



ADDIS ABABA: A POLICY NARRATIVE

Patricia Jones
University of Oxford

Simon Franklin
London School of Economics

Miska Daredia
IGC Ethiopia

Sisay Zenebe
Addis Ababa, Ethiopia

March 2016

ABSTRACT:

In this city narrative, we examine the urban development of Addis Ababa from its Imperial past to the present day. Our analysis covers both the spatial development of the city as well as its economic development. Emphasis is given to how different urban policies have influenced urbanization, particularly in terms of the city's liveability. To carry out this analysis, we use a wide range of sources including satellite data, historical maps, and geo-referenced economic data.

*This paper is a part of a Global Research Program on Spatial Development of Cities, funded by the Multi Donor Trust Fund on Sustainable Urbanization of the World Bank and supported by the UK Department for International Development.

1	Addis Ababa at a Glance	3
1.1	City Layout.....	3
2	Brief History	9
2.1	Imperial Period: 1887-1974	9
2.2	Socialist Oriented Military Government (Derg) Period: 1974-1991	10
2.3	Ethiopian People’s Revolutionary Democratic Front: 1991-2015.....	11
	References.....	12
3	Governance	13
3.1	Institutional Framework	13
3.2	Urban Governance in Addis Ababa	16
3.3	Key Policies and Strategies	19
4	Land Markets.....	24
4.1	Evolution of Land Tenure in Ethiopia.....	24
4.2	Tenure Security	29
5	Infrastructure: Transport.....	32
5.1	Road	32
5.2	Rail	36
5.3	Air.....	38
5.4	Transport in Addis Ababa	40
6	Labor Markets.....	48
6.1	Demographic and Structural Change	48
6.2	Institutional Environment and Policy:	49
6.3	Current labour market conditions:.....	51
6.4	Unemployment	53
6.5	Job Search and Institutional Arrangements.....	54
6.6	Job Creation.....	54
6.7	Special Economic Zones	56
6.8	Regulation of Firms.....	56
6.9	Formality and Registration.....	56
6.10	Location of Firms and Jobs in Addis Ababa	57

7	10. Concluding Remarks	64
7.1	Primacy of Addis Ababa	64
	Urban planning.....	64
7.2	Accountability	65
7.3	Informality.....	66

1 Addis Ababa at a Glance

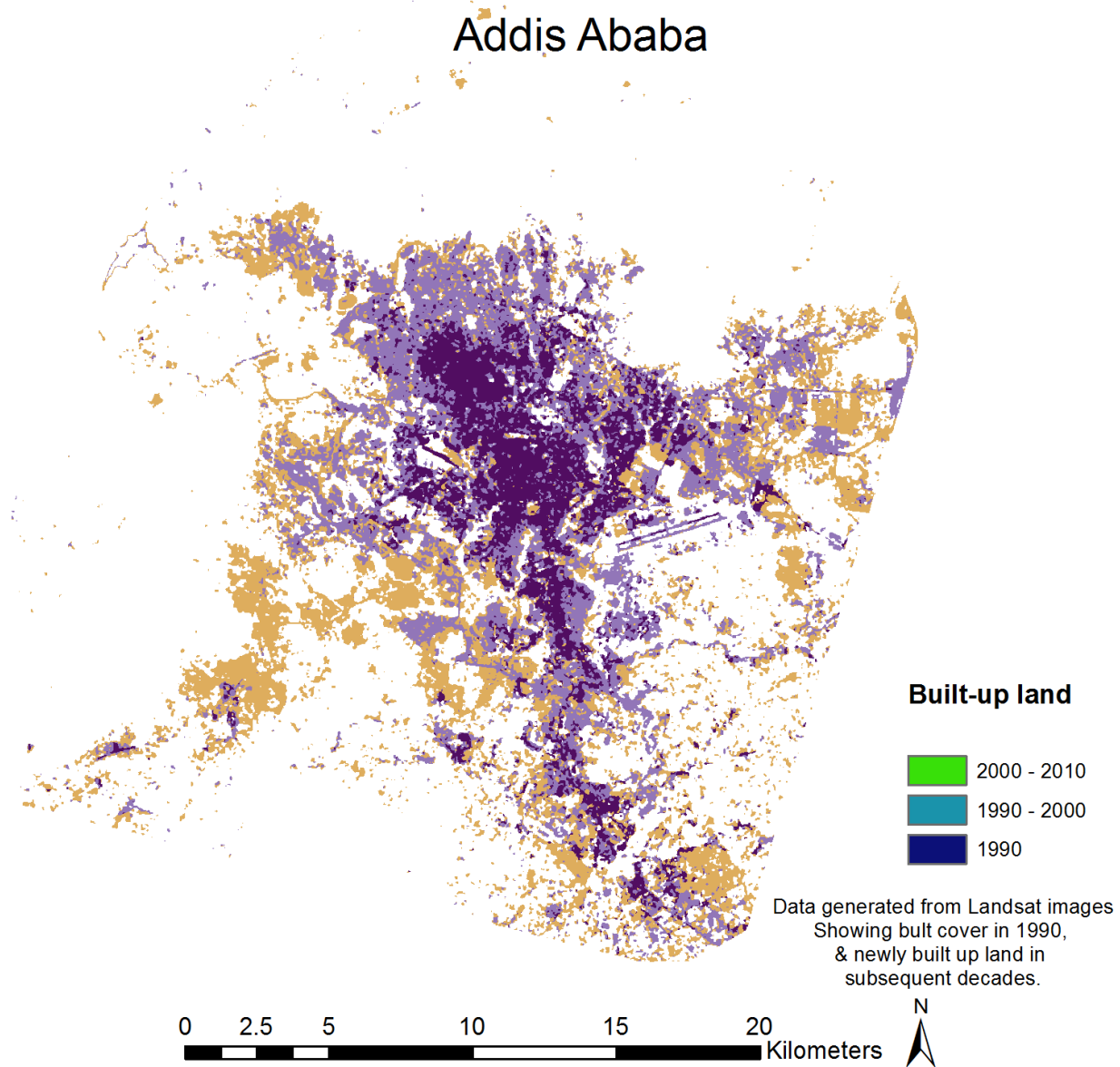


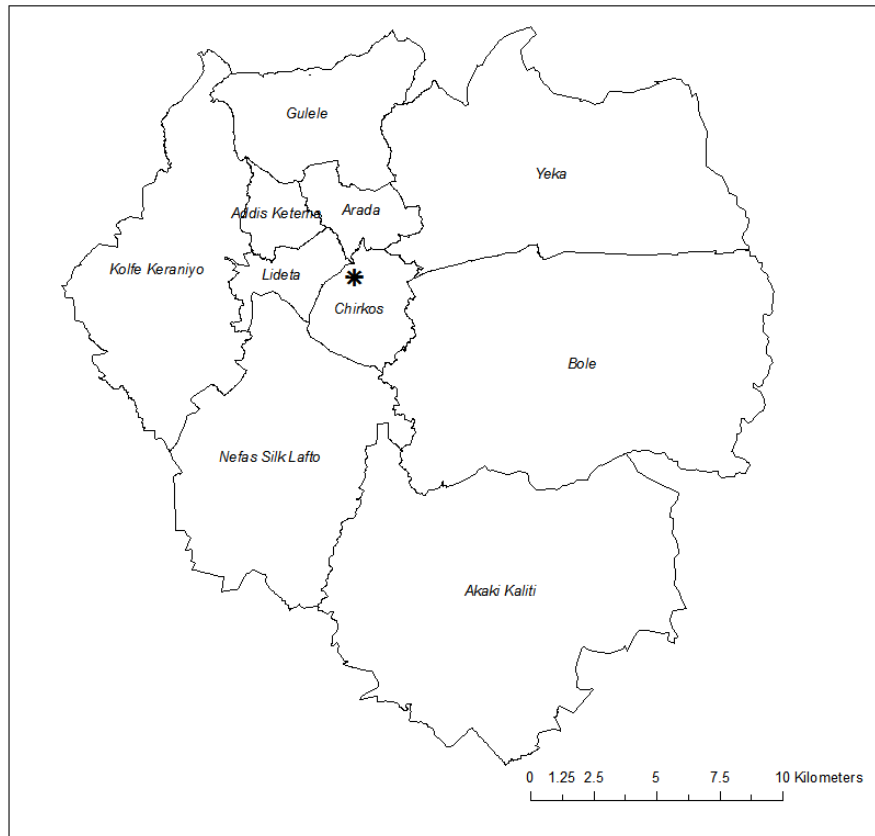
Figure 1-1-1: Growth of Addis Ababa, 1990-2010

1.1 City Layout

Addis Ababa is divided into 10 large administrative units called “subcities”. There are four central subcities: 1) Chirkos (or Kirkos), 2) Lideta, 3) Arada and 4) Addis Ketema. Six larger sub-cities surround these four and define the Addis administrative boundaries. The airport is situated in the Bole subcity which lies just southeast of the center of the city. Figure 1.2 maps the ten subcities of Addis Ababa. The black star in the figure represents the Central Business District (CBD), which

is used as the center of the city for the purpose of analysis in this chapter.

Figure 1.2: Subcities of Addis Ababa



Addis Ababa can be best described as a monocentric city. Its four central subcities have the highest population density and contain the majority of large firms (see the section on labor and firm activity). However, smaller clusters of population and economic activity exist in some of the outer subcities as well.

The Arada subcity contains the old historical city center which was initially developed during Italian colonial times. It includes a buzzing retail hub as well as a vibrant student community who attend the University of Addis Ababa. Many of the city's main administrative buildings are located within Arada, including the city hall.

Chirkos contains Addis Ababa's central business district (CBD) where most large firms and commercial banks are located in the area known as Stadium which is located near the National Athletics and Football stadium. Addis Ketema is home to an enormous open air, mostly informal, retail and wholesale trading areas known as the Mercato.

The main road between the center of the city in Chirkos and Bole international airport has

developed into a high-end, commercial hub. Many NGOs, international companies, high end hotels, and restaurants are located along this corridor. The road was recently upgraded from a three-lane highway into a four-lane highway which has improved access between this commercial area, the airport, and the CBD. A new industrial growth area has developed in the CMC area to east of the city, straddling the border of the Bole and Yeka subcities.

The 2007 census put the total population of Addis Ababa at 2.77 million (2,768,831). Since then, the city has undergone great change, and grown substantially in the intervening 8 years. The official estimated population current stands at 3.1 million although UN-Habitat puts the number at over 4 million (UN-Habitat, 2008).

The average population density for the city is 5,265 people per square kilometer. However, this includes large areas of unsettled land on the outskirts of the city and in areas southeast of the airport. The population density for the central four sub-cities is 21,688 people per square kilometer. The median population density of the 3900 local enumeration areas in the 2007 census is over 17,000 people per square kilometer. The inner city enumeration areas are particularly dense; the 90th percentile of density of EAs is 50,000 people.

Figure 1.3: Population Density in Woredas of Addis Ababa

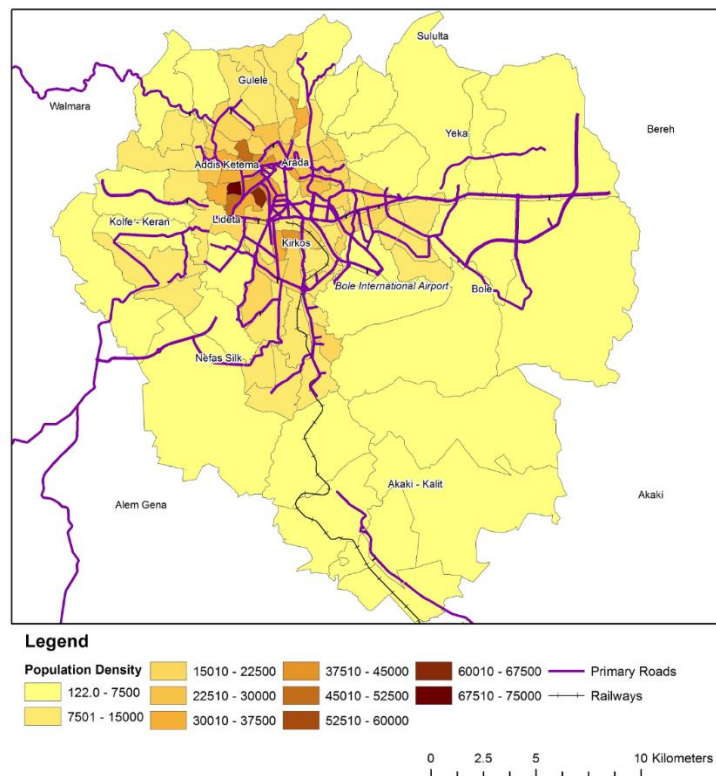


Figure 1.3 shows the population density of the Woredas (local administrative areas composed of two or three of the former Kebeles). The densest areas of the city are predominately in the central four subcities, as well as in the north of the city, where the growth of settlements is constrained by the Entoto Mountains to the north.

The Addis Ketema subcity is the most densely populated area in the city, with density over 34,000 people per square kilometer. However, Kolfe Keraniyo, the large residential area on the west of the city, is the largest in terms of total population, with over 430,000 residents. This subcity contains a few very large, and moderately densely populated areas, as shown in Figure 2.3.

Aside from the city center, the city’s population is relatively dense on the main roads leading out of the city. There are a number of settlements on the Debre Zeit road leading south, where much of the manufacturing firms in the city are located. Figure 1.3 shows the relatively high population density on this stretch of road in the subcities of Nefas Silk Lafto and Akaki Kality.

Informal settlements in the Addis Ababa are located throughout the city. Many areas are characterized by a mixture of the formal residential and informal housing. For instance a large informal settlement exists behind the train station in Chirkos, directly adjacent to the central business district, and the wealthy suburbs of Bole. However, new development projects in the central city, such as upgrading of roads, building of malls and towers, and condominium housing, have been dislocating many poor residents from the dense city center (Ynitso, 2008). Kolfe Keraniyo is the site of some of the largest unbroken informal settlements in the city, and is also the site of many of the new condominium housing on the outskirts of the city.

Figure 1.4: Population Density Gradient of Addis Ababa

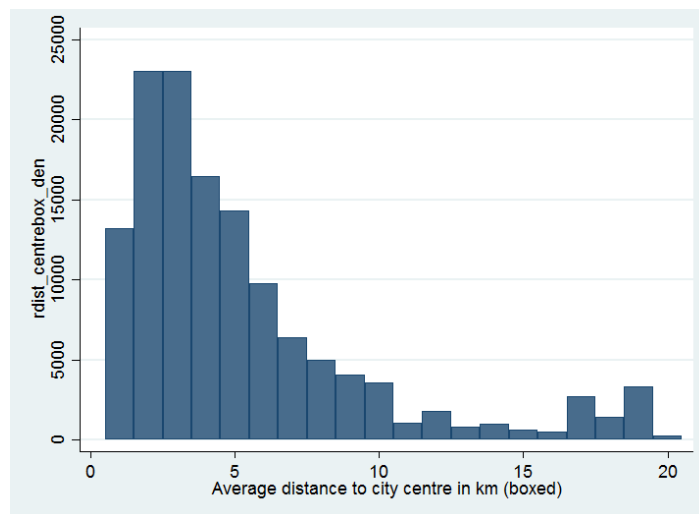


Figure 1.4 shows the population density gradient by distance from the center of the city in 2007.

For this graph, we define the city center as the middle of the central business district which is close to the Stadium area and close to Meskal Square. Population density is highest in the center of the city, especially between 1 and 3 kilometers from the city center. The CBD itself is relatively sparsely populated, since this is predominately a commercial area. The large informal settlements in the surrounding, especially in Addis Ketema, are the most populated in the city.

The population density begins to taper off at distances greater than 3km from the CBD and densities fall dramatically at distance beyond 10 kilometers. Indeed, only 8.7% of the population live further than 10km from the center. The median individual lives 5.18kms from the center of the city. See Table 1-1 below.

Table 1-1: Percentage of Population living further than ...	
	Percentage
1km from the center	98.70%
3km from the center	79.20%
5km from the center	52.10%
10km from the center	8.70%
16km from the center	1.87%

The density gradient exhibits a few outliers beyond 17kms from the city center. These spikes in density are due to small satellite towns in the subcities of Akaki Kality, and East in Bole, which lie on the main roads out of Addis Ababa. These points of density are not best characterized as new urban centers, but rather reflect the shape of the city bounds: these small satellite towns are the only areas within the official city limits that are further than 17kms from the center: less than 2% of the city's population lives further than 16kms away from the center.

References

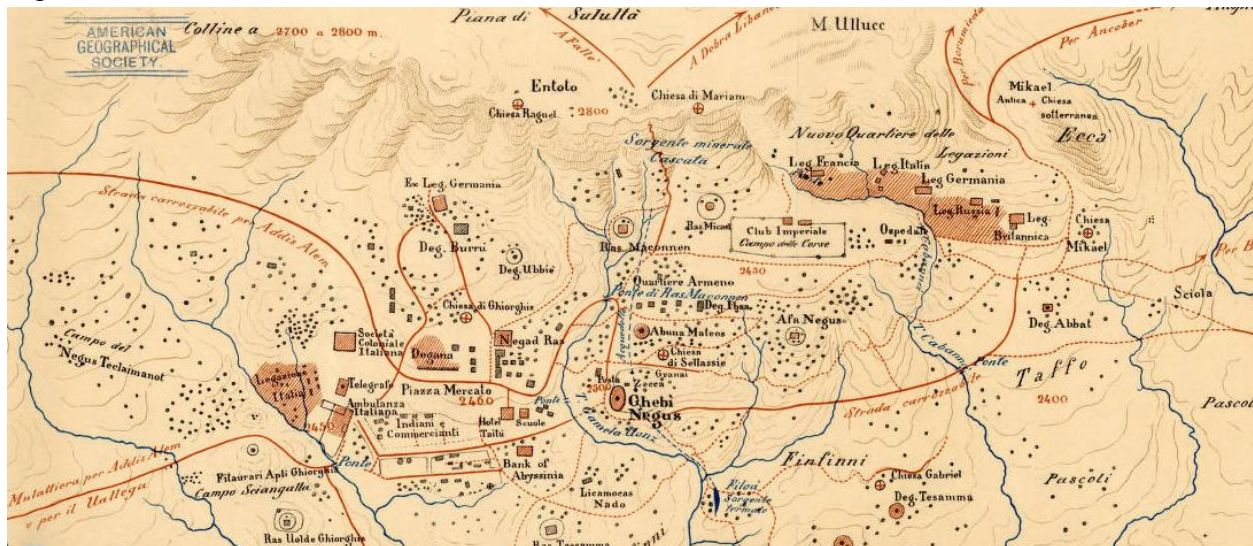
- Yntiso, G. (2008). Urban Development and Displacement In Addis Ababa: The Impact Of Resettlement Projects On Low-Income Households. *Eastern Africa Social Science Research Review*, 24(2):53–77.
- Un-Habitat (2008). Ethiopia: Addis Ababa Urban Profile. *United Nations Human Settlements Programme: Nairobi*.

