INFORMAL LAND BUYERS’ PERSPECTIVES IN DILLA CITY, SOUTHERN ETHIOPIA

Kibru Alemu GEDECHO¹,², Bernadett Horváthné KOVÁCS³
¹Hungarian University of Agricultural and Life Sciences, Doctoral School of Economic and Regional Sciences, 2100 Gödöllő, Páter Károly u. 1., Hungary
²Department of Land Administration and Surveying, Dilla University, PO Box 419, Dilla, SNNPR, Ethiopia
³Hungarian University of Agriculture and Life Sciences, Institute of Rural Development and Sustainable Economy, 7400 Kaposvár, Guba Sándor u. 40., Hungary

ABSTRACT

Formal urban land is market unable to supply adequate residential plot that could shoulder the prevailing demand from low- and middle-income people and hence, the aim of the paper was meant to explore the informal land buyers’ expectations of infrastructure and various related municipal services that they deprive themselves of. A mixed-method approach was used, combining a survey of 186 respondents in informal land markets, observation, and focus group discussions with municipal experts. Secondary data from formal land markets in Dilla municipality from 2017-2023 were analyzed using descriptive statistics. The result of the study revealed that the pushing factors of informal land market proliferation in Dilla city is due to the lack of formal land supply from Dilla municipality which is only 6.6% so that the remaining great majority (97.3%) of the study area residents expect at least one service (road, water, electricity, drainage, monitoring services) from Dilla municipality to improve deprivation of basic infrastructural services, notwithstanding the need of land monitoring services such as surveying and title deeds. The situations call for design a pro-poor land and housing policy, adequate compensation during expropriation of farmers for serviced supply of land, creating awareness about formal land markets, and working in collaboration with rural counterparts in basis of rural – urban collaboration frameworks.

Keywords: informal land market, critical physical infrastructures, residential land, land governance

JEL codes: R14 - Land Use Patterns

INTRODUCTION

Dilla city is an administrative seat of Gedeo zone, center for newly established Southern Ethiopia Regional State, surrounded by recently UNESCO recognized indigenous Gedeo cultural world’s heritages, the home of world’s quality Coffee, and transport hub connecting East Africa. Dilla attracts attention of people’s diverse segments ranging from students to businessmen who want to work, do businesses, and learn and coupled with its high population growth is a home of a multitudes. This has created enormous residential plot demand in the city. Dilla is surrounded by permanent cash crops and trees from Gedeo agroforestry practices which makes land expropriation and
preparations of serviced land difficult because of inefficient land governance and lack of political commitment. Observing the larger participant of the informal land market particularly around expansion areas of Dilla, the questions that come to mind include: is residential land of non-serviced expansion area cheap? Why do people prefer non-serviced land with all its costs and challenges? By narrowing down these broader questions, the following three specific researchable questions were considered, such as, what the pushing factors contributed for informal land market are, what the expectations of informal land settlers from the local government are, and what the institutional bottlenecks are being existing on efficient land market of the study. The areas deprived of road network and transportation, water supply and drainage that are related to physical infrastructure. The areas are not permeable to important social events: death, illness, birth, marriage, fire danger, flooding, etc. one can hardly find walkways for these events. And the area is exposed to environmental hazards as well.

Conceptually, land is a valuable economic resource that generates large profits for both individuals and countries (Vogel, 2012). In Africa, urban land is a political as well as an economic resource (Wubneh, 2022). Regarding land transaction in Eastern Africa, formal land market exists, but they do not successfully reach significant segments of the population and suggested making the current formal land market processes less bureaucratic and more accessible to most people (Adam et al., 2020). Factors such as population growth, increased rural-to-urban migration, fast urbanization, and serious housing supply difficulties are driving up demand for urban land (Wubneh, 2022). In most African cities, the high cost of urban housing is often caused by several problems, including inadequate land governance policies that encourage speculative acquisitions, poor urban planning that leads to urban sprawl, and a lack of essential infrastructure that has significantly increased the cost of serviced land, consequently, the majority people cannot afford the restricted amount of serviced land that is available. Hence, the emergence of informal land markets has been primarily fueled by high land prices, fragile land markets, and deficient land administration procedures. And the growth of informal settlements is a characteristic of most African cities covering to roughly 13% in North Africa, over 60% of urban households in sub-Saharan Africa. Today, most African municipal and even national governments are unable to supply bulk infrastructure—such as roads, power, water, sewage, and road connections—to residential homes (Zhang et al., 2017).

