COALITION FOR URBAN TRANSITIONS

OECD

SUSTAINABLE AND INCLUSIVE HOUSING IN ETHIOPIA:

A POLICY ASSESSMENT

Tadashi Matsumoto and Jonathan Crook

Executive summary

Ethiopia is the second most populous and the fifth least urbanised country in Africa. Just 21% of the population lives in cities, well below the sub-Saharan Africa average of 40.4%, although Ethiopia's urban population is projected to grow between 3.8% to 5.4% per year. From 2000 to 2015, Addis Ababa's population grew by 37% (from 2.8 million to 3.8 million) and its built-up area by 32% (from 85km2 to 113km2).

While the rapid pace of urbanisation in Ethiopia could generate many benefits, it is driving an urgent need for adequate, resilient and affordable housing, and it also brings the challenge of urban sprawl, which must be met through the delivery of compact urban development.

Ethiopia's current urban housing stock has a number of characteristics that make urgent action important – both to support residents' well-being and to create sustainable cities. These characteristics include: a housing market historically dominated by owner-occupiers a highly fragmented, informal and closed rental market; overcrowding and low-quality housing conditions; and fast-growing, unmet housing demand that outpaces the provision of affordable housing.

CONTENTS

Coalition for Urban Transitions
c/o World Resources Institute
10 G St NE
Suite 800
Washington, DC 20002, USA

C40 Climate Leadership Group
3 Queen Victoria Street
London EC4N 4TQ
United Kingdom

WRI Ross Center for Sustainable Cities
10 G St NE
Suite 800
Washington, DC 20002, USA

ABSTRACT

As the second most populous and fifth least urbanised country in Africa, Ethiopia is currently facing the pressure of rapid urban expansion and growing urban housing demand. Ethiopian cities generally have a large proportion of sub-standard housing stock and a deficient affordable formal rental market. In a context where the government owns all urban land and exerts considerable control on development, since 2006 Ethiopia has undertaken an ambitious housing programme to significantly increase the quantity of affordable urban housing units, although challenges remain. This working paper assesses the impact of national housing policy instruments in Ethiopia on housing affordability and urban form and provides insight to enable a more robust framework for compact and affordable cities.

CITATION

Matsumoto, T. and Crook, J., 2021. *Sustainable and inclusive housing in Ethiopia: a policy assessment*. Coalition for Urban Transitions. London and Washington, DC. Available at: https://urbantransitions.global/publications

This material has been funded by UK aid from the UK government; however, the views expressed do not necessarily reflect the UK government's official policies.

Photo credit: Milosk50/Shutterstock

ABBREVIATIONS

CSA	Central Statistical Agency of Ethiopia
CUT	Coalition for Urban Transitions
ETB	Ethiopian birr
FHC	Federal Housing Corporation
IHDP	Integrated Housing Development Programme
NPC	National Planning Commission
NUDSP	National Urban Development Spatial Plan
OECD	Organisation for Economic Co-operation and Development
PPP	Private–public partnerships
ULG	Urban local governments
US$	United States dollar

This paper assesses how Ethiopia's current national housing framework is addressing the dual challenges of housing affordability and compact development, and provides recommendations to promote sustainable and inclusive cities in Ethiopia. To do so, it takes an analytical framework developed by the Organisation for Economic Co-operation and Development (OECD), in partnership with the Coalition for Urban Transitions, that identifies 16 housing policy instruments from around the world with an impact on compactness and housing affordability and applies it to the Ethiopian context. The analysis indicates that several important policy instruments for compactness and housing affordability identified in the framework are currently in place in Ethiopia, but that certain key instruments are absent.

Key findings from this paper's analysis of the Ethiopian housing framework include:

- Despite public ownership of all urban land, coordinated urban land-use planning and control remains a challenge in Ethiopia, and the federal and subnational governments have considerable untapped potential to improve land value capture.
- Ethiopia has made important progress in tackling historically high and rising urban housing demand, particularly through its condominium development homeownership programme – the Integrated Housing Development Programme (IHDP) – which built nearly 400,000 units in 12 years.
- However, IHDP units are largely unaffordable for their target of lowest-income households, and the home ownership programme has been unable to meet demand and has incurred unsustainably high costs (subsidies totalling an estimated US$9 billion).
- Ethiopia's housing policy framework is characterised by measures promoting homeownership, and private housing developers primarily target high-income households.
- The development of a formal rental market is hindered by limited regulations and a lack of transparency between landlords and tenants.

Based on these key insights, this paper proposes the following policy recommendations (Section 4) to help scale up affordable housing and ensure compact development in Ethiopia's cities:

- Lay the groundwork for fiscal measures that can foster compactness and housing affordability, including through urban cadastres and regular property valuation. Revising impact fees and implementing a development tax would internalise urban infrastructure costs and help to bolster local revenue collection, limit distortionary impacts on housing affordability, and encourage more efficient use of urban land. Urban cadastres and regular revaluation of properties should be key priorities.

- Incentivise infill development, to minimise sprawl. The federal government should consider providing technical support and fostering a regulatory environment to incentivise infill development for housing. Such measures might involve easing zoning requirements for high-quality development and reducing the burden of administrative and legal permitting processes.
- Provide incentives to investors and developers for affordable rental housing. Private–public partnerships (PPPs), supported by the establishment of a legal, institutional and regulatory frameworks, offer an opportunity for affordable rental housing that would lessen the financial burden on the public sector.
- Enforce and more strongly implement inclusionary zoning for private developments to ensure affordable rental housing. This would see a greater proportion of new housing units set aside for affordable rental housing. Government regulations and guidelines, as well as tax incentives to private developers for the allocation of a share of affordable rental housing units in new developments, could greatly lower the burden on the public sector for the direct provision of affordable housing.
- Develop clear landlord–tenant regulations. The government should work with the private sector to design and supply guiding principles, such as a standardised rental contract, to ensure that both parties have equal access to information as well as respective legal rights.

1. Introduction

Housing is an essential need affecting the well-being of all citizens. Accordingly, providing adequate and affordable housing is a core national policy objective, especially given its impact on inequalities. Lower-income households typically live in lower-quality housing, on which they spend a greater share of their disposable income. In OECD member countries, one in three low-income private renters spends more than 40% of their disposable income on rental costs alone.[1,i] Overcrowded and poor living conditions, whether for formal or informal housing, further undermine well-being in many developing countries.

Urban sprawl has a range of economic, social and environmental repercussions, including lower productivity, rising greenhouse gas emissions, encroachment on fertile agricultural land, and reduction in recreational spaces for leisure.

Cities face particularly marked housing affordability challenges, with strong demand for urban housing and rising housing prices around the world, due in part to increasing urbanisation rates. At the same time, cities are facing sustainability challenges. Typically, urban sprawl has a range of economic, social and environmental repercussions, including lower productivity, rising greenhouse gas emissions, encroachment on fertile agricultural land, and reduction in recreational spaces for leisure. National governments thus have to address two urgent policy objectives simultaneously: i) **providing adequate, resilient and affordable housing**; and ii) **delivering compact urban development**.

Ethiopia, like many of its East African neighbours, is experiencing rapid urbanisation and facing both policy challenges. This paper identifies six cross-cutting housing policy instruments that best encompass Ethiopia's national housing framework from the perspective of housing affordability and compact urban development. These six policies are set out in Section 3.

The analytical framework used to assess the six instruments is based on the global assessment of 16 national urban housing policy instruments affecting housing affordability and compact development conducted in a recent OECD/CUT working paper, *Housing policies for sustainable and inclusive cities*.[2] The objective of this follow-up paper is to assess how Ethiopia's current national housing framework is effectively addressing the challenges of housing affordability and compact development, and to provide recommendations to promote sustainable and inclusive cities in Ethiopia.

The structure of the paper is as follows. After this introductory section, Section 2 maps out Ethiopia's current housing policy landscape. Section 3 then carries out

i. Typically, a housing expenditure threshold over 40% is considered a burden on households, between 30% and 40% is considered unaffordable, and expenditure under 30% is considered affordable.

in-depth assessments of the six major national housing policy instruments.[ii] The concluding Section 4 summarises the key characteristics of these instruments and provides overarching policy recommendations to support compact urban development and affordable housing in Ethiopia. The paper benefitted from desk research and a fact-finding mission to Addis Ababa, Ethiopia, in July 2019 to interview government officials and leading experts and to collect data and documentation.

The numerous benefits provided by compact cities have been subject to debate in light of COVID-19. Especially at the outset of the pandemic, questions emerged regarding the vulnerability of densely populated cities and their potential to spread COVID-19, due to close proximity among residents and the difficulty in applying social distancing measures. However, as documented in the OECD report *Cities policy responses to COVID-19*, urban density alone does not make cities and their residents more vulnerable to the impacts of COVID-19, and is not necessarily correlated with higher transmission rates.[3] Rather, structural socio-economic conditions in many cases underpin urban residents' resilience or vulnerability (e.g. access to good health care). In fact, dense urban environments can provide quicker access to health and social services, create support networks to combat social isolation and make use of "social infrastructure" (i.e. community institutions) to alleviate the consequences of COVID-19. This paper does not specifically analyse the impacts of COVID-19 on urban housing in Ethiopia, although this remains an important area for further research.

The paper applies the definitions of urban sustainability and affordable housing as laid out in *Housing policies for sustainable and inclusive cities*. Urban sustainability is thus considered from the perspective of compact urban development, which is characterised by "dense and proximate development patterns [...] linked by public transport systems [and with] accessibility to local services and jobs".[4] Affordable housing, in line with the definition employed by many OECD and non-OECD countries, can be measured relative to the proportion of households or population that spend more than 40% of their disposable income on housing costs. Housing affordability definitions naturally vary from country to country (see Box 1 for the Ethiopian context). Building on the methodology developed in *Housing policies for sustainable and inclusive cities*, this paper focuses on the formal housing market, and hence informal housing remains outside its scope. While regional governments and secondary cities are discussed in the paper, the primary focus of the assessment and recommendations is on the federal government and on Ethiopia's capital city, Addis Ababa, where the greatest demand for and supply of housing are concentrated.

ii The Ethiopian framework plan – the National Urban Development Spatial Plan (NUDSP) – as well as some legislation under consideration (rent cap, tenant–landlord regulation), are not discussed in full, as they were still either under review or discussion at the time of writing.

2. Ethiopia's urban and housing policy landscape

2.1 ETHIOPIA REMAINS PREDOMINANTLY RURAL, BUT RAPID URBANISATION IS UNDERWAY

Just over 20% of Ethiopia's population live in urban areas

23.5

MILLION - urban residents

112

MILLION - total population

Ethiopia's urbanisation rate is currently significantly below the sub-Saharan average

40.4%

Sub-Saharan urbanisation rate

21%

Ethiopia's urbanisation rate

Ethiopia is the second most populous and the fifth least urbanised country in Africa. At present, 21% of Ethiopia's 112 million residents live in urban areas (23.5 million people),[iii] according to the national definition.[5] Although significantly below the sub-Saharan average of 40.4%, Ethiopia's urban population is expected to grow considerably over the next few decades: the Central Statistical Agency of Ethiopia (CSA) projects that the urban population will increase to 42.3 million by 2037, growing at 3.8% per year, while the World Bank projects this growth at a higher rate of 5.4% per year.[6] The main drivers of urbanisation are:

- **Economic growth:** Ethiopia's average annual gross domestic product (GDP) growth rate was 10.4% between 2004 and 2018.[7] While urban inequality (measured by the Gini coefficient) is high, it has declined in recent years, from 0.44 in 2005 to 0.37 in 2011.[8] There are marked differences between the livelihoods of people in rural areas (of whom 25.6% live in poverty) and urban areas (of whom 14.8% live in poverty).[9] This "urban advantage" drives natural population growth – where the mortality rate is lower than the fertility rate – which is estimated to have accounted for up to 40% of urban population growth as of 2012.[10]
- **Administration and planning:** The reclassification of rural villages into towns accounted for approximately 33% of growth in the total urban population as of 2012,[iv] while the expansion of existing urban areas into nearby settlements accounted for 3%.[11] The government's efforts to embed (sustainable) urbanisation priorities within national development plans such as the 2015–2020 Growth and Transformation Plan II also

iii Ethiopia's urban population stands at 38%, according to the new methodology developed by the OECD, the European Commission and a coalition of four other international organisations (World Bank, FAO, UN-Habitat, ILO) to define the degree of urbanisation in the world – where urban centres are defined and measured as high-density places having at least 50,000 inhabitants, rather than according to nationally varying definitions for "urban" and "rural". That being said, the housing data analysed throughout this paper was produced according to Ethiopia's statistical definition of "urban".

iv As detailed by the World Bank in its 2015 *Ethiopia Urbanization Review*: "Rural villages are upgraded to towns when they meet the following requirements: over half of the population are engaged in non-farming activities such as petty trading, service provision and the like; most of the residents in the area are benefiting from urban-based facilities like electricity, piped-water supply, telephones, schools, and health services; total population living in that particular location is 2,000 and above; and the area is believed to have potential for economic growth and attraction of migrants to engage in nonfarm activities."

Ethiopia's urban population is expected to grow considerably over the next few decades

42.3

Million - urban residents

ECONOMIC GROWTH

Higher prosperity in urban areas drives population growth, as the mortality rate is lower than the fertility rate.

25.6%

RURAL residents live in poverty

14.8%

URBAN residents live in poverty

contribute to urbanisation.[12] Given that urban households are on average smaller than rural ones – comprising 3.5 people rather than 4.9 – housing needs will continue to grow with the rate of urbanisation.[13]

- **Changing patterns of work:** At present, agriculture employs 77% of the workforce (90% of which are small-scale farmers) and contributes 38.8% of GDP. However, Ethiopian cities have been estimated to contribute 38% of GDP through the employment, formal and informal, of only 15% of the country's total workforce, and 60% of all new jobs created between 2005 and 2011 were in urban centres.[14] Accordingly, rural–urban migration accounted for 24% of the growth of urban populations as of 2012.[15]
- **Growing labour force:** Ethiopia's labour force has doubled over the last 20 years, and CSA projections suggest it will increase from 39 million in 2007 to between 86.5 and 91.2 million by 2037.[16] This future growth is also due to Ethiopia's high youth population: 40.6% of Ethiopians are between 0–14 years old, compared to the global average of 25.8%.[v,17] This increase in the labour force implies a growing share of urban residents seeking employment opportunities in Ethiopian cities.

The capital city of Addis Ababa is by far the most populous city in Ethiopia, having undergone rapid growth in terms of population, 3.8 million in 2015 versus 2.8 million in 2000 (37% increase), and of built-up area, 113 km² in 2015 versus 85 km² in 2000 (32% increase).[vi,18]

v Ethiopia's population age structure is almost identical to the sub-Saharan Africa regional aggregate and contrasts with that of OECD member states: percentage of total population aged 0–14 (Ethiopia, 40.8%; sub-Saharan Africa, 42.5%; OECD, 17.7%); percentage of total population aged 15–64 (Ethiopia, 55.7%; sub-Saharan Africa, 54.6%; OECD, 65.1%); percentage of total population aged 65 and above (Ethiopia, 3.5%; sub-Saharan Africa, 2.9%; OECD, 17.2%).

vi Pesaresi, M., Florczyk, A., Schiavina, M., Melchiorri, M. and Maffenini, L., 2019. GHS settlement grid, updated and refined REGIO model 2014 in application to GHS-BUILT R2018A and GHS-POP R2019A, multitemporal (1975-1990-2000-2015), R2019A. European Commission, Joint Research Centre. DOI:10.2905/42E8BE89-54FF-464E-BE7B-BF9E64DA5218.

Drivers of Urban population growth as of 2012

40% from natural population growth

33% from the reclassification of rural villages into towns

24% from rural-urban migration

3% from the expansion of urban areas into nearby settlements

2.2 AN OWNER-OCCUPIED HOUSING MARKET WITH LIMITED FORMAL RENTAL OPTIONS

More than 80% of Ethiopia's housing market is owner-occupied (Table 1). There is, however, a notable difference between urban and rural areas: only 39% (1.8 million) of all urban units were owner-occupied, compared with 95% (13.9 million) of all rural units.[19] While rental tenure accounts for a small share (15%) of Ethiopia's 19.4 million total housing units, it accounts for 54% of all urban housing units; in the capital city, Addis Ababa, this share is even higher, rising to 61%.

