit held properties, which has highly affected the property market of the cities.

The duality of rural land and urban land has been the cause of discontinuity in land use planning and land administration in Ethiopia. The rural and urban land dichotomy, with their respective scope of tenure rights and administrations, cannot be solved by a boundary demarcation between the regimes. The case of Bahir Dar, where farmers holdings exist within the town boundary, is a case in point.

Federal and policy level – Recommendation #2: Address urban – rural land tenure legal and administrative issues, especially in peri-urban areas.

Issue 3 – There are no formal regulations or standards for land professionals

Rationale

In most countries, while the state establishes the regulatory frameworks for land administration and sets out how, and under what terms and conditions, land transfers and changes may take place, it is the private sector that provides the services to make this happen. Such services include those of real estate brokers, land valuers, cadastral surveyors, conveyancers, lawyers, notaries (private or public), banks, financial institutions, real estate developers and investors. In Ethiopia, however, these professional services are underdeveloped. The lack of regulation means that where such services are provided, they may not be at the required professional standard and may not adequately protect the interests of clients. It is important to ensure that professional services such as valuation delivered to agreed standards of behaviour and competence.

Evidence base

The involvement of private sector professionals in real estate activities is minimal. Property valuation assessments are implemented by professional staff within financial institutions for their own purposes. Valuation for transaction and compensation is also exclusively conducted by the professionals in the land departments. The involvement of the private sector is mostly limited to the design and construction of buildings and undertaking transaction brokerage. There are no licensed and professionally qualified private valuers/surveyors and land developers that work in partnership with the public or land administration departments. The case studies clearly showed that there is very limited appreciation or understanding of the role that the private sector could play in supporting well- functioning land markets and strengthening land governance.

Generally speaking, there is a lack of trained professionals and a lack of professional standards in the real estate sector covering real estate brokers, valuers and other professionals. This is also reflected in the limited availability of information on sales, price, or even availability of land, resulting in speculative and unsafe transactions.

Land and property valuation is often a source of complaints, with accusations of subjective decision making and allegations of unprofessional conduct and illicit practice. The valuation process also varies between permit and lease held properties. In the case of permit held properties, the valuation does not consider the value of the underlying land. For lease held property, although both the value of the land and property are considered in the valuation, the value of the land is set against the lease benchmark price, which does not reflect the current “market” value of the land. The cost of a newly developed/upgraded infrastructure and services

in an area is not accordingly reflected in the cities benchmark prices. The value of the lease land for collateral purpose is restricted to only the amount of the lease rent paid on the land which is very much lower than the actual value of the land particularly for those properties that paid only a small proportion of the lease payment. This makes the valuation an arbitrary matter rather than an actual financial valuation of net worth.

It is important to establish a relevant legal and regulatory environment for land professionals, especially for brokers, valuers, financial advisers and surveyors. There is currently no law or regulation that sets out a market-based approach to valuation that captures land value.

Federal and policy level – Recommendation #3: Review laws and regulations on land professionals including real estate agents, professional valuers and others (e.g. establish professional chambers, develop national standards).

2.4. CITY LEVEL – SUPPLY SIDE RECOMMENDATIONS

Issue 4 – There is no city- level strategy to actively manage (and contain) city expansion

Rationale

Ethiopia, like many other African countries is experiencing a rapid growth in urbanisation with the urban population expected to triple to over 42 million by 2037 (*World Bank, 2015; Ethiopia Statistics Agency*) though other predictions suggest even faster growth may happen. This population increase drives the shift of people from rural to urban ways of life as well as expansion of the urban space itself and the inclusion of former rural areas. Managing urban growth in an effective manner while protecting environment and resources is one of the great challenges faced by planners and policy specialists across the political spectrum and has a clear link with social, economic and advancement of a civil society able to provide opportunities for employment, innovation and improving quality of life. There needs to be specific focus on managing spatial growth

Evidence base

Much of the planning thinking for city growth in Ethiopia is predicated on the inclusion of more and more rural areas into the city domain. While urban expansion will always take place, there do not appear to be active processes in place directed at trying to control urban sprawl and support land readjustment and densification, other than through the land allocation process. Inefficient land management systems together with the lack of holistic integrated and functional urban –peri urban land use planning has promoted an expansion of unplanned informal settlement on the periphery of the cities. New development projects conducted on the periphery of the cities (Government –led Condominium housing, industrial zone and Real Estate Projects (Addis Ababa and Bahir Dar), University Campus, Industrial Zone and Housing Cooperative Association Projects (ref: Assosa Town, Bahir Dar) have further contributed to the horizontal expansion of urban areas. The fast urban expansion observed in the cities is impacting on the supply of infrastructure and services as well as causing creating serious traffic congestion (e.g., Addis Ababa) during peak hours.

Another constraint of the land use planning strategy of the city has been its exclusion of the peri urban areas (outside the city limits). The city plan is not integrated with the surrounding

administrative zone of Oromia. The plan neither incorporated the need of the farmers in its peri urban area nor proposed the strategy to manage the development of the peri-urban edge that surrounds and supports the city. The city needs to develop a strategy focussed on containing urban growth and increasing densification rather than just horizontal low density spread. Revisiting land use planning and identifying opportunities to limit urban sprawl are necessary. Developing a new strategy focussed on containing urban growth that could include

- Emphasise redevelopment improvements rather than horizontal expansion. Rather than looking at increasing the amount of land simply through expropriation / allocation, the cities need to look at alternative means of development, such as land redevelopment through land pooling / land readjustment (LP/LR). In LP/LR schemes, the original landholders voluntarily contribute their land to the city government or other project initiators which also provides provide road access, open spaces and other public facilities. The city government then sells or auctions a portion of the land to recover administration and development costs. In return, each landholder receives a serviced plot or plots of a smaller area, but at a much higher value than before within the same neighbourhood (UN-Habitat, 2021). These can also be done under a voluntary arrangement where the land holders carry the process out themselves. Another approach is voluntary expropriation or guided and development schemes where the original land holders voluntarily contribute their land to the city government or other project initiators.
- There is no information system in place to monitor urban expansion or track land developments. Information is fragmented across agencies and there is little coordination or sharing of information, nor any attempt at routine collating of land information to support decision making. The master plans / city development plans are aspirational but are not regularly updated with what is happening on the ground.
- Develop and test land value capture pipelines. The land supply is strictly limited and there is no land value capture. Cities need to explore land value capture possibilities through methods such as betterment tax, development rights, developer exactions (development impact charges) need to be applied with legal framework considering the local context and introducing market valuation.
- Property tax could be imposed on both lease and permit held land. However, questions - on what to tax (land or improvements), when to tax (before or after development) etc. need to be clearly elaborated
- Undertake infill settlement and redevelopment programs in partnership with private companies and the community
- Undertake integrated peri urban and urban land use planning and enhance strong and participatory enforcing mechanism that enables control unplanned settlement and development

The city can test such ideas by developing strategy and then working with land holders, communities to test it and gather evidence as to how well it has worked before deciding whether to expand and scale up the particular approach.

City level supply side – Recommendation #4: Support the development of city level strategies to manage urban spatial growth.

Rationale

Issue 5 - Operational land administration and land management is weak in the urban and peri-urban sectors

It is a fundamental requirement that a formal land market system is underpinned with a well-functioning land administration system that is able to securely manage land records and support transactions. There has to be an operational system in place to process land market sales, transfers, register other kinds of transactions and also act as the primary source of land market information. Evidence shows that if a system is in place, and people see clear benefits in using the system, then the number of registrations and transactions increase and the land market grows. Rwanda is the only African country that can claim to have a countrywide land administration system in place with over 90% of the land parcels in the country identified and contained in the system and able to process transactions based on applications submitted. In Ethiopia, in recent years there has been a massive push on land certification in rural areas (first and second level certification) with large programmes supported by multiple donors (including Sida, MFA Finland, USAID, UK DFID/FCDO, World Bank, GIZ). At least 14 million second level land certificates (SLLC) have been issued and dozens of woreda now have the NRLAIS system installed to manage the SLLC and support transactions (changes). This programme has been coordinated nationally through the Ministry of Agriculture. There has not been a similar national initiative in urban areas and the land administration systems implemented at city level have not enjoyed this level of support. The situation is further complicated by the tenure difference between urban – rural with no simple conversion process and the dual permit- lease system in the urban areas.

Evidence base

The case studies found the land administration systems at city level are not functioning well. Each city is more or less developing its own system in accordance with the legal and regulatory requirements. The systems suffer from lack of clear and ambiguous business rules, regulations and work processes. The functional integration between departments and institutions located within the organisations and at different level is loose and not well coordinated. The institutions are suffering from lack of financial resources, technical infrastructure, a lack of skilled manpower and higher turnover of professionals that affects the efficiency and quality of the output. The level of community participation and public private partnership in the system is also very low with an undeveloped private real estate professional sector.

This is particularly evident in Bahir Dar where it is easy to draw parallels and the institutional capacity for managing urban land is less compared to that for managing rural land. The public organisations for the respective urban and rural land administration and management seem to be at different levels of performance. The rural land administration and use sector is relatively well managed. The capacity in the public organisations for rural land administration is quite apparent with much support from donors and development cooperation. On the other hand, the public organisations for urban land administration and management seem fragmented with overlap of duties and functions among the different land related units, lack of proper information system, less manpower and enjoying less external development cooperation and political support.

The lack of an effective land administration system at city level means that there is poor property data and documentation management, and the property cadastre is incomplete and

lacks proper updating and there are many untitled properties. This has important consequences. Firstly, it means that the normal source of information for land market assessment and decision making is not effective; and that data on transactions, land prices, valuations, lease payments and related information cannot easily be collated and presented to decision makers. Timely land and property market price is simply not accessible for the public or decision makers, leaving the door open for brokers to exploit the lack of clarity of information. Effectively, the land resource of the city is not closely monitored and is subject to land grabbing and informal settlement. Land development is uncoordinated and suffering from poor project management impacting on the land supply of the cities. There is insufficient data available to support robust valuation assessments; consequently the valuation of land and property lacks clarity and depends on the subjective decision of professionals

It is clear that any improvement has to be focussed at the city level itself and there needs to be a strategy for strengthening the urban land administration which can be implemented step by step over a period of time. This needs to address not just technical matters but also the organisational, management, service delivery, staffing and capacity building, quality and ability to manage disputes:

- Create and revise clear workable and problem-solving land administration rules and regulations. Emplace clear, accountable and transparent, simple and result oriented work process supported with compatible technology
- Undertake workable institutional restructuring and ensure strong integration and linkage
- Ensure proper recruitment and placement of professionals and leadership with compatible level of skill frequently upgraded through pertinent training

From a technical viewpoint, most land administration systems are now being designed to be compatible with the Land Administration Domain Model (LADM)¹ - ISO 19152:2012. This provides a standard for the definition, structure and information content of land administration systems through a reference model identifying parties (people and organisations), administrative units, rights and interests, parcels and spatial representation.

City level supply side - Recommendation #5: Strengthen the land administration and land management capacity at the city level.

Issue 6 - Need more effective ways to support formalising land tenure and controlling informal settlement

Rationale

There is a long history in developing countries worldwide of formalising land tenure in order to strengthen tenure security, protect against unlawful expropriation, strengthen food security and promote sound land management practices while building governance, accountability and transparency. Major initiatives such as the Voluntary guidelines on Land tenure (VGGT²) have clearly spelled this out at the policy level. At the same time, there has been a global acceptance of the adoption of Fit for Purpose (FFP³) techniques which drastically reduce the

¹ See <https://www.iso.org/standard/51206.html>

² <https://www.fao.org/policy-support/mechanisms/mechanisms-details/en/c/448858/>

³ <https://www.fig.net/resources/publications/figpub/pub60/Figpub60.pdf>

unit costs, especially in systematic programmes for first registration. Ethiopia has very good experience of this in its LIFT programme which is possibly the largest world single programme that has used FFP and has encompassed over 14 million parcels. FFP has been slower to be adopted in the urban domain, partly owing to concerns about the required spatial accuracy, but also in that in most urban domains, prior legacy data including titles, deeds, permits exist and while that data may not be easily available (or even up to date) it does require specific investigation and a decision to be made. When creating a new land administration system, this issue of legacy legal data needs to be taken into account.

At the implementation level, successful strategies to formalise land tenure include ensuring clear benefits for those taking part, as well as contributing to public good and better land management. These can be implemented through systematic programmes or on the basis of voluntary (sporadic) applications. Evidence from other countries shows that land holders are willing to pay to clarify their land rights especially if they feel this reduces insecurity and where they can get an immediate benefit, such as access to loans or other services predicated on a clear title.

Informality, especially in the peri-urban areas is driven by rural-urban migration, population growth, job opportunities, lack of access to the formal land/property market and opportunity access to land. Often these settlements are in areas unsuited for housing development and they are liable to flooding, landslides and lack any infrastructure. However in some cases, informal settlement takes place with knowledge and permission of the formal holder who has decided to informally “sell” part of their property. In South Africa, an incremental tenure improvement practice has been developed⁴ which gradually formalises over time informal properties using local technical registers driven by local communities.

Evidence base

In Ethiopia there is a separate urban – rural tenure system with no easy conversion. According to good international practices, holders of rural land when faced with urban expansion should be allowed to convert it into land for development in alignment with urban growth and service delivery plans, and to benefit from its increased value (in one form or another) along with the community or government, subject to the regulations and legal requirements in place. This also motivates constructive redevelopment of the land and can be instigated through private sector initiatives.

The Ethiopian urban – rural tenure problem is driving informality. Due to the rural / urban tenure problem and the propensity of the city administration to use expropriation and allocation as the redevelopment vehicle, rural holders included into the urban domain informally “sell” plots thus the tenure and land management practices are directly feeding informality. The informal settlers have no security at all and are normally removed when the expropriation takes place.

Householders are deterred by tenure insecurity. The lack of tenure responsive rights (such as perceived tenure, anti-eviction, occupancy etc.) means those outside the lease system feel insecure. This demotivates effective and efficient land related investment. Lack of tenure security and ambiguously defined rights also discourages banks to use land as collateral. The

⁴ http://www.urbanlandmark.org.za/downloads/inc_securing_tenure.pdf

perceived lack of tenure security has led to inefficient utilisation of land and expansion of informal land markets.

Despite considerable efforts made in Addis Ababa and selected secondary cities of the country, the land registration process remains incomplete. Efforts to complete the registration face the following challenges:

- Lack of public awareness of the importance and benefits of the registration. The public and some decision makers are not fully aware of the benefits of having a well-functioning land administration system. Generally speaking, these benefits only become clear once a critical mass has been reached and then the market itself becomes the driving force.
- Financial burden and complexity of the registration process.
- Low level of community and private sector mobilisation and institutional integration
- Very limited institutional experience and knowledge both at federal and city levels to take initiative and develop timely pertinent innovative solutions. Existing approaches are considered time consuming, expensive and burdensome.
- No clarity on the registration process of peri urban land and property.
- Poorly organised tenure documentation and information, including organisational overlaps and complicated workflows,
- Expanding, uncontrolled and non-regularised informal settlements.

These constraints highly affect tenure security of residents and prevent the existence of an efficient land and property market with the cities. More effective ways are therefore needed to increase registration rates and reduce informality. These may include:

- Create a clear legal and technical framework with regard to the peri urban land and property registration that takes into account the certification of the rural land. Combining this with new assembly methods (recommendation 8) avoids the expropriation and reduces the push to informality.
- There needs to be a strong public awareness programme supported with practical and tangible benefits and with an attractive and simple scheme to promote registration on the basis of self-declaration. To increase public participation and social legitimacy, design clear strategy to bring about community participation and public sector participation in areas of adjudication and other pertinent activities
- Provide innovative solutions to the operational challenges facing the cities in areas of tenure documentation, certification of non-titled properties, solutions to non-regularized informal settlements, establishment of the Security fund etc. This will require investigation and specific pathways to be mapped
- Adopt the FFP mass registration approach and adapt the lessons / incentives of the LIFT programme and adapt to the urban environment, ensuring that prior claims and records are considered.
- Consider self-financing solutions. Strongly encourage and motivate voluntary registration, clearly elaborating the benefits for citizens. Test the willingness of land holders to pay for this service. This can be organised sporadically (on demand), or communities may wish to adopt a mass approach and include themselves directly in the process and reducing costs.