In Urban Ethiopia, 70% of the land is going to informal markets and only 30% is going through formal market channels, this means the supply of land is more informal than it is formal, this is due to, among the others, farmers have tremendous incentives to divide and transfer their lands before official acquisition when they get government compensation, which ranges from 5 to 35 percent of the informal market value (Haile, 2022). Research conducted in Ethiopia’s capital city indicates that the growth of squatter communities has continued because of issues including institutional inefficiency, population pressure, a strong incentive for unlawful construction, and a lack of effective law enforcement (Abagissa, 2019). However, informal land markets on the urban fringe provide affordable, non serviced land for those being unable to access formal land and housing markets (Lombard, 2016). For example, as the case study of Bahir Dar city on land tenure in changing peri-urban Ethiopia has revealed, primarily
the urban poor are moving to unplanned peri-urban areas to live (Adam, 2020). Taking related studies in Ethiopian all together, the country’s current urban land acquisition system has led to social injustice (Mengie, 2016). For different socio-economic groups in the vibrant informal land and housing markets in emerging countries cities is the fundamental source of this problem as well (Acioly, 2010). Even though the Ethiopian lease policy has been in place for almost three decades, it is with problems like land hoarding, illegal land grabbing, informal settlements, and urban sprawl (Koroso, 2023). The analysis found that Ethiopian urban land laws lean toward the efficiency principle, which is theoretically and practically pro-rich, despite the laws’ consistency and incorporation of the concepts of fairness and efficiency (Gebrihet & Pillay, 2021).

Research conducted in Mekelle City showed that the emergence of informal land markets is due to low supply of land relative demand (Gebregziabher et al., 2014). Likewise, the study conducted in Burayu town revealed that the primary factor contributing to the growth and spread of squatter settlements is the limited availability of land (Bekele, 2014). This is due to inadequate land supply and management and the fast-growing urban population, squatting is becoming a more significant problem (Odocho et al., 2018). Among the socio-economic and demographic factors contributing to the formation of informal settlements in the peri-urban areas, the research conducted at Woldia town has identified key drivers such as income disparity, rising urban land lease prices, inadequate compensation to farmers during land expropriation, a rising urban population, inefficient land provision, lack of housing affordability, and increased rental prices (Baye et al., 2020).

A comprehensive literature review attempt undertaken by the authors pointed out vast understanding on the urban fabrics of expansion areas such as the methodology presented on the reviewed paper mostly focusing social aspect but few researches follow socio-spatial approaches, which indicates research gap for the topic considered. Related studies undertaken both in Ethiopia and in the continent of Africa have confirmed that the causes of the inception of informal land market and informal settlement are weak policy driven and land governance, planning that does not meet the needs of the community, institutional capacity limitation, high price of formal land due limited or inadequate supply of land, inefficient land governance, etc. leads to inadequate land supply and inefficient formal land market. Therefore, the non-pro-poor formal land market forced economically deficient urban segment of the people to participate in informal land market (Adam, 2014; Adam et al., 2020; Alene, 2022; Baye et al., 2020; Bekele, 2014; Gebregziabher et al., 2014).

