

# Assessing Urban Land Lease Policy Implementation in Ethiopia: The Case of Ambo Town

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**Abstract :** *The main goals of urban land lease proclamation No.721/2011 in the country were to provide adequate serviced land to improve the economic efficiency of urban lands and to improve the quality of life for residents. This study conducted on an assessment of urban land lease holding proclamation implementation challenges in Ambo town. For the success of this descriptive and explanatory types of study were utilized. The data collected analyzed using both qualitative and quantitative approaches. Primary data collected through interviews and questionnaires. Secondary data collected by reviewing administrative documented materials. Data was organized and presented using different statistical tools like tables, frequency, percentage and figures to facilitate the interpretation of the results of analyzed data. The results revealed as challenges urban land lease proclamation were inaccessibility of information about the application of lease proclamation, lack of clarity on the requirements and process of land allocation, unaffordable land price to the citizen, proliferation of squatter settlements; Institutional and organizational capacity limitation and lack of good social awareness. The implementation of the lease policy can lead to the desired results only if the main challenges are removed so that the Strengthen means of information dissemination, give prime emphasis to maximize land supply, institutional and organizational capacity should improve, and continues awareness creation program should conducted.*

**Keyword:** Urban, Urban land Lease, Proclamation,

## “1. Introduction”

In developing countries, the urbanization rate is very high. The physical size increment of the urban areas implies an increase in the demand for land plots from all income groups at scale and rapidly. But most developing countries are ill-prepared for a

dramatic expansion of their settlements and the subsequent demand for land since most do not possess the legislation policies, procedures, institutions, trained personnel, or financial resources to ensure that land will be supplied for settlement at the pace and scale required (Sridhar ,2011).

Public leasehold system couldn't have persisted without a judicial system or professional appraisers to ease land-leasing conflicts. Competent administrations, staffed by highly trained real estate professionals in key positions will greatly increase the chance that public policy objectives will be achieved. Hong and Bourassa, (2003) explain that land leasing requires a considerable level of integrity and a high degree of coordination, in the procedural steps and process to avoid cumbersome processes. These problems may be evident when the delegated organizations/departamental processes are not clearly known or not working well, it may result into excluding the low-income group from access to land.

In Ethiopia Lease conditions will require continued maintenance and rigorous enforcement carried out by supporting institutions such as land registry to record and secure public land rights, working and effective cadastre, working the lending system to finance purchases of leasehold property, well designed judicial system and professional valuation group to accurately appraise leasehold and freehold properties. The effectiveness of these organizations will determine the extent to which a government can accomplish its policy objectives by leasing public land (Abay,, 2005).

Regarding land lease implementation,(Abay, ,2005 & Haimanot ,2009) states the challenges that hindering the implementation of anticipated goals of public land policy in Ethiopia were attitudinal, legal, institutional capacity and Socio-economic constraints are the main challenges in Addis Ababa and Bahir Dar .

In Ethiopia despite the strong political will and wide range legal and institutional reforms to make public leasehold a viable option to freehold, the basic bottlenecks of implementation, are still not broken out. Due to this problem, most Ethiopian urban centers are incompetent and unable in providing basic social and physical infrastructure to its residents.

The previous lease proclamations implementations were confined only to Addis Ababa and few big cities of the country. However, after the declaration of No. 721/2011 proclamation, in most cities and towns of Ethiopia the transaction of urban land is only through lease delivery system. So that, to facilitate urban development by providing land for the various development program, it is mandatory to assess land lease proclamation implementation challenges and thereby to tackle those challenges. Therefore, this research conducted on assessing the challenges that hindering the implementation of urban land lease holding proclamation in Oromia National Regional State Ambo Town.

## ” 2. Conceptual definition of land lease “

Public land lease is one of land tenure arrangements. Property in land is a bundle of rights. Each element of the bundle can be assigned to and controlled by different parties. Using this logic (Bourassa & Hong, 2003) defined public land leasehold as a system that allows government (as the representative of the public) and private parties to negotiate the delineation and assignment of multiple land rights through contractual arrangements.