Key:

DELIMITATION			
TOTAL	RURAL	URBAN	ADDIS ABABA
			

Table 1: Ethiopian housing unit tenure in 2016

NUMBER OF HOUSING UNITS (% OF TOTAL), BY TYPE OF TENURE	DELIMITATION			
				
OWNER-OCCUPIED	15 756 705 (81.22%)	13 940 377 (94.59%)	1 816 327 (38.96%)	247 511 (29.80%)
RENTED	2 922 830 (15.07%)	416 019 (2.82%)	2 506 811 (53.77%)	507 265 (61.06%)
FREE OR SUBSIDISED	651 112 (3.36%)	344 411 (2.34%)	306 701 (6.58%)	69 765 (8.40%)
OTHER	67 721 (0.35%)	36 048 (0.24%)	31 673 (0.68%)	6 159 (0.74%)
NOT STATED	793 (38.96%)	352 (-)	441 (0.01%)	- (-)
TOTAL	19 399 161 (100%)	14 737 207 (100%)	4 661 953 (100%)	830 700 (100%)

Notes: CSA considers a housing unit to be "free of charge or subsidised" (simply referred to as "Free or Subsidised" in the table) if it is provided to a tenant for free or at a subsidised rate on behalf of a relative or an employer.

Source: Author elaboration adapted from Ethiopia's Central Statistical Agency Welfare Monitoring Survey 2015/2016.[20]

Private households accounted for three-quarters of rented units in cities, according to the most recently available census data (Table 2).[vii] The availability of rental units from house renting agencies or other institutions is very limited (2.7% nationwide and 2.5% in cities). This implies that **the rental market in Ethiopia may be fragmented** (i.e. many individual households are renting a relatively small number of units), **informal** (i.e. rental contracts may not be regulated and transparent) and **relatively closed** (i.e. rental information may not be widely available). On the formal market, rental housing allowances (or rent-subsidy vouchers) are provided to employees of certain universities, public institutions and companies, but remain unavailable to urban residents who would benefit from such support.

Kebele housing – government-managed rental housing that is inexpensive but typically of low-quality – is the second most common form of rental tenure (20% of total rental housing units) and is especially prevalent in urban areas, where 345,428

vii Since the Welfare Monitoring Survey 2015/2016 did not collect disaggregated data according to the type of rental tenure, the most relevant data source was last collected in 2007, when the third and most recent national population and housing census was conducted (Table 2). The census data reveal the constitution of the rental market in 2007 and are largely consistent with WMS 2015/2016 (Table 1), and hence inform current understanding of Ethiopia's urban rental tenure.

kebele units are located (95% of all *kebele* units). The 148,645 units in Addis Ababa – 43% of all urban *kebele* units in the country – account for nearly 40% of all rental housing in the city. The high rate of *kebele* housing units in Addis Ababa explains the city's lower share of rentals supplied by private households relative to the country average. *Kebele* housing provides an affordable housing alternative for low-income households (see Box 1 on housing affordability in the Ethiopian context), but represents a challenge from a housing quality perspective due to its often poor quality, as will be further discussed in this paper.

Table 2: Detailed Ethiopian housing unit tenure in 2007

TYPE OF TENURE	DELIMITATION			
TOTAL HOUSING UNITS	15 103 137	12 206 118	2 897 019	628 986
TOTAL OWNER-OCCUPIED UNITS % OF TOTAL HOUSING UNITS	12 303 481 81.46%	11 164 791 91.47%	1 138 690 39.31%	205 196 32.62%
TOTAL RENT-FREE UNITS % OF TOTAL HOUSING UNITS	1 016 246 6.73%	815 291 6.68%	200 955 6.94%	37 293 5.93%
TOTAL RENTAL UNITS % OF TOTAL HOUSING UNITS	1 783 410 11.81%	226 036 1.85%	1 557 374 53.76%	386 497 61.45%
Rental from kebele *% of total rental units*	362 303 *20.32%*	16 875 *7.47%*	345 428 *22.18%*	148 645 *38.46%*
Rental from private household *% of total rental units*	1 363 129 *76.43%*	194 015 *85.83%*	1 169 114 *75.07%*	222 384 *57.54%*
Rental from private household *% of total rental units*	24 587 *1.38%*	1 717 *0.76%*	22 870 *1.47%*	11 388 *2.95%*
Rental from private household *% of total rental units*	23 835 *1.34%*	7 397 *3.27%*	16 438 *1.06%*	3 281 *0.85%*
Rental from private household *% of total rental units*	9 556 *0.54%*	6 032 *2.67%*	3 524 *0.23%*	799 *0.21%*

Notes: The CSA considers "Rent-Free Units" to be owner-occupied units where the inhabitant does not pay rent. For the purposes of this paper, "Rent-Free Units" have been included as a distinct category, and thus have not been accounted for in the tabulation of total owner-occupied units. "Occupied difference rent" indicates housing units occupied by households paying a difference in rent. Such a household owns another housing unit that is rented for either less or more compared to the rent of the housing unit the household is occupying at the time of the census.

Source: Author elaboration adapted from the 2007 Population and Housing Census of Ethiopia.[21]

2.3 LOW-QUALITY URBAN HOUSING AND LIVING CONDITIONS PRESENT SIGNIFICANT CHALLENGES

Housing quality in Ethiopia is lower than in neighbouring countries, with overcrowded and poor living conditions constituting the major housing challenges in large urban centres.[22] "Wood and mud" – also referred to as chika-bet [wood/mud + straw-mortar house] construction – historically served as the primary construction material for the walls of three-quarters of all housing units, rising to 80% in cities.[23] The two most commonly used materials for flooring in urban housing units were "earth or sand" (23%) and "dung" (9%), an indication of low-quality housing (Table 3).[viii] Some 65% to 75% of the urban population lives in what might be considered slums since many housing units lack durability, adequate space, access to safe water and sanitation, and security of tenure.[24] Overcrowding compounds these risks: 65% of urban households use a single room for sleeping, yet the average urban household size is 3.5 persons (Table 3).

While access to services, such as water, sanitation, solid waste and electricity, is significantly better in urban areas than rural areas, it nonetheless remains low. Almost all urban households have access to an improved source of drinking water and 93% have access to electricity, yet only 16% use improved sanitation (e.g. flush/pour-flush to piped sewer/septic/latrine).[ix,25] Solid waste management also poses a challenge, as it is often discharged into open areas, endangering public health.

viii Flooring materials differ widely in urban and rural areas: "earth or sand", "vinyl or asphalt strips" and "carpet" are most often used in urban households (23% each), whereas the floors in rural households are primarily of "earth or sand" (55%) and "dung" (39%).

ix Household coverage for water, sanitation and electricity remains low in Ethiopia. Nearly two-thirds (65%) of all households have access to an improved source of drinking water, but only 6% use improved sanitation. The remaining 94% use unimproved sanitation: generally a shared facility (9%), an unimproved facility (53%) or no facility (32%). Urban households are more likely than rural households to use improved sanitation (16% versus 4%), and while nearly all urban households (93%) have access to electricity, this is only the case for 26% at the national level. Unimproved sanitation poses numerous health risks, which can be compounded by rapid urbanisation as cities struggle to provide wastewater infrastructure to a fast-growing population. Sanitation-related issues are among the leading causes of disease transmission in Africa, especially for cholera, diarrhoea, dysentery and typhoid. The low share of improved sanitation in Ethiopia's cities is a common challenge across urban areas in sub-Saharan Africa, where only 20% of the population is estimated to have safely managed sanitation and 25% to basic sanitation.[26]

Table 3. Ethiopian housing characteristics
Percentage distribution of housing characteristics by households

HOUSING CHARACTERISTICS		HOUSEHOLDS		
				
ELECTRICITY	*Yes*	93%	8%	26%
	No	7%	92%	74%
FLOORING MATERIAL	NATURAL FLOOR			
	Earth, sand	23%	55%	48%
	Dung	9%	39%	33%
	RUDIMENTARY FLOOR			
	Wood/planks	0.3%	0.1%	0.2%
	Palm/bamboo	0.8%	1.7%	1.5%
	FINISHED FLOOR			
	Parquet or polished wood	1%	0.1%	0.3%
	Vinyl or asphalt strips	23%	1.2%	5.6%
	Ceramic tiles	4%	0.1%	0.9%
	Cement	16%	1.6%	4.5%
	Carpet	23%	1.4%	5.8%
ROOMS USED FOR SLEEPING	*One*	65%	72%	70%
	Two	25%	23%	24%
	Three or more	9%	5%	6%

Source: Ethiopia's Central Statistical Agency's Demographic and Health Survey 2016.[27]

2.4 A UNIQUE CONTEXT FOR URBAN HOUSING MARKED BY PUBLIC OWNERSHIP OF LAND AND INCREASING LIBERALISATION

Ethiopia's housing policy has been characterised by public ownership of land and a predominantly government-led supply of housing. All land in Ethiopia was nationalised in 1974, shortly after Emperor Haile Selassie was deposed by the Derg, the communist military junta that governed Ethiopia between 1974 and 1991. Proclamation Number 47, "Government Ownership of Urban Lands and Extra Houses", formally defined government ownership of urban land, as was later enshrined in the 1995 Constitution.[28]

Proclamation Number 47 also introduced three new typologies for government-supported housing that are still in place today: i) government-owned units rented at monthly rates above 100 Ethiopian birr (ETB), primarily destined for government officials and administered by the Federal Housing Corporation (FHC) (formerly the

Agency for the Administration of Rental Houses); ii) kebele housing, inexpensive and often poor-quality government-owned units rented at monthly rates below 100 ETB and managed by the lowest level of government; iii) cooperative housing, whereby small groups of individuals (typically 10 to 20) register together as a cooperative group for land allocation to independently construct communal housing, benefitting from below-market-value land allocation, subsidy of construction materials and low mortgage interest rates prior to 1991.[29]

In 1991, the Ethiopian People's Revolutionary Democratic Front introduced an increasingly market-oriented approach to urban housing development. The 1993 Urban Land Lease Holding Proclamation established long-term lease holding: the auction of city plots for long-term leases ranging from 15 years for urban agriculture to 99 years for housing. The proclamation, as well as proclamation 272/2002 which replaced it, stipulated that land used for social services and "low-cost housing" could be leased free of charge.[30] Importantly, neither proclamation defined "low-cost housing"[x] (see Box 1 on housing affordability in the Ethiopian context).[31] This provision was later repealed by Proclamation 721 in 2011, which stipulates that "every plot of urban land shall have a benchmark lease price".[32] The 1995 Constitution also permits urban land-use rights to be transferred to individuals, cooperative housing groups and private entities on a leasehold basis.[33] Although the proportion of urban housing stock delivered by private developers is minimal, the private real estate sector has grown in the post-1991 period, focusing primarily on high-income households in Addis Ababa and several secondary cities. The absence of widespread affordable mortgage finance presents an impediment for private developers to construct affordable housing.

The increasing liberalisation of the housing market was marked by the removal of subsidies on the sale of building materials and the setting of interest rates for housing construction at market rates (Regulation Number 3/1994). Subsidised interest rates were also removed after 1991, which significantly increased lending rates, from 4.5% for cooperatives and 7.5% for individuals to 16% for both, presenting an obstacle for low-income households to secure a home loan.[34] When loans were available from the construction bank (now dissolved), they were insufficient to meet very high demand. Additionally, since many low-income households receive income informally and lacked capital to use as collateral, there has been virtually no access to formal credit.[35] As the state retains public ownership of all land, the local level of government acts as the sole supplier of land for housing development in urban areas through direct allocation ("allotments")

x Proclamation Number 80/1993 states: "In the case of urban land used for social services and low cost houses, the rate of rent payable in accordance with sub-article 1 of this Article shall be low" (Article 8, §2). Proclamation 272/2002, "Re-enactment of the Urban Lease Holding Proclamation", which repealed the original 1993 Proclamation, similarly states, "Region or City government may permit urban land for lease payment down to nil for a development activity, social service-rendering institution, low-cost housing, private dwelling houses and similar undertakings it purports to encourage" (Article 8, §2). Neither proclamation provided a definition of "low-cost houses/housing".

and auction.[xi,36] Unlocking new private capital remains a significant challenge for the Ethiopian government, although certain instruments, such as housing bonds, could help finance growing demands for housing, especially in light of current debt sustainability issues.

As will be further detailed, the Integrated Housing Development Programme (IHDP) – the leading national policy instrument for the construction of affordable condominium units – successfully supplied 383,000 housing units between 2006 and 2018, but is soon expected to be phased out owing to capacity and delivery issues, as well as the highly subsidised nature of the programme. Within this context, the government is currently seeking an effective alternative set of housing policy instruments to provide greater supply of affordable units to an over-demanded housing market. To date, these alternative instruments have not yet been made public, aside from the announcement of an intention to boost the role of the private sector (foreign and domestic).

Photo credit: Dereje/Shutterstock

xi Formal housing refers to housing owned by individuals, private developers or the government, and that complies with all legal standards, including the land lease law as well as building codes and standards. Housing delivery systems under this group include housing cooperatives, privately owned individual houses, private real estate developments, government housing for civil servants and government-owned condominium housing.

BOX 1

Housing affordability in the Ethiopian context

In the OECD, affordable housing is typically measured relative to the proportion of household/population expenditure on housing costs that does not exceed 30% of disposable income (over 40% is deemed a burden by the OECD). In the Ethiopian context, housing may appear relatively affordable at first glance: expenditures on "housing (rent), water, electricity and gas" account for around 19% of annual expenditures for households across all consumption quintiles (19.5% average for urban households), which is not dissimilar to the OECD average of 22%.[37]

However, upon further scrutiny it is clear that the Ethiopian context is very different, for instance with regard to other expenditure categories. Across the OECD, 14% of total household expenditure on average is on "food and non-alcoholic beverages", whereas in Ethiopia this category accounts for more than 54% of total expenditures for fully 80% of households (even households in the fifth consumption quintile expend 44% in this category): Ethiopian urban households in the first consumption quintile spend up to 60% of annual expenditures on "food and non-alcoholic beverages".[38]

In practice, this means that housing and food costs alone account for 65% of annual expenditures for the average urban household in Ethiopia – a figure that rises to 80% for urban households in the first consumption quintile and only goes as low as 60% for households in the fifth quintile. Even with housing finance, only 3.5% of urban households are estimated to be able to afford the cheapest new housing unit (20m^2) built by a formal developer or contractor, which would cost around 600,000 ETB (PPP US$ 55,871).[39]

For households in Addis Ababa, median rent shares as a proportion of household consumption are estimated to be much lower for those occupying informal housing (14.8%) than formal housing (45%), IHDP (52%) or cooperatives (56%); low-income households in Addis Ababa (e.g. quintiles one and two) can essentially only afford informal housing or *kebele* housing.[40] This is illustrative of the great challenge in Ethiopia to define and provide affordable housing for all.[41]

Source: FDRE CSA, 2017. *Demographic and Health Survey 2016*; C-GIDD, 2020. *GIDD database*; OECD, 2021. *Building for a better tomorrow*; OECD AHD, n.d. *OECD Affordable Housing Database: Indicator HC1.1*; Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets*.

