A study on the impact of the current land lease law on business and investment expansion

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ACRONYMS

AABOFED – Addis Ababa Bureau of Finance and Economic Development
AACCSA – Addis Ababa Chamber of Commerce & Sectoral Associations
ANRS – Amhara National Regional State
BA – Business Advocacy
BMP – Benchmark Land Price
BDS - Business Development Services
CSR - Corporate Social Responsibility
EiABC- Ethiopian Institute of Architecture Building Construction and City Development
EU-CSF-European Union-Civil Society Fund
FDRE – Federal Democratic Republic of Ethiopia
GDP – Gross Domestic Product
GTP – Growth and Transformation Plan
MSE – Micro and Small Scale Enterprise
P.L.C. – Private Limited Company
PPCF - Public Private Consultative Forum
SNNP – Southern Nations Nationalities People
UN – United Nations
USD – United States Dollar
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DECLARATIONS

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EXECUTIVE SUMMARY

The study on impact of the current land lease law on business and investment expansion in Addis Ababa city Administration had been carried out with the objective to critically investigate the land lease law enacted in 2011 and its related directives issued to guide the implementation of the land lease policy and its impact on business and investment expansion. The study also aims to establish facts whether the realization of the law had achieved the intended purposes. In view of that, the impact of the latest functional urban land lease law on business sector development and investment expansion has critically been assessed. In doing so, background review has been conducted with different land lease policies and laws promulgated in the country since the endorsement of free market economic system in the country.

The urban land lease law had officially been in effect in Ethiopia since 1990s with different aims. In 1993, the government enacted the first and new leasehold proclamation that has been amended in 2002 and then in 2011. Nonetheless, the focus of this study, the new Urban Lands Lease Holding Proclamation No. 721/2011 aimed at enhancing development and enabling citizens benefit as much as their contribution to the development. Since these land lease policies have come to existence, different problems have so far been occurred especially during the implementation process. As a consequence, the City has been facing difficulties to attract private investment and this study has therefore been commissioned by AACCAS in response to the need to investigate the major impediments the business community facing in relation to access to land through lease.

AACCAS has been in the forefront in helping businesses grow and prosper through the provision of Business Development Services (BDSs), Business advocacy, Corporate Social Responsibility (CSR), and engage in arbitration in times of dispute among the business community. AACCAS, to punch its objectives decided to conduct a study on the impact of the Current Land Lease law on Business and Investment expansion of Addis Ababa.

The methodology of the impact assessment starts by identifying problems; reviewing the enacted different land related proclamations as well as land lease polices and directives. Review of relevant studies undertaken previously on urban land lease law impact on investment expansion and business sector development; review of annual performance reports of Addis Ababa city administration and review of relevant proclamations of the Federal and Addis Ababa City government has been made. Gathering primary data from private sector organizations (business firms and individuals) and relevant stakeholders through appropriate means has also been conducted. Sample survey was conducted on 70 non-MSE and 34 MSE business operators in the City via using purposive sampling techniques.

The review of literature conducted has commenced by discussing theoretical analysis of land and business sector development. It then assessed provisions and practices of urban land lease laws so far realized in the country via also appraising their interpretation across different regions of the country. Issues regarding land governance, land information system and business sector development under developmental state arena were also been briefly discussed to the possible extent. Four country cases (Pakistan, Kenya, South Africa and the Netherlands) that adopt and practice land lease policy were also discoursed to better understand the similarities and differences with the Ethiopian case and draw lessons which can possibly be considered to improve
the gaps observed in the Country’s urban land lease law and its implementations. In view of that the conclusions drawn and lessons learnt from the literature analysis include:

- Various countries pursue different urban land modalities (no single modality is being followed by the considered countries);
- All of the considered countries not only undertaken decisions on urban land lease policy as the alternative land tenure system but also consider the degree to what extent the lessee can enjoy all the rights of the leased land;
- Lessees are free to sell or transfer their land rights to other parties and use their leasehold land as collateral to obtain mortgage loans;
- Though the countries have different land lease duration, price rating is decided by the government, financial institutions and professional experts and not solely by tender as in the Ethiopian case; and
- Effective implementation of the urban land lease policy requires an enabling environment and consistent effort to enforce legal provisions.

The findings of the study apparently witness that access to land has been a serious challenge for the business community in the City. This is in fact supported by various triangulating figures and facts obtained from different sources (mainly the sample survey) with the key findings jotted down here under.

- Only one fifth of the sampled non-MSE businesses were found to operate on formally acquired leased plots while the majority undertake their operation on rented premises from tenants. Significant size of business operators in the City believe on security of land rights for sustainable business development.
- Although attempt to acquire land through lease is found to be common among the business community, high land lease cost has been identified as the major reason behind failure for acquiring leased plots. As per the respondents of the sample survey, expensiveness of land is further worsened by the escalating land price from time to time making land unaffordable in the City. While several causes have been raised by the respondents for expensiveness and the escalating price pattern, the major ones include limited supply of land that doesn’t match the rising demand, unfair government policy in land allocation priority setting (gives more priority to those financially powerful, the diaspora and foreigners), deep corruption in land sector, low financial capacity of the business community, the speculative role of illegal brokers and rent seekers, inordinate competition based on poor information and awareness as well as lack of clear strategy to regulate the rising prices. It is observable that the high lease price has kept away potential investors from involving in the City’s economic development. The city government has only considered the problem on the provision of land for tender in response to the escalating demand.
- High land cost obviously erodes competitiveness as it consumes sizable portion of a given investment which otherwise would have been invested for various business development and expansion activities. This has been well noticed and felt by the sampled business community as about 83% of the entire respondents agreed on the effect of high lease price in deterring competitiveness.
- The sampled business community have identified various constraints for business expansion which encompass lack of access to finance, land, inputs, managerial and
technical knowhow and others. The leading one (~30%), as the sample survey revealed, has spotted access to working premise as their major constraint. Those who raised the problem of working premise in combination with other challenges (such as finance, inputs, etc) have made up a total of 74% of the entire response. Difficulty for access to land is manifested in terms of delays, different malpractices (corruption, favoritism), poor data management and the like. As per the conducted survey, about 63% of the entire respondents gauge the responsiveness of land provision and administration as slow/very poor with only 4% regard as ‘quick’ in response. Findings of the study also revealed that the City Administration has weak land information, registration, management and information dissemination system.

- According to Proclamation no 721/2011, urban land shall be permitted to be held by leasehold through modality of tender or allotment (Article 7, sub article 2). Following this, Addis Ababa City Administration Land Bank and Transfer Office has so far leased about 101 hectares of land through 18 rounds of tender for various purposes including residential, mixed use, service and manufacturing functions since 2011. In addition, about 259 hectares of land has been transferred for selected sectors (97% for manufacturing industry) through allotment. The findings indicate that the supply of land highly shortfalls its demand level in both tender and allotment based leasehold modalities. This has unequivocally created a fertile ground for expensiveness and an ever increasing land price witnessed across time since the enforcement of the new land lease law, making doing business uneasy.

- Evaluation undertaken on the criteria of Regulation no.15/2012, which is enacted to guide land allocation through allotment for projects having special national significance, depicts that most of the criteria’s developed and particularly the capital requirement (which requires capital exceeding Birr 500 million), would automatically exclude the majority of businesses and investors from accessing land through lease using this alternative.

- The discussion held with experts and officials of Commercial Bank of Ethiopia indicated that they have been facing a problem in relation to collateralized lease land. This is as a result of the current land lease law which makes locational value zero, forcing banks to implicitly consider locational value of an offered land for collateral.

- The finding of this study has shown us a wide gap between what the laws promised and what they actually delivered in many instances. A case in point, one of the reasons of urban land lease policy is to finance infrastructure and service provisions. One of the tasks of the Land Administration Agency of the city government is providing serviced land in an efficient way for the business community. This study however has found out that the Agency could not realize the aforementioned tasks due to weak coordination, institutional capacity, high demand for cost of infrastructure (serviced land) development and more importantly insignificant role of the private sector involvement on land development. For these reasons satisfying the demand for serviced land has so far been scanty.

- As to MSEs, the leading challenges they are currently facing is lack of access to working/selling premise with affordable price. This would make their cost of doing business expensive, ultimately compromising their survival. This challenge seems to persist considering the supply side constraint from the government side, expensiveness of land price which does not match their capacity to own and build and the ever increasing cost of rent and inputs for doing business. In fact, all of the organized MSEs cannot demand land.
For instance, most of those organized under construction sector are engaged in cobblestone production and road constructions, which does not require shades or buildings. Besides, the City Administration may have limited capacity, inefficiency or any other internal challenges to satisfy the entire demand of MSEs. In either case, MSEs should get access to working and selling premise through the different support packages.

- As this study finds out, access to land through lease to MSEs is only for the graduated ones (from micro to small and from small to medium) which is delivered on non-tender basis. They will be granted through allocation with benchmark land price which highly favors the beneficiaries. This practice however is very much limited at the moment compared to the tender based land transferring to non-MSE business actors in the City.

- As can be interpreted from the conducted sample survey, the leading challenge MSEs currently facing is access to working/selling premise with affordable fee. This would make their cost of doing business expensive ultimately compromising their survival. This challenge seem to persist considering the supply side constraint from the government side, expensiveness of land price which does not match their capacity to own and build and the ever increasing cost of rent and inputs for doing business. The aforementioned factors have an ultimate outcome of weakening MSEs and apparently the vicious circle goes on unless intervened in a timely and different/strategic way. The study founds out and acknowledged that, encouraging efforts has so far been made by the City Administration to ameliorate working and selling area related problems faced by MSEs. Nevertheless, the demand has still been very huge as evidenced by information availed from the concerned MSE development office.

To point out some achievements of the current land lease law, the City Administration has so far transferred nearly 500 hectares of land through lease using allocation and tender modalities since the enactment of the new land lease law in 2011. Ability of the City administration to generate significant income from lease, contribution of the lease system to the transformation of the City images, control over land administration practices and the possibility of reclaiming leased land from lessees for various priority issues could be considered as few of the major achievements of the lease system.

As a conclusion, land is a key natural resource that requires proper consideration in urban development. The misuse of land does not only waste a scarce resource but also affects other sectors of development. The proper utilization of land requires the recording of rights over land and conditions of use and facilitating the smooth transfer, on a market principle or otherwise, to other users. In sum, various factors could determine the success of business enterprises and investment expansion. One of these factors, with no doubt, is access of land. It is, therefore, pursuing the right policy of land allocation which can facilitate businesses to grow and prosper is indispensable in the City. In view of that and based on the findings of the study, the following major recommendations are made in the subsequent manner.

- Improve onerous provisions of the current lease law.
  - Provisions which entail amendments include consideration of land value as zero, restrictive conditions to use land for collateral pledge, limiting lease right possession and transferring provisions, saddling interest levied on the remaining annual lease payment associated with short payment period and grim consequences/penalties in case of failure, short
construction start-up and completion period, viewing ability to pay as a sole determining criteria to access leased land through tender and unattainable criteria for land allocation through allotment.

- Create better access to land for the business community through innovative ways
  - Strategies may include: reclaiming land, land co-ownership, densification (vertical expansion), tuning land use regulation, land pooling, land readjustment/consolidation, bonus gross floor area awarding, increase formal land supply and encouraging/strengthening public private partnership in land development.

- Channelize lease generated revenue for its intended purpose.

- Strengthen institutional capacity of land administration and leasing offices along with attaining good governance.
  - Improve land governance, building capacity (through training, improved benefit package, fulfilled materials, re-engineered system, etc)

- Discourage speculation and other unethical malpractices
  - Fight the wide spread unethical practices both from the government and non-government side (corruption, favoritism, partiality, delayed response, unnecessary autocratic red tapes, abuse of power, rent seeking behavior, speculation, illegal brokering, etc). This could be attained through proper and transparent land administration and management system, strong carrot and stick principle posed, massive awareness creation to make behavioral change, effective law enforcement practices, and the like.

- Build confidence of the private sector for better participation in nation building process.
  - Improve efficiency and equity of land allocation, breaking land related malpractices, removing hindering regulatory and institutional barriers, encouraging public private partnership developments as well as engaging the private sector in urban renewal projects directly.

- Emplace strong land information administration and management system.
  - Develop and strengthen land titling and registration and cadastral mapping efforts of the City Administration.

- Realize specific strategies to enable MSEs having access to land and working/selling premise.
  - Fight malpractices in premise allocation; saving, capital, subsidy, function or other alternative (but innovative) based land arrangement for small businesses.

- Consider location specific criteria while preparing leased plots.
Factors such as distance from the center/central business district (CBD), accessibility to basic services, optimality in size of the land as well as length of lease period need to be considered while preparing leased plots.

- Introduce proper incentive mechanisms for developing leased plots.
  - Design incentives in areas such as access to loan, allowing bare land for collateral pledge, land use flexibility and the like.
CHAPTER ONE: BACKGROUND OF THE STUDY

1.1. Introduction

The vibrant economic development has undoubtedly paved way to fast urbanization process of Ethiopia. Current reports indicate that the Country has become among those with the fastest rate of urbanization. Of course, when it comes to past trend of urbanization, Ethiopia remained among the least urbanized countries in Africa. According to the 2011 UN report on the level of world urbanization, the world average was 52.1%, with 39.6% in Africa and 17% in Ethiopia. As to the rate of urban development (rate of urban population growth), the same report depicted that the world average was 1.97%, with 3.23% for Africa and 3.57% for the Ethiopian case, which is one of the highest rates in the world. As per the National Urban Systems Study (2015), the urban population of Ethiopia will increase by some 31 million and the total population by 43 million between 2015 and 2035. This means that the urban population growth accounts for nearly 75% of the total population increment during the considered period.

On the other hand, the International Monetary Fund (IMF) ranks Ethiopia as among the five fastest growing economies in the world. The Ministry of Finance and Economic Development (2016) announced that the Ethiopian economy continued to register rapid growth during the fifth year of Growth and Transformation Plan (GTP 2) period. As per the same source, during GTP I period, between 2010 -2015, the economy on average grew at 10.1 per cent for the last five years. Agriculture (which represents 40.2% of GDP) grew by 6.4%, while the services sector grew by 10.2 in 2014-15. The industry sector grew about 22 per cent. In the industrial sector, construction sector was the major driver of the service sector and its contribution to the overall growth was significant. Manufacturing played important role.

As a matter of the fact, Ethiopia needs to promote private sector development in order to reach a Middle Income Country status by 2025, in line with the aims of GTP- 2. As the National Urban Systems Study (2015) noted to reach 40% of urbanization in 2037, Ethiopia needs to maintain a relatively high level of economic development over the next two decades. It is therefore, inter alia, the role of the private sector on the economy of the country has been widely recognized which can create and sustain more economic opportunities. According to GTP-2\(^1\), the Government of Ethiopia maintains the importance of the private sector in driving economic growth in the future. No doubt the role of private sector is indispensable to GTPs success and to reaching Middle Income Status. However, one can see at present the private sector operates within a highly state-dominated and regulated economy.

\(^1\)The Growth and Transformation Plan (GTP) is a national five-year plan created by the Ethiopian Government to improve the country's economy. The plan includes details of the cost and specific targets the government expects aims to continue developing basic investment sectors.
The city of Addis Ababa, as the seat of the Federal Government and as the economic, social and cultural center of the country, has to fulfill a national role and be equipped a comprehensive and integrated urban management system, detailing policy directives and strategic actions. Addis Ababa is also expected to fulfill the demands of an international city as a diplomatic center of African Union and other international organizations. Social Services and infrastructure facilities should also be fulfilled and provided to its tenants. Addis Ababa should be able to adequately contribute to the socioeconomic development of the entire nation as well. For this contribution the role of private sector has often mentioned vital. This is to say that, the recent positive growth achievement the country registered should continue for the coming years, although constraints on private sector development could slow its momentum. As many studies pinpointed, one of the issues and challenges of the Ethiopian private sector is acquiring land or working space for running business due to tedious administrative process and appalling high land lease price which pushes the cost of doing business and investment expansion.

Urban land lease holding regulation of Addis Ababa City Administration clearly declares that all land in urban areas shall henceforth be transferred into lease system as per the lease law of the Country. According to the 2011 urban land lease law of the Country, urban land shall be allowed on lease basis either through auction or allotment. Pre-2011 urban land lease laws of the Country somehow allow lease holdings through lottery, negotiation, reward and other ways in addition to auction and allotment.

This study, therefore, takes into account the broader context of the Country’s urban land lease policy (with a main focus on the currently functional land lease law) and the direct and indirect impact on new investment activities and performances of the business sector in Addis Ababa City. In this respect, a study on the impact of land lease policy on business and investment expansion is expected to contribute in improving land management system and to avoid haphazard rapid urbanization process.

The study briefly investigates the recent urban land lease proclamation and related directives issued to guide the implementation of the law vis-a-vis the purposes that necessitated the decree and set up facts whether the realization of the law had achieved the intended purposes. Pertinent recommendations for expansion of business and investment in the city along with reducing cost of doing business for the private sector have also been forwarded following the outcomes of the scrutiny conducted.

1.2. Rationale for the Study

Addis Ababa, the capital city of Ethiopia, is an economic, social and cultural hub of the country; the city is also playing a vital role as a diplomatic center for Africa. The current physical and socio-economic development of the city is mainly the outcome of several business and investment expansion since its establishment. Certainly, the current investment expansions in the city have marked their own footprint on the City’s socio economic and structural development. In view of this, the current land lease policy, other than the other business and investment policies, has a remarkable impact on the City’s dynamic business and investment expansion and socio economic transformation.
Land, both rural and urban, are the common property of the Nations, Nationalities and Peoples of Ethiopia. Article 40 (sub article 3) of the Federal Democratic Republic Constitution of Ethiopia (FDRE Constitution) stipulates that the right to ownership of land is vested exclusively in the state and in the peoples of Ethiopia. The Constitution further allocates powers and responsibilities between the federal and regional states in respect of land and land issues. It is within the power of the House of Peoples’ Representatives to enact laws for the utilization and conservation of land and other natural resources while each regional state is entrusted with the power and responsibility of administering land and other natural resources in accordance with federal laws. The individuals and communities have use rights only. Selling land is not allowed in the FDRE Constitution (FDRE, 1995).

The main types of urban land tenure are lease holding and the free holding/permit system. Lease holding rights includes the right to occupy any building on the premises by means of a mortgage, and the right to erect, alter, or demolish buildings or improvements; the right to encumber the leasehold (the land and building); the right to dispose of the leasehold to any other person, which includes the right to sublet or bequeath the leasehold; and the right to be compensated (for the land and for the building). Free holding right differs from lease holding in that the freeholder has no right to use the land as collateral; cannot dispose, transfer, and bequeath the land; and has no right to be compensated for the land. This has serious implications for the mobility of urban landowners, asset buildings, business and investment activities and livelihood diversification of urban landowners.

Urban land provision is carried out according to the following priorities: low cost housing preferred, followed by condominium houses, social services, industry and small and micro enterprises, other residential houses, other business activities, and recreational purposes (MoWUD, 2006: 27-28). The interest and policy direction of the government is to make lease holdings the exclusive urban land tenure to generate revenue for city administrations and maintain market values of land. To this end, the government has enacted several laws and proclamations such as the Urban Lands Lease Holding Proclamation 272/2002 in 2002 (which was later replaced with proclamation-no-721-2011) and the Condominium Proclamation 370/2003 (FDRE 2003). The policy gives the right to determine the rate of rent of the lease to the national/ regional self–governments by considering determining factors such as the level of urban centers, zoning of the urban center and the purpose for which the land is requested to be considered in the determination of the lease rate.

According to Proclamation No. 721/2011, the period of lease shall vary from 15-99 years depending on the level of urban development and sector or type of development activity on which land is held by lease. The Launching of construction is regulated by city/regional governments. Any leasehold possessor may transfer, or undertake a surety on his rights of leasehold, and he may also use it as a capital contribution to the amount of the lease payment he has made. That means, lease right can be transferred and can mortgaged.

Recently, for the first time one square meter of a plot of land in the heart of Addis Ababa was offered a whopping 355,500 birr (USD 16,159 at 22 birr/dollar exchange rate). At this junction, according to reporter newspaper (2015) analysts were arguing that this price offered for a total of 242 square meters might well be the most expensive land-lease price in the world. Looking at the current data published by New World Wealth quoted by Reporter news paper (2015),
London is the most expensive city ranked by the average lease price of properties. According to this ranking, currently, 200 square meters apartment in central London costs somewhere in the neighborhood of USD 42,300. London, in fact, leads Hong Kong, the second expensive city using identical category for comparison, by 6,300 dollars still moving away further from the others like New York, Geneva, Singapore and Paris, ranging in price from 30,000 to 24,000 dollars. All of these prices reflect the price of properties that is including the lease price of the plots that the properties are built on and the value that is placed on them.

However, Addis is offering its plots all cleared and without any property on them. According to experts, incorporating the value that is going to rest on the plot, the price of the plot that was recently offered for sales looks to be comparable with the most expensive cities in the world. Of course, they explain, lease price considered in the rankings are average prices while the price recorded in Addis is the maximum value.

The issue of cost of land to the overall cost of a project is a critical factor in the real estate and construction industry today. In fact, with regard to residential house market, the ratio of land price to the overall cost of the property is something policymakers watch closely in many countries. Whatever the possible explanations given for the reasons behind the recent price hikes observed, it has an apparent deterring impact on the growth and expansion of businesses and investment performance in the Capital.

Ethiopia is striving to promote a vibrant private sector that can play a key role in the emerging market-oriented development strategy. In line with the long term development strategy of the country, several institutional reforms have been underway. One of the key reforms made is related to land lease policy which is vital to the success of business sector. AACCESA\(^2\) has been in the forefront in helping businesses grow and prosper through the provision of Business Development Services (BDSs), business advocacy, Corporate Social Responsibility (CSR), and engage in arbitration in times of dispute among the business community. AACCESA, to punch its objectives a study on the impact of the Current Land Lease law on Business and Investment expansion of Addis Ababa role will be tremendous.

Consequently, the result of the study is thus highly beneficial both for AACCESA, to conduct evidence based policy advocacy with the concerned government organ such as for the consumption of Public Private Consultative Forum (PPCF). The finding from this study would provoke further studies in the area of urban land lease policy especially identifying the impediments that the business communities have been facing. In general the result and findings will be helpful for the responsible bodies of the city to apply the urban land lease policy properly.

1.3. Objective of the Study

The objective of the study is to deeply investigate the impact of land lease proclamation and related directives issued to guide the implementation of the land lease policy on business and investment expansion. On the basis of the outcome of the study, recommendations will be
drawn for the consumption for Public Private Consultative Forum (PPCF) at the city level. The study also investigates the interaction of the current government "developmental state" policy and business sector development in line with land lease proclamations. Finally, possible intervention areas and strategies on effective land lease policy for business and investment expansion as well as management will be drawn based on international and local best practices where deemed appropriate. In sum, coinciding with the need of the client as clearly identified on the TOR, the study has put an effort to address the ensuing objectives:

- Investigate the latest land lease proclamation and related directives issued to guide the implementations of the law vis-a-vis the purposes that necessitated the decree.
- Establish facts whether the realization of the law had achieved the intended purposes and how it impacted upon the promotion of business and investment in the city.
- Forward pertinent recommendations for expansion of business and investment in the City along with reducing the cost of doing business in the private sector.
- Provide possible explanation behind one of the alleged motives for promulgation of the current land lease proclamation which is phrased as “the sustenance of a robust free market economy”. It will also make recommendations how the current urban land lease policy can benefit the business sectors.
- Analyze the impact of land lease cost on small and medium sized businesses.

1.4. Scope of the Assignment

Thematically, the study is limited in scope to analyze the impact of the current land lease policy on business sectors and investment expansion in light of the land proclamations and directives in Addis Ababa. Accordingly, the study focuses on the land lease policy and its impact and identifies issues that have contributed for the skyrocketing land lease price in Addis Ababa. The study also investigates the land lease price impact upon the competitiveness of companies at national and international levels and in line with benchmark similar legislatives and practices of other countries. The time scope of study focuses on after the no 721/2011 urban land lease holding proclamation. However, in some instances the no 80/1993 and the no272/2002 urban land proclamation assessed. Spatially, the study is limited to Addis Ababa City Administration’s legal boundary.