A government as the owner of public land can retain the title of land and lease the right to use, develop, transfer, inherit and benefit from land to private entities. These private lessees can enjoy the assigned land rights only for a specified time and as stipulated in their land contracts. For comparison purposes, perpetual leasehold that imposes no restriction on the transfer or use of land and requires a lessee to pay only an up-front payment for leasing land at its fair market value would be very similar to fee simple because the lessee possesses almost all elements of the bundle except the title of land. In this case, the government would not resume land ownership without fair reparation, just as fee title would not be taken away from private property owners without just compensation. Conversely, if a government holds all land rights except for temporary use rights assigned to private parties, such a leasehold system would more closely resemble absolute public land ownership (Peterson 2006).

Public leasehold enables governments to recapture land value increments by collecting annual land rents and other lease payments from lessees (Farvacque & McAuslan, 1992). Some, including other policy objectives, such as stabilizing land prices, controlling land uses, and facilitating land redevelopment, could also be achieved through public land leasing (Hong, 1996). According to Hong although, the overstating the usefulness of a public leasehold system may raise public expectations to an unrealistic level. When the system fails to deliver the promises, it will lead to major disappointments and open the door for challenges.

## “3. Methodology”

This study has used a combination of exploratory and descriptive research designs to investigate the implementation of urban land lease challenges in the study area. Both qualitative and quantitative data from primary and secondary sources were also used to get quality and appropriate information using questionnaire and interview. 87 sample lease applicants were selected from the resident using systematic sampling method. More ever, purposive sampling was used to select a head office, four process owners and six officials from thirteen officials of Land Development and Management Office of the town, one kebele leaders, one mayor and one town manager. Totally 103 respondents were selected in order to collect relevant information. Both primary and secondary data was organized and presented/displayed through different statistical tools like tables, frequency, percentage and figure to facilitate the interpretation of the results of analyzed data.

## “4. Findings and Discussions”

### 4.1 Demographic Information of the Respondents

**Table-1: Demographic Information of the Respondents**

Sex	Frequency	Percentage
Male	61	71
Female	26	29
Total	87	100
Age	Frequency	Percentage
25-30	32	37
31-40	48	55
41-50	5	6
>50	2	2

**Source:** own Survey (March 2016)

The data indicated in table 1 above 71% of first round bid applicants (the respondents) were male and 29 % were female. Therefore, 71% or most of the demands of land were male in first round bid.

In addition, this table shows the age of the respondents of this study. The age of 37 % of the respondents were bounded between 25-30 years old, 55% of the respondents' age were bounded between 31-40, 6% of the respondents age were bounded between 41-50 and 2% of the respondents' age were >50. Standing from the projection we can conclude as most demand of land for residential was from adults and youth social groups.

#### 4.2. Challenges of the Implementation of Lease Proclamation

In this case, Challenges are the constraints that hindering the implementation of new land lease proclamation in Ambo town. These Challenges includes: inaccessibility of information, unaffordable land price to the citizen and proliferation of squatter settlements were identified as main bottlenecks addition to this institutional, organizational capacity limitations and lack of social awareness about new lease proclamation are challenges in the study area.

##### A. Inaccessibility of Information about the Application of Lease Proclamation

Land lease seeks to enable all sections of society to obtain access to land in fair and transparent way under conditions of increasing competition. However, most towns and cities in Ethiopia are still, struggling with a number of challenges. Among these challenges, inaccessibility of information is the major one. The inaccessibility of information about the application of newly adopted lease proclamation was presented in table 2 below.