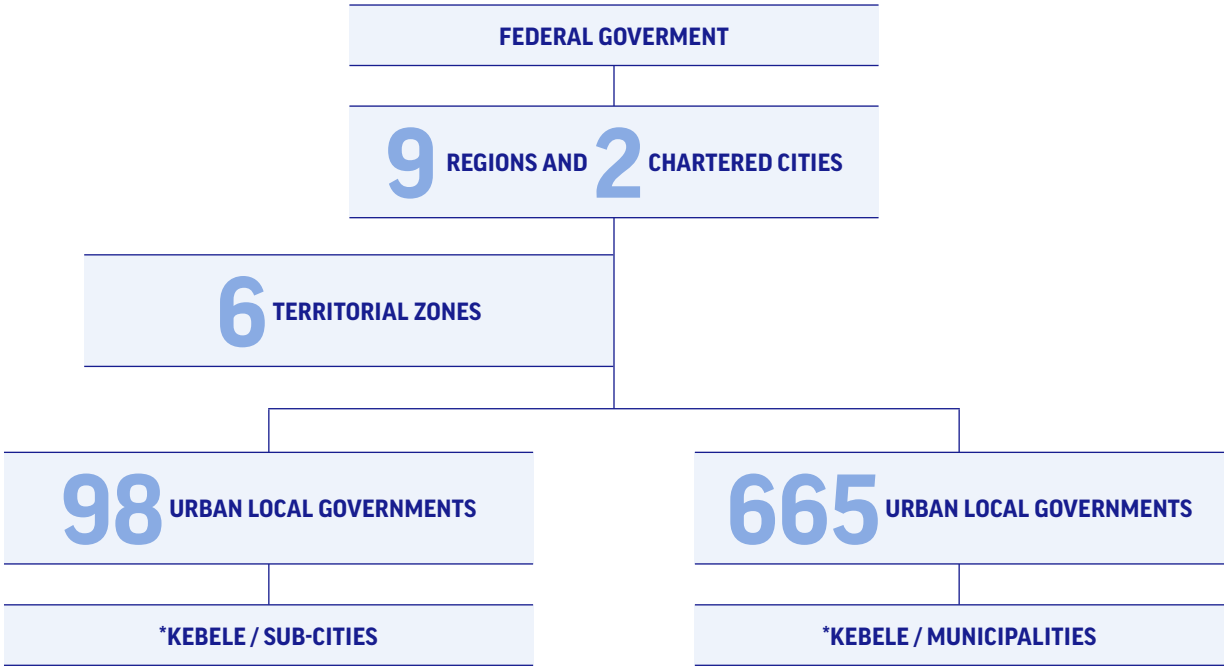
2.5 URBAN GOVERNANCE AND FINANCE IN ETHIOPIA'S FEDERAL FRAMEWORK

Ethiopia is a federal country with decentralised governance based on nine autonomous regional states (*kililoch*) and two chartered cities – Addis Ababa and Dire Dawa – that have the statUs of a regional state.[42] Ethiopia is one of the few African countries where, on the regional level, all three branches of government – legislative, executive, judicial – are independent from the federal government. The 1995 Constitution established the federal structure in which each region has its own autonomous and elected government. After the decentralisation of governance

to the regional states in 1995, a second phase of decentralisation followed in 2002, the District-Level Decentralisation Programme, after which the bulk provision of public services was devolved to the sub-regional level of government.[43]

There are 780 subnational governments including the 9 regions and 2 chartered cities, as well as 6 zones, 98 urban local governments (ULGs) and 665 rural *woreda* districts (*woredas* can be rural or urban) (Figure 1).[44] The regional states are structured into zones that are headed by appointed executives and councils and serve a coordinating role as well as linking between regions and the next level of government, which consists of *woredas* and ULGs (also referred to as city administrations).[45] Approximately 1,385 urban settlements have populations mostly below 20,000 and do not have ULG status, functioning instead under the authority of *woredas*.[46]

Figure 1. Governance structure in Ethiopia



Note: *Kebele administration units were the lowest level of government for years but they no longer exist, having been integrated into woredas.[47]

Source: Author elaboration.

The federal government collects the bulk of revenues to transfer in turn to local governments, making spending more decentralised than revenues.

Local governments have the major responsibility for urban housing development in Ethiopia.[xii,48] ULGs are assigned municipal functions by regions through city proclamations. These include housing supply as well as land servicing and supply, in addition to supply and quality of water; electricity and telephone services; construction and lighting of roads; drainage and sewerage; solid waste disposal systems.[49]

Although local governments have the ability to set local service charges and tax rates within a range set by the federal or regional government, the federal government collects the bulk of revenues to transfer in turn to local governments, making spending more decentralised than revenues (Box 2). Fiscal decentralisation remains limited, with significant disparities between local governments, particularly between urban and rural municipalities.[50] In 2009, intergovernmental transfers represented from 45% to 80% of regional expenditures, creating a high dependency of regional governments and thus reducing their autonomy. *Woredas* face a similar situation as they mostly rely on regional transfers to fund their spending.[51]

Photo credit: Dereje/Shutterstock

xii Each level of government is responsible for the provision of public services at its level, whereas the federal state is responsible for shared competences and for all powers that have not been delegated to the regional level. The regional governments are responsible for a wide range of policy domains, including economic and social development policies, while the woredas are in charge of water provision and distribution, building and maintenance of local roads, primary schools and primary health care services, among other services.

BOX 2

Revenue sources in Ethiopia

Revenue sources are clearly assigned to the federal and regional states, but weak fiscal bases and collection obstacles undermine local governments' fiscal revenues. This renders local governments highly reliant on intergovernmental transfers, limiting their autonomy.

Tax revenue: the constitution allows the regional states to levy the following taxes: income tax on employees of the state government; agricultural tax on farmers; tax on individual traders, houses and other property owned by private persons or regional governments; sales tax on public enterprises owned by the state government; and forest products. Regional states also receive income from shared taxes levied by the federal government on profit, sales, excise and personal taxes on enterprises (the list is jointly established); taxes on the profits of shareholders (companies and individuals); and taxes on income derived from large-scale mining, petroleum and gas operations. This regional system of taxation creates important income inequalities between regions, as the limited tax bases are unevenly distributed in the country. There is also an imbalance between federal and regional states, and between the regional states themselves, in the distribution of shared taxes. The chartered city of Addis Ababa, estimated to generate 25% of national GDP, has the power to create new taxes and levies.

Other sources of revenue: regional states and chartered cities (Addis Ababa and Dire Dawa) also benefit from other sources of revenues, including: administrative fees and charges, such as work permits, court fines and fees, forfeits, business and professional registration and licence fees; sale of public goods and services; government investment income; and miscellaneous revenues. Addis Ababa raises revenues through urban land lease, yet this is decreasing as a share of its total local revenue.

Source: OECD/UCLG, 2016. "Ethiopia" in *Subnational Governments Around the World - Part III: Country Profiles,* Organisation for Economic Co-operation and Development, Paris, and United Cities and Local Governments, Barcelona. Available at: http://www.oecd.org/regional/regional-policy/profile-Ethiopia.pdf.

3. Assessing Ethiopian national urban housing policy framework

3.1 OVERVIEW: MAJOR NATIONAL HOUSING POLICY INSTRUMENTS IN ETHIOPIA

In light of the challenges and opportunities facing housing development in Ethiopian cities, this section analyses the Ethiopian national housing policy landscape by applying the analytical framework developed in a working paper published in 2020, *Housing policies for sustainable and inclusive cities* (Box 3).[52]

BOX 3 Framework to assess national housing policy instruments

The OECD, in partnership with the Coalition for Urban Transitions, has developed a framework to assess how national housing policy instruments can affect urban compactness and housing affordability. Sixteen national housing policy instruments from around the world were categorised into three groups owing to the cross-cutting nature of many policies: i) policy instruments affecting use of land for housing development, thus affecting the general housing market; ii) policy instruments mainly affecting the owner-occupied housing market; and iii) policy instruments mainly affecting the rental housing market.

The overall assessment found that in the first group of policies on land use, regulatory instruments, such as urban growth boundaries (UGBs), urban services boundaries (USBs) and greenbelts, as well as tradable/transferable development rights, bear a risk of negative impacts on compactness and housing affordability. These policies require particularly careful design and implementation – for example, with regard to their capacity to adapt to urbanisation trends in the case of greenbelts or UGBs and USBs. In contrast, fiscal instruments, such as split-rate taxes, taxes on vacant land, impact fees, development taxes and incentives for higher density/accessibility, tend to be more adaptable and are more conducive to increasing compactness and housing affordability. Such instruments can be particularly effective in preventing windfall gains for landowners and redistributing a degree of landowners' benefits directly to urban residents.

Source: Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

Table 4 reproduces the framework developed in *Housing policies for sustainable and inclusive cities*, complemented with a mapping exercise performed for the case of Ethiopia based on the interviews and literature review conducted within the context of this paper.

The result of the mapping exercise reveals that several key instruments for compact urban development and affordable housing are already implemented or in progress in Ethiopia:

- "Impact fees" are in place, in the form of the national land allocation system which incorporates benchmark prices since 2011 to try to recover infrastructure costs.
- "Incentives for higher density or accessibility" are also implemented, namely through the IHDP, which has provided subsidies for higher density/floor-to-area housing developments and mandates, although there are no such incentives for private developments.
- "The perpetual use of social housing for rent in central urban areas" is especially prevalent in Ethiopia through kebele housing units.
- "Rent control" applies to kebele and federal housing corporation (FHC) units but is not extended to the private rental market.
- "Regulations on tenant–landlord relations": a tentative regulation on establishing tenant–landlord relations has been proposed.

The mapping exercise also found that Ethiopia lacks several key policy instruments which are in use globally to enhance housing affordability and compact urban development:

- From the category of policy instruments affecting the use of land for housing development, the Ethiopian national policy framework lacks split-rate property taxes and vacant urban land taxes (in fact, standard property taxes are not effectively implemented in Ethiopian cities in practice), a development tax, tradable/transferable development rights, urban growth/service boundaries, and greenbelts.
- From the category of policy instruments mainly affecting the rental housing market, the Ethiopian national policy framework lacks subsidies or tax incentives to investors and developers for affordable rental housing. Rental housing allowances apply to employees of certain universities, public institutions and companies, but remain unavailable to urban residents who would benefit from such support.

The full results of the mapping exercise are summarised in Table 4 and expanded upon in the following subsections, which assess the six main national housing policy instruments in Ethiopia and their impacts on urban compactness and housing affordability.

Table 4: Global mapping of national housing policy instruments affecting urban compactness and housing affordability, applied to the context of Ethiopia

Note: In the "Policy" column, the following colours assess the extent to which a given policy instrument is generally advisable, based on analysis in Housing policies for sustainable and inclusive cities (not necessarily prescriptive for the Ethiopian context), in order to achieve compact and inclusive cities:

- Not advisable in principle.
- May be advisable but requires careful assessment to avoid potentially mixed or adverse impacts.
- Advisable with appropriate qualifications.

OVERVIEW OF POLICY INSTRUMENTS IDENTIFIED IN HOUSING POLICIES FOR SUSTAINABLE AND INCLUSIVE CITIES.				IS THE POLICY INSTRUMENT IN PLACE IN ETHIOPIA'S NATIONAL POLICY FRAMEWORK?
Policy instruments	Objectives	Impact on compactness	Impact on affordability	
POLICY INSTRUMENTS AFFECTING USE OF LAND FOR HOUSING DEVELOPMENT				
Split-rate property taxes or vacant urban land tax	Incentivise property owners to build on (or improve) their properties while disincentivising land speculation	If well designed and adequately targeted, split-rate taxes reduce incentive for sprawl	Effect on housing prices is mixed	**No: in practice property taxes are not effectively implemented in Ethiopian cities; neither a split-rate property tax nor a vacant urban land tax are in place**
Impact fees	Internalise the cost of infrastructure provision by charging developers/ landowners for their developments in order to recover the social cost of conversion to housing	More dense and less fragmented development as incentives to build near existing stock increase	Mixed – prevent windfall gains for landowners (for developing their land without providing necessary infrastructure) and increase access to services	**Yes, within the national land allocation system: since 2011, benchmark prices for land allocation are required to be set at cost-recovery levels for the provision of basic infrastructure**
Development tax	Internalises the social and environmental loss of open space by levying tax on land that is converted from agricultural to urban use	Less sprawl, as it provides disincentives to landowners for land conversion	Mixed – can capture and redistribute landowners' benefits to urban residents	**No**
Tradable or transferable development rights	Compensate restricted development rights by allowing a right to develop a plot of land to be transferred to another plot; often used to preserve historical buildings	May not directly reduce sprawl but can produce more dense development if restricted rights in urban fringes are traded to urban centres; the correct cap needs to be established	Uncertain – depends on the initial state of regulation and allocation of development rights	**No**
Urban growth boundaries or urban service boundaries	Contain sprawling housing development by physically limiting developable fringe areas	Less sprawl and more dense development, but more sprawl and more fragmented if boundaries are not drawn properly or updated periodically	Increased housing prices	**No**

Greenbelt	Designates areas of open space surrounding urban areas (or certain parts outside urban areas) that act as physical boundaries against city expansion	Less sprawl and more dense development, but fixed greenbelts are likely to lead to leapfrogging (development outside the greenbelts)	Increased housing prices	**No**
Incentives for higher density or accessibility	Incentivise housing development with higher density/floor-to-area ratio and with better access through subsidies; used in areas where densification needs to be encouraged (e.g. near public transit infrastructure or high employment areas)	Less sprawl and more dense development	Increased affordable housing stock; access requirements can increase inequality through housing cost overburden (higher grants and subsidies can capitalise into higher prices)	**Yes: since IHDP as a whole has benefitted from preferential subsidies, high-density housing developments are incentivised indirectly (IHDP developments can be up to 7 or 12 floors but there are no specific subsidies/ incentives for higher-floored IHDP developments); incentives are not in place for non-IHDP housing developments**
POLICY INSTRUMENTS MAINLY AFFECTING THE OWNER-OCCUPIED HOUSING MARKET				
Grants for buying or constructing a new home	Increase access to housing; alleviate housing cost burden for homeowners/home buyers	Less compact if preference is given to single-family home projects	In practice with rigid supply they can inflate land prices; increased housing cost overburden (unless restrictions on mortgage uptake are in place); if targeting is weak, higher-income households mostly benefit	**Yes: with IHDP housing, land is provided for free or at a very low price; the government also procures and provides construction materials at below-market prices for IHDP and cooperative housing**
Mortgage interest deduction	Allows taxpayers to own their homes and brings positive externalities to their communities	Results in an increase either in space consumed per capita or in the share of single-family homes in peripheral areas (more in places with rigid housing supply)	Higher housing prices in places with rigid housing supply; increased wealth inequality when beneficiaries are high-income households that benefit from large tax deductions	**Yes: IHDP's mortgage loans are issued by the Commercial Bank of Ethiopia at subsidised rates**
Preferential tax treatment on home sales	Increases positive effects of homeowners in communities by promoting home ownership and increasing share of homeowners, through exemption from capital gains taxes	No densification effect expected; higher space per capita consumption / higher share of single-family homes in suburbs	Lower-income households overburdened by rising housing prices (especially in markets with a rigid supply); can have a positive impact on labour mobility as homeowners can sell homes more easily when needed	**No**
POLICY INSTRUMENTS MAINLY AFFECTING THE RENTAL HOUSING MARKET				
Regulations on tenant–landlord relations	Address asymmetric information and unequal bargaining power between landlords and tenants	Neutral	Mixed – May increase security of tenure and minimum quality standards of rental housing but may indirectly decrease rental housing supply and can reduce labour mobility	**Yes (in discussion): a tentative regulation on establishing tenant–landlord relations has been proposed**

Inclusionary zoning	Ensure access to affordable housing by reserving new housing to be rented at below-market-price levels (often for certain periods, e.g. 20 years)	More compact if housing is located in more central areas compared with social housing stock	Lower housing costs; housing quality may degrade if rental revenue cannot cover maintenance costs	**No: exists for certain private residential developments, but it is not strictly enforced and "affordable housing" in this context applies widely to apartment building units which are unaffordable for most households in practice**
Rental housing allowances or rent-subsidy vouchers	Ease housing cost burden for renters by lowering rents through a subsidy	Neutral	Mixed – Increase access to affordable housing for lower-income households and can also increase residential mobility; can boost rents and land prices if supply is rigid	**No: only certain universities, government organisations and companies provide rental housing allowances for their respective tenants**
Rent control	Establish controls on rent (e.g. initial rent level, and/or increases in rent levels)	Neutral	Mixed – May increase affordability of rental housing in the short-term but decrease supply across the housing market	**Yes: rent controls are in place for kebele and FHC units. In addition, a tentative regulation to fix a rent cap has been proposed for the private rental market (in discussion)**
Perpetual use of social housing for rent in central areas	Create a pool of social housing units to be leased out to eligible households through a below-market use contract	More compact since such housing is located in more central, and generally denser, areas	Lower costs for social housing tenants and increased overall access to social housing	**Yes: kebele housing stock was often historically located on prime urban land in central areas. While some units have been demolished, many kebele units remain in central areas and their residents rent at below-market rates (in Addis Ababa, however, much of the inner city has been delineated for redevelopment, including kebele units located there)**
Subsidies or tax incentives for affordable rental housing	Ensure access to affordable housing by providing incentives to investors and developers	Mixed – More compact development through regeneration and conversion of central housing stock or explicit subsidies for multi-family dwellings; less compact development through development in peripheral areas, with maximum negative effects when combined with low occupancy rates	Lower housing costs, but potentially greater spatial segregation; if developments are built at low cost in areas with low connectivity this can lead to poor-quality housing and worse access to jobs and services. Tax incentives may create some distortions (e.g. tax avoidance)	**No**

Source: Table adapted from *Housing policies for sustainable and inclusive cities*, with complementary information regarding Ethiopia (rightmost column) derived from the analysis conducted in this paper.

