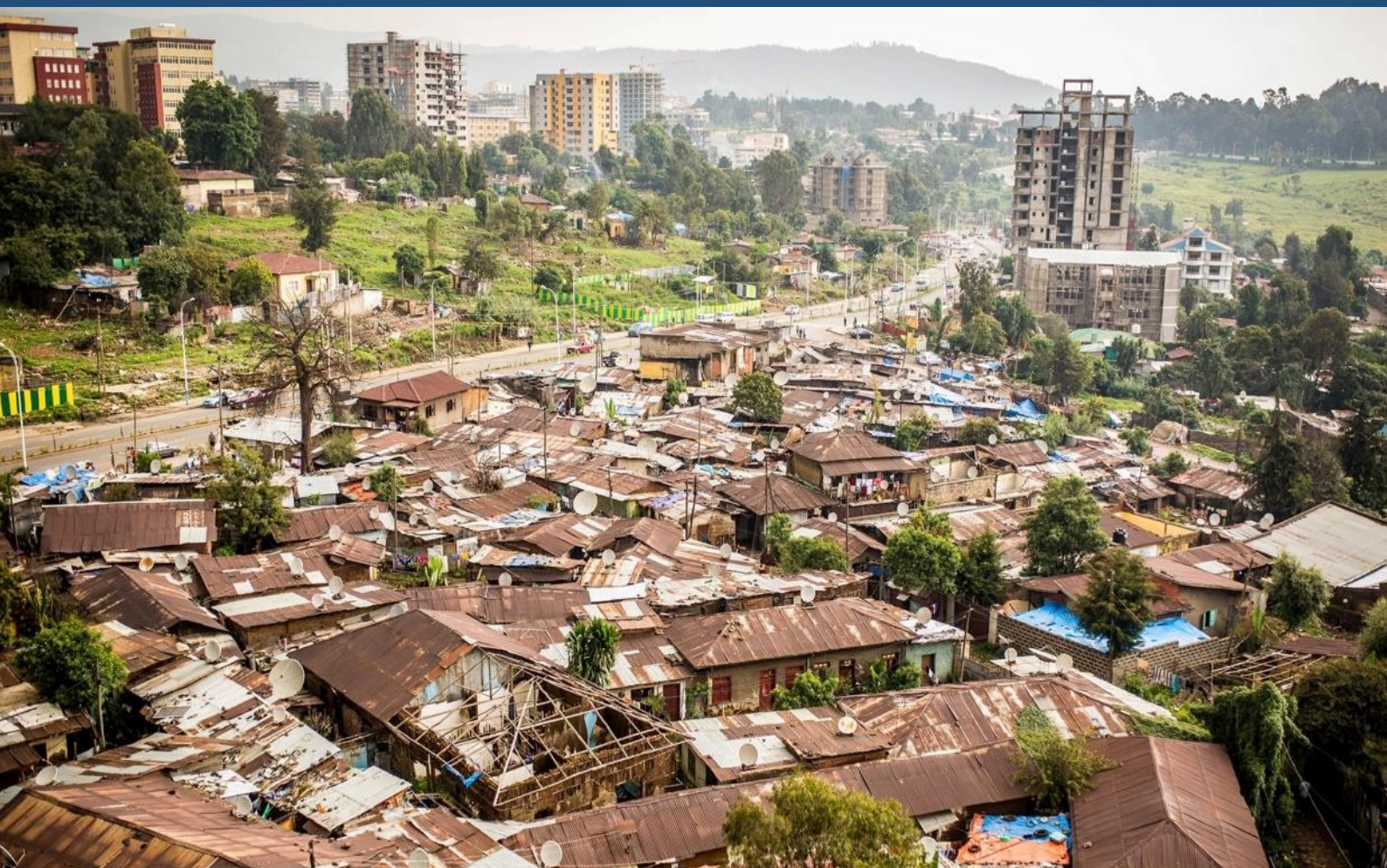


Unlocking Ethiopia's Urban Land and Housing Markets



Urban Land Supply and Affordable Housing Study Synthesis Report

ACKNOWLEDGEMENTS

The Ethiopia Urban Land Supply and Affordable Housing Study (EULSAH) was produced with advisory from the World Bank for the Government of Ethiopia (GoE), in collaboration with the Ministry of Urban Development and Construction (MUDC) Ethiopia and the Ministry of Finance and Economic Cooperation.

The findings and recommendations put forth in this report originated from a consultative process involving a wide arrange of key stakeholders. The process has been facilitated by the Ministry of Urban Housing and Development, in close collaboration with the Addis Ababa, Mekele and Adama City Administrations.

We are grateful to all government counterparts and stakeholders who participated in this process. We would particularly like to express our special gratitude to the members of the government task force as well as the following individuals, whose guidance has been essential to the development of the study:

H.E Eng. Aisha Mohammed, Minister of Urban Development and Construction

H.E Ato Tazir Gebre Egziabher, State Minister for Urban Development and Construction

Ato Jantirar Abay Yigzaw, Minister, Advisor on Infrastructure to the Prime Minister

Ato Ambachew Mekonen, ex-Minister of Urban Development and Construction

Ato Mekuria Haile, ex-Minister of Urban Development and Construction

Ato Abebe Zeluel, Head of Task Force on Land Supply and Housing, MUDC

Ato Solomon Kebede, Federal Urban and Property Registry and Information Agency Director General

Ato Abuye Aneley, Chief Advisor to the Minister, MUDC

Ato Bizualem Admassu, Urban Land Development and Management Bureau Head, MUDC

Ato Tsegaye Moshe, Housing Development Bureau Head, MUDC

Ato Tumzghi Berhe, Director Urban Good Governance and Capacity Building Bureau, MUDC

Ato Zerihun Amdemariam, Deputy Head, Addis Ababa Housing Development Bureau

Ato Lealem Berhanu, Deputy Commissioner, Addis Ababa Planning Commission

The report was prepared under the overall guidance of Carolyn Turk (Country Director) and Meskerem Brhane (Acting Practice Manager) as one of the key pillars of the broader World Bank-supported Programmatic Technical Assistance Program for Urban Policy. The team is grateful for the strategic contributions made by Roland White (Global Lead for City Management, Finance and Governance) and Peter Ellis (Global Lead for Sustainable Urban Infrastructure and Services), as well as Program Leaders Anne Bakilana, Nataliya Mylenko, and Richard Spencer.