**Table-2: Accessibility of Information about the Application of Lease proclamation**

Does the information about the application of land lease is accessible to all?	Items	Frequency	Percentage
	Yes	9	10
	No	78	90
	Total	87	100

**Source:** Field Survey (March 2016)

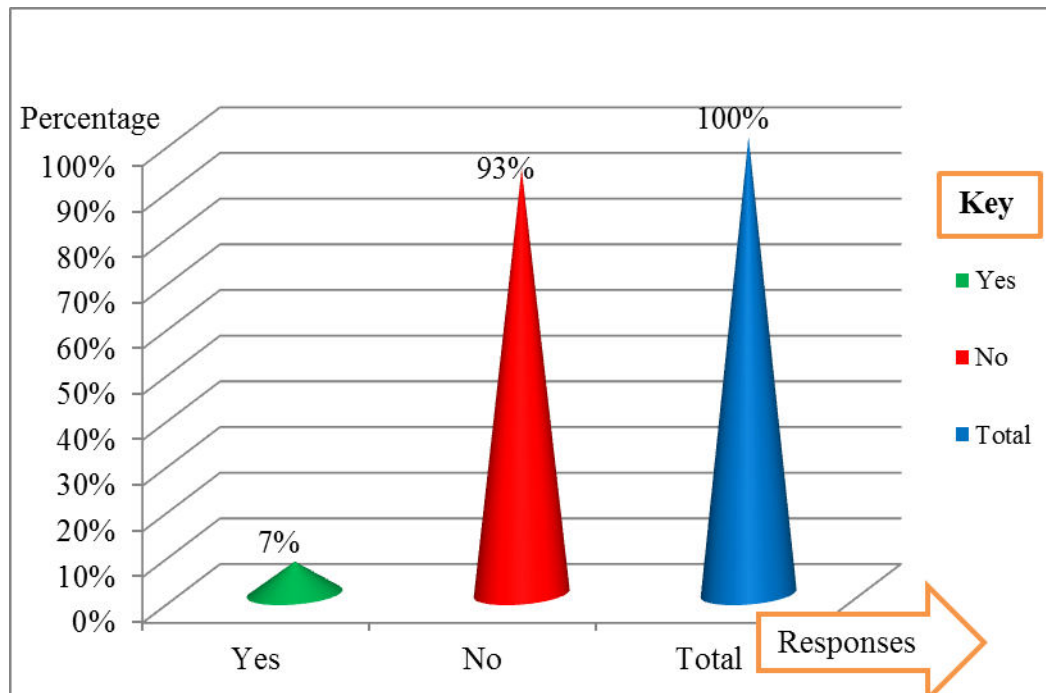
This table shows that only 10% of the respondents believe that the information about the application of new land lease proclamation was accessible to all society, while most of the lease applicants or 90 % of the respondents believe that the information about the application of new land lease proclamation was inaccessible to the society. In addition, as the information obtained through open-ended questions and from the interview of kebele leaders, the information about the application of new lease proclamation was inaccessible to the society of the town. The results of projection and the expression of the respondents show as the information about the application of new land lease proclamation was not accessible to the society.

##### B. Unaffordable land price to the citizen

During the first round land transaction through lease system in Ambo town, the modality of a land transaction was only tender/ auction. To get the required plot of land/parcel there were two types of costs paid. The initial cost was the cost that paid to fulfill the criteria of auction. All bid applicants paid this cost. Each applicant pays 150 birr to register and participate on auction. This type of cost is known as service fee. The second payment is the cost/price paid to own the parcel. Only those who are the highest bid offer or the winner of the auction paid this cost. This was the price of parcel per m<sup>2</sup>.

The price of land per m<sup>2</sup> was fixed at Regional level as stated on Urban Land Lease Holding Decree No.155/2013 of Oromia National Regional State declaration. As it stated on this proclamation the initial price of land per m<sup>2</sup> was fixed with respect to the level of the towns and the land grade of the land within the town. For example, the price of first-grade land per m<sup>2</sup> in second level town was 307.79 birr. Therefore, Ambo town is the second level among Oromia National Regional State towns. Also, the parcels that prepared for first round bid were first grade land in the town. Land per m<sup>2</sup> was sold by lower price 522.54 birr and 1341.54 birr highest price. In short, most of the respondents were responded as the land price was not affordable for majority of the citizen. The rate of the affordability of land price was presented in figure 1 below.