3.2 KEY FINDINGS AND IN-DEPTH ANALYSIS OF ETHIOPIA'S MAJOR NATIONAL HOUSING POLICY INSTRUMENTS

This section and its six subsequent subsections provide in-depth analysis of six major national housing policy instruments affecting housing affordability and compact development in Ethiopia. The previous section found that, out of 16 global policy instruments, seven policy instruments are in place in Ethiopia. In fact, these are in operation in the form of six different programmes and initiatives listed below:

1. Policies to regulate land use for urban housing development
    - Land-use planning
    - Land allocation for affordable housing
2. Policies to promote homeownership in cities
    - Integrated Housing Development Programme (IHDP)
    - Cooperative housing
3. Policies to promote rental housing in cities
    - *Kebele* housing
    - Federal Housing Corporation

Key components of these policy instruments, as well as their impact on compactness and housing affordability, which are assessed in full in subsections 3.2.1–3.2.6, are summarised in Table 5. Several of the instruments are in fact cross-cutting in the Ethiopian context: the IHDP, for instance, is a stand-alone policy instrument that incorporates elements of three global policy instruments documented in *Housing policies for sustainable and inclusive cities*: "incentives for higher density or accessibility", "grants for buying a new home" and "mortgage interest deduction".[53]

Table 5: Impacts of national housing policy instruments on compactness and housing affordability

POLICY INSTRUMENT	DESCRIPTION AND TIMELINE	IMPACT ON COMPACTNESS	IMPACT ON HOUSING AFFORDABILITY
Land-use planning	National frameworks (e.g. National Urban Development Spatial Plan, Growth and Transformation Plan II) provide provisions and regulations aiming to reinforce government control of urban land use.	National frameworks are not always respected (or enforced) in practice, which is due partly to limited government capacity, competing policy priorities and rapid urbanisation.	Too restrictive land-use regulations (vis-à-vis demand for housing) or inconsistent implementation and monitoring could increase housing prices.
Land allocation for affordable housing	As the sole suppliers of urban land in Ethiopia, public authorities provide land through leases via direct allocation and auction (the latter accounts for a minor portion of land provision). All land was nationalised in 1974 and Ethiopia's urban land lease policy was established in 1993 and revised in 2002 and 2011.	Land has been allocated for residential purposes to high-density condominiums (namely within the context of IHDP), which contributes positively to compactness when located in central urban areas.	It incentivises developers to construct affordable housing, but rigid supply of suitable land may limit supply of affordable housing. Too costly (due to low benchmark prices, the government has not captured a significant source of revenue that could be channelled into provisioning more affordable housing).
Integrated Housing Development Programme (IHDP)	A homeownership programme designed to provide housing for low-income households through the construction of condominiums. A total of 383,000 housing units were constructed between 2006 and 2018, primarily in Addis Ababa (314,000).	IHDP condominiums are high density relative to land area and contribute to compactness, when centrally located. When IHDP redevelopments have displaced kebele residents to the urban periphery, contributes to sprawl. When built along the urban periphery, IHDP condominiums negatively impact compactness and contribute to sprawl.	While IHDP increases the available affordable housing stock, higher-income households mostly benefit (low-income households are unable to afford upfront down payments and long-term mortgage payments).
Cooperative housing	A means of securing land for private, collective construction of housing units by a small group (typically 10 to 20 individuals). It occupies a limited portion of total housing and benefits middle- and high-income households. In secondary cities, it is often the main source of housing supply. It has been suspended in Addis Ababa since 2005, but there is growing interest in re-establishing it.	Medium-density development, but may contribute to urban sprawl if built in the urban periphery. It is estimated that up to 60% of land allocated to cooperatives in Addis Ababa is located in the periphery.	Increases affordable homes. However, the required upfront capital costs as well as construction costs render cooperatives still unaffordable for low-income households.
Kebele housing: low-income-household targeted rental housing	Inexpensive and often low-quality government-owned rental units. Established in 1975, when the Derg nationalised a vast portion of informal settlements. Over the years, some kebele units have been demolished while other informal settlements have been regularised and added to kebele housing stock.	Kebele units are high density relative to built-up area and the majority are located in central urban areas. However, such density is largely due to kebele units' small floor area, overcrowding and limited infrastructure connections.	Remains by far the most affordable formal housing option in urban areas in Ethiopia (e.g. 10 ETB per month). Kebele units are often sublet informally and thus are occupied by more households than on paper.

Federal Housing Corporation (FHC) units: government-official targeted rental housing	Government-owned units managed by the FHC (established in 1975) and rented at monthly rates above 100 ETB, primarily targeting government officials. FHC units are typically of better quality (and on larger land parcels) than kebele units. Historically, FHC solely managed the rental stock but it now has an extended mandate to construct new units.	FHC units were historically low density relative to built-up area and to land area, but FHC is pursuing a densification programme (up to 20 storeys). FHC's overall impact on compactness depends on where (re)development occurs; when at the urban periphery, the outcome is not optimal, even if the resulting developments are higher density than those they are replacing.	FHC units are subsidised and remain quite affordable for the target group, primarily government officials. Overall, FHC units only occupy a small portion of total urban housing and most households do not qualify for them.

Source: Author elaboration based on interviews from the fact-finding mission and on the analysis in section 3.2.

Key findings from the analysis in the subsequent subsections are summarised below:

- **The federal and subnational governments have considerable untapped potential to improve land value capture since all land is publicly owned.** Public control over urban land-use planning has been used to demarcate areas (e.g. for affordable housing, industry and transport corridors, etc.), but opportunities to take full advantage of leases and tax revenue possibilities have been missed, as generic property taxation is not effectively implemented in Ethiopian cities. Ethiopia's current land lease system and historical government policies have also prioritised land allocation below cost-recovery levels in lieu of land auction. The combination of these factors deprives local governments of significant revenue sources and provides an obstacle for overall financial sustainability, with repercussions for infrastructure delivery and future affordable housing programmes.
- **Despite government ownership of all urban land, coordinated urban land-use planning and control remains a challenge in Ethiopia.** The lack of sufficient coordination and of land-use control is tied to limited government capacity (including for monitoring and enforcement) as well as to the need to urgently respond to growing demand for urban housing and transport infrastructure.
- **During the last two decades, Ethiopia has made important progress in tackling historically high and rising urban housing demand.** The federal government has assumed an active role in addressing the country's urban housing shortage, contributing significant resources to increasing the housing stock. Through IHDP alone, between 2006 and 2016, a notable 383,000 condominium housing units have been constructed, involving nearly 2,000 contractors and 12,000 small and medium-sized enterprises (SMEs). However, supply has been unable to satisfy demand due in part to lack of capacity, construction and transfer delays, a continued rapid urbanisation rate and the

very high unsustainable costs of IHDP borne by the government (an estimated US$9 billion).

- **IHDP has inadvertently benefitted middle- and high-income groups rather than the targeted lowest-income groups**. The highly subsidised nature of IHDP in part limited the number of total housing units that could be constructed (even if 383,000 units is a notable figure), and thus fewer households in need could access affordable housing (the waiting list extends to 800,000). The target mismatch was also partly due to IHDP being a homeownership programme. Even with IHDP's large implicit subsidies, many low-income households cannot afford to own housing units (inability to pay down payment and/or the mortgage) and do not always qualify for loans.
- **The development of a formal rental market in Ethiopia remains limited**. *Kebele* housing and FHC qualify as formal rental options, but the former is maintained by the government as a historical legacy and faces its own challenges regarding quality, overcrowding and informality, while the latter accounts for a limited share of the housing market (an estimated 24,587 units, which are primarily intended for civil servants). In addition, since the total number of *kebele* units diminishes following redevelopment projects, many households may be forced to resort to informal housing in the absence of a formal rental market if they can neither afford an IHDP unit nor secure a *kebele* unit (both in high demand).
- **There is a lack of transparency and regulations between landlords and tenants** since most urban rentals are managed by individual homeowners – in part a consequence of the relative absence of a formal rental market. Currently, landlords have a disproportionately favourable position since the majority of rental arrangements are agreed upon informally. Since many urban households live in informal settlements and/or pursue informal housing arrangements, they are exposed to numerous risks tied to low-quality housing conditions and to lack of legal recourse when faced with an unplanned event such as flooding, rent increase or eviction.
- **Private housing developers in Ethiopian cities have primarily targeted high-income households** to date in order to maximise a positive rate of return as well as due to the relative absence of mortgage finance and the limited financial means of low- and middle-income households.

Subsections 3.2.1–3.2.6 assess in full detail the six defining national urban housing policy instruments that best encompass Ethiopia's national housing framework from the dual perspective of housing affordability and compact urban development.

3.2.1 Land-use planning

National- and urban-level frameworks in Ethiopia detail numerous provisions and regulations reinforcing urban land-use planning, but certain current practices can

serve to undermine controlled development. Ethiopia's five-year Growth and Transformation Plan II (GTP II, 2015–2020) highlights the costs of uncoordinated urban development and sprawl, and calls for strategic urban planning with an emphasis on high-density areas, mixed land-use development – including a 30% target for green infrastructure and recreational areas in Ethiopian cities – and integrated public transport.[54] GTP II also calls for cities and smaller municipalities to guide their development according to regional and national spatial development plans. At the national level, Ethiopia has developed the National Urban Development Spatial Plan (NUDSP), mapping a vision to 2035 for urban development according to different projected scenarios and objectives, and establishing implementation priorities such as strengthening urban–rural linkages, developing urban clusters, setting up an inter-ministerial urban spatial planning committee, an urban development investment fund and a new urban planning institute.[55] While the NUDSP has not yet been officially approved, it recommends the establishment of regional and urban cluster spatial plans in accordance with the broad guidelines set out in NUDSP. In this way, at the urban level, individual cities can design and implement their own master plans (or structure plans or strategic plans depending on the size and categorisation of the city) in alignment with the NUDSP.

Building on the overarching guidelines in NUDSP, urban land-use plans, such as Addis Ababa's tenth master plan, account for a range of traditional zoning regulations regarding road width and building use height, floor area ratio, and set back distance,[56] but the interviews, as well as literature review, show that these are not always strictly respected in practice. Addis Ababa's tenth master plan, providing a long-term vision for the years 2017 to 2027, highlights that green areas accounts for 37% of the city's surface but that this marks a reduction over time due to informal development as well as circumvention of regulations on the part of private actors, and even of public actors.

Coordinated urban land-use planning remains incompletely realised in Ethiopia, despite the high potential presented by the government's ownership of all land. The government has sought to strengthen its control of land-use planning in frameworks such as NUDSP (NUDSP has been drafted for some time but is not yet approved), but this has been hindered in part by rapid urbanisation and limited government capacity to perform extensive monitoring and enforcement of federal guidelines. Operating in a federal system, NUDSP requires adoption and implementation at the regional level (which has yet to occur) in order to in turn formally guide urban planning. NUDSP marks important progress as a guiding framework to establish a long-term vision with corresponding objectives to reinforce urban land-use planning – e.g. the establishment of a federal urban development agency between 2020–2025 – but coherent and coordinated urban land-use planning remains limited while these measures await implementation and while government capacity remains low. It is reported that in practice even public authorities may occasionally circumvent the government's land-use planning guidelines in order to, for instance, rapidly allocate land for the establishment of an industrial park without a thorough prior assessment of its full potential impacts.

In the same vein, while transit-oriented development features in Addis Ababa's tenth master plan, land for housing and industrial developments is at times allocated in locations either with poor or non-existent transport infrastructure, as has occurred in peripheral large-scale housing development sites under the IHDP.[57] Transit-oriented development has not yet been implemented in Addis Ababa and nearly all IHDP condominiums built between 2013 and 2018 are located more than 15 kilometres from the city centre.[58] Lack of sufficient horizontal coordination between the relevant national ministries and local institutions contributes to reduced government control over land use, which creates unintended negative outcomes for spatial development. In its 2035 vision, NUDSP recommends the establishment of a metropolitan transport authority in all current or future Ethiopian cities over 500,000 inhabitants, which will be an important step to ensure more integrated transport and land-use planning in the future. However, it should be noted that currently the only city with a population over 500,000 is Addis Ababa, which has 3.8 million residents, while three other cities are approaching the 500,000 mark: Bahir Dar (490,000 inhabitants), Adama (450,000) and Dire Dawa (430,000).[59] In practice this indicates that, in the short term, no cities aside from Addis Ababa would qualify for the establishment of a metropolitan transport authority.

Limited control over urban land-use planning has also resulted in the existence of a relatively high proportion of vacant land in Ethiopian cities. The World Bank estimates that underdeveloped land accounts for an important portion of the total land area in a range of different cities: approximately 46% in Addis Ababa and in Mekelle, 25% in Bahir Dar, 77% in Dessie and 32% in Hawassa.[60] It is important to note that these figures consider green spaces, protected areas, urban agriculture, forests, water bodies and land identified as having a special function as "undeveloped", meaning that the proportion of truly vacant land is likely to be lower. In the Bole and Akaki-Kaliti sub-cities of Addis Ababa, which have been the two main expansion frontiers in terms of built-up area between 2005 and 2019, more than 303 hectares of land, equivalent to an estimated 21,643 residential plots and 90,000 housing units, have been left vacant for over 10 years – up to 57% of Bole sub-city is vacant.[61]

Vacant land within the urban core, especially in Addis Ababa, is widespread and often remains undeveloped for years. There are three main reasons for the high proportion of vacant urban land. First, there is low government capacity to process and transfer land lease rights and to monitor and enforce land parcels and leases. Ethiopian law forbids lessees to hold land for more than two years without developing it, although in practice, many developers and investors opt to hold land for speculative purposes for many years.[62] Second, certain zoning regulations that mandate a minimum height requirement for development may be unfeasible for an individual, cooperative or small business to comply with. As a result, such stakeholders may decide to postpone developing land and wait to transfer their lease at a higher price.[63] The numerous vacant lots are also often occupied by informal developments, further complicating potential future efforts by either the government or private entities to develop such land. Third, the relative absence

of fiscal instruments such as taxes on property, which tend not to be enforced in practice in Ethiopian cities, is another factor contributing to the high rate of vacant lots.

In Ethiopia, taxes on property (e.g. land, buildings)[i] in cities are not effectively implemented. Although some forms of taxation exist (e.g. roof taxes, permit holding fees), they are not regularly updated or enforced, and the rates are too low to constitute a source of revenue. In Addis Ababa, despite attempts in the 1990s to register and revalue properties, property taxation is absent in practice due to deliberate property undervaluation, the absence of revaluation, and the government's inability to register most new properties.[64] In Dire Dawa, Bahir Dar and Mekelle, a pilot project to design and implement property taxation is underway but has not yet concluded. Public ownership of land and political obstacles facing the implementation of property taxation in Ethiopian cities may present challenges, but the absence of such taxes represents a massive missed opportunity for land value capture[ii] and local government revenue generation in Ethiopia.[iii,65] This also presents a barrier to related fiscal instruments, such as split-rate taxes (land taxed at a higher rate than the buildings on it) or a vacant urban land tax, which could serve to limit land speculation, to boost local tax revenue and to reduce incentives for urban sprawl, as seen in Table 4. It is worth bearing in mind in the context of taxing vacant urban land that care must be taken to avoid disenfranchising those with legitimate rights: i.e. those who are not hoarding parcels for speculation, but are waiting until they can afford to build on their plots to the required planning standards/height. Another key consideration is how to coordinate between regulation and tax measures to avoid underdevelopment.

Lack of adequate land-use control, coupled with inadequate government compensation for land expropriation and the absence of a development tax, has driven informal urban expansion into largely agricultural peri-urban areas, as with the case of Addis Ababa. When neighbouring rural land is planned for urban expansion, it is exposed to default expropriation, whereby local government authorities compensate inhabitants who have a legal right to the land.[66] However, when inhabitants do not have, or cannot prove, a legal right to the land, compensation is not issued. MUDH estimates that official auction prices for rural land converted to urban land may be 50 to 100 times greater than the

i Property taxes include recurrent taxes on immovable property or net wealth, taxes on the change of ownership of property through inheritance or gift, and taxes on financial and capital transactions. Unless otherwise noted, within the context of this paper the term "property tax(es)" refers to the category of recurrent taxes on immovable property, encompassing land and buildings.

ii Land value capture is rooted in the notion that public action should generate public benefit, and can be understood as a policy approach that enables communities to recover and reinvest land value increases that result from public investment and government actions: examples of land value capture instruments include land value taxes, impact fees, land banking, charges on building rights, and more.

iii Generally speaking, property tax revenues tend to be much larger in developed countries (2.2% of GDP) than in developing countries (0.6% of GDP), and – due to a variety of historical, cultural and institutional reasons – are particularly low in African countries at 0.38% of GDP on average across 32 African countries.

level of compensation provided by local governments.[67] On the informal market, rural residents can obtain considerably higher prices for their land as compared to government compensation.