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

While the comments and inputs to this report come from many contributions, all shortcomings of the work rest solely with the authors.

CONTRIBUTORS

World Bank

Yan Zhang, Task Team Leader, Senior Urban Economist, GSURR
Abebaw Alemayehu, Senior Urban Development Specialist, GSURR
Simon Walley, Lead Financial Sector Specialist, Finance, Competitiveness and Innovation
Davina Wood, Housing Finance Specialist/consultant
Anirudh Rajashekar, Urban Development Specialist/consultant
Olga Kaganova, Senior Land Management Specialist/consultant
Stephen Berrisford, Senior Land Policy Specialist/consultant
Dan Smit, Senior Housing Policy Specialist/consultant
Kirsten Hommann, Senior Economist, GSURR
Nobuo Yoshida, Lead Economist
Bizuneh Lakew, Capacity Building Specialist/consultant
Shinya Takamatsu, Economist/consultant
Shivapragasam Shivakumaran, Economist/consultant

ICF International Limited

Robin Bloch, Technical Director
Jon Metcalfe, Technical Advisor/ Institutional and Organizational Specialist
Jose Canjura, Managing Consultant
Tony Lloyd-Jones, Project Leader
Geoffrey Payne, Urban Land Component Lead
Graham Tipple, Urban Housing Component Lead
Wondimu Abeje, Local Land Expert
Elias Yitbarek Alemayehu, Local Housing Expert
Tamerat Delelegne, Legal specialist
Fede Redin, Urban Planner
Daniel Gebremeskel, Urban Specialist

Peer Reviewers

Victor Mints, Senior Financial Sector Specialist
Barjor Mehta, Lead Urban Specialist
Dean Cira, Lead Urban Specialist
Klaus Deininger, Lead Economist

FORWORD

Ethiopia is urbanizing rapidly and has one of the fastest growing urban populations in the world. Urbanization thus presents Ethiopia with an opportunity to shift the structure of economic activity from rural agriculture to the larger and more diversified urban industrial and service sectors. The Ethiopia Urbanization Review (EUR) jointly published by the World Bank and the GoE in 2015 revealed that urbanization is failing to meet the demands of growing numbers of urban residents in three areas: access to jobs, infrastructure and services, and housing. Urbanization needs to be proactively managed to better drive growth and to realize the 2025 vision of becoming a middle-income country.

In order to address priority policy areas identified in the EUR, our Ministry through the Technical Assistance (TA) availed from the World Bank has been jointly carrying out comprehensive studies focusing on Urban Land and Housing over the past 3 years. The studies included a Land Cadaster Assessment which evaluated the urban legal cadastre pilot projects underway in regions and developed policy recommendations to speed up and meet the envisaged goals of the program. A comprehensive report on key issues and policy recommendations and project design document were completed in April 2017.

The subsequent Land Supply and Housing Study focuses on improving and expanding the supply of urban land for development, as well as on how to address the rising demand for affordable housing in the context of rapid urbanization in Ethiopia. The study has been undertaken by international and local experts who were closely supervised by the World Bank team and the Ministry's task-force. Furthermore, the study has gone through a series of discussions and consultations at various technical workshops with federal and urban local governments, private sector, academics, think tanks and development partners.

We believe that the report serves critical and timely purpose of our ministry and regional states to achieve sustainable urban development through improved housing and land development and management practices. Hence, I would urge all urban leadership and professionals working at federal, regional and local levels to further investigate the key issues and policy recommendations presented in the report in view of our context and adopt in the formulation of our strategies and policies, long and medium-term plans, legal and institutional frameworks, capital investments, and capacity building programs.

Finally, I would like to thank the World Bank for unreserved technical support and for DFID for its financial support extended to the study. Special thanks go to the entire study team – the World Bank task team leader, specialists and consultants – for their diligent endeavors; and to the MUDCo task-force as well as the urban local governments of case study cities for their close coordination and facilitation throughout the process. I thank all, who directly and indirectly supported the team for successful completion of the study.



Engineer Aisha Mohammed
Minister of Urban Development and Construction
Federal Democratic Republic Ethiopia

Abbreviations

AAGHP	Addis Ababa Grand Housing Scheme
AAHDB	Addis Ababa Housing Development Bureau
AACG	Addis Ababa City Government
CAGR	Compounded Annual Growth Rate
CAHF	Centre for Affordable Housing Finance
CSA	Central Statistical Agency
CBE	Commercial Bank of Ethiopia
ESRDF	Ethiopian Social Rehabilitation and Development Fund
GoE	Government of Ethiopia
GTP	Growth and Transformation Plan (I and II)
GLD	Guided Land Development
HICE	Household Income Consumption and Expenditure Survey
HDPO	Housing Development Project Offices
IHDP	Integrated Housing Development Plan
LP/ LR	Land Pooling/Land Readjustment
MFI	Microfinance Institution
MOFEC	Ministry of Finance and Economic Cooperation
MUDC	Ministry of Urban Development and Construction (formerly Ministry of Urban Development and Housing)
NBE	National Bank of Ethiopia
NHF	National Housing Forum
NUDSP	National Urban Development Spatial Plan
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
REIC	Real Estate Information Centre
SACCO	Savings and Credit Co-Operative
ULG	Urban Local Government
WMS	Welfare Monitoring Survey