Figure -1: affordable land prices to the citizen



Source: Field Survey (March 2016)

As the data projected on figure 1 above shows only 7% of the respondents were respond as the price of land per m<sup>2</sup> was affordable, whereas most of the respondents or 93% of the applicants were respond as the land price was not affordable for the majority of the citizen. Because, as the view of the respondents obtained from open-ended questionnaire most of the dwellers of the town are low-income groups. Due to this reason they could not pay service fee and price of land to own the required parcel of land.

### C. Proliferation of Squatter Settlements

An illegal settlement is one among the challenges of land development and management. The existences of squatter settlements were other causes of low performances of land lease proclamation. On the other hand, the one of the objective of land lease was eradicating such activities. As the information obtained from all interviewees, there were 821 illegal units of houses in Ambo town administration. These squatter settlements were prevailed at the town fringes and at the back of kebele rental houses as the responses of the interviewees.

As the result of the study shows, in Ambo town the existences of these illegal settlements have multi direction challenges. On one hand providing land to lease by demolishing all the illegal settlement is

economically and socially disastrous. On the other hand, regularizing all without any penalty and disregarding the structural and local developmental plan will encourage similar actions and damages the public interests. So that, the land development and management agency was standing between these two dilemmas of squatter settlements. Therefore, the prevalence of squatter settlements was causing land supply constraints in the town.

### D. Institutional Capacity

According to (Hong and Bourassa, 2003), the effectiveness of the organization measured by the extent to which a government can accomplish its policy objectives by leasing public land. No public leasehold system could have persisted without a judicial system to ease land-leasing conflicts. Land leasing requires a considerable level of integrity and a high degree of coordination, in the procedural steps and process to avoid cumbersome processes.

#### 1. Proclamation No.721/2011

This proclamation or legal framework distributed to regions to govern urban land through lease system. However, as the responses of the officials, process owners, head office, Mayor and Kebele leaders, most of the society has no common awareness on this framework. In addition, the copy of this proclamation was not available at kebele

level structure. In this study, the centralized power of fixing lease benchmark price and the authority of deciding on transaction of land through allotment; the modality of converting old possessions into leasehold shall be determined by the Council of Ministers on the basis of a detailed study to be submitted by the Ministry that stated on article 6 (1) of proclamation No.721/2011 which made the townland development and management powerless to enforce lease proclamation implementation.

## 2. Decree No.155/2013

In order to realize the objectives of lease proclamation No.721/2011, Oromia National Regional State translated into regional policy goals and declared by Decree No.155/2013. on this decree, the authority of fixing lease benchmark price and the decision of transferring land through allotment not given for the towns. As stated on article 26 (5) of Decree No. 155/2013, for the towns those have not the House Development Program, land can provided through allotment. However, it says the list of how to implement will be provided on the next directive. Also As it stated on article 33 (8) of Decree No.155/2013 the lease benchmark price was once announced as declaration and distributed to all towns administered under lease system. However, Sub-article 3 of article 13 of proclamation No.721/2011 says the benchmark lease price shall be updated at least every two years to reflect market condition. In short, this decree was direct copied from the proclamation No 721/2011. This proclamation not modified to cop-up with the respective of the region.

## 3. Directive No. 9/2013

In order to enforce the proclamation and the translated decree, the Oromia National regional state has declared the directive No.9/2013. The directive is clear as the responses of officials, process owners, head office and Mayor of the town. But the copy of this directive was not available at the kebele level structures. Generally, these above mentioned were raised as the gaps of legal frameworks that hinder the implementation of lease proclamation as intended in Ambo town.