Generally, most research undertaken on subject so far in one way or another tried to create substantial understanding related to urban informal land market, issues with land market, informal settlements, urban land policy, etc. in the urban fabrics of expansion area. On other hand, the perspectives of the dwellers who buy informal land and settle in basic infrastructural service deprived situation was not considered. Accordingly, the purpose of reviewing various literatures is to capture the knowledge related to the topic and to see the research gap fulfilled. Therefore, from viewpoint of the study area the research gap made clear and related to geography and population as well as context (Perspective), among the others. Therefore, this research was meant to bridge the knowledge gap to be considered during policy formation focusing on unstudied portions of the subject.
Because of limited attention given to urbanization and urban development sector in Ethiopia, institutions working on the sector such as municipalities are not with required capacity to shoulder urban infrastructural need and supply residential land for ever growing urban population due to various causes. Scientific way of giving solutions is insufficient and their focus is on capital and major cities such as Addis Ababa, Bahir Dar, Gondar, Hawassa, etc. and no research undertaken on the topic in the local context, Dilla. The research gaps are multitude such as related to context that is in geographic south where permanent cash crop predominates and more difficult to expropriate due to high cost of compensation than in central and northern parts of the country. The subject of the study is also different from the other studies in that no research studied the perspective of buyers around expansion areas. Above all, the identified problem is practical real-world problems that need to be solved! The majority of dwellers who live in the Dilla expansion areas do not have access to essential infrastructure services, as the ground reality shows, yet they should. Therefore, the aim of the “Informal Land Buyers’ Perspectives in Dilla City, Southern Ethiopia” was meant to explore the buyers’ expectations of infrastructure and various related municipal services that they deprive of.

MATERIALS AND METHODS

This study used descriptive cross-sectional survey data with mixed approaches. As primary data sources, a survey of 186 randomly selected respondents from the direction of major outward expanding directions where informal land market was rampant in addition to observation. Regarding brief socio-demographic description of the respondents, the survey consists of 79.4% and 20.6% male and female ration, respectively. Likewise, age 25-39 (64.79%), 15-24 (2.7%), and 40 and above (32.6%). The majority (96.79%) of the respondents participating in the informal land market falls in age 25-39 and above and the remaining fall in age range 15-24 (3.21%). Similarly, 73.8% of the respondents were government and own business workers, and the remaining were from, farmers, and others such as non-government organization workers. Average income in ETB or Euro of the respondents that were monthly average less than or equal to 4000 ETB (65.56 Euro) were 54.7%, between 4000 ETB (65.56 Euro) and 8000 ETB (131.12 Euro) were 35.2%, and more than 8000 ETB (131.12 Euro) were only 10.1%. Besides, in-depth Focus Group Discussion (FGD) was undertaken with municipal land and infrastructure development experts using questions designed for the purpose. The study relied on secondary data from the Dilla municipality covering six years (2017/18-2022/23) for formal land market analysis. Earlier years’ data was unavailable, and recent urban land market conditions were noted to differ from those in older records, necessitating this time-frame. The location map (Figure 1) of the study area is shown below.

In addition, literature from various databases was considered during reviewing: Scopus, Google Scholar, reputable institutional websites (World Bank, for example). Illustration below (Figure 2) is to serve as conceptual diagram of the entire review processes. The keywords and combination of words such as ‘urban land market’, informal land transactions’, ‘informal land market and expansion area’, and urban
fabrics and expansion of Ethiopia' were used as an approach grasp important information to realize the objective of the paper. Analysis was made qualitatively by the help of descriptive statistics.

Figure 1: Location map of the study area

![Location map of the study area](image1)

Figure 2: Conceptual Diagram of the literature review process

![Conceptual Diagram of the literature review process](image2)
RESULTS AND DISCUSSION

In this section, separate, various subsections such as pushing factors of informal land buyers, expectations of buyers about critical infrastructure, institutional bottlenecks from Dilla municipality side, and experts’ outlooks on urban land inefficiencies are discussed meant to addressing the main purpose of the research in harmonized way.

The pushing factors.

As results of respondents from the survey, focus group discussion with Dilla municipality experts, secondary data analysis showed the existence of formal land market inefficiency in the study area. The pushing factors of informal land market proliferation in Dilla city is due to the lack of formal land supply from Dilla municipality which is only 6.6% taking the six-year average, Figure 3. Moreover, buyers were drawn to the informal land market in the study's expansion areas due to factors like affordability, larger land size, and week law enforcement. The proportion of land supplied through formal land market in study area is by far less than the recent study finding in Addis Ababa, which is 30%, (Haile, 2022).