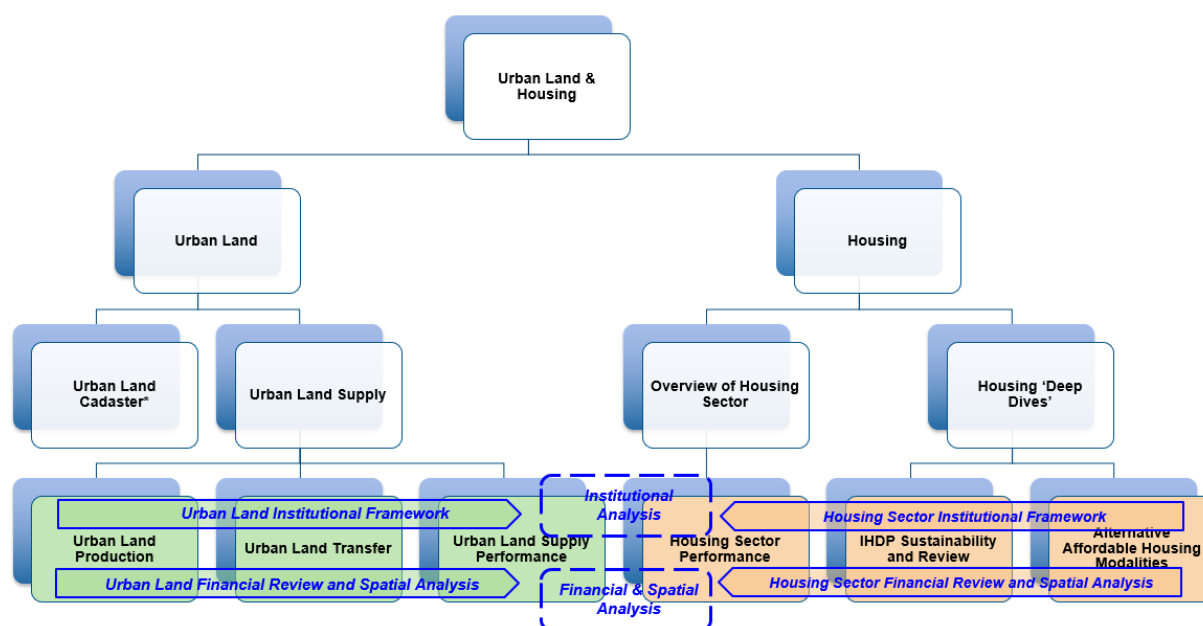
PREFACE

The Ethiopia Urban Land Supply and Affordable Housing Study (EULSAH) responds to the request from the Government of Ethiopia (GoE), Ministry of Urban Development and Construction to carry out follow-on technical assistance to the Ethiopia Urbanization Review (EUR) jointly published by the World Bank and the GoE in 2015. The EUR calls for a robust institutional framework to support efficient and sustainable land management and housing delivery, urban governance, and municipal finance, taking into account Ethiopia’s constitutionally entrenched system of land tenure.

EULSAH aims to inform policy decisions on how to address the growing demand for urban land and affordable housing in the context of rapid urbanization in Ethiopia. It supports two interrelated components, Urban Land and Housing.

The Urban Land component has two subcomponents. The first subcomponent “Urban Land Cadaster” was successfully delivered to the GoE in May 2017. The second subcomponent “Urban Land Supply” along with the “Housing” component are featured in the EULSAH.

Study Components and Analytical Blocks



The Ethiopia Urban Land Supply and Affordable Housing Study is a product of close collaboration between the World Bank and the GoE. The Terms of Reference were developed based on technical discussions and numerous consultation activities with national and local government officials, including discussions with the Prime Minister and senior Cabinet members, state enterprise leaders, private sector actors and development partners. These were undertaken during the finalization of the EUR and a subsequent scoping mission in October 2015. The inception report was presented to the

GoE Task Force in June 2017; this was followed by two video conferences with the task force to discuss preliminary findings from urban land supply and affordable housing respectively. A technical consultation workshop on the key findings and preliminary recommendations on policy changes and institutional reforms was held with national and urban local governments, the private sector, academics, and development partners in November 2018. A high-level national consultation workshop was held in Addis Ababa with key stakeholders for the final draft reports on May 10, 2019 to seek further feedback on the revised reports with a focus on how to move the policy recommendation forward.

EXECUTIVE SUMMARY

Ethiopia's rapidly growing urban centers are facing an unprecedented level of demand for urban land and housing. How can Ethiopia supply urban land in an efficient and equitable fashion to accommodate growing demand from industries and individuals for diverse uses? How can existing residents and incoming migrants afford adequate shelter to survive and thrive in fast growing cities? The Ethiopia Urban Land Supply and Affordable Housing Study aims to provide practical solutions to these questions.

Land: bifurcated, distorted and opaque markets

Since the early 1990s, urban land reform has been one of the cornerstones of Ethiopia's transition to a market-oriented economy. All land in Ethiopia falls under government ownership, but the Constitution allows for 'use rights' to be separated from ownership rights. Land use rights in urban areas can be transferred to individuals, groups (communal holdings) and private entities on a leasehold basis. Rural land, meanwhile, cannot be transferred to others, with the exception of family members. As such, the state continues to own the land while creating a tradable claim on urban land. This leads to the emergence of urban land markets.

Although the government has undertaken a wide range of legal and institutional reforms, urban land markets in Ethiopia are not functioning efficiently and much remains to be done. As the sole supplier of urban land in the primary market, government has failed to meet the diverse and growing demand for urban land. Land production data in the cities of Addis Ababa, Adama, and Mekelle show that the actual output of serviced land fell short of meeting GTP II targets. Land production is relatively slow and handover often occurs without completion of services. In addition, land production has become overly reliant on expropriation, particularly rural to urban land conversion. This is met with great resistance.

The private sector – households and firms – has little direct access to formal land supply because the majority of the land is allocated for government-led priority programs such as Integrated Housing Development Program or government uses. The limited supply to the private sector has driven households to seek accommodation in the informal markets and discouraged business owners from investing in or expanding their enterprises. Informal land and housing supply by farmers is booming in peri-urban settlements, becoming de facto sources of affordable land and housing supply.

From a fiscal perspective, land supply is not financially sustainable. On the primary market (land transferred from government to firms, public entities and households), the majority of urban land is allocated at no cost or low benchmark prices for government uses – not even covering the cost of infrastructure development. Only a small proportion of land parcels (in Addis Ababa just 7%) are auctioned for private development. This approach, while intended to maximize social welfare, has resulted in large forgone revenues; this constrains the ability of urban local government to finance infrastructure provision for sustainable land supply. Furthermore, government does not benefit from revenue generated by land lease payments or property taxes.

Slow implementation of the legal cadaster has limited protection and transaction of lease rights. The lease proclamation has also not provided an enabling environment for a well-functioning land market. Lack of clarity on lease law has discouraged conversion from permits to leases. Restrictions and conditions in the leasehold rights have hindered their transferability and reduced viability of using leasehold title as collateral to secure land or improvement costs. Complex lease pricing further limits market entry or participation.