1.5. Organization and Outline of the Study Report

The study starts with a review of land lease proclamations of the country along with assessing other countries’ practices on land lease, and briefly discusses the current status, challenges and impacts of the land lease price in the City. An analysis follows covering the land lease policy related issues using data generated both from primary and secondary sources. This leads into the problem analysis, which identifies the major causes and effects of land lease price and investment expansions in line with the current land lease law. Finally, conclusions and recommendations have been drawn based on the conducted analysis.

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The study however has also tried to capture some of the major differences between the current and the previous land lease laws.

April/2016
1.6. Limitations of the study

The major limitation of the study is the use of small sample size (total 104 as explained in the methodology part) that made it difficult to use different probability statistics such as econometric models and hence failed to draw inferential statistics and limited itself only to descriptive statistics. In short, despite the practical benefits of small sample size, in ability to make inferential statistics is one of the key limitations of this study. The sample taken in fact is very small compared to the huge business community in the City (about 265,000) and hence research studies with much larger sample size would have been required to ensure appropriate generalization of the findings of the study. To offset this limitation, different supporting data collection techniques including depth interview and desk review analysis have been employed to supplement the data generated through the sample survey. The analysis part of the study has also largely relied on quantitative figures generated from the sample survey and different secondary sources (with limited qualitative analysis) making the study restrictive. The study has higher economic tune as more focus has been given to the impact analysis of the current land lease law implying the need for rigorous scrutiny of legal, political, social and other aspects in the future to provide wider perspective to this study. In addition, difficulty to access those responsible government officials during the study period has been identified as one of the impediments of the assignment as this surely makes uneasy to get adequate and accurate information.
CHAPTER TWO: STUDY APPROACH AND METHODOLOGY

2.1. Approach Followed

In order to arrive at reliable findings, the consultant has employed field and desk surveying method and then collected various types of data related to the study objectives cited.

Focus on Land lease policies and proclamations: As it would not be possible to address all land related issues in an urban center, focus has been made on land lease policies impact on business and investment expansion in Addis Ababa.

Participation: Relevant bodies have been participated in providing information. Various discussions have been conducted during data collection with selected institutions, key informants and various developers⁴.

Organization: The relevant data has collected and organized in line with the objective of the study under consideration.

2.2. Methodology Employed

The methodology of the impact assessment starts by identifying problems; reviewing proclamations, land lease policies and directives. To assess the impact, similar legislatives and implementation modalities of other countries selected for benchmarking has been reviewed.

Review of relevant studies undertaken previously on urban land lease impact on investment expansion and business sector development, Review of annual performance reports of Addis Ababa city administration and Review of relevant proclamations of the Federal and the City government has also been made. Gathering primary data from private sector organizations (business firms, individuals, etc) and relevant stakeholders through appropriate means has also been conducted. The quantitative and qualitative analysis of the collected and analyzed data is presented using tables, percentages, ratios, diagrams, graphs, and text forms.

2.2.1. Data Sources

Relevant quantitative and qualitative data for the study was collected both from primary and secondary sources.

As to the firsthand information, the necessary data has been gathered from key informants, consultative meetings and observation and sample survey on selected business enterprises by using structured and semi-structured questionnaires which contain queries relevant to the research. In-depth interviews/discussions have also been made in clarifying the information or data collected during key informant interviews.

Secondary data has been collected from published and unpublished materials, which are available in the form of books, journal articles, proclamations, policy briefs, federal and regional

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⁴ All selected participants are listed under methodology part and their specific address is listed on the annex part of this report.
constitutions, laws, regulations, organizational structures, performance reports and pertinent Addis Ababa city administration documents. Particularly, data pertaining to fiscal and budget reports, land lease reports as well public service planning and implementation reports, periodic and statistical reports which have been crucial for analyzing and presenting of the findings has been collected from the federal, and the city administration respective institutions.

2.2.2. Data Analysis
Having collected all the required data, the quality of the data has been evaluated before commencing the analysis as the quality of such study depends on the quality of data inputted. Where deemed appropriate, the information gathered (for instance the data collected through the sample survey) has been edited, coded, entered into computer and verified using appropriate software (Ms Excel and SPSS). Following this, data analysis has been made using both qualitative and quantitative analytical tools. Qualitative analysis using narrative description has been used for the data collected using key informants and documentation. The quantitative analysis has employed descriptive and analytic procedures. Frequency distributions, means, maximum and minimum figures have been run for the determinant analysis part.

2.2.3. Methods of Sampling
Regarding the sample survey, service sector, exporters and importers and other small, medium and large scale business operators which are preferably affected by the current land lease policy have been incorporated. Samples were selected from each sectors using purposive sampling technique via conducting a preliminary investigation. Purposive sampling technique was employed due to the study’s specific nature as this method basically “places participants in groups relevant to criteria that best fits the research question”

Accordingly, an optimal 104 samples across the sectors (with 70 Non-MSEs and 34 MSEs) were picked from ten sub-cities of the Capital. The sample size taken is in fact minute compared to the number of businesses (individuals, entities) found in the City at present which is about 265,000. The employed sample size was in fact fixed based on statistically minimum sample needed to attain representative level of significance. As the rule-of-thumb in statistics, a minimum recommended sample size is 30, and consequently we have sampled 34 MSE enterprises and 70 non-MSEs as highlighted above, which exceeds the recommended minimum threshold level. Employing small sample size has a clear economic and practical advantages over the large size as far as the sampling technique employed is adequately justified (here purposive method employed). It can provide accurate result when time, finance, specific nature of study objectives and other resources bind a given research.

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5 http://www.uniteforsight.org/global-health-university/importance-of-quality-sample-size

6 Here the difference between MSE and Non-MSE is the enterprises’ legal structure of establishment. MSEs in this case are micro and small scale business enterprises organized by the government in accordance with the Country’s MSE development strategies emplaced first in 1997 and then revised in 2011. Those formal business entities beyond the stated MSEs framework are categorized as ‘Non-MSEs’ in our analysis.
The sample survey was also backed by an in-depth interview with 10 selected institutions top management officials and experts for triangulation.

Table 2.1. Composition and Number of Participants for an in-depth interview by Type and Topic of Discussion

<table>
<thead>
<tr>
<th>No.</th>
<th>Institutions</th>
<th>Topic of Discussion</th>
<th>Composition and Number of Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Addis Ababa City Land Development and Urban Renewal Agency</td>
<td>-Land lease policies&lt;br&gt;-Challenges they face</td>
<td>✓ Officials and Experts&lt;br&gt;-1 Dep.heads at head office&lt;br&gt;-3 heads from 3 sub cities</td>
</tr>
<tr>
<td>2</td>
<td>Lease office of AA / (Land Bank and Transfer Office)</td>
<td>-Land lease policies&lt;br&gt;-Challenges they face in relation to investment</td>
<td>✓ Officials and Experts</td>
</tr>
<tr>
<td>3</td>
<td>Banks</td>
<td>Land and loan related issues</td>
<td>✓ Branch managers&lt;br&gt;-1 Dep.head from Dashen bank&lt;br&gt;-1 Dep.head from Commercial bank&lt;br&gt;-1 Dep.head from Development bank</td>
</tr>
<tr>
<td>4</td>
<td>Investment office</td>
<td>Investment related challenges</td>
<td>✓ Senior expert&lt;br&gt;-1 Dep.head</td>
</tr>
<tr>
<td>5</td>
<td>Ministry of Urban development and housing</td>
<td>Land leases cost and challenges</td>
<td>✓ Official&lt;br&gt;-1 Dep head</td>
</tr>
<tr>
<td>6</td>
<td>Addis Ababa University (Acadamecia)</td>
<td>land lease cost and challenges</td>
<td>✓ Academicians&lt;br&gt;-2 scholars</td>
</tr>
<tr>
<td>7</td>
<td>Property and Land Brokers</td>
<td>land lease cost and challenges</td>
<td>✓ Brokers&lt;br&gt;-2 from different locations</td>
</tr>
<tr>
<td>8</td>
<td>Professional Associations</td>
<td>land lease cost and challenges</td>
<td>✓ Members&lt;br&gt;-1 head</td>
</tr>
<tr>
<td>10</td>
<td>Investors</td>
<td>land lease cost and challenges</td>
<td>✓ investors&lt;br&gt;-3 selected inv.</td>
</tr>
</tbody>
</table>
Distributing the samples taken across sub cities is found important because land is a resource for which real property is apparently placed on it and lease price normally varies by locational differences (ex: plots in inner cities are more expensive than that of transitional and outskirt areas). With this understanding, the 104 samples were classified into two broad categories for better representation of both the MSE\(^7\) and non-MSE business operators. Accordingly, 70 samples has taken from the non-MSE category while the remaining 30 drawn from the MSEs. Samples for both categories have taken from the 10 sub cities of the City. Locational distribution of samples actually varies from sub city to sub city depending on the existing concentration of businesses spatially and the nature of a given business. For instance manufacturing related businesses are geographically more concentrated in Akaki Kality sub city than Lideta and obviously the reverse is true for trade related ones to centralize more in Addis Ketema than Akaki Kality. With this same logic for relative geographical concentration of different businesses across sectors and sub cities, samples were purposively allocated across the ten sub-cities. The sample size determined in such manner for Non-MSE category is stated in the ensuing table for the identified eight major business sectors.

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Sub city</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Inner City</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hotel and tourism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport, storage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and machinery rental</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance and insurance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real estate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale and retail</td>
<td></td>
<td></td>
</tr>
<tr>
<td>trade</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Similarly distribution of the 34 MSE samples across the five government focused sectors were drawn from the 10 sub cities as indicated in the table below. Distribution of the MSEs across the

\(^7\) As one of the objectives indicated on the TOR was to analyze the impact of land lease cost on small and medium sized businesses, it is therefore, justifiable to treat the MSE categories independently. Besides, depth interview has been conducted with MSE agency.
A study on the impact of the current land lease law on business and investment expansion

The sub cities depicted use the same geographical concentration logic with that of the non-MSEs briefed above.

**Table 2.3: Sample size for MSEs by sub city**

<table>
<thead>
<tr>
<th>Type of business</th>
<th>Remark</th>
<th>Sub city</th>
<th>Inner City</th>
<th>Inner-Transitional - Peripheral</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Addis Ketema</td>
<td>Lideta</td>
<td>Arada</td>
<td>Kirkos</td>
</tr>
<tr>
<td>Manufacturing</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Service</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Trade</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Agriculture</td>
<td></td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>
CHAPTER THREE: A REVIEW ON URBAN LAND LEASE POLICY AND ITS IMPACT ON BUSINESS AND INVESTMENT

3.1. Theoretical Analysis of Land and Business Sector Development

The objective of the theoretical analysis is to develop a consistent framework to be used in the various parts of the analysis. While providing a general overview of the subject and exploring linkages between land and investment from a wider perspective, it vividly focused on the specific themes of the study. A typical case discussed in the theoretical analysis is the impact of land prices on investment expansion. In this section, therefore, some theoretical concepts and practical experiences of developing countries on land and business sector development have been reviewed.

The rapid growth of investment has obvious implications for the land, infrastructure and service needs of cities. The failure to expand land supply and basic services to match the growth of investment has been a prime cause of misery in the cities of the developing world. A glance at the literature supports the belief that in most cities of the developing countries the situation is worsening. The location of land with no doubt has also an implication on business sector development. A case in point, the bid rent theory\(^8\) is a geographical economic theory that refers to how the price and demand for real estate change as the distance from the central business district (CBD) increases. It states that different land users will compete with one another for land close to the city center. This is based upon the idea that retail establishments wish to maximize their profitability, so they are much more willing to pay more for land close to the CBD and less for land further away from this area. This theory is based upon the reasoning that the more accessible the area (this is to say that, the greater the concentration of customers), the more profitable. The famous Bid rent curve stated below:

\(^8\) In 1960 William Alonso completed his dissertation which extended the von Thünen model to urban land uses. His model gives land use, rent, intensity of land use, population and employment as a function of distance to the CBD of the city as a solution of an economic equilibrium for the market for space. The von Thünen model required considerable modification to apply to residential, commercial and industrial land use. In the von Thünen model the bid-rent function declined as a result of the increased transportation costs to transport the produce of one unit of land one additional unit of distance.
W. Alonso (1964) notes that when a purchaser acquires land, he acquires two goods (land and location) in one transaction, and a single payment is made for the combination. Thus it is possible to trade off a quantity of land against location. It could be assumed that, according to this theory, the less profitable business would be on the very outskirts of the city, as this is the only location that they can afford to occupy.

Adam Smith⁹, on the other hand, has not assumed his production function to have diminishing marginal productivity. However, his production function is subject to increasing returns to scale (which means that, output increases more than proportionally to an equal percentage increase in all inputs). In his view, with the passage of time, the size of the market will increase, which will lead to both internal and external economies of scale, which will eventually lower down the cost of production. Smith considers only three factors of production, namely Land, Labour and Capital. According to him, the production cost would be lowered if improvement in the production techniques and a greater degree of division of labour takes place. When one can critically investigate his theoretical foundation it is found that without increasing the size of land and labour it is possible to decrease production cost and increase profit via improvement made on land and labour.

Akin to Adam Smith, Ricardo’s production function¹⁰, considers only three factors of production, namely Land, Labour and Capital. But unlike to Smith’s production function, that of Ricardo’s is subject to the restriction of diminishing marginal productivity, which means that the marginal increase in total output decreases eventually when additional units of variable input factor are used, given quantity of fixed factors. Ricardo’s views on land were precise and well defined. In his opinion land included only the original and indestructible powers of the soil. Thus,

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⁹ Smith noted that a man would invest his wealth in the enterprise most likely to help him earn the highest return for a given risk level.

¹⁰ Ricardo observed that marginal productivity of all the factors invariably declines unless it is monitored by technological progress. In Agriculture, introduction of new technology merely delays the decline in the marginal productivity of land, while, in industry, technology outweighs the tendency towards diminishing marginal, and as a result a tendency of increasing returns sets in.
in his opinion supply of land is fixed. In his theory it means that it is being permanent and not reproducible, the supply of land is fixed.

The complexity of the topic is probably the reason why most of the empirical work on land on business sector development provides a very broad concept of change. The neoclassical model emphasizes the relationships between land size, returns to scale and efficiency. The focus is on whether returns to scale in production can help in explaining the relationship between land size and economic efficiency and the identification of the “optimal” land size (Chavas, 2001). Land size growth can have positive consequences on business competitiveness when this permits to reach economies of size and, in turns, to reduce production costs. In particular, under the assumption of free entry and exit, increasing returns to scale provide an incentive for business to either exit the industry or expand (Chavas, 2001). Land size may provide a further competitive advantage given that technical innovation is often biased in favor of large Land. This is because some new technologies are found to be convenient only in land operating over a given scale of production (Glaubben et al., 2006). Neoclassical economists, however, disregard the distinction and stress on similarities of land and capital, totally ignoring all differences. In asserting that land does have distinctive qualities for economic analysis and policy, the classical economist Mason Gaffney in his essay “Land as a Distinctive Factor of Production”, outlines a number of primary reasons that distinguish land from capital.

Some new insights have given less emphasize for the role of land on business sector development than other elements. A case in point, a key aspect of New Institutional Economics is the role of transaction costs in determining business sector development recognized (Hubbard, 1997). The theory of firm explores the nature of firm and analyses the reasons behind its existence, structure, behavior and relationships. In doing so, that rationale for the existence of a firm under its current internal organizational form has to be found in the attempt to economizing some of the transaction costs of using the price mechanism.

In traditional economic models, the focus is on the stability of a steady state, which is an equilibrium characterized by constant structures. On the contrary, evolutionary economics looks at structural change as a feature of an equilibrium path in which structural change may be considered as an open process (Knottenbauer, 2001). In particular, the innovation process forces some of the existing technologies (and the used means of production) to become obsolete and is responsible for the evolution of the firms over time. In this competitive game, firms that are not able to innovate lose their market share, see their economic results to decline and have to either restructure or to exit the market. In this framework, because the capacity to innovate is strongly related to the quality and quantity of human capital, investments in human capital can be a very important way to enhance the ability to survive due to higher innovation capability. This is to say that, the success of the firm may determine by other factors than availability or access to land.

The acquisition of land is frequently part of the portfolio diversification strategies of economic agents even in economies with well-developed financial markets and where inflation is not a serious problem. Financial institutions frequently prefer land as collateral for credit operations in many developing countries because land is immobile, its depreciation small, and its value not
eroded by inflation. Land is a heterogeneous good whose market prices usually reflect not only its value but also location and attached investment ((Bacry et al., 2009). Insofar as land is a factor of production and a store of wealth, it is also a source of political power, especially in societies where access to other assets is limited.

Land is a commodity that is bought, sold or leased like any other durable item. People desire to own land for a variety of reasons - economic or emotional. Land can be put to a variety of uses. The decision to allocate land among different uses is made through the market price by demanding and supplying land. The market for land directly influences business expansion and economic development. High cost of land deters business, as high land cost could add up to high service or production cost, which in turn reduce the demand for the services or the product. As (Muir & Shen, 2005) noted that, high land cost, by influencing cost of services/products, reduces competitiveness both at domestic and international markets.

3.2 An Assessment of Land Lease Policy in Urban Ethiopia

Commonly lease is defined as a written agreement by which the owner of land or a building (the lessor) agrees to let to another (the lessee) to have the use of it for a fixed rent payment and period of time (Bacry et al., 2009). According to Clarke, et al. (1991) lease is termed as a contract granting the exclusive right to possession of land for a fixed or determinable period of time.

As one can clearly observes that leasehold right provides all the rights and privileges that private land can do. The only difference is the degree of security and restriction. This is meant to say that, the crux of the legal difference between freehold and leasehold is that the freeholder (private owner) is bound by the laws of the land and nothing else. Whereas the leaseholder is bound, in addition, by the terms of the lease laid down by the landlord. The leaseholder is then less free and unrestricted in his or her use of land than is the freeholder.

Ethiopia, one of the former socialist countries in the horn of east Africa, had taken so many policy measures following the fall of the socialist government since 1991. Before the popular revolution in the country in 1974 (i.e. before the Derg régime), urban land was held in Ethiopia under private ownership. When the Derg came to power in 1974, it passed a proclamation (47/1975) that transferred all urban land and extra houses to government ownership. One of the policy measures that were taken by the present government of Ethiopia is urban land lease holding system, which is one form of land tenure that enables the government to transfer land use rights and benefits from the state to private individuals. Since the 1990s, a legal basis for the formation of urban lease holding system and the operation of holders has been established. In 1993, the government enacted the first and new land leasehold proclamation that has been amended in 2002 and then in 2011.

According to the Federal Government's urban land lease holding proclamation No. 80, 1993, all urban land is a public property and transfer will only be carried out through the lease system. The government of Ethiopia had been taking urban land lease system as one of the policy

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11 When the Ethiopian Peoples’ Revolutionary Democratic Front (EPRDF) led government assumed power in 1991, it designed a new tenure system for urban Ethiopia. Leasehold as land tenure system was then introduced in the country in 1993.
measures aiming to enhance the transfer of land use rights, value the urban land and to encourage investment and the provision of social services to the residents.

The House of People’s Representatives has enacted the urban land proclamation No.721-2011 on January 2011. Even though the law is a Federal law, the power of implementation through subsidiary legislation is given to Regions and City administrations. According to article 33 of the proclamation, Regions and City administrations shall have the powers and duties to issue regulations and directives necessary for the implementation of the Proclamation.

Property transfers that are going to fall in the new land lease proclamation are also included in the statements of the law. Part two article 5 of the Proclamation states that “…. No person may acquire urban land other than through the lease holding system ...". Article 6, sub-article 1, which declares about conversion of old possessions to lease holding, states that “the modality of converting old possession into lease hold shall be determined by the Council of Ministers on the basis of a detailed study to be submitted by the Ministry; provided however, that the process of such a study may not preclude a revision of the existing rental rate applicable to old possessions.". The law plainly recounts that no person except through inheritance, can own a plot without lease.

The three proclamations enacted in the Country at different times have actually similarities and peculiar differences. For instance, the 1993 law (proclamation No. 80 /1993) declares that land should be allocated through public tender only whereas the 2002’s (proclamation No. 272/2002) relaxed the previous law and states that land could be availed through a mix of public tender, negotiation and for housing to be regulated by city or regional governments. Nonetheless, according to the 2011 urban land lease policy, urban land shall be allowed on lease basis only through tender or allotment.

Regarding lease period, the 1993 law fixed period for each level of urban center from 50-99 years whereas the 2002 stated that the period of lease shall vary depending on the level of urban development and sector of development activity or the type of service which shall have the ceiling of up to 99 years for housing and different social and philanthropist uses. In Addis Ababa, the lease period varies between 50 and 99 years in the 2002’s case, and between 60 and 99 in the 2011’s law depending on the land grade and sector of development activity.

Despite the differences, all land lease proclamations promulgated in the country have some common elements as stipulated in the preamble of the proclamations, which include:

- to provide for the utilization of urban land to satisfy the needs of the various sections of the population;
- to address the problems associated with a high rate of urban population growth which resulted in the expansion of urban centers; and
- to address the inadequacy of the financial capacity of urban centers to finance the building of infrastructure and the provision of social services to urban dwellers.

As per the new Urban Lands Lease Holding Proclamation No. 721/2011, the law is aimed at enhancing development and enabling citizens benefit as much as their contribution to the
development on the one hand, and the interest of a handful of rent-seeking parties aimed at making individuals wealthy by using political authority as a protection and source of benefits, without adding any development values by misappropriating land rents, on the other. Hence, the central issue regarding the proclamation lies around these conflicting interests. Problems observed in relation to the implementation of the proclamation do not change the basic line up, instead they played a role of disordering the arrangement by opening the door for confusion among the public.

3.3. Urban Land Policy practices in some Regions of Ethiopia

As highlighted earlier, the incumbent Ethiopian government has passed three distinct urban land lease laws since it came to power. In this section, therefore, an assessment has been made using some selected regional cities experiences. Accordingly, experiences of three regional states, namely, SNNP (Southern Nations Nationalities People), Amhara and Oromia regional states has been assessed and presented.

Countries around the world (including Ethiopia) do have their own unique land policies and law. In the Ethiopian case, Art.40 (3) of the FDRE constitution declared that “The right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and the peoples of Ethiopia. Land is a common property of the Nations, Nationalities and Peoples of Ethiopia and shall not be subject to sale or to other means of exchange.” Pursuant to the national law on lease holding of urban land, the Amhara regional state has enacted its leasehold regulation (Regulation No. 2/1995 and its amendment Regulation No. 6/2002). The applicability of this regulation is however limited till now to the largest three urban centers in the region (Bahir Dar, Dessie and Gondar). All other urban centers are still under the rent system as per the proclamation no. 47/1975.

Taking Bahir Dar (regional capital) for the ANRS case, one can find two types of land administration systems in the City, namely land rent (the old system) and lease system (the recent one). In Bahir Dar, land for housing development through leasehold tenure system has been provided through auction and decisions of the city administration. Regarding urban land lease practice, Eskidar (2012) via quoting the City manager stated that: “the current allocation of urban land through auction only benefit the higher income group and marginalizes the urban poor”. He also underlines from a policy implementation perspective and emphasized that most of the lessees take the land through paying higher prices not to undertake development activities but to sale with profit for other land demanders. This makes the land price over and above the market value. Therefore, the lease system could not accommodate the middle income group, which has the capacity to build their own houses. A large tract of urban land allocated through tender has also been underdeveloped.