As a consequence, many rural residents (typically farmers) living outside the urban periphery decide to pre-emptively subdivide and sell their land informally, which incentivises urban sprawl and the continued expansion of informal settlements. Tradable or transferrable development rights, where the right to develop a plot of land (i.e. at the periphery) is transferred to another plot (i.e. in the urban centre), can in certain contexts provide an additional measure of flexibility to planners to produce denser development and reduce incentives for sprawl,[68] though the impacts on housing affordability are uncertain (Table 4). Transferrable development rights, as with urban growth/service boundaries and greenbelts (also absent in Ethiopia), may not be able to adequately limit urban sprawl, especially in a context with a high degree of informal land transactions and settlements.

3.2.2 Land allocation for affordable housing

The government's historical management of land distribution through allocation and auction is intricately linked to many of the issues facing urban land-use planning. Dating back to 1993, Ethiopia's urban land lease policy, which provides land through direct allocation and auction and which stipulated prior to 2011 that land used for "low-cost housing" could be leased free of charge, has transitioned to a more market-oriented system following a last set of revisions in 2011. These revisions established, among other things, a benchmark lease price for all urban land plots.[69]

As the sole suppliers of urban land in Ethiopia, local governments play a key role in land provision, but face a financial burden as land is allocated far below market value and often below cost-recovery levels (Box 4). Although the cities of Mekelle, Bahir Dar, Hawassa and Adama sold leases worth over US$77 million between 2014 and 2017 in their expansion areas alone, rapid urbanisation would inhibit municipal governments from capitalising on a potentially major source of revenue via the lease system. By Ethiopian law, land must be provided with basic minimum services prior to being leased, meaning that road, water and electricity infrastructure must already be provided before any significant revenue is generated. Moreover, except for a minimal down payment, revenues are collected throughout the entire duration of a lease, which can extend up to 50 years in certain cases, thus providing a significant financial obstacle for local governments.[70]

Since leases are fixed payments determined at a given point in time, they do not correspondingly reflect changes in the market value of land. This marks a significant missed opportunity for land value capture and regular own-source revenue for cities.[71] Property taxes can enable a shift away from the current model where cities rely primarily on land acquisition and inefficient land leasing that fails to capture

land value. The lack of a land cadastre, and the historic inability of municipalities to develop one in Ethiopia, has also rendered municipalities unable to accurately estimate their potential own-source revenue from land use or to enforce and monitor its collection. While evidence indicates that the cost of administrative improvements can discourage governments, notably in developing countries, from investing in a consolidated national cadastre system,[72] a consistent property identification system that allows for regular updates is a sensible investment. For example, a government programme in Mexico successfully updated the cadastre of 11 municipalities, thereby increasing their property tax collection by an average of 40%.[73] A property identification system also creates the option of pooling national resources for investing in institutional capacity.[74]

BOX 4 Urban land lease policy in Ethiopia: land allocation and auction

In Ethiopia, land is provided either by direct allocation or auction, often at benchmark prices far below cost-recovery levels for the provision of basic infrastructure. Direct allocation is more widely used, and auction is only used for a minor fraction of the total allocated land parcels: 6.2% in Addis Ababa (2011–2013); 3.6% in Mekelle (2012–2013); 2.3% in Kombolcha (2012–2013); 2.9% in Bahir Dar (2013).[75] Since the 2011 land lease proclamation, benchmark prices have been required to be set at cost-recovery levels for the provision of basic infrastructure, and the price-setting for auctions starts at cost-recovery levels.[76] In this way, the Ethiopian framework includes impact fees. Despite these requirements, the benchmark prices remain substantially below market prices: for instance, in cities such as Bahir Dar, Dessir and Kombolcha, benchmark prices were tens to even hundreds of times lower than auction prices. In addition, land for condominiums (as well as certain private individual homes) has primarily been auctioned starting at either low benchmark prices or at nearly no cost.

Zhang et al. estimate that forgone revenues from land allocated at no cost or benchmark prices amounted to 206 billion ETB annually in Addis Ababa between 2013 and 2017 (approximately seven times the city's annual budget), which is equivalent to the construction costs of approximately 300,000 IHDP units.[77] Land revenues in Adama, Addis Ababa and Mekelle have been found to account for below 10% of total city revenues. Such a low land revenue rate indicates a missed opportunity for land value capture that is detrimental to the financial stability of local governments.

The land leasing and land allocation systems have historically led to non-transparent urban land pricing in Ethiopian cities. A clause in the 2002 land lease revision allowing for "negotiation", led to a scenario where, of 1,000 land lease transactions between 2002 to 2009, more than 96% of plots were leased through "negotiation", and only 4% via allotment at benchmark prices and auctioning – the price per m^2 for a plot of land in one of Addis Ababa's sub-cities could reach 50 times the price of another plot in the same area.[78] The 2011 proclamation scrapped "negotiation" as a modality for land leasing and made all commercial land dependent on auction (at least on paper). This certainly increased the government's

capture of land value in the short term (land leasing remains much less sustainable in the long term than property taxation), but also with a potential impact on lowest-income households that has yet to be fully measured: by the end of 2014, land plots sold for 65,000 ETB in some areas of Addis Ababa and for as much as 307,000 ETB per m^2 in one instance, higher than the average US$15,250 price for developed real estate in Geneva at the time.[79]

Source: World Bank, 2015. *Ethiopia Urbanization Review*; Goodfellow, 2017. Taxing property in a neo-developmental state; Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets; Lall et al., 2017. Africa's Cities: Opening Doors to the World.*

Infill development occasionally occurs in vacant lots in Ethiopian cities. However, there are no policy instruments to facilitate infill development, such as easing zoning requirements, reducing the burden of administrative and legal permitting processes or providing financial incentives. In the Ethiopian context, an important option is to financially support individual homeowners to construct secondary dwellings for rent. Owners of individual detached homes, notably in secondary cities, often have parcels of land with available space on which to add additional dwellings, but may lack the financing to do so. In 2017, the Hawassa city administration launched a pilot microfinance scheme with a local microfinance institution in order to provide loans to homeowners for the construction of a secondary dwelling for rent on their parcels of land.[80] While the programme encountered obstacles – due to low uptake and lack of capacity to monitor whether the dwellings complied with prescribed living and sanitation standards – it provides a potential model that, subject to revision, could bear promising results, especially in Ethiopia's secondary cities.

3.2.3 Integrated Housing Development Programme

Since 2006, the federal government has primarily focused its urban housing development strategy on constructing new housing units, providing infrastructure and promoting small urban-based enterprises (primarily in the construction industry), namely through the Integrated Housing Development Programme (IHDP). Following a 2004 pilot project in Addis Ababa, IHDP was officially launched in 2006. IHDP is a national condominium development programme designed to provide better housing opportunities for low- and middle-income households by increasing and improving the housing stock intended for homeownership. IHDP units were allocated based on a lottery system and financed through subsidised mortgage loans (Box 5). As a homeownership programme, IHDP does not offer units on a rental basis.[i] IHDP was also designed as part of the country's economic

i A limited number of units are available to rent for school teachers. It has been reported that, in recent years, the Addis Ababa government has begun to extend units for rental to households that are displaced by IHDP redevelopment but unable to afford the down payment or mortgage for any type of IHDP unit.

development strategy in order to create job opportunities, support local businesses and incentivise the use of local construction materials.[81]

Between 2006 and 2010, the first four-year phase of IHDP, the government set a target to construct 360,000 condominium housing units, of which 175,000 (48.6%) were planned in Addis Ababa, by far the most populated city in the country, and the remaining 185,000 (51.4%) in selected regional cities.[82] Although the target was not accomplished, the IHDP has rendered the government the leading housing provider during the period, supplying 232,915 condominium units (51.2%) of a total of 455,473 urban units between 2007 and 2013.[83]

In mid-2010, IHDP was suspended in all regions except for Addis Ababa. The suspension was due to slow uptake and high costs, namely the limited ability of households to pay the down payment and monthly mortgage, and of regional states to repay construction loans, as well as low effective demand due in part to opposition to high-rise condominiums from local populations on socio-cultural and aesthetic grounds.[84] In the regional cities (excluding Addis Ababa), a total of 69,921 units were constructed through IHDP before the suspension.[85]

Between 2006 and 2018, IHDP has led to the total construction of 383,000 housing units (314,000 in Addis Ababa) and the subsequent transfer of an estimated 245,000 units (182,000 in Addis Ababa; 62,300 in secondary cities), while also involving nearly 2,000 contractors and 12,000 SMEs in housing development projects.[86] IHDP has thus made a considerable contribution to the overall urban housing stock in a short time, while also providing local economic opportunities. Prior to IHDP, the domestic construction sector lacked relative capacity and expertise, but it has been bolstered through the programme. However, factors such as rapid population growth, the rising cost of labour and construction materials, limited government capacity and high subsidies have inhibited IHDP's ability to satisfy rising demand for housing, for which there is an estimated shortage of between 1.2 million and 1.5 million housing units.[87]

BOX 5 IHDP unit allocation and loan programmes

IHDP units have been allocated on the basis of a lottery system and financed by mortgage loans from the Commercial Bank of Ethiopia issued at subsidised rates (a form of mortgage interest deduction). The lottery was closed to new registrants in 2013 in Addis Ababa (IHDP was suspended in regional cities in mid-2010). In order to qualify for a housing unit, an applicant could not already have owned a home (nor their spouse), had to be at least 18 years old and to have lived for at least six months in the city in which they were applying for a unit. The lottery system included special provisions such that 30% of IHDP units had to be allocated to women and that the elderly or handicapped were granted priority for ground floor housing units.[88] Applicants had to have saved a certain percentage of the cost of their intended apartment as down payment in the Commercial Bank of Ethiopia before they could be included

in the lottery draw. These deposits served to finance construction but tied up a significant portion of household savings for long periods of time.

IHDP's housing loan programmes were divided into three categories, each designed for a different target population and reflecting different financial requirements (Table 6):

- The "10/90" programme was intended for low-income households, with civil servants highlighted as a target group, earning a monthly income below 1,000 ETB. The programme requires a down payment of 10% of the total purchase price, with the remaining 90% constituted by a loan to be paid back over a period of 25 years at a rate of 9.5%, and beneficiaries are only eligible for the studio unit.
- The "20/80" programme requires a 20% down payment with the remaining 80% constituted by a 20-year loan at a rate of 9.5%.
- The "40/60" programme was intended for middle- and high-income households, requiring a down payment of 40%, with the remaining 60% constituted by a 17-year loan at a rate of 7.5%.[89]

Table 6: IHDP loan programme financial requirements

IHDP LOAN PROGRAMME	DOWN PAYMENT	LOAN TERM	LOAN RATE
10/90	10%	25 years	9.5%
20/80	20%	20 years	9.5%
40/60	40%/100% *	17 years	7.5%

Note: *A later draw for the 40/60 programme only included applicants who had saved the full cost of the down payment.

Source: MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

The "40/60" programme was the last of the three loan programmes to be introduced (in 2014 and only in Addis Ababa) and was specifically designed as a revision to IHDP in recognition that IHDP's subsidies were not financially sustainable.[90] To this end, the required 40% down payment of the "40/60" programme has helped to somewhat reduce the financial burden on the government, as the units are allocated closer to the market price (the units still remain subsidised).[91]

Source: MUDHC, 2014. *National Report on Housing & Sustainable Urban Development*; UN-Habitat, 2011. The Ethiopia Case of Condominium Housing; World Bank, 2015. *Ethiopia Urbanization Review*; MUDHC/ Cities Alliance, 2015. *State of Ethiopian Cities Report 2015.*

IHDP's "10/90", "20/80" and "40/60" housing loan programmes (Box 5) have increased access to relatively affordable housing, but they remain prohibitively expensive for low-income households. Although a household in the lowest consumption quintile is eligible for the "10/90" loan, the monthly payment for a

studio exceeds 30% of the household's expenditures (making it unaffordable)[ii] and recipients of the "10/90" loan are only eligible to purchase studio units that are 20m² or smaller (Table 7).[92] Despite IHDP's high subsidies, even the studios, which are the cheapest units, are unaffordable for the two lowest consumption quintiles in all Ethiopian cities.[93] Clearly, larger unit types (1–3 bedrooms) were even less available for the lowest consumption quintiles; even though lower-income households are not necessarily smaller, they are primarily eligible for the studio units through the "10/90" loan (Table 7). The "40/60" programme as well, which targeted middle-income households and was only available in Addis Ababa, was found to be affordable only for households in the highest consumption quintile (based on a 30% monthly saving-income ratio) – as a result, "40/60" applicants included wealthier Ethiopians living in secondary cities or even abroad, which greatly increased demand from (and delivered 40/60 units to) groups that were beyond the programme's target base and stressed Addis Ababa city administration's capacity.[94]

Table 7: Loan eligibility for the four IHDP unit types

IHDP UNIT TYPE	PLANNED UNITS (%)	UNIT SIZE	LOAN ELIGIBILITY
Studio	20%	< 20 m2	10/90, 20/80, 40/60
1 bedroom	40%	20–30 m2	20/80, 40/60
2 bedrooms	20%	30–45 m2	20/80, 40/60
3 bedrooms	20%	> 45 m2	40/60

Source: Adapted from Tipple and Yitbarek Alemayehu, 2014. Stocktaking of the housing sector in sub-Saharan Africa. Part 3: Ethiopia.[95]

The unintended mismatched targeting of IHDP unit allocation raises questions about the efficient use of public resources. Zhang et al. find that an estimated US$2–3 billion could be unintentionally misallocated to urban households in the top two consumption quintiles, according to the proportion of households currently living in IHDP units (this estimate also assumes that all IHDP households received their units via allocation).[96] The fact that many low-income households are priced out of even the most affordable condominiums included in the IHDP programme, or must resort to leasing them out to generate income, is certainly not an optimal outcome given the highly subsidised nature of the programme (US$9 billion) and also highlights the problem associated with the national government's promotion of homeownership at the expense of rental opportunities.

ii As detailed in the 2015 World Bank review, income data in Ethiopia are sparsely reported, which is why consumption data are employed as a proxy. The housing affordability of IHDP is assessed based on the threshold that households should not spend more than 30% of annual expenditures on housing costs. Though, as noted in Box 1, even the 30% threshold may be too high for many urban households in Ethiopia.

Despite its status as a homeownership programme, IHDP has partially increased the available urban rental housing stock by inadvertently incentivising IHDP recipients to lease their units. Many IHDP households – up to an estimated 70% – lease their condominium units (often informally) to generate an additional source of income,[97] which many households must do in order to cover mortgage payments.[98] In this way, IHDP has unintendedly increased the supply of units available for rental although not in a necessarily significant or measurably equitable manner. While certain low-income IHDP households have benefitted from the additional, and occasionally significant, sources of revenue from leasing their condominium units, such households must often revert to informal housing with poor living conditions while leasing their condominium units, which stands at odds with IHDP's goal of improving housing quality for low-income households.

As stated, IHDP faces unsustainably large implicit subsidies of about US$9 billion. In an effort to reduce the financial risk borne by local contractors and to ensure availability of construction materials, the federal and regional governments secured a value-added tax exemption on the import of machinery and materials purchased in bulk for IHDP such as crushers, loaders, cement, rebar, glass and aluminium.[iii],[99] The federal government and Addis Ababa City Administration also financed the provision of infrastructure (e.g. access roads, utilities) and provided the design and construction management of the condominiums free of charge (whether designed/managed by the government or outsourced to consultants). Analysis by Zhang et al. in 2019 revealed that the average cost to the government for delivery of one IHDP unit was 647,007 ETB (US$23,292), equating to approximately 12,094 ETB (US$431) per m2: on this basis, the total cost of construction of all IHDP units to the government thus was estimated to exceed 247 billion ETB (approximately US$9 billion).[100] If one assumes that the full average transfer price was recovered by the government upon the sale of all constructed units, the 383,000 IHDP units constructed between 2006 and 2018 were estimated to have incurred government subsidies amounting to approximately 150 billion ETB (US$5.3 billion). This would suggest that only 35% of the cost of constructing an IHDP unit is recovered by the government. Indeed, although the cost of IHDP units are much lower than private sector units (approximately 25% the cost of private development), such savings are largely due to the lack of inclusion of the direct costs of construction, infrastructure, financing and land in the sale price of IHDP units.[101]

As a large-scale condominium programme, IHDP has supported the development of multi-storey residential buildings with a higher density (relative to land area) than other prevailing non-condominium urban housing options, but its overall impact on compact urban form is not clear-cut. Although typically only one to two storeys, kebele housing has high density relative to built-up area and land area, but this density should not be commended as such since it is indicative of overcrowded conditions and limited street/sidewalk networks and green spaces. Despite this,

iii In addition, Ethiopia's heavy reliance on imported materials and machinery for housing construction in general has seen strong price fluctuation for these goods, depending on the exchange rate: in 2018, the national bank's devaluation of the currency to encourage exports led to a 50% increase in the price of construction materials.

kebele housing's high density does not match the density (and highly improved living conditions and infrastructure) of 7-/12-storey IHDP condominiums; however, when kebele residents have been displaced by IHDP redevelopments to the urban periphery, this contributes to urban sprawl (not to mention potentially worse living conditions for these residents). IHDP has of course contributed to higher density on each condominium development site, even if its overall impact on compact urban form can be qualified. Over time, IHDP condominiums have increased in density. During the pilot phase of IHDP, condominiums were initially three-storeys (including the ground floor) and five storeys. The three-storey condominiums were no longer pursued since they were not dense enough. Eight-storey condominiums became common, and even 13-storey condominiums, as was the case in the Lideta redevelopment project (see section 3.2.5 on kebele housing). However, IHDP cannot be said to have greatly contributed to compact urban form, firstly because such a high subsidy rate could warrant a larger impact on compactness, and secondly because it has in fact contributed to sprawl.

