

FINAL

Promoting well-functioning land markets for sustainable growth in Ethiopian Cities - Addis Ababa case study

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

SECTION 1. MAIN FINDINGS

1.1. INTRODUCTION

This case study focuses on assessing the land and property market constraints in Addis Ababa City. The assessment has been conducted on land and land related policies, laws and regulatory frameworks at the federal and city levels. The study also analyses the institutional capacity of the entities involved in the sector. This includes looking at horizontal and vertical integration as well as their performance in implementing their mandates. In addition, supply side constraints including land administration, land use and land management, property valuation and taxation, land expropriations and allocation as well as land financing mechanisms have been reviewed and possible constraints are identified. On the demand side, the study assesses the land and property transfer through the primary and secondary market, the level of the informal land market, the ability to access to finance to undertake construction and development activities as well as the involvement of private sector in real estate development.

The report has four sections. The first section introduces the study and discusses the main findings and key issues. The second section presents the general characteristics of the city, its historical background, geographic and demographic issues and the urban rural interface. The third section deals with the supply side constraints and the fourth sections deals with demand side constraints. Section five provides a summary of the key findings of the case study

The case study is based on field work undertaken by Mr Esrael Tesfaye in July and August 2021. It involved interviews with local officials, representatives of the community and real estate stakeholders (banks, brokers, valuers). The detailed list is presented in Annex B and C. The study also draws on existing legal documents, proclamations, rules and regulations, and secondary data obtained from interviews or published materials (see Annex A). On completion of the field work, the acquisition of geospatial data to support further analysis continues. It was not possible to collect any quantitative data related to actual numbers of transactions, parcels registered etc., as this data is not easily available at the city level.

1.2. KEY ISSUES AND MAIN FINDINGS

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

These findings summarise sections 2, 3 and 4 of the report and all supporting materials and references are contained therein or listed in the annexes. They are:

Supply side constraints and findings

1) Policy, Rules and Regulations

- Lack of clear and separate rules and regulations concerned with the peri urban area land administration pertinent to its nature
- The terms of the existing Urban Lease Proclamation 721/2011 focus on imposing high level of control rather than facilitating the improvement of the land and property market. However, the terms of lease payment have put remarkable pressure on the financial capacity of the city which in turn is believed to inhibit the land development and supply system.
- According to the Lease Proclamation No 721/2011 Article 6/3, permit held land will be changed into land held by lease when transferred to a third party. The buyer is required to pay an annual lease rent based on the benchmark price. As a result, the buyer is subjected to carry out double payments for the purchase of a single land right. Though it needs further research, according to informants, this legal provision highly impacts the purchase of permit hold properties.
- Note that Article 14, sub article 3 of Urban Land Lease 721/2011 states that the benchmark rates are to be updated every two years, however this is not done.
- The newly approved Compensation Law No.1161/2019 is an attempt to address complaints about proclamation No. 455/2012, particularly regarding the compensation rate. Following the amendment, the City Administration has increased the compensation rate on agricultural products by 63% from Birr 51 to Birr 81.26. The minimum compensation fee for minimum living standard housing was also raised from Birr 255,000 to Birr 647,805.13. The increased rate has obviously significantly increased the cost of compensation and added pressure on the city's budget. However, the objective was to address the question of the peri urban farmers and urban residents and minimise the informal peri urban land sale. Still, the assessment shows that informal sale of land continues to happen in peri urban areas. The major reasons are: a) The informal land price is always attractive and very much higher than the compensation rate, and b) In the informal transaction the farmers are always on the safe side. In case of demolition, it is the informal settler who is losing. After demolition, the farmer regains his ownership on the land again ready for resale and compensation. Hence, farmers are more open for informal sales.
- The newly revised expropriation proclamation (Expropriation Directive No.20/2021) gives in its article 11/11.1.1.4 gives full right to a farmer to take up an investment activity on his land based on the land use plan of the city in partnership with other farmers or investors to get a maximum benefit out of his land. However, this provision seems to be misused by land speculators who informally purchase a large tract of land, subdivide it and then sell it out illegally at higher price.
- In Addis Ababa, the power of expropriation, valuation and payment of compensation falls under the Land Development and Urban Renewal Agency which is established under the Land Development and Management Bureau of Addis Ababa city. Due to the low level of valuation skills and subjective decisions, the results are not always free from complaints. In this regard, though the right to appeal to the court is free, the applicant does not have the right to an alternative valuator. This remains one of the major sources of public complaint.

- In the act of expropriation, the holder of a permit held land parcel with an area of 1000 m² and/or above will get a maximum of 500 m² for relocation irrespective of the location and value of land, unlike the lease held property. This is a major source of complaint on the part of the residents.

2) Institutional Constraints

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

3) Land Administration

- Despite continuous attempts to establish a cadastral system or land information system in the city, this is not complete and integrated.
- Lease and permit-held properties are being administered under two different systems and pay two different rental rates (the cost of permit-held land being lower than lease land), even if in the same location. This negatively affects a fair business competition between properties.
- The possibility of losing or missing a property file in the sub cities is a common phenomenon
- The lease benchmark price is location based rather than cost based. It is outdated and does not represent the actual lease price of the city. The current cost of land development is much higher than the current benchmark price. This is contrary to the cost recovery intention of the government and also affects the revenue potential of the city.
- Zero land value of the permit held land affect the use of collateral and revenue potential of the city in transaction.

4) Land use and Management

- A key and basic constraint of the land use planning strategy of the city has been its exclusion of the peri urban areas. It did not integrate its plan with the surrounding administrative zone of Oromia. The plan neither incorporated the need of the farmers in its peri urban area nor proposed the strategy to manage the development of the peri-urban edge that surrounds and supports the city.

- According to discussions with Officials in the Planning and Economic Development Commission, the level of implementation of the structural plan is limited and restricted.

4) Land and Property Registration

- According to the data obtained from the Agency, out of the total 173,621 adjudicated properties, only 15,974 properties (6,354 government and 9,620 privately owned) are registered. This means that less than 10% of the adjudicated properties have a registration certificate of the Agency and that the tenure security of over 90% of the unregistered adjudicated properties and 235,995 un-adjudicated properties remains unclear. The low level of registration is attributed to the costs of sporadic adjudication, delayed establishment of Insurance Fund (which is the core essence of registration) and the low level of community and private sector participation in the project.

5) Land Acquisition and allocation

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

6) Investment Support and Green field Development

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

Demand side constraints

1) Primary Market Land Transfer

- There is a high unmet demand for both residential and commercial/industrial land. Existing data shows that only 248,365 people out of one million people registered for condominium housing have secured a property. As there are only 87,000 housing units under construction, a large percentage of registered people still remain with no access to condominium housing.
- The demand for commercial and industrial plots is also high. According to the data from the Land Development and Management Bureau (from round 16 – 26) the maximum plot/bidders ratio for residence, commercial and business, mixed

use and industry is 1:984, 1:560, 1:1346 and 1:1373 respectively¹. This shows a high unmet demand for all types of land uses.

2) The Secondary Market

- No data or information is acquired on the real transaction cost of the properties other than the number of annually transacted properties. Still, this number is not complete since not all registered transactions at the notary office are expected to appear at the Tenure Office for Certification and transfer of ownership.
- The sale of 82,229 properties was recorded between 2016 and 2020, and the average sales price is estimated to be under one million Birr which is believed to be much lower than the reality.
- Transacting parties do not seem to report the actual transaction price to pay reduced transaction tax and stamp duty. The mechanism to control the misdeed fails to achieve its target by disregarding the value of land which is the major cost element in transaction.

3) The Informal Land Market

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

4) Access to Finance

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

5) Infrastructure Development and Transport

- According to the Road Inventory Report of the Road Authority (2020), the city currently has roads with a total length of 4,843.15 km with a total area of 5,329.3 hectares. In view of the total urban space of 54,000 hectares, the road density of the city is nearly 10%, well below the universally accepted standard of 25%.

¹While direct comparison with other African cities is difficult, in Ethiopia, the state is effectively the only supplier of “new” land thus severely limiting supply

- About 90% of the city's housing units with electric connections are subject to frequent interruptions and power shortage. The city water supply covers 56% of its area and its existing water supply system only meets 65% of the city's water demand.

6) Private Sector Participation

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

1.3. NOTE ON METHODOLOGY AND LIMITATIONS

This assessment has used both primary and secondary data sources. Primary data was collected by using key informant interviews, focus group discussions and field observations. Secondary data was obtained from land and land related legal documents and proclamations, annual reports, land use plan reports, statistical reports, financial and revenue reports, and other reports.

We are grateful for the participation of those members of the city administration and Federal organisations who have agreed to be interviewed as part of this study. Due to competing demands on official's time, it has been difficult to secure meetings and obtain the necessary data. Sometimes the data is just not available in a form that can be easily reported, or it is just not available. Land matters are fragmented across many departments who have specific responsibilities for certain functions, and information is not "joined up" across departments, making sector studies like this rather difficult and time consuming.

Where we have been able to source primary data this is acknowledged in the study. To minimize the gaps, different primary and secondary sources were used and then issues were cross checked which also proved to be difficult and time consuming. Attempts have also been made to get data on the primary and secondary land and property markets (formal and informal). With regard to the primary market land transferred by the municipality for different purposes through both allocation and bid has been collected though there is limitation on securing actual transaction price data due to institutional constraints as there is no routine tracking of land market information across the city.

1.4. NOTE ON GEODATA AND INDICATORS

A feature of this study was a determined effort to acquire geo referenced data to support land market analysis. Annex D list the geodata that could be acquired. Limited data could be collected, imagery was acquired from 2013 and 2018 showing the changes in development; administrative boundary information was acquired for 2007 and 2020 showing the formal city expansion; and additional planning and topographic material.

It was not possible to collect information by kebele linked to land plots, land transactions, or land values. If this information can be tracked yearly, then a clear indication of land market activity and how it varies across the city can be obtained.

An attempt was also made to collect land market indicator information organised according to the following structure

- A Administrative units
 - A.1 admin units
 - A.2. plans in force
- B Area and population
 - B.1. Area
 - B.2 Population
- C Land Tenure and Land Administration
 - C.1 Formal Land data
 - C.2. Formal Transaction data
 - C.3. Informal Land and Transactions data
- D Land Market Activity Data
 - D.1 Allocated Land
 - D.2 Auctioned land
 - D.3 Destination of allocated / auctioned land
 - D.4. Compensation prices per Ha)
 - D.5 Benchmark prices per Ha)
 - D.6. Market prices for sales - basic land for development
 - D.7, Market prices for sales - residential, commercial, and agricultural

The data that could be collected or estimated is reported in Annex D.2. It is hoped that more of this data can be completed during the review process.

SECTION 2. CITY CHARACTERISTICS

2.1. INTRODUCTION

The rapid growth of the urban population is causing an exceptionally high increase in the demand for land and housing which in turn has been exerting a pressure on peri-urban land located next to the municipal boundaries. In Ethiopia, constitutionally land is public property. Its ownership is endowed to the nations and nationalities of the country. Hence, the provision of affordable land to the rapidly growing urban population has become the greatest challenge to the government and urban policy makers of the country. The conventional state controlled land delivery mechanisms, however, have proven to be grossly inadequate and inefficient in coping up with the demands imposed by rapid urbanization (*Midheme and Moulaert, 2013*). In Ethiopia, the only way of feeding the unabated increasing demand for land in urban areas has been through expropriation. Transitional peri-urban areas are those places where expropriation measures are largely implemented as a response to the growing urban land demands induced by rapid urbanization. The rapid rate of urbanization accompanied by unpleasant urban development practices in the peri-urban areas has been observed to create two basic discomforts. One, landless poverty stricken farmers left in enhanced poverty with only meagre compensation money. Two, those other farmers avoiding what they see as unfair expropriation, sell off their agricultural plots to informal settlers through the informal market. They obtain a price better than that in the case of compensation. This has haphazardly turned the peri-urban agricultural area into unplanned informal settlement. This basically affects the land market in the urban areas. It is with this understanding that an assessment has been conducted in Addis Ababa City to identify the challenges existing in the land market and come up with viable solution helping to promote a well-functioning land market.

2.2. HISTORICAL BACKGROUND

The establishment of Addis Ababa as the permanent capital city of Ethiopia was associated with the consolidation of new territories by Menelik II (1844–1913) who became Emperor in 1889 and established Addis Ababa as his capital city. This replaced the former capital of Entota earlier established by Menelik II. While at Entoto, the future emperor and his wife, Empress Taitu, frequented the hot springs of Filwoha, which was located just behind the current lyubeliu National Palace and a walking distance on the South of the Grand Menelik Palace to where later on, they moved their permanent residence. Addis Ababa became the capital of Ethiopia in 1889, when Menelik II became Emperor and following the recognition of Ethiopia's independence by Italy and other European countries in 1896.

Like most of the urban centres in Ethiopia, Addis Ababa's early development was spontaneous and without formal planning. Other important events such as the 1907 land act, the establishment of municipal administration in 1909, and the introduction of railway transportation and motor vehicles at the beginning of the 20th Century influenced the formative stage of the city and its subsequent growth.

The five-year occupation that followed the 1936 Italian invasion of Ethiopia had some lasting effects on the socio-spatial pattern of Addis Ababa. The Italians prepared the first master plan of the city based on a dual city approach. Based on this Master plan, new buildings and housing units were constructed on the Mercato and Casainchis areas for the indigenous and the occupiers respectively that gave the city its new form. After independence, British and

French consultants prepared a new master plan for the city. The City continued to expand along major transportation routes and around existing and new nodes. The 1960's construction boom helped in the implementation of the plan and formed some of the well-known axes and land marks of the city. The major developments realised in this period include the headquarters of the Organisation of African Unity (OAU), the first airport, and some industrial establishments.

After the 1974 revolution that over threw the Imperial regime, the new Marxist government nationalised all land and rental structures ('extra' houses) built by private owners (*Proclamation No. 47/1975*).

In order to fulfil its new role, the government became the main actor in urban development and provider of free land for housing and other building types. Several Housing Cooperative Associations were formed, and extensive housing development was conducted. However, the government was unable to satisfy the demand for land, infrastructure or housing finance. This leads to the informal construction of new houses mainly in the expansion areas of the city, and informal transformation and expansion of existing houses and neighbourhoods especially in the inner-city areas.

Upon the fall of the Marxist government in 1991, land ownership and the majority of the nationalised buildings remained in the hands of the government. Within this framework, urban land lease legislation was issued in 1993 (*Proclamation No. 80/1993*), which was one of the major changes in this period. Following the proclamation, land was allocated to private real estate developers and individual and cooperative housing developers. The City Administration has also conducted new Industrial zone developments at Akaki and Nefas Silk Sub Cities. The Development of extensive Housing Program under IHDP (Integrated Housing Development Program) has played a major role to reclaim new agricultural land at the expansion areas that has resulted in the horizontal expansion of the city.

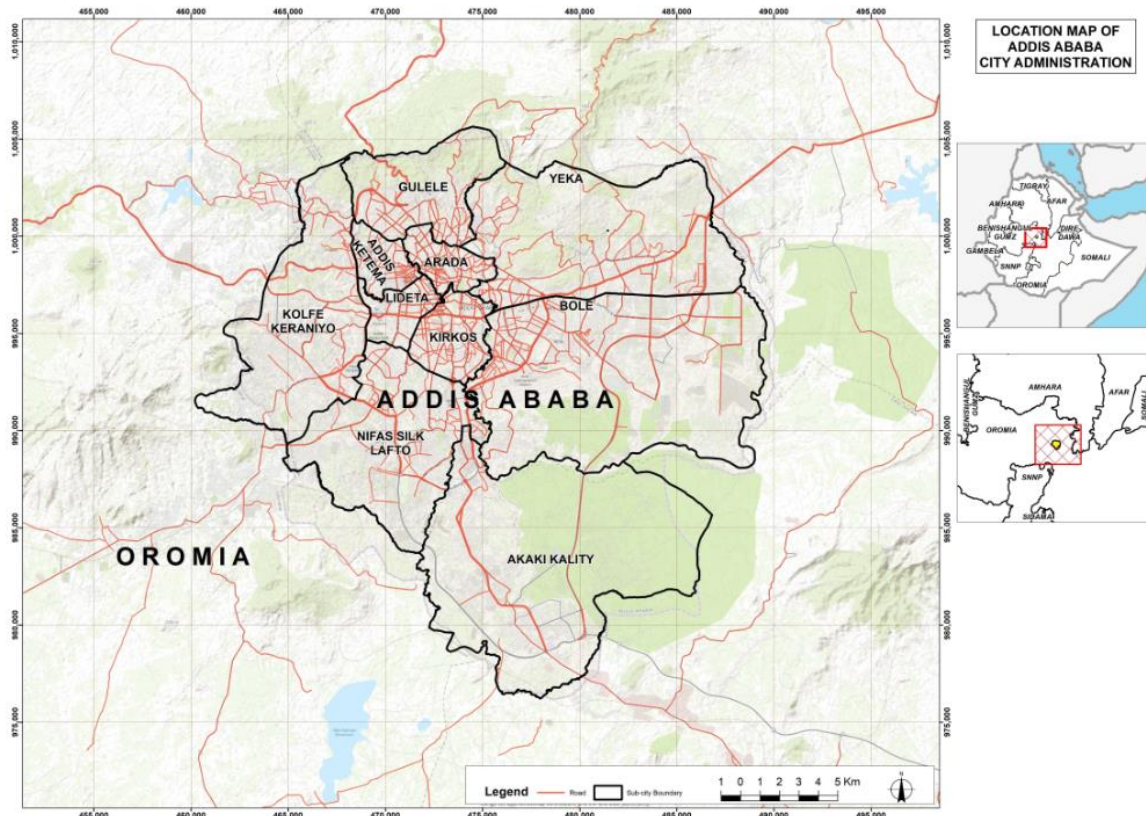
2.3. PHYSICAL AND ENVIRONMENTAL

Location: Addis Ababa, the political capital and the most important commercial and cultural centre of Ethiopia, is geographically located at the heart of the nation, 9°2'N latitude and 38°45'E longitude. Its average altitude is 2,400 meter above sea level, with the highest elevations at Entoto Hill to the north reaching 3,200 meters. This makes Addis Ababa one of the highest altitude capital cities of the world.

Physical and Environmental: Addis Ababa occupies a total of 540km² lands surrounded by a mountainous landscape. Although there is no large river passing within or close to Addis Ababa, the city's small rivers and streams played an important role in structuring its form.