In the case of Oromia the leasehold policy applies to only eleven urban centers. Even within these urban centers the proportion of property under the leasehold system of land is very low. Land rent is administratively fixed by considering market value. The market value of land was considerably higher than the previous land rent hence the minimum rate was fixed at about four times with the minimum rate pointed in proclamation No. 161/1979. The Oromia Regional State
has also enacted regulation No.1/1995 based on the national urban land lease law. The provisions of interest for this review include accessibility of land, lease period, launching and completion time of development, size of holding and transfer of rights.

Coming to the implementation status of the current land lease law in Oromia, Only 44 of the 560 towns in the region were found to be practicing the law at the moment. According to Addis Fortune (2016), there were different lease prices in the region, even under the same purpose for land, in the same city in the region, before. Under the Oromia regulation land given out through auction and allotment and avoid inheritance and succession, which had been part of the practice in the region. The same source also indicated that the new regulation has increased the floor prices for all types of land to be leased in the region. The lease of a square meter of first grade land for trade starts at 1,011.50 Br; second and third grade land start with 892.50 Br and 664.83 Br, respectively. Three and four star hotels will get first grade land for 896.00 Br and 640 Br, respectively. The rate for five star hotels is left to be determined by the state government.

SNNP region has endorsed and practiced urban land lease system in its towns since the 1993 urban land lease proclamation of the country. A case in point, Hawassa, a city on the shores of Lake Hawassa in the Great Rift Valley in Ethiopia, has witnessed a phenomenal growth and under this condition of rapid urbanization competition for land has increased greatly resulting in high land prices, uncontrollable sprawl and the escalation of informality in the land use pattern.

According to, Asfaw (2014), the land lease policy has failed to achieve its goals in Hawassa. First, he noted that, the policy comes without substantial legal backing and no enforcement provisions which have resulted in the proliferation of informal settlements. Second, the institutions mandated to manage land in the city do not have the requisite capacity to implement the policy. These challenges have given rise to avoidable bureaucratic hurdles in land transaction, wrongful misinterpretation of policy provisions, noncompliance, and violation of normal governance principles.

Land issues are of crucial importance to economic and social development, growth, poverty reduction and governance. Access to land is the basis of economic and social life in both rural and urban areas. Land policies, as such, express, implicitly or explicitly, the political choices made concerning the distribution of power between the state, citizens and local systems of authority. The multiple dimensions to land issues require a careful and well implemented approach which places current land issues within the broader historical, political, economic, and social context. It is the responsibility of national governments, working together with the civil society, to make land policy choices and craft feasible and effective solutions.

With no doubt and as mentioned above, the lease towns of Ethiopia suffer from land market distortions caused by poor land development and management policies including poor planning, slow provision of infrastructure and services, poor land information systems and slow land transaction procedures like most cities in developing countries (Bacry et al, 2009). Distortions in the land market often lead to land speculation. If the land registration system develops in such a way that it clarifies lease rights, it minimizes disputes and enables the government to use the land in its maximum economic use.
The leasehold policy of the Amhara regional state has provisions that try to regulate basic aspects of urban land holding and development. However, the implementation of the policy is reported to be far from being realistic in all three lease cities. The main reasons cited for this are the implementation regulations being not attractive to the private sector, the low technical capacity of urban centers to prepare land for lease and the limited financial capacity of the cities coupled with their inability to involve the private sector in financing land development (Asfaw, 2014). One of the major problems faced by municipal officers of most urban centers is the difficulty to clear land and deliver it to investors. Former holders whether legal or illegal (for instance Kebele house residents and farmers) resist eviction using various mechanisms that range from legal to traditional means.

Comparison made among Addis Ababa, ARNS and Oromia National Regional State\textsuperscript{12} reveals that in Addis Ababa case, the minimum lease rate would be fixed by the City Administration and the prevailing lease rate is set through public tender. In Oromia, the minimum rate is defined based on land rent and house tax and cost of infrastructure, and through public tender for the city centre. In the ARNS case the minimum Lease rate to be set by former land rent. In regards to land transfer, In Addis Ababa case, land is allocated through allotment or auction. Whereas in Oromia up to 200 m\textsuperscript{2} through rent system, and above 200 m\textsuperscript{2} leasehold applicable and in ANRS, Auction and Negotiation applicable.

3.4. Investment Expansion and Land Allocation in Addis Ababa

The city of Addis Ababa, as the seat of the Federal Government and as the economic, social and cultural centre of the country, has to fulfill a national role and be equipped a comprehensive and integrated urban management system, detailing policy directives and strategic actions. Addis Ababa is also expected to fulfill the demands of an international city as a diplomatic center of African union and other international organizations. Social Services and infrastructure facilities should also be fulfilled and provided to its dwellings. The city of Addis Ababa should indeed be able to adequately contribute to the socioeconomic development of the nation.

According to the famous development agenda of the country, GTP1,\textsuperscript{2} investment has been considered as an engine of growth and generates economic benefit. Since then major reforms, policies and institutional frameworks have been established to directly or indirectly promote investment in the country.

Achieving efficient land use, encouraging investors and investment and realizing the cost of urban land and make an efficient use of it are some of the major national and regional goals in Ethiopia. To achieve these goals, the government of Ethiopia has accepted urban land lease policy as an alternative land tenure system so as to provide a room for individuals and investors to benefit from land use rights through transferring from the state to land users through auction and allocation. The table shown below illustrates the case of land transferred in Addis Ababa


\textsuperscript{13} Ethiopia targets to increase its export revenue to 12 billion USD during the Second Growth and Transformation Plan period. The country has secured 3 billion USD of the targeted 5 billion during the First Growth and Transformation Plan period.
through allocation between the years 2012-2015, which is after the promulgation of the new land lease law (Proclamation 721/2011).

Table 3.1: Land transferred through allocation

<table>
<thead>
<tr>
<th>No.</th>
<th>Sector</th>
<th>Land size(hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Industry</td>
<td>251.4</td>
</tr>
<tr>
<td>2.</td>
<td>Hotel</td>
<td>3.19</td>
</tr>
<tr>
<td>3.</td>
<td>Hospital</td>
<td>3.35</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>257.9</td>
</tr>
</tbody>
</table>

Source: Addis Ababa Land Bank and Transfer Office, February 2016

As highlighted in the above table, sizable tract of land has been transferred to manufacturing industry sector, apparently depicting the government’s focus area. However, as compared to what has been requested the transferred land has so far been negligible (further discussed in the analysis part).

One of the modalities for leased land allocation in the City is through auction as highlighted before. Plots of land are usually tendered for auction openly at the government's benchmark or floor price and the bidders submit their offer for a particular site in a closed envelope. Currently investment plots in the City are made available through auction for long-term lease basis, ranging from up to 15 years for urban agriculture to up to 99 years for services/uses such as residential housing, science and technology, research and study, government offices, charitable organizations, and religious institutions. There are in fact various mechanisms (like grace period, lease period and lease payment period) through which the city government encourages certain investment sectors (particularly social service investments such as education, health and sport, and large projects).

In the context of business undertaking, the claim over well-defined and secure rights to use (and control) a certain space on land takes different forms of working space or business premises. This might include open access, shared access, tenancy, ownership and other forms. While most business activities merely use premises or floor spaces, others invest on the land. “Access to land with sufficient security to encourage investment for its efficient use and development is a vital component in development strategies for individuals, groups, cities and nations”. This is more evident “in urban areas where demand, and therefore prices, of land for all uses are highest” (Elias, 2015).

Land constitutes one of the factors of production, and access to land facilitates access to a key resource in value adding economic activities. On the contrary, inadequate access to land and restrictions thereof constitute entry and transferability barriers to enhanced economic activities thereby adversely affecting business environment and economic development. As Okoth-Ogendo (2008) duly observes, land is “an economic resource and an important factor in the formation of individual and collective identity and in the day-to-day organization of social, cultural and religious life”. Moreover, he further states that, land is “an enormous political resource that defines power relations between and among individuals, families and communities under established systems of governance”.
According to Article 40(3) of the Federal Democratic Republic of Ethiopia (FDRE) Constitution, land is a public property. As duly stated in the ToR of this study and also the new urban land lease law (Proc. 721/1011), “businesses can access land only through lease arrangements with the government or through secondary lease”, and land lease rights are assigned by municipalities through tender or allotment. There are various challenges in access to urban land in Ethiopia which adversely affect the business environment. These constraints include gaps in land information to the public which should have been readily available including information about relatively predictable lease price ranges, the mismatch between demand and urban land supply, affordability of lease price, the reliability of title deeds and the degree of institutional obligation owed to buyers of real property who are victims of forged title deeds, challenges in lease tender and allotment processes, delays in the issuance of landholding title certificates, the breadth and security of lease rights, the transferability of lease rights, and the right to use land rights as collaterals for bank financing (Elias, 2015). Other issues of concern relate to incoherent practices of municipal branches of city administrations such as Addis Ababa, fragmentation of tasks and responsibilities, and the challenges of the legal regime’s susceptibility to opportunity grabs by speculators and corrupt office holders.

For Instance, elements of business environment (used in World Bank Business Environment Snapshots, 2014) in accessing land include the strength of land lease rights, strength of business premise ownership rights, access to land information, time (number of days) to lease land from private land use right holders, and time (number of days) to lease land from public entities. Various internal and external factors determine business environment. Laws such as the legal regime on access to land is one of the external factors which determine the setting in which business operates.

The service sector has been leading the economy of Addis Ababa and is expected to keep up its growth into the future. However, the government is trying and wishes the industrial sector leading the economy. Partly this is the reason behind the provision of significant size of land by the City Administration for the investors in the manufacturing sector through allotment. The paradox repeatedly raised and discussed among experts in the field of the City’s urban economics is that the manufacturing industry sector is growing at the expense of the service sector due to the Government’s unequivocal attention to the manufacturing industry stream. Although the debate goes on, the importance of the service sector which uniquely shoulders the City’s economy should not be compromised.

In a market economy, the conventional forum for access to urban land is the land market. As (Evans, 2003) notes, the conditions necessary for a perfectly competitive market would be that, with respect to the sale of any property, there should be many buyers and sellers, full information, and similar properties availed on the market. Deficiency in any one of these cumulative elements can thus adversely affect the efficiency of land or real estate markets.

3.5. Land Information System and Land Governance

The elements of land administration could facilitate land management process which is associated with the management of land as a resource. The interface between these elements occurs in the context of land administration which involves the processes of determining,
recording, and disseminating information about the tenure, value, and use of land when implementing land management policies.

Land administration obviously presumes the availability of an information system to enable the determination of the legality of rights to claims on any land. It is understood, therefore, that without an information system, which is called land registry, no effective, leave alone efficient, land administration can be expected. Land registration is carried out with the prime objective of providing safe and reliable foundation for the acquisition, utilization and disposal of rights on land. The design, formulation and promulgation of policies, and related legal and administrative instruments fall within the jurisdiction of the central and/or local governments or municipalities.

Effective and efficient land administration requires a land information system which can be defined as a system for acquiring, processing, storing and distributing information about land. This requires a formal registration system which is accurate, current and accessible to the public (including online access).

The need for information services creates the scope for another public good the state can provide: the maintenance of accurate records and information about land rights and obligations. The transfer of land and its use as collateral for credit requires that information concerning the assignment and the nature of land rights be available to all interested parties and the public in general. Because functioning land markets are important to ensure efficient allocation of resources, reducing associated transaction costs can have important benefits. In addition, publicly available information can help to better identify and inform decisions about externalities.

On the other hand, land governance refers to the processes by which decisions regarding access to, and use of, land are made, the manner in which those decisions are implemented, and the way conflicting interests in land are resolved or reconciled. Land governance is thus a techno-legal, procedural and political exercise. Good governance means that government is well managed, inclusive and results in desirable outcomes. The principles of good governance can be made operational through equity, efficiency, transparency and accountability, sustainability, subsidiary, civic engagement and security (UN-Habitat, 2012).

While incompetent and ineffective institutions lead to poor land governance, such settings can be very convenient for the rich and powerful who benefit from the lack of transparency in urban land management. If land governance is weak, urban development processes can only have a limited impact; the realities of weak or ineffective governance include corruption, weak institutions, lack of horizontal and vertical coordination and integration among governmental agencies, limitations on the credit market, and low efficiency of land administration systems (Burns & Dalrymple, 2012).

### 3.6. Developmental State Policy and Business Sector Development

Developmental state, as a term used by international political economy scholars, used to refer to the phenomenon of state-led macroeconomic planning in East Asia in the late twentieth century. In this model of capitalism (sometimes referred to as state development capitalism), the state has more independent, or autonomous, political power, as well as more control over the
A developmental state is characterized by having a strong state intervention, as well as extensive regulation and planning. The term has subsequently been used to describe countries outside East Asia which satisfy the criteria of a developmental state. Botswana, for example, has warranted the label since the early 1970s. The developmental state is sometimes contrasted with a predatory state or weak state.

The first person to seriously conceptualize the developmental state was Chalmers Johnson (2006). He wrote in his book *MITI and the Japanese Miracle* in states that were late to industrialize, the state itself led the industrialization drive, and that is, it took on developmental functions. These two differing orientations (regulatory and developmental) towards private economic activities produced two different kinds of business-government relationships. The United States is a good example of a state in which the regulatory orientation predominates, whereas Japan is a good example of a state in which the developmental orientation predominates.

A regulatory state governs the economy mainly through regulatory agencies that are empowered to enforce a variety of standards of behavior to protect the public against market failures of various sorts, including monopolistic pricing, predation, and other abuses of market power, and by providing collective goods (such as national defense or public education) that otherwise would be undersupplied by the market. In contrast, a developmental state intervenes more directly in the economy through a variety of means to promote the growth of new industries and to reduce the dislocations caused by shifts in investment and profits from old to new industries. In other words, developmental states can pursue industrial policies, while regulatory states generally cannot.

As in the case of Japan, there is little government ownership of industry, but the private sector is rigidly guided and restricted by bureaucratic government elites. These bureaucratic government elites are not elected officials and are thus less subject to influence by either the corporate-class or working-class through the political process. The argument from this perspective is that a government ministry can have the freedom to plan the economy and look to long-term national interests without having their economic policies disrupted by either corporate-class or working-class short-term or narrow interests.

A developmental state plays an active role in guiding economic development and using the resources of the country to meet the needs of the people. A developmental state tries to balance economic growth and social development. It uses state resources and state influence to attack poverty and expand economic opportunities.

A developmental state must be able to direct and support economic development through building a strong public service, creating an investor friendly environment, supporting small business development, using state owned enterprises effectively and driving strategic investment initiatives. The State has to play a role in keeping the economy competitive and close to the leading edge in the global development of knowledge and technology. The State has to be able to control its vast resources and directly apply them to the strategic tasks that will enable to meet the desired goals.
The above description requires that a developmental state ought to have the capacity to control domestic infighting and build consensus among the populace on the national developmental agenda by drawing attention to long-term benefits to all. Ideally, therefore a developmental state needs to be a persuasive state with the competence to mobilize people and resources around its development plan. This, therefore, by any means cannot create a room for neglecting the importance of private sector involvement in the economy of one nation.

In Ethiopia\textsuperscript{14}, over the past decade, the public-sector led development strategy with its focus on heavy investment in infrastructure has underpinned the country’s strong economic growth. This high rate of growth has been inclusive, spanning different economic sectors and benefiting both urban and rural communities. Growth has been inclusive and widespread and a large number of new jobs have been created in both the public and private sectors, particularly through a boom in construction (covering infrastructure, housing and commercial developments).

With no doubt Ethiopian private sector is underdeveloped so that the government should create the enabling environment inter alia, tax holidays and duty holidays, land allocation for this private sector to be able to develop and have a role in the country economy. In contrast, if only the government leading the economy, the private sector will get off from the market and unable to compete with the international companies.

3.7. Land Lease Policy Experience from Other Countries

Leasehold as a form of land tenure is a well-known system applied in many other countries of the world as well. As mentioned before, Ethiopia introduced leasehold system for the first time in 1993; then revised in 2002; and finally again re-enacted in 2011. The first and the usual objective of any leasehold system is to collect enough capital in the form of ground rent to finance the urban infrastructure systems. This is indeed the sole reason for many western countries and capitals. The second reason, prevailing in former socialist countries, which still do not privatize their urban land, is that lease serves as a means to transfer land use rights from government ownership to individual citizens. It is a temporary means to satisfy the need of land demand through lease agreements. Countries may have their own ideological, economic, social and political reasons to keep land in the ownership of the state. In this section, therefore, some selected countries experiences and practices have been presented.

3.7.1. Pakistan Land Lease Policy

The Land Lease Policy in Pakistan was formulated in 1985 under the provisions of Pakistan Civil Aviation Authority Ordinance of 1982, whereby approval of the Ministry of Defense was compulsory for all leases. This practice remained in force till the 6\textsuperscript{th} of August, 1999. In this way

\textsuperscript{14} The late Ethiopian prime minister Meles zenawi had often been stated that, the establishment of developmental state of Ethiopia happened to be a reaction to a failed ideology of neo liberalism which is vigorously promoted by western countries and their extensions, international organizations, to instill in African countries. Developmental state of Ethiopia is a result of a long journey in searching alternative path of growth which suits the countries immediate and strategic interests.
the Civil Aviation Authority remained confined to the bare necessary operational requirements involving oil companies, airlines and handling agencies etc.

A comprehensive review of the Land Lease Policy has been carried out to remove the irritants and to soften the rigid components without compromising the Civil Aviation Authority's interest with a view to make the Policy more attractive/investor friendly.

Efforts have been made to incorporate elements of negotiations, rational pricing, payments re-structuring, period/tenure flexibility and autonomy, both administrative and financial. As per the Civil Aviation Authority Land Lease Policy approved by Civil Aviation Authority Board, the duration of lease shall be 30 years which is renewable on mutual consent. The market value of the land shall be assessed by a committee for which Collector/Revenue authority of the District, mentioned to be responsible. If the price of land being offered through auction is equal to or more than the assessed value, the Committee may take an independent decision. All other cases shall be submitted to Civil Aviation Authority Board for approval and the payment modality is as follows.

i. Premium shall be fixed with reference to land value and be charged not less than 30% of the land value.

ii. The payment may be made in lump sum or it may be re-structured so as to be settled in equal installments, first at the time of award of lease, second on the expiry of the construction period as per lease agreement, third installment of six months after the second installment.

The most distinguishing feature of the Pakistan urban land administration is the annual rent of the land shall be fixed at a sum which will be equal to $1/30^{th}$ of the value of land for the first ten years. It shall be enhanced by 100% on expiry of each term of ten years. The method of leasing will be Auction based and through private accord.

3.7.2 Kenya Land Policy

Land in Kenya shall be held, used and managed in a manner that is equitable, efficient, productive and sustainable, and in accordance with the following principles: equitable access to land; security of land rights; sustainable and productive management of land resources. These principles shall be implemented through a national land policy developed and reviewed regularly by the national government and through legislation. All land in Kenya belongs to the people of Kenya collectively as a nation, as communities and as individuals (Belachew, 2010).

Land in Kenya is classified as public, community or private. Private land consists of registered land held by any person under any freehold tenure; land held by any person under leasehold tenure; and any other land declared private land under an ‘Act of Parliament’. The State may regulate the use of any land, or any interest in or right over any land, in the interest of defense, public safety, public order, public morality, public health, or land use planning. Parliament shall enact legislation ensuring that investments in property benefit local communities and their economies.
Prior to British colony, urban lands were administered under public holdings. At the end of the 19th century, the time when the country fell under British colony, those lands under public holdings were transferred to leasehold and freehold to function different users being as crown lands. As a result, at present, urban land is administered by city administration councils as trust land. However, since the current land holding tendency has become more of free holdings, the transfer of land to different users is made through state governments, city administrative and private holders. Supplies of urban lands, which are transferred from city administrative and private holdings to different users are mainly determined by demand and supply signals of free market. In general, transfer of land use rights is made through freehold sale, leasehold sale and grant.

In Kenya, the minimum price of leasehold sales (when land use rights are transferred through auction) is determined by Ministry of land tenure and experts of city administration. Effort is usually being made to compare the price of leasehold sales with their respective collateral values estimated by bank so as to check whether rating of lease hold sale price is fair or not. Moreover, selling documents recorded by private businesses are considered to be a supportive reference for price rating of leasehold sales. Land use plan, site location and development level of infrastructure are also some of the input parameters used for rating of price of leasehold sales. However, the final decision is made both by Ministry of land tenure and city councils. Price rating is revised within ten years time interval.

In Kenya, the ceiling of lease period is 99 years; however, the lessee has the right to decide upon the use period within the ceiling limit. Regarding lease payment, the lessee is required to pay 25% in advance and the remaining 75% after receiving the required land. Moreover, when the lessee wants to rent or transfer part of the leased land to the third party, he/she has to get permission from Ministry of Land Administration.

The lease is renewable if the government does not need the land for other public purposes. The lessee has two options if the lease contract is renewed. The lessee has a right to use the lease right for another similar lease period or if the lessee is interested to make the leased land for private holding, they can take the leased land for his private property by paying the whole current market value of the land at the beginning or 20% principal with 6.5 percent interest per annum. If the land is needed for public purpose either leasehold or freehold (especially for electricity poles and water pipe line distributions) the government has the right to take the land without compensation. However, if there is development on the land, it has to pay the lessee the market value of the developments as compensation. In Kenya, lease price is not renewed during the lease period. But when the period is over and the contract is permitted for renewal, then the lessee is expected to pay the current market price of developed land.

As pointed out earlier, in Kenya, there are different rules and principles that enable and facilitate land market and related properties. According to, Belachew Yirsaw (2010) some of the laws enforced and used to manage land include: real-estate representative, surveying, rent, land utilization plan, land administration and land holding laws.
3.7.3 Land Policy in South Africa

Though land is owned both by the government and the private sector in South Africa, the lion share goes to the private sector. Due to this fact, land is transferred to different users either by perpetual or lease sale. In general, as the country follows the market oriented economy, more of the land marketing is undertaken by the private sector.

In South Africa, land marketing is taking place based on the current demand situation; however, transfer of land use rights is accomplished through freehold sales and leasehold sales. In freehold sales, land marketing is taking place between buyers and sellers on the basis of demand and supply principles of the market. Moreover, land ownership rights are transferred to the buyers perpetually with no time limit. Leasehold sale is also another method of transferring land to users within a limited time period whereby transfer of land use rights is accomplished on the basis of market principles.

As mentioned above, in South Africa, both pricing and decision making is accomplished in accordance with market forces, which is determined with the interaction of demand and supply situations. For marketing of leasehold sales and similar properties, however, four types of price rating are used: market approach, capitalized income approach, residual value method and summation method. Of these methods, residual and marketing methods are widely applied. Locality and location, land use function, material and size of property and topography are the factors considered as an input for land price rating. Finally, price rating is decided by the government, financial institutions and professional experts.

The average lease period in South Africa currently ranges between 20 to 30 years, leading to a limitation in issuing title deed. Hence, the title deed is given to those lease contracts serving a contract period of 10 years and above only. Moreover, the lease can be renewed if the land is not needed by the lessor. If the city administration requires the land for the public use (for such as sport center or expansion of the town), it has the right to take the land via compensating for the land and its related developments. Payment of lease price is accomplished through upfront and on monthly basis and is completed in ten years period of time. The monthly payment is enacted by law to be renewed within five years of time interval.

Contrary to the experiences in the other countries cited before, South Africa has little experience in implementing the system and hence there are no specific laws on lease contracts and leasehold rights as well. However, lease contracts are legally accepted in the country and hence, the country has developed practical experiences in determining lease period and lease payment. In short, in South Africa, lease sales are governed by laws of contracts and standardized documents which have a legal basis.