City level supply side - Recommendation #6: Seek innovative solutions to complete the land and property registration processes and control the development of informal settlements.

Issue 7 - Only a small percentage of potential land related revenues are collected

Rationale

Land related revenues including fees, lease payments, and property taxes can be very significant sources of revenue for city authorities and can contribute significantly to cost recovery of the land administration institutions supporting the land and property market as well as defraying the costs of local services and infrastructure. Fees for land administration are usually paid either directly to the land administration agency, or to the government / city treasury, depending on the institutional and financial arrangements. By themselves these can be very significant. For example, the land administration agency of Rwanda in 2018 was recovering over 65% of the operational expenses of the land authority from fee income alone. For fee income to be significant it requires that all formal transactions are recorded, fees paid, and the level of transactions is high enough to support significant revenue streams (i.e., the formal land market is operating well). Where properties are not registered and /or transactions proceed informally or are not charged, then revenues are low. Land related taxes can be of several types, the most common being a kind of annual property tax. This is often perceived as municipality income or is partially remitted to municipality (city) after passage through the treasury. These can be very significant depending on the tax base, tax rate and collection rate. This revenue is often earmarked for local services and infrastructure. Other kinds of land related revenues also exist development rights, building land, capital gains taxes, and lease payments for state land.

In Ethiopian cities, as is the case in many developing countries, it appears that while many of these revenue streams exist, there is no close monitoring of the revenue base (land and properties), nor a “business plan” linking city properties, revenues, proposed expenditure and cost recovery targets and the result is that the city is unable to realise a very significant portion of the potential revenues.

Evidence base

There are a number of different land related revenues. In Ethiopia, both the rural and urban land is owned by the state and the public. Thus, it is only the use right on the land that one acquires from the public authorities. Individuals obtain the use right through land rent or lease. According to the Urban Land Rent and Urban Houses Tax Proclamation No.80/1976, a legal possessor of urban land is required to pay annual permit land rent that is to be assessed on the basis of the size of the plot, location of the plot and the land use. Land rent rates are very low and the level of collection is also low in most cities.

Urban Land Lease Holding Proclamation 721/2011 Article 14/1 states that each plot and parcel of the urban land must have a lease benchmark price. The benchmark price according to this proclamation Article 2/11 is “...*the threshold land price determined by taking into account the cost of infrastructure development, demolition cost as well as compensation to be paid for farming areas and displaced persons and other relevant factors.*” In most cities the benchmark rates are set very low and do not cover the specified costs. While the law says they should be updated, in most cases this has not happened and there have only been small increases. It is therefore costing the city more money to develop the infrastructure than it is receiving in lease income. Note that in the central business areas where there are high demolition, compensation

and infrastructure redevelopment cost, then the losses are even greater. According to research in Addis city, the ratio of infrastructure cost / benchmark income is around 4:1 i.e. only around 25% of the cost is recovered and represents a sizeable gift to those property owners benefiting at the expense of the city/public.

Property tax is payable annually on both lease and permit held properties and is calculated as a percentage of the annualised annual rental value (which is reported to be far below the market rental value of properties). Lack of skilled man power, technology and absence of basic and up to date information on the property has highly restricted the valuation and coverage of taxation.

In the case where a property is transferred to a third party by sale or gift, there is a legal requirement that stamp duty is paid for such a transaction. Proclamation No.110/1998 states the buyer of an immovable property shall pay stamp duty at the rate of 2% of the sale amount as agreed between the buyer and seller. While the city tenure administration will typically have assessed values for properties, these are often quite different to the reported sale price. This can happen for a number of reasons: land value is not taken into account for the assessed value; the methodology and practice of valuation is not highly developed; and the sales price may be misreported to lower any taxation due.

Overall transaction fees are high. The title deed transfer and registration will be executed upon the payment of 2% stamp duty plus 4% transaction tax for residential properties (6% altogether), and 4% stamp duty plus 11 % transaction tax for commercial properties (15% altogether).

The case studies found that there is limited municipal revenue collected. The city administration typically uses very low land rent rates and low benchmark prices which were fixed many years ago and have not been adjusted in line with inflation or the increase of the costs of providing infrastructure and services. As a result, cities have low revenue collection that, in some cases, does not even cover its basic expenses. The lease benchmark price is computed based on location factors rather than cost factors. It is outdated and does not represent the actual lease price of the city. The current cost of land development is much higher than the fixed benchmark price. This is contrary to the cost recovery intention of the government and also affects the revenue potential of the city.

City level supply side - Recommendation #7: Improve the reporting and monitoring system for land related revenues to increase collection rates.

2.5. CITY LEVEL – DEMAND SIDE ISSUES AND RECOMMENDATIONS

Issue 8 - No real active support for voluntary or city led land sharing / land readjustment programmes

Rationale

All land pressures are exacerbated in the peri-urban zone where the interests of urban, rural, commercial and industrial land users collide. When cities expand, these areas become subject to redevelopment and planning regimes set out how the developments are to take place and how the space will be used in the future. In most countries, real estate developments in the areas where the city expands are driven by the private sector as well as by the public sector.

In Ethiopia the principal instrument for expansion is expropriation by the city authority followed by land allocation – often for public housing purposes, public infrastructure or industrial/ commercial development. There is almost no involvement of the private sector and the communities are not encouraged to undertake redevelopment themselves. As commented elsewhere, the expropriation threat also drives informality. The situation is further complicated by rural – urban tenure difficulties.

An alternative to expropriation / land allocation is to promote land sharing / land readjustment. This happens when the community itself drives the process resulting in a new arrangement of land parcels, ownership and real estate objects. Where this is carried out successfully, an essential component is that the change of use and passage from rural land to urban land results in changing land value which can be captured, and this then finances the redevelopment. In some countries this is implemented through development rights which can be sold at market value and again provides the finance for the redevelopment of the holder's own properties. It can also be used effectively for densification, and has the added advantage that it will result in registerable property objects, providing building regulations and other requirements are met.

Evidence base

It is clear that Ethiopian cities are in short supply of developed land for different purposes. Currently, in the cities the land development is controlled by the city government which is financially under stress and suffering from institutional and technical limitations. Under the current expropriation – compensation – allocation model, the land development both in the urban and peri urban areas is under immense pressure due to restricted financial capacity of the cities to pay for compensation and emplace the necessary infrastructure. There is no financial return to the city (in fact it is a city subsidy) as large areas of developed land for vast housing programs (in the case of Addis Ababa) and Residential Housing Cooperative Associations for provided free of any charge. This affects the financial capacity of the cities resulting in short supply of land – raising the land price – pushing out the middle- and low-income residents towards the informal purchase of agricultural land bringing about unplanned informal settlement and fragmentation of peri urban land.

Further, land revenues are insufficient to support basic infrastructure costs. In a situation where 80-90% of the supply of new urban land is through allotment (not competitive tender), revenue for infrastructure and affordable housing provision is dwindling, as the benchmark prices are very low and do not cover the infrastructure costs. The long sustained nominal property tax in terms of land rent and house (roof) tax and the absence of other land value capture tools means the financial capacities of cities and towns to provide infrastructure and services is very low.

A new approach to land supply is needed, rather than just relying on land assembly essentially being confined to land made available by expropriation. Redevelopment with intensification and densification needs to be facilitated. Other land assembling methods such as land sharing, land readjustment, land pooling, and guided land development (with the role of government) need to be given legal recognition and introduced.

There needs to be an emphasis on redevelopment and improvements to existing stock rather than horizontal expansion. Land redevelopment through land pooling / land readjustment (LP/LR) requires that the original landholders voluntarily contribute their land to the city government or other project initiators. The government then plans the whole area and installs

roads, infrastructure, open spaces, and public facilities and sells or auctions a portion of the land to recover administration and development costs. In return, each landholder receives a serviced plot or plots of a smaller area, but at a much higher value than before within the same neighbourhood (UN-Habitat, 2021). These can also be done under a voluntary arrangement where the land holders carry the process out themselves. Currently, in the Addis region there is interest from local municipalities in the voluntary land readjustment approach,

Other forms of land redevelopment also exist – for example, where farmers voluntarily contribute their land and become shareholders in the new investment by contributing their land as capital. Currently, in the Addis region there is interest from local municipalities in the voluntary land readjustment approach.

Another way to effect the readjustment is through the “Request for Proposals” (RFP) process which actively involves private sector developers. RFPs are invitations to suitably qualified developers to submit proposals for a specific site, generally on publicly held land. They specify a number of mandatory requirements, together with some additional optional elements. Qualified developers are invited to submit proposals that meet all the mandatory requirements and include additional elements. It is a means of maximizing a public benefit from private development. RFPs have been widely implemented in Eastern Europe and Russia.

City level demand side - Recommendation #8: Enable and promote land sharing schemes such as guided land development with GoE support and voluntary / developer led land readjustment.

Issue 9 – There is little incentive to actively participate in the land market owing to a lack of support for access to finance, developing real estate, building improvements or setting up rental schemes.

Rationale

A mature and well-functioning land and property market allows investors to participate in the market through various investment mechanisms, conveying different types of property asset and with a range of terms and conditions suited to a whole variety of purposes. The residential market tends to be dominated by owner occupiers, rental providers and investors. In developed economies, most residential purchases are financed through mortgages secured on the title of the property. Secured and unsecured loans as well as own sources are also used, not only for purchase but also for building improvements. Rental markets may be regulated; setting out standards for contracting and clearly setting out in law the rights and obligations of landlords and tenants. Standard contracts / agreements are then used by rental providers and in some countries these are registered. In many countries it is the private sector that is providing these services and also servicing the commercial market: office rentals and both small- and large-scale retail developments. Real estate development companies exist at various scale and can assist with the overall chain of acquisition, from initial property identification, conceptualisation, planning approvals and construction; through to finalisation and even operation and management. Few of these services are currently offered in Ethiopian cities.

Evidence base

The case studies show that access to land, property and access to finance is strictly limited. This limits investment, development opportunities, housing improvements and the emergence of formal rental property and land markets. Access to finance for individuals wishing to undertake transactions, construction and improvement of properties is very much limited. Community and private sector participation in the real estate service sector is underdeveloped, lacks regulation and is too informal. Access to finance from development banks and other financial institutions through loan arrangements to undertake infrastructure and land development is legally restricted.

In most land and property markets, secure real estate assets can be used as collateral. In Ethiopia, however, the ambiguous tenure security on land has impeded its use. Consequently, use of land to promote economic growth is very limited. Lease proclamation 721/2011 article 24/1 provides the right to use land as collateral to the extent of the lease amount already paid. However, banks are hesitant to issue loans guaranteed by land as collateral as they do not consider land as a secure asset. A key issue is who would be the first claimant in case of default of the lessee: the city administration, the lessor or the creditor. In permit held tenure, the land has no value for collateral purposes. Consequently financial institutions do not provide loan finance for development/ construction to real estate developers and do not offer mortgage services for consumers. These markets are underdeveloped.

The enhanced efforts made to register and secure land rights in rural as well as urban areas seem to have stimulated demand, though informal land markets still dominate. Informal markets, however, do not benefit the government nor the people. Land prices soar as institutional entrepreneurs and their speculative brokers, illegal land sub dividers, and speculative real estate developers take advantage of the situation. Bid prices are increasing all the time and are so high that the majority of the population who seek land for residential use as well as investors seeking larger tracts for development are excluded from the market.

Real estate development is a challenge and faces many constraints. From an investment viewpoint, different investment support mechanisms exist which are designed to attract investment to the country in general and the city in particular. However, lack of institutional integration is a major challenge. Other challenges included shortage of hard currency to import the necessary materials and equipment, the time it takes to connect power and utilities, and the difficulty of accessing a loan from commercial entities. Most developments are government sponsored and financed and the government has focussed on developing industrial parks to attract industry and create employment in the peri urban areas of the city

Rental markets are underdeveloped. In Ethiopian cities, the city administration is usually the dominant residential housing and commercial units' owner and renter. The proportion of private real estate renters is limited to a few office buildings and shops situated in the centre of the town. The rental rate for residential housing, commercial buildings and market shade and stands is fixed by the city. However, data shows that there is a low level of rental fee collection. Private rental does take place but it operates largely in a "grey" area and it is not regulated or reported.

City level demand side - Recommendation #9: Develop programmes to promote access to finance leading to housing improvements and tenure improvements, and to support the development of rental markets.

Issue 10 – There is very limited information collected and published on land market activity

Rationale

A mature and well-functioning land and property market includes a wide range of property assets which can be held through different mechanisms (ownership, lease, rental, security etc.) and with a range of terms and conditions suited to a whole variety of purposes. There will be a range of different assets available, information about these assets is easy to access, and the regulatory environment does not pose significant barriers. In many developing countries, the land markets are immature, with very restricted information flows resulting in speculative behaviour, high transaction costs and often supply limited. Having access to land market information is key to promote investment, secure assets, lower risk and support real estate development. Land markets are often measured in terms of volumes of transactions, property values, ease of undertaking transactions, and size of the market. In developed countries, monthly changes are closely watched as a barometer of the economy. Information about urban and peri-urban land and property markets is not easily available in Ethiopia at the present time.

Evidence base

According to the Economist, in a mature economy, real estate can represent up to 50% of the value of a country's GDP and can be responsible for up to 25% of economic activity within a country. All citizens and their families require access to housing and many households also depend on access to land for their livelihood. For many households, the land and property held is the principal source of wealth. For non-property holders, it represents one of their largest monthly costs. In Ethiopian cities, access to land is severely limited and there is no monitoring of land market data at city level, restricting the understanding of market development opportunities and promoting informal actions. There is also lack of capacity at the city level to coordinate the collection and dissemination of such data, and an absence of professional real estate brokers, valuers, operating to professional standards.

Overall, there is very limited data on land transactions available in those areas covered by the urban land administrations. During the field work, data on property transactions was often not available from official city administration sources. Addis is able to report the sale of 82,229 properties between 2016 and 2020, with an average sale price quoted as under one million Birr which is believed to be much lower than the reality. No detailed figures by sub city or kebele or by month are generated. Typically, the only available data is the land price estimates from the brokers, which is much higher than the official bid prices. Brokers are also reportedly promoting speculative prices to increase their service charges (can be as much as 10% of the total transaction fee). In addition, the city administration has no institutional capacity to track market data and make the information available for public use. As a result, the transacting parties often report a reduced transaction price (different from the real price) to reduce the amount of tax to be paid, affecting the ability of the city to generate revenue. In addition, because of the limited supply of land, the bid price of the cities is inflated and does not reflect the real land market price.

Information relating to land allocation is available, but not collected and packaged for dissemination. This is also the case for benchmark pricing and bid prices. If the land allocation / land bid system is to be opened up for private sector bidding, this information becomes critical.

From an institutional standpoint, there is no single entity responsible for collating, managing, presenting and publishing land market data, including: transactions, land allocation/ bid data, land prices, loans, or informal developments. It is therefore difficult to obtain a holistic and dynamic view of the land market. Further, there is no single source of transaction data unlike in the rural sector, where the roll out of the NRLAIS information system records all land parcels and any subsequent transactions. Good quality official data relies on the existence and use of well-functioning land administration systems.

Given the high level of informality, and the rapidly changing situation on the ground, there are many changes and transactions taking place outside the formal system that are not routinely captured by official statistics relating to transactions. In some countries, this information can be captured through household level surveys (like in Rwanda⁵) where households are asked directly about their involvement in land sales / rentals. This is not the case in Ethiopia, where an alternative strategy using a remote monitoring system that can be deployed and used in a routine and automatic manner to monitor development and change could be advantageous.

For any further development and improvement of the urban and peri-urban land market, it is essential that there is an appropriate institutional set up established and work procedures developed that enable the assessment, tracking and publication of primary and secondary land and property market information as well as informal developments. It will need to be established what are the appropriate institutional arrangements and if this should be hosted by an existing Federal or city level public entity; a professional chamber; a research organisation, or other.