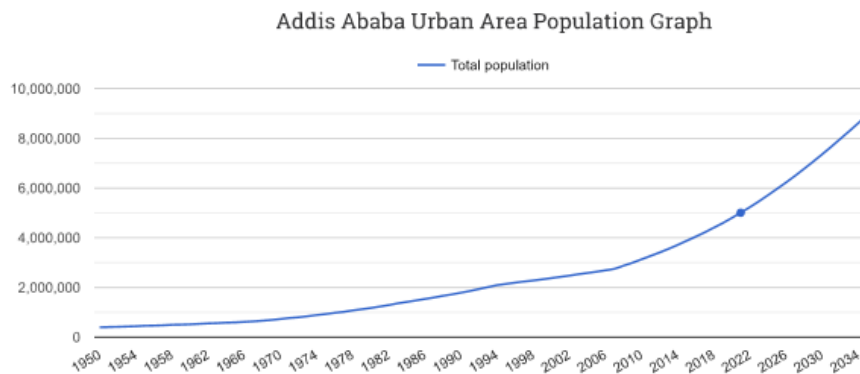
The city administratively is subdivided into eleven sub cities and 124 woredas. Addis Ababa has a sub-tropical highland climate with a constant moderate temperature of roughly 23 degree high and 11 degree low throughout the year. The main rainy season, *Kiremt*, is from June to early October, and between early March and mid-April, there is short period of rain fall called Belg. The average annual rainfall is about 1,200mm, out of which close to 80% falls during the main rainy season

Figure 1: Location Map of Addis Ababa



2.4. DEMOGRAPHIC AND SOCIO – ECONOMIC

Demographic Situation: Addis Ababa is one of the fastest growing cities in Africa and a primate city in Ethiopia with an estimated population of around four million, which is roughly 25% of the total urban population of the country and more than ten times the population size of Adama, the second largest urban centre. In 2007, the last census year of the country, the official population of Addis Ababa was 2,739,551 (male 1,305,387; female 1,434,164), and with an average annual population growth rate of 4.36% (UN World Urbanization Prospects). The population estimate of the city in 2017 was 4,215,965 and in 2021, given a growth rate of 4.42%, the population is estimated to be 5,005,524. It is expected to reach 6.5 million by 2027 (predicted annual growth rate of 4.36%). The Central Statistical Agency's estimate also shows that the number of females is slightly higher than the number of male residents. The relative higher population growth is due to high level of migration to the city in search of jobs and better services. The city's working age population is quite dynamic and the population between the ages of 15 to 65 constitutes 72% of the total population. Population density is estimated as 5,165 per km² which is low compared to other capital cities in Africa.

Figure 2: Population Growth of Addis Ababa urban area

Source <https://populationstat.com/ethiopia/addis-ababa>

Socio Economic Condition: Ethiopia is one of the fastest growing countries in Africa. Addis Ababa generates a quarter of the national GDP of the country. According to the Ministry of Finance, the real GDP of the city was USD 2.07 billion in 2020. Its economy is dominated by the service sector, which contributed 75% of the city’s GDP in 2020. The service sector is followed by the industry sector which accounted for 24.3% of the GDP. Addis Ababa is the highest employing urban centre in Ethiopia. In 2012, it accounted for 46.6% of total industrial employment and 21.7% of all employment. However, there is high unemployment in Addis Ababa. The rate of unemployment in the city in 2015 was 14.96%. Unemployment among women was found to be much higher (19.1%) compared to the unemployment of men which stood at 10% in the same year. According to CSA (2015), 24% of the residents of Addis Ababa are below the official poverty line (with women more affected by poverty than men). Inequality is also another feature of the social conditions in the city.

2.5. INFRASTRUCTURE AND GROWTH

Addis Ababa city has experienced rapid horizontal growth over the last 135 years (1886 – 2021). The expansion of Addis Ababa can be viewed from the following five major historical time periods.

1. **Early settlement period (1886 – 1935):** This is the timeframe marked by the establishment of the city until the time of the Italian Occupation. During this time Addis Ababa City grew from a simple military garrison to an administrative city having some basic urban facilities and amenities. The average size of the population was estimated to be 80,000 in 1930².

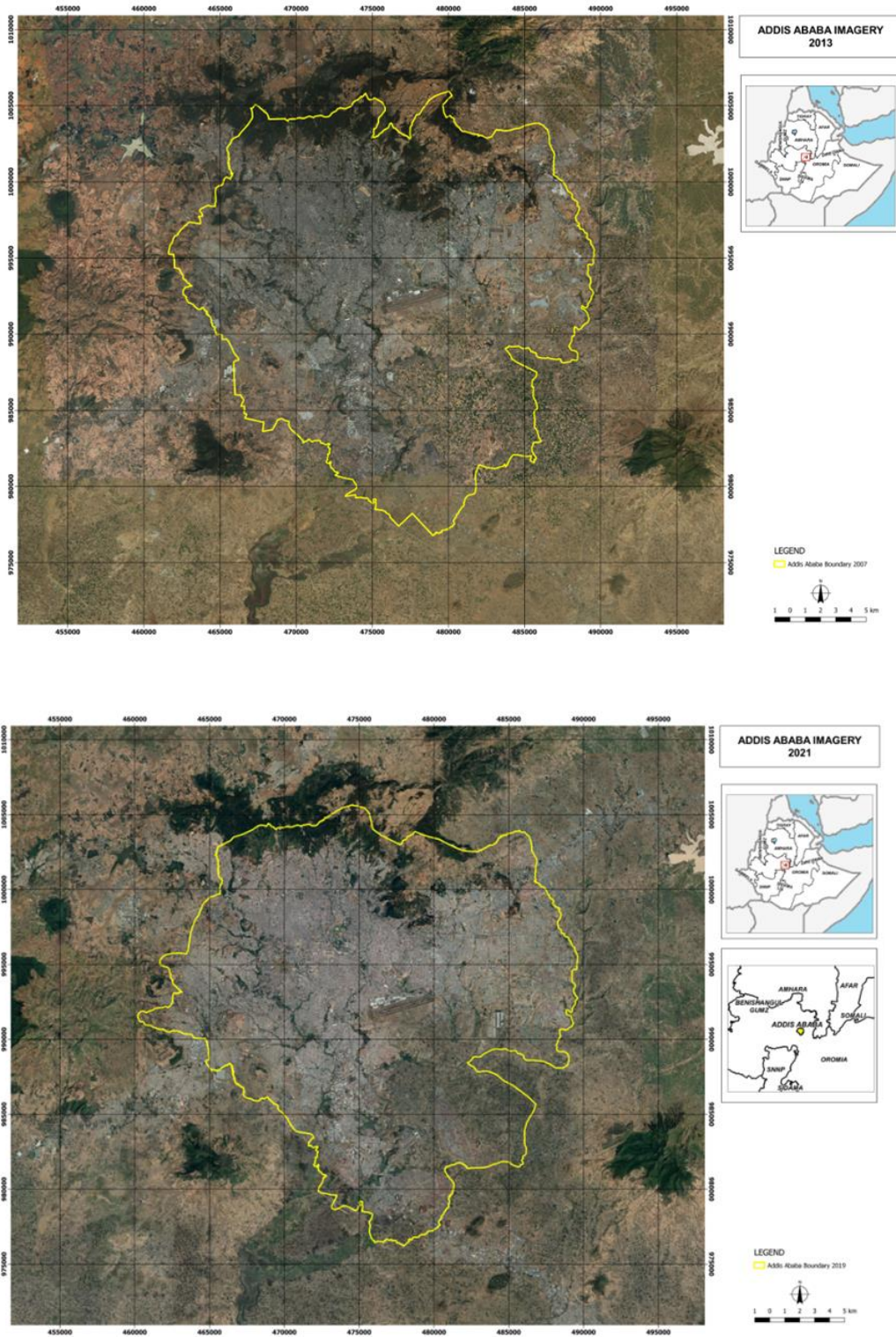
The major infrastructure was water and electricity connections to the residences of the few feudal lords and residences of foreigners living in the city. The Ethio - Djibouti railway was the major outlet of the country in general and the city in particular. There were only a few kilometres of asphalt road laid. The city had an estimated area of 96 km².

²https://en.wikipedia.org/wiki/Timeline_of_Addis_Ababa

2. **The Italian Period (1935-1941):** The period was marked by the five-year Italian occupation. During this time Addis Ababa added additional new settlements including the East Kasainchis area; west Mercato and the Aba Koran area. The population was significantly reduced as a result of conflict with many people leaving the city. The major infrastructure during this time was the construction of the Addis-Asmara highway and further major asphalt roads built in the city.
3. **The Post Italian Period (1941-1974):** The time is marked by the independence from the Italian occupation to the downfall of the Haile Selassie Regime. The time was noted by the construction boom of 1960s and establishment of major landmarks of the city including Bole International Airport and the headquarters of the Organisation of African Unity and the UN Economic Commission for Africa. There was also expansion of additional asphalt roads, the supply of water and electricity utilities. The city population was estimated to be 560,000 in 1965 and grew to 1.16 million by 1975 (UN figures).
4. **The Dergue Era (1974- 1991):** This period is marked by the rule of the Socialist Government. The regime nationalized urban land and extra houses and set maximum capital threshold for private investment which hampered urban development. The time is noted for the stagnation of infrastructure development and the expansion of squatter settlements as well as new cooperative based housing development projects. The average population size was reported as 2.1 million in 1994³ and the city had an estimated average area of 350km².
5. **The Post Dergue Era (after 1991):** This period is marked by economic change and the involvement of the private sector into the economy. According to UN World Urbanization Prospects, over the last decade (2007-2017) the city population increased by 64 % and the city gained over 200 km² additional area (Structural Plan Report 2017). Large infrastructure investments in road construction and the East West and North South Light Rail Transport (LRT) have very much accelerated the expansion of the city. There has been extensive construction of condominium housing in the urban centre and the periphery as well as the development of private real housing mostly on the peri urban areas of the city which has also contributed a lot to the faster expansion of the city.

³<https://web.archive.org/web/20130125024721/http://www.addisababacity.gov.et/index.php/en/city-hall/city-profile>

Figure 3: Map showing the extension of the city: 2013 and 2021 with administrative boundaries 2007, and 2020.



2.6. URBAN AND PERIURBAN

Addis Ababa is expanding very fast horizontally and gradually engulfing the peri urban areas. According to the planning commission, the city’s built-up area has increased by

120.93 km² over the last 25 years. This expansion has contributed to the conversion of crop land, forest and grass land into built-up area that has put the livelihood of the farmers at risk. According to the data from the Urban Agriculture Development Commission (2021), 42 of 128 woredas of Addis Ababa city are regarded as peri-urban areas with over 20,000 farming households living there. These areas are currently being occupied by mega projects like industrial parks development and housing development projects. Figure 4 shows the woreda and spatial extent of all of the peri urban area of Addis Ababa and Table 1 lists the peri-urban woredas of the city and their estimated areas.

Figure 4: Map of Addis Ababa and its peri-urban area showing the sub cities

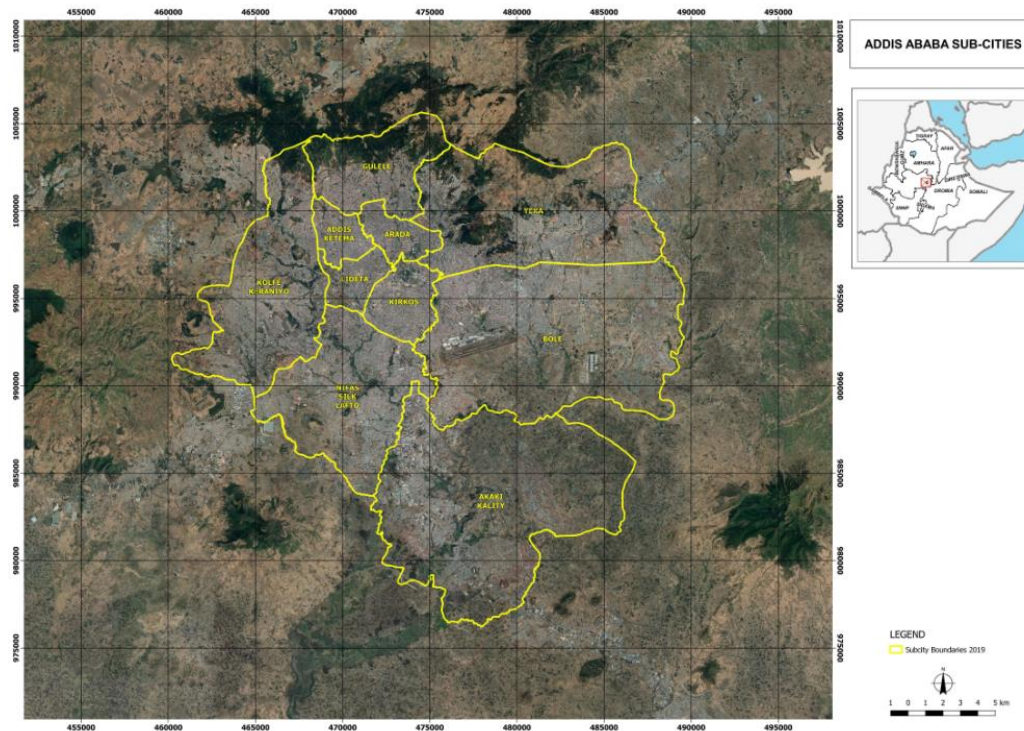


Table 1 shows the total area of the 42 designated peri-urban woredas by sub-city and the total area is estimated to be 21,709 Ha. The area estimate for Lemi Kura which is a very recently established sub city created by adjusting the old woredas of Bole and Yeka requires further investigation and clarity. The following map shows the Addis Ababa city with its peri urban settlements on the expansion areas.

Table 1: Addis Ababa sub-cities and peri urban woredas

| Sub City | Peri Urban Woredas | Estimated Area in Ha |
|------------------|------------------------------------|----------------------|
| Yeka | Woredas 5, 10, 11 and 12 | 4382 |
| Kolfe Keranyo | Woredas 2,3,4,6,7 and 8 | 3710 |
| Bole | Woredas 7,8,9,10,11 and 12 | 6517 |
| Nefas Silk Lafto | Woredas Lebu 1, Jemo 1,2,11 and 12 | 4169 |
| Lemi Kura | Woredas 1,2,3,4,5,6,7,8,9 and 10 | 2931 |
| Total | 42 Woredas | 21709 |

Source: Farmers and Urban Agriculture Development Commission (2021)

SECTION 3. SUPPLY SIDE CONSTRAINTS

3.1. POLICY AND LEGAL FRAMEWORK

Federal policy and legal framework

The Ethiopian Federal Democratic Republic of Ethiopia (EFDRE) Land Related Constitution

In Ethiopia, all land is public property according to the Constitution of the Country. All urban and rural land is the property of the state and the Ethiopian people (*Article 40(3) of the Federal Democratic Republic of Ethiopia (FDRE) Constitution*). Accordingly, the sale, exchange and mortgage of land are prohibited. The FDRE Constitution as well as other Federal and Regional Land Proclamations ensure free access to agricultural land. The amount of land to be provided to peasant farmers, is supposed to be equal. The policy objective is to ensure equality of citizens in using the land. The power to “*enact laws for the utilization and conservation of land and other natural resources, historical sites and objects*” is provided under the constitution to the Federal government (FDRE Constitution art. 51(5)).

Rural Land Holding

The Federal government enacted a “*Rural Land Administration and Use Proclamation*” in 1997 (Proc. 87/1997) which is replaced by proclamation No. 456/2005. This Proclamation delegates regional states with the power to “enact rural land administration and land use law”. Article 40 (4) of the constitution deals with the acquisition of rural land by stating that “Ethiopian peasants have right to obtain land without payment and with protection against eviction from their possession. The law provides the farmers with holding right endowing the farmers with all the rights of an owner except sale and mortgage. The farmer can use the land for agriculture production, have full ownership to the produce collected, have the right to rent to fellow farmers (sharecropping), lease to investors, and inherit and donate (as a gift) to family members.

The Urban Development policy

Ethiopia’s council of ministers approved the Urban Development Policy in 2005 which informs the focus of the urban development and good governance package. The main theme of the National Urban Development policy document is founded on Agriculture Development- Led Industrialization, Industrial Development Strategy, federalism, democratization and civil service reform. The overall vision of the policy is to ensure the growth and development of Ethiopian urban centres is guided by plans and to make the cities and towns competitive centres of integrated and sustainable development that are sufficiently responsive to the needs of their inhabitants. The policy aims at enabling cities and towns to function as generators of wealth not only for their inhabitants but also for the rural populations found in their immediate hinterlands and beyond. To do so, cities and towns in the nation as a whole are expected to serve as centres of commerce, industry and the services that are essential to bring about holistic and sustainable economic development. The recommended policy directions are aimed at enabling cities to play these roles and bringing about fast and equitable development in general. The policy document spells out specific policy recommendations for Micro and Small-Scale Enterprises (MSE), housing development, facilitating land and infrastructure delivery, social services, urban grading, planning and environmental protection, democracy, good governance and capacity

building. Ethiopia's urban development strategy utilizes an integrated approach, which incorporate goals such as the promotion of property ownership, job creation, improvement of the urban environment, and infrastructure development. .

Urban Planning Proclamation

A Proclamation to Provide for Urban Plans (Proclamation No. 574/ 2008) was declared in response to the need to regulate and guide urban centres by sound and visionary urban plans to bring about balanced and integrated national, regional and local development; to create a favourable and an enabling condition for public and private stakeholders to fully participate in the process of urban plan initiation, preparation and implementation on the basis of national standards; to regulate the carrying out of development undertakings in urban centres without detrimental effects to the general wellbeing of the community as well as the protection of natural environment; and to replace existing urban planning laws which takes into account the federal structure of government and the central role of urban a comprehensive legislation which centres in urban plan preparation and implementation. Structural Plans (SPs) are valid for the period of up to 10 years from the date of approval. The SP is guided by a long term Regional Urban Development Plan which is valid for 20 years. The Regional Urban Development Plan is in turn guided by National Urban Development Scheme that gives an overall long-term policy direction, strategies, vision and goals.

The Urban Land Lease Holding Proclamation

To administer the urban land, the lease system was introduced in 1994 and the current *Urban Land Lease Holding Proclamation* No.721/2011 was approved in 2011 by the Federal Government of Ethiopia. The proclamation as envisaged in its preamble, has adopted two basic objectives: To satisfy the growing urban land demand resulted because of the fast economic growth of the country; and to ensure good governance for the development of efficient land market and a transparent and accountable land administration system. The proclamation also states in its general principle Article 4/1 the right to use urban Land by lease shall be permitted in order to realize the common interest and development needs of the people. The objective of the proclamation was to support the creation of effective land and property markets; however, some of its articles have been crafted from the perspective of controlling land speculation and some illicit practices observed during the amendment of the law rather than facilitating the land and property market. For example, Article 24/1 that states

“The lessee may transfer his leasehold right or use it as collateral or capital contribution to the extent of the lease amount already paid”

In this regard, while it is important to make the lease hold reflect its economic value, the articles restrict the collateral value of the land only to the amount of the lease paid rather than the total lease value of the land. This in turn influences the amount of loan available to undertake and complete the construction. This proclamation further inhibits the collateral/capital contribution right on the Permit held land since it is not leased.