3.7.4. The Netherlands’ land policy

Land lease in the Netherlands is the right to hold the use of ground/property of the landowner or landlord (or freeholder). The leaseholder will usually pay an annual fee or ground rent (canon) to the owner of the property. The lease can only concern the land but can also include a house or a flat. Unlike tenancy or rent, ground lease is a real right, which means that it can be
transferred to someone else and will be registered in the real estate registry (cadaster) in the Netherlands. In case of disputes regarding a ground lease a real estate lawyer will study the ground lease conditions applying to the ground lease contract.\footnote{https://attorney-netherlands.wordpress.com/tag/land-lease/}

If the lease holder transfers his right to ground lease to someone else, the conditions of the ground lease will not change. The rights under the ground lease will be fully transferred to the buyer of the lease. In case of death of the lease holder, the lease hold will pass to his successors. The leasehold is only continued if it is not a temporary lease (for 30 or 50 years). In the case of Amsterdam the ground lease can be extended.

In case ground lease is used for housing, then the landowner can only terminate the ground lease by compensating all damages, including loss of profits of the lease holder. Termination of ground lease does not happen very often. Termination takes place in case the lease holder does not pay the ground rent for more than two years or is using the ground lease for other purposes other than the right it was issued for (for example illegal activities). In case where the landowner cancels the lease contract before the end of the term (if that would be possible) the leaseholder is entitled to compensation.

3.7.5. Lessons Learnt

From the aforementioned experiences we can learn the subsequent basic elements:

- Various countries pursue different urban land modalities or in other words, no single modality is being followed by the considered countries.
- All of them not only undertake a decision on urban land lease policy as the alternative land tenure system but also consider the degree to what extent the lessee can enjoy all the rights of the leased land.
- Lessees are free to sell or transfer their land rights to other parties and use their leasehold land as collateral to obtain mortgage loans.
- Though they have different land lease duration, price rating is decided by the government, financial institutions and professional experts.
- Effective implementation of the urban land lease policy requires an enabling environment and consistent effort to enforce legal provisions.
CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

As highlighted in the methodological part of this study about 104 different business entities in the City have been purposively sampled from across the 10 sub-cities. Of these, 70 were non-micro and small scale business enterprises (Non-MSEs) while the remaining 34 were micro and small business enterprises (MSEs). Hence, results of the sample survey together with some supporting theoretical evidences have been discussed and presented in the subsequent sections.

4.1. General Background of the Sampled Non-MSE Business Entities

The sampled non-MSE business organizations were composed of different sectors (whole sale & retail trade, manufacturing, construction, transport, finance/insurance & real-estate as well as social service). Most of the businesses sampled (~63%) were established after 2001, with 16% between (1992 and 2000) and those before 1991 were only 7%. Of the 70 interviewed, 60 of them replied regarding their type of legal establishment, which was found to be 36% Sole proprietorship, 46% Private Limited Company (P.L.C.) and 4% Share companies. Besides, the interviewees were asked to reveal the type of working premise ownership and most of them were found to work in rented premises (~57%) followed by working in a long term leased plot (21%) and the remaining in a plot owned through non-lease ways (such as old possession, temporary lease, etc).

Table 4.1: Working Premise Ownership

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owned through lease</td>
<td>15</td>
<td>21.4</td>
</tr>
<tr>
<td>Owned – Old possession</td>
<td>10</td>
<td>14.3</td>
</tr>
<tr>
<td>Rented</td>
<td>40</td>
<td>57.1</td>
</tr>
<tr>
<td>Informally occupied</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>Owned through lease and old possession</td>
<td>1</td>
<td>1.4</td>
</tr>
<tr>
<td>No response</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016

The very fact we find out from the above response is that the leading sum is working in rented premises. Doing business in rented premises may imply obstacles for business and investment expansion particularly in the Addis Ababa’s context where rent prices are high and galloping from time to time. High rent prices would mean significant portion of working capital flows to cover premise rental expense that would have been spared for investment and business expansion.

4.2. Access and security of urban land

The spatial, physical and socio-economic conditions of Addis Ababa City in general are by far behind the requirements fundamental to sustain the livelihood of the City. In addressing the key
challenges of Addis, security of tenure could play indispensable role to sustain the livelihood of businesses in the City as it covers issues related to access, use, development or transfer and, as such, exist in parallel with ownership. This section therefore aims to discuss access and security of land in the City based on the findings of the sample survey.

In view of that, the sampled business communities were asked whether they believe on security of land rights for sustainable business development and nearly half of them (47%) acknowledged this. On the contrary, about 30% stated that they do not believe on the importance of land security for sustainable business development. This is to say that, they believe security of land has minimal impact on their business enterprises success.

Table 4.2. Confidence on land security

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not important</td>
<td>21</td>
<td>30%</td>
</tr>
<tr>
<td>Yes</td>
<td>33</td>
<td>47%</td>
</tr>
<tr>
<td>It depends</td>
<td>12</td>
<td>17%</td>
</tr>
<tr>
<td>No response/no idea</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016

As one can see from the above table, about 17% of the interviewees believe that the success of business enterprises depend on some other factors than land security. Yet, some studies (Nugent and Robinson 2002; Banerjee and Iyer 2002;) depict that secure and easily transferable property rights to land have long been identified as the key element to bring about higher levels of investment and access to credit, facilitate reallocation of production factors to maximize efficiency in resource use, and allow development of urban economy. In fact, the way in which property rights to land are allocated can have far-reaching impacts on other social outcomes (Nugent and Robinson 2002; Banerjee and Iyer 2002;) and there is an agreement that providing the basis for secure and transferable land rights is an important function of the state. However, some studies suggested that, investment may be undertaken to enhance tenure security rather than as a response to higher levels of tenure security. A case in point, in Burkina Faso, land-related investment appears to be undertaken primarily to increase tenure security rather than as a consequence of more secure rights (Brasselle et al. 2002).

It is obvious that, however, deferent forms of tenure may co-exist in the same country and, sometimes, even within the same city and each form of tenure has its own advantages and limitations. In general, where tenure is insecure, land markets as well as use of land as collateral will be impaired and the risk of losing land will create a disincentive for investors to undertake investments. This implies that for any kind of investment, security of tenure directly or indirectly could play a significant role and basic trust in the system which in turn could encourage private investors.
4.3. Urban land lease tender process

It is obvious that, the current land policy in Ethiopia is that land belongs to the state and the people, and no land can be obtained or transferred other than leasehold basis. The authority to transfer land through lease and determine the terms of redevelopment rests with the regional and city governments. Hence, the power over land lease by the individual regions is supposed to create incentives and opportunities for them to attract investment capital and promote developments in their jurisdictions.

Of the entire business firms sampled, only 15 (21%) were found to acquire premise through lease which ranges between 72 and 3,000 square meters. The minimum per square meter lease price offered to acquire a plot of land among the sampled was Birr 160 while the maximum recorded was found to be Birr 36,000.

According to Article 11 of the Lease Proclamation (721/2011), land allocation applies to “higher education institutions, hospitals, health research institutions, four star and above hotels, and mega real estate developments, to be undertaken by the private sector.” While Article 11 of the Lease Proclamation requires the cancellation of bid “if less than three bidders participate in the first round of tender”, Article 11 waives this requirement where the bid applies to a business stated under Article 11. The lease process involves four phases that precede the lease tender. The first phase involves the preparation of land for tender by making sure that the lands “are free from legal claims of any party”, “are prepared in conformity with the urban plan”, “have access to infrastructure”, “are parceled, delineated, assigned with unique parcel identification numbers”, and “have the plans and fulfill other necessary preconditions”.

The second phase relates to information about land prepared for tender. The information should contain the land grade, the lease benchmark price and other pertinent data. The information should further include development program and action plan where “the urban land prepared requires a special development program and implementation action plan”. The publicity of tender plans constitute the third phase, and this requires the relevant authorities to take into account “demand for urban land and development priorities” and “publicize their annual plans indicating the quantity of urban land” that will be offered for tender, and also make this information “easily accessible to the public”. The fourth phase in the process refers to the “timely supply of urban land in accordance with the plans publicized”.

However, though the land leases proclamation clearly state the tender process, as per the depth interview conducted with investors almost none of the aforementioned elements have been satisfied. For instance, as per the interviewees, when the City Administration makes available urban land for tender, it doesn’t take into account the extent of the demand and doesn’t offer timely supply of land.

It is noticeable that, an attempt for accessing land through lease is not an easy game. It quite entails financial readiness, curious information gathering, and passing through a series of bureaucratic red tapes. According to the sample survey, more than half (60%) of the businesses considered have unsuccessfully attempted to acquire land through lease. Several reasons have
actually been cited behind the encountered failures: high land cost/expensiveness of land lease price, demand-supply gap (high demand Vs limited supply), corrupted and non-transparent land administration process, bureaucracy and favoritism are among those highlighted by the interviewees who gave responses to the query posed for reasons behind being unsuccessful. Though the authenticity of their responses is open for lengthy debate, the highlighted clues cannot be simply subdued as these have been widely rumored and sustained among the public at large.

4.4 Urban land price and period of payment

The recent land lease law (proclamation no 721/2011) plainly states that urban land shall be permitted to be held by lease hold through the modality of tender or allotment. Consequently, the minimum (benchmark) price of urban land shall be determined by a regulatory provision of the respective regions and city administrations. As to the tender modality, the law states that, “the highest bidder shall be declared a winner on the basis of his bid price and the amount of advance payment he offers” (Article 11, sub-article 5). In short, during the tender process, the winner will be the one that gives the maximum price through auction and Lease-hold title deed will be conferred on a person/entity to whom urban land is permitted.

Coming to the sample survey result, of those 49 (out of 70) who responded, about 53% (of 49) pointed out that high land lease cost is the sole reason behind failure for acquiring premises and nearly 69% in either way depicted that high cost of land in association with other reasons mentioned before (corruption, favoritism, etc) have deterred them from accessing land for their business through lease.

As per the interviewees, expressiveness of land is further worsened by the escalating land price from time to time making land unimaginably unaffordable in the City. This (rising land price level) has been stated by almost 54% of the respondents, either as a sole reason or in combination with other factors. The leading causal factor for the ever increasing land price in the City has been identified by the respondents as the limited supply/scarcity of land which does not match the desperately mounting demand for space (backed by 44.3% of the respondents).

The leading general factors cited for expensiveness of lease land and the observed ever increasing price trend, as identified by the respondents, is summarized in the ensuing manner.

- high demand for land coupled with limited supply of land due to reasons including absence of efficient land provision system, high competition (Inordinate natured relied on poor information and awareness), strategic importance of Addis Ababa, rise in population, etc.
- land being occupied by the few rich, powerful and politically affiliated people;
- distorted government policy in land allocation priority setting (focus given to the diasporas, foreign investors and to those business tycoons)
- deep corruption in areas of land administration;
- low financial capacity of the business community to afford the high land cost;
land being considered by the government as paying business/lucrative source of income

- the speculative and negative role of illegal brokers and rent seekers, as well as
- lack of clear and strict strategy from the government side to regulate the escalating land price.

It has been noticeable that pricing of land is the key component of an appropriate incentive for balanced, coordinated investment and development in different parts of the City. Moreover, Addis Ababa has increasingly been expanding randomly and horizontally along the five regional outlets. This experience is somehow associated with the utilization of land. The high lease price has kept away potential investors from involving in the City’s economic development. The city government has only considered the problem on the provision of land for auction in response to the rising demand. Urban land pricing however is a major factor for the success of the business community which require adequate attention from the government side.

4.4.1. Pattern of land transferred through lease auction

In addition to the type of development activity on which land is held through lease, its value varies from location to location depending on grade tagged on it based on availability of the necessary infrastructure amenities such as road, water, telecommunication, education facilities, etc. Accordingly, the minimum (benchmark) price of urban land is determined prior possession through auction or allotment.

Information availed from Addis Ababa Land Bank and Transfer Office, which is responsible for leasing plots, shows that about 101 hectares of land (2,671 plots) have been leased out through 18 rounds of lease tender since the enactment of the new land lease law (proclamation 721/2011). The minimum leased plot size in these rounds was 125 square meter with the maximum of 16,750 square meter and with an average size of around 400 square meter. Most of the leased plots were transferred for residential uses.

<table>
<thead>
<tr>
<th>Year</th>
<th>Round</th>
<th>No. of Auctioned plots where winner is announced</th>
<th>Land leased (m²)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
<td>2013</td>
<td>1</td>
<td>120</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2</td>
<td>131</td>
<td>150</td>
<td>1,329</td>
</tr>
<tr>
<td></td>
<td>3</td>
<td>105</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>4</td>
<td>53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>5</td>
<td>101</td>
<td>150</td>
<td>1,555</td>
</tr>
<tr>
<td></td>
<td>6</td>
<td>122</td>
<td>142</td>
<td>1,114</td>
</tr>
<tr>
<td></td>
<td>7</td>
<td>203</td>
<td>149</td>
<td>2,714</td>
</tr>
<tr>
<td></td>
<td>8</td>
<td>250</td>
<td>144</td>
<td>1,577</td>
</tr>
<tr>
<td></td>
<td>9</td>
<td>256</td>
<td>137</td>
<td>16,750</td>
</tr>
</tbody>
</table>
## Summary

<table>
<thead>
<tr>
<th>Year</th>
<th>Round</th>
<th>No. of Auctioned plots where winner is announced</th>
<th>Land leased (m²)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
<td>Average</td>
</tr>
<tr>
<td>2015-16</td>
<td>10</td>
<td>162</td>
<td>125</td>
<td>8,113</td>
</tr>
<tr>
<td></td>
<td>11</td>
<td>146</td>
<td>125</td>
<td>5,340</td>
</tr>
<tr>
<td></td>
<td>12</td>
<td>177</td>
<td>137</td>
<td>2,120</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>232</td>
<td>149</td>
<td>1,717</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>178</td>
<td>150</td>
<td>1,220</td>
</tr>
<tr>
<td></td>
<td>15</td>
<td>152</td>
<td>145</td>
<td>1,000</td>
</tr>
<tr>
<td></td>
<td>16</td>
<td>88</td>
<td>153</td>
<td>746</td>
</tr>
<tr>
<td></td>
<td>17</td>
<td>102</td>
<td>165</td>
<td>2,127</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>93</td>
<td>150</td>
<td>1,204</td>
</tr>
<tr>
<td>Summary</td>
<td></td>
<td>2,671 (total)</td>
<td>125 (min)</td>
<td>16,750 (max)</td>
</tr>
</tbody>
</table>

Source: Own (Consultant’s) computation based on data obtained from Addis Ababa Land Bank and Transfer Office, February 2016.

The above numbers only depicts the supply side, which is not by any means comparable to the enormous demand in the City. Different information obtained from the same office regarding the number of bid documents sold in some of the above rounds (round 1 to 11) shows that there were 21 contesters on average for every single plot auctioned. In other words, the demand for leased plots in the mentioned rounds was 21 fold compared to the actual supply.

According to Addis Ababa Bureau of Finance and Economic Development, the City has about 100,000 leased plots at the moment which were transferred to users since the implementation of lease system in the City following proclamation no. 80/1993. Most (~90%) of the leased plots in the City are located in three sub cities (Bole- 45,000, Akaki Kaliti - 30,000 and Kolfe Keraniyo - 14,000). Similar to the historical trend highlighted above, most leased plots transferred through auction in the City are located in Bole, Akaki Kalitu and Kolfe Keraniyo sub cities in the post 2011 era of the new land lease proclamation. As can be understood from the table beneath, Bole sub city has fetched 15 rounds of auction (out of 18) followed by Akaki Kaliti and Kolfe Keraniyo, each engaging 11 rounds. Lideta and Kirkos did not have leased plots through auction while Arada, Addis ketema and Gullele had only involved 2 to 3 rounds while Yeka and Nifas Silk Lafto has a moderate 6 to 8 round of auctions out of the 18 so far announced.
## Table 4.4. Spatial distribution of auctioned plots and price by sub city in Addis Ababa since proclamation 721/2011 (between 2012 and 2016)

<table>
<thead>
<tr>
<th>Sub City</th>
<th>Total rounds</th>
<th>rounds detail</th>
<th>Average historical price/m²</th>
<th>Average current price/m²</th>
<th>Maximum Price/m²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arada</td>
<td>3</td>
<td>4,9,12</td>
<td>23,096</td>
<td>25,025</td>
<td>40,250</td>
</tr>
<tr>
<td>Lideta</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kirkos</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Addis Ketema</td>
<td>2</td>
<td>11,15</td>
<td>237,429</td>
<td>169,859</td>
<td>355,555</td>
</tr>
<tr>
<td>Yeka</td>
<td>6</td>
<td>4,5,6,7,9,17</td>
<td>10,087</td>
<td>12,750</td>
<td>151,113</td>
</tr>
<tr>
<td>Bole</td>
<td>15</td>
<td>All except 3, 16,17</td>
<td>11,203</td>
<td>19,010</td>
<td>65,552</td>
</tr>
<tr>
<td>Akaki Kaliti</td>
<td>11</td>
<td>6,9 to 18</td>
<td>7,409</td>
<td>11,850</td>
<td>16,102</td>
</tr>
<tr>
<td>Nifas Silk Lafto</td>
<td>8</td>
<td>1,2,4,8,10,11,14,17</td>
<td>13,327</td>
<td>19,344</td>
<td>36,556</td>
</tr>
<tr>
<td>Kolfe Keraniyo</td>
<td>11</td>
<td>2,4,5,7,8,9,10,12,14,15,18</td>
<td>11,152</td>
<td>20,186</td>
<td>48,925</td>
</tr>
<tr>
<td>Gullele</td>
<td>3</td>
<td>10,12,14</td>
<td>10,222</td>
<td>9,618</td>
<td>17,000</td>
</tr>
<tr>
<td>City Average</td>
<td></td>
<td></td>
<td>12,357</td>
<td>16,826</td>
<td>53,643</td>
</tr>
</tbody>
</table>

Source: Own (Consultant’s) computation based on data obtained from Addis Ababa Land Bank and Transfer Office, February 2016.

Coming to the pattern of lease price since the enactment of the new land lease policy in 2011, the average historical price observed in the City in the entirely considered rounds was Birr 12,357 with the latest (18th round) average price standing at Birr 16,826. These averages however do not include the outlier prices as can be seen in the above table, in Addis Ketema sub city. This sub city has actually proved its most expensiveness in its just two rounds of auction, via fetching over Birr 305,000 (nearly USD14500)\(^\text{16}\) in both cases (1st Birr 305,000 and 2nd Birr 355,555). This is in fact an outlier compared to other sub cities that collectively registered an average maximum of Birr 53,643 in the entire 18 rounds. In any case, land lease price in the Addis Ababa has been erratic during the considered period on round to round basis, but generally rising.

As per an Amharic weakly reporter newspaper (2016), currently 200 square meters apartment in central London costs somewhere in the neighborhood of USD 42,300. London, in fact, leads Hong Kong, the second expensive city using identical category for comparison, by 6,300 US dollar still moving away further from the others like New York, Geneva, Singapore and Paris, ranging in the price of 30,000 to 24,000 US dollar. Surprisingly enough, all of these prices reflect the value of properties that is including the lease price of the plots that the properties are built on and the value that is placed on them.

As revealed in the following table, the minimum, maximum and general average price ranges have been increasing by an average round to round growth rate of 68%, 148% and 52%, respectively.

\(^{16}\) 1 USD equivalent to 21birr.
Table 4.5. Land lease auction winner price pattern of Addis Ababa City after Proclamation 721/2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Auction Round</th>
<th>Value (Birr)</th>
<th>Percentage Growth</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
<td>Average</td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>260</td>
<td>13,001</td>
<td>4,716</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>260</td>
<td>13,001</td>
<td>7,840</td>
<td>366%</td>
</tr>
<tr>
<td>3</td>
<td>1,211</td>
<td>151,113</td>
<td>9,788</td>
<td>-0.91%</td>
</tr>
<tr>
<td>4</td>
<td>1,200</td>
<td>26,102</td>
<td>10,187</td>
<td>108%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>2,500</td>
<td>17,450</td>
<td>8,271</td>
<td>-79%</td>
</tr>
<tr>
<td>6</td>
<td>521</td>
<td>18,201</td>
<td>8,874</td>
<td>-0.04%</td>
</tr>
<tr>
<td>7</td>
<td>521</td>
<td>20,195</td>
<td>8,415</td>
<td>4.6%</td>
</tr>
<tr>
<td>8</td>
<td>545</td>
<td>65,552</td>
<td>9,996</td>
<td>-10%</td>
</tr>
<tr>
<td>9</td>
<td>489</td>
<td>40,250</td>
<td>12,470</td>
<td>8.6%</td>
</tr>
<tr>
<td>10</td>
<td>531</td>
<td>51,110</td>
<td>11,821</td>
<td>300%</td>
</tr>
<tr>
<td>11</td>
<td>2,124</td>
<td>305,000</td>
<td>82,310</td>
<td>-69%</td>
</tr>
<tr>
<td>12</td>
<td>650</td>
<td>28,121</td>
<td>13,363</td>
<td>363%</td>
</tr>
<tr>
<td>13</td>
<td>3,011</td>
<td>33,155</td>
<td>11,030</td>
<td>72%</td>
</tr>
<tr>
<td>14</td>
<td>5,189</td>
<td>36,556</td>
<td>14,869</td>
<td>29%</td>
</tr>
<tr>
<td>15</td>
<td>6,689</td>
<td>355,555</td>
<td>52,849</td>
<td>-62%</td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>2,555</td>
<td>14,152</td>
<td>9,363</td>
<td>48%</td>
</tr>
<tr>
<td>17</td>
<td>3,777</td>
<td>33,700</td>
<td>13,657</td>
<td>77%</td>
</tr>
<tr>
<td>18</td>
<td>6,689</td>
<td>31,500</td>
<td>17,015</td>
<td>68%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>2,151</td>
<td>69,651</td>
<td>17,046</td>
<td>68%</td>
</tr>
</tbody>
</table>

Source: Own (Consultant’s) computation based on data obtained from Addis Ababa Land Bank and Transfer Office, February 2016.

Putting it differently, land lease price on average has been growing by a staggering 52% in every single lease auction round which is well above the City’s general inflation rate in the period under consideration (~12% between 2012 and 2015\(^\text{17}\)). Most lessees in the period offered a 10% down payment to the City Administration though few have settled at once. The average down payment offered in general stood at 16%. The recent lease proclamation states that one of the criteria for declaring the highest bidder should be the amount of advance payment one offers along with the maximum bid price proposed (Procl. 721/2011, Article 11 (5)).

A different comparison made between the City’s land leases prices discussed above with the City’s bench mark land price (BMP) reveals existence of a wide deviation between these two. Bench mark land price serves as the minimum threshold price below which prices offered by bidders/negotiators can’t be accepted (by the City Administration in this case) and usually computed using different approaches including the major three methods: cost, sales and income capitalization approaches\(^\text{18}\). According to proclamation 721/2011 (Article 14), all urban land


\(^{18}\) Proclamation 721/2011 defines BMP as “the threshold price determined by taking into account the cost of infrastructural development, demolition cost as well as compensation to be paid to displaced persons in case of built up areas, and other relevant factors” (Article 2(11)).
plots need to have a benchmark lease price prepared and requires updating at least every two years to reflect market conditions. As per the law, the BMP serves to renew lease period upon expiry and during conversion of old possessions into lease system and also as a reference for the bid bond to be submitted during auction (shall not be less than 5 percent).

Addis Ababa is currently using the BMP prepared by EiABC in 2012 which should have been revised and effected after two years as per the law. The BMP was in fact revised in 2014 by the same institute (EiABC) though not realized yet. Subsequently, it also looks that the City Administration is savoring in achieving the objective of BMP in defending the minimum threshold price set. As per the BMP later revised by EiABC, it was prepared based on the City’s land grades which cover different segments of the City. The BMP was thus computed considering the City’s three major and fourteen sub land grades as shown in the table below.