City level demand side - Recommendation #10: Establish up to date and accurate land market information system.

2.6. SUMMARY

This section has identified the key issues and set out general recommendations to address them. Overall there are ten main recommendations which address the land market constraints and will contribute to improved land governance and better functioning land markets. They are:

At the federal and policy level

- Recommendation #1: Establish a clear, holistic land policy that includes legal framework that embraces urban, rural and peri urban land.
- Recommendation #2: Address urban – rural land tenure legal and administrative issues, especially in peri-urban areas.
- Recommendation #3: Review laws and regulations on land professionals including real estate agents, professional valuers and others (e.g. establish professional chambers, develop national standards).

At the city level – supply side

- Recommendation #4: Support the development of city level strategies to manage urban spatial growth.

⁵ See <http://www.statistics.gov.rw/datasource/integrated-household-living-conditions-survey-eicv>

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- Recommendation #5: Strengthen operational land administration and land management capacity at the city level.
- Recommendation #6: Seek innovative solutions to complete the land and property registration processes and control the development of informal settlements.
- Recommendation #7: Improve the reporting and monitoring system for land related revenues to increase collection rates.

At the city level – demand side

- Recommendation #8: Enable and promote land sharing schemes such as guided land development with GoE support and voluntary / developer led land readjustment.
- Recommendation #9: Develop programmes to promote access to finance leading to housing improvements and tenure improvements, and to support the development of rental markets.
- Recommendation #10: Establish up to date and accurate land market information system.

SECTION 3. GUIDELINES

3.1. DEVELOPING THE GUIDELINES

These guidelines have been structured to assist city officials, land administrators and development partners in the development of well-functioning land urban and peri-urban markets in Ethiopia and are firmly based on the recommendations from Section 2.

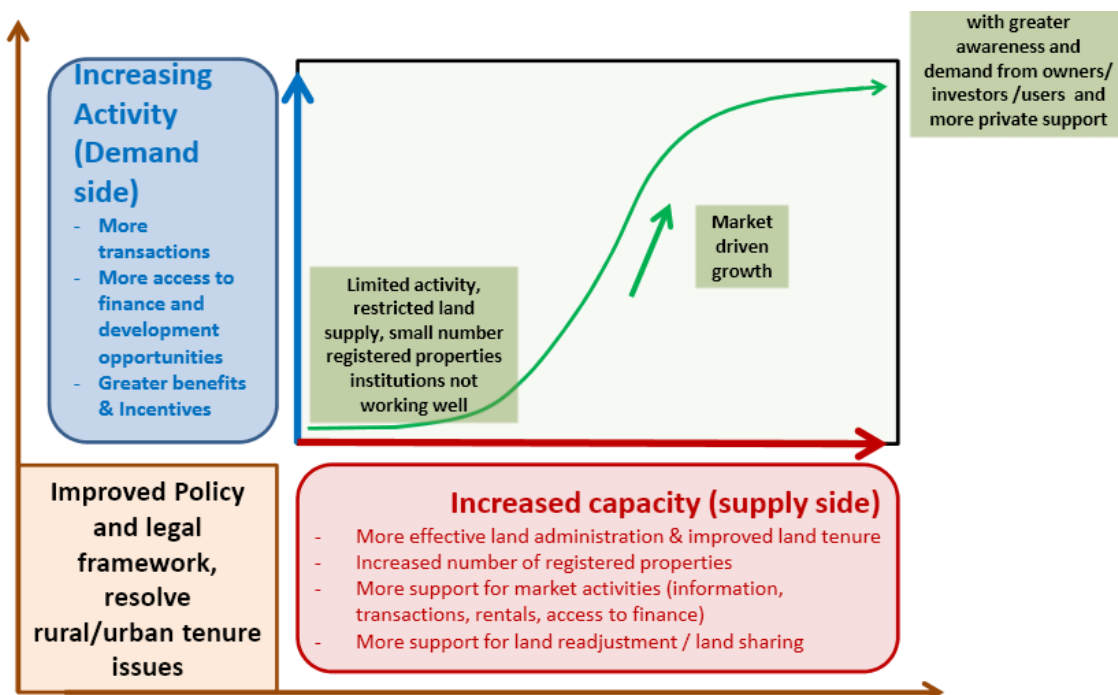
The guidelines focus on actions at the federal/regional level as well as at the city level. In the following text, when referring to the “land market”, we are referring to the land and property market, so it includes land, buildings, apartments and various types of property including commercial, industrial, residential and agricultural.

The guidelines are structured, so that policy makers and implementers can identify what is the priority in their city / per urban region, and then select which actions they wish to priorities. The guidelines are designed to be

- **Practical** – need practical ways forward to implement recommendations.
- **Holistic** - address local and national context, urban, rural, and peri-urban.
- **Inclusive** – involve key stakeholders as appropriate at all levels.
- **Accessible** - designed so that can define an intervention and can “pick and mix” according to local priorities.
- **Measurable** – need to be able to measure progress.

Figure 2 shows how by strengthening the demand side (clearer benefits and incentives, opportunities for the public and land holders) and the supply side (the land administration institutions and land supply), the land market can transform from a dysfunctional, restricted market with limited opportunities to one which is more open with transparent information, and increased access to land, finance, development resulting in more opportunity and greater well-being and supporting economic growth.

Figure 2. Developing effective urban and peri-urban land markets



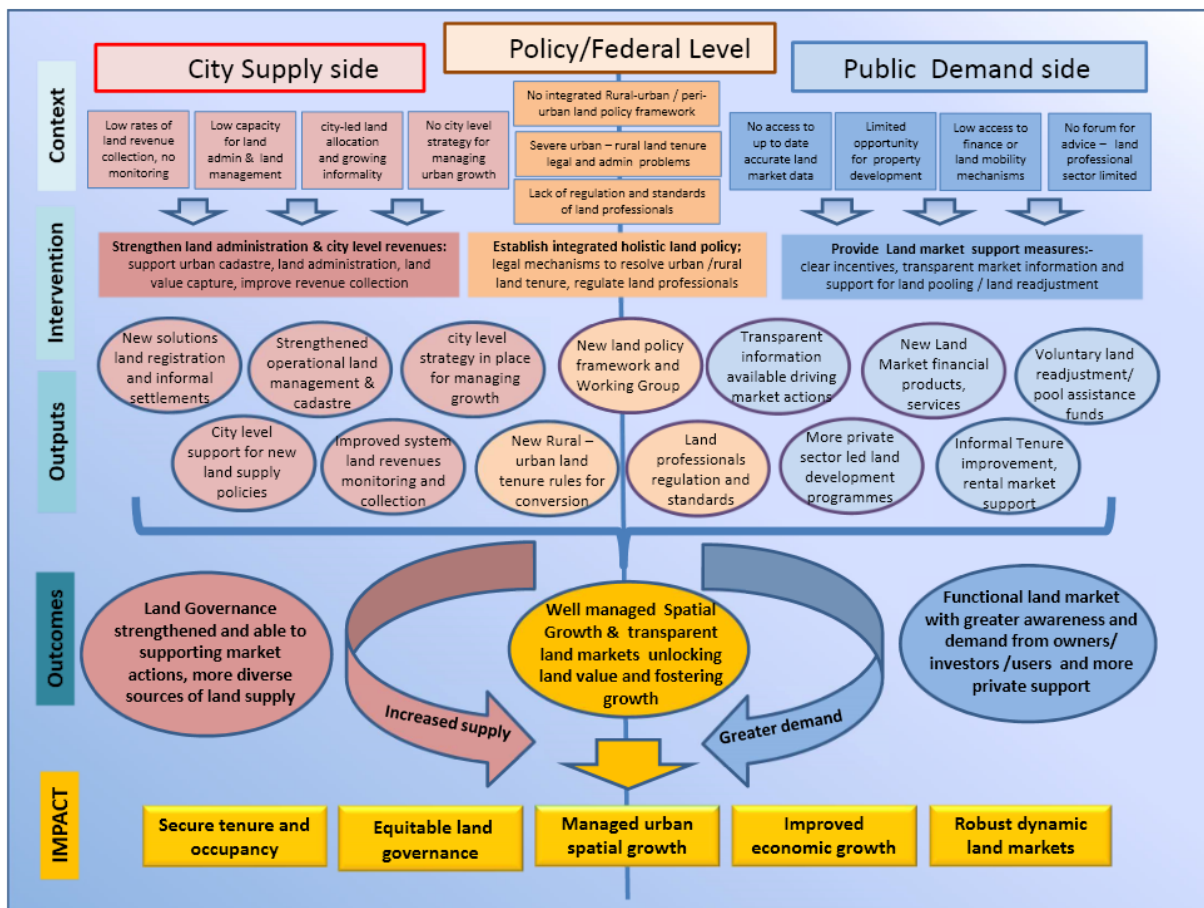
The policy and legal framework need to provide the right environment to support stronger institutions and more secure tenure, while providing greater land market opportunities to individuals. It is a feature of land market development, that initial actions to kick start the market themselves the result in increased demand, and so the transformation accelerates with strong market driven growth.

The guidelines are structured on these three pillars of

- **Policy and Federal level** – Establish and implement holistic and integrated land policy
- **City level supply side** – strengthen city level land administration and land-based revenue collection
- **Public demand side** – develop and support land market support measures

The three pillars can also be shown in a Theory of Change model that has been developed based on the case study analysis. Figure 3 sets out the causal links between the issues identified in section two and the interventions and outputs of the guidelines showing how they contribute to final outcomes and achieve overall impact.

Figure 3. Theory of change – developing well-functioning land markets in Ethiopia



The theory of change is constructed on the three pillars of federal/ regional legal and policy framework; the city supply side and the public demand side; each with its own intervention strategy and specific actions. In this way, cities can focus on one or more of these intervention strategies, and we can provide guidelines (interventions and outputs) to try and address

existing constraints and achieve the specific results (output level) thereby contributing to improved overall outcomes and wider impact.

Note that no single intervention by itself is likely to lead to improved outcomes and impacts, and cities will need to identify what are the priority outputs to be addressed.

The theory of change also shows that interventions must take place on all three pillars – the federal / policy level, the supply side and the demand side, if we want to achieve a balanced outcomes; both supply and demand must be addressed. The outcomes will include the establishment of the formal land administration system on a sustainable basis and the emergence of a functional land market with greater land mobility and better balanced land supply. The overall impact will be on livelihoods, with secure tenure and equitable land governance; robust land markets with managed urban spatial growth and improved economic growth and more balanced social equity

Table 2 shows the focus of the three pillars of the guidelines; the rationale for intervention; the implementing partners. These are further developed in sections 3.2.-3.4.

- **Pillar 1** focuses on the federal and regional policy and legal. This pillar will have guidelines and actions to formulate a new national integrated land policy (firmly embracing peri-urban land) and address issues such as the dual tenure problem (rural / urban) and the conversion for rural to urban land. It also needs the right supporting measures in place to support actions at the city level and encourage the public to engage.
- **Pillar 2** focuses on strengthening the city level land administration and land management capability, and ensure that there is city level support for community and private sector led opportunities (e.g., land readjustment and land pooling, access to finance). The city also needs to have a better handle on land based revenues – both assessment and collections.
- **Pillar 3** focuses on the demand side, and ensuring that communities, individuals and the private sector have access to better land opportunities, either through increased availability and diversity of real estate assets or through support for communities to engage in land re-adjustment, land pooling and have better access to finance.

Pillar	Focus	Rationale for intervention	Implementing partners
1. Policy and Federal level	Establish and implement integrated holistic land policy	Address the fundamental legal, institutional and policy weaknesses	Federal and Regional level authorities
2. City level supply side	strengthen land administration and improve city level land revenues	Stronger and more effective institutions with securely registered land and good quality data lead to more development opportunities and stronger land revenue potentials	City level land authorities (administration and land supply) City level revenue departments
3. Public demand side	Promote land market support measures	Access to finance and support for land redevelopment and opportunities underpinned by secure tenure stimulates land values, land markets and economic growth	City level land authorities Local communities and land holders Private sector

3.2. PILLAR ONE – FEDERAL AND POLICY LEVEL

Pillar Policy and Federal Level	Focus Land Policy and legal framework	Rationale for intervention Address the fundamental legal, institutional and policy issues	Implementing partners Federal and Regional level authorities	
INTERVENTION		Establish integrated holistic land policy; legal mechanisms to resolve urban /rural land tenure, regulate land professionals		
	OUTPUTS	Rec no	GUIDELINE	Reference
	New land policy framework and Working Group	1	Need a clear holistic land policy embracing urban, rural and especially urban land	See Section 3.2.1
	New Rural –urban land tenure rules for conversion	2	Resolve the urban –rural land tenure legal and administrative issues, especially in peri-urban areas	See section 3.2.2.
	Land professionals regulation and standards	3	Review laws and regulations on land professionals including real estate agents, professional valuers, etc.	See Section 3.2.3.

Challenges

The current rural / urban land tenure system of Ethiopia and the dual land administration institutional frameworks lead to distinctly separate urban and rural land tenure arrangements. These create well known difficulties in the land sector. While there have been calls for unifying the rural and urban land administration institutional structure, there can be no improvement without addressing the underlying tenure issues. Rural land in the urban domain currently has unclear tenure which leads to increasing informality due to the threat of expropriation. Ethiopia needs to have a holistic integrated Land Policy embracing rural, urban and per-urban land. Out of this policy review will come the necessary legal and institutional changes to address the tenure problems and capture land value and strengthen private sector involvement both in real estate services and real estate development.

Desired result

A new holistic national land policy is need that prioritises economic and social development with specific actions to address the tenure, institutional and market issues; thereby improving land governance, social and economic equity and supporting more sustainable urban growth.

3.2.1. ESTABLISH A CLEAR, HOLISTIC LAND POLICY THAT EMBRACES URBAN, RURAL AND PERI URBAN LAND



Objective: Establish a new national land policy that includes rural, urban and peri urban land. This will include review and consideration of the existing separate legal and institutional responsibilities for rural and urban land as well as consider introduction of land value mechanisms

Guidelines for action

- Establish high level land policy working group and work programme (estimate 12-18 months) appointed by Office of Prime Minister or Cabinet. The Working group will define methodology for land policy review and set out a work programme including extensive and wide-ranging consultation, across wide stakeholders – especially urban, rural and peri-urban communities, representatives; public and private sector.
- Review. Building on existing policies, proclamations identify inconsistencies & gaps; review good examples from the region (for example, recent new land policies in Tanzania and Rwanda). Review urban, rural land tenure legal basis, peri-urban problems especially; identify key constraints and key enabling actions.
- Review land market related aspects including land valuation, allocation, benchmark pricing, ensure support land readjustment / land pooling. Specifically examine how market-based valuation and change of permitted use can lead to land value capture.
- Undertake a cost / benefit analysis of applying the proposed new policy measures.
- Identify legal and / or institutional changes that are needed and how to address them.
- Prepare an outline draft and submit for consultation.
- Prepare implementation plan identifying what must be done and by whom.
- Prepare summary paper summarising the social and economic benefits of the new policy framework.
- Obtain sign off for new Policy and implementation plan

Responsibility

- Federal level activity: but must involve city (urban) and peri-urban, rural communities.
- WG reports to Office of Prime Minister / Cabinet or Lead Agency and coordinates the overall programme: Certain technical issues may be derogated to sub committees.

Legal issues

- There are important legal issues to be addressed and this will require strong consensus and willingness to tackle the issues

KPI (Key Performance Indicators)

- Working Group Formed and draft National Land Policy prepared
- Cost / benefit analysis (including socio economic benefits) completed
- National Land Policy endorsed by Cabinet and reflected in new legislation

Risks

- Need to ensure clear Policy Objectives are formulated: need to clearly articulate benefits – social, economic, resource management; consensus may be difficult
- Requires very high level political support.

3.2.2. ADDRESS URBAN – RURAL LAND TENURE LEGAL AND ADMINISTRATIVE ISSUES, ESPECIALLY IN PERI URBAN AREAS

New Rural–urban land tenure rules for conversion. Establish new workable and simple means to change rural holdings and permits to urban lease.