The Lease proclamation also envisaged the need to address social equity in its fundamental principles Article 4/4

“The urban land delivery system shall give priority to the interests of the public and urban centres to ensure rapid urban development and equitable benefits of citizens and thereby ensure the sustainability of the country’s development”

In view of this principle, land delivery to government approved self-help housing construction became part of the provision in the proclamation (Article 12/1/c). In a nutshell, the proclamation seems to ensure access to land for housing through allocation to those who cannot afford the lease bid price, however, Article 16/2 states:

...“the lease contract shall include the construction start up time, completion time, payment scheduleand other obligations and failing to commence or complete construction would entail penalty fee of 3% and the returning back of the land unfinished property”.

Here the minimum financial threshold set by the proclamation, to access the land and the obligation put on the construction start up and completion time against the gradual housing construction scheme usually practised by the low-income groups has constrained the practicability of the law.,

According to the Lease Proclamation No 721/2011 Article 6/3 land which is currently held by a permit will be changed into a lease hold when transferred to a third party through any other means other than inheritance. In this regard, the person who buys the property must pay the annual lease price to the government based on the benchmark price of the area. In the case of a transaction, it is obvious that the location, the use and area of the land are basic elements considered in the transaction cost. In other words, the buyer pays both the cost of the property and the land (to the seller) and also the benchmark price of the land (lease payment to the state). In this regard, the buyer is practically subjected to carry out double payments for the purchase of a single land right, from his/her perspective. Though it needs further research, according to informants, this legal provision highly impacts on the purchase of permit held properties.

Urban Land Holding Registration Proclamation No.818/2014

There are several legislative acts relating to urban land holding. The *Urban Land Holding Registration Proclamation No.818/2014* was approved by the House of Peoples Representatives, the higher Legislative body and the *Urban Land Holding Registration Regulation No.324/2014* was approved by Council of Ministers. The *Urban Land Holding Adjudication and Registration Directive No.45/2015* were approved by the Ministry of Urban Development and Construction. The Institutions to implement the proclamation at the Federal level was established by *Federal Urban Real Property Registration and Information Agency Establishment Regulation No.251/2011*.

Registration of Urban land has become a fundamental institutional requisite to generate reliable information for the country’s economic development and to give security for the possession right of citizens and thereby accelerate the economic, social and environmental development of cities.

The aim is to put in place a legal framework which is up-to-date, efficient and compatible with market transaction that facilitates registration of rights, restrictions and responsibilities relating to land and immovable properties. It also aims to enhance the contribution of land and immovable property to the development of free market economic system and to certify land and immovable property right to the possessor who develops on the land and to ensure

tenure security. However, the approved Proclamation, Regulation and Directive at Federal level has not given enough legal space for City Administrations and Regional governments to undertake amendments to make corrections on problems and gaps observed during implementation.

Expropriation and Relocation Proclamation No.1161/2019

Another proclamation adopted by the Federal Government is the *Expropriations of Land Holdings for Public Purposes, Payments of Compensation and Resettlement of Displaced People Proclamation No.1161/2019*. The objective of the proclamation was to address the interest of the expropriated parties in view of the previous *Proclamation 455/2005* that highly favours the interest of the expropriator. Some major changes were in relation to the expropriation of rural or peri urban land. In rural areas, the compensation paid for the loss of agricultural land is a market value of a one year maximum gained product in the preceding three years' time multiplied by fifteen. The law also envisaged a resettlement program to be conducted for those people whose land holding have been expropriated to get permanent income. The law also gave a priority right to farmers whose land is marked for expropriation to develop their own land for rural agricultural investment (Art.7/2). Article 15 of the Law also states the provision of 500m² of residential land for the farmer whose land is expropriated and allocated 150m² residential plot size for each sibling (minimum age 18).

The law also is an attempt to address public complaints on the previous proclamation No. 455/2012, has increased the compensation rate on agricultural products by 50% (a one-year production market value multiplied by 15) and on the land related property the compensation is the cost of replacing the property as new. The proclamation also enforces skill training and financial support to the farmer and his/her families whose agricultural land is expropriated to help secure job opportunities and enable them to adapt to urban life. This is the major step on the part of the government that has responded to basic land good governance issues of the farmers in the peri urban areas.

City Level Legal Framework

All the proclamations, rules and regulations approved at Federal level are fully implemented at Addis Ababa City level. The council of the City Administration is legally indebted to adopt and approve the regulations and directives emanated from the Federal Proclamations and Regulations. The terms of the directives are fully in accordance with the terms of the proclamations and regulations they are driven from. Therefore, the basic strength and gaps observed in the proclamations above are also observed in the directives too. The city of Addis Ababa has approved basic Regulations and Directives related to land administration. The most important ones are:

Farmers Residential and Urban Agricultural Land Certification Directive No.20/2021

The Basic target of the directives is to ensure the Tenure security of the farmers in the peri urban areas of the city. The Directive focuses on basic procedures and preconditions on how to issue a certificate of use right for the residential, agricultural and pastoral plots. Two types of certificates are identified in the Directive: *Residential Plot Use Right Certificate* and *Urban Agriculture Plot Use Right Certificate*. According to this directive, the farmer in the peri urban areas of the city must get both certificates from the Land Development and Management of the City.

The other basic provision of the directive on its article 11/11.1.1.4 gives full right to a farmer to take up investment activity on his land based on the land use plan of the city in partnership with other farmers or investors to get a maximum benefit out of his land. The directive has put minimum plot standard for different land uses (health and educational services and special projects like five star hotel, shopping mall and specialised hospitals) which are made open for the farmer based investment. In order for the farmer and his/her partners get engaged in the investment activity a minimum capital requirement has been fixed. Upon the agreement of the City Cabinet that the investment can be conducted, the *Urban Agriculture Use Right Certificate* of the farmer will be changed into *Business Certificate on Lease* basis.

Expropriation of Land Holdings for Public purpose and Payment of Compensation Directive No.19/2015

The Addis Ababa city Administration following the *Federal Expropriation Proclamation No 455/2005* and its implementing *Regulation No.135/2007* has enacted Directives to guide the implementation of expropriation and four years before the approval of Proclamation No.1161/2019, it has approved Directive No.19/2015 with most of its provisions assumed to address the pleas and complaints of the residents. However, upon the approval of Expropriation Proclamation No.1161/2019, the city administration has made some amendments on the rate of compensation as follows:

- Unit rate of perennial crops increased from Birr 51.77 per m² to Birr 81.26 per m²
- Minimum compensation cost for a studio type housing unit increased from Birr 255,000 to Birr 647,805.13

However, the size and standard of relocation plot for the lease and permit hold remained unchanged. The directive states that the size and standard of the relocated plot for a lease held property is similar with the previous one whereas in the case of the permit held property it is different and very much reduced in size. A permit held with an area of 1000 m² and above will get a maximum of 500 m² for relocation. The relocation plot size for the permit held property will accordingly decrease between 500m² and 90 m². This, according to informants, is a major source of complaint on the part of the residents.

In the case of Addis Ababa, the power of expropriation, valuation and payment of compensation falls under the Land Development and Urban Renewal Agency which is established under the Land Development and Management Bureau of Addis Ababa city. Owing to the low level of valuation skill mostly based on interpretative decisions, the result is not always free from complaints. In this regard, though the right to appeal to the court is free, the right to get an alternative valuator which can stand on neutral ground is not supported. This is often raised as another source of public complaint.

3.2. LAND ADMINISTRATION OVERVIEW

Land Administration is a comprehensive system of policies, procedures and institutional frame works that deals with tenure ownership, land use and valuation. Land administration is also related to the establishment of land information systems and cadastral systems that enable efficient service delivery and shows the level of tenure security. Land related policies and regulations and the respective constraints were discussed in section 3.1; other pertinent land administration issues at the Federal and city level will be presented as follows.

Federal Level Administration

It is evidently clear that the Ethiopian constitution asserts State ownership of land (Constitution Article 40). Even if the administration of land is decentralized to the Regional and City administration, major land related policy issues are articulated by the Federal Government. In connection with the constitutional articles the responsibility to design regulatory frameworks, provide technical support and coordinate regional and city efforts have been endowed to the Ministry of Urban Development and Construction. To fulfil its duties and responsibilities, the Ministry has established three major organizations namely, the Institute of Urban Planning, Bureau of Land Development and Management and the Real Property Registration and Information Agency at the Federal level.

- Urban Planning Institute was reorganized to direct and coordinate the efforts of urban areas including Addis Ababa city in their attempt to prepare and implement responsive land use planning to achieve sustainable urban development. The institute was reported to play a paramount role during the Master Plan Revision of the City of Addis Ababa in guiding and supporting the team.
- **The Bureau of Urban Land Development and Management** was established in 2005 to coordinate and support the urban land development and management efforts of Addis Ababa City. The Bureau has played an important role in designing training and working manuals and conduct capacity building activities to improve the land administration system of the city.
- **The Real Property and Information Agency** was established by the Ministry to coordinate the Land and Property Registration as well as the establishment and management of the cadastral system of the City Administration. The Agency has made a lot of effort to enhance the capacity of the professionals and setup a working platform in urban areas to undertake the registration of land and property.

The Federal Government in its intention of modernizing the Urban Land Administration System has selected Addis Ababa City as a pilot centre from where tested practices will be expanded to other urban areas. Though efforts have been made to achieve the objective of the government, the pace was slower and the reform didn't produce the expected result in the intended time period. According to interviews conducted with the officials in the Ministry of Urban Development and Construction and the City Administration, the major contributing factors are; a) the Land Administration system of the city was suffering from multidimensional complicated problems accumulated over long period of time that requires careful, case by case intervention. b) Low level of project management skill and experience at the Ministry and the City. C) The institutional integration and relation between the Ministry and the City Administration is very loose.

Another major institutional set up having crucial role in the land related property transaction is the Federal Acts and Civil Status Documents Service Office, which is responsible for the approval of transaction agreements and playing the role of the notary. According to the interview with the officials at Land Development and Management Bureau of the City, the level of integration and relation between the two organizations is very loose that has impacted the transparency in the land market which is to be discussed in another section of this document.

City Level Administration

Addis Ababa city has a regional government status and has been vested with the power of administering the land resources within its administrative boundary. The Addis Ababa City Administration via the terms of the Addis Ababa City Executives and Municipal Organs Establishment Proclamation has been assigned with the following duties and responsibilities

- Develop land use plans, standards and implement them upon approval
- Administer city land in accordance with policies and laws;
- Issue certificates of land possession;
- Prepare land and property valuation indexes; direct studies on land for improved investment development;
- Provide custody and protect data concerning types of land use and possess;
- Study and submit land rent and house tax;
- Ensure that the development of the city is in accordance with approved plans;
- Expropriate land and properties and pay due compensation in accordance with the law;
- Facilitate land development activities in collaboration with interested developers through contractual arrangement, follow up and supervise the implementation;
- Carry out studies and develop preferred land;
- Prepare details for lands for development;
- Cause the studies of local development plan taking into account the socio-economic situation of preferred lands, supervise some of their activities;
- Issue certificate of competence for land developers; supervise same; and
- Ensure due compensation is paid in accordance with the appropriate law

Based on the Land Administration Reform program, institutions concerned with Land Administration have been organized at City, Sub city and woreda level. The City Administration very recently has reorganized its administrative structure and increased its number of Sub-Cities from 10 to 11 and its number of Woredas from 116 to 124 to create a better administrative structure and improve the level of accessibility and efficiency of service delivery to the general public. There are several separate bodies dealing with land matters at City level and these are listed in the table below (Table 2) and then described in the ensuing text.

Table 2: Land Related departments within the Addis Ababa city administration

| Ref | Name of Department /Organization | Main function (brief description) | Year of Establishment |
|-----|---|---|---|
| 1 | <i>The Land Development and Management Bureau</i> | Administer the Land Resource of the city. Coordinates and guides the land development and Management issues at the City Level | It was established in 2012 and Reports to the City Mayor |
| 2 | <i>The Land Development and Renewal Agency</i> | Coordinates and undertakes land development and slum renewal activities. The coordinating organ is located at the City level and operational activities are | Established in 2012 and Reports to Land development and Management Bureau |

| | | | |
|---|---|---|---|
| | | conducted with its branches at the Sub City level. | |
| 3 | <i>The Land Banking and Transfer Office</i> | Study the land price index: value the land, set land prices and coordinate the recording of the land resources of the city including the developed and undeveloped land. It also facilitates the transfer of land for different purposes. The coordinating organ is located at the City level and operational activities are conducted with its branches at the Sub City level. | Established in 2012 and Reports to Land development and Management Bureau |
| 4 | <i>Office of Tenure Administration</i> | Undertakes property valuation, facilitates and registers property transactions, registers and controls collateral properties and other tenure related activities. The coordinating organ is located at the City level and operational activities are conducted with its branches at the Sub City level. | Established in 2012 and Reports to Land development and Management Bureau |
| 5 | <i>Immovable Property Registration and Information Agency</i> | It is the Land and Property Registration Organ. It has its head Office at City level and its branches operating at Sub city level | Established in 2015 and Reporting to the Mayor |
| 6 | <i>Planning and Development Commission</i> | It is responsible to coordinate the preparation and revision of structural plans, neighbourhood plans and also undertake follow up and evaluate the implementation of the plan and economic development issues of the city | Established in 2017 and Report to the Mayor |
| 7 | <i>Integrated Land Information Project office</i> | It is a project Office established to facilitate the technology plat form for land and Property Registration. | It was established in 2010 and reports to the Mayors Committee |

a) **City Land Development and Management Bureau**

At City level, the Land Development and Management Bureau accounted for the Mayor's Office is leading the following functional organizations

1. **The Land Development and Renewal Agency** – an organization responsible to coordinate and lead the land acquisition, development and renewal activities
2. **The Land Banking and Transfer Office** – an Institution responsible to fix the land price index: value the land, set land prices and coordinate the recording the land

resources of the city including the developed and undeveloped land. It also facilitates the transfer of land for development through allocation and bid modalities

3. **Office of Tenure Administration** – An office responsible to coordinate the tenure administration activities of the city.

b) City Immovable Property Registration and Information Agency

The City Administration has also established *Immovable Property Registration and Information Agency* under Proclamation No.45/2015. The agency is responsible to register land and property rights with an objective of ensuring tenure security and improving the land and property market of the city. The establishment of this organization marks the separation of the land right creation from the land right registration in order to ensure the check and balance between the two.

Both the Land Administration and Registration offices with their respective similar functional structures perform basic functional duties and responsibilities at the Sub City level. The newly revised administrative structure of the city has given a wider mandate of land administration for both the sub cities and woredas in an effort to decentralize the service delivery and improve public access to the functional departments.

At the Woreda level, the lowest administrative unit of the city has been bestowed with some urban land administration duties of controlling informal settlement and land grabbing through its law enforcement department. It also issues construction permits for minor level construction.

The fieldwork has shown some level of improvement in the service delivery but most of them agreed on the low level of skilled personnel, the presence of under staffed departments that needs serious commitment and interventions to curb out the problem. The City Administration has also established the Planning and Economic Development Commission with a major duty of preparing the urban plan and guiding and effectuating the overall development of the city and ensures the participation and common development for the people thereof. The commission also is delegated to ensure the preparation of the plan with a view of contextualizing and making them responsive to the current international, national and city level social, political and economic changes by applying the best methods, precepts and principles of modern urban planning.

c) Tenure Administration of the City

According to a report from Land Development and Management Bureau of the City, there are over 409,618 Tenure Owners in the City of which over 139,954 are leasehold and 269,618 are held by permit (see Table 3). Note that until the fall of the Dergue Regime in 1991, the urban areas were exclusively a permit holding Tenure system.

It was only in 1993, that the first Lease Proclamation No. 80/1993 was enacted and it was later amended by Proclamation No.272/2002 and itself also been replaced by the current Proclamation No.721/2011. For urban areas including the City of Addis Ababa those permits acquired before the Lease Proclamation was enacted, remain and are administered as permit held land. This brought the existence of a dual urban land tenure system into the city. The Urban Tenure administration of the City at the sub city level is endowed with duties and responsibilities of facilitating the land and property marketing activities in the city. The system has been very inefficient according to the interview with customers. Tenure

administration currently is reported to be undergoing a reform program that facilitates better conditions for property registration.

Table 3: Holdings by Land Use and Tenure in Addis Ababa

| Tenure Type | Land use Type | Number of Holdings* | Totals by Tenure Type |
|-----------------------|-----------------------|---------------------|-----------------------|
| Permit Holding | Residence | 229,225 | 269,664 |
| | Business and Commerce | 40,449 | |
| Lease Holding | Residence | 104,966 | 139,954 |
| | Business and commerce | 34,988 | |
| | Total | 409,618 | 409,618 |

Source: Land Development and Management Department and *Professional Estimate

Pushing factors for the Reform:

The absence of a well-functioning urban land and property registration system in the country in general and Addis Ababa in particular for a long time has negatively impacted the tenure security of the citizens and highly affected the property market of the city. According to discussions held with officials in the land sector and residents, a tenure right used to be cancelled and suspended without court order only by the administrative decision of the Land Administration Office. The Office had unchallenged complete right to cancel or suspend the land use right of an individual on a subjective judgement and the decision of an official on the legitimacy of the property. The burden of proof that the property is legally owned through legally accepted procedures falls upon the shoulder of the owner. Again, it was the subjective decision of a professional to accept or reject the proof submitted by the owner. The chance of losing a property therefore depends on the willingness and decision of an official rather than on the legally dictated and procedurally transparent rule of law.

The property documentation is not secure. The possibility of losing or missing a property file in the sub cities is a common phenomenon. The procedure to re-establish a lost property file involves a long process and here also the burden falls on the owner of the property. People did not feel secure and confident about the well-being of their property file nor the legality of their property even if they knew that they owned it through a legally sound procedure. According to the information from the leadership in the Land Development and Management Bureau, in 2006, over 1896 properties were identified and suspended in Bole Sub City on allegation of forgery for lack of good evidence to prove their legal basis. Several Property transaction cases which victimised the buyer were suspended after agreement between both parties had concluded and also Notary registration had taken place. According to the information from the Tenure office, over a ten - year period (2000–2010), over 640 concluded transactions turned out to be suspended. Owing to this factor, property owners who want to sell or use property as collateral are forced to get their title deeds authenticated. Authentication is the process by which Office of Tenure Administration upon checking ownership documents testify with a seal stamped on the back of the title deed as proof for the legitimacy of a property. The act of forging title deeds and land related documents has been a major challenge for the city Administration. To curb this illegal practice, authentication as one of the services was initiated by the Author of this Report in 2001, while he was the General Manager of Bole Sub City. In order to be sure that the title deed is genuine it is checked and authenticated by the Tenure Administration Office before further

transaction or collateral issues are processed. This has brought a lot of confidence on the part of the buyers and sellers and other parties that deals with land related property. As it can be shown from the following table 4, the number of customers who seek authentication service is increasing over time. On average over the last five years, over 16,625 title deeds were authenticated by the office of Tenure Administrations at the Sub City Level. With a service charge of Birr 300, the City has collected Birr 24.9 million (2016 -2020) for the authentication of title deeds.