Table 4.6: Benchmark land price of Addis Ababa per square meter (in Birr)

<table>
<thead>
<tr>
<th>Grade</th>
<th>G1 (1-1)</th>
<th>G2(1-2)</th>
<th>G3(1-3)</th>
<th>G4(1-4)</th>
<th>G5(1-5)</th>
<th>G6(2-1)</th>
<th>G7(2-2)</th>
<th>City Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMP</td>
<td>2,847</td>
<td>2,330</td>
<td>1,816</td>
<td>1,878</td>
<td>1,900</td>
<td>1,383</td>
<td>2,847</td>
<td>1,266</td>
</tr>
<tr>
<td>Grade</td>
<td>G8(2-3)</td>
<td>G9(2-4)</td>
<td>G10(2-5)</td>
<td>G11(3-1)</td>
<td>G12(3-2)</td>
<td>G13(3-3)</td>
<td>G14(3-4)</td>
<td></td>
</tr>
<tr>
<td>BMP</td>
<td>853</td>
<td>770</td>
<td>568</td>
<td>500</td>
<td>162</td>
<td>193</td>
<td>126</td>
<td></td>
</tr>
</tbody>
</table>

Source: EiABC, Addis Ababa University, 2014.

As can be understood from the table, the maximum BMP set was for Grade one sub grade one (G1 (1-1)) class of the City which tags a BMP of Birr 2,847 per square meter. The minimum is for Grade 3 sub grade 4 (G-14 (3-4)) with a label of Birr 126/m2 and the City’s average is found to be Birr 1,266/m2.

Comparison made between the BMP and the auction price, without correcting for maximum outliers recorded in the City which fetched above Birr 100,000/m2 land lease auction prices, depicts presence of wide variation between the BMP and the market price.

Table 4.7: Comparison between the Addis Ababa City BMP and land lease auction price (Birr)

<table>
<thead>
<tr>
<th>Minimum</th>
<th>Maximum</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMP</td>
<td>City</td>
<td>BMP</td>
</tr>
<tr>
<td>126</td>
<td>260</td>
<td>134</td>
</tr>
</tbody>
</table>

Source: Own computation based on the BMP and the market land lease price

One can observe that there is a narrow gap between the BMP and the City’s minimum auction land lease prices compared to the ‘maximum’ and ‘average’ results. For instance, the maximum BMP price of the City is about 2,400 Birr/m2 while that of the recorded auction price was about Birr 356,000, bringing a staggering gap of Birr 353,000/m2 between the BMP and bid price. The same applies for the ‘average’ case showing a difference of about Birr 16,000.
Comparison made via removing the outliers in the considered 18 rounds of lease tender since 2011 (maximum auction prices exceeding 100,000) however reveals how the outliers injected significant distortions in the maximum price range accounting of the City. As shown in the beneath table, the gap observed in the maximum range is devoured to about Birr 63,000/m² from the previous 353,000 Birr/m². Similarly, the average range is moderately slashed from Birr 16,000 to Birr 13,500/m².

Table 4.8: Comparison between the Addis Ababa City BMP and land lease auction price in Birr (correction made for outliers)

<table>
<thead>
<tr>
<th></th>
<th>Minimum</th>
<th>Difference (City – BMP)</th>
<th>Maximum</th>
<th>Difference (City – BMP)</th>
<th>Average</th>
<th>Difference (City – BMP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BMP</td>
<td>126</td>
<td>260</td>
<td>BMP</td>
<td>2,393</td>
<td>BMP</td>
<td>14,818</td>
</tr>
<tr>
<td>City</td>
<td>260</td>
<td>134</td>
<td>City</td>
<td>65,552</td>
<td>City</td>
<td>13,552</td>
</tr>
<tr>
<td>BMP</td>
<td>2,393</td>
<td>63,159</td>
<td>BMP</td>
<td>13,552</td>
<td>BMP</td>
<td>13,552</td>
</tr>
<tr>
<td>City</td>
<td>65,552</td>
<td>13,552</td>
<td>City</td>
<td>13,552</td>
<td>City</td>
<td>13,552</td>
</tr>
</tbody>
</table>

Source: Own computation based on the BMP and the market land lease price

The fact we deduce from the above analysis is that the BMP has effectively served its objective from the government side in defending the minimum threshold set. The opposite however can be encountered from the users’ side as it absolutely failed to serve as a benchmark. This can be observed by simply looking into the gaps between the BMP and the average market price, let alone the maximum ranges. In the current context, the BMP can only serve during conversion of old possession into lease hold, or as a reference for bid bond or to renew lease period as plainly inscribed in the 2011 land lease proclamation.

As explained in the literature review part of this paper, different countries do not solely let selling lease prices to be decided at the mercy of auction/tender but employ various regulatory mechanisms to achieve the much desired aims of transferring land through leasehold. Kenya’s practice for instance shows that the final decision for setting current lease price is made both by their Ministry of land tenure and City Councils and the South African experience depicts that final price is decided by the government, financial institutions and professional experts. If the effected urban land lease system in Ethiopia should bring the claimed ‘efficient, effective, equitable and well-functioning land and landed property market’ as claimed by proclamation 721/2011, the government should indeed take lesson from similar well-functioning and effective systems across the globe.

4.4.2 Revenue generated from land lease

The size and trend of lease revenue can in fact clue the rationale behind the fairness level of land lease price pattern in a given city, unless accompanied by abundant land supply to regulate high price level. This theory can specifically apply for Addis Ababa’s case where there is a limited institutional capacity to avail plots for lease which apparently triggered creation of an enormous demand. According to AABOFED, Addis Ababa City Administration has lucratively generated some 6.15 Billion Birr (which is equivalent to nearly 10% of the City’s GDP at current price in 2014) between 2008 and 2015 through urban land lease, exhibiting an average annual
growth rate of 40%. Of this amount, about 68% has been made after the year 2012 following the realization of the new land lease law.

Table 4.9: Addis Ababa City land lease revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total revenue (Birr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue in million (Birr)</td>
<td>237</td>
<td>330</td>
<td>758</td>
<td>659</td>
<td>710</td>
<td>695</td>
<td>1,038</td>
<td>1,724</td>
<td>6,151</td>
</tr>
<tr>
<td>Percent growth</td>
<td>39%</td>
<td>129%</td>
<td>-13%</td>
<td>8%</td>
<td>-2%</td>
<td>49%</td>
<td>66%</td>
<td>40%</td>
<td>(average)</td>
</tr>
</tbody>
</table>

Source: AABOFED, February 2016

The contribution of land lease income to both the City's total revenue and non-tax income is increasing as shown beneath. The average share of lease revenue from non-tax revenue amounts for 66% (between 2008 and 2015) registering a staggering take-off from 40% in 2008 to 86% in 2015. The average contribution of land lease revenue to the total City's revenue stands at 8%, which was accompanied by irregular features and slightly declining trend in the period considered. This is mainly due to the outshining performance of other revenue sources of the City compared to lease revenue.

Table 4.10: Addis Ababa City land lease revenue (Million Birr)

<table>
<thead>
<tr>
<th>Year /source of revenue</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax revenue</td>
<td>1,651.72</td>
<td>2,234.35</td>
<td>3,448.13</td>
<td>4,935.28</td>
<td>7,229.14</td>
<td>10,906.43</td>
<td>14,214.34</td>
<td>17,236.00</td>
<td></td>
</tr>
<tr>
<td>Non tax revenue</td>
<td>598.49</td>
<td>497.98</td>
<td>952.92</td>
<td>1,025.44</td>
<td>1,142.31</td>
<td>1,096.19</td>
<td>1,542.00</td>
<td>2,010.53</td>
<td></td>
</tr>
<tr>
<td>Lease revenue</td>
<td>237</td>
<td>330</td>
<td>758</td>
<td>659</td>
<td>710</td>
<td>695</td>
<td>1,038</td>
<td>1,724</td>
<td></td>
</tr>
<tr>
<td>Capital revenue</td>
<td>409.42</td>
<td>932.08</td>
<td>-</td>
<td>1.74</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Municipality revenue</td>
<td>374.71</td>
<td>600.29</td>
<td>660.14</td>
<td>932.14</td>
<td>1,242.90</td>
<td>1,245.78</td>
<td>1,502.73</td>
<td>1,829.57</td>
<td></td>
</tr>
<tr>
<td>Road fund</td>
<td>43.13</td>
<td>27.03</td>
<td>39.25</td>
<td>41.63</td>
<td>38.04</td>
<td>46.993</td>
<td>50.53</td>
<td>43.7</td>
<td></td>
</tr>
<tr>
<td>Loan and Assistance</td>
<td>66.42</td>
<td>21.32</td>
<td>85</td>
<td>-</td>
<td>-</td>
<td>49.33</td>
<td>1,785.72</td>
<td>559.7</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>3,143.99</td>
<td>4,313.06</td>
<td>5,186.09</td>
<td>6,936.22</td>
<td>9,652.39</td>
<td>13,220.02</td>
<td>19,095.32</td>
<td>21,679.60</td>
<td></td>
</tr>
<tr>
<td>Share of Lease revenue from Non-tax revenue</td>
<td>40%</td>
<td>66%</td>
<td>80%</td>
<td>64%</td>
<td>62%</td>
<td>63%</td>
<td>67%</td>
<td>86%</td>
<td></td>
</tr>
<tr>
<td>Share of Lease revenue from total revenue</td>
<td>7.5%</td>
<td>7.7%</td>
<td>14.6%</td>
<td>9.5%</td>
<td>7.4%</td>
<td>5.3%</td>
<td>5.4%</td>
<td>8.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: AABOFED, February 2016

As highlight elsewhere in this paper, the City has about 100,000 leased plots at the moment. The lease revenue reported in the above tables thus includes payments collected from these leaseholders. The down payment collected each year from the transfer of new leased plots does
not exceed 30% of the total lease revenue and the rest 70% accounts for the regular annual payment made by leaseholders for the remaining balance of the lease amount (AABOFED, 2016). As per the same source, the annual lease revenue collection performance is found to be poor due to various reasons, which may include:

- Poor enforcement capacity of the City’s Land Bank and Transfer Office mainly due to shortage of manpower. The Office usually collects annual land lease fees through advertising via billboards, speakers and sometimes through mass media (Television, Radio) and do not habitually enforce those non-comers through the aforementioned communication means. Legal action against defaulters (for unpaid arrears, terminating leasehold, etc) as per the proclamation 721/2011 is indeed found to be very minimal.
- Though software has been developed for automating lease information and follow-up, it has not yet been realized to replace the current manual based ineffective operation. This has prevented operators to have an exact track of the lessees.
- There is a poor data base on leased plots and leaseholders and no adequate effort has thus far been made to improve this situation.
- Lease auction takes place at the center (municipal) level instead of sub cities with an aim of preventing rent seeking behavior which might occur at lower (sub-city) levels. These all various reasons, inter alia, has made land provision and auctioning process complex, leading to land supply constraint and contributing to land lease price expensiveness in the City.

4.4.3. Land price versus competitiveness

High land cost obviously erodes competitiveness as it consumes sizable portion of a given investment which otherwise would have been invested for various business development and expansion activities. This has been well noticed and felt by the sampled business community as about 83% of the entire respondents agreed on the effect of high lease price in deterring competitiveness. The majority collectively agreed that high land cost pushes up development/investment cost which in turn inflates the cost of rent. This would ultimately force the business community to increase their sales/service fees to offset the rise in rent resulting in customers’ dissatisfaction and refraining at last. The apparent end-result would then be adversely affecting competitiveness.

Business competitiveness is in fact generally low in Ethiopia as uncovered by different years World Bank Ease of Doing Business Surveys (2013, 2014, and 2016 surveys). As per the surveys, Ethiopia ranked 132nd in 2013, 129th in 2014 and again 132nd (of 189) in 2015 indicating the need for further reform and improvement in the business operating environment, one of which is identified to be in relation to access to land

It is obvious that, cost of land is largely unavoidable cost of doing business. Restrictions on land usage or policies that boost land prices therefore act as a barrier to entry for many businesses. As the result of sample survey plainly shows, cost of land is not an easy barrier to overcome and that is a serious problem in the city. In sum, high land cost pushes up cost of production which results in increased service and sales price via compromising customers’ ability to purchase, ultimately downing business expansion and competitiveness. This paves a clear way
to few high class investors to monopolize land in the City, cornering the majority of the business community to be under the mercy of these few land and real-estate oligopolies.

4.4.4. Factors for pricing urban land

According to Alonso’s (1964) theory, that explains the price of land as a function of the activities that take place on it, pricing of land is determined by the rent paying ability of different economic functions such as retailing, industry and residences in a given urban area.

In contrast, according to the sampled businesses, the major factors suggested to be regarded while pricing leased plots include location, access to transport, purchasing power/capacity of the contender and control over illegal mal practices (corruption, favoritism and partiality, role of illegal brokers & rent seekers, etc). Some have even called for specific sector based treatment (such as giving priority to manufacturing sector) and special privilege for local/domestic businesses while pricing leased land. But above all, the majority wanted the land pricing factor to adequately consider the inherent financial capacity of differing status of the business community. It is worth to mention here South Africa experience of land pricing which is stated under review literature part of this study. Hence, locality and location, land use function, material and size of property and topography are the factors considered as an input for land price rating. Following this detailed valuation the government will determine the price.

Theoretically, if one factor of production becomes more plentiful and therefore cheaper, it will cause production of the good that relies on that factor to increase. In response to that increase, the country/city will produce fewer goods that rely on other factors. This would mean that escalating land prices will increase cost of production/service which will have a direct impact on the price of goods and services to be supplied.

4.4.5. Proportion of land value to the total development cost

The issue of cascading the proportion of land cost to the total investment cost is highly controversial and widely open for lengthy debate as it could greatly vary depending on the scale of development, size of investment outlay, cost of land and other development components, different property valuing techniques and the like. In economic theory the opportunity cost is defined as the most appropriate alternative use. This is to say that, the cost of a piece of land as compared to what could have been done with that same money if it had been used for something else.

With this milieu, a query posed to the interviewees to estimate the proportion of land value to the total development cost has resulted in a wide array of responses. Some have estimated as low as 10% while others put it as high as 80% and above. As elaborated in the ensuing table, only 6% of the respondents estimated at 9%, with half (~52%) putting it between 11% and 50%. Those who considered greater than 50% make up 24% of the entire response.
### Table 4.11: Proportion of land value to the total development cost

<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10%</td>
<td>6</td>
<td>9%</td>
</tr>
<tr>
<td>11% to 30%</td>
<td>18</td>
<td>26%</td>
</tr>
<tr>
<td>31% to 50%</td>
<td>18</td>
<td>26%</td>
</tr>
<tr>
<td>&gt;50%</td>
<td>17</td>
<td>24%</td>
</tr>
<tr>
<td>Other/No response</td>
<td>11</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>70</td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016

Under free market conditions one would expect the price of land to be such that, on average, land earns a rate of returns in the long run roughly equal to that of other assets of similar risks and characteristics. Walter (1983) rightly argues in this context that the price of land is, however, not determined by its production value only, but also by the services it incorporates at present or will incorporate in the future, and these are expressed in price elasticity.

### 4.4.6. Periods of Payment

Proclamation no. 721/2011 states that payment made for leasing urban land would be effected through one time down payment which may not be less than 10 percent of the entire lease amount and through settling the remaining balance on the basis of equal annual installments in the agreed payment period. The lessee is also expected to pay interest on the remaining balance as per the prevailing interest rate on loans offered by the Commercial Bank of Ethiopia (CBE). The regulation ordained by Addis Ababa City Administration for the execution of this proclamation (regulation no. 49/2011) uncover that a given lessee should settle its remaining balance between 20 to 30 years depending on the type of use/investment activity as shown in the table below.

### Table 4.12: Periods of payment of urban land lease prices in Addis Ababa by activity

<table>
<thead>
<tr>
<th>AREAS OF ACTIVITY</th>
<th>PERIOD OF PAYMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private dwelling houses</td>
<td>Within 30 years</td>
</tr>
<tr>
<td>Industry</td>
<td>Within 20 years</td>
</tr>
<tr>
<td>Hospital and university</td>
<td>Within 20 years</td>
</tr>
<tr>
<td>4 star hotel and above</td>
<td>Within 20 years</td>
</tr>
<tr>
<td>Others</td>
<td>Within 20 years</td>
</tr>
</tbody>
</table>

Source: Factor Cost, Ethiopian Investment Agency (2014)

This is in fact one of the challenges raised by the business community for doing business. Although the length of lease period is not as such an issue, much complaint is associated with the length of payment period and the amount of interest levied on the remaining balance. As per the business community interviewed, the indicated 20 to 30 years period is too short for
concluding the remaining balance considering the already expensive land lease price, the ensuing sizable amount of finance expected to realize the planned project and the payback period required for a given business. The un-avoided interest rate, which is close to 10% at the moment at CBE, is another burden for the already deprived business stand engaged in leasing. These all indeed entail a critical evaluation of the system if the private sector should flourish and play a significant role in the currently active nation building process.

4.5. Land transferred through allocation

According to proclamation no 721/2011, urban land shall be permitted to be held by leasehold through modality of tender or allotment (Article 7, sub article 2). As discussed in the previous section, Addis Ababa City Administration has so far leased about 101 hectares of land through tender for various purposes including residential, mixed use, service and manufacturing functions. Following the mentioned new law (no 721/2011), the City Administration has transferred about 259 hectares of land for selected sectors (97% for manufacturing industry) through allotment between 2012 and 2015 as indicated below. This is in fact significant (2.55 fold) compared to land transferred through tender in the referenced period.

Table 4.13: Land transferred through allotment

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Year Allocated</th>
<th>Land transferred (hectare)</th>
<th>Total (Hectare)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Industry</td>
<td>Hotel</td>
</tr>
<tr>
<td>1</td>
<td>2012</td>
<td>107.25</td>
<td>0.89</td>
</tr>
<tr>
<td>2</td>
<td>2013</td>
<td>89.65</td>
<td>2.30</td>
</tr>
<tr>
<td>3</td>
<td>2014</td>
<td>32.20</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>2015</td>
<td>22.34</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>251.44</td>
<td>3.19</td>
</tr>
</tbody>
</table>

Source: Addis Ababa Land Bank and Transfer Office, February 2016

The trend of land allocation through allotment modality has considerably been shrinking by 36% annually as shown in the above table. The unmet demand however is colossal as evidenced by the limited success rate of land request pleas through allotment to the City Administration.

Table 4.14: Number of allotment requests and approvals for manufacturing industries

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of projects submitted for appraisal</th>
<th>Number of projects appraised by the office</th>
<th>Number of projects which fulfill the required criteria</th>
<th>Number of projects passed for decision</th>
<th>Number of Projects approved by the City Cabinet for land allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>260</td>
<td>260</td>
<td>78</td>
<td>78</td>
<td>20</td>
</tr>
<tr>
<td>2014</td>
<td>264</td>
<td>264</td>
<td>182</td>
<td>82</td>
<td>29</td>
</tr>
<tr>
<td>2015</td>
<td>236</td>
<td>212</td>
<td>163</td>
<td>24</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>760</td>
<td>736</td>
<td>423</td>
<td>184</td>
<td>59</td>
</tr>
</tbody>
</table>

Source: Addis Ababa Land Bank and Transfer Office, February 2016
As can be realized from the table above, some 760 manufacturing industry projects have been submitted to the City Administration for land request through allotment with only 8% of them succeeded. The very facts we deduce from the above two analyses is that the supply of land highly shortfalls its demand level in both tender and allotment based leasehold modalities. This has unequivocally created a fertile ground for expensiveness and an ever increasing land price witnessed across time since the enforcement of the new land lease law. Expensive land price means expensive rent fee which in turn fuels the general inflation rate making doing business difficult and living cost of the society expensive unless regulated.

4.6. Urban land registration, information and supply

Land information includes GIS (Geographic Information System), CIS (Cadastral Information System), line maps, clearly defined land plot registration, title deed registration which is transparent and readily accessible and other elements of land information and governance. In the current information age which enables the GPS (Global Positioning System) in our mobile phones locate where we are at any given moment, it is indeed expected land administration institutions to be up to the requirements of our times. As UN-Habitat (2012) notes “sustainable urban development depends on how well land is accessed, used, transferred and managed for the benefit of the current and growing urban population. Ensuring sustainable urban development requires targeted land information”. The information generated through a depth interview conducted with the city administration officials uncovers presence of capacity and data recording problems. It is indeed astounding to observe Land Bank and Transfer Office lacking the exact statistics of the land size in the City in its land bank.

On the other hand, the interviewees covered by the conducted sample survey were requested whether the agency responsible for leasing land has a method for awareness raising and information sharing regarding lease. Accordingly, only one-fifth (20%) of the sampled population witnessed incidences of information sharing/awareness creation from the lease implementing agency to a limited extent. The majority (41%) however stated that no such endeavor have so far been made to either create awareness or share information regarding land lease. The remaining 39% either did not given response or said they do not know about the issue as depicted in the ensuing table.

Table 4.15: Method of awareness raising and information sharing by land lease agency

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No method</td>
<td>29</td>
<td>41%</td>
</tr>
<tr>
<td>Yes (but not frequent, through media, etc)</td>
<td>14</td>
<td>20%</td>
</tr>
<tr>
<td>I do not know</td>
<td>12</td>
<td>17%</td>
</tr>
<tr>
<td>No Response</td>
<td>15</td>
<td>21%</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: the sample survey, 2016

---

19 Cadastral map is “a map showing the boundaries of land parcels, often buildings on land, the parcel identifier, sometimes references to boundary corner documentation. Cadastral maps may also show limited topographic features”, Ibid.
Similarly, a response to the query posed whether the City Administration discusses with the business community to promote awareness on urban land policies shows how such kind of events rarely happen, and if it happens at all, not frequent. The supply of land in the city has never been adequate as compared to the demand. This also aggravated as some of the land not with utilities and clear recording system of the land status. According to some studies, the existing land price policy in the City concentrates on the supply side and seems to neglect the effective demands of the majority of investors in the City. Moreover, many argue that Urban land price of Addis Ababa under the lease system is expensive that investors as well as private house dwellers could not afford it.

In regards to registration of possession, the proclamation underlines the need to “implement legal cadastre principles such as registration of possession, getting the consent of the possessor during transaction, making registration of possession open to public, clearly identifying the possession and the possessor through unique identification codes”. However, as per the information generated through depth interview with academicians, there is a clear gap in this regard as no formal consent with the possessors and identification of clear codes given for the property.

4.7. Urban governance and access to Land

It is undeniable that, better urban land management requires a better understanding of urban land demand and supply. Therefore, an effective and efficient urban land management system should take into account the urban land demand and supply situation. This in turn relates to setting up the minimum price of urban land not based on market principles but the general benefit the society be able to get from the investment. These all require clear policy direction and transparent, responsible, responsive and accountable governance.

One of the leading complaints from the public and the business community is in relation to the difficulty for access to land. This is manifested in terms of delays, different malpractices (corruption, favoritism), poor data management and the like. According to the conducted survey, about 63% of the entire respondents gauge the responsiveness of land provision and administration as slow/very poor with only 4% regard as ‘quick’ in response.

<table>
<thead>
<tr>
<th>Description</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick</td>
<td>3</td>
<td>4.3</td>
</tr>
<tr>
<td>Slow</td>
<td>29</td>
<td>41.4</td>
</tr>
<tr>
<td>Very Poor</td>
<td>15</td>
<td>21.4</td>
</tr>
<tr>
<td>No Idea</td>
<td>21</td>
<td>30.0</td>
</tr>
<tr>
<td>No response</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016
The sampled respondents were also asked about completeness and clarity of the land lease law. Accordingly, the majority of the sampled business community (71%) consider the current land lease law as not clear and comprehensive enough to understand and implement it due to factors such as the inability to encourage the low income group and the local investors (not inclusive enough), disparity between what has been penned in the papers and what is actually implemented on the ground, and its poor ability to shutdown loopholes for corruption. These all call for revision of the lease law, as per this group of respondents.

On the contrary, only 3% view the law and its directives as crystal clear while the remaining 26% either did not give response or did not comment on the issue. The means of achieving land lease law is one of the debatable issues now-a-days rose. This starts from its inception stage and often goes beyond its realization. According to the sample survey, people in the inner part of the City are being evicted from their original settlement for the ‘urban renewal’ reason which results in reclaiming infrastructure rich prime land of the City’s most central parts. This prime land will become ready for leasing to bring lucrative profit for the City Administration. The efficiency of this land preparing, transferring and follow-up process through lease is however viewed by most of the sampled business community (~70%) as an ineffective practice.