Guidelines for action

- Undertake a legal review and establish a new process to transfer a rural holding right to an urban lease right, which can be exercised on request and without a transaction taking place (so that an applicant can apply to change a rural holding right to an urban lease right). Identify the terms and conditions that the applicant must meet and clarify the rules associated with lease payment in this instance (while ensuring that any proposed lease costs do not create barriers to deter conversion).
- As a further measure, clarify rules and regulations for sub leasing / long term rentals so as to lay the base for a sub-lease / rental market.
- Prepare publicity campaign to promote the new procedure and emphasise the tenure security aspects, and then run a pilot initiative at city level to test the new process,
- Undertake a review and clarify the legal process for land sharing / land readjustment and how it can be used by a voluntary group of land holders to convert from rural holdings to an urban lease with a new configuration of parcels and occupancy. Prepare a specific guideline document that explicitly sets out the steps and test this through pilot initiatives at city level.
- Develop a “fast track” simplified conversion process from permit to lease, eliminating any additional lease costs that create barriers to action. Prepare publicity campaign and undertake test programme. Identify and promote advantages for land holders.
- Market research to estimate take up rate and identify incentives and benefits to encourage participation

Responsibility

- Action to be coordinated by small working group of Ministry and city level legal staff and representatives of local community / private sector who will lead the review of the conversion process and the outline any legislative requirements, and further assist drafting team with any required proclamation / regulations.
- Testing of the new procedures to be coordinated by the WG with city level support in selected cities.

Legal Issues

- There will need to be legislation for the new conversion process.

KPI (Key Performance Indicators)

- Working Group formed and legal review completed
- New draft legislation prepared and promulgated
- New procedures tested at city level

Risks

- Need political support for the tenure conversion process legislation.
- Need partner at city level willing to adopt and test the implementation.

3.2.3. REVIEW LAWS AND REGULATIONS ON LAND PROFESSIONALS INCLUDING REAL ESTATE AGENTS, VALUERS AND OTHERS

Land professionals regulation and standards strengthen the private sector support to the real estate professionals and encourage more trained real estate professionals, conveyancers/ brokers / agents, valuers, according to international professional standards

Guidelines for action

- Establish a WG of academics, land practitioners and representatives from the private professional sector to review laws and regulations on land professionals and advise suitability of establishing professional chambers and supporting regulation. Ensure widespread stakeholder involvement in the consultative process including the view of the public, community organisations, householders and smallholders.
- Commission a Best Practice Review of the role of the real estate professionals (valuers, notaries, real estate agents, surveyors, brokers) other developing and developed economies, and identify best practice and any lessons learned, including identifying relevant international standards
- Review university / college / CPD (continuing professional development) opportunities related to land administration, land management and supporting the private sector and identify future needs.
- Undertake cost benefit analysis, showing the contribution of private sector land professionals
- Set out plan to develop professional chambers for valuers, estate agents, surveyors and requisite standards (ethics, transparency, process, standard products)
- Partner with other institutions worldwide: encourage training organisations / universities to undertake twinning arrangements for course development (e.g. through, NELGA (Network for Excellence in Land Governance in Africa) or similar organisations

Responsibility

- Action to be coordinated by small Working Group led by land sector university staff working with /city authorities.
- Testing of the new arrangements to be coordinated by the WG with city level support in selected cities.

Legal Issues

- There will need to be legislation for the new professional chambers to be established.

KPI (Key Performance Indicators)

- Working Group formed and review process completed
- New draft legislation prepared and promulgated
- New procedures tested at city level

Risks

- Need political and professional sector support for the new chambers to be established.
- Need partner at city level willing to adopt and test the implementation.

3.3. PILLAR TWO – CITY SUPPLY SIDE

Pillar	Focus	Rationale for intervention	Implementing partners
City level supply side	Strengthen land administration and improve city level land revenues	Stronger and more effective institutions with securely registered land and good quality data lead to more development opportunities and stronger land revenue potentials	City level land authorities (administration and land supply)
INTERVENTION		Strengthen land administration & city level revenues: support urban cadastre, land administration, land value capture, improve revenue collection	
OUTPUTS	Rec no	GUIDELINE	Reference
city level strategy in place for managing growth	4	Support city level strategies for managing urban spatial growth	See Section 3.3.1
Strengthened operational land management & cadastre	5.	Strengthen operational land administration and land management capacity at city level	See Section 3.3.2.
New solutions land registration and informal settlements	6	Seek Innovative solutions to completing land & property registration and controlling informal developments	See Section 3.3.3.
Improved system land revenues monitoring and collection	7	Better system for reporting and monitoring land related revenues and their collection rates based on an annual business plan	See section 3.3.4.

Challenges

There has been a disconnect at the city level between land administration, land supply, land value and managing urban expansion. In most cities, both permit held and lease held properties exist, though only a small percentage are registered. There are also significant informal settlements as the threat of expropriation and the lack of alternate affordable land and housing drives informality. Land supply follows mostly the land allocation process and the private sector is mostly excluded. Land markets are undeveloped.

Desired Result

Strengthened land administration, land supply and support for voluntary and city led redevelopment opportunities with better revenue collection and clear city level strategies for managing urban expansion and densification.

3.3.1. SUPPORT THE DEVELOPMENT OF CITY LEVEL STRATEGIES TO MANAGE URBAN SPATIAL GROWTH



Objective: Have a clear policy in place for managing city growth including expansion and densification

Guidelines for action

- Establish city led working group to devise specific strategies at city level to address urban growth and densification. City to establish the WG and include stakeholders from city (and region) authority, public and private sector, urban and peri-urban communities. Likely that DP or GoE/ Central assistance will be needed to help develop the strategy which should include the following actions also.
- Review any existing urban initiatives (planning proposals, infrastructure, housing, private and public sector led development projects, land allocation programmes) and identify their contribution to urban growth.
- Finalise a specific city urban growth strategy plan that priorities economic growth and social equity and recognises land market value, and also tracks urban growth with information system (link with recommendation 10, section 3.4.3.)
- Carry out an audit of the private sector supporting the land and property sector and determine what services are being supplied, the costs involved and the level of performance.
- Commission the WG to explicitly study the options for land pooling / land sharing. land readjustment and how the city can support this process – identify pilot sites and carry out the programme
- Design and test an alternative to land allocation, where the private sector is invited to bid for an opportunity to develop a particular site through a RFB (Request for Bids) process.
- Develop and test a land value capture approach for land pooling / sharing / readjustment and the RFB approach – quantify the benefits of this approach.
- Prepare specific detailed guidelines, with examples, of how land pooling / and readjustment can work in an Ethiopian context and spell out precisely the steps involved.

Responsibility

- City level working group to lead on the initiative, but will need DP or GoE/ Central to help develop the strategy which should include wide stakeholder involvement.

Legal Issues

- Draws on and implements some of the activities under other guidelines where there are legal requirements.

KPI (Key Performance Indicators)

- WG established, urban growth strategy developed,
- Pilots carried out with land pooling / land readjustment. Value capture and information system operational.

Risks

Many complex and wide ranging issues, needs strong technical and political support.

3.3.2. STRENGTHEN OPERATIONAL LAND ADMINISTRATION AND LAND MANAGEMENT CAPACITY AT THE CITY LEVEL



Objective: Strengthen city level land administration

Guidelines for action

- Continue to support cadastral development & registration of lease properties. Many cities have an ongoing programme, though limited by capacity, funding, and in some case institutional problems, including overlapping functions. Identify existing programmes and map their status.
- Undertake review of the organisational structures of land administration at city level (operation of permit, lease system, land allocation), land administration services and transaction processing.
- Carry out audit of existing status of permit and lease held properties; identify all rural land holdings included into the city boundary. Estimate quantities of unregistered properties (i.e. properties for which there are no known permits or leases) by sub city, kebele or other administrative unit (former rural holdings, informal properties etc.).
- Prepare and implement overarching plan for improvement of city level land administration from organisational side and include identification of steps required to complete the operational urban cadastre.
- Identify areas where systematic registration could be carried out and devise and implement local city led initiative using FFP approach and innovative delivery mechanisms and where it can generate improvements of land revenues (see recommendation 6, section 3.3.3, and recommendation 7, section 3.3.4.).
- Improve service delivery through providing better information to applicants, standardised process, and simpler processes for permit – lease conversion=, transaction processing.
- Introduce new land market information services, providing greater transparency on land transactions, lease activities, benchmark process, and land allocation (see recommendation 9, section 3.4. 2.).

Responsibility

- To be led by the city / regional land administration departments but with sector support and possible Development Partner support.

Legal Issues

- Draws on and implements some of the activities under other guidelines where there are legal requirements.

KPI (Key Performance Indicators)

- Sector review completed, development plan drawn up, Implementation monitored by Indicators as set out in section 3.5. and Annex B.
- Working Group formed and review process completed

Risks

- City level land administration to lead on the initiative with assistance from development partners / land administration professionals. Requires political support

3.3.3. SEEK INNOVATIVE SOLUTIONS TO COMPLETE LAND AND PROPERTY REGISTRATION PROCESSES AND CONTROL INFORMAL SETTLEMENTS



Objective: Develop and test innovative ways of strengthening urban land tenure through different approaches and seek ways to regularise informal settlements / housing developments. Evidenced based decision making

Guidelines for action

- Develop and test local pilot programmes for improving land registration and reducing informal settlements through developing innovative suite of programmes that may include the following options. Programme to be coordinated and led by city level land administration departments with assistance from development Partners / Region.
- Pilot mass urban systematic registration programme using FFP techniques (similar to those techniques used by the Ethiopia LIFT programme). This may or may not involve a level of self-financing and probably needs GOE/ central or Development Partner support. Programme needs to have clear implementation plan including detailed costings, participatory methodology developed and tested, systems in place to support public awareness, inclusive involvement of community, public advice, dispute resolution, adjudication, public display and objection processing.
- Design an innovative self-financing programme where applicants apply for formal registration in order to gain certain benefits, - tenure security, access to microfinance programmes, ability sub lease, participation in rental programmes, etc. (link with recommendation 9, section 3.4.2.).
- Develop and test out incremental tenure improvement approach in informal settlements using technical local registers of occupancy
- Execute voluntary land pooling / land sharing, and city - led land readjustment programmes designed through recommendation 4 (section 3.3.1). These will look at how rural land holdings included into the urban domain can be reconfigured to mixed residential / light commercial / small agricultural plots through voluntary or city led initiatives. Result is new pattern of land parcels with assigned lease rights consistent with urban planning constraints.

Responsibility

- Can be led by city land administration departments, support implementation in the field through community or NGO/CSO / professional associations

Legal Issues

- Will need legal review of the proposals and may need some amendments to support systematic / voluntary registration and land pooling/ land sharing / land readjustment.

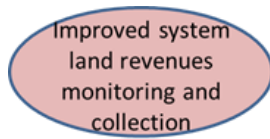
KPI (Key Performance Indicators)

- Systematic and voluntary programmes designed, and carried out, Support for land pooling / sharing / readjustment in place.

Risks

- City level land administration to lead on the initiative with assistance from development partners / land administration professionals. Requires political support.

3.3.4. IMPROVE THE REPORTING AND MONITORING SYSTEM FOR LAND RELATED REVENUES TO INCREASE COLLECTION RATES



Objective: Develop more robust processes for city land revenue collection and improve the land related revenues. Evidence from case studies suggest very low collection rates

Guidelines for action

- City revenue authority to commission a review of the land related revenues and collection processes; quantify the collection base, collection rates, percentage revenue collected etc. The audit should include identification of all relevant lease and taxable objects in the city revenues records, cross reference with other sources including the land administration departments, and independent assessments of numbers etc. in order to obtain estimates of collection rates
- The review should also consider current region and city level promulgations and regulations, processes for setting rates, collection mechanisms and assess if current regulatory framework is suitable for purpose.
- Undertake a cost / benefit analysis of actions to increase revenue collection. Estimate revenues if the taxable base was complete and all eligible properties are included and revenue collected. Estimate costs for improving the collection system. Identify any incentives and impediments to a more inclusive and complete revenue collection system.
- Review the systems in place to collect, report and monitor land related revenues (including IT systems), the collection and supply of data from other city level departments, updating procedures, monitoring and assessment tools, and reporting.
- Agree and then implement an annual **Business Plan** to improve revenue collection and reporting on actual collection against targets. Put in place better systematic reporting tools and ensure linkages with cadastre and other front line operational land administration services. Identify incentives to encourage voluntary payments and settlement of past debts. Identify KPI to report revenue performance.

Responsibility

- To be led by the city / regional land administration departments but with sector support and possible Development Partner support.

Legal Issues

- Access to information may be difficult as dealing with individual records and need to ensure comply with any data privacy requirements or be able to anonymise individual data sources.

KPI (Key Performance Indicators)

- Review undertaken, Business Plan developed and in place, key indicators identified and information system able to report metrics, improved city revenues.

Risks

- City level revenue administration to lead on the initiative with assistance from development partners / land administration professionals. Requires political support.

3.4. PILLAR THREE – PUBLIC DEMAND SIDE

Pillar City level Demand side	Focus Promote land market support measures	Rationale for intervention Access to finance and support for land redevelopment and opportunities underpinned by secure tenure stimulates land values, land markets and economic growth	Implementing partners City level land authorities, local communities and land holders, Private sector	
INTERVENTION		Provide Land market support measures:- clear incentives, transparent market information and support for land pooling / land readjustment		
OUTPUTS	Rec no	GUIDELINE	Reference	
<ul style="list-style-type: none"> Voluntary land readjustment/ pool assistance funds More private sector led land development programmes 	8	Enable / promote land sharing schemes – land development with GoE support - voluntary / developer led land readjustment	See Section 3.4.1	
<ul style="list-style-type: none"> New Land Market financial products, new services Informal Tenure improvement, rental market support 	9.	Incentive package --- Promote access to finance and housing improvements, tenure improvement, support rental markets, etc.	See Section 3.4.2.	
<ul style="list-style-type: none"> Transparent information available driving market actions 	10	Establish up to date and accurate land market information system	See Section 3.4.3.	

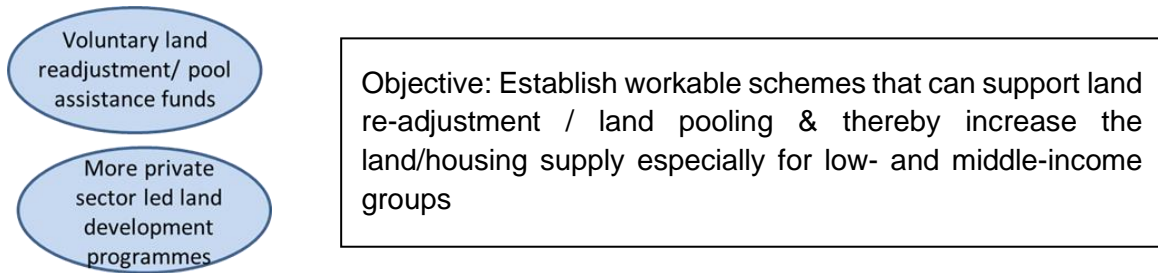
Challenges

The public are not receiving all the benefits that come from well-established land administration systems and effective land markets. Land value is not based on market value. The land market is undeveloped and there are limited opportunities due to restricted supply, high prices, lack of private sector involvement, restricted access to finance and little support for redevelopment / improvement. The land administration system only covers a relatively small percentage of properties and informal development with weak tenure security is common.

Desired Result

The actions under this pillar will increase opportunities for market engagement and provide incentives as well as ensuring that information supply is transparent, up to date and able to support decision making and opportunity.