Table 4: Authenticated Title Deeds by the Tenure Administration office (2015-2019)

| | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|---------------------------|--------|--------|--------|--------|--------|--------|
| Authenticated Title Deeds | 12,832 | 13,683 | 18,441 | 20,372 | 17,801 | 83,129 |

Source: Tenure Administration Office: (2021)

Pre-Conditions for Registration: In an attempt to undertake Land and Property Registration to ensure tenure security and bring about a well-functioning land and Property market, the Ethiopian government in general and the Addis Ababa city Administration has decided to undertake multi-dimensional preconditions to be implemented before the actual Registration to take place. To this effect a Road Map Document that indicates the way on how to implement registration was prepared and strategies and actions with scheduled plans identified. Institutions to perform the preconditions have been organized and the necessary budget allocated. An Integrated Land and Land related Information Project office was established which is responsible to facilitate and emplace the technological and logistics necessary to undertake the registry actions, and a Provisional Tenure Administration project office was established to clear out the gaps and backlogs related with tenure administration. Accordingly, the following activities are being performed as part of these activities.

- 1) **Establishing a Modern Cadastral System:** A land Information system/cadastral system is the basic land administration tool that comprises land and land related property attributes describing the ownership, location, Tenure type, land use, legal status and other basic information very useful for decision makers, planners, financial institutions and facilitation of property market. To this effect, Addis Ababa city Municipality, according to the discussion with senior employees in the land sector, had established a Cadastral Department responsible to organize and administer cadastral information system during the Imperial Era. With the advent of the Dergue Regime in 1974, with the change in the land ownership and the nationalization of extra houses, the Cadastral Department was dissolved and the information disorganized. In 1995, five years after the fall of the Dergue Regime, the city administration initiated a new Land Information System Project. Reportedly, the project office managed to collect massive land, property and socio economic related data (having about 180 attributes). The project office was overtaken with the laborious activity of encoding and administering information at least produced land rent and building tax bills. Upon termination of the project, the Land Information Office was organized and a Geographic Information System (GIS) was established that became a basis for a modern cadastral system. However, the system had problems to timely update land information and land related tenure changes.

The **Integrated Land Information Project office** was then established to address these problems and has the objective of establishing a modern legal cadastral Information System. To this effect, an international consultant was employed to establish the cadastral information standards and the technological platform for the system. Based on aerial photography a vector base map was produced for the whole city to create the spatial basis for the cadastre.

- 2) **Certification of non - certified legal properties.** In Addis Ababa City there are legally occupied properties without having certificate that shows their legal status and eligibility. These not certified properties are located both in the urban and peri urban areas and their rights to undertake formal transactions, collateral and getting municipal services are very much restricted. The City Administration has initiated a program to issue certificates or title deeds to these properties so that they can be economically and socially valuable assets. According to the data from the Tenure Administration Office of the City in both the urban and peri urban areas there are over 82,000 properties with no title deed that have now been issued with certificate/ title deed. The detail is described as follows:-
- a) **Urban Based Certification.** According to the data from the Tenure Administration Office of the City of Addis Ababa, 79,118 uncertified permit held properties got title deed/certificate of use right. Title deed is also prepared and issued to religious and government institutions, kebele rental parcels and houses though the data is not made available.
 - b) **Peri Urban land and property Certification.** Addis Ababa City had 25 rural kebeles administered under rural land law until 2011. However, after 2011, following the administrative restructuring of the city, the 25 rural kebele administrations became part of the urban land administration system. The kebeles became part of the urban expansion zones and the land administration was shifted from the rural land administration into urban land lease administration. To farmers in the peri urban areas green books for their farmland or certificate for their homestead has not been issued for long. A certificate or a title deed for a residential plot was only issued to a farmer in case where he/she is relocated to a new site after expropriation of a residential plot.

According to the data from the Urban Agriculture and Farmers' Development Commission, there are over 20,000 farming households in the expansion areas of the city. Very recently, the city administration has taken the initiative to issue certificate/title deed/ for the Residential/homestead plots of the farmers. The data obtained from the City's Land Development and Management Bureau in 2020; in five Sub Cities where the peri urban areas are located only 2682 residential title deeds were prepared by the Tenure Administration Office (Table 5). Currently the process is pending as it requires a lot of checking and filtering between squatters and farmers which are found in complete mix in the peri urban areas. As it is shown in the table only 49% of the total applicants managed to get the certificate and the remaining 51% of the applicants did not qualify to get a title deed which according to the professionals in the Tenure Administration Office, are believed to be informal settlers.

Table 5: Certification of peri urban residential plots (2020)

| Sub City | No. of Applicants | No. of Certificates prepared for qualified farmers | No. of Distributed Title Deeds |
|------------------------|-------------------|--|--------------------------------|
| Kolfe Keranio | 94 | 63 | 63 |
| Akaki Kaliti | 408 | 372 | 366 |
| Nefas Silk Lfto | 944 | 474 | 474 |
| Bole | 1423 | 765 | 749 |
| Yeka | 2435 | 972 | 657 |
| Total | 5304 | 2646 | 2309 |

Source: Addis Ababa Land Development and Management Bureau Report (2020)

3) Regularization of Informal Settlements:

One of the preconditions to undertake registration across the entire city is to complete regularisation and solve the issue of informal settlements in the city. According to the Lease Proclamation No. 721/2011 informal settlements are to be regularised through lease arrangement based on the conformity of land use planning. The City Administration of Addis Ababa has adopted a Regularization Directive No 18/2014. In this directive a time limit is bounded for regularization, to those informal settlements established between 1996–2006. The directive allows the relocation of those informal settlements that took place within the stated time frame even if they are not in conformity to the land use plan. According to the law, those informal settlements that were established after the time limit had expired are destined for demolition though it has not yet happened.

Table 6: Regularised informal plots (2016-2019)

| Type | Year | | | | Total | % |
|--------------------|--------|--------|-------|--------|--------|------|
| | 2016 | 2017 | 2018 | 2019 | | |
| Relocated | 12,348 | 4,153 | 1,280 | 18,719 | 36,500 | 36.7 |
| Regularized | 14,097 | 45,460 | 1,754 | 1,547 | 62,858 | 63.3 |
| Total | 26,445 | 49,613 | 3,034 | 20,266 | 99,358 | 100 |

Source: Computed from the Data (2021)

As shown in Table 6, over the four years 2016 – 2019 a total of 99,358 informally held properties were regularized in the city. Out of the total regularized properties 36.7% were given relocation plots as the original plots were not in accordance with the land use plan of the city.

4) **Property File Auditing and Approval:** According to the data from the Tenure Administration Office, over 450,000 property documents are available in the city of which 409,618 property files are audited and approved to be legally acknowledged property files. According to the data obtained from the Tenure Office, out of the total files,

139,954(34.2%) are lease held files and the remaining 269,664(65.8%) are permit held files.

- 5) Transfer of Basic Land Registry Documents to Office of Registry.** The handover of basic tenure documents as a basis for adjudication and registration took place between Tenure Administration Office and the Real Property Registration Agency. The types of documents to be handed over according to the Proclamation No.818/2014 are authenticated copies of title deed and other relevant documents that show the rights and restrictions on the property. These documents are supposed to be the source/basic documents used for adjudication and registration. According to the report from the Tenure Administration Office, a total of 144,191 property files were handed over to the Registry Agency of which 32,502(23%) of the property files were transferred on copies while 111,689(77%) were transferred in original format. The handover of the original document technically mean Land Development and Management has stopped the administration and control of those properties. In other words, changes on rental and taxation, changes of right through parcel subdivision or parcel mix cannot be traced back and controlled the complete transfer of the original document to the Registry, according to the discussion held with the officials in the Land Administration, would also have consequential effect on the desired check and balance system that should exist between the right creating and Right Registering organizations. In cases where, tenure documents are not completely free from individual messes, the complete handover of tenure files mean losing the check and balance which might lead to the registration of uncreated/ unestablished right.
- 6) Land and Property Registration.** The Land and Property Register is operated by Agency of Real Property Registration which is a major system that assumed to enhance the tenure security of property owners and improve the property and land market situation of the city. To this effect, the Real Property Registration Agency has conducted adjudication of properties. Adjudication is the process of proofing the legal and physical eligibility of the property based on the basic documents and field measurements and surveying supported by the witness given by the community members. A property proved qualified the adjudication process is by default is designated for registration. The property that has qualified for Registration would get the privilege stated on Article 40 of the Proclamation No 818/ 2014 as follows:

“The Registering Institution shall be liable for damage caused to third parties who acted on good faith relying on the proof of registration of right, restriction or responsibility on a registered land holding.

To this effect the Proclamation on Article 41/1/2 empowered the Regions to establish a Security Fund to discharge its duty of liability by levying a charge not more than one percent of the transaction value of properties.

According to the data obtained from the Agency, over the last five years (2016 -2020), 173,621 parcels are adjudicated and registered. The details are shown in the following table (Table 7).

Table 7: Adjudicated Properties in Addis Ababa (2016-2020)

| | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|-------------------------------|--------|--------|--------|--------|--------|---------|
| Adjudicated Properties | 38,699 | 33,605 | 13,748 | 32,596 | 55,000 | 173,621 |

Source: Real Property Registration Agency (2021)

As it can be observed from the above table, over the last five years 173,621 properties have been adjudicated through the two adjudication systems. The first one is systematic adjudication through which adjudication is funded by the City Administration on designated areas. The second one is sporadic adjudication which is initiated by the application of property owners who are located in areas out of the schedule of systematic adjudication. According to the interview with the Head of the Agency only Property of government Institutions are adjudicated through the second system. In the second case, the charge is covered by the applicant and the amount is decided based on the following factors (Regulation No.324/2014 Article 7/4).

- a) Activities related to document collection and investigation
- b) Field survey and Surveying measurements
- c) Expenses related to public notice to adjudicate land holding as requested
- d) Size of the land holding and its estimated market value
- e) Extent of possible damage that may be caused to third parties, in case of error

According to the data obtained from the Agency, out of the total 173,621 Adjudicated properties, 15,974 properties (6354 government and 9620 private owned) were registered. In this regard, only less than 10% of the adjudicated properties got Registration Certificate of the Agency which is symbolically a full acknowledgment of the agency for tenure security. In other words, tenure security of over 90% of the unregistered adjudicated properties and 235,995 unadjudicated properties remain unclear. In general the Agency has been underperforming. The low level of registration is attributed to the costs of sporadic adjudication, delayed establishment of Insurance Fund (which is the core essence of registration) and the low level of community and private sector participation in the project.

Potential Future Changes

The long standing problems of linkages between the urban and rural land administration sectors owing to the different tenure and institutional arrangements are well known. Outside of Addis, in Oromia region, a new initiative has been instigated to bring together the rural and urban land administration into one organisation. However, as far as we are aware, the rural and the urban land administration continues to operate separately and no new functionality or new processes have been established yet to support rural – urban land conversion. It would be highly beneficial for these departments to run pilots to get a better understanding of what needs to be done to get a tighter integration. If this initiative could provide a model for rural-urban tenure security and a unified land administration, this would significantly reduce informality in the peri urban areas.

3.3. LAND USE AND LAND MANAGEMENT

Urban Land Use and Management

Land use planning goes with the function of land resource management and the Land Use Plan is the tool that enables economic and efficient use of land for sustainable urban development. Urban land use planning involves the development vision and the proper understanding of current and future land use needs. The objective of land use planning is to achieve effective and efficient land use through optimization or economic use of the existing infrastructure of the city, consistent with environmental and social constraints. The relation and linkage between land use planning and land management is very strong. Land

management without proper land use planning is inefficient and land use planning without strong land management is impractical. To this effect, the last urban plan of the city has been assessed in view of its responsiveness to the public interest and its level of implementation.

The Addis Ababa City Development Plan(2002-2012) is comprised of a statutory structural plan and strategic development framework. In the development plan of the city the major reasons to combine the statutory plan with the performance based strategic frame work are; a) to give the plan an adequate legal basis, and b), to ensure flexibility and participation in its design and use.

The implementation mechanisms and financial sources for implementation have also been identified. However, the assessment conducted on the implementation of the development plan of the city has shown several points of diversion. The plan had stressed the importance of developing standard infrastructure facilities and services that fits the city's international role. Even though the development of road infrastructure was more than expected, the implementation of other infrastructure and services both in quality and volume is far less than planned. Channelling investment into the city's main centre and sub centres was also another key element of the development plan. However, this also has not been implemented.

Another problem assessed by the Report(2017) is that in order to promote the Micro and Small Scale economic activities, the plan assigned about 48% of the built up area of the city for mixed use development. Though, the strategy helped to create several job opportunities, it has also negatively affected the areas by congesting and polluting the residential areas in the mixed zone.

Table 8: The Land Use Plan of Addis Ababa by land use type (2002-2012) and (2017-2027)

| No | Land Use Category | Land Use Area (Ha) (2002-2012) | Proposed Area (Ha) (2017-2027) | % area |
|----|---------------------------|--------------------------------|--------------------------------|--------|
| 1 | Administration | 834.7 | 556 | 1.07 |
| 2 | Commerce and Business | 760.10 | 765.9 | 1.47 |
| 3 | Environment | | 15,855.8 | 30.7 |
| 4 | Historical sites | | 18.9 | 0.04 |
| 5 | Manufacturing and Storage | 3099.50 | 3056.4 | 5.87 |
| 6 | Mixed Residence | 22,032.24 | 21,907.2 | 42.11 |
| 7 | Municipal Service | 589.70 | 615.6 | 1.18 |
| 8 | Religious Sites | | 370.0 | 0.71 |
| 9 | Social Service | 1483.60 | 1455.5- | 2.80 |
| 10 | Special Projects | | 751.0 | 1.44 |
| 11 | Special use | | 331.4 | 0.64 |
| 12 | Sport Field | | 19.2 | 0.04 |
| 13 | Street Network | | 3630.8 | 6.98 |
| 14 | Transport | 1152.6 | 1152.8 | 2.22 |
| 15 | Urban Agriculture | | 924.0 | 1.78 |

| | | | | |
|----|----------------------------|------------------|-----------------|------------|
| 16 | Utility and Infrastructure | | 619.3 | 1.19 |
| | Total | 29,952.44 | 52,029.8 | 100 |

The designation of limited land use to commerce and business has forced several people along the corridors and centres to change their residential land uses into commercial use. This requires additional facilities like parking and infrastructures. In the absence of these services in the area, the overuse of the existing service is widely observed which negatively affects the economic and efficient use of them.

Another provision of the development plan which is improving the green frame of the city was also not realized as expected. A key and basic constraint of the land use planning of the city was its exclusion of the peri urban areas. It did not integrate its plan with the surrounding administrative zone of Oromia. The plan neither incorporated the need of the farmers in its peri urban area nor proposed the strategy to manage the development of the peri-urban edge that surrounds and supports the city.

3.4. VALUATION AND TAXATION

The issue of Land valuation and property taxation is an important aspect of land management. Urban Land Lease Holding Proclamation 721/2011 Article 14/1 states that each plot and parcel of the urban land must have a lease benchmark price. The benchmark price according to this proclamation Article 2/11 is “...*the threshold land price determined by taking into account the cost of infrastructure development, demolition cost as well as compensation to be paid for farming areas and displaced persons and other relevant factors.*” Accordingly, the city administration has approved a benchmark price in 2000. The basic assumption of the benchmark price was location factor. The city was divided into three broad location Zones: - The Central Business District (CBD): the Transitional Zone (TRZ) and Expansion Zone (ExpZ). Each zone is designated with a land grade. CBD assumed Land Grade One, TRZ assumed Land Grade Two and the ExpZ is designated with Land Grade Three. Again, each land grade is subdivided into five sub land grade categories with the exception of the expansion zone which is subdivided into four land grades. The land grades and sub land grades are valued depending on three factors with the major weight given to location rather than the cost factor contrary to the terms of the Lease Proclamation 721/2011. The current bench mark price is computed based on the following weighted valuation factors;

- a) Distance from the centre - 40%
- b) Access to infrastructure and utilities – 30%
- c) Land use - 30%

In order to capture the timely change in cost of land development, the Lease Proclamation 721/2011 stated in its provision Article 14/3, the lease benchmark price shall be updated at least every two years to reflect current land price. The benchmark price has served for 12 years without any change despite a remarkable change in the infrastructure and compensation costs during that time. The major drawback in the benchmark price is its assumption of decreasing land value with the increasing distance from the city centre. In view of the newly developed sites with highly infrastructure located in the periphery of the city, the assumption does not reflect the real value of the land. The benchmark price also fails to catch and update the timely developments conducted in various areas of the city. It

was only in 2012 that the City Administration made some small price adjustment on its benchmark price without the change in its basic assumption which is still way below the current land development cost. Table 9 below lists the benchmark price and the adjusted benchmark price for the different zones and land grade.

Table 9: The Benchmark price of Addis Ababa City

| Zone | Land Grade | Lease Benchmark Price In Birr /m ² | The Adjusted Benchmark price in Birr/ m ² |
|--------------------------|------------|--|---|
| CBD | 1/1 | 1686 | 1896.75 |
| | 1/2 | 1535 | 1726.87 |
| | 1/3 | 1323 | 1488.37 |
| | 1/4 | 1085 | 1220.63 |
| | 1/5 | 894 | 1005.75 |
| Transitional Zone | 2/1 | 1035 | 1164.35 |
| | 2/2 | 935 | 1051.87 |
| | 2/3 | 809 | 910.13 |
| | 2/4 | 685 | 770.63 |
| | 2/5 | 555 | 624.37 |
| Expansion Zone | 3/1 | 355 | 399.37 |
| | 3/2 | 299 | 336.37 |
| | 3/3 | 217 | 244.13 |
| | 3/4 | 191 | 214.87 |

Source: Addis Ababa Land Development and Management Bureau (2021)

As can be observed from the table, in the expansion zone in land grade 1 where infrastructure and services are available with almost similar level with Transitional zone land grade 1 and Central Business District land grade 1, the adjusted benchmark price per meter square is Birr 399.37 which is very much lower than the other land grades. According to the discussion with the professionals in the Land Development and Renewal Department of the City, the development cost for one square metre of land in the renewal project area is estimated to be Birr 21 million per hectare which is Birr 2100 per m².