Table 4.17: Righteousness of land lease implementation enforcement mechanism

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient</td>
<td>5</td>
<td>7%</td>
</tr>
<tr>
<td>Partially efficient</td>
<td>3</td>
<td>4%</td>
</tr>
<tr>
<td>Not efficient</td>
<td>34</td>
<td>49%</td>
</tr>
<tr>
<td>I am against forced eviction to clear land for lease</td>
<td>15</td>
<td>21%</td>
</tr>
<tr>
<td>I do not know/no response</td>
<td>13</td>
<td>19%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016

As shown in the table above, only 7% of the respondents consider the process as ‘efficient’ with ~19% have no adequate knowhow on the issue. Besides, the sampled interviewees were requested whether they have faced or witnessed a stringent pre-requisites for accessing land and in relation to this, the leading ones (~27%) replied they did not face. Slightly less number of the respondents (~23%) said that they somehow witnessed stringent pre-requisites like capital requirement and lengthy administrative process. On the contrary, the large majority (83%) were found to have awareness (could be through medias, words of mouth, etc) on the current land lease law.

4.8. Land related Opportunities and Challenges for business sector expansion

As clearly stated in the methodological part, various in-depth interviews have been conducted with different actors which include: financial institutions, city administration officials, investors, academicians, city administration officials, members of professional associations, and experts and officials of the investment office. The agendas raised during in-depth interviews were mainly in relation to land issues which include, but not limited to, business expansion constraints,
corruption, land allocation and land price matters and they were asked on the bases of a clear checklist prepared (attached in the annex). This section therefore briefly presents the results of the depth interview together with the survey result which is backed by theoretical discussions where appropriate.

4.8.1. Major Business Expansion Constraints identified

According to Regulation no.15/2012\textsuperscript{20}, which is enacted to guide land allocation through allotment for projects having special national significance, a given proposal would be entitled ‘a project with special national significance’ if it fulfills the following criteria:

- Could generate a marginal job opportunity for every additional 10 m\textsuperscript{2} of land;
- Could generate/save a minimum of 50% foreign currency from the goods/services it produces/renders;
- The ability of the investment project to attract additional capital
  - Multinational company
  - Any foreign investor, diaspora or local investor who can fetch capital exceeding Birr 500 million
- Could bring visible and significant socio-economic contribution to the country;
- Ability of the project to contribute for the Country’s image building, or Addis Ababa’s role in national, regional and international context.

As the regulation clearly shows and as discussion conducted with the City Administration officials and various investors of the City, most of the criteria's developed and particularly the capital requirement, would automatically exclude the majority of businesses and investors from accessing land through lease using this alternative.

The sampled business communities have identified various constraints for business expansion encompassing lack of access to finance, land, inputs, managerial and technical knowhow and others. The leading one (~30\%) has spotted access to working premise as their major constraint. Those who raised the problem of working premise in combination with other challenges (such as finance, inputs, etc) have made up a total of 74\% of the entire response. This clearly depicts that how access to working premise is getting challenging now days due to several reasons which might include the growing population, limited supply of land, inflation and rising land prices.

Access to land constraint among the leading challenges has in fact been spotted by different studies conducted According to Ethiopia Urbanization Review (2015), for instance, access to land constraint has been identified among the leading challenges for doing business in Ethiopia. The report, via quoting the 2011 World bank Enterprise survey conducted on business enterprises in the country, depicted that about 26\% of business enterprises sampled seen reporting ‘access to land as representing the key constraint for doing business in the Country. The study stated that “given that land is a critical factor of production, the current level of firms’

\textsuperscript{20} This regulation was enacted based on provisions of proclamation 721/2011 which state about land allocation for special projects having national significance.
dissatisfaction with access to land indicates that economic development and investment are hampered by this factor” (page 39). Comparison made with other countries shows that several neighboring in Africa (such as Tanzania, Uganda, Kenya, Zambia, Mozambique and South Africa) have better land access conditions than Ethiopia. Countries like China are found to have even better access, with less than 5% of their businesses reporting access to land challenges.

Fig 2: Businesses’ Access to Land in Ethiopia vs. Other Countries

- Neighbors like Tanzania, Uganda, and Kenya have better land access conditions for firms, which contributes in their competitiveness.
- China < 5%


Incontestably, the higher the rate of price rise in lease tenders, the more difficult it becomes for many or most business activities to benefit from their business activities. As there is yet the cost of the construction after acquiring the land, landholders consider not only the lease tender price, but also the prospective capital required for construction. It is therefore, land price nowadays can determine the success of business enterprises.
According to information availed from Commercial Bank of Ethiopia, though location value of a given plot of land is not taken into account officially in accordance with the new proclamation, they implicitly consider it when they value the land. This leads into a conclusion that no change has been occurred regarding locational value both before and after the 2011 land lease laws. As per CBE’s regulations, there should be at least 50% of improvement on the land to access loan from the bank, though in practice the bank extends loans for promising projects even if this criteria is not met. As Andrew Golland and Ron Blake (2004) penned on the importance of money in the development of property systems (which includes mortgage systems), they discovered that the main reason for putting resources into property system is to get access to credit. It is true that a well-functioning property system should have a system for secured transactions where land can be used as collateral.

According to the sample survey, the major achievements of the current land lease law in Addis Ababa includes creation of a better City image, efficient utilization of land (creation of a compact City) and structured land allocation system. On the contrary, the sampled business community raised several issues as challenges, the main of which are jotted down in the ensuing manner.

- Wide spread corruption, favoritism/partiality and abuse of power
- Too expensive land lease price which is alarmingly rising
- Scarcity of land triggering fierce competition due to unmatched demand
- Lack of transparency, bureaucracy and inefficient land management system
- Forced eviction of people in the name of urban renewal to claim land for leasing
- Access to land being limited to the few high income groups, the diasporas and foreigners (land policy lacking inclusiveness, fairness and equity principles)
- Flourishing of illegal land brokers and illegal public land invasion
- Lack of public awareness on land lease law and means to assess customers' satisfaction

4.8.2 Complaint issues on land allocation

As repeatedly stated in this paper, access to land /working premise is indispensable to the success of the business community. However, unfortunately, much red tape for the expansion of business expansion were raised and discussed in relation to land. Surprisingly enough, not only the business community but one of the major actors of this study, the city administration, has also been accusing the business community for their role in ineffective allocation of land. A case in point, as the interviewed city administration officials pointed out, the city administration has so far been transferred more than 500 hectares of land out of which 260 hectares of land transferred via allocation. However, some of the investors have not yet been get into action and take time after they take land. This has been contributed for the current speculative political economy of the city.

As interviewed city administration officials further noted that, they have a problem of providing adequate serviced land for developers. This is in contrary to what has been stated in the land lease law, which says, “The law envisages that the land offered for lease tender is serviced
A STUDY ON THE IMPACT OF THE CURRENT LAND LEASE LAW ON BUSINESS AND INVESTMENT EXPANSION

land”. Akin to this, the interviewed business community also complained about the so far transferred lease plots lacking the required infrastructure and utility amenities. The aforementioned compliant issues have also been supported by the sampled results analyzed. Consequently, most of the sampled businesses (80%) have a distressed complaint on the process of land allocation in the City. Only 4% of the interviewees have raised no complaint on this matter with 14% non-response rate. Most of the complaints raised are actually similar to the challenges discussed above and hence not enlisted here to avoid redundancy.

Incontrovertibly, the City Administration expected to curb the aforementioned constraints for the smooth development of business sectors in particular and strengthening the positive involvement of the private sector in the development of the country. To this end, the sampled business communities were asked if the City Administration has so far been put any effort to avoid the bottleneck, no attempt we have so far seen, they replied.

Table 4.18: Frequency of discussion organized by the City Administration

<table>
<thead>
<tr>
<th>Description</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, (regularly, through meeting and contact)</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>Yes, not frequent</td>
<td>17</td>
<td>24%</td>
</tr>
<tr>
<td>No discussion</td>
<td>40</td>
<td>57%</td>
</tr>
<tr>
<td>No idea/ response</td>
<td>9</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016

As highlighted in the above table, therefore, the city administration has so far been put less effort for the positive change expected. Significant percentage share of the sampled business community (nearly 60%) had no discussion with the respective government organ. It is true that poor land governance is primarily caused by lack of the basic conditions, or a weak ‘foundation’. This foundation consists of a policy framework, a legal framework, institutional capacity, primary geodetic network, education and training, funding and finance and stakeholder engagement (Burns, 2007).

4.8.3. Loophole for corruption

Land and land related corruption is in fact a serious problem in the Ethiopian Case. In this regard, the FEACC (Federal Ethics and Anti-Corruption Commission) second national corruption survey in 2014 shows that access to land & land related corruption has been identified as being critical in Ethiopian urban centers by foreign investors (ECSU, 2015). Corruption in land area is said to be manifested by delays, unofficial payments, fraudulent allocations and misappropriation of land.
Similarly, most of the sampled business community (86%) believe that the current land lease law opens a loophole for corruption due to its contents lacking clarity and non-transparent implementations, which attract many in the line to exercise various malpractices such as partiality, favoritism, working with illegal brokers and the of course corruption.

Corruption and confusion over the enforcement of rules are often to blame for high compliance costs. Bureaucratic red tape, backlogs, arbitrary decision making and other onerous requirements and inefficient practices hamper private activity. Arbitrary or corrupt enforcement subvert laws intended as benevolent protections, including laws for worker safety, environmental protection and consumer safety. And corrupt practices distort prices and markets, and hinder free and fair competition. The World Bank (2014) estimates that corruption can reduce a country's growth rate by 0.5 to 1.0 percentage points a year.

World Bank (2014) indicated that, even with strong macroeconomic and institutional foundations, three additional factors are indispensable for entrepreneurship and the private sector to flourish in an economy: a level playing field, access to finance, and knowledge and skills. Barriers in the land market are high in many nations. This huge barrier discourages people from formally purchasing land, making it impossible to use land as collateral for getting credit, one of the main sources of capital in developed countries.

According to Plummer (2012) a study on Diagnosing Corruption in Ethiopia stated that corruption risks in Ethiopia are increasing in the land sector "because of a weak policy and regulatory framework surrounding land allocation, titling, and management". The study further elaborated that, "most corrupt activity in the land sector occurs at the implementation stage" and that "the level of corruption is influenced strongly by the way policy and legislation are formulated and enforced".

4.8.4. Suggested interventions for better access to land for the business community

The sampled business community and the respective actors of this study have been asked to suggest the best way out to mitigate land related constraints. For this, an in-depth interview has been conducted with higher institution community, city administration officials, and financial institutions, and hence findings of the results are discussed in this section. The following are the major intervention areas generally suggested by the sampled interviewees for creating better access to land for the business community in the City.

- Continuous and timely revision of the land lease law to ameliorate emerging constraints.
- Make interventions for lowering land lease price (ex: setting the upper limit for auctioned prices while leasing plots).
- Fight malpractices in land administration offices (corruption, favoritism, partiality, non-transparency, abuse of power, etc).
- Introduce new ways in land allocation (through such as saving scheme based access to land, creation of access to loan to acquire leased plots, etc).
- Increase the supply of serviced land.
Make lease policy inclusive which benefits all in a justified manner (Ex: aim for the policy which considers the rich and the poor; financially feeble local investors vs the powerful foreigners and the diaspora; sector and quota based land provision, etc).

Adequate public awareness prior to evicting dwellers for claiming land for lease.

Making land lease period longer for businesses (at least 100 years).

Above all, the city administration should focus on and working to avoid land speculation. To this end, land tax could be the best solution. As James and Smolka (1997) noted, “a full tax on land would increase the land available for use and decrease land speculation”. As the same time the decrease of land speculation would lower the price and then it would reduce the cost of living and incidence of poverty. The City Administration, moreover, should press on an investor to whom leasehold of urban land is permitted, to begin to use the land for the prescribed activity or service within the period of time set by the regulation. Public private partnership (PPP) should be strengthened so that smooth interaction between the two in place, which would also protect the investors from unfairly urban land lease price and the investors from unseen risks.

The interviewed investors complain about the availability of utilities in leased land. There should be hence a legally binding commitment between the City Administration and the one who accessed the land. In line with this, to attract possible investors the government should improve credit facilities and the lessee’s access to credit, which is currently restricted by the banks as indicated above.

4.9. Urban Land lease and MSE development

As clearly stated in the TOR and objectives of this study, analyzing the impact of land lease cost on small and medium sized businesses is one of the aims of conducting this study. As mentioned in the methodological part, some 34 micro and small scale enterprises (MSEs) which are engaged in various business activities were sampled across the entire sub cities of the City using purposive sampling technique in order to have a better outlook how the lease policy is affecting this segment of the business society. Majority of the sampled MSEs interviewed were run by single owners (or by their relatives) who are working in the manufacturing, service, trade, construction and urban agriculture economic activities. This study has therefore considerably exerted an effort to separately assess those issues raised for non-MSE sampled interviewed, which are discussed in the ensuing sections.

4.9.1. Affordability and impact of land on doing business

Access to working and selling premise is among the major challenges faced by MSE operators nationwide, which was also confirmed by the conducted sample survey on the identified MSEs. As per their response, the lion share (35%) owned their current working/selling premise through ‘other’ means out of owning through lease (27%) and non-lease means (old possession 6%), rent from private (18%) and informal occupation (8%). According to the interviewees, this ‘other’ way is to mean allocation by the City Administration on rental basis.
Affordability of owning working/selling premise through lease with the prevailing land lease price seems too far from reality for MSEs at the moment as confirmed by 92% of the entire respondents. It is thus not surprising to see almost the entire respondents (98%) saying land price is not fair as it does not consider capacity and is delivered through corruption, favoritism and partiality. They forwarded different suggestions like creating saving based access to land with long term payment modality and free access to land for MSEs to escape the unaffordability issue. In relation to the attempt made to acquire working premise through a formal way, 53% replied that (out of the 30 who gave responses), they have actually attempted at least once but failed due to expensiveness of the land price.

Land price expensiveness has a paradoxical impact on MSE operators business. For those who are working in a rented premise, it impacts through pushing up cost of raw materials and rent which forces the operators to frequently adjust their service/sales fees. Those who intend to engage in lease auction, high lease price would mean consumption of the lion share of the planned investment for land where no finance would be spared for construction and other working capital related financial requirements. For those who are working on the government provided premise (free or discounted rental fee), the impact of high lease price would have no direct effect on their operation.

Unquestionably, whatever the case, there is an imminent indirect effect on doing business via contributing for the increment of raw materials and production costs, as those large wholesalers who developed/rented properties erected on leased plots would add premiums on their services/goods to be distributed to the lower group in a given industry chain (such as MSEs) to compensate for their implicitly capitalized leased costs. For instance, wholesalers that work on rented premises which are acquired with high lease price would increase price of raw materials on MSEs in response to increment in their rent by property owners.

A query posed to the sampled MSE operators on the way they would prefer to acquire plots/working premises results in a diverse response. The core issues however is that they would like to have access to leased plots through special arrangement for MSEs through such as capital (financial) and saving based arrangement, subsidized price/free level access and lengthy payment period schedule based. Other suggestions also include access to loan for land and construction, access to land without corruption and favoritism as well as location based fixed lease price to incentivize MSEs.

Four–fifth (80%) of the entirely sampled MSE operators feel that the current land lease policy and law has no benefit to their business growth and expansion. The same proportions (~80%) also sense that access to land is not equal for all groups of MSE operators. They depicted that land is allocated discriminately based on political stand, financial capacity, race/ethnic group. Corruption, favoritism and partiality are some of the means for accessing land by those politically affiliated individuals, high income groups and selected preference
4.9.2. Constraints for doing business

The operators were asked to state their major constraints for doing business and accordingly the first major single challenge identified was found to be shortage/lack of working/selling premise (26%) followed by financial constraint (12%). Joint working premise and financial constraint related challenges were mentioned by about 24% of the respondents. Different other challenges such as inflation (rise in rent and price of inputs, shortage of skill and inputs, etc) is mentioned by an equal 24% while those who didn’t give response or said no problem accounted for the remaining 15%.

Table 4.19: Constraints for doing business

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Category</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial constraint</td>
<td>4</td>
<td>12%</td>
</tr>
<tr>
<td>2</td>
<td>Working Premise constraint</td>
<td>9</td>
<td>26%</td>
</tr>
<tr>
<td>3</td>
<td>Working premise and financial constraint</td>
<td>8</td>
<td>24%</td>
</tr>
<tr>
<td>4</td>
<td>Different responses (inflation, shortage of skill, input, high lease price, etc)</td>
<td>8</td>
<td>24%</td>
</tr>
<tr>
<td>5</td>
<td>No problem</td>
<td>2</td>
<td>6%</td>
</tr>
<tr>
<td>6</td>
<td>No response</td>
<td>3</td>
<td>9%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>34</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: The sample survey conducted by the consultant, 2016

What one comprehends from the above responses is that about half (50%) of the entire respondents raised access to working/selling premise related constraint as their leading challenge than any other forms of problems for doing business. This apparently indicates the need for enhancing access to premises for MSEs as they cannot afford with the current land lease price. In addition to the current MSEs Development Bureau’s endeavor to capacitate enterprises through various supports (including creating access to premise), aiding supports for creating access to premises through different modalities (such as saving based, financial capacity based, subsidy based, etc) can actually be considered while creating access premises for MSEs as suggested by the respondents. Complaints regarding corruption, favoritism, partiality and other mal practices in relation to land provision to MSEs also need to be addressed.

4.9.3. Working/selling premise provision to MSEs

Result of the sample survey conducted on MSEs and different other similar studies in common illustrate that shortage of working/selling premise is among the leading challenges faced by MSEs. In response to this, the government has been taking various measures to tackle this challenge through constructing shades, buildings, shops and market centers and transferring to MSEs at reasonable rental fees. Access to land on lease basis was also created to few graduated MSEs at bench mark land lease price level.

According to Addis Ababa Micro and Small Enterprises Development Bureau, access to working/selling premise for MSEs is processed through a regulation developed by the Bureau in
2006 E.C. (2014) for management, provision and utilization of production, display and market centers (named as regulation no 1/200621). As per the regulation, the prepared facilities will be transferred to government prioritized MSE sectors (mainly manufacturing followed by construction, urban agriculture, trade and service) with low rental fee. Buildings (G+4) are built and transferred for textile and garment related manufacturing industries while those G+2 height level buildings cater agro processing and food processing industries. Market center buildings are constructed within the range of G+1 and G+2 and may cater selling spaces for manufacturing products, services (like cafes, beauty salons, computer and internet centers, stationeries, etc). In addition, specialized workshops (built through turnkey projects) and shades used for production and selling area are being built and channelized by the Bureau for those MSEs engaged in different manufacturing, construction and urban agriculture fields. The rental fee rate tagged for using the buildings, shades, market centers and workshops is indeed very low compared to the current market rate in the City. For instance, rental fee for buildings (used for production) was labeled within the range of Birr 25/m2 and 16/m2 depending on the location of the floor and all types of shades and workshops were marked with Birr 5/m2 when the regulation was ratified in 2014.

Enterprises which are allowed to use the production and sales facilities mentioned are those involved in priority sectors which are selected on the basis of selection criteria penned in the regulation. A given MSE is expected to stay in a cluster for five years and leave the facility after that through graduation (if successful) or dying out. The graduated MSE will then aided by the government to move to a serviced industry zone where it can own land through the prevailing urban land lease law with benchmark price and build its own industrial complex/workshop.

Despite the encouraging efforts so far made by the City Administration to ameliorate working and selling area related problems faced by MSEs, the demand is still at large as evidenced by data obtained from the MSE Development Bureau. As per the Office, the City was able to create job opportunity for about 625,000 people (more than half in construction sector) between 2011 and 2014.

Table 4.20: Job opportunity created to individuals through MSE initiatives

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>14742</td>
<td>16626</td>
<td>30609</td>
<td>37,655</td>
<td>99,632</td>
</tr>
<tr>
<td>Construction</td>
<td>30014</td>
<td>65075</td>
<td>136205</td>
<td>130,494</td>
<td>361,788</td>
</tr>
<tr>
<td>Service</td>
<td>1866</td>
<td>11954</td>
<td>34153</td>
<td>61,884</td>
<td>109,857</td>
</tr>
<tr>
<td>Urban Agriculture</td>
<td>2281</td>
<td>1751</td>
<td>7836</td>
<td>6,520</td>
<td>18,388</td>
</tr>
<tr>
<td>Trade</td>
<td>6923</td>
<td>4493</td>
<td>9440</td>
<td>14,846</td>
<td>35,702</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>55,826</td>
<td>99,899</td>
<td>218,243</td>
<td>251,399</td>
<td>625,367</td>
</tr>
</tbody>
</table>

Source: Compiled from annual reports of Addis Ababa Micro and Small Scale Development Bureau, 2016.

21 የማምረቻ መሣያና መሸጫ ለማዕከላት አስተዳደር፤አስተዳደር ቁጥር 1/2006
The above figures have indeed several entailments implicitly. The organized MSEs need various supports including loan services, training, market linkage, working/selling premises, etc. One can imagine that how enormous this could be considering the prominent number of MSEs organized. But the fact about the supply/provision status of working/selling premises to MSEs tells a different story. As shown in the table beneath, the MSE development bureau was able to build and transfer about 2,241 shades and 83 buildings so far, which apparently doesn’t match the colossal size of organized MSEs in the town.

Table 4.21: Profile of MSE shades, production & market center buildings in Addis Ababa

<table>
<thead>
<tr>
<th>S.No</th>
<th>Sub city</th>
<th>Number of shades and buildings in the City</th>
<th>Enterprises with access to shades and buildings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>No. of shades</td>
<td>No. of buildings (G+4)</td>
</tr>
<tr>
<td>1</td>
<td>Arada</td>
<td>220</td>
<td>8</td>
</tr>
<tr>
<td>2</td>
<td>Gulele</td>
<td>157</td>
<td>35</td>
</tr>
<tr>
<td>3</td>
<td>Akaki Kaliti</td>
<td>141</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>Bole</td>
<td>258</td>
<td>6</td>
</tr>
<tr>
<td>5</td>
<td>Nifas Silk Lafto</td>
<td>518</td>
<td>3</td>
</tr>
<tr>
<td>6</td>
<td>Kofle Keraniyo</td>
<td>443</td>
<td>8</td>
</tr>
<tr>
<td>7</td>
<td>Lideta</td>
<td>146</td>
<td>2</td>
</tr>
<tr>
<td>8</td>
<td>Yeka</td>
<td>164</td>
<td>15</td>
</tr>
<tr>
<td>9</td>
<td>Addis Ketema</td>
<td>45</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Kirkos</td>
<td>149</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>2,241</td>
<td>83</td>
</tr>
</tbody>
</table>


In addition to the above facilities, some 400 graduated MSEs have been granted land in industrial zones of the City through the current land lease modality with benchmark land lease price.

In fact, all of the organized MSEs cannot demand and all of those requested cannot get premises due to different reasons. For instance, most of those organized under construction sector are engaged in cobblestone production and road constructions, which does not require shades or buildings. The City Administration may have limited capacity, efficiency or any other internal challenges to satisfy the entire demand. Corruption and other malpractices may also prevent MSEs to have access to this limited resource. The reasons could be infinite with an ultimate outcome of weakening MSEs.

In either case, the fact which should not be missed is that MSEs get access to working and selling premise through the aforementioned government support package. i.e the government builds shades and buildings and transfers to the beneficiary MSEs through discounted rental fee for five years period. Access to land through lease is only for the graduated ones which is not auction based. They will be granted through allocation with bench mark land price which highly favors the beneficiaries. The practice however is very much limited at the moment compared to the tender based land transferring to non-MSE business actors in the City.
As can be interpreted from the conducted sample survey, the leading challenge MSEs currently facing is access to working/selling premise with affordable charge. This would make their cost of doing business expensive ultimately compromising their survival. This challenge seem to persist considering the supply side constraint from the government side, expensiveness of land price which doesn’t match their capacity to own and build and the ever increasing cost of rent and inputs for doing business. The vicious circle goes on unless intervened in a different way.