In addition, the real estate industry is under-developed, with very limited professional standards or practices. Reliable, comprehensive and up-to-date information about real estate transactions is lacking, which constrains rational decision making about property market transactions.

Housing: government-led housing supply unable to meet demand; formal market not affordable for the bottom forty percent

Ethiopia's housing sector is characterized by significant deficits, both quantitatively and qualitatively. The demand for new housing far exceeds the pace of supply, with annual projected demand of 381,000, in addition to replacement housing. The country displays one of the highest levels of urban population living in informal settlements in sub-Saharan Africa (World Bank, 2015).

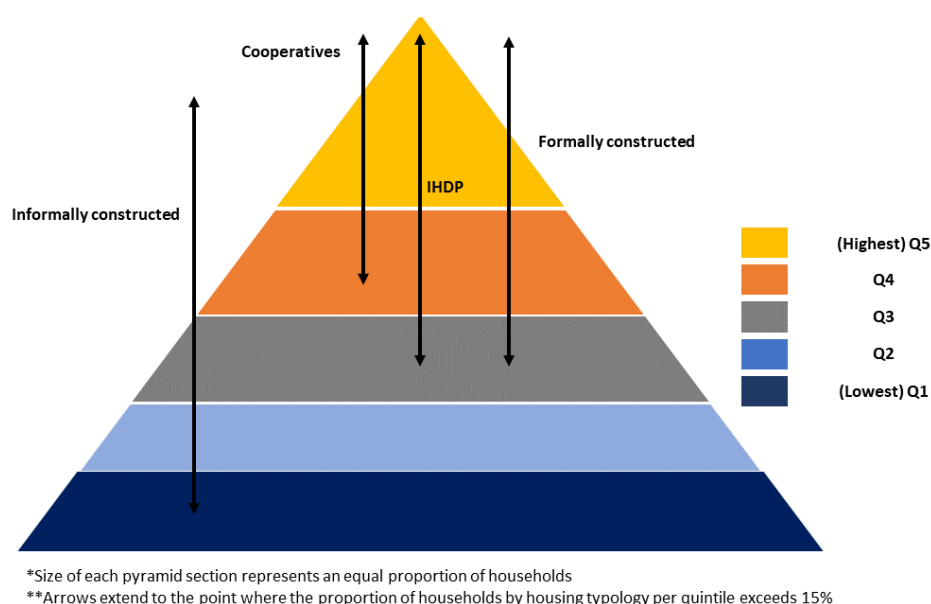
Government-led housing supply – mainly in the form of the IHDP – is unable to meet demand, is fiscally unsustainable, and is not affordable for the bottom 40% of the population. Although the program is remarkable in terms of total volume of housing created, it is still only meeting 10% of annual demand. An analysis documents the extent and misplacement of subsidization¹ and the inherent unsustainability of the program, which has also distorted the land and housing markets and disincentivized private sector actors from entering. Despite its aim to provide affordable housing, the study shows that residents living in IHDP housing tend to be in higher consumption quintiles.

There are substantial affordability gaps for most of the population. Most household incomes are too low to afford formal housing solutions – public or private. Cooperatives and private developers cater to middle and high income households. Even IHDP studio units – the cheapest, smallest and most subsidized IHDP units – are beyond the reach of the bottom 40% households across cities in Ethiopia, leaving lower income groups with no other option but to reside in informal housing². The affordable housing supply gap is filled by rental housing; 60% of households in large cities live in rental units.

¹ The total subsidy for the construction of 383,000 IHDP units is estimated to be approximately USD 5.3 billion.

² Informal housing is defined, in this study, as informally constructed units identified using spatial analysis by ICF International; key features that were used to identify informally constructed units included their semi-regular plot distribution and irregular street patterns. Therefore, this definition includes Kebele housing -- small, high-density, and below-standard rental units legally owned by the City Government.

Figure 1: Housing Typology by Consumption Quintile



Land markets are not linked to a working mortgage market, and the housing finance system is underdeveloped. There is a noticeable lack of developer and construction financing on the supply side; on the demand side, most formal mortgages are originated through the IHDP program. In fact, most of the housing is financed through informal channels. Although banks are growing their loan books, they are still unable to offer affordable products to regular clients. This is primarily due to the high risk associated with mortgage lending and a lack of long term funds. MFIs should not be overlooked, as they have considerable presence in Ethiopia and are gaining market share in home loans.

Recommendations for Urban Land Supply and Housing

1. Enabling	2. Segmenting	3. Capturing	4. Growing	5. Strengthening
Enabling the market to work and fostering a level playing field for all actors to access land and housing	Segmenting the market and designing government interventions accordingly	Capturing land revenues to finance urban infrastructure, and create mechanisms for land value capture	Growing housing finance systems – both on demand and supply side	Strengthening sector governance for reforms, fostering professionalism of real estate industry

Enabling the market to work

The GOE needs to take bold steps to implement a paradigm shift, moving from government-led, supply driven land and housing delivery to market delivery.

On land, federal government through the Ministry of Urban Development and Construction should focus on crafting policies and programs with three aims. These are to: (i) meet growing demand for urban land by fostering a leveling playing field for all actors (including the private sector) to access land and housing, increasing and diversifying sources of serviced land for new development, and intensifying its utilization; (ii) encourage private sector investment by improving lease structures (terms, pricing, payment schedules and tax structures); and (iii) expedite implementation of a legal cadaster to ensure land use rights are adequately secure, easily transferable, and property transactions are efficient and transparent.

On housing, notwithstanding the relative success of the IHDP, it is time that the Ethiopian government transforms its role from controlling housing delivery to enabling the market to deliver at scale. Removing binding constraints facing the private sector on both sides of the housing value chain is a key part of a market-enabling approach. On the supply side, one of the largest constraints is limited land transfers to the private sector. Possible solutions include increasing supply through mobilizing “surplus” land owned by government entities, releasing land through public tender and ensuring open and transparent processes. Other approaches may involve streamlining development permitting process and procedures, and adopting functional urban regulations. On the demand side, government can start with introducing measures that help the market to accurately price land, help financial institutions to assess the value of the proposed collateral and take risk, and help borrowers to make educated decisions.