2 Brief History

2.1 Imperial Period: 1887-1974

Emperor Menelik II established Addis Ababa as the capital city of Ethiopia in 1887. Initially, the city functioned as a military encampment with settlements formed on tracts of land that were allocated by the Emperor to high-level military chiefs. In terms of its layout, the city sprawled from East to West with villages centered on three nodes (see Figure 2-1): the palace (located by Filwoha Springs), St George's Church, and Arada (the market). In 1909, a municipal office was established to govern the city but no significant changes were made during its reign due to financial constraints and low capacity.

Figure 2-1: Addis Ababa in 1909



Source: Perry Castaneda Library Map Collection, University of Texas

In 1954, Addis Ababa became a chartered city. Its government was administered by a Lord Mayor who was appointed by the Emperor but remained somewhat independent in his ability to make decisions. During this period the city government could issue its own bonds which enabled it to finance new infrastructure from both internal and external sources (Ayenew, 1999). The landed aristocracy, however, retained considerable power over the city council due to the fact that only residents who owned immovable property (land and buildings) could elect and be elected as councillors. As a result, many of the city's laws and regulations were designed to benefit the landed class.

Following World War II, Emperor Haile Selassie pursued a policy of modernization and urban development. Although the official line was that the country was reforming, a feudalistic land tenure system was kept in place which had an important effect on the later spatial and economic

development of Addis Ababa (Berhanu, 2002). Ninety-five percent of urban land in Ethiopia, for example, was owned by just 5 per cent of the population before 1974 (Truneh, 2013). In addition, a high percentage of land was concentrated in the hands of the Imperial Crown, the Church, and the nobility. Thus, urban development during this period was determined to a large extent by the actions of a small, elite.

Since land was inaccessible to the poor, most formal housing (approximately 40 per cent of the housing stock) was rented from a small group of landlords (UN HABITAT, 2008). During this period, informal housing also burgeoned. Indeed, the majority of informal housing in Addis Ababa today can be traced back to what was built by feudal landlords during Haile Selassie's time (UN HABITAT, 2008).

2.2 Socialist Oriented Military Government (Derg) Period: 1974-1991

High levels of income inequality was a primary factor leading to the Ethiopian Revolution. On September 12, 1974, Haile Selassie was overthrown by a military coup and Ethiopia was proclaimed a Socialist state under a collective military dictatorship called the Provisional Military Administrative Council (PMAC), also known as the Derg. In line with its Marxist-Leninist ideology, the new government implemented institutional and policy changes which would have a lasting effect on the development of Ethiopian cities.

Institutionally, the Derg reorganized the structure of urban governance. Kebeles (or Urban Dwellers' Associations) were introduced in 1976 (proclamation 4/1976) as the lowest administrative unit of the government. All urban centers were classified by population size into one of three tiers: kebeles (those with one village or 'kebele'); sub-districts (those with a Higher Urban Dwellers Association); and districts (those with a Central Urban Dwellers Association) (Berhanu, 2002). At the sub-district level, administrative units were classified according to their urban (*kefitegna*) or rural (*woreda*) status.

Each tier of government served as an extension of the Central Government by implementing national policies at the sub-national level. Kebeles were responsible for carrying out plans and directives at the local level. Their responsibilities included rationing basic food items (such as oil, sugar, grains, and flour), maintaining security, providing education (as part of a national drive to promote literacy), collecting taxes, and administering government-owned housing. They were regulated and directed by the Ministry of Urban Development and Housing (MUDH), a new regulatory institution formed by restructuring the former Ministry of Public Works and Housing. In addition, new organizations were set up such as the Agency for the Administration of Rental Houses in 1975 (responsible for administering public housing rented at prices above ETB 100) and the Housing Construction Corporation in 1987 (Truneh, 2013).

Despite a purported “bottom-up approach” to urban development, governance was highly centralized and there was a clear party line to which government officials adhered. Most employees who worked in kebele administrations were either directly or indirectly affiliated to the ruling party through their membership in the Worker’s Party of Ethiopia. Kebeles functioned not only as administrative units but were also instrumental in propagating the ruling party’s ideology and consolidating its power (Ayenew, 1999; Fiseha, 2009; Ayele, 2014). Party loyalty was required from the lowest level of government all the way up to more senior positions. Mayors, for example, had to be members of the ruling party. Given the highly politicized structure of government, both policymakers and civil servants had strong incentives to serve the interests of the central government rather than their local communities. Thus, the structure of urban governance can be linked to the low quality of service delivery during this period.

The economic situation in Addis Ababa worsened during the late 1980s as the city’s population grew rapidly. Much of this increase was due to rural-urban migration. Increased migration was linked to two events: 1) the government lifted its restrictions on migration in 1988; and 2) unfavorable conditions for agricultural production in rural areas (e.g., the drought in the mid-1980s) led workers to seek job opportunities in urban areas. Rapid population growth put additional pressure on the already poor infrastructure in the city.

2.3 Ethiopian People’s Revolutionary Democratic Front: 1991-2015

Since 1991 Ethiopia has been governed by a multi-party coalition called the Ethiopian People’s Revolutionary Democratic Front (EPRDF). Similar to the Derg, the ruling coalition follows a state-led development model. The party’s political ideology, however, stands in stark contrast to that of the Derg regime. Since 1991 the new government has initiated a number of market-oriented reforms aimed at increasing efficiency. These include the privatization of government-owned properties and businesses, a reduction of tariff rates and quota restrictions, liberalization of the banking sector to private (but not foreign) actors, and the introduction of a foreign exchange market. It has also promoted public-private partnerships in sectors such as education (in the provision of Technical and Vocational Education and Training (TVET)), and energy and construction. Despite these reforms, weak institutions and low levels of administrative capacity have prevailed (UN HABITAT, 2007). In recent years, the EPRDF has worked to improve urban governance and public service delivery.

References

- Ayewew, M. (1999) The City Of Addis Ababa: Policy Options For The Governance And Management Of A City With Multiple Identity. *Forum For Social Studies*. [Online] Discussion Paper No. 2. Available From: [Http://Www.Ethiopians.Com/Fss/Mehret_Ayewew_On_Addisababa.Pdf](http://www.Ethiopians.Com/Fss/Mehret_Ayewew_On_Addisababa.Pdf). [Accessed: 29th December 2015]
- Berhanu, W. (2002) *Urban Policies And The Formation Of Social And Spatial Patterns In Ethiopia: The Case Of Housing Areas In Addis Ababa*. Trondheim: Department Of Town And Regional Planning, Faculty Of Architecture And Fine Arts, Norwegian University Of Science And Technology.
- Truneh, F. (2013) *Institutional Interfaces And Actors' Behavior In Transitional Real Estate Markets Of Addis Ababa (Ethiopia)*. The Hague: International Institute Of Social Studies Of Erasmus University (Iss).
- UN Habitat. (2008) *Ethiopia Urban Profile*. Nairobi: Un Habitat.

3 Governance

3.1 Institutional Framework

After the overthrow of the Derg, the EPRDF established a transitional government. The Transitional Government of Ethiopia (TGE) governed Ethiopia between 1991 and 1995. An interim constitution was put in place for this period, establishing fourteen new regional governments. Addis Ababa had the status of both the fourteenth regional state (proclamation 7/1992) as well as the capital city of the country. Although the city had a dual identity, the institutional structures in Addis Ababa were not different to those of the other thirteen regional states (Fiseha, 2009).

In 1995 Ethiopia adopted a new constitution (proclamation 1/1995). In this constitution, the EPRDF introduced an ethnic-based federal governance structure comprising nine regional states (Tigray, Afar, Amhara, Oromia, Somali, Benishangul Gumuz, Southern Nations Nationalities and Peoples (SNNP), Gambella, and Harari) as well as two independent chartered cities (Addis Ababa and Dire Dawa). Regional states were established on the basis of “the settlement patterns, language, identity and consent of the people concerned” (Article 46(2), Proclamation No. 1/1995, p.17). There are large differences between regions in terms of geographic and population sizes in addition to levels of economic development, with Afar, Benishangul Gumuz, Somali and Gambella classified as developing regional states. The regional states and cities are further broken down into approximately 800 woredas (districts) and 15,000 kebeles (Government of Ethiopia, 2012).¹

The governing structure which is currently in place is largely the same as that of the previous period. In particular, woreda and kebele structures have been inherited directly from the Derg’s governance structure. In addition, most regional states have established zones as another level of local government administration. See Figure 3.1. Zones act as intermediaries between regional governments and woredas, although the extent of their oversight role varies across regions. For example, zones play an active role in overseeing woredas in Amhara and SNNP, while they are not significant in Oromia and Tigray (Yilmaz and Venugopal, 2008).

While urban governance was centralized under the Derg regime, a process of decentralization has occurred under the EPRDF. The first phase of decentralisation started in 1996 and coincided with the government’s Civil Service Reform Programme (CSRPF). The second, more influential phase began in 2001. The aim of both reforms was to move the state from a centrally planned, unitary government to an ethnic-based, decentralised, democratic state (Chanie, 2001; Mengesha and Common, 2007).

¹ <http://www.ethiopia.gov.et/regional-states>, accessed on 10/04/15

As a result of these reforms, regional governments can now adapt national policies to reflect their own priorities. In other words, regional governments are semi-autonomous and have the authority to administer their own affairs, including formulating their own institutional, administrative, and legal frameworks. Woredas report to regional governments and are responsible for tasks including planning and implementing social and economic development activities, providing basic public services, and collecting local taxes. Kebeles carry out plans and directives issued to them by the woreda administration, such as community mobilization, neighborhood improvement and building code enforcement (UN HABITAT, 2008). Table 3.1 lists the current breakdown of urban and rural woredas by regional state.

Figure 3.1: Administrative Structure of Ethiopia

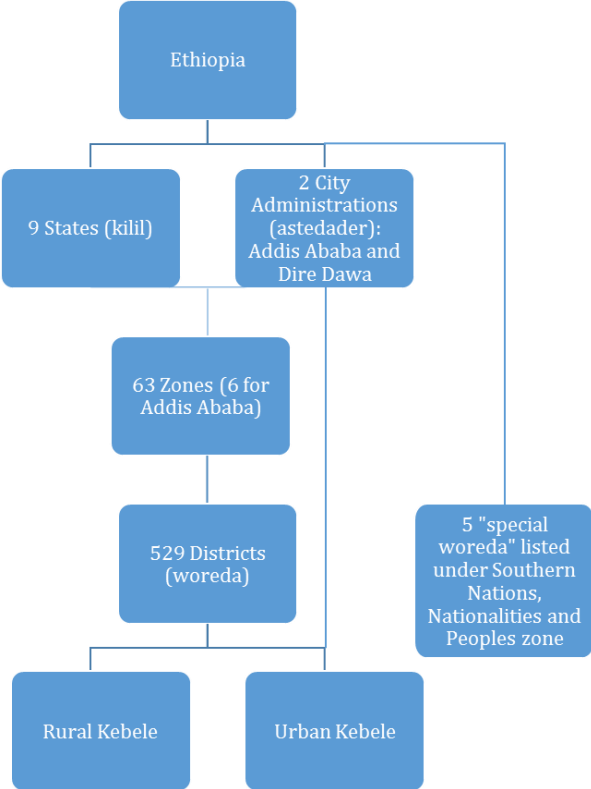


Table 3.1 – Breakdown of Urban and Rural Woredas in Regional States

Region	Rural Woreda	Urban Woreda	Total
Amhara	128	22	150
Oromia	259	39	298
SNNP	134	22	156
Tigray	34	12	46
Benishangul Gumuz	20	1	21
Afar	29	0	29
Somali	52	0	52
Gambella	12	1	13
Hareri	3	1	4
Total	671	98	769

Source: Ethiopia World Bank Office, 2008²

As part of the decentralization process, all regional states passed City Government Proclamations between 2000 and 2007 to create a new unit of government: urban local governments (MUDHCO, 2014). Urban local governments have replaced former city municipalities. City municipalities were largely ineffective and had been neglected in national policies due to the government’s former focus on agricultural-led development. Urban local governments are led by an elected council, a mayor, a mayor’s committee, and a city manager (MUDHCO, 2007). The position of urban local governments in the overall government hierarchy is not consistent across regions, although they commonly report to woreda governments. Urban local governments are responsible for providing “state” services (such as education and health), funded by transfers from regional governments, and “municipal” services (e.g. transport, roads, solid waste management) from municipal revenues (World Bank, 2014).

Decentralization has enhanced local accountability and service delivery, in addition to narrowing the income gap between regional states and woredas (World Bank, 2013). However, some observers argue that lower level government units need to be further empowered in order to be more effective (UN HABITAT, 2008). Many government ministries play an influential role in the development of Ethiopia’s cities. The Ministry of Urban Development, Housing and Construction (MUDHCO) plays a key role in coordinating policy among these different ministries in addition to being responsible for urban policy and program development.

The MUDHCO’s policies and programs guide the governance of cities in Ethiopia, which is led by the city administrations of Addis Ababa and Dire Dawa and regional governments (for all other cities in Ethiopia). The governance of Addis Ababa and Dire Dawa differs from that of other cities.

² As presented in Yilmaz and Venugopal (2008).

These two cities can administer their own affairs (reporting directly to the federal government rather than the region in which they are located) and are able to raise their own revenue. Other city governments in Ethiopia must report to the relevant woreda or zone administration, which in turn is directed and funded by the regional government. Regional governments have the power to raise their own revenue through taxes. However, tax revenues are low in relation to regional government needs, and regional governments rely to a large extent on federal funding. Federal funds are distributed through a system of non-earmarked block grants, where transfers are first made from the federal to regional governments, and then from regional governments to woredas. The size of the grants made is calculated using a formula that accounts for factors such as population, revenue generated and the ‘development or infrastructure gap’ (Yilmaz and Venugopal, 2008).

Service delivery is generally managed by city governments. However, there are federal-level implementing institutions that are responsible for the national provision of some services such as electricity (Ethiopian Electric Utility and Ethiopian Electric Power), telecommunications (Ethio Telecom) and higher education (Ministry of Education). While federal-level organizations may be better placed to make long-term infrastructure investments and pursue social agendas such as improving service delivery in rural areas, their presence has posed a challenge to effective service delivery at times. City governments do not have any legal or regulatory authority to make demands of these organizations, and there are often challenges coordinating the work of the federal institutions and that of the city governments (e.g. when it comes to installing new infrastructure) (Ayenew, 1999).

3.2 Urban Governance in Addis Ababa

In 1995, the federal constitution restored Addis Ababa to its former status as an independent city administration, while the Addis Ababa City Government Charter Proclamation (proclamation 87/1997) clarified the level of autonomy the city had, including its right to establish its own legislative body (the city council), raise its own revenue and plan its development (Truneh, 2013).

In 2003, the Addis Ababa City Council and its executive organs were dissolved. This took place in the context of inefficient urban governance and poor service delivery. The Addis Ababa City Government Revised Charter Proclamation was passed (proclamation 361/2003) which instituted a new city council (with council members elected with five-year terms) and mayor who serves as the chief executive of the council. In addition, the revised charter reorganized the provision of municipal services from being centrally provided to being managed through 10 sub-cities (also known as kifle-ketemas), and 99 kebeles. Prior to the reform, there were four levels of administration in the city: the city government, six zones, 28 woredas and 328 kebeles. In 2010, kebeles were also abolished as an administrative unit in the city, and were reorganised into 116 woredas. Currently, woredas are the lowest administrative unit in Addis Ababa.

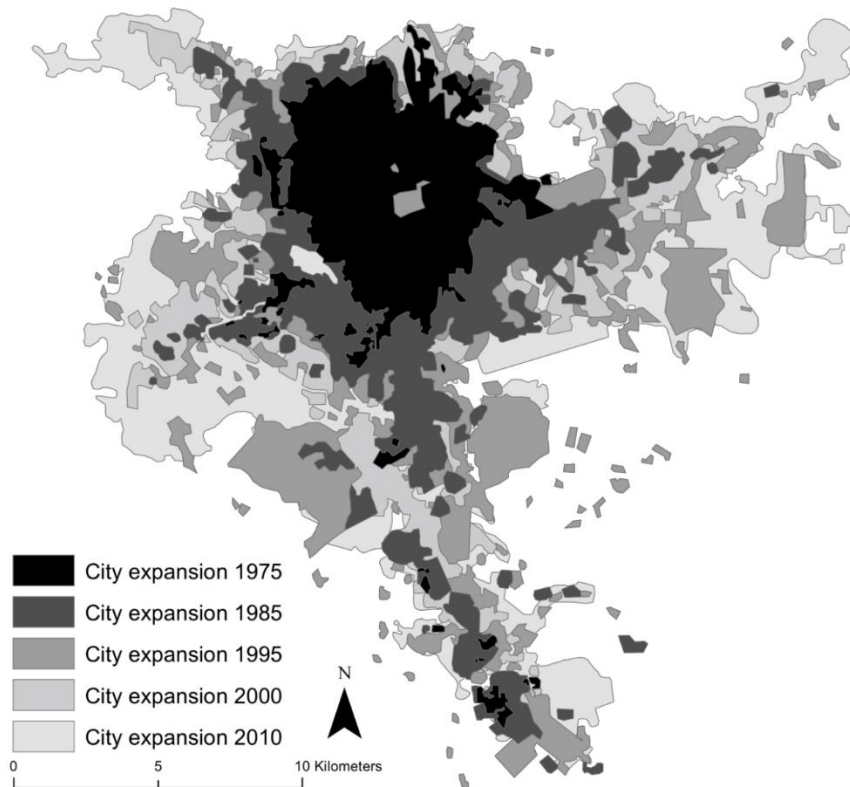
The re-establishment of Addis Ababa's city government and the decentralization process initiated a period of increased infrastructure investment and improved service delivery (Fiseha, 2009). However, this lasted only for a limited period as the Addis Ababa city government was disrupted after the 2005 elections. The opposition party, Coalition for Unity and Democracy (CUD), which had won the majority of seats in the Addis Ababa City Council chose to boycott them, which led to the institution of a temporary caretaker administration. In 2008, after by-elections, an interim administration was again established.

The Addis Ababa city government has taken on multiple identities since coming to power (Fiseha, 2009; Ayenew, 1999). Addis Ababa is currently the seat of the federal government, the Oromia Regional State government, and the Addis Ababa City Administration. The Addis Ababa City Administration is responsible for urban governance and service delivery. However, it also faces pressure from the federal and Oromia Regional State governments, reducing the city administration's autonomy de facto. Ayenew (1999) points out that "in this power equation, the electorate is the least served".