In Addis Ababa, where most IHDP condominiums have been constructed, initial condominium projects as well as select redevelopment projects were constructed in select areas of the inner city, yet most condominiums have been built in the urban periphery, thereby contributing to urban sprawl.[102] Nearly all IHDP developments between 2013 and 2018 were in fact built more than 15 km from the city centre of Addis Ababa.[103] IHDP was conceived primarily to substantially increase the urban housing stock, due to significant demand as well as a pressing need to improve housing conditions for low-income households and to begin formalising a large informal housing sector: evidently, responding to this demand has been a top priority, but a consequence of this provision-oriented approach is the risk of a lack of cross-sectoral integration of housing policy with spatial planning and transport policy, further inhibiting compact and connected urban development.[104]

As a consequence of the numerous identified challenges, as well as lack of capacity and delayed distribution of housing units to households, IHDP – in its current form – is soon expected to be phased out. The IHDP lottery registration system has in fact been closed to newcomers since 2013, as there is a waiting list already extending up to 800,000; formerly planned IHDP construction developments have also been put on hold. Within this context, the government is currently seeking out new and alternative housing policy instruments to replace IHDP, in order to supply affordable housing units to a market in which there is high unsatisfied demand. However, to date, these alternative instruments have not yet been made public, aside from an announcement to boost the role of the private sector (foreign and domestic).

3.2.4 Cooperative housing

Cooperative housing was first initiated in the late 1970s (Proclamation Number 138) and has served as a means to promote homeownership primarily for middle- and high-income households. In order to qualify for cooperative housing development, a small number of individuals (typically 10 to 20 individuals, none of whom can already own a home) must register together as a group in order to apply for land allocation and to collectively pool the required capital for the total upfront construction costs: 50% of construction costs set aside prior to registration with the remaining 50% set aside prior to permitting and construction.[105] Prior to 1992, cooperatives experienced a range of benefits: a 60% subsidy on construction materials, low mortgage interest rates and land allocation at no charge. However, only 40,539 units were constructed through cooperative housing between the late 1970s and 1992, indicating its limited impact on overall urban housing supply.[106] After 1991, private housing cooperatives made 75m^2 to 250m^2 plots of land available to individual households.

In 2005, new cooperative housing units were prohibited at the federal level, owing primarily to exploitation of the preferential land allocation system granted to cooperatives in order to engage in speculation; such exploitation and ensuing speculation was tied to the lack of government capacity to perform regular monitoring and reporting. Although new cooperative housing units remain prohibited in Addis Ababa, several regions passed legislation in 2010 in order to resume cooperative housing for two-storey structures that continue to benefit from preferential subsidies such as near-free land allocation, which represent a grant for buying or constructing a new home (Table 4).[107] In secondary cities, cooperative housing is often the main source of the housing supply. In recent years, there has been renewed interest to resume cooperative housing in Addis Ababa, but no legislation to this effect has passed yet.

As the Ethiopian urban housing market features few formal housing options, cooperatives have historically embodied the primary formal private housing provision mechanism. However, they currently constitute a limited portion of the total urban housing stock and remain a housing option primarily for middle- and high-income households. Owing to the high upfront capital costs, cooperative housing remains affordable for only a limited portion of Ethiopia's urban population: Zhang et al. conducted a recent survey in the cities of Addis Ababa, Adama and Mekelle, finding that 70% of households inhabiting cooperative housing are from the top two consumption quintiles: 47.8% (Q5), 22.4% (Q4), 15.6% (Q3), 7.7% (Q2), 5.5% (Q1).[108]

From the perspective of compact development, cooperative housing may have reduced urban density and contributed to sprawl. Cooperative houses are primarily one- or two-storey structures (e.g. a series of neighbouring row houses) that historically were built at the urban periphery, where lower-quality and cheaper land was available for allocation by the government.[109] In Addis Ababa, for instance, it is estimated that 60% of land allocated to cooperatives is located in the urban

periphery.[110] Additionally, land provided to housing cooperatives has not always been serviced with adequate infrastructure, which has been detrimental to housing quality and has left space for informal infrastructure provision that inhibits both optimal spatial planning and integration of housing with an array of public services such as education and transport. In order for cooperative housing to contribute to infill development in urban areas, it is important to review the design criteria (e.g. multi-storey structure) as well as incentives (e.g. larger financial incentives for high-density development). In Addis Ababa, for instance, it was the practice to build walk-up condominiums through cooperative housing which, although less dense than IHDP condominiums, do present a potentially replicable model. Introducing a rental cooperative housing system can be an interesting option to consider as well.

3.2.5 *Kebele* housing: low-income-household-targeted rental housing

Kebele housing units are inexpensive, high-density (relative to built-up area and even to land area due to crowded land use and living conditions) and low-quality rental units that were officially introduced to the Ethiopian housing market in 1975 when the Derg nationalised a vast swathe of informal settlements and conferred their management to the lowest level of government, the *kebele* (now integrated into the *woreda*).[iv,111] Despite the Derg's recognition of *kebele* units as formal housing, they are often considered to be informal or slum housing because they are overcrowded and many lack key amenities such as drinking water, sanitation, cooking facilities, power supply and waste disposal (most inner-city *kebele* units in Addis Ababa have piped water and electric power). Indeed, much *kebele* housing is old, having been constructed many decades ago, with little to no maintenance carried out in the intervening years. In spite of the liberalisation of Ethiopia's housing market 1991, *kebele* housing was not widely re-privatised and is thus still managed by local authorities (there are exceptions, as Mekelle, where dwellings were restored to their previous owners within the context of upgrading exercises).[112]

Kebele housing rents are very inexpensive (typically costing 10 ETB per month) and do not cover the cost of operation and maintenance, with the result that the quality of many units has considerably deteriorated. *Kebele* housing stock is of particularly low quality for a number of reasons: major renovations by tenants were not allowed by the *kebele* councils, the government is largely inactive in providing maintenance, rebuilding with stronger materials is prohibited, rent is low and tenants choose not to make general repairs or upgrades for fear of having to pay increased rent.[113] Despite such challenges, *kebele* housing is considered, in a sense, to represent a form of social security: it is often centrally located, which increases access to services and minimises transport costs, and it is the most affordable formal housing option in the country, with many informal arrangements commonly made between tenants such that family members or friends may effectively "inherit" or "sublet" *kebele* units. Such informality between tenants and sub-tenants has also been

iv *Kebele* administration units were the lowest level of government but they no longer exist, having been integrated into woredas.

subject to abuse, but *kebele* housing plays a key role in supplying shelter for an important portion of Ethiopia's urban population: on paper, 22% in 2007.[114]

The most recent official data indicated the existence of 362,303 *kebele* units at the national level, with 345,428 units located in urban areas (95%), as of 2007.[115] The actual figures may be higher than these estimations owing to the difficulty in comprehensively accounting for all units. Moreover, several households may unofficially inhabit a unit that is officially intended for only one household on paper, adding another layer of complexity in order to accurately account for all households living in *kebele* housing. On a different but related note, informal settlements in Ethiopian cities (settlements deemed "illegal" or "informal" by the government, hence excluding *kebele* housing) are routinely regularised on the basis of cut-off years cross-referenced with satellite images: in Addis Ababa, settlements appearing in satellite images prior to 1997 could be regularised while those appearing afterwards risked demolition and relocation, but the cut-off years have not remained consistent and have been associated with election cycles. Regularisation is also undertaken proactively by city governments, for instance in Hawassa, where nearly 18,000 informal settlements were regularised in 2016,[116] or in Dire Dawa, where 7,000 out of 10,000 informal houses where regularised.[117]

In 2007, 41% (148,645) of all *kebele* units in Ethiopia were located in Addis Ababa.[118] Moreover, in 2008, it was estimated that more than 40% of the population of Addis Ababa lived in older *kebele* housing units covering 11% of the total land area of the city.[119] Not only do the lowest-income households live in *kebele* units, average consumption levels of those renting *kebele* units in Addis Ababa are 33% below those renting in the private market, indicating that lowest-income households are more likely to rent *kebele* units than private rental options, for which a robust formal market is already lacking.[120]

As an important portion of urban *kebele* housing units have been located on prime urban land, redeveloping such units poses both an opportunity for bringing new urban functions and a challenge concerning the displacement of numerous low-income households that may not be able to afford housing elsewhere. In Addis Ababa, the majority of *kebele* housing is located in the urban centre where land is highly valuable – for instance, across from the Presidential Palace – which has prompted redevelopment efforts.[121] While *kebele* housing has historically represented the perpetual use of social housing for rent in central urban areas, this is changing. For example, much of Addis Ababa's inner city has been delineated for redevelopment. By and large, the clearing and redevelopment of *kebele* units remains very much at the discretion of public authorities.

The first inner-city redevelopment and relocation plan occurred in the central Lideta sub-city of Addis Ababa within the context of IHDP. A total of 1,160 residential housing units – 997 *kebele* units, 123 privately owned and 40 rental housing administration units – were cleared for redevelopment and were replaced by a mix of 53 eight-storey and thirteen-storey condominiums accounting for a total of 1,859 units.[122] Owners or tenants displaced by redevelopment projects are typically

offered the chance to either buy IHDP condominium units (without taking the risk of the lottery) or to rent other *kebele* units often located in the urban periphery (if available), consequently relocating residents from the centre of the city to the urban periphery,[123] which may lead to urban gentrification. Nearly 50% of the pre-existing *kebele* occupants before the Lideta plan accepted an offer to be relocated to a new condominium unit elsewhere, despite anticipating difficulties in affording their new monthly payments, and 420 *kebele* households that could not afford a new condominium unit were relocated to another *kebele* unit elsewhere.[124] The Lideta redevelopment project is unfinished to date and has indeed resulted in gentrification, whereby private developers have constructed additional expensive high-rises and many original low-income residents have been displaced, often without either adequate formal resettlement options or subsidised housing.[125] Generally speaking, redevelopment projects in the urban core such as Lideta that focus on higher density condominiums (relative to land area), do indeed increase compactness in the area concerned. However, redevelopment projects do not always replace lower-density one- or two-storey housing units with the same proportion of new condominiums as in the case of Lideta.[126]

Reducing the total stock of *kebele* units via redevelopment poses an additional challenge for housing affordability given that many households cannot afford the down payment or monthly fees of IHDP condominiums and are thus faced with few formal housing options.[127] Since there is no significant formal rental market – aside from *kebele* units, the total number of which evidently diminishes following redevelopment projects – these households may be forced to resort to informal housing if they can neither afford an IHDP unit nor secure a *kebele* unit, both of which are in high demand.

Urban redevelopment projects, especially redevelopment of *kebele* housing units located on high value urban land, are designed to improve housing living conditions and optimise spatial function in urban centres, but can have repercussions for housing affordability. Such projects do play an important role in accomplishing these goals, but they can also negatively contribute to the quality of life of existing urban residents if affordable housing options are not provided for them. In addition, since there is no formal diversified rental market, there is a lack of transparency between landlords (sometimes represented by unlicensed agents) and tenants, with the former having an advantageous position since the majority of rental arrangements are agreed upon informally. This means that tenants have virtually no legal protection or recourse, for instance when faced with an unplanned event such as flooding, sudden rent increase or eviction.v,[128] In the absence of a diversified formal affordable rental market regulated by clear tenant–landlord relations, many predominantly low-income urban households will continue to struggle to secure decent and affordable formal housing.

v A draft bill proposed in 2020, the Real Estate Development Marketing Proclamation, seeks to regulate the real estate sector, including price hikes.

3.2.6 Federal Housing Corporation: government-official-targeted rental housing

The FHC manages the second type of formal, government-controlled rental housing available in Ethiopia. This type of housing was officially introduced at the same time as *kebele* housing in 1975 – by Proclamation Number 35 which nationalised all urban land and private housing units – but unlike *kebele* housing, which manages rentals below a monthly rate of 100 ETB, FHC is charged with the management of rental units above 100 ETB.[129] FHC manages a significantly smaller housing stock than that covered by kebele: only 24,587 units in Ethiopia (93% of which are in urban areas). Half of the total stock is located in Addis Ababa, which accounts for 11,388 units.[130]

As illustrated in numerous interviews, these rental units have historically been – and continue to be – intended first and foremost for government officials. Doctors, public employees such as teachers, as well as officials from embassies and international organisations, also have preferential access to FHC units. Historically, FHC was charged solely with managing the existing stock rental stock of units, but in recent years its mandate has been extended to include the construction of new rental units, especially for public officials.

The quality and size of FHC units are typically better than *kebele* housing units – large villas are included in FHC housing stock – and tend to be low-rise constructions built on large land parcels. While the existing FHC stock is generally low density, FHC is pursuing a densification programme in order to make better use of space and capture greater value from land use. In particular, many of the large villa-style houses are being demolished in order to be replaced by high-rise apartment buildings (up to 20 storeys). Inclusionary zoning applies to FHC densification (on a separate but related note, such zoning theoretically applies to private residential developments, but it is not strictly enforced and the "affordability" threshold remains very high for most households). The overall impact of FHC on compactness depends on the location of where redevelopment and new construction occur; when at the urban periphery, the outcome is not optimal with regard to sprawl and access to services, even if the resulting developments are higher density than those they are replacing. With regard to the new efforts to densify FHC stock in Addis Ababa, for instance, most FHC properties are located in central parts of the city, indicating a positive impact on compactness but also a key missed opportunity, since transport planning and infrastructure development have not been coordinated in the densification programme to date. Although FHC units remain generally affordable, they cater to a limited market. Since FHC units only occupy a small portion of the total housing stock, primarily target government officials and remain too expensive for much of the population, they hardly qualify as an affordable housing option for the majority of urban households.

4. Recommendations and conclusion

The objective of this paper is to provide an assessment of Ethiopia's existing national housing policy framework, from the perspective of compact urban development and housing affordability. Applying the analytical framework developed in *Housing policies for sustainable and inclusive cities* to the case of Ethiopia, served to identify six national urban housing policy instruments.[131] These six instruments consist of: two policies to regulate land use for urban housing development – land-use planning and land allocation; two policies to promote homeownership in cities – IHDP and cooperative housing; and two policies to promote rental housing in cities – *kebele* housing and the FHC.

On the one hand, several of these policies were cross-cutting, covering seven of the sixteen international policy instruments identified in *Housing policies for sustainable and inclusive cities*. On the other hand, certain key instruments for affordability and compactness from the international assessment were absent from the Ethiopian context, such as a split-rate tax and a vacant urban land tax (property taxes are not effectively implemented in Ethiopian cities in practice), a development tax and incentives for developers for the construction of affordable rental housing (Section 3.2 and Table 4). Key components of these policy instruments, as well as their impact on compactness and housing affordability, were assessed (Section 3.2 and Table 5).