Segmenting the market

There is no one-size-fits-all solution for affordable housing challenges. Government interventions should start with segmenting the housing markets into sub-markets based on household incomes. As the findings on the IHDP indicate, one single program cannot reach all the country’s various household incomes levels. The government should focus its scarce public resources on removing policy, legislative and regulatory constraints for private sector to deliver housing, and on providing different packages of support to different income groups.

There is a need for a nuanced and pragmatic view of affordability and a range of housing opportunities. The conventional assumption that all households can afford to pay 30 percent of income for housing is not grounded in reality. As shown in household surveys, the poorer a household, the larger the share of other priority expenditures becomes; food and transportation, primarily for commuting to jobs, is one example of this. Most households spend well below 30 percent of their income on accommodation. It is therefore important for the market to provide a range of housing options, so that as household incomes increase, poorer households may improve their living conditions by upgrading to a preferential living arrangement. Targeted support should be designed to help households climb up the housing ladder, while allowing households to choose housing and the bundle of services a neighborhood provides based on their preferences.

Capturing value

Shifting to market-based land and housing delivery requires a clear understanding of costs and benefits. What is the cost of preparing land? Who bears this cost and who benefits from the end product? Costs have largely been overlooked in a non-market-based system of land allocation, causing

a significant fiscal burden to the government. The lion's share of market value increases is being captured by those who have access to land and housing through administrative allocation and lottery. It is critical that government capture and analyze full and accurate information on land development costs and revenues so that measures for cost recovery, affordability, sustainability, and subsidies can be identified. As a starting point, the government should put in place project management and accounting systems that capture the data points needed to manage land supply efficiently, effectively and sustainably.

The government should ensure the supply of serviced land through increased competitive bidding and an improved lease payment system. It should also introduce land-based financing (land value capture mechanisms) for infrastructure service provision. Moreover, GoE can leverage land by capturing at least part of the increase in value resulting from land improvements (hazard mitigation, infrastructure provision, tenure security improvements and/or densification), and use the proceeds to bridge the affordability gap faced by low income groups.

Proposed reforms to IHDP include auctioning land use rights to land that has been identified for next rounds of IHDP, and using the sales proceeds to support a targeted subsidy scheme that will improve eligible households' access to housing finance supplied by the private sector. Indeed, this proposal could be considered a "flagship project" for the country because it touches upon all policy directives in five ways. First, it enables the markets to work by removing barriers to entry and allowing the private sector access to enter land, housing and finance markets. Second, it segments the market and introduces targeting mechanisms into the subsidy provision. Third, it captures land value and reinvests the revenue generated back into the market. Fourth, it grows the housing finance system by attracting savings to banks and making mortgage products both more accessible to households and less risky for banks. Finally, it reforms and strengthens the implementing governmental entities through a consultative process.

Growing the housing finance system

With the appropriate level of support and access to capital markets, Ethiopia's nascent housing finance system has the potential to mature into a dynamic marketplace, attracting both local and foreign investment and increasing private sector housing supply dramatically. The Federal government, through MOFEC and NBE, should spearhead the development of the housing finance system. Building the housing finance system is essential for the broader housing market because it encourages supply through development and construction loans, and it supports demand by enabling households to purchase their own homes with mortgage products.

The government should initiate reforms to remove main blockages within the housing finance system. Basic institutions need to be in place for the market to effectively manage risk and price housing. NBE should expand its banking supervision activities, and government should introduce measures to increase transparency and the flow of market information, and hence confidence in the real estate and construction sectors. Banks and MFIs need access to long term capital, as well as support to go down-market. Households should be encouraged to leverage their savings, and government should support the creation of specialized housing finance products to meet underserved market segments.

Strengthening sector governance

For a paradigm shift to occur, a new kind of housing sector governance needs to be instituted- one that facilitates the market and deploys its limited public resources to address market failures.

Although the urban land sector has undergone reforms which represent a step in the right direction, market-based land delivery requires stronger organizational capability in urban local governments. For the housing sector, government entities at all levels need to be reviewed in terms of their capacity and effectiveness at enabling the market to work. Most importantly, relevant government bodies need to work in a coordinated fashion to ensure that there are no breakages or blockages along the housing value chain.

The government should initiate a consultative process with all key stakeholders to craft a new housing strategy and policy. It is essential that the private sector be engaged if it is to play a central role in future housing delivery. The involvement of the private sector at an early stage will promote a virtuous circle, because clarifying and strengthening housing sector governance will increase market confidence and thus private sector appetite. In addition, government officials at all levels must be consulted. The most critical policies shaping housing outcomes are often implemented at a local level: land use and zoning regulations, building ordinances, and infrastructure investment strategies. The central government should empower regional, municipal and local authorities to be involved in land and housing related programs at all stages of the process.

There is a noticeable lack of reliable data on land and housing markets, and it is critically needed to design and implement evidence-based policy and feedback mechanisms. Market information is necessary for the developers and households to investigate and evaluate market trends. With more reliable data, the private sector will be more likely to introduce new efficiencies that will help lower costs for housing.

Government needs to invest in management information systems and develop program monitoring and evaluation methodologies. These systems will not only help to build markets but will also assist the government in accounting activities and in reporting performance on public spending. Moreover, prioritizing the collection and dissemination of market information will lessen risk in the sector and encourage private sector investment.

Finally, targeted capacity building will be required for a paradigm shift to occur at federal, regional and local levels. The enabling role requires different set of knowledge and skills, including: (i) estimating cost of infrastructure provision and mechanisms for infrastructure financing, (ii) balancing the costs and the benefits of land use and building regulations that influence urban land and housing markets, and (iii) coordinating all housing-related government entities (including utilities) and bringing together all major public agencies, private sector, and NGOS and community-based organizations to ensure that policies and programs benefit the poor and elicit their participation.

Implementation Priorities

With “enabling, segmenting, capturing, growing, and strengthening” as guiding principles, the study lays out a comprehensive implementation road map suggesting an ideal set of actions – policy, legislative, regulatory or administrative – that GOE should consider for its urban land and housing

market policy and programs in short-, medium- and long-terms (see Section 4). As with elsewhere in the world, well-functioning land and housing markets cannot be built overnight, and such reforms require strong leadership, clear vision and strategy, as well as appropriate prioritization and sequencing of actions. Given the resource and capacity constraints as well as the prevailing political economy, the section below highlights three “buckets” of policy reforms that will have the most impact in moving the land and housing market to the right direction.