In particular, Addis Ababa City Administration is accountable to the federal government in several ways. This includes being directed by the federal government on security issues and diplomatic relations and having to periodically report to the Ministry of Federal Affairs. In addition, the City Council is accountable to its city residents. Furthermore, Oromia Regional State government is able to intervene in the affairs of Addis Ababa through the "Special Zone of Oromia Surrounding Finfine" (Finfine is the name for Addis Ababa in Oromifa), as described below.

A related issue is Addis Ababa's geographical location in central Ethiopia and the fact that it is bordered by Oromia region from all sides. Its central location makes it a natural destination for migrants from many different regions. In addition to the high rates of rural to urban migration and population growth the city is experiencing, it has also significantly expanded in actual size into the surrounding Oromia region, especially under the current leadership (shown in Figure 3.1).

Figure 3.1 – Expansion of Addis Ababa, 1975-2010



Source: Rymkiewicz and Kranert, 2014³

Legally, both the federal Constitution and the Addis Ababa City Charter recognize the special relationship between Addis Ababa and the Oromia Region. In article 49(5) of the federal constitution, the special interest of Oromia Region in the use of natural resources in Addis Ababa and the provision of social services is noted. Furthermore, the constitution determines that “joint administrative matters arising from the location of Addis Ababa within the state of Oromia” (Article 49(5), Proclamation No. 1/1995, p. 18) are to be respected, and determined by law. Similarly, Addis Ababa’s revised charter proclamation states that the administrative boundary of Addis Ababa is subject to an agreement by the Addis Ababa City Government and the Oromia Regional Government. It further reiterates the points made in article 49(5) of the federal constitution (Proclamation No. 361/2003).

As such, the designated zone surrounding Addis Ababa is managed by a steering committee comprising representatives from both Addis Ababa City Administration and the Oromia Regional State government. Although the zone does not have any legislative or judicial powers, it is an

³ Image can be found on this page: <http://www.ee.co.za/article/spatial-integration-waste-management-data-urban-area.html>, as accessed on 10/04/15

important channel through which the interests of Oromia region are incorporated into Addis Ababa's policies (Wakene, 2010). Recently, the Addis Ababa City Administration has been working jointly with the government of Oromia Regional State to agree upon a new, set of administrative borders of Addis Ababa. The two governments are also working on a new, master plan of the city. Consequently, the city's expansion has taken place in the context of a sensitive political situation. For example, there have been concerns that farmers have been evicted without proper compensation. These dissatisfactions were manifested in a recent wave of protests which followed the announcement of an "Addis Ababa and Oromia Integrated Development Master Plan" in March 2014.

3.3 Key Policies and Strategies

Policies and strategies to guide urban development in Ethiopia are a relatively new phenomenon. The first significant example of urban policymaking is in Ethiopia's second poverty reduction strategy paper, the *Plan for Accelerated and Sustained Development to End Poverty (PASDEP) (2005/6–2009/10)*. Prior to this, major policy frameworks such as the Agricultural Development Led Industrialisation (ADLI) policy and the Sustainable Development and Poverty Reduction Programme (SDPRP) (2002/03 – 2004/05), focused on agricultural development as a pre-condition for industrialisation but did not consider the role of cities in establishing linkages between industry and agriculture. In PASDEP, cities are explicitly recognized as "an essential ingredient for modern sector development and economic activity" (Ministry of Finance and Economic Development, 2006) and as such the PASDEP encompasses an urban development and urban governance strategy. PASDEP included goals such as establishing criteria for urban spatial and development planning, expanding access to social services, job creation, improving the quantity of urban housing, and improving access to serviced land and infrastructure. In addition, it introduced targeted reforms to improve urban governance.

In March 2005, the *Urban Development Policy* was approved by the Council of Ministers. The Urban Development Policy takes a multi-faceted approach to urban development, incorporating goals such as boosting urban employment and strengthening enterprise development. Five main intervention areas are outlined in the policy: 1) the expansion of micro and small enterprises (MSEs), 2) housing development, 3) provision of land and infrastructure, 4) expansion of social services and 5) urban planning and environmental protection (Ministry of Works and Urban Development, 2007). As part of PASDEP, the Ministry of Works and Development introduced two programmes to implement the goals of the Urban Development Policy: the Urban Development Package (focusing on "what" the government plans to do in terms of urban infrastructure development and service delivery), and the Urban Good Governance Package (focusing on policy and legal reforms and capacity building initiatives relevant to improving urban governance).

In 2008, the government also launched the *Urban Local Government Development Project (ULGDP) (2008/09–2013/14)*, jointly funded with the World Bank. The aim of the ULGDP was to equip urban local governments with the technical skills and financial resources to deliver urban services in a responsive, efficient and transparent manner. The programme provided urban governments with financial grants based on performance in areas such as participatory budgeting, fiduciary management, and social and environmental systems management. These grants were then used to improve urban infrastructure and service delivery in areas such as roads, waste management and water supply. The ULGDP is noted to have been successful. Nineteen cities in Ethiopia participated in the programme. In addition to the substantial growth in public participation in city planning, significant improvements in “revenue mobilisation, asset management, budgeting, financial management, investment planning, procurement, and project execution” were realised (Alemayehu and Ayres, 2012). The second ULGDP (ULGDP II) has now been launched, covering 2014/15 to 2018/19. This phase will add 26 urban local governments to the programme, but will exclude Addis Ababa. Due to Addis Ababa’s unique status and level of development, specific policies and programmes will be determined for the capital city alone (MUDHCO, 2014b).

In 2010, the government introduced the *Growth and Transformation Plan (GTP) (2010/11–2014/15)*, an ambitious five-year economic development and poverty reduction policy framework and strategy. The GTP builds on the achievements of PASDEP and the Urban Development Policy. The central thrust of the GTP is to achieve structural change through socially inclusive industrial transformation. Major focus areas for urban development are encouraging the development of MSEs (through the targeted provision of training, credit and land), the provision of low-cost housing, wide-ranging infrastructure developments (including that relating to power, roads, solid waste landfill sites, telecommunications, education and health), building the capacity of the local construction industry and capacity building for improving urban governance and policy implementation.

As the period of the first GTP comes to an end, the critical role of cities in realizing Ethiopia’s overarching economic goal of achieving middle-income status by 2025 is clearly acknowledged by policymakers. There is now significant on-going policy development that will impact urban development in Ethiopia in the period leading up to 2025. The MUDHCO has developed the *Ethiopian Cities Prosperity Initiative (ECPI) (2013/14–2024/25)*, which takes a multi-faceted and comprehensive approach to urban policy. The ECPI is motivated by the goals and strategies for urban development outlined in the GTP (MUDHCO, 2014a). There are nine pillars of the ECPI: 1) policy, research and leadership development; 2) MSE development and urban productivity; 3) urban good governance; 4) infrastructure and services; 5) housing development and management; 6) construction industry development and management; 7) urban planning and land management; 8) environmental sustainability; and 9) inclusive and safer cities development. In the policy document, relevant, complementary drivers of policy development and implementation (including

legal and policy frameworks; leadership ability and capacity of civil servants; high quality research; and monitoring and evaluation) are also identified.

In addition, urban development in Ethiopia has recently taken on a new layer of focus: climate resilience and sustainability. This is highlighted in the *Climate Resilient Green Economy (CRGE) Strategy (2012-2025)* of Ethiopia, which aims to achieve middle-income status by 2025 based on carbon-neutral growth. As part of this strategy, the government is targeting low-emission, green forms of urban infrastructure investments in sectors such as power generation and transport. In addition, it is focusing on adopting modern and energy-efficient technologies in the transport, industrial and building sectors (Government of Ethiopia, 2012).

Important forthcoming policies include the *Growth and Transformation Plan II (GTP II)*, to be launched mid-2015, which will again focus on achieving structural change through both industrialization and urbanization. Furthermore, the MUDHCO is developing a *National Urban Development Spatial Plan*, which will focus on how to adapt the macroeconomic development strategy of Ethiopia to ensure that it “unlocks the power of urbanization as a force for achieving our economic, social and environmental objectives” (Gebreab, 2015).

References

- Alemayehu, A. And Ayres, W.S. (2012) Stepping Stones To Better Cities: Urban Governance Reform And Capacity Building In Ethiopia. *Urban Solutions*. [Online] Issue 1. P.16-18. Available From: [Http://Www.Clc.Gov.Sg/Documents/Urbandolutionsissue1.Pdf](http://Www.Clc.Gov.Sg/Documents/Urbandolutionsissue1.Pdf). [Accessed: 29th December 2015].
- Ayele, Z. (2011) Local Government In Ethiopia: Still An Apparatus Of Control?. *Law, Democracy & Development*. 15(1).
- Ayele, Z.A. (2014) The Politics Of Sub-National Constitutions And Local Government In Ethiopia. *Perspectives On Federalism*. 6(2).
- Ayew, M. (1999) The City Of Addis Ababa: Policy Options For The Governance And Management Of A City With Multiple Identity. *Forum For Social Studies*. [Online] Discussion Paper No. 2. Available From: [Http://Www.Ethiopians.Com/Fss/Mehret_Ayew_On_Addisababa.Pdf](http://Www.Ethiopians.Com/Fss/Mehret_Ayew_On_Addisababa.Pdf). [Accessed: 29th December 2015]
- Chanie, P. (2001) The Challenges Of The Civil Service Reform In Ethiopia: Initial Observations. *Eastern Africa Social Science Research Review*. 17(1). P.79-102.
- Ethiopia. Government Of Ethiopia. (2012) *Ethiopia's Climate Resilient Green Economy Strategy*.
- Ethiopia. Ministry Of Finance And Economic Development. (2006) *Ethiopia: Building On Progress, A Plan For Accelerated And Sustained Development To End Poverty (Pasdep) 2005/6 – 2009/10*. Addis Ababa: Government Of Ethiopia. (Volume I: Main Text).
- Ethiopia. Ministry Of Urban Development And Construction. (2012) *Structure Plan Manual*. Addis Ababa: Government Of Ethiopia. (Revised Version).
- Ethiopia. Ministry Of Urban Development And Construction. (2013) *Baseline Survey On Major Urban Indicators Under Integrated Urban Database Project*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ministry Of Urban Development, Housing And Construction. (2014a) *Ethiopian Cities Prosperity Initiative: Building Green, Resilient And Well Governed Cities, 2013/14-2025*. Addis Ababa: Government Of Ethiopia. (Draft).
- Ethiopia. Ministry Of Urban Development, Housing And Construction. (2014b) *Second Urban Local Government Development Program 2014/15-2018/19 Program Operations Manual*. Addis Ababa: Government Of Ethiopia. (Volume 1: Main Text & General Annexes Draft).
- Ethiopia. Ministry Of Works And Urban Development. (2007) *Plan For Accelerated And Sustained Development To End Poverty (Pasdep) (2005/6 – 2009/10) Plan For Urban Development And Urban Good Governance*. Ethiopia: Government Of Ethiopia.
- Ethiopia. National Urban Planning Institute. (2003) *Urban Development Policy Inception Report*. [Online] Available From: [Http://Www.Nupi.Gov.Et/Report.Htm](http://Www.Nupi.Gov.Et/Report.Htm). [Accessed:

29th December 2015].

- Ethiopian Development Research Institute And Global Green Growth Institute. (2015) *Unlocking The Power Of Ethiopia's Cities*. [Online]. Available From: [Http://Www.Greengrowthknowledge.Org/Sites/Default/Files/Downloads/Resource/Unlocking_The_Power_Of_Ethiopia_Cities_Nce_Edri_Gggi.Pdf](http://Www.Greengrowthknowledge.Org/Sites/Default/Files/Downloads/Resource/Unlocking_The_Power_Of_Ethiopia_Cities_Nce_Edri_Gggi.Pdf). [Accessed: 29th December 2015].
- Fiseha, A. (2009). Addis Ababa, Ethiopia. In: Slack, E. And Chattopadhyay, R. (Eds.). *Finance And Governance Of Capital Cities In Federal Systems*. Volume 1. McGill-Queen's Press-Mqup.
- Mengesha, G.H. And Common, R. (2007). Public Sector Capacity Reform In Ethiopia: A Tale Of Success In Two Ministries?. *Public Administration And Development*. 27(5). P.367-380.
- Rymkiewicz, A. And Kranert, M. (2014) *Spatial Integration Of Waste Management Data In Urban Areas*. [Online]. Available From: [Http://Www.Ee.Co.Za/Article/Spatial-Integration-Waste-Management-Data-Urban-Area.Html](http://Www.Ee.Co.Za/Article/Spatial-Integration-Waste-Management-Data-Urban-Area.Html). [Accessed: 10th April 2015].
- UN Habitat. (2007) *Situation Analysis Of Informal Settlements In Addis Ababa*. Nairobi: Un Habitat.
- UN Habitat. (2008) *Ethiopia Urban Profile*. Nairobi: Un Habitat.
- UN Habitat. (2011) *Condominium Housing In Ethiopia: The Integrated Housing Development Programme*. Nairobi: Un Habitat.
- UN Habitat. (2014) *Structural Transformation In Ethiopia: The Urban Dimension*. Nairobi: Un Habitat.
- Wakene, W. (2010) *Self Governing Addis Ababa, The Federal Government & Oromia: Bottomlines And Limits In Self Governance*. Llm Thesis, Addis Ababa University.
- World Bank. (2013) *Building The Developmental State - A Review And Assessment Of The Ethiopian Approach To Public Sector Reform: Public Sector Reform Approach*. Washington Dc: World Bank.
- World Bank. (2014) *Ethiopia: Second Urban Local Government Development Program As A Program-For-Results Operation*. Washington Dc: World Bank.
- Yilmaz, S. And Venugopal, V. (2008) *Local Government Discretion And Accountability In Ethiopia*. International Center For Public Policy, Andrew Young School Of Policy Studies, Georgia State University.

4 Land Markets

4.1 Evolution of Land Tenure in Ethiopia

Since the late nineteenth century Ethiopia has had three different land tenure systems. The length of each tenure system roughly coincides with the length of the political regime under which it was established. Specifically, 1) a feudal system of land tenure was established during the Imperial Period, 1887 to 1974; 2) land was nationalized during the Derg regime, 1974-1991; and 3) a semi-liberal and market-oriented system was established by the EPDRF. This is the current system of land tenure which exists today.

4.1.1 Imperial Period: 1887-1974

During the Imperial period, there were two forms of land tenure: usufructuary and private ownership (Dessalegn, 1984). Usufructuary land rights were based on ethnicity and provided tenure security as long as the individual used the land that he or she was allocated. In 1907 the Emperor authorized the first urban land decree which gave individuals the right to sell their land (whole or sub-divided), mortgage it, and bequest it after their death. Individuals who owned urban land were required to register their property and get title deed. This period marks the start of the cadastre system in Addis Ababa. During the reign of Emperor Haile Selassie, private ownership of land was consolidated through the Constitutions of 1931 and 1955 and a system of freehold tenure developed.

4.1.2 Socialist Oriented Military Government (Derg) Period: 1974-1991

Upon taking power, the first priority of the military government (1974-1991) was to abolish the previous system of land tenure. Two acts were central in restructuring land markets: 1) *Proclamation no. 47/1975* which nationalized all urban lands and secondary houses; and 2) *Proclamation no. 31/1975* which placed all rural lands under state ownership. Essentially, these two laws placed all land in Ethiopia under the control of the State. Individual property rights were limited to usage rights only and there were strict regulations governing how land could be used. For example, individuals could maintain two structures in urban areas (one for residential purposes and one for business) but they were forbidden from constructing new buildings for business purposes.

After nationalization, the state took over the role of residual landlord. Rental rates were fixed and set at below market prices. Initially, about 80 percent of the city's population benefited from a rent reduction of (at least) 30 percent (Weldegebriel, 2013). Given the low price of rental accommodation, there were never enough rental units to meet demand. Between 1975 and 1995, for example, only one-tenth of the projected housing demand for dwellings in Addis Ababa was

met (UN Habitat, 2001). For those who wished to build their own homes, it was possible to obtain land legally but plot sizes were kept relatively small. The legal maximum for a residential plot was 500 square meters in 1975. In 1978 this maximum was reduced to 250 square meters and then in 1986 it was reduced again to 108 square meters. Once again, land prices were set at below market prices so that low-income households could afford to buy land.

Despite low land prices, most households continued to rent rather than build their own homes. According to the 1974 census, 57.3 percent of the housing stock in Addis Ababa was owned by the government and used as rental units. This was partially due to the constant shortage of urban land on which to build. During the late 1980s, the Derg tried to reduce the housing deficit by allowing private real estate developers to enter the market. It also strengthened cooperative societies by offering generous subsidies which lowered the price of housing finance, land and building materials. For example, cooperatives enjoyed subsidized credit with a preferential interest rate of 4.5 percent as compared to 7 percent for individual house builders. These policies resulted in some expansion of the housing stock but shortages remained.

In the end, the Derg's land policies failed because they were based more on politics than economics. While the government set out to provide affordable housing for all, it was unable to achieve this goal in urban areas because the price of land and rental accommodation were set a below market-clearing prices. As a result, the government's centralized system of land delivery was inefficient and unpopular. Ultimately, the public's dissatisfaction with their living conditions became an important factor which led to the overthrow of the Derg regime by military coup in 1991.

4.1.3 Post 1991: Current Land Administration

In 1993, a new set of land laws (*the Urban Lands Lease Holding, Proclamation No. 80/1993*) were passed which established a system of private leasehold throughout Ethiopia. This law was later amended in 2002 and once again amended in 2011 by *Proclamation No. 721/2011*. The later proclamation states that all land in urban areas must be transferred to the land lease system (Art.5.). Anytime a land transfer is made, the land must be surveyed and registered by the municipality. Once it is registered, land holders can enter into a lease contract with the government (art. 15) which is valid for up to 99 years. This new system of land tenure establishes stronger property rights over land than the previous system. For example, the new system allows a lessee to transfer or pledge his/her land rights to another person (Art.10.1) although he/she cannot collect a higher income on the transferred land than the original rental rate. If a lessee does collect a higher rent, he/she has a duty to pay the difference to the town administration. This last requirement, however, has been difficult to enforce and has led to considerable rent-seeking.

Currently, land delivery is largely based on public tender although the state can allocate public land for its own administrative purposes. For example, the state can acquire public land for government offices, religious institutions, public residential housing programs, diplomatic missions, and so on (art.11). In cases where individuals are displaced from their homes as a result of urban renewal, the law states that they shall be compensated in the form of land by allotment. Once they are reallocated, they are required to pay a lease price which is based on the minimum bench mark land price set by the city.

There are some types of land transactions which the Proclamation restricts or forbids. Such activities include repeated transfer of leasehold right without completion of construction (art. 23.7), transferring a leasehold right without any land improvement or less than half of the planned construction completed. Both of these restrictions are aimed at preventing land speculation. However, the lease holder has a right to use as collateral or capital contribution to the lease any amount already paid when a transfer takes place. Much of the land that the government delivered between 2003 and 2006 went to real estate developers rather than individual businesses and households. See Table 4.1.