4.10. The Beauty and Calamities of the current land lease law

**Beauties/ Achievements**

It was stated elsewhere in this paper that the City Administration has so far transferred nearly 500 hectares of land through lease using allocation and tender modalities since the enactment of the new land lease law in 2011. However, some of the investors have not been engaged into action due to several reasons and hence the City Administration has strongly been accusing the business community for delayed action. The interviewed City Administration officials believe that the 2011 lease law has avoided such irregularities.

Major achievements of the current land lease law is summarized as follows.

- Ability of the City Administration to translate the new land lease law into different implementing strategies, regulations and guidelines.
- The possibility it gives to reclaim land from leaseholders when it is required for other purposes. In the leasehold system, it is certainly less expensive and easier to take land back than when it is in private ownership. Leasing may also allow the government to repossess land for redevelopment after the lease period expires.
- Developers may not need to raise huge initial investment capital to lease land for their investment.
- To some extent, controlling land administration was achieved through introduction and enforcement of the policy. The policy also allowed regularization of land holding and partly succeeded in controlling illicit land market.
- The City Administration was able to generate enormous amount of local revenue through lease. This would give a great chance to the City Administration in mobilizing local finances for various socio-economic expenditure needs (road, housing units, water, social service facilities, etc).
- The land lease gives an opportunity to goad implementation of the City’s master plan land use envisions in a guided manner. This has undoubtedly contributed to the betterment of the City’s image as evidenced from the massive construction activities witnessed in recent years in a planned way. In other words, introduction and sustenance of the lease law has contributed positively to the construction industry.
- Though debatable, some bless the policy for bestowing priority for strategic and important projects that have national significance which resulted in visibly large developments (such as star level hotels). Such projects have a positive effect in building the City’s image, bringing foreign currency and creating employment to compatriots.
Calamities/Challenges

The assessment conducted thus far has identified certain constraints in relation to the application of the land lease policy and its implication on business sector development. The major factors observed which can hinder business sector development are described as follows:

- **Supply shortage:** One of the tasks of the City’s Land Administration Agency is to provide serviced land in an efficient and equilibrium way (of demand and supply) for various investment needs. The Agency however was not able to efficiently command the mentioned task due to several reasons which may include the required high development cost and internal capacity related problems. As a consequence, satisfying the already backlogged demand for serviced land seems impossible.

- **Speculation:** One of the reasons for the skyrocketing land price might be the growth of land speculation. As interviewed investors stated, the increase in cost of building materials, difficulty for accessing bank loan due to bureaucratic red tapes, and the policy itself have contributed for the sluggish progress of their investment. This may in turn lead them to wait for the increase of the acquired land value, which is apparently land speculation.

- **Location zero lease value:** The discussion held with experts and officials of Commercial Bank of Ethiopia indicated that they have been facing a problem in relation to collateralized lease land. This is as a result of the current land lease law which makes locational value zero, forcing banks to implicitly consider locational value of an offered land for collateral. The pre-2011 lease laws however had provisions for considering location value while collateralizing plots, which is called off in the current one. The banks thus should wait till improvement on land reaches at least 50% to release loan. In practice, Banks usually extend loans before the improvement reaches 50% if they found the project viable, assuming that the project would proceed smoothly. They argued that, if a borrower defaults prior to reaching the required 50% development, the bank will not be able to trade the property and retrieve the loan as the land law prevents such practices. It is true that, finance has direct relation with development process and the role of banks is very significant in terms of facilitating and providing loans. This rationale may call for revision of the land lease law to allow land to be collateralized via avoiding those restrictive requirements.

- **Uneasy land management and administration system:** Establishment of modern and transparent land administration system essentially guarantees realization of an efficient, effective, equitable and well-functioning land and landed property market as envisaged in the new urban land lease law of the country. As evidently spotted by the sampled business community, lack of good land administration system leads to the current rampant corruption and the vulnerability of the land sector for corruption. This is typically linked in the processes of managing public land, recording and registering private interests in land and related issues and in assessing land values. They further indicated that there should be a clear land value which is assessed using scientific valuation method.
➢ **No incentive**: There is in fact no incentive mechanism to lease holdings compared to other holdings.

➢ **Revision points in the current land lease law**:

   o One of the provisions of the land lease law (Article 21) states that “… a lessee may transfer his leasehold right or use it as collateral or capital contribution to the extent of the lease amount already paid”. Putting it differently, the capital that would be raised from financial institutions (banks) would be low considering the fact that most lessees pay a down payment of 10% initially and the law apparently proclaimed that the leased plot collateral pledge should be equal to the amount of lease payment. This undeniably discourages both banks and collateral loans and it is true that business or investment expansion cannot be effectively executed to the required level via mobilizing only own savings. Loan financing should indeed be involved for leveraged business in a given economy.

   o At other instance, for instance, the law requires half completion of construction for transferring lease right, but didn’t sate who is going to evaluate or the system that determines this ‘half completion’ status, opening a clear subjectivity on implementation. In this regard, it is worth nothing to thoroughly refer to the critiques of the lease law penned in various publications and books published since the enactment of the urban land lease proclamation since 1993 and specifically those issued after 2011\(^2\).

➢ **Coordination problem**: Lack of coordination among varying land related offices has also been raised among the few challenges observed in the sector. Absence of coordination between the building permit and land administration for instance has opened a loop for difficulty in verifying the grace period, tagging specific time for the land titling and lengthy transfer period if even one wins the land lease bid.

➢ **Loophole for malpractices**: One of the baffling developments emerging following the issuance of the current land lease law is the camouflage use of high lease bid for tax deduction purposes, which apparently violets economic principles of lease law. Individuals or companies with sufficient finance to offer highest payment for lease are rumored to use this payment modality as an opportunity to cover illicitly obtained money, because such kind of payments are considered as expenses for business and thus deductible from income during tax periods. This group (includes the business community) in fact consider the lease payment in terms of accounting principles and hence use it as an escape gate which is against the economic principles of land lease.

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CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.1. Conclusion

Based on the analysis made, it is possible to conclude that the significant proportion of the sampled business community lack security of land which could directly or indirectly discourage the private investors to flourish.

The study also finds out that access to land is a serious challenge for the business community, which might be explained by lack of information and rampant bureaucratic red tapes. This is in fact backed by the sample survey conducted which revealed that more than half (60%) of the businesses considered have unsuccessfully attempted to acquire land through lease.

The escalating land price level has been found out as a major factor for unaffordable land allocation in the City. Some of the reasons pin pointed for these were: limited supply of land, wrong government policy in land allocation, the speculative role of illegal brokers and rent seekers and inordinate competition based on poor information and awareness.

Information availed from Addis Ababa Land Bank and Transfer Office depicts that about 101 hectares of land (2,671 plots) have been leased out through 18 rounds of lease auction since the enactment of the new land lease law (proclamation 721/2011). The minimum leased plot size in these rounds was 125 square meter with the maximum of 16,750 m² and with an average size of around 400 square meter. So far, about 18 rounds of tenders for lease have been made with the 19th under progress so far. One can see from the first 11 rounds that the effective demand for land is 21 fold compared to its supply as learnt from the contesters for every single plot auctioned (21 contesters/plot). Out of these, the City Administration has lucratively generated some 6.15 Billion Birr from leasing land between 2008 and 2015, which is nearly 10% of the City’s 2014 GDP (at market price).

Analysis conducted to gauge the effect of high land lease price on business competitiveness shows that high land price is negatively correlated with business growth and expansion. In this regard, about 83% of the entire sampled non-MSE business operators agreed on the effect of high lease price in deterring competitiveness. The study has also investigated land transferred through allocation and discovered huge gap between what has been requested and actually transferred. In relation to this, some 760 manufacturing industry projects have been submitted to the City Administration for land request through allotment with only 8% of them succeeded.

As can be discovered from the results of this study, one of the leading complaints from the business community in relation to the difficulty for access to land is lack of good governance. This is manifested in terms of delays, different malpractices (corruption, favoritism, partiality, abuse of power), poor data management and the like. The survey result shows that about 63% of the entire respondents gauge the responsiveness of land provision and administration as slow/very poor with only 4% regard as ‘quick’ in response.
The study has pinpointed certain basic problems in the implementation of land lease policy and its implication on business sector development. The findings in this regard include: the city administration seems unable to satisfy the demand for serviced land, inaccessibility of getting bank loan due to bureaucratic procedures, and the policy of the current urban land lease itself have contributed to the sluggish progress of investment. Moreover, the discussion held with state owned banks indicated that they have been facing challenges related to collateralize lease lands.

One of the reasons for the skyrocketing land price is found to be the growth of land speculation. As interviewed investors stated, the increase in cost of building materials, difficulty for accessing bank loan due to bureaucratic procedures, and the policy itself have contributed for the sluggish progress of their investment. This may in turn lead them to wait for the increase of the acquired land value, which is apparently land speculation.

The discussion held with experts and officials of Commercial Bank of Ethiopia indicated that they have been facing a problem in relation to collateralized lease lands. This is as a result of the current land lease law which makes locational value zero, forcing banks to implicitly consider locational value of an offered land for collateral.

The finding of this study has shown us a wide gap between what the laws promised and what they actually delivered in many instances. A case in point, one of the reasons of urban land lease policy is to finance infrastructure and service provisions. One of the tasks of the land administration agency of the city government is providing serviced land in an efficient way for the business community. This study however has found out that the agency could not realize the aforementioned tasks due to weak coordination, institutional capacity, high demand for cost of development and more importantly insignificant role of the private sector involvement on land development. For these reasons satisfying the demand for serviced land has so far been inadequate.

As to MSEs, the leading challenges they are currently facing is lack of access to working/selling premise with affordable price. This would make their cost of doing business expensive, ultimately compromising their survival. This challenge seems to persist considering the supply side constraint from the government side, expensiveness of land price which does not match their capacity to own and build and the ever increasing cost of rent and inputs for doing business. In fact, all of the organized MSEs cannot demand land. For instance, most of those organized under construction sector are engaged in cobblestone production and road constructions, which does not require shades or buildings. Besides, the City Administration may have limited capacity, efficiency or any other internal challenges to satisfy the entire demand of MSEs. In either case, MSEs should get access to working and selling premise through the different support packages.

As this study finds out, access to land through lease to MSEs is only for the graduated ones which is delivered on non-tender basis. They will be granted through allocation with bench mark land price which highly favors the beneficiaries. This practice however is very much limited at
the moment compared to the tender based land transferring to non-MSE business actors in the City.

As can be interpreted from the conducted sample survey, the leading challenge MSEs currently facing is access to working/selling premise with affordable charge. This would make their cost of doing business expensive ultimately compromising their survival. This challenge seem to persist considering the supply side constraint from the government side, expensiveness of land price which does not match their capacity to own and build and the ever increasing cost of rent and inputs for doing business. The aforementioned factors have an ultimate outcome of weakening MSEs and apparently the vicious circle goes on unless intervened in a timely and different way. The study founds out and acknowledged that, encouraging efforts has so far been made by the City Administration to ameliorate working and selling area related problems faced by MSEs. Nevertheless, the demand has still been very huge as evidenced by data obtained from the MSE development bureau.

To point out some achievement of the current land lease law, the City Administration has so far transferred nearly 500 hectares of land through lease using allocation and tender modalities since the enactment of the new land lease law in 2011. Ability of the City administration to generate significant income from lease, contribution of the lease system to the transformation of the City images, control over land administration practices and the possibility of reclaiming leased land from lessees for various priority issues could be considered as the other achievements of the lease system.

On the bases of the conclusion highlighted above, some recommendations have been made in the subsequent manner.

5.2. Recommendations

Investigation underwent in the preceding sections of this paper unwaveringly discovered that the City has been facing serious shortage of land compared to its colossal demand, leading to the skyrocketing land price witnessed in the City in recent days. Any policy intervention anticipated should thus promote improving the supply side of land at the outset to lower down land the unhealthy land price observed and enhance access to land.

Undoubtedly, without the proper involvement of the private sector and resolving the problem of access to land provision, security, transfer and use, it would be very difficult to achieve the required desired level of development and sustainable growth. It is therefore advisable that the city administration should look into different options and take remedial measures based on other countries best experiences. Accordingly, the following major recommendations are suggested which are believed to ease the observed challenges.

- **Improve onerous provisions of the current lease law.**
  - Apart from different problems encountered in the implementation process of the currently functional lease law, different provisions in the law itself are found to be highly restrictive for doing business. One of the encumbrances noted in relation to the current
land lease law for instance is its obligations in connection to annual lease payments (on remaining balance, with interest), provisions made about construction start-up and completion periods which by far seen as reasons behind sluggish development endeavors on leased plots and hence may induce/motivate lessees to transfer land use rights or hold land with speculative motive without improvement. Other provisions (like decreasing the amount of down payment, imposing fees instead of grim penalties in case of failure to complete construction in given time limits) in fact entail deeper scrutiny on their unintended impacts which hence call for amendments of the law. Reforms allowing the full-extent urban leased land utilization as collateral will also have a positive impact in fast conversion rate of leased plots into real developments. International best practices depict that considering land as an investment portfolio to secure loan financing resulted in better private sector investment performance.

One defect of the incumbent land lease law is its consideration of only ability to pay (financial ability) to access land in tender process rather than considering other important socio-economic factors such as viability of the project (which could be evaluated through technical proposal) that have significant relevance for sustainable growth and development of the City as the City’s current low level of economic development does not allow focusing only on the highest bidder. Although there are no restrictions on the eligibility of bidders for auctions, introducing criteria that take into account dedication and entrepreneurial motive of bidders is believed to help for fast conversion of leased plots for the intended purpose and possibly deter speculative motives.

The law has actually a number of gaps to be filled and all can’t be discussed here as other writers have well addressed various regulatory and institutional challenges of the law. It is therefore worth nothing to track and refer various important publication that well addressed those regulatory gaps of the current land lease law.23

- **Better access to land for the business community through innovative ways**
  - One of the impediments observed in land allocation of the City administration is limited land supply that utterly doesn’t match the available enormous demand. What makes matters complicated is that there is no legal basis for Addis Ababa to expand horizontally, and hence land provision through lease may definitely end at some point in time. The city has been expanded till its administration boundary limit at the moment making the additional supply of land difficult/impossible to generate through horizontal expansion. The city administration should thus think critically for innovative and efficient ways of land and working premise provision in addition to the currently conventional one. Policies are required to be formulated which encourage efficient land use and improve accessibility to land. There need to be ways for reclaiming land, encouraging shared use, voluntary land re-allotment, land co-ownership, densification (vertical growth) through planning intervention, land use regulation (for instance, encouraging mixed use

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development) and the like. Use of land pooling mechanisms, encouraging joint venture for commercial property development and land readjustment (land consolidation) could be few interventions that can be promoted through developing proper frameworks. One way of increasing supply of land could be through urban renewal and development. Controlling and excerpting informally occupied large tracts of land in the City could also be another source of land provision.

- As can be learnt from the Singapore experience, the government has been incentivizing developers and private land owners through various innovative mechanisms. For instance, awarding bonus gross floor area for sites close to a mass transit station was one of the mechanisms involved to promote higher density. With the stipulation of higher gross plot ratios, developers are incentivized to voluntarily redevelop their land to increase the value of their property. They also tuned their master plan to encourage higher density, compact, and mixed-use developments that cater to the rising population and economic growth (Ethiopia Urbanization Review, 2015).

- In general, the current land lease law and the pursuing implementation practice should improve land supply to be more responsive to the demand and enhance the use of land as a resource for investment and various economic development activities of the City.

- **Channelize lease generated revenue for its intended purpose**
  - The revenue generated from leasing land in the City in the past few years has in fact been significant that reached close to six billion as discussed in the analysis part. The revenue generated however has not been efficiently allocated for the provision of infrastructure due to weak performance of the concerned institutions and collection of lease payments. Ideally, the revenue collected from lease payment should not mix with other revenue sources and should be specifically spent for the desired development so that problems related to lack of serviced land can be mitigated. There should indeed be a particular budget allocated for infrastructure related to the revenue collected from lease.

- **Strengthen institutional capacity of land administration and leasing offices**
  - It has been observed in the study that, the Addis Ababa City’s Administration institutional and human capacity is a serious and a real impediment to the smooth expedition of the land lease policy. In other words, one source of customer dissatisfaction in relation to land management and administration is the existing land administration practice which is marred by lack of capacity. This drawback has resulted in perverted land allocation conceding colossal customer complaints and disappointment on the clients’ side. Limited land supply that doesn’t match the huge market demand coupled with inefficient land management are indeed apparent outcomes of this constraints. Capacity limitations in the responsible institutes are manifested in terms of:
    - Difficulty to adhere and follow proper plans
    - Lack of proper land inventory mechanism on allocated and spared land
    - Lengthy and costly land delivery processes (often associated with malpractices such as corruption, favoritism, etc)
  - Time lag between land delivery and construction period is also identified as one of the impediments. In the Ethiopian context (which also includes Addis Ababa), building permit for any construction related development is granted after the lease agreement is made,
and apparently these will be fulfilled at different times. The point here is that it takes a long time to acquire building permit to commence construction activity even if lease agreement is made on time, forcing developers to stay long without construction. Such calamities should actually need timely correction.

One can indeed comprehend that lack of access to leased land (also information) and non-transparency in urban land allocation related decisions have actually led to the physical, social, economic and managerial problems of the City such as the proliferation of squatting, speculation and high land lease price. A mere implication for this is building capacity of the responsible institutions for land management and administration (primarily land bank and transfer office and land administration office). Capacity building elements may encompass provision of skill upgrading trainings, improved benefit packages and other incentives for retaining qualified staffs, fulfilment of the necessary office software and hardware, properly emplaced performance measurement systems and the like which bolster local capacity.

- **Build confidence of the private sector for better participation in nation building endeavor**
  - The Ethiopian government which pursues developmental state policy to guide the Country’s growth path needs to adequately consider the private sector’s role in the nation building process, and hence create a suitable platform for the maturation of the sector. In this regard, the conditions of leasehold right in terms of termination of leasehold and payment of compensation have to be clear to impart confidence to the people and financial institutions. Moreover, the City Administration should aggressively work on strengthening the private sector involvement in the country’s development endeavor and overcome the sector mentioned bottlenecks including maladministration and rent-seeking mentality inter alia related challenges of the private sector. The nation building endeavor could in fact be encouraged through devising suitable and workable policies and strategies and through engaging into commitment for their effective realization. Land related policies should thus be among the focuses which entail government’s attention if the private sector should flourish. This may include looking into improving efficiency and equity of land allocation, breaking land related malpractices (such as corruption, favoritism, and partiality), removing hindering regulatory and institutional barriers, encouraging public private partnership developments and the like. The private sector should also be able to involve in urban renewal projects directly which could decrease the government’s monopolistic supply of land, which, as a result could mitigate displacement of people without their will.

- **Strong land information administration and management system**
  - One of the finding of this study is spotting presence of a huge gap in land related information in the City Administration. Without a proper updated cadastral maps and land registry system, it is difficult to have a clear picture of the land tenure and a land auditing system in Addis Ababa. The city government priority should therefore be to assess the existing system, improve the institutional set up to carry out land registration, and in collaboration with the community, develop an efficient land registration system. This is important because having a strong land information, registration and
management system in place actually helps for efficient and transparent land allocation in the City. As aforementioned above, these can indeed be achieved through strengthening the intermittently launched land titling and registration and cadastral mapping efforts of the City Administration. Building up of a strong land registration and management system may include land parcel identification systems and online availability of land information so that the City Administration, prospective land lease bidders and the public at large can be well informed about every plot of land offered for tender.

**Specific Strategies to enable MSEs have access to land and working/selling premise**
- One of the drawbacks of the current land lease law is its failure to adequately embrace small businesses as it gives due attention to those who offer lucrative money for land, which apparently excludes the smaller ones. Even the incentives given provide due attention to the manufacturing sector in practice though the priority sectors identified include the service, agriculture and other fields. The approach followed by the government in terms of access to working/selling premise for MSEs is to generally construct buildings, shades and workshops and lease premise at low price to those who are ‘fit’. Access to leased land is restricted to those ‘graduating’ MSEs with subsidized/bench mark land price. In both cases the supply/provision extremely lags behind demand due to several reasons which include (also mentioned by operators) already deprived provision, restrictive pre-requisites, different malpractices and the like that prevented many from having access. The government should in fact focus on specific strategies to avoid working and selling area related problems MSEs have been facing. Access to land constraint in small businesses need to be improved by re-gearing and ameliorating those constraining prerequisites and practices (favoritism, corruption, etc) as well as introducing new ways that consider the real situation of small businesses (through such as capital/finance and saving based arrangement, special subsidy based, access to loan for land and construction).

**Location specific criteria while preparing leased plots**
- The bench mark price, which has been formulated based on the cost approach (cost recovery) doesn’t consider other important factors that help in capturing specific location based land value, though it somehow tries to consider through its land grade considerations. Other factors including distance from the center/CBD, accessibility to basic services, optimality in size of the land as well as lease period which obviously determine the business Community’s competitiveness and willingness to pay for a particular plot of land need to be considered while preparing plots for lease through tender.

**Introduce proper incentive mechanisms for developing leased plots**
- As learnt well from the City’s and other countries experience, acquiring land alone doesn’t actually guarantee the required level of development. Channelizing proper incentives and supports for the lessees through such as improving access to loan for leased plots (currently restricted by banks), via such as providing government
guarantees, lowering the interest rate paid on the remaining land lease balance and the like would help the City witness better private sector induced development.

- **Discourage speculation**
  - As discussed in the analysis part of this study, land speculation has so far been a serious problem which make only the few big and strong. Such market distortions can bring land-use price hikes thereby diverting capital to land speculation. The price of land has grown unexpectedly high and underutilized land has been spread all apparently calling for the government to control such bottlenecks. One mechanism could be to put more enforcement on those who acquired land but didn’t commence the expected action/projects. Another possible means could be designing and executing special form of tax on vacant (unused/underutilized) leased land.

  Different countries experience in fact show that provision of formal land to the private sector through tender and auction in competitive way, with a working system installed to control speculation. For instance, as per the Singaporean experience, the successful tenderer must complete the entire development (i.e. ready for occupancy) within a certain time (usually five or six years) as agreed in the tender document. No sales or subleases are allowed before the development is complete. After that, generally, the successful tenderer may sell, sublease, or otherwise dispose of the land and the development, in whole or in part. In this way, they were successfully able to control land speculation in formally acquired lands for which we can learn and act accordingly.

- **Fight unethical malpractices and put in place urban good governance**
  - Finding of the study has clearly identified the widespread unethical practices both from the government and non-government side which include corruption, favoritism, partiality, delayed response, unnecessary bureaucratic red tapes, abuse of power, rent seeking behavior, speculation, illegal brokering, etc in the areas of land allocation which strongly require corrective and preventive actions. Such kind of unethical practices should be avoided through placing urban good governance. Urban good governance which is explained by variables including: equity, efficiency, transparency, responsiveness, accountability, sustainability, subsidiary, participation and security must be well ensured in the city so that the private sector involvement could be enhanced. It is in this way that it could be possible to address the continuous and increasing demand for urban land.

In sum, the consultant suggests that a more in depth study in terms of coverage and analysis that considers the socioeconomic characteristics of business communities, other macroeconomic policy factors, and legal and institutional aspects of the urban land access, use transfer and market in the City should be conducted to make further policy recommendations and a more pragmatic policy interventions for the business sector development.