Based on the assessment, this paper identifies the following five overarching policy recommendations to achieve a more robust framework for compact urban development and affordable housing:

1. **Lay the groundwork for fiscal measures that can foster compactness and housing affordability, including through urban cadastres and regular property valuation**
   Implementing revised impact fees (current rates are far too low) and considering a development tax (not in place) would be a first step towards internalising urban infrastructure costs and the real cost of sprawl, and help to: ensure that infrastructure provision accompanies development; bolster local revenue collection; limit distortionary impacts on housing affordability; and encourage more efficient use of urban land. As detailed in this paper and in *Housing policies for sustainable and inclusive cities*,[132] fiscal measures absent from the Ethiopian framework, such as a split-rate tax and a tax on vacant urban land, could incentivise the renovation of existing structures and discourage the hoarding of vacant land for speculation. However, before considering a split-rate tax or vacant urban land tax, property taxation is a prerequisite but it is not effectively implemented in Ethiopian cities. The relative absence of property taxes is a major missed opportunity for land value capture and local government revenue generation and, despite the potential implementation challenges (see Section 3.2.1. Land-use planning), it is crucial to accelerate their use in Ethiopian cities and enforce their collection, and also to regularly revalue

property values. Well-functioning tax systems require corresponding capacity for property valuation and tax collection, especially urban cadastres: the design of urban cadastre systems and their systematic implementation in Ethiopian cities are urgent priorities that could be pioneered at the federal level through a guiding framework or regulation.[133]

2. **Incentivise infill development to minimise sprawl**
The federal government can consider providing technical support and fostering a regulatory environment to incentivise infill development for housing on behalf of private homeowners and developers (this form of infill development can minimise sprawl and reduce informality due to the ensuing increase in formal housing options). Such measures might involve incentivising mixed-use development, thus easing zoning requirements for high-quality development and reducing the burden of administrative and legal permitting processes, which would facilitate cooperation with the private sector. Beyond the scale of private homeowners, the government's decision to densify FHC units by constructing high-rise apartment buildings is a positive use of infill development that will increase the total rental housing stock, albeit primarily for civil servants. However, FHC densification is currently being pursued without consideration of transport planning and infrastructure development, which is a missed opportunity for coordinated land-use planning that may hamper the programme's overall success and lead to non-optimal outcomes.

3. **Provide incentives to investors and developers for affordable rental housing**
The federal government could mobilise the private sector to provide affordable housing units to lessen the financial burden on the direct housing provision by the public sector. Beyond potential subsidies to investors and developers, further pursuing private–public partnerships (PPPs) may open a new window of opportunity for affordable rental housing, where the private sector builds and manages rental housing stocks while the public sector provides incentives and retains a degree of control over affordability. A challenge is that the government needs to establish a legal, institutional and regulatory framework for PPPs with clear respective roles, responsibilities, standards and monitoring. This is a challenge but is crucial prior to engaging in a PPP so as to ensure government standards are respected. While there is no standard PPP framework, examples and guidelines from international experience are numerous, and include the OECD's "Recommendation on the public governance of PPPs".[vi,134]

vi The OECD's "Recommendation on the Public Governance of PPPs" sets out three core principles: i) establishing a clear, predictable and legitimate institutional framework; ii) grounding the selection of PPPs in value for money; and iii) using the budget process transparently to minimise fiscal risks and ensure the integrity of the procurement process. The "PPPs Reference Guide: Version 3", to which the OECD contributed, is another comprehensive source.

4. **Enforce and more strongly implement inclusionary zoning for private developments to ensure affordable rental housing**
   The federal government could consider extending inclusionary zoning, as already exists in the context of FHC (and IHDP unintentionally), more strictly to private developments such that a greater proportion of units in new housing constructions be set aside for affordable housing at fixed rates, preferably for rental given the urgent need for improved affordable rental housing in Ethiopia. Certain private developments are subject to inclusionary zoning in theory, but in practice there is little enforcement and the threshold for what is deemed "affordable" remains too high for most households. The federal government could achieve stronger implementation of inclusionary zoning through direct regulation and guidelines or through other means, such as a tax incentive to private developers allocating a proportion of new units for affordable rental housing. While the units themselves might still be partially subsidised by the government, such measures benefit from the construction expertise of the private sector and can significantly lessen the burden on the public sector for the direct provision of affordable housing.

5. **Develop clear landlord–tenant regulations**
   In order to strengthen a formal rental framework, regulations establishing c lear relations between landlords and tenants will also be needed to ensure that both parties have equal access to information as well as respective legal rights. As a first important step, the federal government could work with the private sector to design and supply guiding principles – such as a standardised contract for rentals – delineating the responsibilities and rights of the respective parties. The interviews conducted for this paper indicated that the government is currently considering a regulation on landlord–tenant relations, which is a welcome initiative.

Implementing these policy options will require an enabling framework, which should be considered in parallel. For example, given the existing coordination difficulties between ministries, departments and different levels of government, the federal government should redouble its efforts to strengthen governance and coordination mechanisms. One option is to establish an inter-ministerial committee on spatial planning (as detailed in the NUDSP), convening, for instance, the Ministries of Urban Development and Construction, Transport, Finance and Economic Cooperation, in order to avoid a fragmented approach to urban development and the danger of broader policy misalignments, for example between urban and rural land policy. For instance, there are currently limited horizontal coordination mechanisms for urban and rural policy.[135] Establishing a multilevel mechanism to finance affordable housing and compact urban development is another key enabling factor, to which could be added the establishment of a monitoring and evaluation system of housing subsidies to assess overall outcomes as well as specific results of ongoing programmes.

The rapid pace of urbanisation in Ethiopia is profoundly changing the country and can generate many benefits. However, it also poses several pressing challenges with regard to supplying affordable housing and limiting sprawling urban development. In response to these challenges, the analysis and policy recommendations set out in this paper seek to help scale up affordable housing and ensure compact development in Ethiopia's cities, supporting residents' well-being and promoting sustainable and inclusive cities.

Photo credit: Iulian Ursachi/Shutterstock

REFERENCES

1. OECD AHD, n.d. OECD Affordable Housing Database: Indicator HC1.2 "Housing costs over income". Available at: http://www.oecd.org/els/family/HC1-2-Housing-costs-over-income.pdf.

2. Moreno-Monroy, A., Gars, J., Matsumoto, T., Crook, J., Ahrend, R. and Schumann, A., 2020. *Housing policies for sustainable and inclusive cities: How national governments can deliver affordable housing and compact urban development.* Coalition for Urban Transitions, London and Washington, DC. Available at: https://urbantransitions.global/en/publication/housing-policies-for-sustainable-and-inclusive-cities/.

3. OECD, 2020. *Cities policy responses to COVID-19.* OECD Policy Responses to COVID-19. Available at: http://www.oecd.org/coronavirus/policy-responses cities-policy-responses-fd1053ff/.

4. OECD, 2012a. *Compact City Policies: A Comparative Assessment.* OECD Publishing, Paris. Available at: https://www.oecd.org/greengrowth/compact-city-policies-9789264167865-en.htm.

5. OECD/European Commission, 2020. *Cities in the World: A New Perspective on Urbanisation.* OECD Urban Studies. OECD Publishing, Paris. Available at: http://www.oecd.org/publications/cities-in-the-world-d0efcbda-en.htm.

   UN, 2018. *World Urbanization Prospects: The 2018 Revision.* United Nations, Department of Economic and Social Affairs, Population Division, New York. Available at: https://population.un.org/wup/Publications/Files/WUP2018-Report.pdf.

   UN, 2019. *World Population Prospects 2019.* United Nations, Department of Economic and Social Affairs, Population Division, New York. Available at: https://population.un.org/wpp/Publications/Files/WPP2019_Highlights.pdf.

6. World Bank, 2015. *Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia.* World Bank, Washington, DC. Available at: https://openknowledge.worldbank.org/handle/10986/22979.

7. World Bank/OECD, n.d. World Development Indicators: GDP growth (annual %) – Ethiopia. World Bank national accounts data, OECD national accounts data files [Dataset]. Available at: https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ET.

8. AfDB/OECD/UNDP, 2016. *African Economic Outlook 2016*: Sustainable Cities and Structural Transformation. OECD Publishing, Paris. DOI:10.1787/aeo-2016-en.

9. NPC, 2017. *Ethiopia's Progress Towards Eradicating Poverty: An Interim Report on 2015/16 Poverty Analysis Study.* National Planning Commission (NPC), Addis Ababa.

FDRE CSA, 2018. The 2015/16 Ethiopian Household Consumption – Expenditure (HCE) Survey. Central Statistical Agency, Addis Ababa. Available at: http://www.statsethiopia.gov.et/wp-content/uploads/2019/06/Household-Consumption-Expenditure-Survey-2016.pdf.

10. AfDB/OECD/UNDP, 2016. *African Economic Outlook 2016*.

11. AfDB/OECD/UNDP, 2016. *African Economic Outlook 2016.*

World Bank, 2015. *Ethiopia Urbanization Review.*

12. MUDH, 2016. *Ethiopia National Urban Development Spatial Plan: National Urban Systems Study Final Report.* Ministry of Urban Development and Housing, Addis Ababa. Available at: http://www.mudc.gov.et/c/document_library/get_file?uuid=2e582efd-8cd9-43d7-a49f-fed059ec800a&groupId=10136.

13. FDRE CSA, 2017. *Demographic and Health Survey 2016.* Central Statistical Agency, Addis Ababa, and The DHS Program, Rockville, MD. Available at: https://www.statsethiopia.gov.et/our-survey-reports/.

14. World Bank, 2015. *Ethiopia Urbanization Review.*

15. AfDB/OECD/UNDP, 2016. *African Economic Outlook 2016.*

16. FDRE CSA, 2013. *Population projections for Ethiopia: 2007-2037.* Central Statistical Agency, Addis Ababa. Available at: https://www.statsethiopia.gov.et/wp-content/uploads/2019/05/ICPS-Population-Projection-2007-2037-produced-in-2012.pdf.

17. OECD Health Statistics 2019 [Database]. Available at: http://www.oecd.org/health/health-data.htm.

World Bank, 2019. Population ages 65 and above (% of total population) - Ethiopia, World; Population ages 15-64 (% of total population) - Ethiopia, World, Sub-Saharan Africa; Population ages 0-14 (% of total population) - Ethiopia, World, Sub-Saharan Africa. Available at: https://data.worldbank.org/indicator/SP.POP.65UP.TO.ZS?locations=ET-1W-ZG; https://data.worldbank.org/indicator/SP.POP.1564.TO.ZS?locations=ET-1W-ZG; https://data.worldbank.org/indicator/SP.POP.0014.TO.ZS?locations=ET-1W-ZG.

18. Pesaresi, M., Florczyk, A., Schiavina, M., Melchiorri, M. and Maffenini, L., 2019. GHS settlement grid, updated and refined REGIO model 2014 in application to GHS-BUILT R2018A and GHS-POP R2019A, multitemporal (1975-1990-2000-2015), R2019A. European Commission, Joint Research Centre. DOI:10.2905/42E8BE89-54FF-464E-BE7B-BF9E64DA5218.

19. FDRE CSA, 2016. Welfare Monitoring Survey 2015/2016. Volume II: Statistical Report Indicators on Living Standard, Accessibility, Household Assets. Central Statistical Agency, Addis Ababa, https://www.statsethiopia.gov.et/our-survey-reports/.

20. FDRE CSA, 2016. *Welfare Monitoring Survey 2015/2016. Volume II.*

21. FDRE CSA, 2007. *The 2007 Population and Housing Census of Ethiopia: Statistical Report at National Level*. Central Statistical Agency (CSA), Addis Ababa. Available at: https://www.statsethiopia.gov.et/census-2007-2/.

22. AfDB/OECD/UNDP, 2016. *African Economic Outlook 2016.*

23. FDRE CSA, 2007. *The 2007 Population and Housing Census of Ethiopia.*

24. UN-Habitat, 2014. "Millennium Development Goals Indicators: Proportion of urban population living in slums", data are available at: http://mdgs.un.org/.

    World Bank, 2018. "Population living in slums (% of urban population) – Ethiopia". Available at: https://data.worldbank.org/indicator/EN.POP.SLUM.UR.ZS?locations=ET.

25. See Table 3 in FDRE CSA, 2017. *Demographic and Health Survey 2016.* Central Statistical Agency, Addis Ababa, and The DHS Program, Rockville, MD. Available at: https://www.statsethiopia.gov.et/our-survey-reports/.

26. OECD, 2021b. *Water Governance in African Cities.* OECD Studies on Water. OECD Publishing, Paris. Available at: https://doi.org/10.1787/19effb77-en.

27. FDRE CSA, 2017. *Demographic and Health Survey 2016.*

28. FDRE, 1995. *Constitution of the Federal Democratic Republic of Ethiopia.* Federal Democratic Republic of Ethiopia, Addis Ababa. English language version available at: https://wipolex.wipo.int/en/legislation/details/7438.

29. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme.* United Nations Human Settlements Programme. Nairobi. Available at: https://www.humanitarianlibrary.org/sites/default/files/2013/07/3104_alt.pdf.

Keller, E. and Mukudi-Omwami, E., 2017. Rapid urban expansion and the challenge of pro-poor housing in Addis Ababa, Ethiopia. *Africa Review*, 9(2). 173–185. DOI:10.1080/09744053.2017.1329809.

Endale, K., Pick, A. and Woldehanna, T., 2019. *Financing social protection in Ethiopia: A long-term perspective.* OECD Development Policy Papers No. 15. OECD Publishing, Paris. DOI:10.1787/9ce809d8-en.

30. FDRE, 2002. *Proclamation Number 272/2002: Re-enactment of the Urban Lands Lease Holding Proclamation.* Federal Democratic Republic of Ethiopia, Addis Ababa. Available at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC044184.

31. FDRE, 1993. *Proclamation No. 80/1993: Urban Lands Lease Holding Proclamation.* Federal Democratic Republic of Ethiopia, Addis Ababa. Available at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC004525/.

32. Article 14, §1 in FDRE, 2011. *Proclamation Number 721/2011: Urban Lands Lease Holding Proclamation.* Federal Democratic Republic of Ethiopia, Addis Ababa. Available at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC169468.

33. Zhang, Y.F., Alemayehu, A., Walley, S.C., Wood, D.T., Rajashekar, A.V., et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets: Synthesis Report.* World Bank Group, Washington DC, Ministry of Urban Development and Construction, Addis Ababa, Ministry of Finance and Economic Cooperation, Addis Ababa. Available at: http://documents.worldbank.org/curated/en/549221572382742218/Unlocking-Ethiopias-Urban-Land-and-Housing-Markets-Synthesis-Report.

34. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

35. MUDHC, 2014. *National Report on Housing & Sustainable Urban Development*. Ministry of Urban Development, Housing and Construction, Addis Ababa. Available at: http://habitat3.org/wp-content/uploads/National-Report-Africa-Ethiopia-Final-in-English.pdf.

36. MUDHC, 2014, *National Report on Housing & Sustainable Urban Development.*

World Bank, 2015. *Ethiopia Urbanization Review.*

37. FDRE CSA, 2018. *The 2015/16 Ethiopian Household Consumption – Expenditure (HCE) Survey.* Central Statistical Agency, Addis Ababa. Available at: http://www.statsethiopia.gov.et/wp-content/uploads/2019/06/Household-Consumption-Expenditure-Survey-2016.pdf.
OECD AHD, n.d. OECD Affordable Housing Database: Indicator HC1.1. Available at: http://www.oecd.org/housing/data/affordable-housing-database/housing-conditions.htm.

38. FDRE CSA, 2018. *The 2015/16 Ethiopian Household Consumption – Expenditure (HCE) Survey.*

39. C-GIDD, 2020. GIDD database, The Economist Intelligence Unit. As cited in: Mandefro and Nkhonjera, 2020. *Africa Housing Finance Yearbook 2020: Ethiopia. Centre for Affordable Finance* (CAHF), http://housingfinanceafrica.org/countries/ethiopia/, pp. 131–134.

40. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

41. OECD, 2021. *Building for a better tomorrow: Policies to make housing more affordable.* Employment, Labour and Social Affairs Policy Briefs. OECD, Paris, http://oe.cd/affordable-housing-2021.

42. OECD/UCLG, 2016. "*Ethiopia" in Subnational Governments Around the World - Part III: Country Profiles,* Organisation for Economic Co-operation and Development, Paris, and United Cities and Local Governments, Barcelona. Available at: http://www.oecd.org/regional/regional-policy/profile-Ethiopia.pdf.

UCLG Africa/Cities Alliance, 2018. *Assessing the Institutional Environment of Local Governments in Africa.* United Cities and Local Governments of Africa, Rabat, and Cities Alliance, Brussels. Available at: https://www.citiesalliance.org/resources/publications/cities-alliance-knowledge/assessing-institutional-environment-local-0.

43. MUDHC, 2014, *National Report on Housing & Sustainable Urban Development.*

44. NPC, 2016. *Growth and Transformation Plan II: 2015/16-2019/20.* National Planning Commission, Addis Ababa. Available at: https://ethiopia.un.org/en/15231-growth-and-transformation-plan-ii.

OECD/UCLG, 2016. "Ethiopia".

45. Assefa, D., 2015. Fiscal decentralization in Ethiopia: Achievements and challenges. *Public Policy and Administration Research*, 5(8). 27–39.