Table 4.1. Land Delivery in Addis Ababa: 2003 – 2006

Purpose	Land supplied hectares	%
Business	160.2	8
Industry	258.5	14
Social Services	478.8	25
Apartment and individual houses	168.5	9
Real estate	656.4	35
Individual houses with lottery allocation and rewards	173.7	9
Total hectares	1,896.1	100%

Source: Addis Ababa Land Development and Administration Authority, July, 2007.

Currently, land prices are fixed by the government at below market prices. According to *Regulation no. 3/1994* (Article 5), the government can provide individuals with a minimum of 73 square meters of land free of charge. The rental price of a medium-sized plot (one which is between 73 and 175 square meters) is 3 Birr per square metre per year. While this price may seem low, it is still beyond the reach of most low-income families. For those who can afford larger plots (those above 175 meters squared), the rental price is fixed through public tender.

Due to a shortage of serviced land in the city, land prices have skyrocketed during the past few years. For example, the result of a recently held tender for a plot of land in the Addis Ababa Mercato area (one of the main commercial centers of the city) revealed that the highest bidding price was 305,000 Birr per square meter. This figure translates into about 15,000 USD at current

exchange rates.

Today, large amounts of urban land are being expropriated for redevelopment, urban expansion, road construction and other public activities. The valuation method adopted in the expropriation proclamation (*Proclamation No. 455/2005*) is based on the value of structures on the land—not the land value itself. In urban areas, location has no value so owners are compensated only the “replacement cost” of buildings. The government therefore is able capture the land rents which have accrued on the land at the expense of the land holder.

Until 2005 Ethiopia had no national housing policy. To overcome the housing shortage, the current government has planned a large scale development of condominium housing which is spearheaded by the Integrated Housing Development Projects (IHDP). This is an ambitious plan which aims to construct 400,000 housing units and create more than 200,000 jobs through the creation of 10,000 small enterprises in the construction industry. The government has pledged to deliver 6,000 hectares of serviced land per annum for condominium construction. In addition, it is expected that the private sector will produce an additional 125,000 housing units land per annum (Source: UN Habitat, 2011).

The condominiums are subsidized under three different schemes: the 10/90 scheme, the 20/80 scheme and the 40/60 scheme. For each scheme the smaller number corresponds to the amount of equity contribution required upfront by the prospective occupier. For instance under the 20/80 scheme the applicant needs to provide a down-payment of 20%. End-user purchase through three subsidized housing mechanisms:

- 10% down payment, 90 % loan for 20 year mortgage at 9% interest for studio and one room units 25 – 40 m²
- 20 % down payment 80 percent loan to own through 15 year mortgage for two bedroom units of 60 m²
- 40 % down payment, 60% mortgage over 10 years for three bedroom units of 100 m².

The government has set up specialized savings accounts to help applicants build up the required level of capital. Once they have they are eligible to receive housing. If they are awarded a condominium unit, they will be issued with a mortgage which they are required to pay off at an annualized interest rate of 8.5%. For the lowest cost units the 20% down-payment is about 18,000 Birr (\$900). The total cost for is about \$4300 for a basic unit, and \$11,000 for a large 3 bedroom apartment.

The intended beneficiaries of the 1-3 bedroom condominiums are low income households whose income is below 3000 Birr per month. However, smaller units (e.g., studio apartments) can be obtained as well. These are intended for households whose income is up to 1,450 Birr per month.

During the last seven years, more than 20,000 studio-type apartments have been produced which comprise about 20% of the total number of condominiums that have been produced (Addis Ababa Housing Construction Project Office, 2013). See Table 4.2.

Table 4.2 Condominium Units Allocated: 2006-2013

Housing type	1st round (2006)	2nd round (2006)	3rd round (2009)	4th round (2010)	5th round (2010)	6th round (2011)	7th round (2012)	8th round (2013)	9th round (2013)	Total
Studio	4,118	2,592	2,965	2,799	3,088	1,255	2,952	1,326	2,570	23,393
1 Bedroom	5,677	5,070	3,679	6,755	4,719	4,467	3,594	4,665	4,423	43,049
2 Bedroom	6,548	6,263	3,626	4,108	2,028	2,747	433	2,952	2,330	31,035
3 Bedroom	2,645	1,106	735	1,372	934	1,531	321	1,155	934	10,733
Total	18,988	15,031	11,005	15,034	10,769	10,000	7,300	10,098	10,257	108,482

Source: Addis Ababa housing construction project office (June 2013 EC)

Public housing is provided at highly subsidized rates. Theoretically, construction costs should be covered entirely by beneficiaries. The land costs are to be recovered through the rental of commercial spaces on the ground floor of condominium units which are supposed to be sold at higher prices, although it is not clear that this has happened in practice. Since most of the housing is constructed on government owned land, there is a large implicit subsidy, yet no reliable estimate of its value exists. The project is publicly financed entirely through loans from the Commercial Bank of Ethiopia while various import duty and VAT exemptions apply to the project (UN-Habitat, 2011). The Commercial Bank of Ethiopia has allocated a revolving fund amounting to 13 billion Birr nationwide for people who have bought condominium houses. From this fund, 7 billion birr is devoted to Addis Ababa.

Unsurprisingly demand for subsidized housing is enormous and the programme is heavily oversubscribed. It is estimated that 900,000 individuals in Addis Ababa are currently registered for the housing scheme. The allocation of houses is determined by a public lottery which is held in Addis Ababa city hall. Those who want government housing simply need to apply and register. Some quotas exist as 30% of the housing is reserved for female applicants. Rules govern how the condominiums can be used. For example, recipients are not supposed to resell or rent their housing units.

As indicated in Table 4.3 below, the unit price of studios is much lower than their market price. To makeup this shortfall, there is a subsidy across other types of houses. In addition, ground floor houses can be used for business. These houses are sold by public tender and usually are sold for higher prices which helps to subsidize the other type of condominium houses.

Table 4.3 Transfer Price vs. Market Rental and Selling Price of Condominium Houses

Typology	Price / M ²	Average area	Selling price	Other costs	Transfer price	Market rent	Market Selling Price
Studio	1,450	30.58	44,341	1,365	45,706	1,500	150,000-250,000
1 Bedroom	1,865	42.57	79,393	1,654	81,047	1,500-2,000	200,000-350,000
2 Bedroom	2,280	66.68	152,030	2,252	154,282	3500	450000-600,000
3 Bedroom	2,385	78.04	186,125	2,533	188,658	4000	600000-1,000,000

Source: Addis Ababa housing agency, 2013

In recent years, however, several real estate developers have entered the market to construct residential neighborhoods. New construction began after the success of Ayat Real Estate, the first large-scale developer. Other real estate developers include Ayat, Sunshine, Access Real Estate, and Flintstones Homes. These builders construct homes for high-income households. These developments range from high-end communities where homes sell for several million Birr to neighborhoods with moderately priced homes. Currently, there are no real estate developers constructing houses for low income households.

Before the initiation of the government condominium program and real estate developers, most homes were self-built by their owners. This portion of the housing market, although limited, is still active in older residential neighborhoods such as Bole or in the old airport area. In addition, owner-built residences are becoming increasingly more common in some of the outlying neighborhoods that were initially popularized by real estate developers. The cost of owner-built construction is, of course, generally higher than homes built by the government or real estate developers.

4.2 Tenure Security

In Addis Ababa, expropriation of land occurs on a regular basis as part of the urban renewal strategy of the city government. Many central areas of Addis Ababa are occupied by dilapidated informal settlements. Residents are predominantly low-income, and do not have the financial means nor the incentive to invest much in the housing. Consequently, it has proved lucrative (given the high demand for land in central Addis Ababa in particular) for the government to clear such land and make it available to investors. The strategy of the city government (as set out in Local Development Plans) is to redevelop such areas while at the same time promoting its use by both low and high-income groups. Redevelopment has made the housing too expensive for many low-

income residents who often end up moving to peripheral areas as a result of redevelopment schemes. Evicted tenants of government-owned housing are provided with another rental unit, while owner-occupiers are given one of three alternatives: 1) a new condominium housing unit which has been built through the Integrated Housing Development Programme; 2) a new plot of land on which to build a new home; or 3) cash (when other options are unavailable). In contrast to the government's aims, this process is contributing to creating urban segregation in a city where traditionally the rich and poor have lived side by side. Furthermore, there is a lot of speculation surrounding evictions, with claims that the government does not fairly compensate those who have been evicted. However, there does not appear to be any rigorous evidence to back or counter these claims.

Addis Ababa Master Plan Project Office. 1987. Executive summary of Addis Ababa master plan, Addis Ababa.

Addis Ababa Master Plan Project Office. 2003. Executive Summary of the Revision of Addis Ababa Master Plan, Addis Ababa.

Addis Ababa Master Plan Project Office. 1999. Land use and City Structure Studies of Addis Ababa core and Metropolitan Area. Addis Ababa.

Addis Ababa Housing Construction Project Office. 2013. Raw data on condominium units allocated.

Ethiopia. 1995. The Constitution of the Federal Democratic Republic of Ethiopia, Addis Ababa.

Proclamation No.455/2005; Expropriation of Land Holdings for Public Purpose and Payment of Compensation Proclamation. (2005).Negarit Gazeta.Year 11, No.43

Proclamation, Proclamation No. 456/2005, Federal Democratic Republic of Ethiopia Rural Land Administration and Land Use. Negarit Gazeta.Year 11, No. 44.

Proclamation No. 70/1944, Land Tax Proclamation, Negarit Gazeta.Year 4, No.2.

Proclamation No. 47/1975; Government Ownership of Urban Land and Extra Houses, Negarit Gazeta Year 34, No. 41.

Proclamation No. 31/1975; Public Ownership of Rural Lands, Negarit Gazeta.Year 34, No. 26.

Proclamation No. 80/1993; Urban Lands Lease Holding Proclamation, Negarit Gazeta.Year 53, No. 40. Lease holding of Urban Lands Proclamation No. 721/2011

Proclamation No.272/2002, Re-enactment of Urban Lands Lease Holding Proclamation,. Negarit Gazeta. Year 8, No. 19.

Un-Habitat (2011) Condominium Housing in Ethiopia: The Integrated Housing Development Program United Nations Nairobi, Kenya.

Weldegebriel, D. (2013) Real Estate Planning and Land Law Department of Real Estate and Construction Management School of Architecture and the Built Environment Royal Institute of Technology (KTH); SE- 100 44 Stockholm, Sweden

5 Infrastructure: Transport

5.1 Road

Emperor Menelik II initiated the construction of Ethiopia's modern road network. In 1903, roads from Addis Ababa to Eritrea and Addis Alem were built, and the building of Addis Ababa's first asphalt roads followed. The construction of new roads was continued by the Italians during their five year occupation of the country. In 1941, when Ethiopia regained independence, Emperor Haile Selassie delegated this responsibility of road construction to the Ministry of Works. However, the Ministry was seriously constrained by a lack of funds and technical capacity. In 1951 a separate, semi-autonomous institution for road development—the Imperial Highway Authority— was established (proclamation 115/1951). At this time, there were just 3,400 kilometers (km) of asphalt roads and 3,000 km of gravel roads in Ethiopia. Most of these roads were located in only urban areas (Worku, 2011).

The first highway programme was implemented by the Imperial Highway Authority during 1951 to 1957. A further five highway programmes would follow with the sixth ending in 1978. During this period, road building was supported by the World Bank and the German government-owned development bank, Kreditanstalt für Wiederaufbau (KfW). As a result of these efforts, the total road network had grown by 43 per cent to a total of 9,160 km by 1973 (ERA, 2009).

Under the Derg (1974-1991), the Ethiopian Transport Construction Authority (established by proclamation 189/1980) was tasked with continuing to grow the national road network. During this period, the stock of roads grew at a faster pace, with an average growth rate of 6.2 per cent per annum (as opposed to 2.05 per cent per annum during the Imperial period), taking the stock of roads to a total of 19,017 km nationally (Worku, 2011).

When the EPRDF took over power in 1991, there was renewed effort to improve both the quality and size of the road network. Accordingly, in 1997 the Ethiopian Transport Construction Authority was re-established as the Ethiopian Roads Authority (ERA) by proclamation 80/1997. The ERA is a federal road agency. It is responsible for both the maintenance and expansion of trunk roads and major link roads. Today, as part of the EPRDF's decentralisation programme, the responsibility for regional roads has been transferred to regional governments or city municipalities in the case of Addis Ababa and Dire Dawa. However, woreda authorities also play an active role in the planning and implementation of new road construction and road maintenance through Woreda Road Offices (WROs).

At the time of the ERA's establishment, the national road network amounted to 26,550 km of roads, of which 3,708 were paved (ERA, 2014). Road density was very low at 21 km per 1000 sq km and 0.43 km per 1000 people (ERA, 1996) hindering the development of the economy,

particularly the agricultural sector. Infrastructure was still limited in the country's peripheral and rural areas which reduced inter-regional connectivity. For example, in 1994, more than 25 per cent of the population lived more than 10 hours' travel time from the nearest city of at least 50,000 people (Schmidt and Kedir, 2009). Moreover, the quality of the road network was low. According to the ERA (1996), roads were in a significantly deteriorated condition, with only 11 per cent of paved roads and 19 per cent of gravel roads of a 'good' standard.

These conditions, coupled with the government's recognition of the importance of road infrastructure for economic development, were the main factors which led to the initiation of the Road Sector Development Programme (RSDP). The RSDP has been implemented over four phases: RSDP I (1997-2002), RSDP II (2002-2007), RSDP III (2007-2010) and RSDP IV (2010 - 2015). The central goal of the RSDP is to improve the size and quality of the road network in Ethiopia. Underlying this broad goal is the objective to facilitate the passage of people and goods for production, distribution and export – there is also a special consideration for providing access from food surplus areas to food deficit rural areas. Furthermore, part of the programme includes strengthening institutional capacity in the road sector at all levels of government (ERA, 2011).

Given the low quality of the road network, the first phase of the RSDP focused on upgrading the existing road network rather than expanding it. At the end of RSDP I in 2002, the Federal Master Plan was developed. At the same time, regional road authorities also developed their own master plans for road development. These master plans were used to guide the choice of projects in the following RSDP phases. According to the ERA (2014), a new federal master plan has now been completed while regional master plans are still being updated.

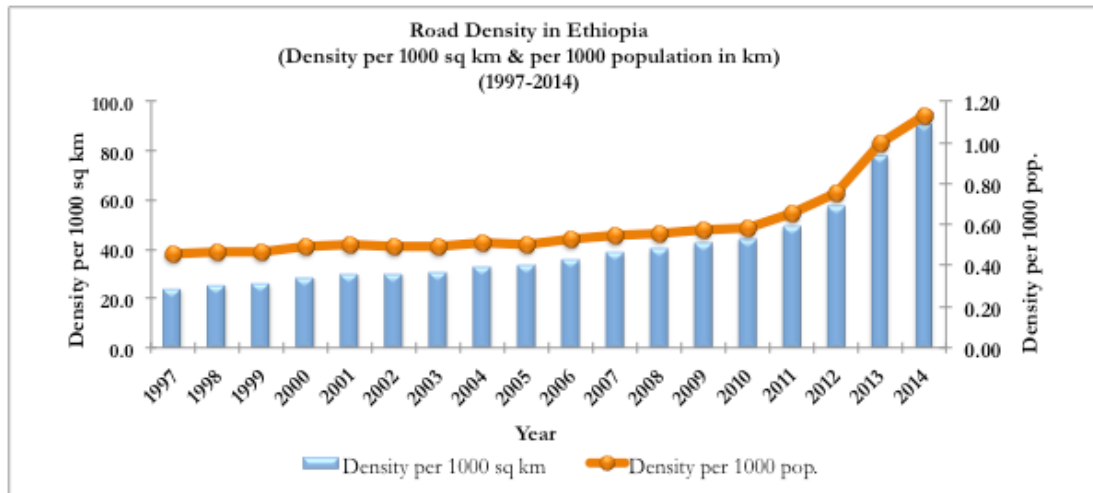
An important development in the RSDP was the introduction of the Universal Rural Road Access Programme (URRAP) which was launched in 2010 as a component of RSDP IV. This was an effort to tackle persistent inequality in the national road network and to improve the welfare of rural communities by providing them with all-year access to markets and services. The URRAP has had high government commitment, and is part of the government's Growth and Transformation Plan (GTP) and Millennium Development Goal targets. The goal of the URRAP is to connect all kebeles with all-weather roads which are accessible all year round. This programme has high stakeholder involvement, with WROs managing implementation in collaboration with the community and the private sector for construction and maintenance activities. In addition, community gravel roads are being constructed as part of the donor-led Productive Safety Net Programme (PSNP). However, these roads are generally not classified or recorded by the ERA because they do not meet the ERA's road standards. In addition, according to the ERA, there is no government institution that is responsible for managing or financing these roads (Worku, 2011).

Over the last 17 years, the Government of Ethiopia has spent ETB 180.9 billion (USD 12.2 billion) on the RSDP – approximately ETB 20 million more than budgeted. This makes the RSDP the

largest infrastructure development programme to have ever been implemented in Ethiopia. Spending has increased each phase from ETB 7.3 billion in RSDP I to ETB 120.5 billion in RSDP IV (ERA, 2014). As part of the government’s effort to mobilise the growing funds required for this programme, it established a Road Fund at the start of RSDP I. The Road Fund is made up of revenues from a fuel levy and other charges including annual vehicle license renewal fees and overloading fines (ERA, 2007). These revenues are specifically targeted at financing road maintenance. Overall, the majority of the cost of the RSDP has been financed by domestic sources (the Government of Ethiopia has financed 69.4 per cent, the Road Fund has contributed 7.7 per cent and local communities have contributed 1.8 per cent), while international donors such as the World Bank, the European Union and China have contributed the remainder.

As might be expected, the RSDP has had a large impact on the stock and quality of roads in Ethiopia. Over the past 17 years, a total of 110,159 km of road works (86 per cent of the programme target) has taken place. Of this total, 29,155 km were on federal roads, 41,132 km were on regional roads, 39,096 km were on URRAP roads, and 776 km were urban roads. In addition, 72,972 km of new roads were constructed. As a result, road density in Ethiopia has improved over time as shown in Figure 5-1 below.