The Central Business District areas are where land development is purely related with urban renewal, and there is a much higher cost of demolition, compensation and infrastructure redevelopment. In the expansion areas where the cost of demolition is less, the development cost of a meter square of land has been estimated for not less than Birr 1,600. Thus, to fix the benchmark price very much lower than the land development cost would purely violate the cost recovery intention of the government and also would affect the revenue potential of the city.

To clearly understand as to how far the lease benchmark price is affecting the financial status of the city it is much better to view in the following table the annualized lease price against the lease period and the land development cost in the expansion area where most of the land supply of the city is conducted.

As indicated in Table 10, the expansion area of land grade 3/1 where the land is relatively fully serviced, there is a significant difference between the benchmark at which the city is allocating a plot of land, and the estimated development cost of the land. In other words, the

City Administration by transferring a plot of land with a price less than its production cost is unnecessarily subsidizing individuals, which is against the cost recovery principle of the government.

Table 10: Land Development Cost vs Location Based Land Grade

| Items | Annualized Lease Benchmark Price and Land Development cost / m ² in Birr | | | | |
|-----------------------------------|---|-------|----------|--------|-----------|
| | Commerce | Mixed | Industry | Social | Residence |
| Lease Period | 70 | 70 | 80 | 90 | 99 |
| Development Cost | 22.85 | 22.85 | 20 | 17.77 | 16.16 |
| Benchmark price In Land Grade 3/1 | 5.70 | 5.70 | 4.99 | 4.43 | 4.03 |

Source: Computed from Land Development and Management data (2021)

Land Rent for Permit Held Properties

Both the rural and urban land in Ethiopia is owned by the state and the public. Thus, it is only the use right on the land that one acquires from the public authorities. Individuals obtain the use right through land rent or lease. According to the Urban Land Rent and Urban Houses Tax Proclamation No.80/1976, a legal possessor of urban land is required to pay annual permit land rent that is to be assessed on the basis of the size of the plot, location of the plot and the land use. In this regard, the different land grades of the city have been assigned with different but much lower rental rates than the lease rent.

Property and transaction tax

With regard to land and land related properties, two types of taxes are levied by government. These are:-

- a) **Property tax** which is levied on market value of a property as an annual payment to the government (on both properties held under the lease and permit system)
- b) **Transfer tax** is levied on the transaction price of a property. They are important sources of revenue for the municipalities.

With regard to the property tax payable on urban houses, the proclamation stipulates that the percentage of the annual rental value of a house will be used as a basis for determination. The schedule attached to the Income Tax proclamation No.286/2002 indicates for the annual rental value of Birr 600, a 1% tax rate applies and the rate is defined progressively with increase in annual rental value with a maximum 4.5% for the annual rental value exceeding Birr 6000. However, according to the discussion with experts in the Revenue Authority of the city, the assessed rental value of properties is far below the rental market rate. Lack of skilled man power, technology and absence of basic and up to date information on the property has highly restricted the valuation and coverage of taxation.

In the case where a property is transferred to a third party by sale or gift, there is a legal requirement that stamp duty is paid for such a transaction. The stamp duty Proclamation No.110/1998 states the buyer of an immovable property shall pay stamp duty at the rate of 2% of the sale amount. Property transfer tax base is the sales price of the property as agreed between the transacting parties. However, there is usually an estimated price/value

for buildings in the land Departments of Addis Ababa city Tenure Administration. When the negotiated price is below the value estimate in the Tenure Departments, the tax will take the municipal estimate. For those properties without recorded data in the Tenure Administration, a new data set is collected and computed by professionals in the Department.

However, there is always a gap between the negotiated price and the assessed value of the property. According to the discussion, the major cause for the gap in price was mostly due to three reasons.

1. The low level of skill in valuing properties
2. The Land value which is the major price element on the part of the transacting parties is always ignored and
3. The possibility of down estimating the value assumed to be through malpractice.

The transaction agreement after being approved by the Acts and Civil Status Documents Service, a title deed transfer and registration will be held upon the payment of 2% stamp duty plus 4% transaction tax for Residential properties (6% altogether), and 4% stamp duty plus 11 % transaction tax giving a total of 15% for commercial buildings.

3.5. LAND ALLOCATION AND EXPROPRIATION (LAND ACQUISITION)

The City Administration has been acquiring land from its peri urban areas and its renewal and redevelopment sites through compensation as well as from unutilised pockets in its territory. According to the data from Land Development and Management Bureau, the city acquired nearly 4095.75 hectares of land from 2017 – 2020 out of which 12% was from the open pockets, 9.5% from renewal areas and the remaining 78.5% was from the peri urban areas. The following are the details of the land acquisition status of the city.

The Urban Renewal Project: In 1974 the Marxist government seized power in Ethiopia and in 1975 it nationalised extra houses and all urban land by Proclamation No. 47/1975. By this decree, those houses of poor construction quality, very small living space and of course, very small rental fee were put under the administration of Kebele, the lower administrative unit of the City. According to the 2007 Census Report, kebele houses account for 24% of the housing stock in Addis Ababa and in the inner city accounted for 70% of the dwelling units. The proclamation also nationalized those villas and apartment buildings of better quality and higher rental fee and put them under the administration of the Agency for Rental Housing Administration (AARH). Over the last sixty years, these nationalized houses particularly the kebele houses became functionally and structurally deteriorated. According to the CSA report of 2007, most of these houses were single room houses and devoid of basic functional services like toilet and kitchen. The houses were overcrowded and highly dilapidated and consequently, about 60% of the interior sub cities of the City, namely Addis Ketema, Lideta, Arada and Kirkos sub cities became dominantly slum.

The government of Ethiopia as part of its Millennium Development Goal (MDG) has targeted to reduce the proportion of slums by half until 2025. To this effect, the Land Development and Renewal Office had been established and the first slum renewal project was initiated in 2010 in Lideta Sub City on 26 hectares of land. The aim of Slum Renewal project is twofold. To create liveable urban environment by reducing the proportion of slum areas, relocate slum dwellers in the kebele and AARH rental housing into condominium housing units and help them own their own property and also to acquire land for different development activities in the inner city. Over the last four years(2017-2020), the City Administration

acquired 391.53 hectares of land from its inner city through renewal development. The detail is given in Table 11 below.

Table 11: Land acquisition on Renewal sites (2017-2020)

| Sub Cities | Land acquired in Hectare | Relocated Households in Condominium Housing units | Households relocated on replacement plot of Land | Households Relocated in Kebele housing units |
|--------------|--------------------------|---|--|--|
| Lideta | 86.43 | 2741 | 472 | 474 |
| Arada | 141.1 | 4364 | 845 | 842 |
| Kirkos | 148 | 3348 | 1189 | 207 |
| Addis Ketema | 16 | 1542 | 204 | |
| Total | 391.53 | 11995 | 2710 | 1523 |

Source: Land Development and Management Bureau (2021)

As shown in the table above, 16,228 households have been relocated from the slum renewal sites over the last four years (all households listed in the table). Out of these, only 2,710 (16.7%) households with private holdings in the slum areas have been given compensation and allocated with plots of land to construct their own housing units either on the renewal sites or in expansion areas. The remaining 13,518 (83.3 %) of households in the renewal sites were kebele or AARH housing renters with no private holdings. Out of these, 11,995(88.3%) households were given condominium housing units and 1,523(11.7%) were relocated into kebele housing units available in different sites because they did not have a financial capacity to commit the necessary payment to own a condominium housing unit. According to the data, on average more than 4,000 households per year are relocated from the renewal sites to condominium and relocation sites located in the peri urban areas.

Agricultural Land Acquired in Peri Urban Area: According to the Land Development and Management Bureau, 3,186 hectares of land was acquired from 2017 to 2020 in peri urban areas. Expropriation Proclamation No.1161/2019 states that farmers and their families shall be given skill trainings and financial support to enable them engaged in urban based employment. According, to the Farmers and Urban Agriculture Development Commission, over the last two years (2019 -2020) a total of 173 farmers and 778 family members (416 female and 362 male) were given skill training and formed 76 business associations that were given Birr 2 million for each business association as a start-up capital of which 50% is direct support and the remaining 50% is a loan arrangement from a revolving fund established by the city. According to the officials in the Commission, the support is believed to minimise the impact of losing a farmland that used to be the major source of livelihood for the farmers and their families.

Land acquired from open pockets: One of the functional offices established under the Land Development and Management Bureau of Addis Ababa City Administration is Land Banking and Transfer. The Office as one of its core functions registers open pockets of unutilized land in its data base and share the information to the woreda Code Enforcement Office to control the plots from squatters until it will be legally transferred. Over, the last three years (2018-2020) a total of 498.42 hectares of land has been acquired from unutilized open pockets.

3.6. LAND FINANCING MECHANISMS

Professional estimates put the cost of developing a hectare of land in peri urban areas between Birr 450 to Birr 500/ m². (5 million Birr per Ha). Accordingly, it takes a total of Birr 15.9billion to fully service 3186 Ha of land acquired from the peri urban areas of the city. In the case of the renewal site, where the cost of compensation for buildings and the cost of demolition and servicing is higher, the development cost is estimated to be Birr 2100/ m². To develop 391.53 ha of land acquired from the renewal area, the required estimated cost is Birr 3.9 billion. Over the four years 2017-2020, the City Administration spent a total amount of Birr 19.8 billion for land development which on average Birr 4.95 billion/year. The financial source to develop is purely from the city's own resource. It is of paramount importance to assess whether the revenue generated from the land sector would cover the land development cost or not. In this regard, three land and land related revenue items (Stamp duty on house sale, urban land lease and land rent) has been assessed against the land production cost and result is found to be negative. The detail is shown in the following table.

Table 12: Municipal revenue of the city in million Birr (2017-2020)

| REVENUE ITEM | 2017 | 2018 | 2019 | 2020 |
|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Stamp Duty on House sale | 135.7 | 202.6 | 333.2 | 271.6 |
| Urban Land Lease | 2,872.7 | 2,428.7 | 2,699.2 | 2,383.3 |
| Land Rent | 43.4 | 61.2 | 53.3 | 54.5 |
| Total | 3,051.8 | 2,692.5 | 3,085.7 | 2,709.4 |
| Average Land production Cost | 4,950 | 4,950 | 4,950 | 4950 |
| Balance | -1,898.2 | -2,257.5 | -1,864.3 | -2,240.6 |

Source: The Revenue Bureau of the City: 2021

As shown in the table, from the three revenue items, the city has collected between Birr 2.7 billion and 3.1 billion each year over the last four years and the average annual land production cost is Birr 4.9 billion which puts the figure in a negative balance.

3.7. INVESTMENT SUPPORT & GREEN FIELDS / NEW DEVELOPMENT

Investment support

Addis Ababa being the capital city has a relative investment advantage over other urban areas in the country. The City Administration in an attempt to attract Foreign Direct Investment has adopted different investment support schemes. Some of these basic investment support mechanisms are:

- Priority to get Land on benchmark price
- Supply of duty-free Construction Materials or low cost
- Tax holiday
- Supply of duty-free raw materials and accessories
- Facilitate access to infrastructure and utilities
- Supply of duty-free machineries and vehicles

According to the Investment Commission of the City 21,465 investors registered and were licensed from 2016 to 2020 to get the necessary support.

Table 13: Licensed investors by investment sector (2016-2020)

| Investment Type | Number |
|---|---------------|
| Social and Private Services | 540 |
| Manufacturing | 6880 |
| Star Hotels and Restaurants | 372 |
| Transportation, Storage and communication | 14 |
| Agriculture, Forestry and Fishery | 153 |
| Power and Water Supply | 3 |
| Construction | 4803 |
| Quarry | 2 |
| Finance, Insurance, Real Estate and Trade | 8698 |
| Total | 21,468 |

Source: Addis Ababa Investment Commission (2021)

Discussions were conducted on the efficiency of the support schemes to the investors with the officials of the Commission and representatives of investors. The discussions revealed that there is low level of institutional integration between the Commission and functional organizations of the city to ensure the provision of essential support to the investors. On the part of the investors the most discussed challenges are;

- shortage of hard currency to import the necessary materials and equipment for the investment,
- Time taking connection to Power and utilities

The Ethiopian Government with an objective of attracting investment has developed IT and manufacturing parks. In Addis Ababa these parks are developed at Klinto, Bole Lemi and Lebu. In these parks both rental shades and leased plots are delivered to investors. The production sites are fully serviced with infrastructure and such facilities like banks, training centres, IT services, tax offices and warehouses are made available to facilitate import export activities of the investors. According to the Amended Investment Incentives Regulation No.312/2014, industrial park developers are entitled to income tax exemption of 10 years and an additional 2 to 4 years benefit will be given to those involved in industrial zone development.

Other sectors benefiting from investment support scheme of the City Administration are Micro and Small Scale Enterprises (MSE). According to the data from the Urban Land Development and Management Bureau, working shades and premises were given to MSEs for free or on highly subsidized rental fee of Birr 2/ m². From 2016 to 2019, a total of 17,904 MSEs are reported to have benefited from such support. However, the discussions with the investors and residents, the investment support is misdirected and mismanaged for lack of regular follow up and control. In addition to this as part of the objective of the Ethiopian Government to develop the manufacturing sector and support the export -oriented investments, the Development Bank of Ethiopia, very recently promised to loan out 70% of the investment projects in selected sectors with the remaining 30% covered by owners'

equity. But according to the discussion with one official of the bank, the opportunity is not yet fully utilised by the investors.

NEW LAND DEVELOPMENT

In the City of Addis Ababa, land development projects have been initiated for different purposes both in the expansion and renewal areas. Basically, major land development projects in Addis Ababa are meant for housing and industrial development projects and are conducted under the supervision of both the Federal Government and the City Administration. The following are the new land development projects in Addis Ababa city.

The Ethiopian Government decided to develop industrial parks to accelerate economic transformation and attract domestic and foreign direct investment. Two types of industrial parks are being developed in the country in general and Addis Ababa in particular. The first type includes large, medium and light scale industrial park and the second type is the 14 integrated agro industrial parks. The following are industrial parks developed in Addis Ababa city peri urban areas.

- **Bole Lemi Industrial Park Development:** It is the first Ethiopian Industrial Park developed by Industrial Park Development Corporation (IPDC). In its first phase the park is developed on 156 hectares of land. The park has pre erected textile, garment and leather factory shades rented out to more than 15 corporations from Taiwan, India, South Korea and China with an agreement to sell out 95% of their products to foreign market as a means to enhance the country's hard currency potential. Bole Lemi phase two project with an area of 186 hectares is being developed with a financial support from the World Bank Group.
- **Addis Industrial Village:** The development of the village was started in 1980s and was partly leased out to private industries. Very recently the village became expanded, modernized and its scale upgraded on 88 hectares of land. The IDPC as part of upgrading the village erected 10 factory buildings for rental.
- **Kilinto Industrial Park:** With a total area of 337 hectares of land Kilinto industrial Park is developed by IDPC to serve the mixed interest investors engaged in agro processing, pharmaceuticals, wood products and furniture, electronics. The park has both industrial shades and serviced land rented out for investors.
- **Huagian Group Industrial Park:** The Park with an area of 138 hectares is located in Nefas Silk Lafto Sub City. The park is being developed by the private company and is under construction.

3.8. PREVIOUS WORK IN THE SECTOR AND ONGOING RELEVANT PROGRAMMES

Since the year 2000, the Ethiopian Government has made serious efforts to modernize the urban and rural land sector. With regard to modernizing the urban land sector, the government has put a clear strategy of piloting, testing and expanding. Addis Ababa as a primate city has been selected as a pilot for urban land related reform programs. However, owing to the complex nature of the problems in the sector, the plan to finish piloting in a short period of time didn't work as intended. The City Administration also has adopted a Civil Service Reform Program in 2011 with the target of improving efficiency in the area of municipal service delivery. Work processes and functional units in the Land Development

and Management sector have been revisited and revised to enhance efficiency and address public satisfaction. Professionals of various backgrounds have been recruited, oriented and placed to deliver the services as planned. According to an Assessment Report of the Civil Service Office, 2012, over 65% of the new entrant employees had left their posts within a period of six months. Work overload and lack of incentive was the major reason assumed for the turn over.

SECTION 4. DEMAND SIDE CHARACTERISTICS

4.1. LAND AND PROPERTY AVAILABILITY – ACCESS TO LAND

One of the major provisions in the constitution of the Federal Republic of Ethiopia, Article 40/1 states that, every Ethiopian citizen has the right to the ownership of private property. Unless prescribed otherwise by law on account of public interest, this right shall include the right to acquire, to use and, in a manner compatible with the rights of their citizens, to dispose of such property by sale or bequest or to transfer it otherwise. The same constitution on the same Article sub article 3) also states the right to ownership of rural and urban land, as well as of all natural resources, is exclusively vested in the State and in 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. The above two sub articles entail that Land related property can be owned privately and could be accessed through sale/gift or inheritance while land is accessed formally through lease rental arrangement. In Ethiopian urban areas, there are three land and property transfer markets through which people get access to land and land related properties. Each of them is described as follows:

- **The primary market**, the land transfer market held by the government to individuals or companies.
- **The secondary market**, the property transaction market between parties owning formal holdings; and,
- **The informal land market**, the informal land transaction between a land user and a third party.

1) The Primary Market

The city has been transferring plots of land through bid or allocation modality for different purposes. The Addis Ababa City Administration Land Banking and Transfer Office have conducted 26 rounds of bid to transfer land through auction over the last four years. The numbering of the rounds always follows the approval of each Lease Proclamations. With regard to the bid modality, Lease Proclamation No.721/2011 introduced two types of bidding to transfer land for different purposes. These are;

- **Regular Bid:** Is the bid modality through which land is auctioned for small and medium level projects with plot sizes usually of less than 1000m². The bidders are expected to submit certified bank statements ranging between Birr 250,000 – Birr 500,000 to show eligibility to undertake the project.
- **Special Bid:** Is the bid modality through which land is auctioned and transferred for special projects like real estate; four and five star hotels; private social service facilities that require plot sizes of greater than 1000m². In this modality bidders are expected to submit a Project Proposal with a business plan and a certified bank statement of over Birr 50 million capitals.

According to the discussion with the officers in the Land Development and Management Bureau, 26 rounds of bids have been conducted over the last four years (2016-2019) that include two rounds of Special Bid and twenty four rounds of Regular Bid. Based on data availability an assessment on the last ten rounds (round 16 to round 26) for regular bid and the two rounds of special bid will be presented as follows.

Residential land

The residential plot supply in the town is very limited when viewed from the perspective of the housing demand in the city. Over the last ten rounds (round 16 to round 26), the land transferred through lease bid is 73,840 m² (7.4 hectares of land) of average size 243 m².