Figure 3: Demand and Supply Analysis for formal land market in Dilla

![Figure 3: Demand and Supply Analysis for formal land market in Dilla](source: Using data from Dilla Municipality, 2024)

In municipal residential land auction, plot price is determined by accumulative result of several variables such as the Value the bidder attached to the plot Price and its (80%) amount the current willingness to pay of the bidder (at least 12% of the winning bid in case of Dilla), and the bidder willingness to pay of all value of the plot rent (its weight is 8%). The following table (Table I) help illustrate the non-affordability of residential land for urban poor and low and middle-income section of the population in the formal land market of Dilla. For a plot code named LFR06 (Table I), there were 10 auction bidders, the base price per square meter set at 250 Ethiopian Birr (ETB). The average exchange rate of Ethiopian currency (Birr) for the Period 2023 was 0.01639 Euro. For plot LFR06, the land lease auctions the least bidder attached a value 650ETB (10.65 Euro) and the maximum bidder attached a value of 5800 ETB (95.06 Euro). As shown on the same table the average value is
3135.5 ETB (51.39 Euro), which means more than 23 times compared to the base price. This means that urban formal land market is not affordable to consider urban poor and low and middle-income section of the population.

Table 1: Residential land auction bid analysis for selected plots in Dilla.

<table>
<thead>
<tr>
<th>SN</th>
<th>Bidders of Plot:</th>
<th>Value the Bidder attached to m² of the plot</th>
<th>Base Price of the Plot Code: LFR</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Bidders of Plot:</td>
<td>LFR06a 5370</td>
<td>LFR10a 1050*</td>
</tr>
<tr>
<td></td>
<td>LFR06b 4015</td>
<td>LFR10b 3500</td>
<td>LFR15b 2025.75</td>
</tr>
<tr>
<td>3</td>
<td>LFR06c 5800**</td>
<td>LFR10c 4652**</td>
<td>LFR15c 3000</td>
</tr>
<tr>
<td>4</td>
<td>LFR06d 2570</td>
<td>LFR10d 3500</td>
<td>LFR15d 3002</td>
</tr>
<tr>
<td>5</td>
<td>LFR06e 2150</td>
<td>LFR10e 3400</td>
<td>LFR15e 4000</td>
</tr>
<tr>
<td>6</td>
<td>LFR06f 1500</td>
<td>LFR10f 3500.1</td>
<td>LFR15f 4001</td>
</tr>
<tr>
<td>7</td>
<td>LFR06g 4100</td>
<td>LFR10g 3006</td>
<td>LFR15g 4954**</td>
</tr>
<tr>
<td>8</td>
<td>LFR06h 2000</td>
<td>LFR10h 3400</td>
<td>LFR15h 3150.69</td>
</tr>
<tr>
<td>9</td>
<td>LFR06i 3200</td>
<td>LFR10i 3000</td>
<td>LFR15i 3700</td>
</tr>
<tr>
<td>10</td>
<td>LFR06j 650*</td>
<td>LFR10j 2512.5</td>
<td>LFR15j 1050*</td>
</tr>
<tr>
<td>11</td>
<td>LFR06k 4500</td>
<td>LFR10k 4500</td>
<td>LFR15k 3125</td>
</tr>
<tr>
<td></td>
<td>Average 3135.5</td>
<td>3274.6</td>
<td>3228.04</td>
</tr>
</tbody>
</table>

Source: Based on data from Dilla Municipality, 2024

It can be deduced that the pushing factors to informal land market were related to land supply inefficiencies (limited supply, slow bureaucratic, non-affordability, etc.) from Dilla municipality side. Though the informal land market is considered to be as illegal by Dilla municipality due to lack of better alternatives that could serve people from low-income category. As majority of the participants was from low-income category which is unable to afford residential plot from the formal market.