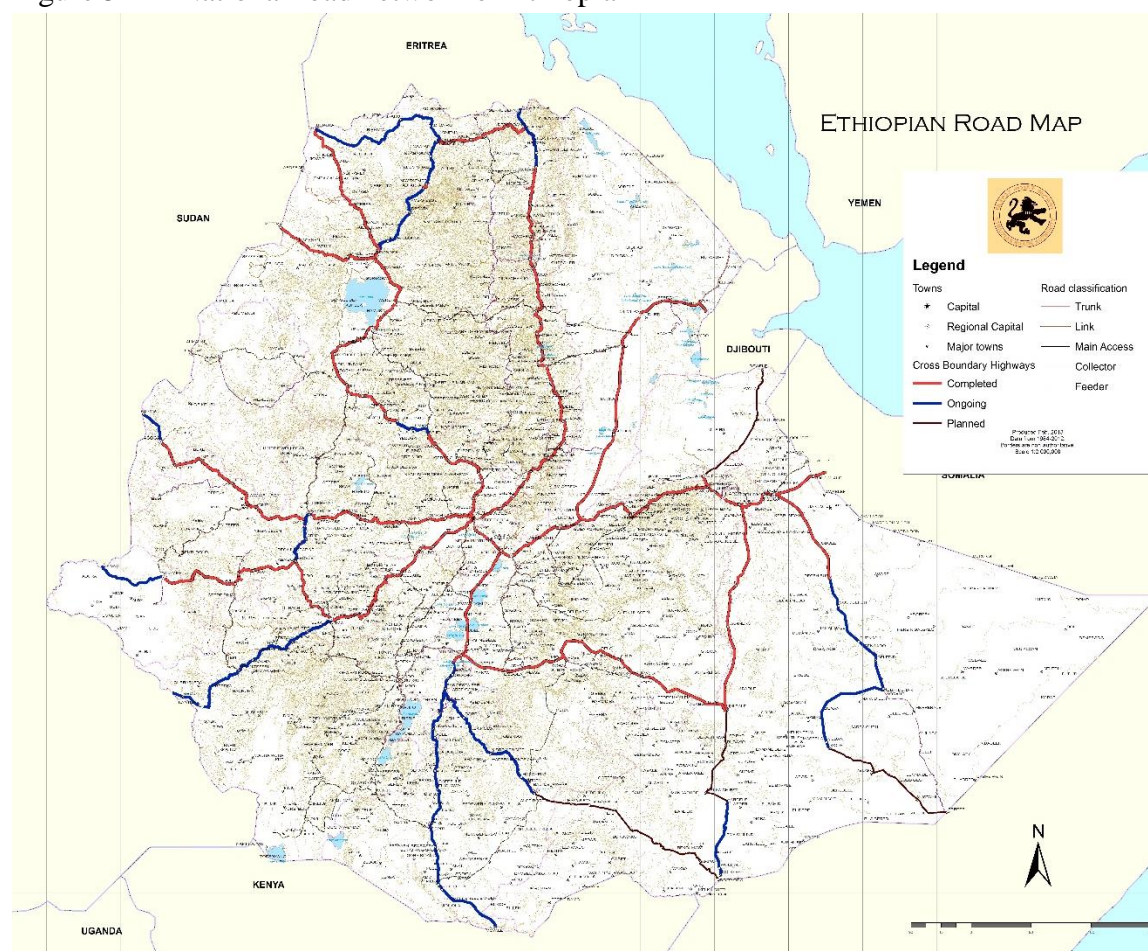
Figure 5-1 – Road density in Ethiopia, 1997-2014



Source: ERA, 2014.

The new roads have increased inter-regional connectivity (See Figure 5-2). For example, there is now a transport corridor that leads from Addis Ababa to Djibouti. Given the success of this project, the government has commissioned three further road projects which will provide road access from Ethiopia to both Sudan and Kenya. Construction of the Ethio-Sudan road was awarded to CGC Overseas, a Chinese construction company, in 2013. The contract for upgrading part of the Addis Ababa-Awassa-Moyale road to Kenya has been awarded to an Indian company.

Figure 5-2 – National road network of Ethiopia



Source: ERA, 2014,

While road infrastructure in the south of Ethiopia is currently not as developed as that in the North, there has been an effort by the government to promote regional equity. This is manifested through programmes such as the URRAP, and also in the criteria for selecting new RSDP roads. For example, the government puts a 10 per cent weight on projects while will expand the road network in Ethiopia’s four developing regional states (Afar, Benishangul-Gumuz, Somali and Gambella). There is no doubt that the government’s programme of road investment has improved connectivity in isolated regions. The Rural Access Index (i.e., the number of people living in rural areas who live within two km of an all-season road as a proportion of the total rural population) has risen from 13 per cent in 1997 to 50 per cent. In addition, road quality has improved. In 1997, 22 percent of all roads were deemed to be in ‘good’ condition, 26 percent were considered ‘fair’, while the majority (52 per cent) were categorised as ‘poor’. By 2014, 70 per cent of roads were in ‘good’ condition, and only 9 per cent were ‘poor’.

5.2 Rail

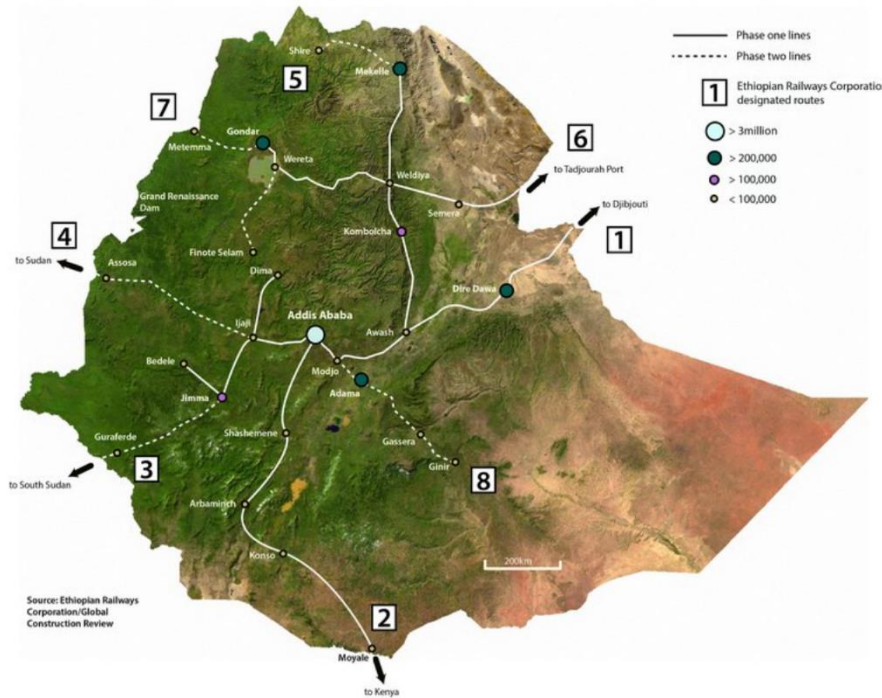
The development of rail infrastructure in Ethiopia began in 1897 when Emperor Menelik II commissioned the French to build Ethiopia's only railway: a 785 km train line (with one metre track gauge) between Addis Ababa and Djibouti via Dire Dawa. This train line, which was completed in 1928/9, was operated by Chemin de Fer Djibouti-Ethiopien (CDE) until 2007 when usage of the line ended. Bad management and low quality tracks are often cited as the reason for its decline. Before its closure, railway usage had been declining. According to the ERA (2007), annual freight transported on the railway was 336,000 tons in 1986 but only 152,600 tons in 2005. Similarly, in 1986, 1 million passengers used the train line while this figure was only 125,000 in 2005.

This railway route, however, has taken on greater economic significance since the Ethio-Eritrea conflict from 1998 to 2000. Before the conflict, the Assab Port in Eritrea was Ethiopia's main port but, after the cession of Eritrea, Djibouti Port is now Ethiopia's main point of access to the sea. More than 90 per cent of Ethiopia's traded goods pass through Djibouti (the remaining pass through the Port of Berbera in Somaliland and Port Sudan). Moreover, while the transportation of goods between Addis Ababa and Djibouti currently takes days by road, the railway line is expected to reduce the journey time to eight hours.

In 2007, the Ethiopian Railways Corporation (ERC) was established (regulation 141/2007) to develop both railway infrastructure and services in Ethiopia. Its first priority was to upgrade the Ethio-Djibouti railway. A key objective was to create a reliable and efficient alternative transportation corridor to Ethiopia's primary port. These plans have now been initiated, with the new electricity-powered railway expected to become operational in early 2016. The project will cost USD 4 billion, of which USD 2.3 billion is being financed through a loan from the Export-Import Bank of China. China Railway Engineering Corporation (CREC) is constructing the 317 km segment from Sebeta to Meiso, while China Civil Engineering Construction (CCEC) is constructing the 339 km line from Meiso to Dawale, at the Djibouti border. In addition to the new Ethio-Djibouti line, the government has plans to develop seven other railway routes for the national network, as shown in Figure 3 below. In total, this amounts to 5,060 km of planned railway lines for Ethiopia (ERC, 2011).⁴

⁴ <http://www.erc.gov.et/index.php/projects/national-railway-network-of-ethiopianrne.html>, as accessed on 17/03/15

Figure 5-3 – Ethiopia’s planned railway network



Source: ERC

The construction of 2,395 km of railway lines is targeted for completion within the GTP period (2010/11 – 2014/15) (MOFED, 2013). While achieving this target looks unlikely, there has been some progress. Construction of the Awash-Weldia railway (370 km) was officially launched in February 2015. This project will connect the northern part of Ethiopia to the East via a link in Awash to the Addis Ababa-Djibouti line. The design and construction of the Awash-Weldia section has been awarded to Yapi Merkezi, a Turkish contractor, at a cost of USD 1.7 billion (PwC, 2014). The China Communication and Construction Corporation (CCCC) will be constructing the Mekelle-Weldia portion at an estimated cost of USD 1.5 billion (Capital Ethiopia, 2014).⁵ Additionally, the ERC put out a tender in August 2014 to request bids from contractors for the construction of a 280 km rail project connecting Semera in Afar regional state to Tadjourah port in Djibouti (Addis Fortune, 2015).⁶ Submissions are expected in March 2015.

The government’s aim is to develop the national railway network within the GTP period, in addition to building local technical capacity in railway construction. In the long-run, the government expects that the development of railways will improve regional connectivity and access to alternative ports. However, the development of rail transport is relatively weak when

⁵ http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=4284:swiss-bank-approves-865-mln-loan-for-awash-weldiya-railway-project&catid=35:capital&Itemid=27, as accessed on 17/03/15

⁶ <http://addisfortune.net/articles/semera-tadjoura-railway-tender-postponed-again-for-the-fifth-time/>, as accessed on 17/03/15

compared with achievements in other transport sectors. Currently, 95 per cent of the movement of people and goods is by road (ERA, 2014). Progress is still constrained by difficulties in securing funds for investment projects. For example, the construction of the Awash-Weldia project was delayed by two years due to problems in finding adequate funding).

5.3 Air

In 1945, Ethiopia's national carrier, Ethiopian Air Lines (EAL) was established as a joint venture between the Government of Ethiopia and Trans World Airlines (TWA), an American aviation company. Emperor Haile Selassie introduced air travel as part of his modernisation efforts following the Italian occupation of Ethiopia. Since then, Ethiopian Airlines (the airline was renamed in 1965) has steadily grown to become an excellent state-owned national carrier with an extensive pan-African and international network.

Air transport makes a significant contribution to the transportation sector in Ethiopia. Within Ethiopia, it is a relatively efficient way to connect remote parts of the country given Ethiopia's diverse topography. Moreover, the government sees the expansion of the domestic network as essential for facilitating trade flows, investment and tourism. Currently, Ethiopian Airlines operates flights to 20 destinations within Ethiopia,⁷ as shown in Figure 4 (Bale Robe, Humera, Kabri Dar, Shire and Shilavo are not shown in the Figure 5-4).

It is worth noting that while private airlines are allowed to operate domestically – with the restrictions that aircrafts cannot have more than 50 seats, and must be Ethiopian-owned – Ethiopian Airlines dominates this market.

Ethiopian Airlines also plays a major role in promoting regional connectivity, FDI and international trade (especially of perishable goods such as cut flowers) through its international network. This is particularly important because Ethiopia is landlocked. Ethiopia's strategic location between Asia, the Middle East and Africa has been exploited, and Addis Ababa Bole International Airport is now a major regional hub, from where Ethiopian Airlines flights to 49 African cities, 13 European and North American cities and 21 Asian cities (including the Middle East) arrive and leave.⁸ Furthermore, Ethiopian Airlines operates a modern fleet of aircraft comprising 77 aircrafts, including 10 Boeing 787 Dreamliners.⁹ In order to support the continuous growth of the national airline, the government has been actively engaged in upgrading and building

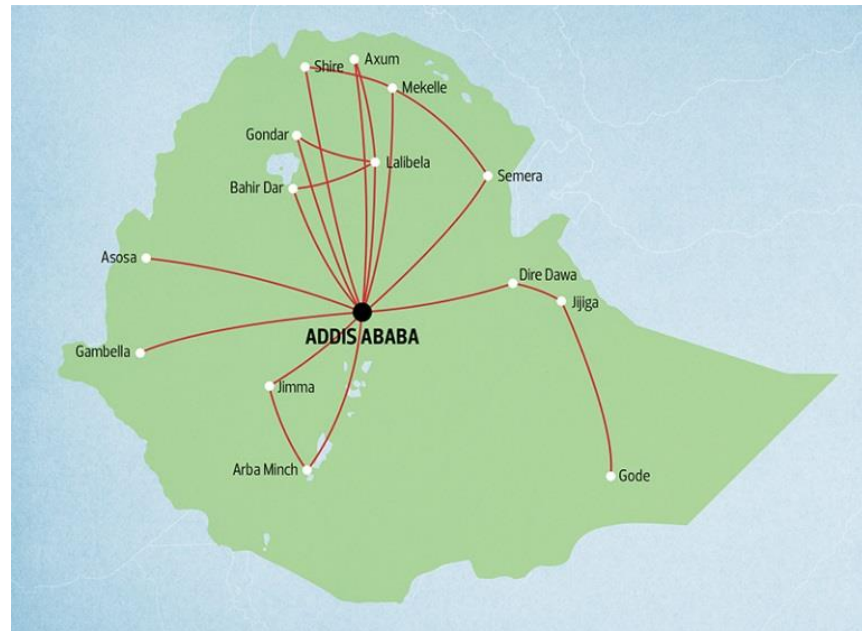
⁷ <http://www.ethiopianairlines.com/en/network/domestic/default.aspx>, as accessed on 17/03/15

⁸ <http://www.ethiopianairlines.com/en/network/intl/default.aspx>, as accessed on 17/03/15

⁹ <http://www.ethiopianairlines.com/en/corporate/fleet.aspx>, as accessed on 17/03/15

new airports across the country. The development of airport infrastructure and services is led by the Ethiopian Airports Enterprise, established in 2003 (regulation 82/2003). Formerly, these activities fell under the responsibility of the Ethiopian Civil Aviation Authority.

Figure 5-4 – Ethiopian Airlines domestic network



Source: Ethiopian Airlines

Currently, there are four international airports in Ethiopia: Addis Ababa Bole, Dire Dawa, Mekelle Alulua Aba Nega and Bahir Dar Ginbot 20. Ethiopia's main airport, Addis Ababa Bole International Airport, was built in 2003 and is currently being upgraded. The project-- which involves the construction of a new passenger terminal, a new VIP passenger terminal, and extensions of its existing two terminals-- is expected to increase the capacity of the airport from around seven million passengers a year to 20 million. This project is being carried out by CCCC and the Export-Import Bank of China which has financed USD 225 million of the total USD 340 million cost.

In addition, there are plans to increase the number of domestic airports in Ethiopia. The plans for four new domestic airports (in Jinka, Hawassa, Robe Goba and Shire) have been developed. The construction of Jinka and Hawassa airports has started.

Overall, the government's development of the aviation sector is exemplary, with Ethiopian Airlines being the fastest growing and most profitable airline in Africa. The development of this sector has been guided by targets in the GTP. These include increasing: 1) the number of

international and domestic passengers served; 2) the amount of freight transported by air; and 3) the number of international routes operated. Furthermore, the airline has its own growth plan, Vision 2025, which was launched in 2010. According to the CEO of Ethiopian Airlines, the airline has already outperformed some of its targets for the first phase of the plan. For example, the airline has already surpassed its USD 2 billion annual revenue target.¹⁰ Although the airline is government-owned, its success is partly attributed to its operating structure, which is very similar to that of a private company, and its ability to operate with a significant degree of independence from the rest of the government.

5.4 Transport in Addis Ababa

5.4.1 Roads

The rapid growth of Addis Ababa as Ethiopia's administrative capital (and primate city) demands a well-maintained transport network. This is recognised in the Transport Policy of Addis Ababa (2011), which has the key objective of guiding the development of efficient, accessible and safe transport services for the city (Ministry of Transport, 2011).

When it comes to roads, Addis Ababa city municipality is currently struggling to keep up with an increase in demand for transport services. The city currently has 4,671 km of roads, which translates into a fairly low coverage rate of 17.5 per cent. However, the Addis Ababa City Roads Authority (AACRA), which is the municipality agency in charge of road design and construction within Addis Ababa, has a long-term plan to increase the coverage rate to 25 per cent by 2020. Currently, Addis Ababa's road network has a radial form based on five major roads that lead from the city center and connect to the rest of Ethiopia via Dessie (to the north), Gojjam (to the north west), Ambo (to the west), Jimma (to the south west) and Debre Zeit (to the south east). In addition, in 2004 a ring road around the periphery of the central business district was completed, making it possible for vehicles entering Addis Ababa from the main radial roads to bypass the city center.

Aside from the actual stock of roads in the city, there are a number of factors that impede the functionality of the road network. These include the poor condition of roads due to untimely and inadequate road maintenance. Additionally, poor traffic management practices (such as the minimal presence of traffic lights in the city and the absence of terminals for minibus taxis and midi buses), ubiquitous street parking (due to a severe lack of designated parking lots), poor street lighting and insufficient pedestrian walkways prevent the proper and safe flow of vehicles. As a result, roads are congested, with an average speed of 10 km/hour in peak hours (Asgedom, 2013). Another important consequence is that road accident rates in Ethiopia are some of the highest in

¹⁰ <http://addisfortune.net/interviews/judge-me-by-the-numbers/>, as accessed on 17/03/15

the world with more than 2,000 people killed in road accidents every year (ERA, 2014), and the majority of these take place in Addis Ababa (Tulu et al., 2013).

5.4.2 *Public Transport*

Public transport in Addis Ababa today is provided by one public provider, Anbessa City Bus Service Enterprise, and a multitude of private providers. Anbessa City Bus Service Enterprise was established in 1943 under the Ministry of Works and Communication. However, over the course of the company's history it has changed ownership several times. In 1952 it became a private enterprise with the exclusive right to provide transport in Addis Ababa. In 1974 it was nationalised by the Derg and was under the control of the central government. Currently, it is owned by the federal government but also supported financially by the Addis Ababa city municipality.