First, reforming IHDP. It is recommended that an IHDP reform task force to be established to chart the way forward by crafting an exit plan, and piloting alternatives. The Task Force should be comprised of key policy makers from MUDC, MOFEC, CBE and AACG and representatives from participating building contractors and suppliers.

The exit plan – a program of gradual winding down of the IHDP – should be based on a detailed cash flow analysis, taking into consideration government obligations, the financial stability of builders, and financial implications for the CBE and regional administration’s bond programs. Moving forward, pilot should be undertaken to unlock the value of land for enabling private developers to supply housing. Concretely, Addis Ababa can auction part of the land slated for the next round of IHDP and use the proceeds for infrastructure and targeted subsidies. If the pilots work well, the government should enable the private sector to access land by increasing land auctions and the urban local governments should use the auction proceeds to fund infrastructure and service delivery, as well as supporting targeted subsidy schemes for low-income households.

Second, enabling sustainable and inclusive land production. GoE should start tackling the fundamental constraints in land supply through exploring options and identifying promising modalities for more inclusive rural-urban land conversion, drawing from international and local best practices and lessons learned. MUDC and Ministry of Agriculture and Natural Resources should establish a joint task force to (i) review experiences globally and locally with mechanisms for converting rural to urban land without having to resort to expropriation. Some promising options include “land readjustment” or “land pooling” and other innovative alternatives from countries with similar public land ownership regimes such as China and Vietnam; and (ii) undertake extensive consultations with urban and rural authorities to determine practical and effective arrangements for balancing the interests of the state and the interests of rural inhabitants.

Third, urban local governments should improve identification of the land and buildings held and analyze the costs and benefits of different land supply schemes and revenue generation options. The establishment of legal and fiscal cadasters should be expedited and leveraged to support real property and infrastructure asset management. As a first step, it is critical to capture full and accurate land development costs and revenues, and analyze these thoroughly, to ensure cost recovery, as well as enhance affordability and sustainability.

The above steps, if implemented well, will move Ethiopia closer to reaching the goal of supplying urban land and housing in an efficient, equitable, and sustainable manner, and reaping the benefits of rapid urbanization ahead.

CONTENTS

Executive Summary	7
1 Introduction.....	17
2 Land Supply	17
Context and Analytical Framework	17
2.1.1 Context	17
2.1.2 Analytical Framework.....	17
Key Findings.....	18
2.1.3 Land Production	19
2.1.4 Land Transfer	22
2.1.5 Land Management	24
Policy Recommendations	26
2.1.6 Urban Land Production	27
2.1.7 Urban Land Transfer	31
2.1.8 Urban Land Management.....	34
3 Affordable Housing.....	39
Key Findings.....	39
3.1.1 Demand is Outpacing Supply.....	39
3.1.2 Government Interventions in Housing	42
3.1.3 Housing Finance System	45
3.1.4 Affordability Gaps.....	47
Policy Recommendations	49
3.1.5 Policy Principles and Governance Structure	49
3.1.6 Program Areas	55
4 Implementation Road Map	70
Annex 1:.....	74
Annex 2:.....	86
5 References.....	88

List of Figures

Figure 1: Framework for Analysis.....	18
Figure 2: Benchmark prices for residential land in Addis Ababa (red) are less than cost of the most basic infrastructure	21
Figure 3: Land production in Addis, 2012/13-2016-17	22
Figure 4: Cost of Land Production, Avg. benchmark & Auction Prices in Addis Ababa (2013-2017)....	25
Figure 5: Revenues from land concessions in China	26
Figure 6: China: Moving from administrative allocation to auction, 2001-2014	32
Figure 7: Housing Tenure Profile, 2018	40
Figure 8: Dealing with Construction Permits (Top) and Registering Property Score (Bottom), 2019...	41
Figure 9: Estimated Monthly payments of Kebele rent, private rent and IHDP mortgages in Addis Ababa, Adama and Mekelle 2016/2018.....	43
Figure 10: IHDP Subsidy Analysis under the 20/80 scheme	44
Figure 11: Source of Finance for those who borrowed by city, 2018	46
Figure 12: Housing typology by Consumption Quintile.....	47
Figure 13: Recommended Policy Principles and Six Programmatic Areas	51
Figure 14: Removing Constraints along the Housing Value Chain	52
Figure 15: Targeted Support at Different Points of the Housing Pyramid	52

List of Tables

Table 1: Land needs and production for 3 cities'	19
Table 2: Price differentials between governments' compensation and informal market offers.....	20
Table 3: Comparison of Annual Urban Growth Rates	39
Table 4: Proportion of households by consumption quintile in Addis Ababa, Adama, Mekele (2018) 44	
Table 5: Housing Finance Institutions	45
Table 6: Mortgage Market Overview	46
Table 7: Median rent shares for tenant households by type of housing, 2018	48
Table 8: Household consumption & affordable housing demand in large cities outside Addis, ETB 2016	49
Table 9: Household consumption & affordable housing demand in Addis Ababa, ETB 2016	48

List of Boxes

Box 1: Main findings of the 2016 review of Ethiopia's urban legal cadastre	24
Box 2: Why does Vietnam have so few urban slums?.....	30
Box 3: Land Pooling/Land Readjustment:	27
Box 4: China: Integrating rural and urban land markets	28
Box 5: Land Value Capture- International Best Practices.....	36
Box 6: International Example of Housing Governance Structure	53
Box 7: International Example of a Consultative Process in Designing Housing Policy and Governance Structures	54
Box 8: International Example of Government Promoting Free Exchange of Market Information	55

Box 9: Contractual Savings Schemes; International Examples and the Case for Ethiopia	58
Box 10: Risks and Benefits of the Targeted Subsidy Scheme (TSS)	59
Box 13: International example of a Guarantee Fund for Informal Sector Segments.....	61
Box 12: International example of a Real Estate Regulatory Authority.....	61
Box 14: Domestic example of an MFI Lending Scheme for Private Rental Development	63
Box 15: International Example of Sites and Services:	65
Box 16: International Example of Community-based Upgrading:.....	66
Box 17: International Example of Cooperative Housing Civil Society Representation	67
Box 18: International Example of Affordable Housing PPP.....	68
Box 19: International Example of Transferable Development Rights	69
Box 20: Korea: Land and Housing Corporation	75
Box 21: US: Buffalo Urban Development Corporation, New York	76

1 INTRODUCTION

The Ethiopia Urban Land Supply and Affordable Housing Study (EULS&AHS) builds on previous studies and analysis supported by the World Bank and the Government of Ethiopia in, for example, the Ethiopia Urbanization Review (2015). The study aims to inform policy decisions that address the growing demand for urban land and affordable housing in the context of rapid urbanization in Ethiopia. This final synthesis report is concerned with both the urban land supply and affordable housing components. It summarizes the findings and recommendations in two “deep dive” reports – one on urban land supply and the other on affordable housing.