OECD/PSI, 2020. *Rural Development Strategy Review of Ethiopia: Reaping the Benefits of*

Urbanisation. OECD Development Pathways. OECD Publishing, Paris. Available at: https://www.oecd.org/fr/regional/rural-development-strategy-review-of-ethiopia-a325a658-en.htm.

46. World Bank, 2015. *Ethiopia Urbanization Review.*

47. Yitbarek Alemayehu, E., 2008. R*evisiting 'slums', revealing responses: Urban upgrading in tenant dominated inner-city settlements of Addis Ababa.* PhD Thesis. Norwegian University of Science and Technology (NTNU), Trondheim. Available at: https://ntnuopen.ntnu.no/ntnu-xmlui/handle/11250/231000.

48. OECD/UCLG, 2016. "Ethiopia" in *Subnational Governments Around the World - Part III.*

49. NPC, 2016. *Growth and Transformation Plan II*: 2015/16-2019/20.

    OECD/UCLG, 2016. "Ethiopia" in *Subnational Governments Around the World - Part III.*

    World Bank, 2015. *Ethiopia Urbanization Review.*

    OECD/PSI, 2020. *Rural Development Strategy Review of Ethiopia.*

50. UCLG Africa/Cities Alliance, 2018. *Assessing the Institutional Environment.*

51. OECD/UCLG, 2016. "Ethiopia".

52. Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

53. Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

54. NPC, 2016. *Growth and Transformation Plan II: 2015/16-2019/20.* National Planning Commission, Addis Ababa. Available at: https://ethiopia.un.org/en/15231-growth-and-transformation-plan-ii.

55. MUDH, 2016. *Ethiopia National Urban Development Spatial Plan.*

56. AACPPO, 2017. *Addis Ababa City Structure Plan: 2017-2027.* Addis Ababa City Government, Addis Ababa.

57. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme.* United Nations Human Settlements Programme. Nairobi. Available at: https://www.humanitarianlibrary.org/sites/default/files/2013/07/3104_alt.pdf.

AACPPO, 2017. *Addis Ababa City Structure Plan.*

58. Franklin, S., 2019. *The demand for government housing: Evidence from lotteries for 200,000 homes in Ethiopia.* Urbanisation in Developing Countries Working Paper. University of Oxford, Oxford, and London School of Economics and Political Science, London. Available at: https://urbanisation.econ.ox.ac.uk/materials/papers/160/franklinjmp.pdf.

59. Pesaresi et al., 2019. GHS settlement grid.

60. World Bank, 2015. *Ethiopia Urbanization Review.*

61. Koroso, N., Zevenbergen, J. and Lengoiboni, M., 2020. Urban land use efficiency in Ethiopia: An assessment of urban land use sustainability in Addis Ababa. *Land Use Policy,* 99. 105081. DOI:10.1016/j.landusepol.2020.105081.

62. Koroso et al., 2020. Urban land use efficiency in Ethiopia.

63. World Bank, 2015. *Ethiopia Urbanization Review.*

64. Goodfellow, T., 2017. Taxing property in a neo-developmental state: The politics of urban land value capture in Rwanda and Ethiopia. *African Affairs*, 116(465). 549–472. DOI:10.1093/afraf/adx020.

65. OECD, n.d. "Building a Global Compendium on Land Value Capture" [webpage]. Available at: https://www.oecd.org/cfe/cities/land-value-capture.htm.

Franzsen, R. and McCluskey, W. (eds.), 2017. *Property Tax in Africa: Status, Challenges, and Prospects.* Lincoln Institute of Land Policy, Cambridge, MA. Available at: https://www.lincolninst.edu/publications/books/property-tax-in-africa.

66. World Bank, 2015. *Ethiopia Urbanization Review.*

67. MUDH, 2016. *Ethiopia National Urban Development Spatial Plan.*

68. Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

69. FDRE, 1993. *Proclamation No. 80/1993: Urban Lands Lease Holding Proclamation.* Federal Democratic Republic of Ethiopia, Addis Ababa. Available at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC004525/.

    FDRE, 2002. *Proclamation Number 272/2002: Re-enactment of the Urban Lands Lease Holding Proclamation.* Federal Democratic Republic of Ethiopia, Addis Ababa. Available at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC044184.

    FDRE, 2011. *Proclamation Number 721/2011: Urban Lands Lease Holding Proclamation*. Federal Democratic Republic of Ethiopia, Addis Ababa. Available at: http://www.fao.org/faolex/results/details/en/c/LEX-FAOC169468.

    MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

70. Lamson-Hall, P., Angel, S., DeGroot, D., Martin, R., and Tafesse, T., 2019. A new plan for African cities: The Ethiopia Urban Expansion Initiative. *Urban Studies*, 56(6). 1234–1249. DOI:10.1177/0042098018757601.

71. Goodfellow, 2017. Taxing property in a neo-developmental state.

72. Bahl, R. and Wallace, S., 2008. *Reforming the property tax in developing countries: A new approach.* International Studies Program Working Paper 08-19. Andrew Young School of Policy Studies, Georgia University, Atlanta, GA. Available at: https://icepp.gsu.edu/files/2015/03/ispwp0819.pdf.

    Slack, E. and Bird, R., 2014. *The political economy of property tax reform.* OECD Working Papers on Fiscal Federalism No. 18. OECD Publishing, Paris. DOI:10.1787/5jz5pzvzv6r7-en.

73. OECD, 2015. *OECD Urban Policy Reviews: Mexico 2015: Transforming Urban Policy and Housing Finance.* OECD Urban Policy Reviews. OECD Publishing, Paris. Available at: https://www.oecd.org/publications/oecd-urban-policy-reviews-mexico-2015-9789264227293-en.htm.

74. Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

75. World Bank, 2015. *Ethiopia Urbanization Review.*

76. FDRE, 2011. *Proclamation Number 721/2011.*

77. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

78. Goodfellow, 2017. *Taxing property in a neo-developmental state.*

79. Lall, S.V., Henderson, J.V. and Venables, A.J., 2017. *Africa's Cities: Opening Doors to the World.* World Bank, Washington, DC. Available at: http://hdl.handle.net/10986/25896.

80. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

81. Delz, S., 2016. *Ethiopia's low-cost housing program: How concepts of individual home-ownership and housing blocks still walk abroad.* Paper presented to No Cost Housing Conference, Zurich. Available at: https://ethz.ch/content/dam/ethz/special-interest/conference-websites-dam/no-cost-housing-dam/documents/Delz_160530_Low-No-Cost%20Housing%20Conference_Paper_Sascha%20Delz.pdf.

    MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

82. MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

83. MUDHC/Cities Alliance, 2015. *State of Ethiopian Cities Report 2015.* Ministry of Urban Development, Housing and Construction, Addis Ababa, and Cities Alliance, Brussels. Available at: http://www.mudc.gov.et/c/document_library/get_file?uuid=cf0ef7a3-66c9-429c-b921-be76b9291851&groupId=10136.

84. MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

85. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

86. KDI, 2018. *2017/18 Knowledge Sharing Program with Ethiopia: Enhancing National Housing Development and Administration.* Republic of Korea Ministry of Economy and Finance, and Korea Development Institute, Seoul. Available at: https://www.kdevelopedia.org/Resources/view/04201909060152259.do.

87. Keller and Mukudi-Omwami, 2017. *Rapid urban expansion.*

88. MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

    UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

89. MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*

    World Bank, 2015. *Ethiopia Urbanization Review.*

90. MUDHC/Cities Alliance, 2015. *State of Ethiopian Cities Report 2015.*

91. MUDHC, 2014. *National Report on Housing & Sustainable Urban Development.*
    UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

    World Bank, 2015. *Ethiopia Urbanization Review.*

92. World Bank, 2015. *Ethiopia Urbanization Review.*

    KDI, 2018. *2017/18 Knowledge Sharing Program with Ethiopia.*

93. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

94. KDI, 2018. *2017/18 Knowledge Sharing Program with Ethiopia.*

95. Tipple, G. and Yitbarek Alemayehu, E., 2014. *Stocktaking of the housing sector in sub-Saharan Africa. Part 3: Ethiopia.* Affordable Housing Institute, Boston, MA. Available at: https://collaboration.worldbank.org/content/usergenerated/asi/cloud/attachments/sites/collaboration-for-development/en/groups/affordable-housing-ksb-c4d/documents/jcr:content/content/primary/blog/stocktaking_of_theh-PavR/Final%20Draft%20-%20Ethiopia%20Country%20Case%20Study.pdf.

96. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

97. World Bank, 2015. *Ethiopia Urbanization Review.*

98. Tipple and Yitbarek Alemayehu, 2014. *Stocktaking of the housing sector in sub-Saharan Africa.*

99. HABCON, 2018. *Study on effect of the Birr Devaluation on the construction industry of Ethiopia.*

    UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

100. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

101. World Bank, 2015. *Ethiopia Urbanization Review.*

102. Yitbarek Alemayehu, E. and Stark, L. (eds.), 2018. *The Transformation of Addis Ababa: A Multiform African City.* Cambridge Scholars Publishing, Newcastle upon Tyne, UK.

103. Franklin, 2019. *The demand for government housing.*

104. Rode, P., Heeckt, C., Ahrend, R., Huerta Melchor, O., Alexis, R., et al., 2017. *Integrating national policies to deliver compact, connected cities: An overview of transport and housing.* CUT Working Paper. Coalition for Urban Transitions, London, UK, and Washington, DC. Available at: http://newclimateeconomy.net/content/cities-working-papers.

    NCE/EDRI/GGGI, 2015. *Unlocking the Power of Ethiopian Cities: A Report by Ethiopia's New Climate Economy Partnership.* New Climate Economy, Washington, DC, Ethiopian Development Research Institute, Addis Ababa, and Global Green Growth Institute, Seoul. Available at: https://newclimateeconomy.report/workingpapers/workingpaper/unlocking-the-power-of-ethiopias-cities/.

105. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

106. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

107. World Bank, 2015. *Ethiopia Urbanization Review.*

108. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

109. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

110. Zhang et al., 2019. *Unlocking Ethiopia's Urban Land and Housing Markets.*

111. Yitbarek Alemayehu and Stark (eds.), 2018. *The Transformation of Addis Ababa.*

112. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

    KDI, 2018. *2017/18 Knowledge Sharing Program with Ethiopia.*

113. Tipple and Yitbarek Alemayehu, 2014. *Stocktaking of the housing sector in sub-Saharan Africa.*

    World Bank, 2015. *Ethiopia Urbanization Review.*

114. FDRE CSA, 2007. *The 2007 Population and Housing Census of Ethiopia.*

115. FDRE CSA, 2007. *The 2007 Population and Housing Census of Ethiopia.*

116. Lamson-Hall et al., 2019. *A new plan for African cities.*

117. World Bank, 2015. *Ethiopia Urbanization Review.*

118. FDRE CSA, 2007. *The 2007 Population and Housing Census of Ethiopia.*

119. Yitbarek Alemayehu, 2008. *Revisiting 'slums', revealing responses.*

120. World Bank, 2015. *Ethiopia Urbanization Review.*

121. Yitbarek Alemayehu and Stark (eds.), 2018. *The Transformation of Addis Ababa.*

122. Getachew, T., 2016. *Assessment of affordability and living condition of condominium housing in Addis Ababa: The case of Lideta sub city in Addis Ababa, Ethiopia.* Master's Thesis. Addis Ababa University, Addis Ababa, Ethiopia. Available at: http://etd.aau.edu.et/handle/123456789/6119.

    MUDHC/Cities Alliance, 2015. *State of Ethiopian Cities Report 2015.*

123. Yitbarek Alemayehu and Stark (eds.), 2018. *The Transformation of Addis Ababa.*

    World Bank, 2015. *Ethiopia Urbanization Review.*

124. UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

125. Mahendra, A., King, R., Gray, E., Hart, M., Azeredo, L., et al., 2020. *Urban land value capture in São Paulo, Addis Ababa, and Hyderabad: Differing interpretations, equity impacts, and enabling conditions.* World Resources Institute, Washington, DC, and Lincoln Institute of Land Policy, Cambridge, MA. Available at: https://www.wri.org/publication/urban-land-value-capture-sao-paulo-addis-ababa-hyderabad.

126. Planel, S. and Bridonneau, M., 2017. (Re)making politics in a new urban Ethiopia: an empirical reading of the right to the city in Addis Ababa's condominiums. *Journal of Eastern African Studies*, 11(1). 24–45. DOI:10.1080/17531055.2017.1285105.

127. Yitbarek Alemayehu and Stark (eds.), 2018. *The Transformation of Addis Ababa.*

    World Bank, 2015. *Ethiopia Urbanization Review.*

128. Mandefro, H. and Nkhonjera, M., 2020. *Africa Housing Finance Yearbook 2020: Ethiopia.* Centre for Affordable Finance in Africa (CAHF). Available at: http://housingfinanceafrica.org/app/uploads/V8-ETHIOPIA2-FINAL.pdf.

129. van Dijk, M.P. and Fransen, J., (eds.), 2008. *Managing Ethiopian Cities in an Era of Rapid Urbanisation*. Eburon Academic Publishers, Delft.

UN-Habitat, 2011. *The Ethiopia Case of Condominium Housing.*

130. FDRE CSA, 2007. *The 2007 Population and Housing Census of Ethiopia.*

131. Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

132. Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

133. FIG, n.d. *FIG Commission 7 – Cadastre and Land Management* [Web page]. International Federation of Surveyors / Fédération Internationale des Géomètres, Copenhagen. Available at: https://www.fig.net/organisation/comm/7/.

Moreno-Monroy et al., 2020. *Housing policies for sustainable and inclusive cities.*

134. PPP Knowledge Lab, 2017. *Public-Private Partnerships Reference Guide: Version 3.* African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Global Infrastructure Hub, Inter-American Development Bank, Islamic Development Bank, OECD, United Nations Economic and Social Commission for Asia and the Pacific, United Nations Economic Commission for Europe, World Bank. Available at: https://pppknowledgelab.org/guide/sections/83-what-is-the-ppp-reference-guide.

OECD, 2012b. *Recommendation of the Council on Principles for Public Governance of Public-Private Partnerships.* OECD Publishing, Paris. Available at: https://www.oecd.org/governance/budgeting/PPP-Recommendation.pdf.

135. OECD/PSI, 2020. *Rural Development Strategy Review of Ethiopia.*

ABOUT THE COALITION FOR URBAN TRANSITIONS

The Coalition for Urban Transitions is the foremost initiative supporting national governments to secure economic prosperity and reduce the risk of climate change by transforming cities. The Coalition equips national governments with the evidence and policy options they need to foster more compact, connected, clean and resilient urban development. The Coalition's country programmes in China, Ghana, Mexico and Tanzania provide models for other countries on how to effectively develop national urban policies and infrastructure investment strategies.

A special initiative of the New Climate Economy (NCE), the Coalition for Urban Transitions is jointly managed by C40 Cities Climate Leadership Group and the World Resources Institute Ross Center for Sustainable Cities. A partnership of 35+ diverse stakeholders across five continents drives the Coalition, including leading urban-focused institutions and their practice leaders from major think-tanks, research institutions, city networks, international organisations, major investors, infrastructure providers, and strategic advisory companies.

ABOUT THE OECD

The Organisation for Economic Co-operation and Development (OECD) is a multi-disciplinary inter-governmental organisation of 36 member countries which engages in its work an increasing number of non-members from all regions of the world.

The Organisation's core mission today is to help governments work together towards a stronger, cleaner, fairer global economy. Through its network of 250 specialised committees and working groups, the OECD provides a setting where governments compare policy experiences, seek answers to common problems, identify good practice, and coordinate domestic and international policies

ACKNOWLEDGEMENTS

The paper was prepared by the OECD, in partnership with the Coalition for Urban Transitions. During the fact-finding mission the paper was informed by the valuable in-person insights of key stakeholders at the following institutions: Addis Ababa City Administration; Addis Ababa Environmental Protection and Green Development Commission; Cities Alliance – Ethiopia; Ethiopian Development Research Institute; Ethiopian Institute of Architecture, Building Construction and City Development (EiABC); Ethiopian Ministry of Transport; Ethiopian Ministry of Urban Development and Construction; London School of Economics – LSE Cities; Newcastle University; United Nations Economic Commission for Africa; UN-Habitat – Ethiopia; World Bank – Ethiopia; World Resources Institute – Ethiopia. The paper also benefitted from the peer-review comments of colleagues in the OECD Secretariat, as well as Catlyne Haddaoui from the Coalition for Urban Transitions, Elleni Ashebir, Robin King and Wubanchi Tesso from the World Resources Institute, Imam Hassen from EiABC and Robert Buckley from the New School.

Find us

urbantransitions.global

@CoalitionUrban