## E. Organizational Capacity

### 1. Man power

Workforce/ skilled labor forces are decisive to coordinate, plan, implement, organize and report the performed actual. As the information obtained from interview and review of documented materials out of 29 proposed official at office level and 12 officials at kebele level structure, Ambo town Land Development & Management Agency has 10 employees at office level and 3 coordinators at kebele levels, totally the Agency has 13 employees out of 41 proposed employees.

In terms of qualification and skill, most of the proposed man powers were first degree and diploma and above at kebele level. Now the existed employees were 8 diploma and 5 first degrees. The skill/ profession proposed were Urban Planning, Urban Economics, Land Administration, Economist, Lawyer, and Architecture, Civil engineering, Surveyor, GIS professional, Applied Geography and other related. However, among the present office and kebele officials 6 diploma surveyors, 2 first degrees Applied Geography and 1 Economics professional were assigned. The rest assigned unprofessionally.

**Table -6: proposed and Existed Man Power**

N	Qualification	Proposed	Actual	Skills/Profession needed
1	Diploma	14	5	Urban Planning, Urban Economics, Land Administration, Economist, Lawyer, Architecture, Civil engineering, Surveyor's, GIS professional, Applied Geography
2	Degree	15	8	
3	MA/MSc	12	-	
	Total	41	13	

**Source:** Ambo town Land Development & Management Agency (March 2016).

As table 6 above shows there were only 31 % of the employees were in the office of the Agency and serving the society.

In terms of experience and commitment as information obtained from the interview of the process owners and the Agency head office, most of the employees came from the municipality who

has the experience of transferring land through the old system that was open for corruption and has complex bureaucracy. These officials push themselves and the others to exercise through in the old system. Also, some of the employees were not experienced with government office services. Few of the officials were not committed; because they have the experiences of rent seeking in old system



and the rest few were aware and committed. These situations indicate as there is a manpower constraint to implement land lease proclamation in Ambo town.

## 2. Technological Aspects

Technological aspects were another input to strengthen the institutional and organizational capacity of any organization. Also one organization to perform its duties it requires equipment, machinery, and other technologies. Therefore, the technological aspects of Ambo town Land Development and Management were assessed. As the responses of the interviewed officials, process owners, and head office, the Agency has no the technologies like differential GPS, Total Station, Thedeolite, even different type of meters and the others that helps them to perform their duties. Additionally as this Agency was a recent established organization out of the municipality. Due to this, it requires support from municipality. But the municipality of the town is not supporting technically and technologically as the responses of the interviewees. Therefore, the Agency was encountered a lack of technological supports.

## 3. Financial Aspects

As the information obtained from all interviewees land development and allocation requires the provision of infrastructure, high compensation, clearing the site and others. They responded that, it requires 250-300 birr to prepare and allocate one parcel of land. Therefore, Provision of infrastructure, compensation, clearing the site, also to fulfill the above-mentioned technological deficiencies and other activities of the Agency it

requires high financial support.

In terms of revenue collection as the information obtained from documented materials and from the interview, the initial price of land per m<sup>2</sup> was 222.4 birr. Land per m<sup>2</sup> were sold by lower price 381.05 and 1200 birr highest price. Finally, the Agency was collected 43,500 birr from the selling of auction document, 290,503 birr were the initial 10% calculated payment and the rest 2,841,623 birr were calculated lease payment that will pay for 60 years. Totally, the Agency was collected 3,175,626 birr from first round land traction/from bid one. This was high revenue from land transfer as the expression of the interviewees. Because, land transaction scanted since 2010 to 2013 as they express during the interview. This sanction on urban land transfer was announced by circulation to all towns and cities of the Oromia national regional state in 2010. This was done to pave the way for the application of lease system by recording all tenure in the town. Also it was the transitional period from freehold to leasehold in most Oromia towns.