2 Land Supply

Context and Analytical Framework

2.1.1 Context

Since the early 1990s, urban land reform has been one of the cornerstones of Ethiopia's transition to a market-oriented economy. All land in Ethiopia falls under government ownership, but the Constitution allows for ‘use rights’ to be separated from ownership rights. Land use rights in urban areas can be transferred to individuals, groups (communal holdings), and private entities on a leasehold basis. Rural land, however, cannot be transferred to anyone other than family members. As such, the state continues to own the land while creating a tradable claim on urban land, and so urban land markets emerge.

The adoption of the 1995 Constitution established the legislative principles for land policies. A new form of urban local government (ULG) was created in the early 2000s in the nine Regional States and, federally, in Addis Ababa and Dire Dawa. Legislation was introduced between 2002 and 2014 that established federal, regional and local government laws and regulations for urban planning, expropriation and compensation of urban land, urban leasehold property rights, as well as registration of urban property and property transactions.

In the middle of a broad economic transformation, Ethiopia is experiencing rapid urbanization which is putting immense pressure on the demand for urban land and housing. As in other countries, urbanization in Ethiopia has been associated with high levels of economic growth, averaging approximately 10 percent in the last decade. However, the 2015 Ethiopia Urbanization Review (EUR) found that land management practices which are intended to maximize social welfare indirectly and unintentionally contribute to the problems that cities face. The EUR highlighted the importance of reforming land management system to ease administrative and fiscal burdens, and providing sufficient serviced land for people, firms, and public uses and services.

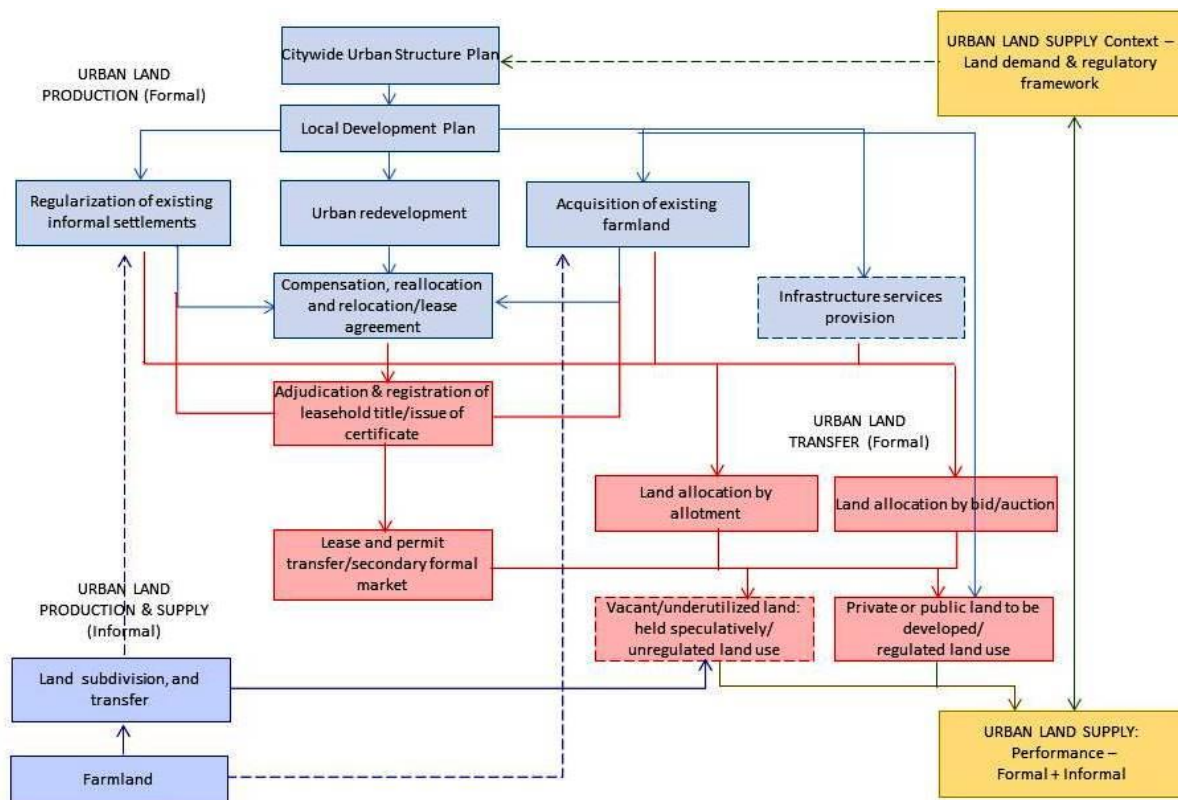
2.1.2 Analytical Framework

The analytical framework adopted for analysis of urban land supply in Ethiopia is the following:

- **Formal land supply** commences with spatial and development planning that determines land use, land demand and supply parameters,

- **There are three main methods by which formal land production is undertaken:** i) urban expansion, ii) redevelopment, renewal or upgrading and iii) conversion of informal settlements into formal (in terms of property rights, land use and building standards) through regularization;
- **There are two main activities that arise during the first two formal land production processes:** i) expropriation, compensation and resettlement and ii) provision of infrastructure and services to land;
- **There are two main methods by which formal transfer of land takes place from the state to developers in the primary market:** i) allocation by allotment (administrative) and ii) auction;
- **There is a secondary market where leases and permits can be traded**
- **There is an informal market** by which land is supplied by developers who occupy land within urban areas or acquire farmland informally at the city periphery.