Table 14: Residential Land transferred through Regular Bid (Round 16-26)

| | Akaki Kaliti | Kolfe Keranyo | Bole | Nefas Silk Lafto | Yeka | Gulele | Total |
|------------------------------------|--------------|---------------|------|------------------|------|--------|--------|
| Total plot | 195 | 47 | 13 | 37 | 8 | 4 | 304 |
| Total Area in m² | 42,657 | 19272 | 3841 | 6056 | 959 | 1055 | 73,840 |

Source: Addis Ababa City Land Development and Management Bureau (2021)

Commercial / Business Land

The city administration has also transfer plots of land for commercial/business activities through bid modality. According to the data from the Land Development and Management Bureau, the City has put 9.8 hectares of developed land (118 plots) on bid rounds (16-26). The details are shown in the following table.

Table 15: Commercial Land put on Regular Bid by Sub City

| | Akaki Kaliti | Lideta | Bole | Nefas Silk Lafto | Addis Ketema | Total |
|------------------------------------|--------------|--------|------|------------------|--------------|--------|
| Total plot | 76 | 9 | 3 | 18 | 12 | 118 |
| Total Area in m² | 39,294 | 14,162 | 1415 | 33,240 | 9802 | 97,913 |

Source: Addis Ababa City Land Development and Management Bureau (2021)

Mixed Use Land

Mixed use land is according to the land use plan a plot used for both residential and commercial purposes separately or at a time based on the purpose of the owner. The city administration put on bid 904 plots of land for individuals and companies from Round 16 – 26. The detail is shown in the following table.

Table 16: Land put on bid for Mixed Use through Regular Bid (round 16-26)

| | Akaki Kaliti | Kolfe Keranyo | Bole | Nefas Silk Lafto | Yeka | Kirkos | Arada | Lideta | A/ketema | Total |
|------------------------------------|--------------|---------------|--------|------------------|--------|--------|-------|--------|----------|---------|
| Total plot | 208 | 42 | 426 | 103 | 109 | 5 | 2 | 1 | 8 | 904 |
| Total Area in m² | 116,856 | 11,943 | 182433 | 45739 | 44,959 | 5442 | 1494 | 567 | 1375 | 410,808 |

Source: Addis Ababa City Land Development and Management Bureau (2021)

Land Transferred to Special Projects

The City transferred land through Special Bid for special projects on two bid rounds over the last four years. According to the data from the Land Development and Management Bureau over the last four years on two special bid rounds 62.7 hectares of land has been transferred to 25 special projects. The following is the detail of the projects and plot area transferred through the special bid.

Table 17: Land put on bid and transferred for Special Projects through special bid (Round 1 and 2)

| Project Type | Number | Area in sq. m. |
|--------------------|--------|----------------|
| Five Star Hotel | 6 | 75,815 |
| Four Star Hotel | 1 | 2334 |
| Lodge | 1 | 9051 |
| Real Estate | 10 | 461,078 |
| Education | 7 | 79262 |
| Total | 25 | 627,540 |

Source: Addis Ababa City Land Development and Management Bureau (2021)

Land Transferred for Condominium/ Social housing

The Addis Ababa city government in order to address the housing shortage of the residents, launched a low cost condominium housing project in 2006 through the Integrated Housing Development Program (IHDP). To clearly know the actual housing demand, the city government has conducted registration of potential condominium beneficiaries in two rounds. According to the information from the Housing Agency, nearly one million people were registered.

The condominium housing is being constructed under three major housing schemes, 40/60, 20/80 and 10/90. The three schemes represent the housing finance modalities. It shows the share of an upfront payment expected from the beneficiary to the matching loan arranged by government from the Commercial Bank of Ethiopia to purchase the housing unit. Over the past fifteen years, the city government has constructed 248,365 housing units in the three schemes. In addition to this over 87,000 housing units mainly of 20/80 and 40/60 schemes are under construction in different sites of the city. According to the data from the Land Development and Management Bureau the land allocated for the construction is estimated to be over 4000 hectare, this amount of land is transferred to the housing project for free.

An Assessment of Land Price on Regular and Special Bid

The City of Addis Ababa, comprise both renewal and peripheral sub cities from where land is developed for transfer. There are four renewal sub cities namely Arada, Adis Ketema, Lideta and Kirkos Sub cities and seven expansion /peri urban sub cities (Bole, Yeka, Nefas Silk Lafto, Gulele, Kolfe Keranyo and Lemi kura). Lemi kura being a recently established administrative unit, has not yet put land on bid for transfer. As it is indicated in tables 15,16,17 , the city administration put a total of 1326 plots(28 plots on renewal sites and 1298 plots from peri urban areas) with an area of 582,561 m² (58.2 Ha) of land on regular bid(16-26 rounds). It also put on bid 25 plots with an area of 62.7 hectares of land special projects used for investment purposes. These plots are fully serviced and ready for construction. According to the data from the Land Development and Management Bureau, all plots from the peri urban and 25 plots (89%) from renewal sites have been transferred through regular bid. With Regard to the bid for special projects all the plots are transferred for the winners. The transfer of almost all plots (with remaining 3 disqualified plots due to formalities) shows the existing higher demand for land. The detail is shown on the following table.

Table 18: Plots Transferred through Bid in both Expansion and Renewal Sites

| Bid Rounds | Plots Transferred through Bid in Periphery areas(Sub Cities) | | | | | |
|-------------------|--|------------|------------------|------------|------------|----------|
| | Akaki | Yeka | Nefas Silk Lafto | Bole | Kolfe | Gulele |
| 16 | 86 | | | | | |
| 17 | 44 | 46 | 12 | | | |
| 18 | 29 | | | 35 | 29 | |
| 19 | 43 | 15 | 55 | | 24 | |
| 20 | 58 | | 1 | 102 | | |
| 21 | 41 | 37 | 20 | 6 | 11 | 4 |
| 22 | 18 | | 1 | 105 | | |
| 23 | 20 | 10 | 4 | 63 | 4 | |
| 24 | 20 | | 14 | | 66 | |
| 25 | 95 | | 19 | | 11 | |
| 26 | 7 | 9 | 18 | 91 | 25 | |
| Total-1298 | 461 | 117 | 144 | 402 | 170 | 4 |

| Bid Round | Number of Plots Transferred through Bid in Renewal Sites(Sub Cities) | | | | |
|------------------|--|--------------|----------|----------|--|
| | Arada | Addis Ketema | Kirkos | Lideta | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | 2 | | | | |
| 20 | | | | | |
| 21 | | | | 1 | |
| 22 | | | | | |
| 23 | | | | | |
| 24 | | 6 | 2 | 5 | |
| 25 | | | | | |
| 26 | | 6 | 2 | 1 | |
| Total -25 | 2 | 12 | 4 | 7 | |

Source: Land Development and Management Bureau (2021)

As can be observed from the table all the lands in the peri urban areas and 25 plots from the renewal sites have been transferred to winners in bid rounds 16-26 for residential, commercial and mixed use purposes. During this time the maximum bid price was Birr 36,741/ m² for residential plot (Bid round 25), Birr 33,700 per m² for commercial (Bid Round 17) and Birr 31,607 per m² for mixed use plot. On the other hand, the minimum bid price was Birr 8,161/ m² for residence (Bid round 16), Birr 5787/ m² for commerce and Birr 6279/ m² for mixed use. Both prices are higher and better than the estimated land production cost of Birr 500 per m². With regard to the renewal areas, 25 plots were transferred with the maximum bid price of Birr 220,750 per m² (Bid round 24) for commercial purpose and minimum Bid price of Birr 33,602 per m² for mixed use. Here again the bid prices are far higher than the estimated renewal plot production cost of Birr 2100 per meter square. The detail is shown in the following tables.

Table 19: Maximum and minimum winner bid prices/m² in birr by land use (in expansion sites)

| Bid Rounds | Residence | | | Commerce | | | Mixed Use | | |
|------------|--------------|--------------|----------|---------------|--------------|----------|---------------|---------------|----------|
| | MaxBid Price | MinBid price | Av price | Max Bid price | MinBid price | Av price | Max Bid price | Min Bid price | Av price |
| 16 | 14,151 | 8,161 | 11,151 | | | | 12,000 | 6,512 | 9256 |
| 17 | | | | 33,700 | 12,050 | 22,875 | 17,106 | 6,279 | 11,692.5 |
| 18 | 23,473 | 14,051 | 18762 | | | | 23,242 | 11,097 | 17,169.5 |
| 19 | 21761 | 14,060 | 17910.5 | 30,001 | 16,258 | 23,129.5 | 21,076 | 16,068 | 18,572 |
| 20 | 19,600 | 19,198 | 19,399 | 22,317 | 7,424 | 14,870.5 | 23,758 | 14,550 | 19,154 |
| 21 | 28,291 | 20,285 | 24,288 | 15,905. | 7,895 | 11,900 | 27,193 | 14628 | 20,910.5 |
| 22 | | | | 15,125 | 9,112 | 12,118.5 | 17,067 | 7462 | 12,264.5 |
| 23 | 28,037 | 19270 | 23,653.5 | | | | 26,207 | 11,296 | 18,751.5 |
| 24 | 30,000 | 18,518 | 24,259 | 14,327 | 5787 | 10,057 | 31,607 | 12,440 | 22,023.5 |
| 25 | 36,741 | 21,888 | 29,314.5 | 20,150 | 13,251 | 16,700.5 | 28,687 | 10,367 | |
| 26 | | | | 15,420 | 12150 | 13,785 | | | |

Source: Computed from the data (2021)

Table 20: Maximum and minimum winner bid prices/m² by land use in renewal sites

| Bid Rounds | Commerce | | | Mixed Use | | |
|------------|-------------------|-------------------|---------------|-------------------|-------------------|---------------|
| | Maximum Bid price | Minimum Bid Price | Average price | Maximum bid price | Minimum Bid price | Average price |
| 19 | | | | 34,567 | 33,602 | 34,084.5 |
| 21 | 66,000 | | 66,000 | | | |
| 24 | 220,750 | 105,850 | 163,300 | 65,916 | 48,221 | 57,068.5 |
| 26 | 57,255 | 55,708 | 56,481.5 | 61,128 | 59,000 | 60,064 |

Source: Computed from the Data (2021)

Table 21: Special Bid - Maximum and minimum winning price

| Project Type | Number of plots | Area in sq. m. | Maximum Price sq.m. | Minimum Price/ sq. m. |
|-----------------|-----------------|----------------|---------------------|-----------------------|
| Five Star Hotel | 6 | 75,815 | 4,152 | 4,002 |
| Four Star Hotel | 1 | 2334 | * | |
| Lodge | 1 | 9051 | * | |
| Real Estate | 10 | 461,078 | 7,055 | 555 |
| Education | 7 | 79262 | 4,220 | 2310 |
| Total | 25 | 627,540 | | |

Source: Land Development and Management Bureau (2021) * data not available

As it can be observed from the tables, (19, 20, 21) the land bid price is higher than the development cost of the land in both the expansion and renewal sites. However, the city cannot supply enough developed land in view of the ever increasing demand for land. According to the discussion with the professionals in the land sector, despite a higher bid price, the revenue generated from the land lease is a small fraction of the expenditure on infrastructure and compensation. The detail is shown in the following table.

Table 22: Lease revenue Vs infrastructure and compensation expenses in birr (2016-2020)

| Items | 2016 | 2017 | 2018 | 2019 | 2020 |
|-----------------------|---------------|---------------|--------------|--------------|--------------|
| Lease Revenue | 2.0 billion | 2.6 billion | 2.4 billion | 2.6 billion | 2.3 billion |
| Infrastructure | 7.0 billion | 7.6 billion | 5.9 billion | 7.6 billion | 5.2 billion |
| Compensation | 791.8 million | 934.8 million | 1.2 billion | 1.4 billion | 1.2 billion |
| Total Expense | 7.8 billion | 8.5 billion | 7.1 billion | 9.0 billion | 6.4 billion |
| Balance | -5,8 billion | -5.9 billion | -4.7 billion | -6.4 billion | -4.1 billion |

Source: Finance Bureau of Addis Ababa City Administration (2021)

As can be observed from the table, the balance between the Lease Revenue and expenses is negative and the city is covering the remaining need from other sources. This is according to the discussion for two major reasons. a) The city is allocating huge amount of developed land for its massive housing construction project for free and b) the lease payment modality is in favour of the lessee rather than the city. The Lease Proclamation No.721/2011, on its Article 20/1, after settling a down payment of 10 % to 20% of the lease payment, the lease holder is given a period of lease payment taking into account the payback period of the investment. The payment period, based on the investment type, ranges between 30 to 40 years. The lessee pays the remaining balance on equal annual instalment of the payment period. In addition to this the Proclamation has given a grace period of 3 to 5 years free of payment during the time of construction. This according to the interview with the professionals has negatively affected the financial capacity of the city.

2) The Secondary market - Land Transactions (sales of property, lease, sub lease)

The unfilled gap in the primary land market has forced people to look for a secondary market option. After December, 2019, the land bid program has been suspended by the decision of the City Administration which has forced the residents to switch for the secondary land market. According to the data from the Tenure Administration Office, over the last five years (2016-2020) 82,229 transactions/ sale have been conducted and the figure has shown a slight increase after the decision of the city government. The detail is shown in the following table.

Table 23: Property transactions/sales in Addis Ababa (2016-2020)

| No | Description | 2016 | 2017 | 2018 | 2019 | 2020 |
|----|---|-----------|-----------|------------|------------|------------|
| 1 | Number of Transactions/sale | 15,541 | 13,788 | 17,731 | 17,368 | 17,801 |
| 2 | Stamp duty(2%) in "000 Birr | 178,483 | 135,726 | 202,652 | 333,203 | 271,633 |
| 3 | Estimated Sales amount in 000'Birr deduced from No. 1 and 2 | 8,924,179 | 6,786,309 | 10,132,624 | 16,660,189 | 13,581,688 |
| | Average cost in 000' Birr | 574.2 | 492.2 | 571.5 | 959.2 | 762.9 |

Source: Land Development and Management Bureau (2021)

As can be seen from the table, the average cost of the properties is found to be under one million Birr which is far from the reality according to the discussion with brokers and professionals in the land sector, in Addis, irrespective of its location, the minimum price for

a property on a minimum standard plot size of 75 m² is not lesser than 2 million Birr. According to the discussion with staff of the Tenure Administration Office, two major points are identified as to why the officially reported transaction price is lower than an estimated or almost a real transaction price. These are:

- a) The transacting parties didn't report the real transaction price as a mechanism to pay a lower transaction tax. As an option to control the practice, the Tenure Administration Office initiated to undertake a valuation of the transacted property before registration is conducted. The higher value of the two is considered as a transaction price from which stamp duty and transaction tax is calculated. As the valuation disregards the value of the land; its probability of it becoming higher than the reported price is always low. This is indicated as one of the possible causes for the low transaction price.
- b) As one major source of income, property owners can legally subdivide and sell their land as long as the minimum plot standard is maintained and the plots are not vacant. According to the data from the Land Development and Management Bureau, over the last five years (2016-2020) a total of 5953 parcels were subdivided for sale. According to discussions with professionals in the sector, plots subdivided for sale mostly have simple structures or basements to qualify for sale. In this case, both the valuation result and the reported transaction price will be close to each other and the average is considered for the calculation of transaction tax and stamp duty. This is also considered as a possible source of the lower transaction cost than the estimated one.

Table 24: Parcel Sub Division in Addis Ababa City (2016-2020)

| Years | 2016 | 2017 | 2018 | 2019 | 2020 | Total |
|-------|-------|------|-------|-------|-------|-------|
| Plots | 1,043 | 952 | 1,476 | 1,299 | 1,183 | 5953 |
| % | 17.5 | 16.0 | 24.8 | 21.9 | 19.8 | 100 |

Source: Land Development and Management Bureau: 2021

3) Informal Land

The restricted access to the formal land market has pushed residents to the informal land market and the construction of squatter settlements. The interviews and discussions conducted with members of the informal settlements have revealed that informal land has been expanding in peri urban areas.

According to the discussion with the professionals in the Land Department, the practice has been expanding in the peri urban areas mostly in six sub cities (Bole, Yeka, Kolfe Keranyo, Nefas silk Lafto, Lemi Kura and Akaki Kaliti. In these sub cities, the major source of informal land is through informal sale from farmers and speculators. The current land price per meter square of informal land in the peri urban areas is on average ranges from Birr 400 m² to Birr 500 m² which is far better than the compensation rate of Birr 81.26 m². The price of farm land is always attractive and increasing with the increase in the compensation rate. The price of the land also depends on the duration of the squatter settlement, the strength of the network with officials in the government offices (this information usually leaked out from the brokers and sellers) and the proximity to infrastructure and services (though they are devoid of any onsite services). According to informants, in each sub city, the system of informal land market is strongly linked to the formal government structure mostly at the Woreda level and in some cases bridged to the sub cities.

The faster rate of urbanization coupled with greater push of land expropriation for housing, real estate and industrial development in peri urban areas on the one hand and the lower compensation rate on the other was reported to be causes for informal sale of land by farmers in the peri urban areas. The new Expropriation Proclamation No.1161/2019 has made several amendments and provisions that benefit farmers ranging from an increase in compensation rate, job creation to investment opportunity on the land. These benefits according to discussion with one farmer are insignificant when compared to the benefit from the land sale.

According to the discussion with members of the informal settlements in the Aba Shame informal settlement area in Bole Sub City Woreda 12, the reason the farmers are always in favour of land sale despite different benefit packages designed by the government is because they are in a safe and winning position. In case of demolition or the informal property is delineated for public use, the ownership of the land still remains in the name of the farmer that made him eligible to resell the land or get compensation. It is always the informal settlers who are losing.

4.2. URBAN GROWTH AND DEMAND

Addis Ababa city is growing faster. The population annual growth rate is estimated between 3.36% and 4.42%. However, the existing spatial development of the city has many shortcomings (Structural Plan Report of Addis Ababa, 2017). The city borders with Oromia Region Special Zone and the towns adjacent to the city are expanding outwards physically blocking the outward expansion of the city. Despite this, the city structural plan (2017 -2027) has proposed 52,029.8 hectare of land for future use both from the peri urban and renewal sites for its different functions. The detail is given in the following table.