3.4.1. ENABLE AND PROMOTE LAND SHARING SCHEMES SUCH AS GUIDED LAND DEVELOPMENT WITH GOE SUPPORT AND VOLUNTARY / DEVELOPER LED LAND READJUSTMENT



Guidelines for action

- The city to establish a City Land Development group who will lead the development of land pooling / land sharing and strengthening the role and opportunities for private sector development (this may be with DP support initially) emphasising cost recovery
- Commission a short study into how land pooling / land sharing and land readjustment could be introduced at city level to assist land holders to convert from rural land holdings to new urban leases with reconfigured land arrangements.
- Establish and test a programme that provides information, support, (and seed funding); identify and work with local communities and groups of landholders who would like to understand and possibly take part in such a programme. Evaluate the financial and economic costs and benefits that arise from this approach.
- Work with tripartite land assembly and redevelopment schemes in peri-urban areas (farmers, developer, municipality) and urban areas (holders, developer, municipality).
- Also schemes involving just developers and owners / farmers or owners/ farmers with the city
- Based upon the test programme, prepare and run specific programme (with support funds) to encourage neighbourhood readjustment through city led and voluntary land pooling / and readjustment, spelling out precisely the steps involved.
- The city to identify land redevelopment opportunities and prepare an “inventory of opportunities”, so as to quantify the potential role of this approach.
- The city to test out the “Request for Bids” procedure where the requirements are specified and private sector groups can bid to undertake the required programme.

Responsibility

- To be led by the city administration reporting to the Mayor or equivalent. Will require sector support and possible Development Partner support.

Legal Issues

- There will need to be a legal review to ensure that the land pooling / land readjustment / land sharing proposals are consistent with existing legislation, and proposals to address any shortfall.

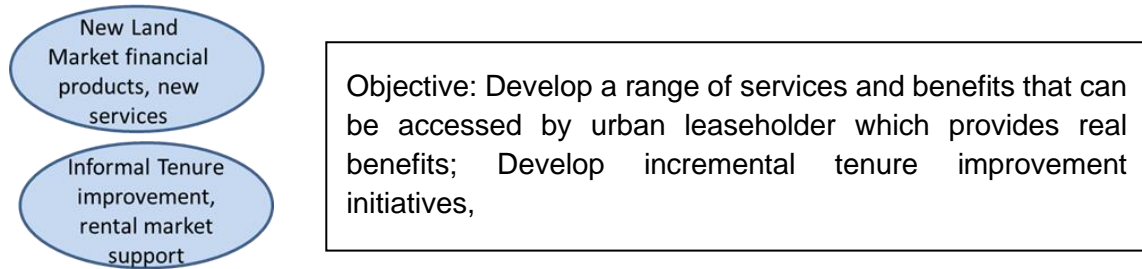
KPI (Key Performance Indicators)

- Review undertaken, key indicators identified; test programmes completed.

Risks

- Involves wide stakeholders- communities, land holders, city authorities. Requires clear social equity and financial oversight, clear planning and execution.

3.4.2. DEVELOP PROGRAMMES TO PROMOTE ACCESS TO FINANCE LEADING TO HOUSING AND TENURE IMPROVEMENT, AND TO SUPPORT THE DEVELOPMENT OF RENTAL MARKETS



Guidelines for action

- City or land administration authority to identify potential incentives and benefits for registration of property and transactions; permit to lease conversion, incentives to engage in land pooling / land sharing land readjustment. This is likely to include access to finance; access to secure sub leasing, rental markets, housing improvements, and potential for housing and improvements savings schemes
- Based on this analysis, work with local MFI, banks, real estate professionals to establish new services with linkage with registration – especially for access to finance and rental markets, building on the LIFT project experience, and explicitly the following
- Work with MFI / banks to develop loan products evidenced on the security of the registered lease and market value of property.
- Develop rental markets and rental service providers through standard contracts, registration possibility through service providers, set up and organise training and accreditation of private sector providers.
- Link housings and savings, microfinance for housing improvements, work place savings, credit cooperatives, etc. and test the concept.
- Public awareness, advice and support for voluntary land redevelopment initiatives,
- Access to city led advice and professional advice and support (banks, agents)
- Undertake “opportunities for change “in informal settlements and identify where / how these communities may undertake regularisation pathways in cooperation with formal rights holders and city authorities (land sharing, land pooling). This may be initial incremental tenure improvements (local registers, STDM type approach,)

Responsibility

- To be led by the city administration reporting to the Mayor or equivalent but with extensive involvement of the private sector, (banks, real estate professionals), communities and householders.

Legal Issues

- #may be city level regulations needed on rentals, sub leasing.

KPI (Key Performance Indicators)

- Incentives/benefits assessment completed, new services established (finance, rental)), training and capacity development, informal settlement initiatives under way.

Risks

- Need to involve private sector and develop new products, services.
- Engagement of communities and land holders.

3.4.3. ESTABLISH UP TO DATE AND ACCURATE LAND MARKET INFORMATION SYSTEM



Objective: Establish an efficient and up to date land market information system based on a market information geodata model that can detect and report changes in land use in the periurban area and report land market activity

Guidelines for action

- City administration to lead a pilot initiative to develop a land market Information system that includes a component for urban change detection as well as components relating to administrative boundaries, registered information and another focussing on transaction related information (property unit, lease and any transfer value, size, tax assessment, payment, parametric information). See section 3.5. To be carried out with DP support initially.
- Establish an automatic way to monitor and report land use changes (development) in the peri urban areas and especially urban growth at kebele level.
- Develop information system linking registered parcels and financial data for real estate objects (lease price, benchmark, sales, bid prices) by parcel and kebele – with updates from transactions / registrations.
- Link information system to the automatic change detection system and a publishing platform; run as pilot for period of months and then refine
- Identify KPI, indicators for reporting and prepare “dashboard” reporting system by sub city, kebele, showing changes across the three components.
- Set up and run the system over a test period (at least 18 months) and seek to identify most common user requests and service needs. This will require on line connections to existing information sources.
- At a national level, undertake a Market Assessment to see if best done through existing land admin agency or professional organisation / NGO or establish land market observatory; outline costs / benefits of the options and any likely legal implications.

Responsibility

- To be led by the city administration reporting to the Mayor or equivalent. Likely to need MoU to be signed between partners to cover data sharing issues. Will require sector support and possible Development Partner support.

Legal issues

- Need to check no legal impediment at city level if city itself implements the system, however may need legal regulation if external body

KPI (Key Performance Indicators)

- System developed, routine reporting with KPI across the land market (see section 3.3.5). test programme completed.

Risks

- Need technical support and decision on hosting organisation
- One important risk is ensuring timely access to good quality data.

3.5. LAND MARKET INFORMATION AND GEODATA

This section sets out some ideas on how to develop a land market information system in Ethiopia which could be used to monitor and understand urban growth. It is based on combining actual changes on the ground with official and other land administration data.

3.5.1. LAND MARKETS AND URBAN GROWTH

Land and property markets are driven by information. In the developed economies, the real estate sector can represent up to 50% of the value of a country's GDP and can be responsible for up to 25% of economic activity within a country⁶. In most developed countries there are well developed land information sources provide by land administration agencies, real estate professional bodies, research groups and commercial advisory services often focussed on investment potentials and returns. In developing countries land and property also has a huge economic and social footprint; land is the focus for food security (especially in countries where agriculture is the dominant activity), housing, investment, commercial and industrial development, and increasingly rural land is being assimilated into rapidly growing peri-urban and urban expansion of the city.

The challenges of urban and peri-urban land are particularly acute in Ethiopia. With more than 112 million people (2019), Ethiopia is the second-most populous nation in Africa after Nigeria and the fastest growing economy in the region. With an urbanization rate of 4.9%, the country's urban population was 24.94 million in 2020 and is expected to rise to 42.3 million by 2034 (World Bank, 2019)⁷. There is increasing pressure on land but current land management systems are not able to provide clear information and track what is happening on the ground. This is particularly difficult when the systems are fragmented into separate rural and urban tenure regimes.

A more holistic approach to urban and peri-urban in developing countries is challenging to implement for a number of reasons (*Payne, 2014*)⁸; land management cuts across many competing interests and while the law may be clear as to how land is held, by whom, and what can be traded and how; in practice the regulatory framework is only partially operational and cannot be uniformly enforced. Similarly, while land policies may or may not be clear, often they are simply not implemented as the means of implementation are just not present. While the policy itself may be perfectly aligned with international practice, with no means of implementation and a fragmented land tenure situation, weak land governance, strong informal traditions and cities growing exponentially, there is just an increasing gap between the policy objectives and the reality on the ground. Hence, implementing projects in the urban and peri-urban areas can be difficult and complex, with multiple and competing interest groups, and limited capacity for following what is actually happening on the ground.

⁶ Economist, 2005

⁷ See <https://housingfinanceafrica.org/app/uploads/Unlocking-Ethiopias-Urban-Land-and-Housing-Markets.pdf>

⁸ See Payne, G. (2014) 'Policy and Politics in urban land market management: lessons from experience' in Bredenoord, J., van Lindert, P., and Smets, P. (editors) 'Affordable Housing in the Urban Global South' Earthscan from Routledge. <https://www.routledge.com/Affordable-Housing-in-the-Urban-Global-South-Seeking-Sustainable-Solutions/Bredenoord-Lindert-Smets/p/book/9780415728935>

The World Bank⁹ recently completed a review of the linkages between land development, land administration, land use planning and managing urban spatial growth as evidenced in its portfolio of projects over the period 2000-2020 (which including 250 projects in 19 countries). It found there were two main external constraints to the Bank's effectiveness; **political economy** (understanding power structures and resistance to change) and **client institutional capacity** at national, regional and local levels.

Internally, the review found the Bank was **not adequately considering the need to have precise geospatial data; was not able to adequately anticipate and address urban spatial growth, and it paid insufficient attention to land markets**. Geospatial data allows consideration and tracking of multiple (independent) data sets to characterise and understand programme areas well as provide benchmarks. Secondly, the Bank has tended to be responsive to spatial growth (e.g. regularising settlements, slum upgrading) rather than preventative (*“preventive urban upgrading, transit-oriented development, land-based tools, scenario planning”*). **The final constraint is not factoring in land price data** (including land value changes) as part of urban upgrading and infrastructure investments thereby supporting more *“equitable and efficient land markets and orderly urban expansion”*. The review put forward three main recommendations for future programmes

1. Link the determinants of urban expansion (land administration, land use planning, land development) to urban spatial growth in programme design
2. Encourage use of preventative rather than curative approaches to managing urban spatial growth. Rather than slum upgrading or regularisation, it is better to work in the expansion areas to prepare for expansion and densification (tenure and land access, land use, rights of way, infrastructure, transport).
3. Make more use of land market data and location data to drive and inform urban expansion programmes in the urban and peri-urban areas

In line with this thinking, we think it is very important that Ethiopian cities quickly develop the tools and processes that will allow them to be more proactive in managing urban growth by detecting areas of rapid change (*“hotspots”*) and tracking this against official transaction and land market data. Combining actual changes on the ground with official land transaction data and structuring this so it can be reported spatially will provide powerful insights into spatial growth as it actually happens.

3.5.2. LAND MARKET INFORMATION SYSTEMS

Formal land markets

Almost all developed countries have well developed land market information systems based on official transaction data from the national land administration agencies. In many countries, professional organisations also provide information based upon their members insights and experiences, and related again to official transaction data. Commercial services also exist which combine this information together, often focusing on the investment potential and have developed property indexes that track financial returns on different asset classes (residential property, commercial, agricultural land). Some of these are focussed on the domestic markets

⁹ See https://ieg.worldbankgroup.org/sites/default/files/Data/Evaluation/files/UrbanSpatialGrowth_0.pdf

and some are directed at international investments in “Emerging Economies”. In those countries with well-functioning land administration systems, able to track and report transaction data, these systems are also emerging. Some examples are provided below and references provided to their web sites / further reading.

- **Land administration agency example.** The UK HMLR (Her Majesties Land Registry) provides information on real estate market activity on a quarterly basis¹⁰. This survey reports actual transactions, property type, prices, as well as monthly changes. It also tracks average price of property type, sales volumes and changes, and distinguishes between newly constructed (newly registered) property and existing property. The reports also provide information about buyer status (first time buyer, former owner occupied, use of cash / mortgage and the range of prices incurred. All data is referenced through postcode which provides a geolocation for each individual transaction; however data is not released at this lowest level. HMLR operates commercial services where the data is provided to value added resellers who repackage the information for consumer use, typically presenting the information related to property sales. The data is coded by location and the raw datasets are searchable by postcode that gives the geolocation of all properties.
- **Professional society example.** The RICS (Royal Institute of Chartered Surveyors) produce quarterly real estate market reports¹¹ for residential property, commercial property and agricultural land, as well as various specialist reports for emerging markets such as Hong Kong, Cyprus or countries of particular interest to UK investors. These reports focus on reporting trends and changes in property prices, numbers of transactions, and what the immediate outlook is for the property sector for the next three and twelve month periods. Information is broken down by region, by quarter and by month. It will also distinguish between newly constructed properties and sales of existing properties, rentals and also identify trends that are influencing buyers. The reports also identify the availability of stock and estimate the market demand. The reports are heavily oriented towards the private sector investor and providing industry guidance.
- **Commercial property index examples.** These are highly influential in guiding international real estate investment and development decisions. Examples include:
 - **MSCI**¹² provides indexes across real estate categories for around two dozen countries, mostly developed or emerging markets. Typically these indexes contain information on transactions, as well as different categories of real estate assets and the four main market sectors (Retail, Office, Industrial and Residential) wherever they are held in professionally managed portfolios.
 - **The Global Property Guide**¹³. Provides information on market trends, costs and investment information on real estate in more than 180 countries worldwide. This index includes 13 African countries but not Ethiopia.
 - **Other indicators.** Other interesting information about land administration and land markets is included in:

¹⁰ <https://www.gov.uk/government/statistics/uk-house-price-index-summary-september-2021>

¹¹ <https://www.rics.org/uk/news-insight/research/market-surveys/uk-residential-market-survey/>

¹² See <https://www.msci.com/our-solutions/indexes/real-estate-indexes>

¹³ See <https://www.globalpropertyguide.com/home?ref=breadcrumb>

- The **World Bank Doing Business**. This looks at the ease of doing business in countries and uses a number of indicators including property registration. It has been issued annually, and although recently discontinued, it provides interesting insight into how easily a business can register property, especially comparing countries. The index is based partly on a hypothetical registration of an industrial unit in the capital city, and partly on an assessment of the level of development of the land administration (geographic information quality – based on assessing Reliability of Infrastructure, transparency, geographic cover and dispute resolution capability). See table extract below.

Table 2. Ease of registering property: World Bank "Doing business 2019"¹⁴

Economy	Registering Property DTF	Registering Property rank	Procedures (number)	Time (days)	Cost (% of property value)	Quality of the land administration index (0-30)
OECD H Income			4.7	20.1	4.2	23.0
SS Africa			6.2	53.9	7.6	8.8
Burundi	62.58	97	5	23	3.1	4.5
DRC	47.14	156	8	38	10.3	10.0
Ethiopia	51.33	144	7	52	6.0	6.0
Kenya	55.97	122	9	49	6.0	16.0
Malawi	65.12	83	6	47	1.6	10.5
Mozambique	52.94	133	8	43	5.2	7.5
Rwanda	93.70	2	3	7	0.1	28.5
South Africa	59.32	106	7	23	7.8	15.0
Tanzania	50.14	146	8	67	5.2	7.5
Uganda	54.99	126	10	42	3.1	10.5

- **Prindex¹⁵**. This looks at people's perception of the security of their property and is compiled according to a standard methodology. Overall Prindex reports 27% of people feel insecure in their land and property, interestingly 34% of urban residents feel insecure and only 21% of rural residents (see reference in footnote).