In 1952, there were two buses serving each of the company's four routes (Fenta, 2014). As of the company's seventieth anniversary in 2013, Anbessa City Bus Service Enterprise was operating around 730 buses (with a 100-seat capacity each) on 112 bus routes.¹¹ Bus fares range from ETB 1 to ETB 10 depending on the route, and are subsidised by the Addis Ababa city municipality in an effort to promote affordability. Despite this, Anbessa bus fares are still unaffordable to 20 per cent of the city's population (AATB, 2012).

The Anbessa buses are characterised by poor service levels due to the aged and poorly maintained fleet (though the company is currently adding new buses to its fleet), overcrowding and poor safety standards (such as leaving doors open while the vehicle is moving). A more expensive (unaffordable to 60 per cent of the city population), but more efficiently run mode of transport is the private minibus taxi system in the city. Minibus taxis operate on fixed routes throughout the city, but along those routes they are free to pick up and drop off passengers at any point. There are approximately 11,500 minibuses operating in Addis Ababa currently, catering to approximately 80 per cent of public transport trips (Asgedom, 2013). Other important modes of motorised public transport available are midi-buses (27 seat capacity) (approximately 460 in number), saloon taxis (approximately 6,500 in number) (Fenta, 2014) and transport organised by large institutions for their employees – this includes the recently introduced free bus services for all Ethiopian civil servants.

The supply of public transport described above falls significantly short of demand in Addis Ababa. It is worth noting that 60 per cent of all trips are currently on foot, with an average daily distance walked of 1.5 km (Asgedom, 2013). In addition to the shortage of public transport, the provision

¹¹ <http://addisfortune.net/articles/seventy-years-of-anbessa-buses/>, as accessed on 18/03/15

of public transport in the city is marked by long waiting times, lack of affordability, high pollution emissions, poor coordination between service providers and inadequate coverage (with neighbourhoods on the outskirts of the city or located far from major roads poorly served, leaving people with no other option but to walk, take animal-powered transport or three-wheeled rickshaws known as ‘Bajaj’). The issue of coverage is an important emerging issue as the government of Ethiopia is currently rolling out a large-scale housing programme known as the Integrated Housing Development Programme (IHDP), with a large number of housing units located on the outskirts of the city. The IHDP is targeted at low-income groups that significantly rely on public transport to provide them with affordable access to important services such as schools and businesses.

In an effort to address these problems in the city, the Addis Ababa city administration developed the Addis Ababa Transport Plan in 2007, and the Transport Policy of Addis Ababa in 2011 (mentioned earlier). In these plans, the introduction of Bus Rapid Transit facilities, a Light Rail Transit system, and the promotion of the participation of the private sector in the provision of public transport services are envisioned.

Bus Rapid Transit

As with the Addis Ababa Light Rail Transit (LRT) project, the introduction of a Bus Rapid Transit (BRT) system is part of the city administration’s urban planning and transport plans and is a component of the Climate Resilient Green Economy (CRGE) strategy. It is estimated that by 2030, 3 per cent of the total projected passenger kilometers travelled within Addis Ababa will be shifted to this form of public transport.

At this stage, seven BRT corridors (B₁ to B₇) have been identified, and a pilot study for route B₂ (an eight km route from Gofa Gebriel in the south of Addis Ababa to Mercato in the north) is complete. Agence Francaise de Developpement (AFD) is planning to finance the construction of this route, at a cost of approximately EUR 30 million.

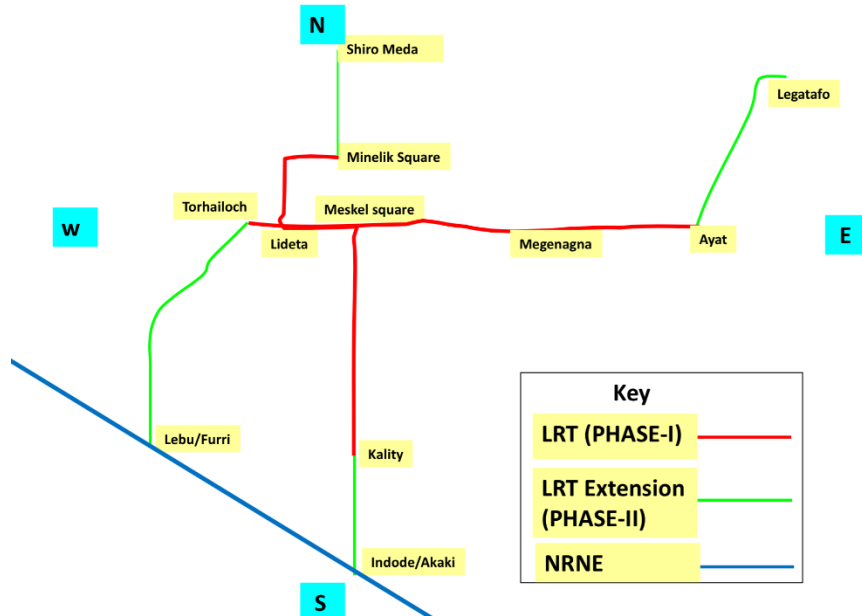
The Addis Ababa City Administration Road and Transport Bureau (AATB) (in charge of traffic management, licenses and transport policies) is also considering establishing a fully publicly owned or public-private partnership BRT company.

5.4.3 Addis Ababa Light Rail Transit

The Addis Ababa Light Rail Transit (LRT) will have a North-South line of 16.9 km, starting in Menelik II square and ending in Kality, and an East-West line of 17.35 km, extending from Tor Hailoch in the west to Ayat. As part of this network, there will be 10 main hubs (Ayat, Megenagna, La Gare, Lideta, Tor Hailoch, Menelik II Square, Mercato, Gotera, Dama Hotel and Kality), and 32 stations. As can be seen in Figure 5, after completion of the initial phase, the rail network will be extended in all directions, and there will be a connection to the national railway network

(NRNE).

Figure 5 – Addis Ababa Light Rail Transit Network



Source: Ethiopian Railways Corporation, 2012

The construction of the Addis Ababa LRT was launched in 2009. In February 2015, the official launch of a three-month testing phase for the project began. While the revised target date for the commencement of services has not formally been announced (having previously been changed several times), the LRT is expected to start serving the city’s residents at the beginning of May 2015. When complete, it is projected that the network will transport 15,000 passengers per hour per direction, and 60,000 passengers per hour in total. This will be a significant contribution to the public transport capacity in the city: it is estimated that in 2030, seven per cent of the total passenger kilometers travelled in the city (more than 60 billion) will be shifted to the LRT (Government of Ethiopia, 2011). Moreover, the introduction of the LRT will provide residents of the city with more organised and reliable access to different parts of the city, and the government intends to set fares that are affordable for the city’s residents.

In addition to being built according to the Addis Ababa city master plan and transport policy, this project also falls under the transport pillar the government’s GRGE strategy, as it will be fully powered by electricity and thus a zero-emission form of transport. It has had very strong political commitment from the government, and has been a relatively well planned and executed project to date. The project is being managed by the ERC and constructed by CREC, with 85 per cent of the financing from the Export-Import Bank of China.

Clearly, significant and innovative improvements to the Addis Ababa public transport system are

taking place. A forthcoming challenge will be to address the growing demand for transport services that connect Addis Ababa with the towns of Oromia Special Zone (e.g. Sululta, Legetafo, Debre Zeit and Sendefa). Additionally, the city administration does not have a good record of coordinating the current public transport services of the city, and there is no clear plan of how to optimally integrate the new LRT and BRT into the existing system.

- Addis Fortune. (2015) Judge Me By The Numbers. *Addis Fortune*. [Online] 29th June. Vol 15, No. 739. Available From: [Http://Addisfortune.Net/Interviews/Judge-Me-By-The-Numbers/](http://Addisfortune.Net/Interviews/Judge-Me-By-The-Numbers/). [Accessed: 31 December 2015].
- Asgedom, T. (2013). *Promoting Sustainable Transport Solutions In Ethiopia*. [Online] Available From: [Https://Sustainabledevelopment.Un.Org/Content/Documents/3743asgedom.Pdf](https://Sustainabledevelopment.Un.Org/Content/Documents/3743asgedom.Pdf). [Accessed: 31st December 2015].
- Ethiopia. Ethiopian Roads Authority. (1996) *Road Sector Development Program (1997-2007)*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ethiopian Roads Authority. (2003) *Road Sector Development Program Ii (2002-2007)*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ethiopian Roads Authority. (2007) *Road Sector Development Program Iii (2007-2010)*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ethiopian Roads Authority. (2009) *Rsdp Performance: Twelve Years Later*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ethiopian Roads Authority. (2011) *Road Sector Development Program (Rsdp) 13 Years Performance And Phase Iv*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ethiopian Roads Authority. (2014) *Road Sector Development Program 17 Years Performance Assessment*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ethiopian Roads Authority. (N.D.) *History Of Road Building In Ethiopia In Brief*. [Online] Available From: [Http://Www.Era.Gov.Et/Linkclick.aspx?Fileticket=Pji2zxtu5v8%3d&Tabid=75&Aspxautodetectcookiesupport=1](http://Www.Era.Gov.Et/Linkclick.aspx?Fileticket=Pji2zxtu5v8%3d&Tabid=75&Aspxautodetectcookiesupport=1). [Accessed: 31st December 2015].
- Ethiopia. Ministry Of Transport. (2011) *Transport Policy Of Addis Ababa*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ministry Of Urban Development, Housing And Construction. (2014a) *Ethiopian Cities Prosperity Initiative: Building Green, Resilient And Well Governed Cities, 2013/14-2025*. Addis Ababa: Government Of Ethiopia. (Draft).
- Ethiopia. Ministry Of Urban Development, Housing And Construction. (2014b) *Second Urban Local Government Development Program 2014/15-2018/19 Program Operations Manual*. Addis Ababa: Government Of Ethiopia. (Volume 1: Main Text & General Annexes Draft).
- Ethiopia. Ministry Of Water And Energy. (2011) *Energy Policy Of Ethiopia*.
- Ethiopia. Ministry Of Water And Energy. (2012) *Scaling-Up Renewable Energy Program Ethiopia Investment Plan*. Addis Ababa: Government Of Ethiopia.
- Ethiopia. Ministry Of Works And Urban Development. (2006) *Urban Transport Planning Manual*. Addis Ababa: Government Of Ethiopia.
- Ethiopian Airlines. (N.D.) *Domestic Network*. [Online] Available From: [Http://Www.Ethiopianairlines.Com/En/Network/Domestic/Default.aspx](http://Www.Ethiopianairlines.Com/En/Network/Domestic/Default.aspx).

[Accessed: 17th March 2015].

- Ethiopian Airlines. (N.D.) *Our Fleets*. [Online] Available From: [Http://Www.Ethiopianairlines.Com/En/Corporate/Fleet.AspX](http://Www.Ethiopianairlines.Com/En/Corporate/Fleet.AspX). [Accessed: 17th March 2015].
- Ethiopian Railways Corporation. (2011) *The National Railway Network Of Ethiopia (Nrne)*. [Online] Available From: [Http://Www.Erc.Gov.Et/Index.Php/Projects/National-Railway-Network-Of-Ethiopianrne.Html](http://Www.Erc.Gov.Et/Index.Php/Projects/National-Railway-Network-Of-Ethiopianrne.Html). [Accessed: 17th March 2015].
- Ethiopian Railways Corporation. (2012) *Addis Ababa Light Rail Transit Project*. [Online] Available From: [Http://Www.Unep.Org/Transport/Pcfv/Pdf/Icct_2012/Lrt_Yehualaeshet_Jemere_Erc.Pdf](http://Www.Unep.Org/Transport/Pcfv/Pdf/Icct_2012/Lrt_Yehualaeshet_Jemere_Erc.Pdf). [Accessed: 31st December 2015].
- Fenta, T.M. (2014) Demands For Urban Public Transportation In Addis Ababa. *Journal Of Intelligent Transportation And Urban Planning*. 2(3). P. 121-128.
- Foster, V. And Morella, E. (2011) *Ethiopia's Infrastructure: A Continental Perspective*. [Online] Washington Dc: World Bank. Available From: [Https://Openknowledge.Worldbank.Org/Handle/10986/3364](https://Openknowledge.Worldbank.Org/Handle/10986/3364). [Accessed: 29th December 2015].
- Mo, P., Orr, R.J. And Lu, J. (2008) Addis Ababa Ring Road Project: A Case Study Of A Chinese Construction Project In Ethiopia. [Online] Presented At The *International Conference On Multi-National Construction Projects, Shanghai, China, November 21-23 2008*. Available From: [Https://Gpc.Stanford.Edu/Sites/Default/Files/Cp028_0.Pdf](https://Gpc.Stanford.Edu/Sites/Default/Files/Cp028_0.Pdf). [Accessed: 31st December 2015].
- Pricewaterhousecoopers. (2014) *Independent Review Of The Ethiopian Railway Project Against Environmental And Social Performance Standards*. [Online] Available From: [Http://Www.Ekn.Se/](http://Www.Ekn.Se/). [Accessed: 31st December 2015].
- Shiferaw, A., Soderbom, M., Siba, E. And Alemu, G. (2012) *Road Infrastructure And Enterprise Development In Ethiopia*. (Igc Working Paper 12/0695).
- Tulu, G.S., Washington, S. And King, M.J. (2013) Characteristics Of Police-Reported Road Traffic Crashes In Ethiopia Over A Six Year Period. *Proceedings Of The 2013 Australasian Road Safety Research, Policing And Education Conference, 28th-30th August, Brisbane, Queensland*.
- Un Habitat. (2008) *Ethiopia: Addis Ababa Urban Profile*. Nairobi: Un Habitat.
- Un Habitat. (2014) *Structural Transformation In Ethiopia: The Urban Dimension*. Nairobi: Un Habitat.
- Worku, I. (2011). *Road Sector Development And Economic Growth In Ethiopia*. (Edri Working Paper No. 004).
- World Bank. (2002) *Scoping Study - Urban Mobility In Three Cities: Addis Ababa, Dar Es Salaam, And Nairobi*. Sub-Saharan Africa Transport Policy Program Working Paper

Series; No. Ssatp 70. [Online] Washington Dc: World Bank. Available From: [Http://Documents.Worldbank.Org/Curated/En/2002/10/2822696/Scoping-Study-Urban-Mobility-Three-Cities-Addis-Ababa-Dar-Es-Salaam-Nairobi](http://documents.worldbank.org/curated/en/2002/10/2822696/Scoping-Study-Urban-Mobility-Three-Cities-Addis-Ababa-Dar-Es-Salaam-Nairobi). [Accessed: 31st December 2015].

Yewondwossen, M. (2014) Swiss Bank Approves \$865 Mln Loan For Awash-Weldiya Railway Project. *Capital Ethiopia*. [Online] 30th April 2014. Available From: [Http://Www.Capitalethiopia.Com/Index.Php?Option=Com_Content&View=Article&Id=4284:Swiss-Bank-Approves-865-Mln-Loan-For-Awash-Weldiya-Railway-Project&Catid=35:Capital&Itemid=27](http://www.capitalethiopia.com/index.php?option=com_content&view=article&id=4284:swiss-bank-approves-865-mln-loan-for-awash-weldiya-railway-project&catid=35:capital&itemid=27). [Accessed: 17th March 2015].

6 Labor Markets

Urban labour markets in Ethiopia have undergone considerable change since the end of socialist rule and labour market reforms begun in 1993. Labour markets are increasingly characterized by formal, private sector jobs in services and manufacturing. The public sector stills plays an important, but diminished role in providing employment for highly educated young people. Formal jobs are mainly located in the centre of the city of Addis Ababa, with informal sector activity being more disbursed throughout the city.

Demographic shifts within the country, including high rates of urbanization, increased labour force participation among women and a rapid expansion of the secondary and tertiary education systems have put pressure on the ability of the labour market to absorb young job seekers, leading to high rates of the unemployment in cities. The state has relatively little influence in the functioning of the labour market, outside of public sector employment. This lack of regulation of the labour market, as well as low rates of unionization, seems to have contributed to a great deal of labour market flexibility, but also the insecurity of jobs, especially for the youth in urban areas, with temporary and casual employment being predominate. This makes permanent jobs in the private and public highly sought after. The recent construction boom taking place in Addis Ababa has created a number of short term employment opportunities.

The government has engaged in employment creation policies, through industrial policy to promote the growth of labour intensive manufacturing in the private sector, as well as youth employment schemes, which have moderate success in getting young people into work. There has been considerable growth of firms in the floriculture sector and in industrial zones just outside of the centre of Addis Ababa.

6.1 Demographic and Structural Change

Labour markets in Ethiopia have been put under pressure by demographic changes in the country, which has led to increased demand for good employment in cities. While the vast majority of the population still live in rural areas and engage in subsistence agriculture, this has been slowly changing. Over the period 1997-2007 “the growth per capita in the non-agricultural sector has been more than two and half times higher than in agriculture (averaging 2.3 rather than 0.9 percent annually). The share of agriculture in GDP declined by 7 percent over the period.” (World Bank, 2007). The nationwide rate of urbanization has increased from 13.3% in 2000 to 16.8% in 2011 (World Bank, 2015).

The population of Addis Ababa has been growing rapidly in recent years. This has not been driven by fertility in urban areas, the fertility rate for Addis Ababa is estimated to be below replacement levels, and Ethiopia has one of the largest rural-urban differentials in fertility rates (Tadesse and

Headey, 2012). Instead the increases in the young population in Addis Ababa have been driven by driven by increased migration. Although migration rates in Ethiopia are low, Addis Ababa is home to more than 10% of all migrants in the country. 50% of Addis Ababa's population were born outside of the city (World Bank, 2015). However, this rate of migration has been slowing down, with only 6% of Addis Ababa's population migrating to the centre in the last year.

The 1990s saw an enormous increase in labour force participation rates in the country, especially among the youth, and especially among females (Krishnan, 1999). Delayed education has reduced labour force participation for male youth in recent years to 2012 which has slightly reversed that trend (Broussard and Teklesellasié, 2012). However, industrialization has been remarkably slow in urban Ethiopia (World Bank, 2015). The majority of employment growth in recent years has been in services. This lack of employment growth to match the increase in labour supply due to demographic factors, has been a major driving force beyond the rise in urban unemployment that seems to have occurred in the 1990s (Krishnan, 1999).

6.2 Institutional Environment and Policy:

Labour policy in Ethiopia has been characterised by liberalization of labour markets under the Ethiopian People's Revolutionary Democratic Front (EPRDF) in the years since the end of the socialist Derg regime in 1991. Economic policies, including the devaluation of the Birr in 1992, privatization, liberalization of international trade and deregulation of the private sector have focused on promoting the growth of private enterprise. The growth of private sector in Addis Ababa has seen an increase the number of jobs in private sector firms (wage employment) relative to work in the public sector and self-employment. Survey data from 1983 suggested that public sector employed 73 percent of those in wage employment. Today, only 31% of wage employment in Addis Ababa is in the public sector. While manufacturing has seen strong growth under the new economic policies, the bulk of the employment growth in Addis Ababa has come from services. In recent years especially construction work has played an increasingly important role in the employment of young people.