The following table gives a brief summary of major challenges, possible remedies/ policy implications derived from findings of the study.
**Table 5.1: The way forward and Policy implications**

<table>
<thead>
<tr>
<th>No</th>
<th>Identified Challenges</th>
<th>Possible Remedies/policy implication</th>
<th>Responsible body/Stakeholder</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The current land lease law related (proclamation 721/2011)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>zero land value</td>
<td>Thoroughly investigate these and other restrictive provisions which make doing business uneasy and act accordingly/amend in a continuous and timely manner <em>(better track down and refer various important publications that well addressed those regulatory gaps of the current land lease law)</em></td>
<td>Government, the business community, universities, research institutes, professional associations</td>
<td>inclusive lease policy which benefits all justifiably</td>
</tr>
<tr>
<td>1.2</td>
<td>restrictive conditions to use land for collateral pledge</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>1.3</td>
<td>limiting lease right possession and transferring provisions</td>
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<tr>
<td>1.4</td>
<td>interest levied on annual lease payment associated with short payment period and grim consequences/penalties in case of failure</td>
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<tr>
<td>1.5</td>
<td>short construction start-up and completion period</td>
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<tr>
<td>1.6</td>
<td>considering ability to pay as a sole criteria to access leased land through tender</td>
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<tr>
<td>1.7</td>
<td>Unattainable criteria for land allocation through allotment</td>
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<tr>
<td>2</td>
<td>Implementation related</td>
<td></td>
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<tr>
<td>2.1</td>
<td>Limited land supply (often accompanied by high demand)</td>
<td>Reclaiming land, land co-ownership, densification, tuning land use regulation, land pooling, land readjustment/consolidation, bonus gross floor area awarding, increase formal land supply, strengthen public private partnership in land development</td>
<td>Government, the private sector,</td>
<td>- Efficient land utilization and improved supply</td>
</tr>
<tr>
<td>2.2</td>
<td>High land price</td>
<td>Control speculation, fight various malpractices, plan clear strategy to regulate price and use alternative pricing mechanisms other than tender,</td>
<td>Government, the business community, universities, research institutes, professional associations</td>
<td>- Emplaced land good governance</td>
</tr>
<tr>
<td>2.3</td>
<td>Institutional and regulatory challenges</td>
<td>Improve land governance, Building capacity (through</td>
<td>Government</td>
<td>- Efficient service provision</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>- Effective land information and administration system</td>
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<tr>
<td>No</td>
<td>Identified Challenges</td>
<td>Possible Remedies/policy implication</td>
<td>Responsible body/Stakeholder</td>
<td>Outcome</td>
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<tr>
<td></td>
<td>(Limited institutional capacity (in areas such as serviced land provision, lease revenue collection), inefficient land management and administration, poor coordination among concerned sectors)</td>
<td>training, improved benefit package, fulfilled materials, re-engineered system, etc</td>
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<td></td>
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<tr>
<td>2.4</td>
<td>Non-transparent, bureaucratic and inefficient land registration and management system</td>
<td>Develop and strengthen land titling and registration and cadastral mapping efforts of the City Administration</td>
<td>Government</td>
<td></td>
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<td>2.5</td>
<td>Wide spread unethical practices both from the government and non-government side (corruption, favoritism, partiality delayed response, unnecessary beaurocratic red tape, abuse of power, rent seeking behavior, speculation, illegal brokering, etc)</td>
<td>Proper and transparent, land administration and management system, strong carrot and stick principle emplaced, massive awareness creation to make behavioral change, effective law enforcement practices,</td>
<td>All parties (Government, the private sector, the community, etc)</td>
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<tr>
<td>2.6</td>
<td>Lack of alternative strategies for access to land to small businesses</td>
<td>Design specific strategies to avoid working and selling area related problems medium and small businesses facing (fight malpractices; saving, capital, subsidy, function based land arrangement for small businesses etc)</td>
<td>Government</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>No incentive mechanism to lease holding</td>
<td>Design incentives in areas such as access to loan, allow collateral pledge, land use flexibility and the like</td>
<td>Government</td>
<td></td>
</tr>
</tbody>
</table>
REFERENCES


Elias N. Stebek (PhD), Associate Professor (2015). Challenges in Access to Urban Land for Business Activities under Ethiopian Law: Between Oligarchy and Broad-based Private Sector, Mizan Law Review, Vol. 9 No. 1


Eskedar Birhan Endashaw (2012). Urban land policy and housing for poor and women in Amhara Region: the case of Bahir Dar city FIG Working Week 2012 Knowing to manage the territory, protect the environment, evaluate the cultural heritage Rome, Italy, 6-10 May 2012

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A STUDY ON THE IMPACT OF THE CURRENT LAND LEASE LAW ON BUSINESS AND INVESTMENT EXPANSION


LAWS AND PROCLAMATIONS


The 1995 FDRE Constitution.


FDRE constitution (1995)


Internet sources

- https://attorneynetherlands.wordpress.com/tag/land-lease/
- https://attorneynetherlands.wordpress.com/tag/land-lease/
- https://www.worldwealthreport.com/
A Questionnaire for “A Study on the Impact of the Current Land Lease Law on Business and Investment expansion”

Background: as you may know, Addis Ababa Chamber of Commerce and Sectoral Associations (AACCSA) is a membership based organization, established by Proclamation Number 341/2003 as an autonomous, nongovernmental, and non-political, and non-profit organization to act on behalf of its members. It has been serving the business community in Addis Ababa in various activities for more than six decades now. As part of its mandate, AACCSA conducts research in different business related areas to effectively represent the interests and views of the business community. Thus, the chamber is making preparations to engage in Public Private Consultative Forum (PPCF) on topical problems and issues of the private sector, specifically the chamber members with Addis Ababa City Government for a better doing business environment. Accordingly, the chamber decided to conduct a study that will feed into policy advocacy on current land lease law and its impact on business and investment expansion.

Accordingly, the general purpose of this questionnaire is to get valuable data and information on the current land lease proclamation and related directives issued to guide the implementations of the law vis-a-vis the purposes that necessitated the promulgation of the law, and to gather facts whether the implementation of the law had achieved the intended purposes and how it impacted upon the promotion of business and investment in the city. The information gained through this survey would also be used to recommend in favour of expansion of business and investment and reducing cost of doing business for the private sector. Thus, we are kindly requesting you to have a look at the following questions and answer accordingly in a kind way. The information you are providing here is extremely important to analyze the impact of the current land lease law on business and investment expansion. Many thanks in advance for taking your time to respond this questionnaire.
**Category I: Questionnaire for non-SME**

**I. GENERAL**

**1.1. Respondent profile**

1.1.1. Name: ____________________


1.1.3. Sex: 1. Female 2. Male

**1.2. Enterprise profile**

1.2.1. Address: Sub city___________________ Woreda______________ House no__________

1.2.2. Enterprise Name: ____________________

1.2.3. Sector: _____________________ Specific Business Activity: _____________________

1.2.4. Year of establishment (E.C):___________

1.2.5. Enterprise ownership: 1. Sole proprietorship 2. PLC 3. Share company 4. Other

1.2.6. Capital (Birr): Start-up______________________ Current ______________________

1.2.7. Working premise ownership?

1) owned through lease 2) owned – but not lease 3) rented 4) informally occupied 5) other

**II. SPECIFIC**

1. How do you label the pattern of growth of the enterprise?


2. Which is the most important business constraint that hindered your enterprise’s expansion?

1) Access to finance 2) Access to land (working space) 3) Access to inputs 4) Lack of managerial knowledge

5) Lack of technical knowhow 6. Others

3. Have you acquired any plot of land in Addis Ababa for business or investment activity on lease basis? 1) Yes 2) No

4. If yes, please state:

- plot of land in square meter ______________
- Price per square meter at the time of acquisition ______________
- Year of acquisition in E.C./G.C.____________

5. Have you ever unsuccessfully tried to acquire land on lease basis? 1) Yes 2) No

6. If yes, please state the reason behind being unsuccessful. I other words, if getting land is a challenge for your business, what are the issue and problems surrounding access to land? Such as rules and administrative processes, transparency, and price of land?____________________________________

7. Are there any stringent prerequisites to get land?

8. Do you have adequate know-how on the current land lease law?

   Yes ________ No ________ I don’t know ________

9. In your opinion, is the land price and service fee affordable by the majority of the business community?

1) Yes 2) No

10. If No, what general factors do you consider which makes land allocation unaffordable?

   ______________________________________

11. What are the issues and main reasons contributed for skyrocketing land lease price in Addis Ababa?

12. What mechanisms do you suggest in reducing cost of doing business for the private sector?

   ______________________________________

13. Is there a correlation between the observed lease price and your business expansion?

   1) Yes , ________________ 2) No

14. What are the impacts of the current land lease law and cost of land on business feasibility and expansion? Specially, what are the specific impacts of land cost on your business competitiveness at national and international levels?

15. What factors should be considered while pricing a plot of land for lease in the City?
16. In your opinion (or from experience) what is the proportion of land value to the total investment cost? ________________________________

17. How do you appraise your real property for sale/rent/mortgaging (cost, income or sales approach)? ________________________________

18. What benchmark do you deem most appropriate for comparison to your portfolio? Explain your choice of benchmark. ________________________________

19. How do you assess the responsiveness of land provision and administration for your organization? 1) Quick  2) Slow 3) Very Poor 4) No idea ________________________________

20. How do you evaluate efficiency of land market in the City? ________________________________

21. How do you assess the completeness and clarity of the land lease proclamations, guidelines and directives related to land lease pricing and allocation? ________________________________

22. How do you assess transparency of land lease allocation processes in the City? ________________________________

23. In your opinion, do you think that the enforcement mean of land lease implementing co of land lease correct? ________________________________

24. Do you have any complaint on land allocation issues? If yes what is the issue of your complaint? ________________________________

25. Have you noticed whether the land lease implementing agency has a means to assess the level of customer satisfaction? If yes, please state how they do it. ________________________________

26. How and how often the city administrative discuss with you to promote the awareness on urban land policies? ________________________________

27. It is true that without secure land rights there can be no sustainable development, Do you have confidence in this regard? ________________________________


29. In your opinion, what are the challenges and achievements of land lease implementation in the City? ________________________________

30. Why do you think the municipalities could not provide serviced land prior to distribution? ________________________________

31. What are the possible alternatives to make the business community better benefit from the current urban land lease policy? Or in other words, what types of intervention/improvement you suggest to the betterment of your business related to land issues? ________________________________

32. What are solutions to resolve high land cost so as to expand business and investment and reducing cost of doing business? ________________________________

33. Would you like to add anything related to urban and lease service implementation? ________________________________
Category II: Questionnaire for only SME

I. GENERAL

1.3. Respondent profile
1.3.1. Name: ____________________
1.3.3. Sex: 1. Female 2. Male

1.4. Enterprise profile
1.4.1. Address: Sub city ____________________ Woreda ____________ House no ________
1.4.2. Enterprise Name: ______________________
1.4.3. Sector: ______________________ Specific Business Activity: ______________________
1.4.4. Year of establishment (E.C):____________
1.4.6. Capital (Birr): Start-up __________________ Current ____________________
1.4.7. Working premise ownership?
   1) owned via lease 2) owned – but not lease 3) rented 4) informally occupied 5) other

II. SPECIFIC

1. Can you afford to have land with the current and lease price.
   1) Yes 2) No
2. If the answer is No, what would suggest to make it more affordable ________
3. In what way the current land lease price affecting your business________
4. In what land transferring ways you prefer to acquire land. a) auction b) allocation c) negotiation d) drawing e) reward
5. Please state the reason behind your choice for Question # 4 above ______
6. Do you think that the objectives of lease law have been achieved? If yes in what way? If no why?
7. Many countries will not provide land without services. The same issues and complaints were raised by the community? What do you think?
8. Do you think (or others think) that the lease policy works or will be practical? Why?
9. What kind of measures do you prefer to have, if possible?
10. What incentive in relation to land provision do you expect from the government for betterment of your business activities__
11. What is your comment & suggestions on the current land lease policy?
12. How the current urban land lease policy can benefit your business sectors.
13. How can you acquire the current premise you are working on and the property on that?
14. Is access to land equal for all groups of people? 1) Yes 2) No 3) Other
15. If no, which groups are discriminated against/disadvantage? List groups.
16. What is the root causes of the discrimination? 1) law 2) Culture 3) Ideology 4) attitude 5 other
17. Do you think the current land lease law encourage competition or otherwise?
18. Do you think the lease payment is appropriate? Why yes and why not?
19. What challenges have you so far been facing to expand your business?
20. Anything you want to mention related with land issues ______
Category III: Questionnaire for selected institution top management staff and Professionals

Name of the institution________________________________________________________
Name of your position________________________________________________________
(Personal opinion highly encouraged)

1. How does the city administrative create clarity and awareness to the public about the current urban land policy?
2. How and how often the administrative discuss with you to promote the awareness on urban land policies?
3. How is the land policy formulation process structured? A. open with broad participation b. open with restricted participation c. opaque with restricted participation d. other(specify) —
4. Are the land laws adequate and appropriate to support the land administration system? A. yes b. no c. other
5. Do the current land laws in Ethiopia define lease cost clearly? A. yes b. no c. other. Explain ___
6. Do the current land laws protect rights holders their rights without due process Explain __
7. What is the typical procedure for land transfer?
8. Are there sufficient legal institutions to enforce land law? A. yes b. no c. other-----------------------------
   If no, explain.
9. Are land administration officials well versed in the existing land law? A. yes b. no c. other (specify)---------
10. Are local communities facilitated to participate and/or contribute to the making of land laws? A. yes b. no c. other
11. Do you think business enterprises based in and around Addis Ababa have access to land for starting a business and/or business expansion and future investment?
   Yes [ ] No [ ] I don’t know [ ]
12. Are there issues and problems surrounding the implementation the law?
13. Does the price of the land lease fair?
   Yes [ ] No [ ] I don’t know [ ]
14. What are the issues and main reasons contributed for skyrocketing land lease price in Addis Ababa?
15. What are the specific challenges related with current land lease law?
16. Investors cannot pledge the undeveloped land as collateral to get additional capital to run their business. What is your opinion?
17. What are the impacts of the current land lease law and cost of land on business feasibility and expansion? Specially, what are the impacts of land cost on business competitiveness at national and international levels?
18. What types of firm’s are more affected by the cost of the land lease price, in terms of size and engagement?
19. Do you think the existing institutional arrangement suitable for implementation of the current land lease law?
20. What do you put forward as possible intervention areas, strategies, and policy recommendation to resolve problems surrounding availability of land, the current land lease law and its implementation?
22. Enforceable lease conditions should protects the interests of both lessees and the lessors. What is your opinion related to this?
23. Finally, what are the solutions to resolve high land cost so as to expand business and investment and reducing cost of doing business? What are the international best practices?

Thank you!

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Template for collecting information for a study on the impact of the current land lease law on business and investment expansion of Addis Ababa.

- MSE development agency policy towards access to land for MSEs and the relation of this with land lease law/policy

**Organization: Addis Ababa City Land Development and Urban Renewal Agency**

**Participant’s profile:**

- Name ____________________________
- Post ____________________________ Date __________

**A. General Information**

- Rules, regulations, guidelines and strategies for implementing the current land lease law of the country

**B. Specific Issues for discussion**

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, bureaucracy level, etc.
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. How is the flexibility of the land lease implementation?
   - In terms of using it for mortgaging (by presenting as a collateral pledge), grace period provision, patience if regular payment delayed, if construction unfinished, etc.
5. Is there sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
6. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
7. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
8. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City?
9. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
   - shortage of land supply,
   - escalated land lease price,
   - contents of the land lease law that require modification,
   - land lease law implementation.
10. Any other issue to discuss.
A STUDY ON THE IMPACT OF THE CURRENT LAND LEASE LAW ON BUSINESS AND INVESTMENT EXPANSION

Organization: Addis Ababa City Land Bank and Transfer Office (lease office)

Participant’s profile:

- Name _____________________________
- Post ___________________________ Date______________

A. General Information

- Rules, regulations, guidelines and strategies for implementing the current land lease law of the country
- Winner’s land prices by sub city in the respective auctions since 2002/03
- Number of leased plots, revenue generated, area of plots leased, number of registered bidders, etc in the following table format if possible at sub city level

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Land use</th>
<th>Pre 2011</th>
<th>Post 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mixed Use</td>
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<tr>
<td>2</td>
<td>Commerce</td>
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<td>3</td>
<td>Residential</td>
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<td>3.1</td>
<td>Individual</td>
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<td>3.2</td>
<td>cooperatives</td>
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<td>3.3</td>
<td>real-estate</td>
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<td>4</td>
<td>Industry</td>
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<tr>
<td>5</td>
<td>Social service</td>
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<td>6</td>
<td>Others</td>
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- Planned and achieved level of land lease transfer per annum

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- If achievement is low, reasons for that.

B. Specific Issues for discussion

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, bureaucracy level, etc
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. How is the flexibility of the land lease implementation?
   - In terms of using it for mortgaging (by presenting as a collateral pledge), grace period provision, patience if regular payment delayed, if construction unfinished, etc?
5. Is there sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.

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6. How do you assess transparency of land allocation process through lease?
7. Do you have a mechanism to gauge satisfaction level of customers? If yes how do you do that?
8. How do you view the current demand and supply situation for leased plots?
9. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
10. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
    ○ Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
11. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City? (increasing/decreasing)
12. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
    ○ shortage of land supply,
    ○ escalated land lease price,
    ○ contents of the land lease law that require modification,
    ○ land lease law implementation.
13. Do you have any future plan to improve gaps identified? If so what are they?
14. Any other issue to discuss.
A STUDY ON THE IMPACT OF THE CURRENT LAND LEASE LAW ON BUSINESS AND INVESTMENT EXPANSION

Organization: Financial Institutions: Bank

Participant's profile:

- Name _____________________________
- Post _____________________________ Date______________

A. General Information

Is it possible to use urban land lease for mortgaging? If Yes:
- Requirements to get mortgage for urban land lease clients
- Processes involved in mortgaging
- Number of leased plots which accessed mortgage
- Information required from land leasing agency during mortgaging and mode of information exchange with the agency
- Amount of finance released for mortgaged lease plots

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Land use</th>
<th>Pre 2011</th>
<th>Post 2011</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Mixed Use</td>
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<td>Others</td>
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</table>

B. Specific Issues for discussion

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, bureaucracy level, etc
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. Do you think that there is sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
5. How do you view transparency of land allocation process through lease?
6. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
7. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
8. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
   - shortage of land supply,
o escalated land lease price,
  o contents of the land lease law that require modification,
  o land lease law implementation.

9. Do you have any future plan to improve gaps identified? If so what are they?

10. Any other issue to discuss.
Organization: Investment Agency

Participant’s profile:

- Name _____________________________
- Post ___________________________ Date________________

A. General Information

- Mechanism for assessing investor complaint in relation to land lease allocation
- Number of complaint investors and contents of the complaint

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Content of complaint</th>
<th>Pre 2011</th>
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- Performance of acquired leased plots for investment by year

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<td>Acquired plots performance</td>
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- If performance level is found to be low, reasons for low achievement.
- Mechanisms for information exchange between lease agency and investment office

B. Specific Issues for discussion

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, bureaucracy level, etc
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. Do you think that there is sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
5. How do you view transparency of land allocation process through lease?
6. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
7. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
8. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:

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9. Do you have any future plan to improve gaps identified? If so what are they?
10. Any other issue to discuss.
A STUDY ON THE IMPACT OF THE CURRENT LAND LEASE LAW ON BUSINESS AND INVESTMENT EXPANSION

Organization: Ministry of Urban Development and Housing

Participant’s profile:

- Name _____________________________
- Post ___________________________ Date________________

A. General Information

B. Specific Issues for discussion

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, beaurocracy level, etc
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. How is the flexibility of the land lease implementation?
   - In terms of using it for mortgaging (by presenting as a collateral pledge), grace period provision, patience if regular payment delayed, if construction unfinished, etc?
5. Is there sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
6. How do you assess transparency of land allocation process through lease?
7. Do you have a mechanism to gauge satisfaction level of customers? If yes how do you do that?.
8. How do you view the current demand and supply situation for leased plots?
9. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
10. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
    - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
11. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City? (increasing/decreasing)
12. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
    - shortage of land supply,
    - escalated land lease price,
    - contents of the land lease law that require modification,
    - land lease law implementation.
13. Do you have any future plan to improve gaps identified? If so what are they?
14. Any other issue to discuss.
Specific Issues for discussion

1. What do you think are the major achievements and challenges of the current land lease law?
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, bureaucracy level, etc
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. How is the flexibility of the land lease implementation?
   - In terms of using it for mortgaging (by presenting as a collateral pledge), grace period provision, patience if regular payment delayed, if construction unfinished, etc?
5. Is there sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
6. How do you assess transparency of land allocation process through lease?
7. How do you view the current demand and supply situation for leased plots in the City?
8. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
9. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
10. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City? (increasing/decreasing)
11. Do you cooperate with lease implementing agencies in the City? If yes, how?
12. Do you usually conduct studies/researches in the area of lease implementation? How do you disseminate and what is your level of influence?
13. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
   - shortage of land supply,
   - escalated land lease price,
   - contents of the land lease law that require modification,
   - land lease law implementation.
14. Do you have any future plan to improve gaps identified? If so what are they?
15. Any other issue to discuss.
Organization: Professional Associations

Participant’s profile:

- Name _____________________________
- Post ___________________________ Date___________

Specific Issues for discussion

1. What do you think are the major achievements and challenges of the current land lease law?
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, beaurocracy level, etc.
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. How is the flexibility of the land lease implementation?
   - In terms of using it for mortgaging (by presenting as a collateral pledge), grace period provision, patience if regular payment delayed, if construction unfinished, etc.
5. Is there sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
6. How do you assess transparency of land allocation process through lease?
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8. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
9. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
10. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City? (increasing/decreasing)
11. Do you cooperate with lease implementing agencies in the City? If yes, how?
12. What is your level of influence as professional association?
13. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
   - shortage of land supply,
   - escalated land lease price,
   - contents of the land lease law that require modification,
   - land lease law implementation.
14. Do you have any future plan to improve gaps identified? If so what are they?
15. Any other issue to discuss.
A STUDY ON THE IMPACT OF THE CURRENT LAND LEASE LAW ON BUSINESS AND INVESTMENT EXPANSION

Organization: Property and land Brokers

Participant’s profile:

○ Name _____________________________
○ Post ___________________________ Date______________

Specific Issues for discussion

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   ○ In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, beaurocracy level, etc
   ○ In terms of contributing to the business and investment expansion to the required level? Explain.
4. Do you think that there is sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
5. How do you view transparency of land allocation process through lease?
6. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
7. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   ○ Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
8. What is your view in terms of trend of informality and land speculation since enforcement of the land lease system in the City?
9. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
   ○ shortage of land supply,
   ○ escalated land lease price,
   ○ contents of the land lease law that require modification,
   ○ land lease law implementation.
10. Do you have any future plan to improve gaps identified? If so what are they?
11. Any other issue to discuss.
Participant’s profile:

- Name _____________________________
- Post ___________________________ Date______________

Specific Issues for discussion

1. The major achievements and challenges of the current land lease law observed.
2. Is the current land lease law achieving its inherent objectives designed to be attained? Please explain in either case (yes/no).
3. Do you think that the land lease implementation is successful?
   - In terms of speed of land transfer, reliability and consistency of requirements and procedures, participation level, beaurocracy level, etc
   - In terms of contributing to the business and investment expansion to the required level? Explain.
4. Do you think that there is sufficient institutional and legal arrangement to enforce the land lease law? If not, please explain the gaps identified.
5. How do you generally assess cooperation and coordination level of different responsible institutes to pass through to acquire a leased plot?
6. How do you view transparency of land allocation process through lease?
7. Do you think that the current land lease price in the City is fair? If not, please state the major contributing factors?
8. What are the impacts of the current land lease law and cost of land on business feasibility and expansion?
   - Please specifically describe your view on the impacts of land cost on business competitiveness at national and international levels?
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10. What do you put forward as possible intervention areas, strategies, and policy recommendations to resolve problems surrounding:
    - shortage of land supply,
    - escalated land lease price,
    - contents of the land lease law that require modification,
    - land lease law implementation.
11. Do you have any future plan to improve gaps identified? If so what are they?
12. Any other issue to discuss.