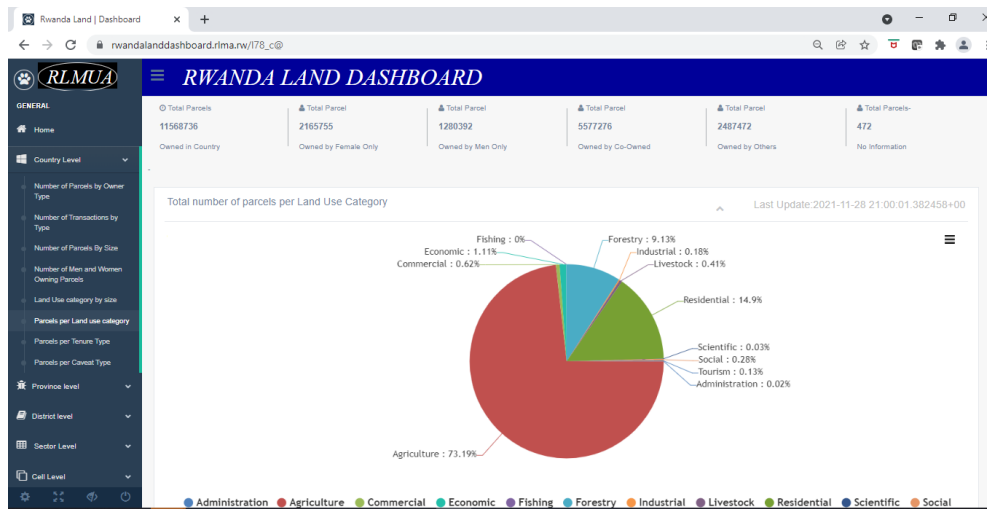
Rwanda has recently established a portal¹⁶ publishing information from its land administration information system including land transaction data and some land market data (no of properties, size, transaction numbers and transaction types, mortgages, land use type, gender of owner, etc.). The data is organised by country, province, sector, district and cell. Data is presented numerically and graphically. While it is not yet providing monthly land market changes, nor displaying information according to geolocation, as the data is coded by administration location, this can clearly be done. This is an excellent example that could be adapted for Ethiopian cities, drawing on official information from the city / regional land administration agency (see Figure 4).

¹⁴ See <https://www.doingbusiness.org/en/reports/global-reports/doing-business-2020>

¹⁵ See <https://www.prindex.net/data/ethiopia/>

¹⁶ See <https://rwandalanddashboard.rlma.rw/>

Figure 4. Rwanda land dashboard



Source: See <https://rwandalanddashboard.rlma.rw/>

Rwanda is able to report annual transactions by type and location. For each transaction it also records sales price, area in sq. m. land use type and other information related to the holding. Figure 5 shows land transaction data extracted from the land administration information system and coded by transaction type. While this data is presented in aggregate form, the individual transaction data is held in the information system with attributes including date, parcel information, land use coding, price (in the case of a sale), location by cell, sector, district

Figure 5. Land transaction data in Rwanda

	2011	2012	2013	2014	2015	2016	2017	2018	TOTALS
Product Grouping	By Volume								Totals
1 First Registration	1,430,438	5,597,046	924,317	196,177	32,361	72,395	71,058	43,471	8,367,263
2 Transfer of whole	67	3,789	11,429	31,915	41,614	68,321	86,489	71,223	314,847
3 Add to ownership entry	14	562	8,758	6,478	6,054	9,274	13,207	10,472	54,819
4 decision on entry	2,643	1,699	526	958	919	4,503	3,619	2,399	17,266
5 Correction of entry	0	60	6	73	68	107	61	97	472
6 Replacement documents	3	22	578	1,200	1,623	4,100	3,833	3,893	15,252
7 Change of Parcel Geometry	871	19,721	101,809	120,375	33,147	63,134	69,587	83,299	491,943
8 Caveat / other	6	31	2,052	8,488	12,210	14,226	23,257	23,288	83,558
9 Mortgage									0
	1,434,042	5,622,930	1,049,475	365,664	127,996	236,060	271,111	238,141	9,345,419
Product Grouping									
1 First Registration	99.75%	99.54%	88.07%	53.65%	25.28%	30.67%	26.21%	18.25%	
2 Transfer of whole	0.00%	0.07%	1.09%	8.73%	32.51%	28.94%	31.90%	29.91%	
3 Add to ownership entry	0.00%	0.01%	0.83%	1.77%	4.73%	3.93%	4.87%	4.40%	
4 decision on entry	0.18%	0.03%	0.05%	0.26%	0.72%	1.91%	1.33%	1.01%	
5 Correction of entry	0.00%	0.00%	0.00%	0.02%	0.05%	0.05%	0.02%	0.04%	
6 Replacement documents	0.00%	0.00%	0.06%	0.33%	1.27%	1.74%	1.41%	1.63%	
7 Change of Parcel Geometry	0.06%	0.35%	9.70%	32.92%	25.90%	26.74%	25.67%	34.98%	
8 Caveta / other	0.00%	0.00%	0.20%	2.32%	9.54%	6.03%	8.58%	9.78%	
9 Mortgage									
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	

Source: Data extracted from LAIS, all figures for full years (2018 estimated)

In addition to the above structured sources of information, commercial international property development / real estate agents operate commercial services where they provide specific

country / city land market information to clients. Some of this information is published in commercial reports, but the more detailed reports which include analysis are fee based.

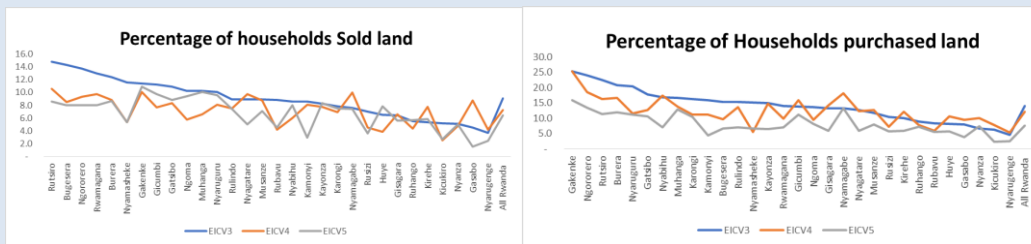
Informal land markets

Informal land markets by their nature, do not easily lend themselves to monitoring. They usually have a very local focus and rely on informal arrangements; brokers with little formal real estate or valuation training and encompass both rentals and sales. Many activities take place between extended family or community members and arrangements can change over time and according to season. Sharecropping and similar arrangements are common.

The standard way to assess informal land markets is through a household survey. Within the scope of some international development projects, DP such as USAID, WB, GIZ have commissioned household surveys to understand land market determinants (see for example, *Ali, Deininger 2015*),¹⁷ These surveys are highly structured and controlled to ensure the results are statistically significant and while not directly geocoded, they are attached to a particular community which allows the results to be linked to other census data, and thereby extending

Box: Insight into informal land transactions from household surveys – Rwanda

The EICV survey in Rwanda includes questions about buying and selling land at household level and is repeated every 2-3 years. As this data represents household reporting (and not reports from the official land administration system) the data offers a possible insight into the level of informal land transactions over the period 2011-2018. EICV was carried out in 2010-11, just before the land registration programme; EICV 4 was carried in 2015 and EICV 5 in 2017, when the system to manage transactions was in place.



Overall, while the percentage of households reporting involvement in land purchases reduced by 45% between 2010-11 and 2016-7. The average declined by less than 10% between 2010-11 and 2013-14; declining by a further 36% from 2013-4 and 2016-7, showing the decline greatly accelerated during the period 2014-2016 (which is when the nationwide system of land registration services began to work effectively).

For purchased land, most districts reported a smaller percentage of households selling land with each EICV survey, with overall participation across Rwanda falling from 9% to 7.3% to 6.4% over the three surveys. Overall, the percentage of households reporting involvement in land purchases reduced by 28% between 2010-11 and 2016-7, with a 16% reduction from EICV3 to EICV4 and 12% from EICV4 to EICV 5 (2017). At the

the analysis considerably. DP will often also under take baseline surveys or randomised control trials (RCT) to understand the impact of a land intervention and to try and evaluate

¹⁷ Ali, Daniel; Deininger, Klaus; Goldstein, Markus; La Ferrara, Eliana; Duponchel, Marguerite. 2015. Determinants of Participation and Transaction Costs in Rwanda’s Land Markets. Development Research Group case study;. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/22384>

impact (see LTA baseline RCT in Tanzania for example)¹⁸. While not strictly focussed on land markets, these surveys do provide quantitative and qualitative insight.

In Rwanda, the Central Statistical Agency (CSA) carries out Living Conditions (EICV) surveys every 4-5 years¹⁹. Part of that survey is focussed on land market related determinants, and as the same questions are being asked every time, with randomised samples, the results can be directly compared.

Summary

In summary we can say

- Land market data is usually derived from official sources and is made available both publicly from land administration agencies and also through professional and commercial organisations that provide some basic statistical information for free. Some of these also provide value added services which include analysis and command fees. This data is usually regularly updated and while it is coded by location, it may or may not be displayed geographically.
- From a development perspective, there are indicators such as the “Doing Business” survey and Prindex that reflect aspects of land market activity however these are usually presented at the national level.
- The importance of the connection between land market data, use of geospatial data and urban growth is highlighted in the recent world bank review, however there are no “off the shelf” solutions that will provide that insight that can be readily adapted.

3.5.3. DEVELOPING A LAND MARKET MODEL FOR ETHIOPIAN CITIES.

This following model is proposed as a series of GIS layers that can be include into a GIS and updated as new information becomes available. This recommendation is fully in line with the WB findings on managing urban growth s reported in section 3.5.2.

The requirements

The following is a simple data description. Implementation detail will depend on the availability and precise structure of data that is available. For example, while kebele boundaries are described as polygons, this could be implemented through a topologically linked data set if that is available; however it is not a necessary requirement. We suggest keeping the data set as simple as possible to allow adaption and extension. Where external data is being supplied in a particular format, structure, then any later datasets supplied as updates can be included simply replacing the original without processing.

The land market information system will require the following thematic layers:

a) Administrative and Reference data

¹⁸ See https://pdf.usaid.gov/pdf_docs/PA00N3S4.pdf

¹⁹ <http://statistics.gov.rw/survey/integrated-household-living-conditions-survey-eicv>

This is the basic administrative boundary data of the city in digital form and its administrative subunits (sub city, kebele), plus other external reference data sets including digital version of the city Master plan or Development plan, topographic map information.

If socioeconomic data is available at kebele level then this can be linked to the kebele polygon (population, demographics, statistical and census data)

b) Land market related official data

- Land parcel data. This is the basic land administration data including data about land parcels and transactions. Land parcel data includes attribute data related to size (parcel id, area in sq. m), holding type (lease, permit, other), land use type, information relating to land parcel creation (year, mode of creation, conversion from permit, land allocation, benchmark price, auction, auction price), gender of holder; single or joint holding. Land parcels need to be linked to administrative unit.
- Land tax information. This includes land rent and lease value recorded against parcel id.
- Transaction data includes information on any transaction that takes place in a parcel, including date, type of transaction, sales price (if applicable), and official value (if calculated).

It is known that this data is not complete and not all land market changes will be recorded here, hence it is important to have another way of detecting changes

c) Urban changes detection subsystem

This subsystem will use imagery that is to be provided at regular intervals of time, according to the same specification and from the same sensor to generate automatic detection of changes in the urban fabric. While the imagery can be used also as a backdrop, it is likely that it will be lower resolution if it's provided by a system such as Sentinel 2. Ideally, the urban changes will be automatically detected and lagged to the system, every three or six months with the ability to scroll through changes in any particular area.

d) Analytic and management tools

It is proposed that an open-source GIS platform is used to hold the data for a particular city. The GIs will host the thematic layers, which themselves will be made up of a number of layers of different data types. The system will have the following functions

- Ability to manage the thematic layers and sub layers in a single GIS platform
- Ability to edit and update the administrative and reference layer information, Additional reference data can be added to kebele level attribute lists as new data types become available (e.g. socioeconomic or census data).
- Ability to edit and update the land market related official data, including receiving updated versions of parcel layer, transaction information, tax and revenue data from other data providers. Ability to extend the attribute lists on parcels and transactions,
- Ability to receive regular updates of the change detection sub system and segment the data by kebele, sub-city.
- Generate composite and regular reports including spatial representation of land market activity (changes) by administrative unit and by transaction type, by time and attribute data automatically according to agreed structure, content.
- General tools for spatial analysis and reporting.

Data description

The following is a general data description that can be adapted for any particular data sets that can be supplied

Reference and administrative layers	Description	Data type	Attributes
Administrative Boundaries	City boundary	polygon	City Id: Name of city, Year of creation, source
	Sub city boundary	polygon	Sub city id: Name of sub city, name of parent (city) Year of creation, source of information,
	Kebele boundary	polygon	Kebele id: Name of kebele, name of parent (sub city) Year of creation, source of information,
Spatial Plan (Master plan, city development plan)	Will consist of multiple layers	Complex polygons	There will be an existing structure and attribute list for the GIS representation of the digital spatial plan.
Road networks	Road network data including road characteristics	Vector data	There may or may not be an official road network with a defined structure and attribute list. At the simplest level, vector data will suffice, though ideally attribute information about road class, surfacing, drainage etc.
Large scale Topographic maps or equivalent	Digital vector map information if available	Polygons, vectors, point data	Classification of feature type; feature catalogue implemented
	Scanned and georeferenced topographic map	raster	Simple raster scan of existing topographic maps

Land market related official data	Description	Data type	Attributes
Cadastral parcel layer	Parcel data and supporting attributes	Polygon and attribute list (alphanumeric text, numeric)	Parcelid: official area; land use type; year of creation; mode of origin and related information; land value (official, benchmark assessment (if done), any other official valuation information (e.g. allocation, auction,)), Type of tenure: holding right. Lease, permit, other, gender of holder, single or joint or legal entity s holder. etc.
tax data	Any tax or similar change assessed or paid on the property	Tax record with attribute list (alphanumeric text, number)	Parcel id, Date, land rent assessed. ; lease assessment, tax assessment, tax, ret; lease payments etc., date of payments (note this will require some investigation of how the revenue departments carry out assessment and record data)
transactions	Description of any new transaction	Transaction record with attribute list (alphanumeric text, number)	Parcel id Date, transaction type, transfer price or sale price; change of land use, change of tenure, any official valuation

Land market urban change detection subsystem	Description	Data type	Attributes
Change layer	This is a coded layer showing changes from previous survey with level of change highlighted	Raster data set	Raster data coded according to level of change, date of the data set, city
Satellite image	Reference data set of satellite image	Raster data set	Single band data held to be used as backdrop for presentations, analysis etc.

Indicators

The case study annexes include a list of provisional indicators that were used to capture land market information. They include information listed below, although there are many gaps due to the lack of available information. It would be extremely useful to continue the efforts to complete these data sets to better assess land market activity and kickstart the process of developing the land market information system

A. Administrative units

- A.1 Admin units
- A.2 Plans in force

B. Area and population

- B.1 Area
- B.2 Population

C. Land tenure and land administration

- C.1 Formal land data
- C.2 Formal transaction data
- C.3 Informal land and transactions data

D. Land market activity data

- D.1 Allocated land
- D.2 Auctioned land
- D.3 Destination of allocated / auctioned land
- D.4 Compensation prices (per ha)
- D.5 Benchmark prices (per ha)
- D.6 Market prices for sales - basic land for development
- D.7 Market prices for sales - residential, commercial, and agricultural

Change detection subsystem

It is our recommendation that this subsystem is able to automatically acquire and process satellite imagery using historical imagery or new imagery as it becomes available using imagery such as Sentinel 2. The output is a layer which highlights recent changes in the urban fabric, and this can be then segmented and reported by kebele, sub city or city. Examples of initial trials with Sentinel imagery are shown in Figure 6.

Figure 6. Examples of urban change detection (courtesy of Maploom Ltd.)