Therefore, the town was not getting revenue from land transaction since 2010 up to 2013. This means the revenue obtained from land transaction starts from 0 (zero) and reaches to 3,175,626 birr in 2014. This indicates that among the land lease policy objectives how lease proclamation No.721 was achieved/met the objective of raising government revenue. However, the Agency has no the authority to mobilize the collected revenue by its decision. This implies the existence of budget mobilization problem in the town was affecting the implementation of land lease proclamation objectives.

## E. Awareness of lease applicant on new land lease proclamation

The rates of social awareness on lease proclamation No. 721/2011 presented in table 7 below.

**Table -7: Awareness of the respondents on new adopted land lease proclamation**

Are you aware of new adopted land lease proclamation?	Items	Frequency	Percentage
	Yes	32	37.6
	No	53	62.4
	Total	85	100

**Source:** Field Survey (March 2016)

As table 7 above shows, only 37.6% of the lease applicants were aware how new land lease proclamation No. 721/2011 applied. Among these applicants, most of them were the government employees who have the opportunity access to the information how lease proclamation is applied. In addition, some of these applicants were expressed their point of view as they aware how lease proclamation is applied during the bid was taken

place. Whereas, most of the respondents or 62.4% of the lease applicants did not aware how to apply ,new land lease proclamation. As this number and expression indicate even all the society, most of the applicants were participate on auction without the knowledge of the proclamation. In short, these indicate the basic awareness and consensus is not yet created on the benefits of leasehold system.

## “5. Conclusions and Recommendations”

### 5.1. Conclusions

To facilitate urban development by providing land for development, it is mandatory to assess and identify the challenges that hinder the implementation of urban land lease holding proclamation as it intended. Therefore, the assessed results/challenges summarized as follows.

The results of this study identified the main factors that affecting the implementation of new urban land lease proclamation No.721/2011 are inaccessibility of information about the application of lease proclamation, unaffordable land price to the citizen and proliferation of squatter settlements. Institutional and Organizational Capacity limitation of the land development and management agency was the biggest constraint to implement leasehold in the town. The proclamation, decree and directives have legal gap and controversy of power decentralization to the towns.

There were no enough qualified experts in the agency. Most of the experts were inexperienced uncommitted and incompetent. The Agency has not enough updated technologies. In addition to this in order to procure these technologies and recruit well enough skilled labor, and to provide infrastructure and pay compensation, the Agency has not enough budgets. Therefore, the accumulations of all these limitations were hindering the implementation of the proclamation.

Because of land lease system is at its infant stage, still awareness is not created on the merits and demerits of lease system. The basic consensus has not yet created on the benefits of leasehold to promote private interest with use right security and land market, reserving and reclaiming land for public use and higher development and redevelopment, generating revenue for infrastructure provision and others. The unaffordable price of land created social dissatisfaction and poor attitude towards land lease system. The attitude of the permit holders is still one of the main reluctance.

### 5.2 Recommendation

Land Development and Management Agency, Municipality and the town administration should give prime emphasis to maximize land supply and organizational capacity building and thereby to tackle the problem of information inaccessibility and lack of clarity on requirements. Also to provide affordable land price to all, it is good if lease

benchmark price will be fixed at town level. Moreover, increasing the financial capacity of the Agency through allowing all the revenue collected from land transaction for land preparation, the Agency can provide enough parcels for auction and allotment.

Closing institutional capacity gaps or legal framework: The power and authority of fixing lease benchmark price which stated on article 13 (1) and the decisions of land transaction through allotment which stated on article 11 (1) to allocate for the dwellers have not residential house should be decentralized to town administrations. As it stated on article 33 (8) of Decree No.155/2013 the lease benchmark price was once announced as declaration and distributed to all towns administered under lease system. But Sub-article 3 of article 13 of proclamation No.721/2011 says the benchmark lease price shall be updated at least every two years to reflect market condition. Therefore, it should be determined based on the objective conditions of each urban center in accordance with infrastructure provision, by considering the peculiar nature of land and the socio-economic background of the society. There should be long term and short term training to build the capacity of the employees of the Agency. An awareness creation program should be conducted.

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