Expectations of informal land buyers about critical infrastructure services

Informal land buyers from expansion areas of Dilla were analysed and the majority of buyers was expecting critical infrastructural service supply from Dilla municipality/Dilla city administration. During observation while the interview was undertaking, the problem of critical infrastructure was pervasive. The survey result (Table 2) showed that the great majority (97.3%) of the study area residents expect infrastructural service delivery from Dilla municipality or Dilla City Administration to improve deprivation of the infrastructural services in the area. Likewise, the responses of the interview participants for an open-ended question result indicated that the majority (93%) voted at least one infrastructural service delivery. Among the infrastructural services road construction is the top priority if they were subjected to choose one only (voted by 15.1% respondents) but if they are privileged to have more than a single infrastructural service (General Infrastructure Service Supply) the
majority (93%) would prefer more of the services. As indicated, there were few (4.3%) expecting overall municipal services such as surveying and title deeds that raise buyers’ service expectations to 97.3%.

Table 2: Informal land buyers' critical infrastructure expectation summary

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Unit</th>
<th>Yes</th>
<th>No</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road</td>
<td>N</td>
<td>28</td>
<td>0</td>
<td>15.05</td>
</tr>
<tr>
<td>Water</td>
<td>N</td>
<td>6</td>
<td>0</td>
<td>3.22</td>
</tr>
<tr>
<td>Electricity</td>
<td>N</td>
<td>8</td>
<td>0</td>
<td>4.30</td>
</tr>
<tr>
<td>Drainage System</td>
<td>N</td>
<td>3</td>
<td>0</td>
<td>1.61</td>
</tr>
<tr>
<td>General Infrastructural Service</td>
<td>N</td>
<td>128</td>
<td>0</td>
<td>68.82</td>
</tr>
<tr>
<td>Monitoring Overall System</td>
<td>N</td>
<td>8</td>
<td>0</td>
<td>4.30</td>
</tr>
<tr>
<td>Nothing</td>
<td>N</td>
<td>0</td>
<td>5</td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>N</td>
<td>181</td>
<td>5</td>
<td>186</td>
</tr>
<tr>
<td><strong>%</strong></td>
<td></td>
<td>97.3%</td>
<td>2.7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Using data from Dilla Principality, 2024.

The photo was taken during observation (Figure 4) depicted the deprivation of the study area from critical infrastructure such as road network, water supply, electricity, drainage, and exposed to environmental hazards as well.

Figure 4: Critical infrastructure condition in Dilla city expansion area

Source: Photo taken by author during field observation, 2023
Institutional Bottlenecks from Municipality

Institutional bottleneck that hinder efficient residential land supply in Dilla is the focus of the section. During FGD with the municipality land development and management unit experts confirmed while reacting to the query about the institutional bottlenecks that have been hindering to ensure the supply and smooth marketing of urban land in the study pointed out the following: the expansion area of Dilla is covered with permanent crops (coffee and tree of agroforestry of Gedeo), therefore, compensation payment to land owners is high and hence the issue of crop compensation has become a challenge, less land preparation for land auction, the attention given by politicians to the municipal land preparation unit is less, the land offered for lease must be serviced or have adequate infrastructural facility so that it is costly to finance the related infrastructural expenses, and there is less access to infrastructure in the expansion area.

Experts from infrastructure development department raised concerns from the other perspectives. Dilla city, like other cities in Ethiopia, collects rent from land and carries out infrastructural development work on its own but there is inefficiency that calls for improvement for land management. The land management inefficiency of Dilla municipality is the reason behind the lack of adequate land preparation and supply. In addition, budget allotted for expropriation and provision of critical infrastructure and municipal services, and efficient land governance are among the major institutional bottlenecks in challenging adequate serviced land supply in the study area.