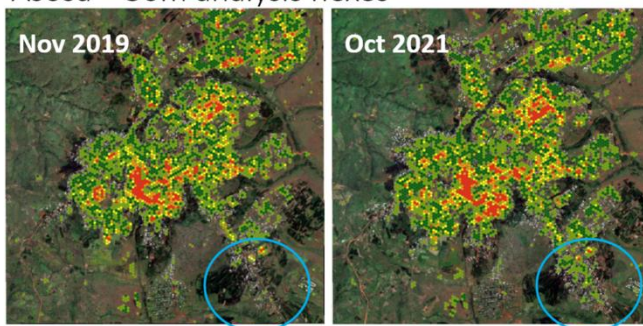
Asosa – Sentinel 2



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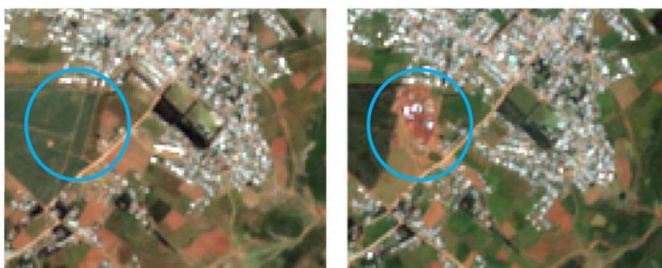
Asosa – 50m analysis hexes



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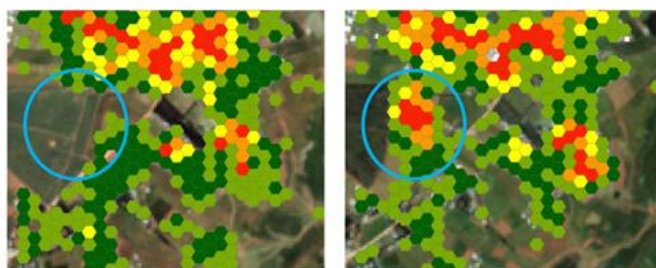
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Addis Ababa new clearance and development



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3.5.5. CONCLUSIONS

In developed countries, sophisticated systems exist providing in depth analysis and reporting of the land and property market. They draw on high quality information from the land administration system and professional insights of land market professionals. It is not possible, however, to implement such a system in Ethiopia, where there is not a well-functioning land administration system in place.

The city case studies and the findings of the World Bank report presented in section 3.5.2 highlight the linkages between land markets, land development improving land governance and the importance of geodata referencing for understanding and managing urban spatial growth. In Ethiopia, it is this urban growth that is proceeding unchecked and generating conflict and tenure problems. At present, however, there are no tools to monitor what is happening in the sector to take proactive action.

Developing the land market information system will generate the required information and increase transparency in official data while detecting and quantifying urban change to support decision makers in taking actions to improve land governance at the city level. Once this system is set up, it should be able to generate frequent updates almost automatically. Additional information can be included in the model over time.

ANNEX A: SUMMARY OF FINDINGS OF CASE STUDIES

CASE STUDY 1: ASSOSA CITY

The following are the main findings from Assosa. They are presented as supply side and demand side issues.

Supply Side

1. **Separate, contradictory, and overlapping rural and urban land laws.** Urban Lease Proclamation 721/2011 article 2/2 defines urban land as a land located within the administrative boundary of urban areas and it is applied to all land (urban and peri urban) located within this defined territory. The urban land use planning, the land acquisition and allocation basically follows this rule. The Benishangul Gumuz rural land and administration proclamation No.152/2017 has a defined territory of application as land located outside the urban area, but also has a focus of administration to all the land owned by farmers (Article 2, sub article 2 and 4). This basically deals with the land owned by farmers located in the rural and suburban areas. Practically the land registration, certification, land use planning, acquisition and allocation followed the terms of rural legislation. Neither the Urban Lease nor the Rural Proclamation have indicative legislation on how to treat the peri urban land relevant to its nature. Thus, the area remains a major domain of conflict with conflicting and overlapping legislation leading to unclear administration that can result in land grabbing and an influx of informal settlement.
2. **The Land Lease Proclamation is not optimal.** The proclamation is more focussed on legislative control than being facilitative of effective and efficient land use and development
3. **The compensation system is not working effectively.** Newly approved Compensation Law No. 1161/2019, in an attempt to reverse public complaints on the previous proclamation No. 455/2012, has increased the compensation rate on agricultural products by 50% and on the land related property the compensation is the cost replacing the property as new. In the face of the limited financial capacity, the proclamation has further impacted on the land acquisition of the City Administration. Over the last five years Birr 11.5 million was allocated for compensation to acquire 1.5 hectares of land.
4. **Low institutional capacity in the land administration sector.** The absence of an efficient land information system means there is poor tenure documentation and registration with a low level of transaction monitoring or reporting. There is also inefficient property and land valuation system and loose institutional integration resulting in poor service delivery, weak land use planning regulation and control which has impacted a lot on the land and property market of the city.
5. **Very limited municipal revenue.** The city administration is using very low land rental rate and lower benchmark prices fixed fifteen years back, lower tax and other revenue bases, low level of revenue collection system that even does not cover its basic expenses.
6. **The supply of developed land is very much limited.** This is partly due to the absence of a sustainable land finance system. As a result, over the last three years, only very limited plots were put on the market. The last being in December 2020, when 17 plots were bid out. The plot bidders' ratio was 1:194 that shows a higher demand and intense competition.

7. **There are inconsistencies in the lease and permit system rentals.** There are lease and permit-held properties in the city administered under two different systems which pay two different rental rates (permit lower than the lease) in the same location. This negatively affects business competition. Discussions held with informants showed that those businesses established on permit-held properties have better business opportunities over the lease holders owing to their advantage of lower overhead cost.

According to Lease Proclamation No.721/2011, the permit held property when transferred to the third party through any means other than inheritance will be transferred to the lease system. The person who bought the property is subjected to pay annual lease rent of the plot based on Lease Benchmark price of the area. In this regard, the buyer is happening to carry out double payment on a single plot. According to discussions with residents and informants, people are less interested to buy permit held properties.

Demand side

8. **There is rapid growth driving demand.** The city is growing rapidly and demand is increasing. From 2017 to 2021 the city population increased from 52,575 to 68,080, which represents a significant 30% increase. At the time of the Italian occupation of 1937, the area of the city was estimated to be 56.77 hectares. Over the following 60 years until 1997, the city gained an additional area of 359 hectares of land. The rate of expansion became quicker and the city gained an additional 2,884 hectares of land only within two decades time.
9. **New land is made available mostly through land allocation.** The major modality of land transfer is allocation which is against the cost recovery principle. The city administration over the last ten years, has allocated 212.8 hectares of land for residential purpose, 25.1 hectares of land for commercial/industrial purpose with a benchmark price very much lower than the production cost of land. Whereas during the same time the city administration has only transferred 11 hectares of land through bid for different purposes mainly business and commerce.
10. **There is very limited data on land transactions.** Data on property transactions was not available at the Land Department to assess the level of secondary market in the city. The only available data was the land price estimate from the brokers which is much higher than the bid price. The last bid, with its plot bidder's ratio of 1:194 has at least shown unmet potential demand of 193 bidders at each plot. The bid payment modality for commerce is 20% and for residence 10% initial payment with the remaining price to be paid in 50 and 60 years for commerce and residence respectively. The secondary market with its higher price than bid and its 100% upfront payment modality does not attract most of the available potential demand.
11. **The informal land market is booming.** With the primary land market very much limited and the limited access to the secondary land market because of its higher price and payment modality, the informal market has become a key resource for the majority of land seekers even if the price is getting relatively higher than before. The most common payment modality in the informal land market is usually an upfront payment of 60% with its remaining payment to be settled upon the regularization.
12. **Lack of access to credit.** The credit policy of financial institutions depends on the collateral arrangement of a property having an equal or more value. Land, the most significant collateral element, has no value in permit-held tenures and in lease held tenures is only limited to the total amount of lease price paid at the time of request for the

loan which is not much higher than the initial payment. The municipality, due to lack of registered and valued municipal property to use as collateral, has limited access to finance.

13. **Rental markets are underdeveloped:** The city administration is the dominant residential housing and commercial units' owner and renter. The proportion of private real estate renters is limited to a few office buildings and shops situated in the centre of the town. The town Administration has 282 residential, 250 commercial housing units, 8 market shades and 3240 market stands. The rental rate for residential housing is fixed to be Birr 10/ - Birr85/ for commercial buildings and Birr 102/ for market shade and stands. However, according to the data from the Revenue Department of the Town, over a five years period (2016-2020), the average annual residential rent collected by the city administration is Birr 8,898. For commercial buildings over the same period an average of Birr 380.90 and an average of Birr 14,752 was collected from the rental of market shade and stands. This shows the low level of rental collection and administration in the town.
14. **Private real estate capacity is underdeveloped and too informal:** The involvement of the private sector in the real estate activity in the town is minimal. Property value assessment is conducted by the professionals in the financial institutions for their own purposes. Valuation for transaction and compensation is also exclusively conducted by the professionals in the Land Department. The involvement of private sector is only limited to design and construction of buildings and transaction broker. There are no licensed and professionally fit private valuers/surveyors and land developers that work in partnership with the town. In our discussion with the leadership of the town, the awareness of private sector engagement in this regard is very limited.

Conclusions

There is a huge unmet demand and the gap is widening. The allocation of land with a price far less than its production cost, poor and inefficient revenue collection, the inefficiency in property valuation and the low tax base as well as absence of access to other land financing mechanisms has highly affected the financial capacity of the town. The newly increased compensation rate is difficult to afford and adversely affects land development.

The land market is not functioning well. The low level of land and land related institutional capacity, underdeveloped private real estate actors, the existence of suboptimal land laws, the limited and interrupted formal land market and inaccessible high priced secondary market has forced the majority to look for the informal option which is not secure.

There needs to be a multi-faceted intervention to address the root causes. This should address both supply side and demand side issues and needs to include:

1. Clarification of legal regimes in the peri urban area and resolving the urban land / rural land regulatory inconsistencies to ensure there is no legal or procedural impediment to land use, development and land market activity. Develop city level policy frameworks.
2. Strengthening institutional capacity across the whole land sector. This includes setting up appropriate and effective structures; upgrading human capacity and skills; workforce retention and development; eliminate procedural problems and establish an efficient cadastral and documentation system, with clear and responsive land use planning.

3. Enhancing the financial capacity of the city by improving rates, widen the revenue base, increase collection capacity, emplace cost recovery scheme. Improve municipal property registration and valuation and establish pertinent land financing system.
4. Enhancing private and community participation in the real estate sector through developing private sector capacity and greater knowledge; develop better interaction with service sector and the public.
5. Achieve demand driven land supply and encourage secondary lease and rental markets; ensure transparency, lower barriers to transactions; reassess the current systems of land supply including allocation and bid.
6. Identify key land market data (primary and secondary markets) and ensure that there are systems in place to routinely monitor and report land market activity to support better decision making.

CASE STUDY 2: ADDIS ABABA CITY

The case study looks at the land market from both the supply and demand sides.

Supply Side

1) Policy, Rules and Regulations

- Lack of clear and separate rules and regulations concerned with the peri urban area land administration pertinent to its nature
- The terms of the existing Urban Lease Proclamation 272/2011 focus on imposing high level of control rather than facilitating the improvement of the land and property market. However, the terms of lease payment have put remarkable pressure on the financial capacity of the city which in turn is believed to inhibit the land development and supply system.
- According to the Lease Proclamation No 721/2011 Article 6/3, permit held land will be changed into land held by lease when transferred to a third party. The buyer is required to pay an annual lease rent based on the benchmark price. As a result, the buyer is subjected to carry out double payments for the purchase of a single land right. Though it needs further research, according to informants, this legal provision highly impacts the purchase of permit hold properties.
- The newly approved Compensation Law No.1161/2019 is an attempt to address complaints about proclamation No. 455/2012, particularly regarding the compensation rate. Following the amendment, the City Administration has increased the compensation rate on agricultural products by 63% from Birr 51 to Birr 81.26. The minimum compensation fee for minimum living standard housing was also raised from Birr 255,000 to Birr 647,805.13. The increased rate has obviously significantly increased the cost of compensation and added pressure on the city's budget. However, the objective was to address the question of the peri urban farmers and urban residents and minimise the informal peri urban land sale. Still, the assessment shows that informal sale of land continues to happen in peri urban areas. The major reasons are: a) The informal land price is always attractive and very much higher than the compensation rate, and b) In the informal transaction the farmers are always on the safe side. In case of demolition, it is the informal settler who is losing. After demolition, the farmer regains his ownership on the land again ready for resale and compensation. Hence, farmers are more open for informal sales.

- The newly revised expropriation proclamation (Expropriation Directive No.20/2021) gives in its article 11/11.1.1.4 gives full right to a farmer to take up an investment activity on his land based on the land use plan of the city in partnership with other farmers or investors to get a maximum benefit out of his land. However, this provision seems to be misused by land speculators who informally purchase a large tract of land, subdivide it and then sell it out illegally at higher price.
- In Addis Ababa, the power of expropriation, valuation and payment of compensation falls under the Land Development and Urban Renewal Agency which is established under the Land Development and Management Bureau of Addis Ababa city. Due to the low level of valuation skills and subjective decisions, the results are not always free from complaints. In this regard, though the right to appeal to the court is free, the applicant does not have the right to an alternative valuator. This remains one of the major sources of public complaint.
- In the act of expropriation, the holder of a permit held land parcel with an area of 1000 m² and/or above will get a maximum of 500 m² for relocation irrespective of the location and value of land, unlike the lease held property. This is a major source of complaint on the part of the residents.

2) Institutional Constraints

- There is no institutional capacity and knowledge to undertake timely land and property market assessments by tracking the property and land price data.
- There is a lack of institutional experience and practice to use the knowledge and skill of the private sector to improve land markets and land management / development. This is regarded as one of the key deficiencies in the sector.
- The low level of institutional integration on land development and renewal between the land sector and infrastructure and utility organisations highly affects the performance of the sector.
- The land development and management sector with limited and low skilled man power has to undertake a range of activities, from simple to complex. The quality of the output and the level of accountability significantly impacts land governance.
- Loose institutional integration between the land department, financial institutions and the justice office has a negative effect on property transactions, the use of collateral and effective taxation. There is also a low level of service delivery.
- Lack of institutional integration and strong land use plan enforcement and control has resulted in a wider range of land use plan abuse especially in construction projects.

3) Land Administration

- Despite continuous attempts to establish a cadastral system or land information system in the city, this is not complete and integrated.
- Lease and permit-held properties are being administered under two different systems and pay two different rental rates (the cost of permit-held land being lower than lease land), even if in the same location. This negatively affects a fair business competition between properties.
- The possibility of losing or missing a property file in the sub cities is a common phenomenon

- The lease benchmark price is outdated and does not represent the actual lease price of the city. The current cost of land development is much higher than the fixed benchmark price. This is contrary to the cost recovery intention of the government and also affects the revenue potential of the city.
- Land in Ethiopia is not for sale, which disrobes the value of the permit held land to use as collateral.

4) Land use and Management

- A key and basic constraint of the land use planning strategy of the city has been its exclusion of the peri urban areas. It did not integrate its plan with the surrounding administrative zone of Oromia. The plan neither incorporated the need of the farmers in its peri urban area nor proposed the strategy to manage the development of the peri-urban edge that surrounds and supports the city.
- According to discussions with Officials in the Planning and Economic Development Commission, the level of implementation of the structural plan is limited and restricted.

5) Land and Property Registration

- According to the data obtained from the Agency, out of the total 173,621 adjudicated properties, only 15,974 properties (6,354 government and 9,620 privately owned) are registered. This means that less than 10% of the adjudicated properties have a registration certificate of the Agency and that the tenure security of over 90% of the unregistered adjudicated properties and 235,995 un-adjudicated properties remains unclear. This erodes the public level of confidence in property ownership and tenure security.

6) Land Acquisition and allocation

- Acquiring land is expensive and its financial source depends on the city's own revenue which is very much restricted. The revenue generated from the land sector cannot cover the cost of production.
- Municipal loans are undeveloped owing to low level of municipal property registration and valuation that restricts properties from being used as collateral.

7) Investment Support and Green field Development

- Different investment support mechanisms are designed to attract investment to the country in general and the city in particular. However, lack of institutional integration is a major challenge. Other challenges included shortage of hard currency to import the necessary materials and equipment, the time it takes to connect power and utilities, and the difficulty of accessing a loan from commercial entities.
- With regard to land development for investment purposes, which is a very recent phenomenon, four industrial parks (three government and one privately owned) are being developed in the peri urban areas of the city. These parks are not yet fully operational or are semi operational due to lack of sustainable power supply. Thus, it is very premature at this level to assess their benefits and contribution to the socio economic development of the city.