The labour market today is remarkably unregulated. Key areas of regulation include child labour, employment guarantees for the disabled, and restrictions on employment for the young, and for women, in key high-risk jobs (Broussard and Teklesellasié, 2012). However, regulation in terms of the ease of hiring and firing are very limited. Formal sector firms have freedom to hire workers on a temporary basis, a common practice in Addis Ababa, where over 55% of the youth in wage paying work classify their jobs as temporary or casual. Labour law (proclamation No. 377/2003) stipulates a range of situations in which is acceptable for firms to hire workers on a temporary basis, either with a contract with a fixed termination date, or no job security for the employee. In addition the law allows for a 45 day probationary period, in which a prospective employee can be laid off at any time. Permanent jobs are highly sought after, but are relatively rare for young

workers, outside of the public sector. Employees who are hired on a temporary or casual basis are not entitled to social benefits and pensions.

Under structural adjustment policies implemented in the 1990s the size of the public sector was cut. While increase labour force participation and relatively weak private sector growth has undoubtedly contributed to high youth unemployment rate, it is also clear that the reduction in public sector employment under structural adjustment have had an enormous and perhaps most significant impact on unemployment (Krishnan, 1998; Mains, 2012). Youth unemployment has begun to fall since 1997 (Broussard and Teklesellasi, 2012).

Minimum wages are not strictly enforced in the private sector (and not at all in the informal sector) while standardized wages in government work are low, at around 1500 Birr (\$75) per month for entry level positions. Labour unions, as well as other workers societies, are weak (de Gobbi, 2006). Collective bargaining is basically non-existent at the sector level, although unions within large firms are increasingly common. As a result the urban labour market is thought to be remarkably flexible. Only 5% of firms in a World Bank survey of 2002 said that labour legislation was in any way an impediment on their ability to do business. On the other hand, labour market data presented later in this section suggests that the position of many workers in the labour market is one of great insecurity and volatile employment outcomes.

6.3 Current labour market conditions:

Table 6-1 shows the composition of employment for adults in Addis Ababa. The figures are disaggregated by youth and older workers, and give the composition of employment across five main types of employers, including self-employment, which constitutes the bulk of the informal sector. The private sector is the largest employer in Addis Ababa. Employment in the private sector is disproportionately common in Addis Ababa relative to other urban, and rural areas.

Table 6-1: Composition of Employment in Addis Ababa

	By Age (Youth)		All Ages
	Age 30 and older	Age 16 to 29	
Unemployment Rate	19.30%	27.60%	23.10%
Employer type (among employed)			
Government	26.60%	17.30%	22.60%
NGO	2.40%	1.00%	1.80%
Private	34.40%	43.30%	38.30%
Self-Employed	33.80%	20.40%	28.00%
Domestic Work	2.70%	17.90%	9.30%
Total	100.00%	100.00%	100.00%
N	1,994	1,552	3,546

Thirty percent of young employed women in Addis Ababa work as domestic or cleaning work. This form of work is best characterized as private sector wage employment, but is excluded from this category because of the unusual nature of domestic employers. Interestingly, this work is done almost exclusively by young people. In 1999 it was estimated the 50% of total urban employment was in the informal sector. Since more than 90% of private sector jobs are in firms characterized as formal, this figure is considerably lower in Addis Ababa today. Only about a fifth of young people are self-employed. The difference in rates of self-employed and older workers could be partially due to job seekers taking up self-employment only after failing to find permanent employment sometime after finishing school (Haile, 2005).

Table 6-2: Composition of Employment by Age

Job Status	By Age (Youth)		All Ages
	Age 30 and older	Age 16 to 29	
Permanent Job	42.70%	34.50%	39.10%
Temp/contract	20.40%	40.00%	29.00%
Casual	2.60%	3.20%	2.80%
Family	1.30%	2.30%	1.70%
Self Employed	33.00%	20.00%	27.30%
Total	100.00%	100.00%	100.00%
N	1,863	1,472	3,335

While manufacturing has provided an increasing number of jobs in urban areas, it still only comprises 13% of all employment in Addis Ababa. The most common industry of employment is sales and retail, followed by financial and banking services and then construction. Sales jobs are predominately (65%) activities of the self-employed. Indeed more than 50% of individuals who are self-employed report that their main business is sales, either selling goods in small stores on the side of the road. Only a third of self-employed individuals report producing any kind of manufactured goods. Construction jobs are most likely to be casual and least likely to be permanent.

Table 6-3: Composition of Employment by Sector

Job Status	Employer type (for jobs with Employer Relationship)					
	Government	NGO	Private	Self-Employed	Domestic Work	Total
Permanent Job	89.70%	61.40%	42.40%	0.00%	22.70%	39.80%
Temp/contract	10.10%	38.60%	52.60%	0.00%	70.20%	29.80%
Casual	0.10%	0.00%	5.00%	0.00%	7.10%	2.60%
Self Employed	0.00%	0.00%	0.00%	100.00%	0.00%	27.80%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
N	725	56	1,230	893	311	3,215

Young people are less likely to have jobs in the public sector, perhaps because of the relative shrinking of the public sector in 1990s which has led to scarcity of these jobs. The public sector

has been playing a declining role in the labour market, not only its size, but also in terms of wage levels. While historically public sector wages were set well above the level in the private sector (Krishnan, 2000), but recently this wage premium has been eroded such that wages for highly skilled workers are not much higher for government workers than in the private sector (Franklin, 2014).

6.4 Unemployment

High levels of youth unemployment have long been a feature of the Ethiopian economy. Youth unemployment is worryingly high, at 24% for those aged 16-29, more than twice the rate for those over 30. In Addis Ababa, youth unemployment is 27.6%, relative to 19.3% among those older than 29. While Unemployment rates have been falling slowly in recent years, many young people still spend long periods of time in unemployment, and in under-employment when they are able to find work. Employment outcomes are notably volatile for the youth. Franklin (2014) documents regular movements in and out of work from week to week.

This is driven the by scarcity of permanent jobs offered by firms to the youth, who must use short spells of temporary work to way to get by. These temporary works are insecure, can end unexpectedly, or have fixed terms. Regular income streams are thus hard to come by for young people. Temporary work on construction sites has been a common form of temporary work in the city in recent years. It has been argued that the weak labour regulation regarding hiring and firing, and the ease of hiring wokers on a temporary basis have been said to contribute to this lack of job security in urban labour markets (de Gobbi, 2006).

Work in the informal sector is often characterized as a last resort option by young job seekers (Haile, 2005). Many young people who cannot afford to remain without employment for long stretches while looking for work, take up petty self-employment. Poor areas of the city, such as Kolfe Keraniyo, where jobs are particularly scarce, unemployment is low but engagement in self-employment is relatively high.

Table 6-4: Average Labour Market Outcomes by Sub-city in Addis Ababa

	Education				
	Unemployed	Permanent Job	Self Employed	Secondary	Degree
Kolfe					
Keraniyo	20.20%	16.20%	27.90%	30.70%	5.20%
Chirkos	23.20%	31.60%	10.40%	56.80%	9.80%
Yeka	23.40%	24.40%	11.60%	54.90%	10.30%
Nefas Silk	27.40%	26.10%	12.60%	49.00%	9.50%
Total	27.50%	24.60%	14.40%	49.90%	8.50%

Arada	28.30%	28.80%	11.10%	58.20%	13.30%
Akaki Kaliti	28.50%	33.50%	12.40%	48.80%	8.90%
Lideta	28.70%	26.40%	16.30%	60.50%	9.00%
Addis					
Ketama	30.30%	21.20%	20.20%	47.40%	5.60%
Gulule	32.80%	21.40%	7.30%	62.50%	5.70%
Bole	33.80%	23.80%	10.60%	42.10%	9.20%
Total	27.50%	24.60%	14.40%	49.90%	8.50%

6.5 Job Search and Institutional Arrangements

Most formal sector jobs both in government and the private sector are found by firms posting vacancies for new positions. This happens either on centrally located job vacancy boards in the centre of the city, or in weekly, or bi-weekly newspapers and gazettes, which are distributed for hire around the same job boards in the centre of the city. Applicants usually respond to vacancies by dropping off their CVs directly at the place of work. This is by far the most common method of job search among the young unemployed in Addis Ababa, and the main method of finding formal wage paying employment. Recruitment for casual labour and informal sector work is far more likely to happen through word of mouth, social networks, or hiring of acquaintances.

Recruitment agencies work only at the very low- and very high-ends of the market. Domestic workers, waiters and cleaners are often hired out temporarily from employment brokers. On the high end of the market a few specifically recruitment agencies (for instance, the companies "Ethiojobs" and "Zebrajobs") seek out highly skilled new university graduates and experienced workers for a high fee, usually to international firms and NGOs.

There is evidence that significant search frictions exist in the matching of employers to jobs. This is partly due to the concentration of employment and information about jobs in the centre of the city, and the sprawl of the city, which makes the cost of traveling to search for jobs expensive (Franklin, 2015). There are few institutions for facilitating matches between workers and firms. This is perhaps because of the previous dominance of the public sector. Until recently, the majority of wage employment was in the public sector, which was governed by hiring through local kebeles, and centralized employment placement within the public sector. Similar services do not exist for the private sector.

6.6 Job Creation

The government's main response to the problem of high unemployment in Ethiopian cities has been to encourage the growth of employment in the private sector. However the Ethiopian

government is engaged in employment creation, particularly for the youth, through other more direct interventions. One aspect of that is skills training and education policy to prepare more young people for the labour market and ensure that demand for particular skills in industry is met. This has happened through an enormous expansion of the TVET education system (Krishnan. Graduates of the TVET system have been encouraged to start their own small and medium enterprises with the skills that they have acquired at these Colleges (Broussard and Teklesellasié, 2012).

The government has implemented small scale enterprise programmes for inner-city youth, which are administered by the local Kebeles in Addis Ababa. However, it has been argued that these program are more akin to workfare programs than self-employment (Di Nunzio, 2012). Tegegne Gebre Egziabier and Meheret Ayenew (2010) argue that small scale enterprises opened under these schemes did not provide social improvement as such, rather a way for participants to get by through temporary employment. Nearly 89%, received less than 600 birr a month (US\$36), while only 12% received over 1,500 birr.

The cobblestone project is perhaps the most well-known employment creation initiative in the city. It was initiated by the Engineering Capacity Building Program (ECBP). The project trains young people in the methods of paving cobblestone streets in the informal settlements of Addis Ababa that do not have paved roads. Thus the project had dual aims of creating employment and improving the urban environment in the city. The project is reported to have created more than 2,000 MSEs and employed more than 90,000 workers (primarily youth) in 140 Towns (Broussard and Teklesellasié, 2012).

Industrial and Firm Policy

While a full accounting of Ethiopia's Industrial Policy is beyond the scope of this report, private sector development has been an integral part of the government's job creation policy. The Industry Strategy Paper of 2002 laid out the plan for promoting the growth of firms in certain key sectors, such garments, textiles, floriculture, food-processing, leather industry. Emphasis was on the promotion of growth in export-oriented and labour intensive industries to help to deal with the youth unemployment problem. The strategy tries in many ways to replicate the East Asian example, or industrial development. For a detailed accounting of industrial policy in the promotion of the cut flower and leather industries in Ethiopia see Abebe and Schaefer (2014).

The government has promoted growth in these areas by providing business training, export guarantees, subsidized credit, and export tax for key products such as finished leather goods. Programs have been set up to send firm managers to China for employment and management training.

6.7 Special Economic Zones

The Ethiopian government has used special economic zones as a key industrial policy tool, to attract firms to clusters of development with tax incentives, cheap land and services, and good infrastructure. Most Special Economic Zones are located outside of Addis Ababa. Most notably in the town of Dire-Dawa, about 500km east of Addis Ababa, and Combolcha. The establishment of these zones, including in the Oromia Special zones (neighboring towns such as Burayu and Dukem) may begin to shift industrial activity out of the centre of Addis Ababa.

However, about 20% of large formal firms (and 50% of large manufacturing firms) in the data report some activities in the Industrial Zones. The Industrial Zones in Addis Ababa are located in Akaki Kality subcity, on the Debre Zeit road south, as well as Bole-Lemi SEZ in Bole subcity southeast of the city. However, the intention of these new Special Economic Zones, such as Bole-Lemi, are intended to attract foreign investors, such as Korean and Chinese firms. Ownership of firms in these new zones is more than 80% foreign, so few domestic firms in the surveys show up in these new zones. Because of the dominance of foreign firms in these geographically isolated zones, it appears that the zones have not yet had the desired effect of technology spillovers from FDI than partly motivated the policy (Abebe and Gebreeyesus, 2013).

6.8 Regulation of Firms

Since the fall of the Derg in 1991 and the market lead reforms of the EPRDF government, the investment and business climate in Ethiopia has improved enormously. The government has encouraged competition and reduced government intervention. However many large firms in Addis Ababa remain state owned. While the government has privatized over 287 State Owned Enterprises since the fall of the Derg (MoTI, 2009) many key "strategy" industries remain in the hands of the state, including telecommunications, energy and transportation. In manufacturing, services, and construction, the state has retreated, with fewer than 20% of large formal firms under full or partial government ownership.

The Ministry of Labour and Social Affairs (MOLSA) is responsible for the regulation of firm activity in Ethiopia. It's duties include inspections on working conditions, regulation of hiring and firing activity, enforcement of collective bargaining agreements (when they exist), as well as conducting training and research. However, MOLSA is said to have limited financial, material and human resources, and regulation is often weakly enforced (de Gobbi, 2006). Abebe and Schaefer (2014) report that labour regulation and wage bargaining are almost non-existent in light manufacturing sectors that they study.

6.9 Formality and Registration

In the firm and employment data from the CSA (Central Statistics Agency), most firms (and

therefore wage employed jobs) are classified as formal. The CSA classifies a firms as formal if they either have more than 10 employees, keeps books of account, or has a business enterprise license (Broussard and Teklesellasié, 2012). Any one of these qualifies a firm as formal.

The Ethiopian government has made a drive to ensure that all firms in the city are official registered under the Commercial Registration and Business Licensing Proclamation (No. 686 of 2010). Under this law all business, or anyone doing business, needs to have a business license to operate. Firms are required to provide bank statements, and title deeds for leased properties.

As a result most wage paying jobs in urban Ethiopia are classified as formal, according to the definition of employment, possibly due to a change in the definition of formal firms. This could, in part, account for the fall in informal employment as measured by nationally representative surveys from 1999 to 2011 (Broussard and Teklesellasié, 2012).

6.10 Location of Firms and Jobs in Addis Ababa

Results from a recent geo-referenced survey of large formal firms in Addis Ababa show the concentration of firm activity within the city. Table X shows the composition of firms in the sample, as well as the estimated total number of such firms using sample weights. Only formal sector firms of over 30 employees, in any sector, were included in the sample. The sampling of firms from specific sectors was done to mirror each sector's contribution to overall employment in the city, while the reweighed numbers estimate the true number of large firms in the city. Table X shows the composition of jobs for firms in these 5 sectors.

Table 6-6: Production Mix of Firms

	Total Firms	Total Firms Weighted
Industry		
Tours-Hospitality	92	435
Finanace, Retail	102	239
Education, Health, Aid	104	610
Manufacturing	126	301
Construction, Mining,		
Farming	69	593
Total	493	2,178

The largest firms in Addis Ababa are the large banks and financial services firms, located in the Central Business District, who hire on average 460 workers per firm. However, the size of construction firms are probably underestimated due to the prevalent use of short term casual labour, which may be underreported in the data. Highly skilled ("White Collar") jobs are most

commonly found in Education, Health, NGOs and financial and retail firms. Production workers (buildings) in construction jobs provide a large number of jobs, confirming the prevalence of youth employment in construction in recent surveys from Addis Ababa.

Table 6-7: Employment by Sector

Industry	Worker Type				All workers	% All workers
	Client services	Production	Support staff	White collar		
Construction, Mining, Farming	1,594	54,930	12,863	12,919	82,306	22.88%
Education, Health, and Aid	7,666	3,151	19,062	44,882	74,761	20.78%
Finance, Retail	35,076	8,067	23,108	43,854	110,105	30.61%
Manufacturing	7,329	44,797	11,237	10,128	73,491	20.43%
Tours-Hospitality	6,873	3,231	5,733	3,207	19,044	5.29%
All Industries	58,538	114,175	72,003	114,989	359,705	100.00%
As percentage of all jobs	16.27%	31.74%	20.02%	31.97%	100.00%	

Industry	Worker type				
	Client services	Production	Support staff	White collar	All Workers
Tours-Hospitality	15.8	7.4	13.2	7.4	43.8
Finanace, Retail	146.6	33.7	96.6	183.3	460.2
Education, Health, Aid	12.6	5.2	31.2	73.6	122.6
Manufacturing	24.4	149	37.4	33.7	244.5
Construction, Mining, Farming	2.7	92.7	21.7	21.8	138.9
Total	26.9	52.4	33.1	52.8	165.2

Large formal firms are highly concentrated in the centre of the city. Figures X Y Z show these results. Larger firms are particularly concentrated in the city of the city. Figure Y (left panel) shows the concentration of employment opportunities in the city (using a kernel density mapping of the number of employees per firm). The right panel of Figure Y overlays the concentration of employment for professional jobs (white collar, highly skilled jobs) using the same distributional classification of employment intensity. This shows that highly skilled job opportunities are even more concentrated in the centre of the city.

Figure 6-1 shows the locations of manufacturing, and high end service firms (finance, law, banking and retail) as distinct from other types of firms, within the city. Large service sector firms are highly concentrated within the Central Business District in particular. Manufacturing firms tend to be clustered along the main roads leading in and out of the city, with a particular concentration in the south, in the subcity of Akaki Kaliti, on the road to Debre Zeit. Other firms, such as hotels, hospitals, private schools and construction companies are less concentrated in specific areas, but definitely locate predominately in central areas.