Table 25: The Actual and proposed Land Use / future demand

| No | Land Use Category | Land Use Area (Ha) (2002-2012) | Proposed Area (Ha) (2017-2027) | % |
|----|----------------------------|--------------------------------|--------------------------------|------------|
| 1 | Administration | 834.7 | 556 | 1.07 |
| 2 | Commerce and Business | 760.10 | 765.9 | 1.47 |
| 3 | Environment | | 15,855.8 | 30.7 |
| 4 | Historical sites | | 18.9 | 0.04 |
| 5 | Manufacturing and Storage | 3099.50 | 3056.4 | 5.87 |
| 6 | Mixed Residence | 22,032.24 | 21,907.2 | 42.11 |
| 7 | Municipal Service | 589.70 | 615.6 | 1.18 |
| 8 | Religious Sites | | 370.0 | 0.71 |
| 9 | Social Service | 1483.60 | 1455.5- | 2.80 |
| 10 | Special Projects | | 751.0 | 1.44 |
| 11 | Special use | | 331.4 | 0.64 |
| 12 | Sport Field | | 19.2 | 0.04 |
| 13 | Street Network | | 3630.8 | 6.98 |
| 14 | Transport | 1152.6 | 1152.8 | 2.22 |
| 15 | Urban Agriculture | | 924.0 | 1.78 |
| 16 | Utility and Infrastructure | | 619.3 | 1.19 |
| | Total | 29,952.44 | 52,029.8 | 100 |

Source: Addis Ababa City Structural plan Report, 2002 and 2017

Infrastructure Development and Transport

The Lease Proclamation No.721/2012 Article 8/C has clearly stated the land subject to lease auction must have access to basic infrastructure and services. As land is state owned the responsibility for putting infrastructure in place has fallen on the shoulder of the municipalities.

According to the Addis Ababa City Structural Plan Report (2017), the total length of roads in the city before 1983 was 1503 km. With the establishment of the Addis Ababa City Road Authority (AACRA), road construction expanded and doubled (to 3,731km) between 1992 and 2012 and Road density was 12.9%. According to the Road Inventory Report of the Road Authority (2020), the city currently has roads with a total length of 4843.15 km with a total area of 5329.3 hectare. In view of the total urban space of 54,000 hectare, the road density of the city is nearly 10%. It is below the universally accepted standard of 25%.The detail is shown in the following table. The total urban space is 54,000 hectare.

Table 26: Addis Ababa city Roads Inventory (2020)

| Road Type | Length in Km | Area in hectare | % |
|--------------|----------------|-----------------|------------|
| Asphalt | 1090.11 | 2173.8 | 22.51 |
| Care Stone | 177.02 | 101.4 | 3.66 |
| Cobble Stone | 2249.48 | 1866.0 | 46.45 |
| Earthen Road | 648.06 | 514.8 | 13.38 |
| Gravel Road | 678.48 | 673.3 | 14.01 |
| Total | 4843.15 | 5329.3 | 100 |

Source: Addis Ababa Road Authority Inventory Report: 2020

Addis Ababa city in order to mitigate the problem of traffic congestion and transport shortage initiated the Light Rail Transit which is in operation since 2015. It is an electrified light rail transit with 41 stations and a total length of 34.25 km of rail lines. It has two lines; one running on a North – South Axis from Menelik Square to Akaki Kality (16.9km) serving 23 stations and the other running on East – West Axis from Tor Hailoch to Ayat (17.35km) serving 16 stations. Each line has the capacity of flowing 15,000 passengers per hour that gives a paramount relief to the city’s population.

With regard to the electricity and water facilities, about 90% of the city’s housing units have electric connections though the system is prone to frequent interruptions and power shortage. According to the report from the Addis Ababa Water and Sewerage Authority (2021) the city water supply covers 56% of its area and the existing water supply system is sufficient to 65% of the water demand. Hence, it needs a lot of effort and capital to meet the upcoming growth and demand of the city.

4.3. ACCESS TO FINANCE

In Addis Ababa city, there are both government and private banks and insurance companies providing financial services to customers. According to an interview and discussions conducted with the officials in the banking sector, private individuals and companies can access loans for a short period of time through a collateral arrangement of equal or more value. In this regard, those people with immovable property have access to credit arrangement for a short period loan either from private or government bank. According to the data obtained from the Land Development and Management Bureau (2021), the Tenure

Administration Office has registered the collateral right of Financial Institutions over 45,631 land related properties (from 2016 – 2020). It is on average 9126 properties per year. During the same time a total of 36,915 registered collateral rights were cancelled upon the repayment of the loan.

On the other hand, there are also investors and individuals whose land lease right was suspended/cancelled by the Land Office for not commencing or suspending their project due to lack of finance. According to the discussion with one of the investors whose land right has been cancelled for not starting the project according to the agreement; he could not get a loan from the banks by putting the leased land as a collateral. With this regard, the Lease Proclamation No.721/2011 states, the lease land can be put as collateral only to the amount already paid by the lessee. In most cases the upfront payment is 10% or 20% of the lease amount which is insignificant for the investor to start the construction. In addition to this the Lease Proclamation No.721/2011 on Article 24/5 in case of default of loan payment, it gives the priority to the Land Office to terminate the lease contract, take back the land and settle the claim which is not comfortable to the finance sectors that before the proclamation was approved, used to sell out the property of the defaulters directly on auction and settle their loan by themselves. This highly restricts access to finance for those projects in need of using lease held land as collateral. Consequently, over the last four years (2016-2019), a total of 285 lease agreements have been cancelled on account of not starting the construction within the agreed time frame.

Access to Micro-Finance

The City Government owned entity “Addis Micro Finance” was established in 2010 with an objective of promoting the saving culture and creating access to credit facility for the rural and urban mid and low income population. According to the discussion with the General Manager of the Organization, a group based credit is arranged for individuals on Group Based collateral arrangement ranging between 3 and 5 people. In cases of possible defaulters, group based credit, can be a source of conflict and unnecessary burden since each member of the group is forced to pay the defaulted loan of any other group member. There is also individual credit service for a short period of time based on collateral arrangement (title deed of immovable property or ownership book of vehicles).

4.4. REAL ESTATE SERVICES FROM THE PRIVATE SECTOR

It is evidently understood that state or public sector alone cannot satisfy the ever increasing municipal and real estate public needs and interest. Both the Urban Development Policy(2005) and the Land Development and Management Policy and Strategy(2012) underline the importance of private sector participation as one of the major implementation strategies to meet their objectives. There are also several experiences in different countries where private sector participates in real estate services either through contractual arrangement on their own or through public private partnership modality has proved valuable. In Addis Ababa, the experience is very limited and immature. Building permit issuance and control, property valuation, cadastre and land information system, infrastructure development and supply is an exclusive domain of the city administration where private sector involvement is very much limited. The following are areas where private sector engagement is observed.

a) Professional and Contractual Engagement

- Professional engagement in areas of Design and Architecture, Surveying and Neighbourhood level land use planning
- Government or private based Housing and Road Construction works on contractual basis

b) Land Development and Housing

- **The Huagian Industrial Park** with an area of 138 hectares is being developed privately and will be subleased to industries. The city will be highly benefited economically and socially from this project.
- **Inner City Redevelopment Project:** It is a housing development project being conducted on 36 hectares of land as part of Slum Renewal program conducted through a joint venture arrangement between the City Administration (with 27% share) and Eagle Hills Ethiopia Real Estate plc, a private company(63%share). The project undertakes on site relocation of slum dwellers and construction of housing and apartment buildings of different purposes.
- **Private Real Estate Housing and Business Buildings:** In the city there are over 15 privately owned Real Estate Development Companies engaged in construction of housing and business buildings for sale and rental purposes. These companies being profit oriented are mainly addressing the interest and demand of high income groups. Despite, an attempt made, to get a complete data on the level of engagement of these companies, data of only six companies can be obtained. The detail is presented in the following table.

Table 27: Housing development by Real Estate companies in Addis Ababa (20210)

| Name of the Company | Area in Ha | Housing potential | Under construction | Transferred Units |
|-------------------------|------------|---|---|-------------------|
| Flintstone Engineering | 16.4 | 5559 | 3445 | 1655 |
| NICOMAD Real Estate | 0.5 | 229(apartment housing units) | 175 | 54 |
| Zenebe Frew Real Estate | 11,652 | 4 apartment buildings (264 housing units) | 1 apartment building (66 housing units) | |
| Nasew Real Estate | 2.4 | Apartment buildings(240 housing units)14 villas | | All |
| City Wide Engineering | 1.0 | 168 villas | 122 | 14 |
| Sun Shine Real Estate | 39.1 | 602 villas | 127 | 475 |
| Total | 11,711.4 | 7076 | 3935 | 2452 |

Source: Housing Development and Administration Bureau, Ministry of Urban Development and Construction (2021)

SECTION 5. SUMMARY AND KEY ISSUES

An assessment conducted on Addis Ababa city Land Market show the presence of multi-faceted factors affecting the system. In this section major restraining elements will be explained in order to clearly indicate pertinent recommendation and intervention points.

5.1. SUPPLY SIDE CONSTRAINTS

The following demand side constraints have been observed

1) Policy, Rules and Regulations

- Lack of clear and separate rules and regulations concerned with the peri urban area land administration pertinent to its nature
- The terms of the existing Urban Lease Proclamation 272/2011 have been observed to focus on imposing a high level of control rather than facilitating the improvement of the land and property market. On the other hand the terms of lease payment has put a remarkable pressure on the financial capacity of the city which in turn is believed to undermine the land development and supply system.
- According to the Lease Proclamation No 721/2011 Article 6/3, permit held land will be changed into land held by lease when transferred to a third party and the buyer is required to pay an annual lease rent based on the bench mark price. In this regard, the buyer is practically subjected to carry out double payments for the purchase of a single land right. Though it needs further research, according to informants, this legal provision highly impacts the purchase of permit hold properties.
- The Newly approved Compensation Law No.1161/2019, in an attempt to reverse public complaints about the previous proclamation No. 455/2012, has made important improvements in the compensation rate. Following the amendment, the City Administration has increased the compensation rate on agricultural products by 63% from Birr 51 to Birr 81.26. The minimum compensation fee for minimum living standard housing was also raised from Birr 255,000 to Birr 647,805.13. The increased rate obviously has significantly increased compensation expenditure. Despite the increasing pressure on the budget structure of the city, the objective was to address the question of the peri urban farmers and urban residents and minimise the informal peri urban land sale. However, the assessment shows the informal land sale in the peri urban areas continues as usual. According to the discussion with informants the major reasons are; a) The informal land price is always attractive and very much higher than the compensation rate, and b) In the informal transaction the farmers are always on the safe side. In case of demolition, it is the informal settlers who are losing. After demolition, the farmer regains his ownership on the land again ready for resale and compensation that has much stimulated the farmers for informal sales.
- Following the Newly revised Expropriation proclamation, the City Administration approved Expropriation Directive No.20/2021. This Directive on its article 11/11.1.1.4 gives full right to a farmer to take up an investment activity on his land based on the land use plan of the city in partnership with other farmers or investors to get a maximum benefit out of his land. However, according to informants, this provision contrary to the intention of the City Administration is being misused by

land speculators who informally purchase a large tract of land; subdivide it and then sell out illegally at higher price.

- In the case of Addis Ababa, the power of expropriation, valuation and payment of compensation falls under the Land Development and Urban Renewal Agency which is established under the Land Development and Management Bureau of Addis Ababa city. Owing to the low level of valuation skills and subjective decisions, the result is not always free from complaints. In this regard, though the right to appeal to the court is free, the applicant does not have the right to an alternative valuator. This remains as one of the major sources of public complaint.
- In the act of expropriation, the holder of a permit held land parcel with an area of 1000 m² and/or above will get a maximum of 500 m² for relocation irrespective of the location and value of land, unlike the lease held property. This is a major source of complaint on the part of the residents.

2) Institutional Constraints

- There is an absence of institutional capacity and knowledge to undertake timely land and property market assessments by tracking the property and land price data.
- There is a lack of institutional experience and practice to use the knowledge and skill of the private sector to improve land markets and land management / development. This is regarded as one of the deficiencies in the sector.
- The low level of institutional integration on land development and renewal between the land sector and infrastructure and utility organizations highly affects the performance of the sector.
- The land development and management sector with limited and low skilled man power has to undertake a range of activities, from simple to complex. The quality of the output and the level of accountability significantly impacts land good governance.
- Loose institutional integration between the Land Department, financial institutions and the justice office has a negative effect on property transactions, on the use of collateral and on effective taxation. There is also a low level of service delivery.
- Lack of institutional integration and strong land use plan enforcement and control has resulted in a wider range of land use plan abuse especially in construction projects.

3) Land Administration

- Despite continuous attempts to establish a cadastral system or Land Information System, of the city, it is not complete and integrated.
- The existences of Lease and permit-held properties in the city being administered under two different systems paying two different rental rates (permit lower than the lease) in the same location negatively affects a fair business competition between the properties.
- The higher possibility of losing or missing a property file in the sub cities is a common phenomenon
- The Lease Bench Mark Price is location based rather than cost based. It is out dated and does not represent the actual lease price of the city. The current cost of land development is much higher than the current bench mark price. To have a

bench mark price very much lower than the land development cost is contrary to the cost recovery intention of the government and also affects the revenue potential of the city.

- Land in Ethiopia being a public property is not for sale or exchange. This disrobes the value of the permit held land, to use as collateral element.

4) Land use and Management

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

5) Land and Property Registration

- According to the data obtained from the Agency, out of the total 173,621 Adjudicated properties, 15,974 properties (6354 government and 9620 private owned) are registered. In this regard. Less than 10% of the adjudicated properties have at Registration Certificate of the Agency which is symbolically a full acknowledgment of the agency for tenure security. In other words, tenure security of over 90% of the unregistered adjudicated properties and 235,995 un-adjudicated properties remains unclear. The low level of registration is attributed to the costs of sporadic adjudication, delayed establishment of Insurance Fund (which is the core essence of registration) and the low level of community and private sector participation in the project.

6) Land Acquisition and allocation

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

7) Investment Support and Green field Development

- Different investment support mechanisms are designed to attract investment to the country in general and the City in particular. However, lack of institutional integration is discussed to be a major challenge to get use of the support. In addition to this shortage of hard currency to import the necessary materials and equipment for the investment, time taking connection to Power and utilities, very restricted loan arrangement with banks are frequently raised challenges in the area.
- With regard to land development for investment purposes, as a very recent phenomenon, four industrial parks (three government and one privately owned) are developed in the peri urban areas of the city. These parks are under

development and some are not fully operational or semi operational for lack of sustainable power supply. Thus, it is very premature at this level to assess their benefits and contribution to the socio economic development of the city.

5.2. DEMAND SIDE CONSTRAINTS

1) Primary Market Land Transfer

There is a high unmet demand for both residential and commercial/industrial land. Existing data shows that of the one million people registered for Condominium housing only 248,365 people have secured the chance and 87,000 housing units are under construction. The remaining 67% of the registered people will stay for long in the waiting list with the pace of the housing construction in the city. The demand for commercial and industrial plots is also high. According to the data from the Land Development and Management Bureau (from round 16 – 26) the maximum plot/bidders ratio for residence, commercial and business, mixed use and industry is 1:984 1:560, 1:1346 and 1:1373 respectively. This shows a higher unmet demand for all types of land uses.

2) The Secondary Market

- No data and information is acquired on the real transaction cost of the properties other than the number of annually transacted properties. The number is again not complete since all registered transaction at the Notary office are not expected to appear at the Tenure Office for Certification and transfer of ownership.
- The sale of 82,229 properties was recorded between 2016 and 2020, and the average sales price is estimated to be under one million Birr which is believed to be much lower than the reality.
- According to interview with professionals, transacting parties do not report the actual transaction price of the property in order to pay reduced transaction tax and stamp duty. The mechanism to control fails to achieve its target by disregarding the value of land which is the major cost element in transaction.

3) The Informal Land Market

- The restricted access to formal land markets and low cost housing has pushed residents to the informal land market and construction of squatter settlements.
- The price of peri urban informal land is always attractive and increases with the increase in the compensation rate.
- According to the discussion with members of the informal settlements in the Aba Shame informal settlement area in Bole Sub City Woreda 12, the reason the farmers are always in favour of land sale despite different benefit packages designed by the government is because they are in a safe and winning position. In case of demolition or the delineation of informal property for public use, the ownership of the land still remains in the name of the farmer that makes him eligible for resale or compensation. The mechanism put the informal settlers on the losing ground and the farmers stimulate to undertake informal sale.

4) Access to Finance

Access to finance for both private developers and individuals from private or government banks depends on a collateral arrangement of equal or more value to

the loan. The legal restriction of the lease- held land collateral value to the amount of capital paid for the lease rather than the full lease value of the land has deterred developers from getting enough loans.

5) Infrastructure Development and Transport

- According to the Road Inventory Report of the Road Authority (2020), the city currently has roads with a total length of 4843.15 km with a total area of 5329.3 hectare. In view of the total urban space of 54,000 hectare, the road density of the city is nearly 10%. It is below the universally accepted standard of 25%.
- About 90% of the city's housing units have electric connections though the system is prone to frequent interruptions and power shortage. The city water supply covers 56% of its area and the existing water supply system is only sufficient to meet 65% of the city's water demand.