Demand side constraints

1) Primary Market Land Transfer

- There is a high unmet demand for both residential and commercial/industrial land. Existing data shows that only 248,365 people out of one million people registered for condominium housing have secured a property. As there are only 87,000 housing units under

construction, a large percentage of registered people still remain with no access to condominium housing.

- The demand for commercial and industrial plots is also high. According to the data from the Land Development and Management Bureau (from round 16 – 26) the maximum plot/bidders ratio for residence, commercial and business, mixed use and industry is 1:984, 1:560, 1:1346 and 1:1373 respectively. This shows a high unmet demand for all types of land uses.

2) The Secondary Market

- No data nor information is acquired on the real transaction cost of the properties other than the number of annually transacted properties. Still, this number is not complete since not all registered transactions at the notary office are expected to appear at the Tenure Office for Certification and transfer of ownership.
- The sale of 82,229 properties was recorded between 2016 and 2020, and the average sales price is estimated to be under one million Birr which is believed to be much lower than the reality.
- Transacting parties do not seem to report the actual transaction price to pay reduced transaction tax and stamp duty. The mechanism to control the misdeed fails to achieve its target by disregarding the value of land which is the major cost element in transaction.

3) The Informal Land Market

- The restricted access to formal land markets and low-cost housing has pushed residents to the informal land market and the construction of squatter settlements.
- The price of peri urban informal land is high and has increased further with the changes in the compensation rate.
- According to members of the informal settlements in the Aba Shame informal settlement area in Bole Sub City Woreda 12, the reason why farmers are always in favour of land sale despite different benefit packages designed by the government is because they are in a safe and winning position. In case of demolition or when the informal property is delineated for public use, the ownership of the land is still with the farmer who is then eligible for resale or compensation. It is always the informal settlers who are losing.

4) Access to Finance

- Access to finance for both private developers and individuals from private or government banks depends on a collateral arrangement of equal or more value to the loan. The legal restriction of the lease- held land collateral value to the amount of capital paid for the lease rather than the full lease value of the land has deterred developers from getting enough loans.

5) Infrastructure Development and Transport

- According to the Road Inventory Report of the Road Authority (2020), the city currently has roads with a total length of 4,843.15 km with a total area of 5,329.3 hectares. In view of the total urban space of 54,000 hectares, the road density of the city is nearly 10%, well below the universally accepted standard of 25%.
- About 90% of the city's housing units with electric connections are subject to frequent interruptions and power shortage. The city water supply covers 56% of its area and its existing water supply system only meets 65% of the city's water demand.

6) Private Sector Participation

- The experience of private sector engagement in partnership or other available modality with public sector is very limited and immature. Building permit issuance and control, property valuation, cadastre and land information system, infrastructure development and supply is the exclusive domain of the city administration and private sector involvement is very limited.
- There are some attempts to increase the involvement of the private sector in real estate development projects, inner city renewals and industrial development projects, but this has been very limited.

CASE STUDY 3: BAHIR DAR CITY

Key findings

Bahir Dar City fringe and peri-urban areas are marked by multiple tenure types. Formal residential and investment areas exist along with urban informal and rural farm settlements. However, multiplicity of tenure is a norm rather than an exception even in the built-up areas of the city proper. The attempt to galvanize all tenure types under one leasehold tenure excludes most of the low and middle-income citizens. This has remained a gross oversight at both city level and national level which has left many urban residents' marginalised with insecure tenure and no straightforward way to correct the problem. Further, the role of institutional entrepreneurs and their intermediaries provides opportunity for corruption in the way land is allocated, further aggravating the land governance issues

In the specific context of the region the discrepancy in defining urban land and rural land has been a source of problems related to the mandate of administering the land by the respective urban or rural land administration authorities. As the consequence there are 3080 farmers certified with green card land holding certificates within the administrative and planning boundary of Bahir Dar. These land possessors have better tenure security as stated in the Constitution of 1995 (Article 40/4) which guarantees peasants not to be evicted from their possessions. This right of peasants has been expanded in the regional proclamation issued to determine the rural land administration and use Proclamation No 252/2017. The Bahir Dar Case study clearly represents the challenge imposed by duality of urban and rural land administration.

Land supply and demand are not matched resulting in soaring property prices for those able to afford the higher prices and excluding the majority of the middle income and low-income population. The case of Bahir Dar clearly demonstrates how the duality of tenure i.e. rural and urban land, has restrained the continuum of land administration and management across the peri urban landscape. There is an urgent need for solving the institutional and legal problems governing land markets and land governance.

The Bahir Dar formal land market is currently based on the land lease policy. Supply side constraints of the land market are mostly dictated by the policy and institutional framework. Ethiopia currently does not have a comprehensive land policy at the national level. The current institutional framework is historically path dependent. Ever since the two historical proclamations which resulted in government ownership of urban land and public ownership of rural land, government has become not only the sole owner of land but is also the main developer and regulator of the market. This makes the land lease market non-competitive. The city administration as sole supplier of land strongly influences the lease price by hosting infrequent lease tenders and/or supplying only a limited number of land plots per tender. The proclamations have also resulted in separation of the built-up property and the land it is built

on. The separation between the built-up property and the land on which it is affixed creates complications; triggering distortions on valuation for court cases and taxation, land value capture, and land price information. Valuers in the city administration do not consider the land/location value (since land belongs to government) and are restricted to calculating replacement cost of the built-up structure. This has implication on good governance. The owner knows that his property costs more in the open market.

The supply side is also affected by limited finance to provide serviced land for lease transfer. Bahir Dar City Administration transferred only 9.6% of leased land through tender, the rest 90.4% by allotment based on negotiation on the benchmark price in the period between 2018/19-2020/21. The benchmark prices as seen in the data gathered are extremely low and it is difficult to recover the cost the city administration has spent on servicing the land²⁰. In the absence of other land value capture mechanisms, it is difficult to adhere to the principle of cost recovery.

On the other hand, there is high demand. Just taking land provision for housing cooperatives as an indicator, the Bahir Dar city administration has provided land only to 22.3% of about 27,000 individuals organized in housing cooperatives who had requested land six years ago. About 400 investors are waiting for serviced land. The new structure plan proposed a land area of 18,168 hectares of built up area which is 5.3 times more than the built-up area of the 2006-16 proposed integrated Development Plan.

The lease policy is currently being implemented in 290 out of the 296 towns of the region. Implementing the lease system requires institutional capacity for surveying, tender document preparation, tender analysis, keeping records and following up contract enforcement. However, the institutional capacity in terms of competent human resource, organizational set up and working procedures supported by modern information technology is critically low even in the regional capital city Bahir Dar. Currently the two regional level organizations in the Amhara Region for land administrations by the name of Rural Land Administration and Use Bureau and the Urban Land Holding Registration and Information Agency seem not to collaborate. The urban sector land management lacks capacity in terms of manpower, organizational set up, and procedural systems.

It is apparent that there are currently large numbers of transactions taking place in Bahir Dar. Nevertheless, the market is somehow distorted in the sense that it is driven by informality, actions of speculative brokers, lack of appropriate governing institutions, and the lack of a proper organizational set up to govern it. In such a policy and institutional framework neither government nor the public benefit from land resources, nor are land markets able to play their crucial role to boost economic growth of the city. This has resulted in underserved city areas and the use of other budget sources (including foreign loans or development grants). Infrastructure provision by the World Bank funded ULGDP is a typical example.

Demand is not effective demand. Effective demand presupposes the ability to pay. Almost 50 percent of the population belongs in the lower middle income and the poorest of the poor according to the socio-economic and demography study of the new structural plan and cannot afford the high tender winning prices. Land prices are continuously rising. Whether this might lead to bursting of the bubble needs further research.

²⁰ For example, the cost of one kilometre of asphalt road is about 30 million Birr. The city administration covers only about 40 per cent of the budget and consequently there are real estate sites which have been waiting for road and water supply for a long time

The banking system supports real estate development only through collateral based loans or project-based financing based on the original investment proposal. Banks do not accept land as collateral, even though it is possible de jure.

In the current policy and institutional framework, the credibility of the institutions which govern the land market is eroded. Almost all interviewees agree for the presence of formal land market through the lease market as well informal markets. Land is being sold in the different submarkets. The role of institutional entrepreneurs in public offices and their intermediaries is not to be neglected. These institutional entrepreneurs might be able to repeatedly evade or alter formal rules or create new rules of urban land regulations, and disproportionately benefit from and reinforce unplanned urban expansion (*Tellman et al. 2021*).

For the last two decades there is the tendency to move from low density development to medium density development in the city of Bahir Dar by building multi storey business buildings and condos. These developments are done through densification and intensification interventions. However, there is a limit to densification and consequently horizontal expansion of cities is inevitable. This entails expropriation of occupied land and paying compensation. An interviewee at the Federal Ministry mentioned those farmers who sold their land by their own to avoid expropriation have not been found to be better off than those who have been expropriated and then paid compensation. Both have been found equally poor. This implies a dire need for a transformation package which can help those displaced farmers to be gradually incorporated in the urban economy and sustain a better livelihood.

The existence of multiple tenure types (lease, rental, undocumented, partially, documented, illegal, cooperatives, private holdings etc) is not peculiar to peri urban areas of Bahir Dar but also is a norm in the inner city. In a country where the demographic transition from rural to urban proceeds rapidly and is at a very low level of industrialization, such multiplicity of tenure types is inevitable. The problem lies when we fail to appreciate the multiplicity of tenure and fail to develop tenure responsive land use planning and enforcement. Understanding the continuum between informal and formal land tenure is critical to promote inclusive development.

As described in the narratives and as shown in the quantitative data, the different submarkets targeting the different income groups, that are, high-end markets, medium and low-end markets behave and perform differently. Specific measures will need to be devised to address the different requirements of those sectors and it is not a case of one set of measures to be applied across the market.

Key Issues - Supply side

1. **The basic legal and policy framework needs review.** The lack of a holistic national land policy and the legal separation of urban and rural tenure systems creates fundamental problems. Many of the supply side constraints visible in the case study are institutionally path dependent having their roots in the historical proclamations which resulted in government ownership of urban land (Proc. No. 47/1975) and public ownership of rural land (Proc. No. 31/1975). Within the urban domain there is a dual tenure system (permit and lease), preventing the establishment of a single clear land tenure / land administration system with different rules for lease held and permit held land holdings.
2. **Land and building separation in law.** The separation between the built-up property and the land on which it rests leads to distortions in valuation for court cases, foreclosure and taxation. As land is not assigned a realistic value, it has led to issues of good governance

and citizens effectively being denied the equity on property they own. It also adversely affects any possible land value capture mechanisms.

3. **Land management is not working in a positive manner.** The case study findings suggest the credibility of the institutions that govern land are being seriously eroded. In Bahir Dar there are overlaps of urban and rural land holdings within the city administration proper with more than 3,080 farmers occupying land within the boundary of the city. This land, which cannot easily be converted into urban holdings, is resulting in land fragmentation, increasing informal settlement, tenure insecurity and social tension.
3. **The institutional capacity for managing urban land is less developed in Bahir Dar compared to that for managing rural land.** The public organizations for the respective urban and rural land administration and management seem to be at different levels of performance. The rural land administration and use sector is relatively well managed. The capacity in the public organizations for rural land administration is quite apparent with much support from donors and development cooperation. On the other hand, the public organizations for urban land administration and management seem fragmented with overlap of duties and functions among the different land related units, lack of proper information system, less manpower and enjoying less external development cooperation and political support.
4. **Limited supply of urban land.** As the government is the sole owner and the prime developer of urban land this has resulted in monopolistic tendencies with limited supply of serviced land plots and distorted primary and secondary markets including:
 - Private developers are not involved in developing land. This aggravates the uncompetitive nature of the lease market and results in unpredictable markets full of uncertainty.
 - Secondary lease markets are being restrained in development due to the provisions in the lease proclamations.
 - The lease system is unresponsive to the huge residential land demand and for investment (for example, there are more than 400 investors still in the waiting list). Land supply and demand are not matched resulting in soaring property prices for those able to afford the higher prices and excluding the majority of the middle income and low-income population
 - The role of institutional entrepreneurs and their intermediaries affords the possibility for corruption in the way land is allocated
5. **Land revenues are insufficient to support basic infrastructure costs.** In a situation where 80-90% of the supply of new urban land is through allotment (not competitive tender), revenue for infrastructure and affordable housing provision is dwindling, as the benchmark prices are very low and do not cover the infrastructure costs. The long sustained nominal property tax in terms of land rent and house (roof) tax and the absence of other land value capture tools means the financial capacities of cities and towns to provide infrastructure and services is very low.
6. **No effective land market monitoring, limited availability of Information.** There is no single entity charged with responsibility for the timely collating, managing, presenting and publishing land market related data including: transactions, land allocation/ bid data, land prices, loans, nor the monitoring of informal development. It is therefore difficult to obtain a holistic and dynamic view of the land market.

Key Issues - Demand side

7. **Rapidly growing demand.** The case study shows that in Bahir Dar, land has become a hot issue with active and emerging land markets in both the urban and rural areas. The enhanced efforts made to register and secure land rights in rural as well as urban areas seem to have unleashed very active land markets. However, the informal land markets are still dominant. In such markets neither the government nor the people are benefitting. Land prices are soaring. Institutional entrepreneurs and their speculative brokers, illegal land sub dividers, and speculative real estate developers are taking the advantage.
8. **Residential land applicants cannot support the compensation payments** payable to farmers holding land within the planning boundary of the city. In Bahir Dar, more than 27,000 residential land applicants organized in housing cooperative groups have been waiting for about six years to gain land. They are required to deposit 30% of the house cost and contribute an additional 30,000 to 78,000 Birr per head to pay compensation for the farmers who previously occupied the land.
9. **Lack of access to finance.** The majority of the population in the medium to low-end markets have low incomes and lack savings and have no access to financial instruments. Some observers consider the absence of loan finance reduces effective demand. Additional financial instruments are needed.
10. **Ever increasing and unaffordable land prices.** The unaffordable high lease price excludes the majority of the population who seek land for residential use as well as investment land which requires larger areas of land, for example high class or standard hotels and other investments
11. **Householders are deterred by tenure insecurity.** The lack of tenure responsive rights (such as perceived tenure, anti-eviction, occupancy etc.) means those outside the lease system feel insecure. This demotivates effective and efficient land related investment. Lack of tenure security and ambiguously defined rights also discourages banks to use land as collateral. The perceived lack of tenure security has led to inefficient utilization of land and expansion of informal land markets.
12. **High population growth.** In Bahir Dar the population is growing quickly and there are a large number of young people aspiring to set up new family homes who are currently in the housing waiting list over a period of six years increasing the huge unmet backlog demand for residential use
13. **The informal sector is increasing.** Unfair compensation and absence of alternative means of livelihood has exposed holders of rural land in the peri-urban areas to crisis sale (in order to avoid expropriation). Urban expansion is being considered as a threat rather than an opportunity. The net result is an increase in the number of informal plots.
14. **Urban expansion is increasing.** Ever increasing urban expansions/spatial growth demands more infrastructure development cost. The use of funds such as ULGDP in expanding cobblestone roads has helped to partially meet the demand, but it is still not enough.
15. **Lack of professionalism and lack of transparency of information in the private real estate sector.** There are limited trained professionals and a lack of professional standards in the real estate sector covering real estate brokers, valuers and their professionals. There is limited information available about sales, price, or even availability of land resulting in speculative and unstable transactions
16. **Sub optimal use of land in the part of users also contributes to inefficiency in use of land resources.** Most of the large tracts of land given in the name of investment are

not utilized, they are being rented out by the lessee rather than realizing the investment and they are often utilized for other uses not specified in the contract.

17. **Slow process of legalization** increases the demand for formal land acquisition. Bahir Dar City Administration has certified with formal holding certificates only 3.4% of the 17,740 undocumented holdings in the years 2018/19 and 2020/21.

In general, the rapidly growing demand is not met by a commensurate supply of land at an affordable price. This has resulted in soaring land prices specifically in the high-end land lease markets. The major portions of medium and low-end markets are driven to quasi-markets and informal markets.