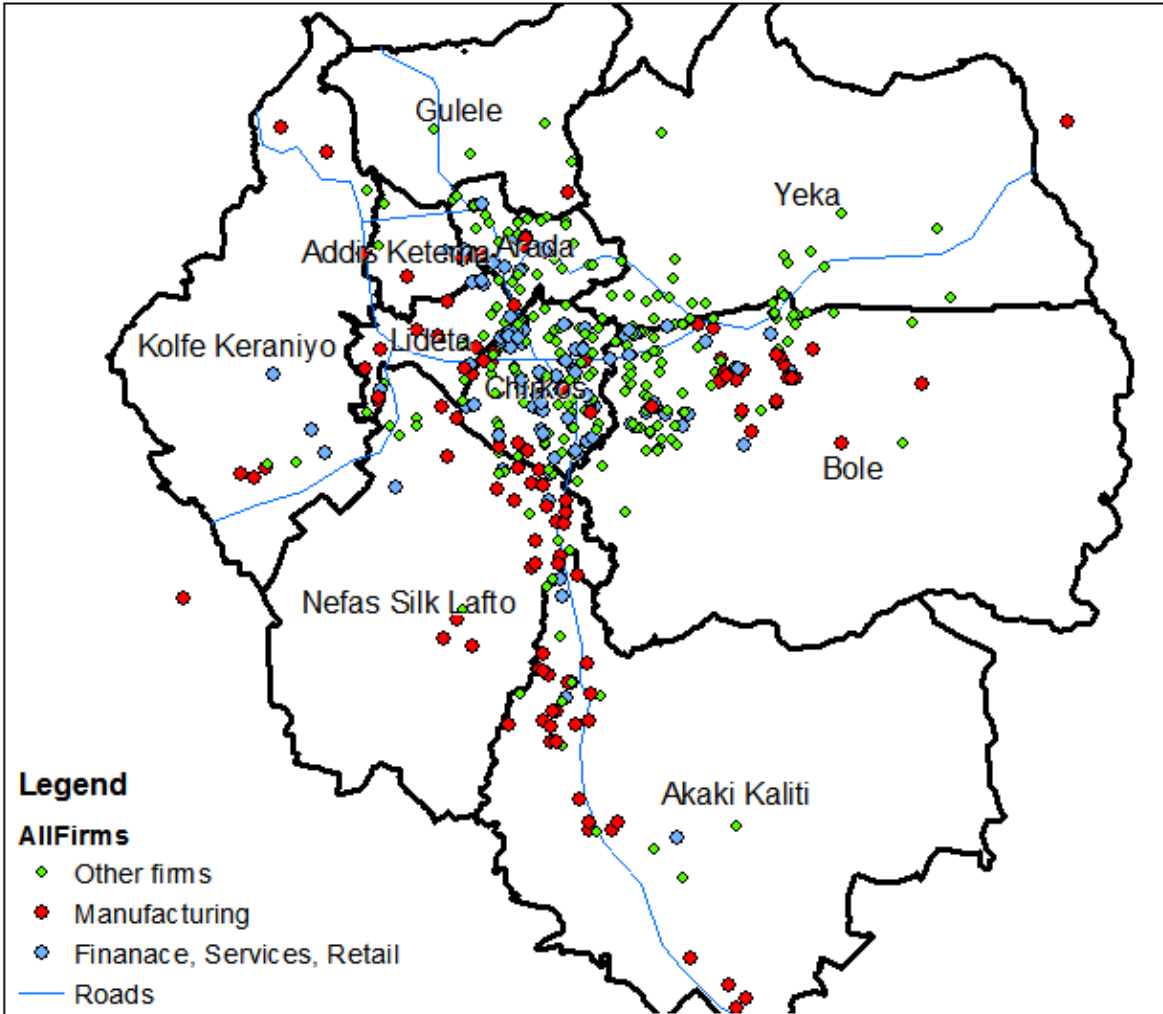


Figure 6-1: Firm Location in Addis Ababa

More than 50% of all formal sector jobs in large firms are located in the subcity of Kirkos, in which the Central Business District is located. The subcity of Bole has the second highest concentration of jobs with 15%, but most of these jobs are concentrated around the part of Bole between the CBD and the international airport. This corridor is the site of some of the more high-skilled jobs in more prestigious and international firms. Jobs at firms in Bole are mostly likely to be filled by individuals with university degrees (25%). Skilled jobs in this area of the city are also paid considerably higher than elsewhere.

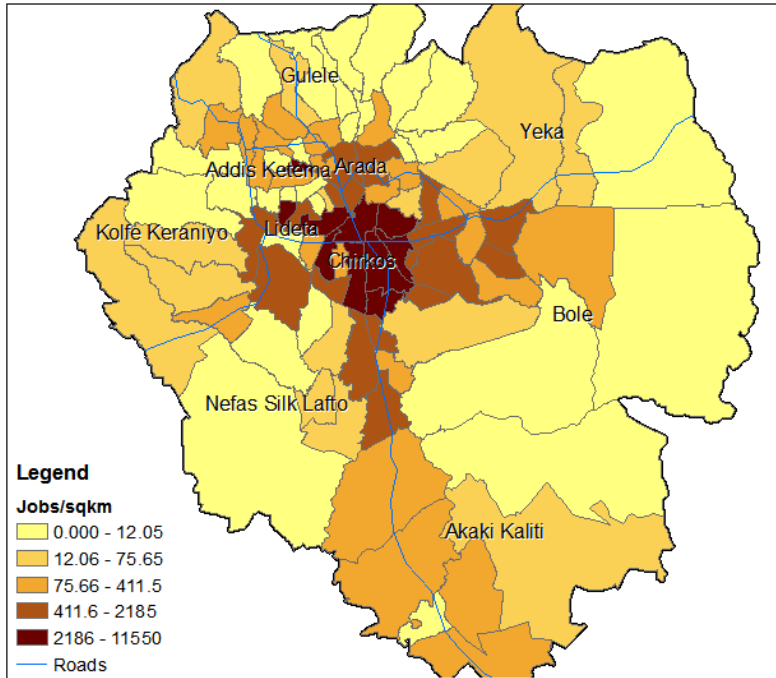


Figure 6-2: Employment Density

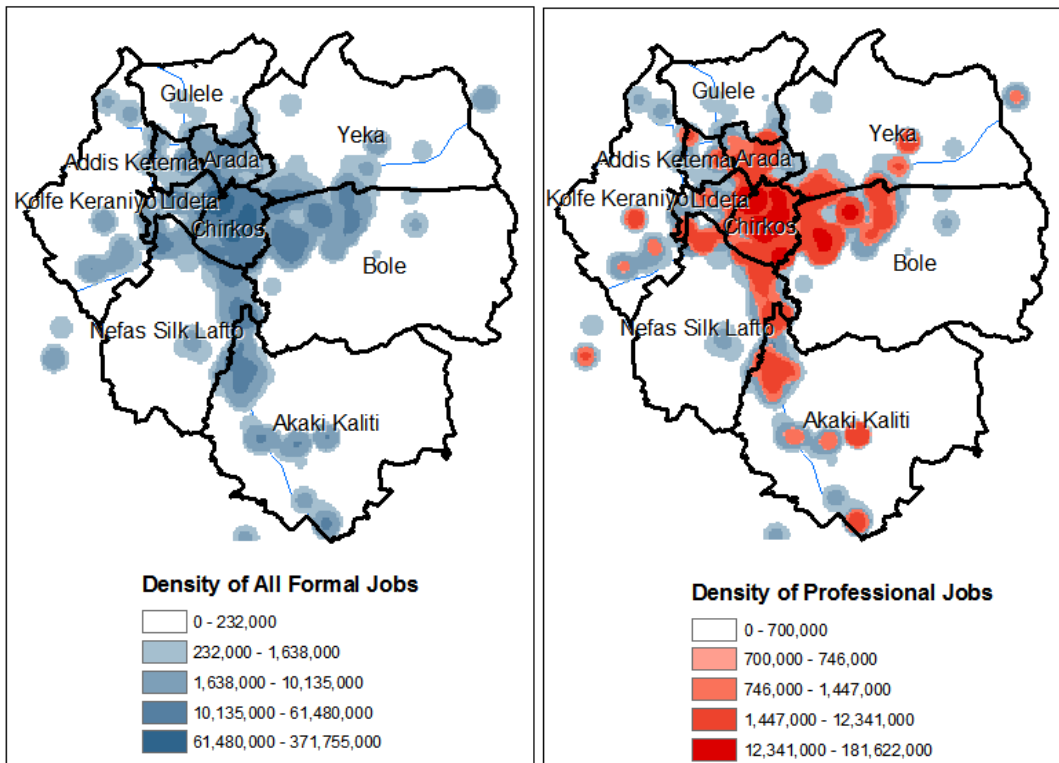


Figure 6-3: Employment Density by Type of Job

A new industrial and business hub has been growing in the East of the city, in the CMC area, on the boundary between Bole and Yeka subcities. A new manufacturing hub seems to be developing south of the East road (in Bole subcity), with a number of private schools and manufacturing firms located in the subcity of Yeka. By comparison, data from the Ethiopian Central Statistics agency on median and large manufacturing enterprises (of any size) shows the highest concentration of jobs in the subcity of the Akaki Kality, 25%, with 22% of firms in Kirkos, and another 15% in the subcity of Nefas Silk (also on the Debre Zeit road). These maps suggest a clear link between the location of employment opportunities and labour market outcomes for residents. The western subcity of Kolfe Keraniyo, known for its more vibrant informal sector, has high rates of self-employment, few permanent (formal sector) jobs and low levels of education on average. Very few large formal firms are located in that area.

The manufacturing sector has seen a rapid growth of very small scale, sometimes informal, firms in recent years (Soderbom, 2012). Data from the small and medium enterprise survey shows that the locations of small manufacturing firms are more evenly distributed across the city. There is sign of density of firm activity in the central sub-cities where large formal firms are particularly numerous. Instead the sub-city with most small firms (13%) is Arada, the area north of the centre of the city which contains most of Merkato, the central market of Addis Ababa, which much of the informal trading and small scale manufacturing takes place in the city. Less is known about the location of informal sector, however, data for young people living on outskirts of the city suggest that many are able to find informal sector work in their local areas.

References

- Abebe, G. and Gebreeyesus, M. (2013). Learning to Compete: the State and Spillover Effect of Foreign Direct Investment (FDI) in Ethiopia. *Unpublished, Preliminary report of the FDI survey in Ethiopia*.
- Broussard, Nzinga and Tsegay G Teklesellasie, “Youth Unemployment: Ethiopia Country Study,” *International Growth Center: Working Paper, 2012*.
- De Gobbi, Maria Sabrina (2006). Market flexibility and employment and income security in Ethiopia: Alternative considerations. *International Labour Organization: Employment Policy Unit*.
- Di Nunzio (2014). What is the alternative?: Youth, Entrepreneurship and the Developmental State in Urban Ethiopia. *Development and Change (forthcoming)*.
- Ethiopia, E. o. (2014). Investing in Ethiopia: 10 Reasons to Invest in Ethiopia. *Washington, DC: Embassy of Ethiopia*.
- Franklin, Simon (2014). Work, Unemployment and Job Search among the Youth in Urban Ethiopia. *Background paper for the Ethiopia Poverty Assessment. World Bank, Washington DC*.
- Gebreeyesus, M. (2013). Industrial Policy and Development in Ethiopia: Evolution and present experimentation. *Washington DC: Brookings Institute Working Paper*
- Haile, Getinet, “The nature of self-employment in urban Ethiopia,” 2005.
- Krishnan, Pramila. (2000) Public sector pay and private sector wage premiums: testing alternative models of wage determination.
- Soderbom, Mans (2012). Firm Size and Structural Change: A Case Study of Ethiopia. *Journal of African Economies, Vol. 21, AERC Supplement 2*
- Shaorshadze, Irina and Pramila Krishnan (2012). Technical and Vocational Education and Training in Ethiopia. *Paper for the International Growth Centre – Ethiopia Country Programme*
- Tadesse, Fanaye and Heady, Derek (2012). Urbanization and Fertility Rates in Ethiopia. *ESSP II Working Paper 35*.
- World Bank Group (2007). Urban Labour Markets in Ethiopia: Challenges and Prospects. *World Bank: Washington DC*.
- World Bank Group (2015). Ethiopia Poverty Assessment 2014. *World Bank*. <https://openknowledge.worldbank.org/handle/10986/21323> License: CC BY 3.0 IGO

7 Concluding Remarks

7.1 Primacy of Addis Ababa

Urbanisation in Ethiopia is largely driven by the growth of Addis Ababa. Although secondary cities across the country are now starting to urbanise rapidly (including Awassa, Bahir Dar, Mekelle and Adama), Addis Ababa is the only city in Ethiopia with a population of more than 250,000 people. In 2011/12 its population was 3,048,631 (Addis Ababa City Government, 2013), making it more than ten times bigger than the next largest cities in Ethiopia (Adama, Dire Dawa and Mekelle). This is partly due to a historical lack of development policies for other urban centers (UN HABITAT, 2008; Ethiopian Development Research Institute and the Global Green Growth Institute, 2015) and infrastructure provision (e.g. telecommunications, electricity, education, health) that is centered on the capital city due to its primary status as a political and administrative center. As a result, Addis Ababa and special economic zones surrounding the city attract most of the country's manufacturing and services industries (including foreign direct investments).

The risk facing the government is that Addis Ababa becomes excessively large, to the extent that other specialised productive clusters in cities across Ethiopia do not emerge, with most production occurring in Addis Ababa, but not efficiently. The Government of Ethiopia has not yet adopted a strategy that explicitly considers a spatial urban development strategy for Ethiopia as a whole. However, as part of the support provided by the Global Commission on the Economy and Climate, a proposal for developing a spatial economic framework has been presented to the Government. The focus is on developing already existing regional urban centers so that they are specialised in targeted economic activities.¹²

Urban planning

Urban centers in Ethiopia have largely been left to grow in a spontaneous and haphazard manner for most of their history (National Urban Planning Institute, 2003). This is even the case in Addis Ababa, for which there has been a succession of master plans since the first Italian plan. In 1954, Sir Patrick Abercrombie prepared a British-style master plan, in 1965 a French team of architects prepared a new master plan. Even the Derg regime hired a team of Ethiopian and Italian architects to design a master plan for the period 1986-2006. While each of these master plans had some lasting effect on the development of the city, none served their purpose due to poor

¹² The full report can be found here: <http://newclimateeconomy.report/wp-content/uploads/2015/03/Unlocking-the-Power-of-Cities-in-Ethiopia.pdf>

implementation.

A key policy action to improve urban planning was the release of an Urban Planning Provision Proclamation (proclamation 574/2008) in 2008. The objective was to provide a more comprehensive framework to guide urban planning nationally (MUDHCO, 2012). As part of the proclamation, a four-level hierarchy of urban plans were introduced: the National Urban Development Scheme, Regional Urban Development Plans, City-Wide Structure Plans and Local Development Plans (focusing on a particular locality or neighbourhood in an urban center).

Most urban centers in Ethiopia now have a master plan or are in the process of drawing up one to guide their development. A major challenge in this regard is a lack of technical expertise in urban planning. As such, preparation of city master plans has been supported centrally by the Federal Urban Planning Institute (FUPI) (created in 1987, and formerly named National Urban Planning Institute) and by foreign experts.

Additional challenges include the lengthy procedures required for legalising a finalised master plan. The time lag is so long that sometimes the master plans are irrelevant by the time they have been approved for implementation (especially in the case of rapidly growing cities like Addis Ababa). Additionally, the urban planning process is not yet as inclusive as it could be, with little stakeholder consultation and low levels of accountability to the public (World Bank, 2012). This lack of transparency contributes to weak implementation since non-government stakeholders have no way of monitoring whether the master plan is being followed. Weak implementation is also reinforced to a large extent by the inadequate legal frameworks and systems for distributing urban land. For example, areas allocated for greenery and roads in the Addis Ababa master plan have been given to private developers (World Bank, 2012).

7.2 Accountability

Although programmes such as the ULGDP have contributed to improved responsiveness and accountability of urban governments, urban governance in Ethiopia is still characterised by a lack of responsiveness to citizens' needs. On the part of government service providers, information sharing is low, and the public often lacks access to up-to-date information on their activities. There is also a lack of accountability mechanisms for both urban governments and their service providers. Even if the public is able to identify an issue and voice its dissatisfaction, there are few mechanisms to provide (often government monopoly) service providers to improve their service. This situation is compounded by a dearth of data and monitoring and evaluation tools for evidence-based planning and evaluation. In this regard, it is worth noting that the MUDHCO recently launched an Integrated Urban Database Project (IUDP) to improve monitoring and evaluation of urban sector activities (MUDHCO, 2013). On the part of the public, poor levels of literacy and educational

attainment in Ethiopia play a role to some extent in contributing to low levels of public participation, and partly as a result, the voice of the urban poor has been particularly excluded.

State-led development and limited private sector participation

Ethiopia's recent urban development has been guided by a 'big-push' approach initiated through the GTP. The government has invested billions of dollars to improve infrastructure. Accordingly, the public sector accounts for a significant share of economic activity, with public investment in Ethiopia the third highest in the world as a share of GDP (Deutsche Bank Research, 2013). Furthermore, 70 per cent of the national budget is spent on poverty-oriented sectors (MOFED, 2013), including agriculture, education, health, water, road development and rural electrification programmes.

On the other hand, the government's stance on private sector participation is not clear. The government understands the private sector can be an engine of growth. It is clear that the government is committed to providing the conditions necessary to support private sector participation in the economy. This includes improving legal and administrative frameworks (e.g. the revision of the investment code), maintaining a stable macroeconomic environment, and improving the supply of skilled labour (through increasing the availability of higher education and other programmes such as Technical and Vocational Education and Training (TVET)). At the same time, Ethiopian politicians often argue that private industries are vulnerable to rent seeking and corruption. The government also explicitly rejects private and foreign participation in sectors related to urban services provision such as telecommunications and airlines. Limited availability of credit, red tape and cumbersome bureaucracy discourage private involvement in other sectors.

7.3 Informality

Informality has been a persistent problem in Ethiopian cities, especially in Addis Ababa. The population of Addis Ababa has been growing at a rate that far outpaces the ability of both the city government to provide serviced land, infrastructure and services, and businesses to provide jobs. This has contributed to the emergence of both informal housing and informal employment in the shadow economy. A corrupt and ineffective urban land leasing system has contributed to the emergence of informal settlements and buildings, with a significant portion of commercial buildings having also been built without the required lease rights or permits (World Bank, 2012). Furthermore, clear and effective policies and systems for preventing informality or for formalising existing informal settlements are lacking.

As Moretti (2014) points out, cities where this occurs are at risk of falling into a bad equilibrium characterised by deteriorating infrastructure, productivity decreases due to congestion outweighing agglomeration benefits, and the emergence of slums. A further challenge is for city governments

to get out of this cycle, as they only have revenues from taxing the formal sector to provide public services to their whole city. A notable policy that has emerged from this context is the Integrated Housing Development Programme (IHDP), initiated in 2005 as part of the broader national urban policy. The programme aims to significantly increase both the quality and quantity of affordable housing in urban areas and reduce slum prevalence, in addition to promoting job creation and growth of small and medium sized enterprises. As of July 2012, 208,000 units had been built in 56 towns in Ethiopia.