Triangulation: Demand, Supply, Informal Land Market Explained

The result of FGD with municipal experts indicated a similar reason about the existing pressure that forces buyers towards informal land market, but experts provide a list of reasons that cause challenges to adequate supply that can shoulder the outpacing demand of residential land in the formal land market such as lack of understanding of the formal urban land lease auction, the price of land for lease auction is higher than the informal land market, and above all, the amount of plots/land accessible for lease is small in number and the original supply and demand do not match as the number of people requesting residential space increases. As a result, the city of Dilla has a large number of informal land transactions. Informal land market participants are not only who buy land for residential purpose, but also religious institutions engage in informal land transactions due to the inadequate provision of land in all land services such as manufacturing, business, and social services, for example, church. Therefore, the reason given by the informal land buyers from expansion areas of Dilla is valid.

The informal land market dominates Dilla City due to the high land price of residential land transactions in the formal land market when compared to the formal land transaction. Due to this fact FGD with municipality experts indicated that low- and middle-class people are more involved in informal land transactions.

CONCLUSION

The result of the study showed that the formal land market inefficiency and non-affordability are the major pushing factors for informal land buyers in Dilla, among
the others. The pushing factors of informal land market proliferation in Dilla city is due to the lack of formal land supply from Dilla municipality which is only 6.6% taking the six-year average. The formal land supply leads of outpaced demand in a land price increase of about 23 times its base price. This is due to the policy of the government that disregards the poor. This figure is highly deviate from the study undertaken at Addis Ababa that showed formal land market supply is 30%. Reasons such as area being covered with permanent crops (coffee and tree of agroforestry of Gedeo), therefore, compensation payment to landowners is high, less land preparation for land auction, the attention given by politicians to the municipal land preparation unit is less, among the others; are institutional bottlenecks that have been hindering to ensure the supply and smooth marketing of urban land in Dilla. The implications of formal land market inefficiency led to proliferation of informal land market for those denied the opportunity to buy residential land where critical infrastructural services deprive of. Though informal land buyers cursed by municipality as illegal they (97.3%) expect services related to both critical infrastructure and land administration from Dilla municipality or Dilla City Administration. Due to the wide need and the backlog of the services in question, the supply of such services is hardly possible with weak stakeholders collaborating for the realization. Besides, the rural conversion to urban is pervasive in such informal land market resulting from poor cooperation between the urban and rural land administration sectors.

Unless concerned urban authorities give due consideration and work towards the scare land resources will end up on the hands of speculators. Similarly, realization of critical infrastructure services will remain complex backlog and the livelihood of the neighborhood will be impermeable and will be costly if left unchecked. Studies undertaken so far have not examined the informal land market buyers’ perspectives. Considering them is not only important to gain policy input but also helpful for collaboration. Further studies considering the rate of spatial expansion of uncontrolled residential housing developments and its implication is important to see multiple impact on sustainable neighborhood. The situations call for design a pro-poor land and housing policy, adequate compensation during expropriation of farmers for adequate serviced supply of land, creating awareness about formal land markets, and working in collaboration with rural counterparts in basis of rural – urban collaboration frameworks. Finally, the study is important to understand serviced land supply in southern part of the country surrounded by permanent cash crop and useful to uncover perspectives of informal land buyers.

The paper gave the opportunity to appreciate the real problems such as institutional bottlenecks to serviced land supply, pushing factors to informal land market, the dwellers perspectives the challenges of critical infrastructure around expansion areas. Besides, it serves as an important discussion agenda for those stakeholders (local government, experts, land buyers, and policy makers) and put direction for the betterment of the society at large. As this study and various literature in Ethiopia revealed, Urban land price will remain untouchable to poor and low-income sections of the country unless proper policy measures taken to create justice in urban land market.
ACKNOWLEDGEMENT

Dilla Municipality experts contributed to data collection and making available land lease auction panel data as well as cooperative during focus group discussions.

REFERENCES


Corresponding author:

**Kibru Alemu GEDECHO**

Doctoral School of Economic and Regional Sciences
Hungarian University of Agriculture and Life Sciences
2100 Gödöllő, Páter Károly u. 1., Hungary

e-mail: gedecho.kibru.alemu@phd.uni-mate.hu

© Copyright 2024 by the authors.

This is an open access article under the terms and conditions of the Creative Commons attribution (CC-BY-NC-ND) license 4.0.