6) Private Sector Participation

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

ANNEX A: REFERENCES

List of Proclamations / Regulations

1. FDRE, Expropriation and Valuation, Compensation and Resettlement Council of Ministers Regulation, Regulation No. 472/2020
2. FDRE, Expropriations of Land Holdings for Public Purposes, Payments of Compensation and Resettlement of Displaced people Proclamation No.1161/2019
3. FDRE, A Proclamation to Determine Expropriation of Landholdings for Public Purpose, Payments of Compensation and Resettlement Proclamation No.1161/20FDRE, Authentication and Registration of Documents' Proclamation, Proclamation No. 922/2015
4. FDRE, Urban Land Holding Adjudication and Registration Directive No.45/2015
5. FDRE Urban Land Holding Registration Regulation No.324/2014
6. FDRE, Urban Land Holding Registration Proclamation, Proclamation No. 818/2014
7. FDRE, Federal Urban Real Property Registration and Information Agency Establishment, Regulation No.251/2011
8. FDRE, Urban Lands Lease Holding Proclamation, Proclamation No. 721/2011
9. FDRE, Proclamation to Provide for Urban Plans, (Proclamation No. 574/ 2008
10. FDRE, Rural Land Administration and Land Use Proclamation. Proclamation No. 456/2005FDRE, Expropriation of Landholdings for Public Purposes and Payment of Compensation Proclamation, Proclamation No. 455/2005
11. FDRE, Condominium Proclamation, Proclamation No. 370/2003
12. FDRE, Re-enactment of Urban Lands Lease Holdings, Proclamation No. 272/2002
13. FDRE, "Rural Land Administration and Use Proclamation" Proclamation No. 87/1997
14. FDRE, The Revised Family Code Proclamation No. 213/2000FDRE, Proclamation of the Constitution of the Federal Democratic Republic of Ethiopia Proclamation No. 1/1995TGE (Transitional Government of Ethiopia) A proclamation to provide for the Lease holding of Urban Lands, Proclamation 80/1993
15. PMG (Provisional Military Government of Ethiopia), Urban Land Rent and Urban Houses Tax Amendment Proclamation, Proclamation No. 161/1979
16. PMG (Provisional Military Government of Ethiopia), Urban Land Rent and Urban Houses Tax Proclamation, Proclamation No. 80/1976PMG (Provisional Military Government of Ethiopia). A proclamation to provide for Government Ownership of Urban Lands and Extra Houses, Proclamation No 47/1975
17. PMG (Provisional Military Government of Ethiopia). A proclamation to provide for the Public Ownership of Rural Lands, Proclamation No 31/1975 and land nationalisation Proclamation no 47/1975

ANNEX B: STAKEHOLDERS

1) Federal and regional stakeholders

Ministry of Urban Development and Construction
Federal Urban Land and Land Related Property Registration & Information Agency & Information Agency -MUDC
Federal Land Banking and Development Corporation (FLDBDC)
Ministry of Agriculture-Rural Land Use and Administration Directorate
Industrial Park Development Project Office
Federal Housing Bureau
Planning commission
Urban Development and Construction Bureau
Bureau of Rural Land Administration and Investment
Bureau of Urban Land Development and Management
Real Property and Information Agency
Institute of Urban Planning
Development Bank of Ethiopia
Ethiopian Investment Commission

2) City level stakeholder

Land Development and Management Bureau
The Land Development and Management Bureau
The Land Development and Renewal Agency
The Land Banking and Transfer Office
Office of Tenure Administration
Immovable Property Registration and Information Agency
Planning and Economic Development Commission
Integrated Land Information Project office
Land Transfer Directorate
Urban Land Registration and Information Agency
Land Banking and Protection Directorate

3) Local Community and Associations

Chamber of Commerce & Sectoral Associations (AACCSA)
Farmers and Urban Agriculture Development Commission
Association of Large-Scale Investors
Members of Informal settlers
Brokers and farmers

4) Finance and Real Estate Investment

Development Bank of Ethiopia
Ethiopian Investment Commission
Real Estate brokers

ANNEX C: LIST OF MEETINGS AND CONTACTS

| ... ref | Person(s) name, position, institution | subject | Date, time scheduled | Meeting held y/n? | comments |
|---------|---|---|-----------------------------------|-------------------|---|
| 1 | Land Development and Management Bureau Dr. Milkessa Jagema Lemu Gemechu Advisor to the Bureau Head | Cooperation letter submitted Introductory Meeting City level urban Development, Land, and land related issues | July 5, 2021 July 9, 2021 | Yes | Appointment secured Understanding created, Consensus reached on the assignment Strategic level discussion |
| 2 | Mr. Chalchisa Deputy Head of Planning Commission Mr. Teshale Alemu | Cooperation letter submitted Introductory Meeting Peri urban and urban Land Use planning issues | July 5, 2012 July 12, 2021 | Yes | Understanding created, Consensus reached on the assignment Further discussion and Secondary Data collected |
| 3 | Mr. Zerihun Amde Mariam: Head of Urban Land Registration and Information Agency | Letter of cooperation Submitted Introductory Meeting and Discussion | July 5, 2021 July 14, 2021 | Yes | Understanding created, Consensus reached on the assignment Discussions held secondary data not yet collected |

| | | | | | |
|----|--|--|---------------------------------|----------------|--|
| 4 | Finance Bureau Data and Information Administration Team Mr. IsayasAbera | Cooperation Letter submitted Introductory Meeting Introductory Meeting on the Revenue and Expenditure of the City, Rules and Regulations | July 7/2021 July 16,2021 | Yes | Appointment after several attempt secured Data and documents collected |
| 5 | Revenue Authority Research and Study Team Mr. BinyamMesfin | Cooperation Letter submitted Introductory Meeting and Discussion was held | July 7/2021 July 16,2021 | Yes Yes | Appointment secured secondary data collected |
| 6 | Farmers and Urban Agriculture Development Commission Mr. Sileshi Workneh Department Head | Cooperation letter submitted | July 22,2021 | Yes | Interview conducted. Data collected |
| 7 | Tenure Administration Office Mr. Teklu Beyam | Introductory Meeting and Discussion held | July 21,2012 | Yes | Available Data collected |
| 8 | Mr. Yosef Argaw Head of Urban Renewal Directorate Mrs, HabtamDagne Department Head | Discussion held on issues of urban Renewal and Resettlement | July 26/2021 | Yes | Data and documents collected |
| 9 | Mr. DagneMekonen Lease Follow up Directorate | Discussions held | July 26/2021 | Yes | Documents and Data collected though not complete |
| 10 | Mr. AyeleMerech Land Transfer Directorate | Introductory Meeting and Discussions held | July 27/2021 | Yes | Not enough information gained because he is appointed only week ago/ not complete data |

| | | | | | |
|----|---|--|----------------------------------|-----|---|
| 11 | Land Banking and Protection Directorate Mrs. Fessesse Work Befirdu | Letter submitted Interview Held | May 27/2021 August 9/2021 | | Data collected |
| 12 | Investment Commission Mr. Tamrat Dilla/commissioner Mr. Biruk Estezia | Cooperation letter submitted Discussion held | July 13/2021 July 19/2021 | Yes | Data and document collected |
| 13 | Housing Corporation | Discussion held | August 26/2021 | Yes | Available Data collected |
| 14 | Banks and Micro Finance Mr. Sefi Alem Liben Development Bank Of Ethiopia Mr. Adisu (CBE) | Discussion Held | September 4/2021 | Yes | |
| 15 | Brokers Mr. Ahmed Hassen Mr. Wende | Discussion Held | September 7/2021 | Yes | |
| 16 | Representative of farmers and Informal residents on peri urban areas Mr. Jafar Ahmed (informal) Melese Feyisa (farmer) | Discussion held Sites Visited | Sept 6/2021 | Yes | |
| 17 | Federal Housing Bureau Head Mr. Tadese | Discussion Held | Sept 9/2021 | | Data collected and Interview conducted |
| 18 | Water and Sewerage Authority Mrs. Frhiwot | Discussion Held Data Collected | Sept 13/2021 | Yes | Discussion held Data collected |
| 19 | Road Authority | Discussion Held and Data | Sept 14/2021 | Yes | |

| | | | | | |
|--|-----------|-----------|--|--|--|
| | Mrs. Eden | collected | | | |
|--|-----------|-----------|--|--|--|

ANNEX D: GEODATA AND INDICATORS

D.1. Geodata sources

The following Geo Data sources were obtained for the Addis Ababa case study

| A. Addis Ababa | | | | | | |
|----------------|--|------|----------|-----------|---|-----------|
| # | Data | Year | Format | Converted | Remarks | Status |
| 1 | Land use | 2009 | CAD | .shp | | Completed |
| | | 2018 | .shp | .shp | | Completed |
| 2 | Building height | 2018 | .shp | .shp | | Completed |
| 3 | Road and transport | 2018 | .shp | .shp | | Completed |
| 4 | Line map | 2012 | CAD | .shp | Contains admin data, cadastre (parcels) and buildings | Completed |
| 5 | Cadastre for urban area | 2021 | .shp | .shp | Missing year/means of acquisition and tax info | Pending |
| 6 | Rural cadastre for peri-urban areas | 2019 | PostGIS | .shp | | Completed |
| 7 | Topographic base map 1:50,000 | 1982 | .tif | - | | Completed |
| 8 | Satellite imagery (0.3m) | 2019 | .tif | - | | Completed |
| | Satellite imagery (0.3m) | 2013 | .tif | - | | Pending |
| | Orthophoto (0.25m) | 2016 | .tif | - | | Completed |
| 9 | DTM (0.2m) | 2020 | ESRI Arc | .tif | | Completed |
| 10 | Contours | 2020 | .tif | .shp | Generate from DTM | Completed |
| 11 | Administrative Boundaries for urban area | 2020 | .shp | - | Region, sub-city, kebele | Completed |
| | | 2019 | .shp | - | Region, sub-city | Completed |
| | | 2007 | .shp | - | Region, sub-city, kebele | Completed |
| 12 | Administrative Boundaries for peri-urban areas | 2020 | .shp | - | Region, zone, woreda, kebele | Completed |
| | | 2007 | .shp | - | Region, sub-city, kebele | Completed |

The following example images were extracted and were uploaded to the TEAMS site for sharing

1. **Addis Ababa Cadastral Map 2019.jpg**
2019 cadastre fabric and administrative boundary overlaid on satellite imagery from 2021.

2. **Addis Ababa Imagery 2013.jpg**
2007 administrative boundary overlaid on satellite imagery from 2013.
3. **Addis Ababa Imagery 2021.jpg**
2019 administrative boundary overlaid on satellite imagery from 2021.
4. **Addis Ababa Land Use 2009.jpg**
2009 land use plan overlaid on satellite imagery from 2013.
5. **Addis Ababa Land Use 2018.jpg**
2018 land use plan overlaid on satellite imagery from 2021.
6. **Addis Ababa Peri-urban Kebeles.jpg**
2019 sub-cities and kebeles, with the peri-urban kebeles displayed using hatch symbology overlaid on satellite imagery from 2021.
7. **Addis Ababa Sub-cities.jpg**
2019 sub-cities overlaid on satellite imagery from 2013.
8. **Extension of Addis Ababa - 2013 & 2021.jpg**
Two maps displayed side-by-side showing the growth of the city:
 - 2013: The administrative boundary from 2007 overlaid on satellite imagery from 2013.
 - 2021: The administrative boundary from 2019 overlaid on satellite imagery from 2021.
9. **Informal Development - Addis Ababa.jpg**
Two maps displayed side-by-side with satellite imagery from 2013 and 2021 showing new informal development taking place in Bole sub-city Woreda 12.
10. **Location Map of Addis Ababa City Administration.jpg**

D.2. Indicators.

The team were able to obtain and estimate the following indicators. As part of the wider review process, we would be grateful if the following data could be confirmed and completed.

| ADDIS ABABA | | land comparators / indicators | | | | source / comment |
|-------------|---|--|--------------------------------------|------------------------------|---------|--|
| | | | | | | <i>enter in this column the source, here any comments or refs etc.</i> |
| A | Administrative | | | | | |
| A.1 | units | | 2021 | 2016 | 2011 | <i>amend years if necessary</i> |
| | No of sub cities | 11 | | 10 | 10 | |
| | No of woreda urban | 86 | | | | |
| | No of woreda rural | 42 | | | | |
| | total no of woreda (all types) | 128 | | | | |
| | total No of kebele (all) | | | | | kebeles are no more available |
| A.2. | plans in force | | year of current master plan in force | year if previous master plan | | |
| | City wide Master Plan | (2017-2027) | | | | |
| | Do local development plans exist and what % of city is covered? | Yes but only the Main City Centre Development Plan with 400 Ha of land is currently being under implementation The remaining LDPs has been terminated for further improvement | | | | |
| B | Area and population | | | | | want to track changes over the last ten years or so |
| B.1. | Area | | 2021 | 2016 | 2011 | |
| | Area of city (inside boundary) Ha | 540,000 | | 540,000 | 540,000 | The administrative boundary of the City is delineated 20 years before |

| | | | | | | | |
|---|-------------------|---|--------------------|----------------------|---------------------|--------------------|---|
| | | area classified as urban Ha | 518,291 | | | | |
| | | area classified as rural Ha | 21,709 | Not available | Not available | | The area is an estimate of the 42 rural woredas designated as rural according to the Urban Agriculture and Farmers Development Commission |
| B.2 | Population | | 2021 | 2017 | 2011 | | |
| | | Official Population | 5,005,524 | 4,215,965 | | | |
| | | official annual rate (%) increase of population | 3.50% | | | | |
| | | unofficial estimate of population | | | | | |
| | | data /pop | | | | | |
| | | date of last census (year) | 2007 | | | | |
| | | population at Last census | 2,739,551 | | | | |
| | | <i>Other? Please specify</i> | | | | | |
| CLand Tenure and Land Administration | | | | | | | |
| C.1 | Formal | | year = 2021 | year - = 2020 | year = 20191 | year = 2018 | <i>amend the year if necessary but want data over 3-5 year period or so</i> |
| | | Estimated total number of cadastre based parcels | 409,618 | | | | |
| | | Estimated total number of registered owners | 15,974 | | | | 6354 government and 9620 private owned) are registered |
| | | Number of Commercial Permits | 40,449 | | | | Professional Estimate |
| | | Number of residential permits (old possession) | 229,225 | | | | Professional Estimate |
| | | Number of residential leases | 104,966 | | | | |
| | | Number of commercial leases | 34,988 | | | | |
| | | Number of rural parcels that exist in city boundary(holding books) | 20,000 | | | | an estimate but all don't have books |
| | | Number of Certified Peri | | 2646 | | | |

| | | | | | | | |
|-------------|--|--|--------------------|--------------------|--------------------|--------------------|---|
| | | urban /farmers Residential Plots <i>Other? Please specify</i> | | | | | |
| C.2. | Transactions =mode of acquisition- as recorded by urban land admin dept.- per year | | year = 2020 | year =2019 | year = 2018 | year = 2017 | <i>amend the year if necessary but want data over 3 - 5 year period or so</i> |
| | acquisition by allocation | | | 284 | 469 | 606 | <i>Over 4000 hectare of land is allocated for condominium Housing/ government project/2016/</i> |
| | acquisition through auction | | | | | | |
| | acquisition through sale / purchase | 17,801 | 17,368 | 17,731 | 17,788 | | |
| | inheritance | | | | | | |
| | court order other | | | | | | |
| C.3. | Informal | | year = 2021 | year = 2020 | year = 2019 | year = 2018 | <i>amend the year if necessary but want data over 3-5 year period or so</i> |
| | total Estimated number of informal parcels | | | | | | Over 70,000 parcels is estimated by professionals |
| | Any estimates of number of informal sale / per year? <i>Regularized informal parcels/properties</i> | Not known | Not Known | not Known | not known | | |
| | | | 20,266 | 3,034 | 49,613 | 26,445(2016) | |
| D | Land Market Data | | | | | | |
| D.1 | Allocated Land | | year = 2019 | year = 2018 | year = 2017 | 2016 | |
| | number of allocated parcels per year | | | | | | Allocated plot is not known on parcel basis but on area basis |
| | total area of parcels (sq. m) per year | | | | | over 4000 Ha | Estimate of the Housing Department |

| | | <i>Other? Please specify</i> | | | | |
|-----|--|--|--------------------|--------------------|--------------------|---|
| D.2 | Auctioned land | | year = 2019 | year = 2018 | year = 2017 | <i>amend the year if necessary but want data over 3-5 year period or so</i> |
| | | number of auctioned parcels per year | 284 | 469 | 606 | <i>want to know how much is being auctioned</i> |
| | | total are s of auctioned parcels (sq. m) per year | 148,967 | 209,900 | 851,234 | |
| | | <i>Other? Please specify</i> | | | | |
| D.3 | Destination of allocated / auctioned land | | year = 2019 | year = 2018 | year = 2017 | <i>amend the year if necessary but want data over 3-5 year period or so</i> |
| | | allocated land (by year) | | | | |
| | | number of sq. m allocated for residential per year | No | | | <i>Land is allocated for condominium housing in Addis Ababa</i> |
| | | number of sq. m allocated for commercial/industrial per year | No | | | |
| | | no of sq. m allocated for other purpose per year | No | | | |
| | | auctioned land (by year) | | | | <i>Idea is to get an average view of what the land is used for.</i> |
| | | number of sq. m auctioned for residential purpose per year | 18,145 | 23,494 | 32,201 | |
| | number of sq. m auctioned for commercial/industrial per year | 33,412 | 30,150 | 34,351 | | |
| | no of sq. m auctioned for mixed use per year | 97,410 | 156,256 | 157,142 | | |
| | no of sq. m auctioned for special projects per year | | | 627,540 | | |

| D.4. | Compensation prices per Ha) | | year = 2020 | year = 2019 | year = 2018 | year = 2017 | <i>amend the year if necessary but want data over 3-5 year period or so</i> |
|------|--|--|---|---|---|--------------|--|
| | | (this is the compensation rate paid to the farmer when land is expropriated compensation rate (ETB per sq. m) | 81.26/sq. m | 81.26/sq. m | 81.26/sq. m | 81.26/sq. m | <i>want to know how much is being paid and any other terms</i> if the land has trees the compensation is higher than this |
| | | Total area auctioned in sq/m | | 148,967 | 209,900 | 851,234 | In renewal areas the compensation is even higher because it includes compensation for buildings |
| D.5 | Benchmark prices per Ha) | | year = 2021 | year = 2020 | year = 2019 | year = 2018 | |
| | | benchmark price unimproved land (no services) price ETB / sq. m total area sold at unimproved land benchmark prices (if known) <i>is there any other benchmark price categories - if so insert</i> | 214.87/sq. m | 214.87/sq. m | 214.87/sq. m | 214.87/sq. m | The lowest bench mark price in the lowest land grade suits the inquiry. Land Grade 3/4 in expansion zone |
| D.6. | Market prices for sales - basic land for development | | year = 2019 | year = 2018 | year = 2017 | | <i>The basic infrastructure in place are water, electricity and road</i> |
| | | basic land for development (has some basic infrastructure - please specify) price per sq. m Average Bid price for Residential plot <i>Average Bid price for commercial plot</i> Average Bid price for Mixed use plot | 24,288/m.sq 16,700/m.sq Not available | 19,399/m.sq 12,118/m.sq 22,023/m.sq | 11,151/m.sq 23,129/m.sq 19,154/m.sq | | page 45 of the Report |

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| D.7, | Market prices for sales - | | | | | |
|------|---|--------------------|--------------------|--------------------|--------------------|---|
| | residential sales | year = 2019 | year = 2018 | year = 2017 | | <i>Brokers Estimate/ in case the quality and area of the properties kept the same and</i> |
| | residential property high end price per sq. m | 100,000 | 100,000 | 85,000 | | High end is assumed to be a fully serviced and central area |
| | residential property (middle) price per sq. m | 75,000 | 75,000 | 55,000 | | Middle price assumed to be in transitional zone with semi serviced area |
| | residential property low end price per sq. m | 50,000 | 50,000 | 45,000 | | Low end is assumed to be in periphery area |
| | Commercial sales (shops, offices multi use etc.) | year = 2021 | year = 2020 | year = 2019 | year = 2018 | <i>amend the year if necessary but want data over 3-5 year period or so</i> |
| | commercial property (high end) price per sq. m | 120,000 | | 90,000 | 90,000 | Brokers estimate |
| | commercial property (middle) price per sq. m | 80,000 | | 65000 | 65000 | |
| | commercial property low end price per sq. m | 60,000 | | 55,000 | 55000 | |
| | Agricultural producing plots (smallholding, vegetables, fruit, etc.) | year = 2021 | year = 2020 | year = 2019 | year = 2018 | |
| | agricultural property (high end) price per sq. m | 500 | 500 | 400 | 400 | agricultural plots/ informal sales price/ brokers estimate |
| | agricultural property (middle) price per sq. m | | | | | |
| | agricultural property low end price per sq. m | 400 | 400 | 300 | | |
| D.8 | What else? | | | | | |