Figure 1: Framework for Analysis



Key Findings

Ethiopia's land market is bifurcated on multiple levels: formal and informal, urban and rural, government and private. The formal market of government-to-private transactions includes land allocations, such as those for government-built condominiums, as well as private-to-private transactions. The informal market is where land and property are transacted in violation of rules and regulations. Overall, these dual markets are active but nevertheless distorted, opaque and inefficient.

Land market performance is muted. Formal land supply fails to meet demand, and most land is allocated for government use. The private sector's limited access to land drives up prices and fosters the growth of informal land supply; this is evidenced by mushrooming peri-urban settlements. Rural to urban land conversion is also a major source of land supply – and of tension.

None of this is helped by the fact that public perceptions of land supply are uniformly negative. The country's land lease system, expropriation and compensation activity, and transaction costs are all viewed with suspicion. High transaction costs are the subject of much criticism. These high costs are driven by, among other factors, complex and unclear policy, law and regulatory frameworks, lack of accurate and up-to-date market information, and rent seeking activities and irregularities.

2.1.3 Land Production

Despite a very substantial increase in resources and effort, formal land supply is failing to meet demand. Land acquired, provided with services and released for further development, is not available in sufficient quantities to meet demand for different uses (see Table 1). AACG reports³ that over the five year period, 2012/13-2016/17, an annual average of 1,446 hectares of land was produced and transferred. This represented 46% and 76% of the GPT II targets.

Table 1: Land needs and production for 3 cities^{4,5}

City	Low growth Ha. Per annum	High growth Ha. Per Annum
Addis Ababa	3,150	4,150
Average annual production 5 years 2012/13-2016/17 IHDP (35%), government (24%), industry and MSEs (24%)	1,446 ha. (35%, 46%)	
Mekele	675	725
Average annual production 2 years 2015/16-2016/17 Cooperative (69%), Industry and MSE (28%)	591 ha. (88%, 82%)	
Adama	1,000	1,350
Average annual production, 2 years 2015/16-2016/17 Industry (59%)	144 ha. (14%, 11%)	

Land production is relatively slow and often incomplete in terms of infrastructure. Anecdotal data suggests that land production takes, on average, between four and seven years. Handover often occurs before services are completed and is constrained by a lack of financing for compensation, infrastructure and acquisition and development.

³ Land Development and Management Bureau, 2017.

⁴ Low and high growth scenarios.

⁵ Analysis of spatial data showing year on year land use. Source: Addis Ababa, Mekele and Adama city annual performance reports and AACG Land Development and Management Bureau provided tables.

A shortage of formally produced land means that informal land production fills the gap. Informal land development continues to outpace acquisition of farmland for formal allocation. Large price differentials exist between informal land market prices and government compensation levels: compensation⁶ paid is anywhere between 5 and 35% of value fetched from informal markets in select fast growing cities. This creates strong incentives for farmers on the territories planned for urban expansion to subdivide and sell off land ahead of government action. These transactions are sometimes facilitated by opaque, unaccountable and informal private sector brokers and real estate developers.

Table 2: Price differentials between governments' compensation and informal market offers⁷

City	Typical compensation prices paid by ULGs to farmers for expropriated land, ETB PSqM	Anecdotal data on a price range farmer can get if sell land on the informal market, ETB PSqM
Addis Ababa	190	550 – 800
Bahir Dar	13	250 – 300
Hawassa	31	550 – 750

Rural to urban land conversion is a major source of land supply, but also a source of tension.⁸ Expropriation is the only option, and there is neither a policy nor a legal mechanism that would enable rural inhabitants to participate in legal conversion of their land rights from rural into urban and gain a fair share of benefits. This encourages informal market transactions where higher financial rewards may be realized, but which contain a multitude of incalculable risks.

Moreover, regularization is constrained by a requirement of conformity with land use and building regulations, which discourages investments in home improvement and dampens tradability (for details, see Land Cadaster report, 2016).

Many Ethiopian cities have vacant or underused land in prime locations, which could be leveraged for increasing land supply in existing urban areas. Undeveloped land often constitutes a high proportion of total city territory: about 46% in Addis Ababa and Mekele, 25% in Bahir Dar, 77% in Dessie, and 32% in Hawassa.⁹

⁶ The level of compensation has a number of shortcomings compared to international good practices, such as: No land value is included; depreciated not new replacement value of improvements is paid; livelihoods and socio-economic impacts are not taken into account; and there is limited recourse to independent judicial oversight.

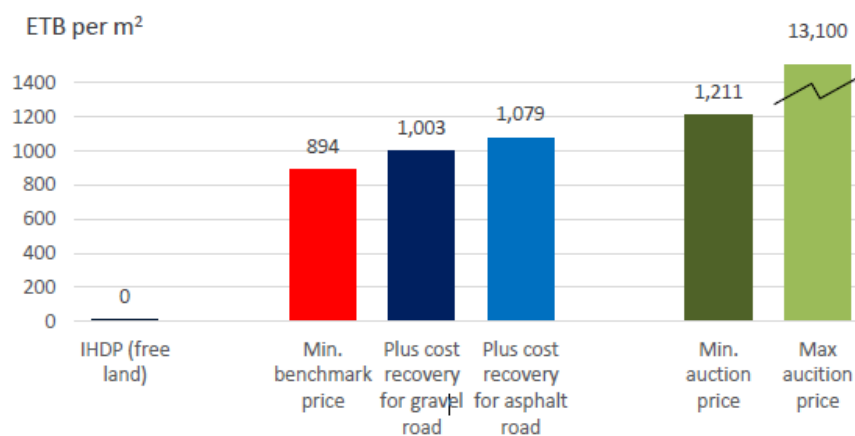
⁷ Kaganova & Zenebe. November 2014. Land Management as a Factor of Urbanization. World Bank, Ethiopia Urbanization Review Background Paper

⁸ Acquisition of land through brownfield renewal and redevelopment projects has also been contentious.

⁹ This undeveloped land includes greenery/open space/protected areas, urban agriculture, forests, water bodies, and land labeled as having a "special function," which includes vacant land, military camps, and reservoirs. These data are from urban planning materials, not satellite imagery, and in reality, some of these territories are most likely occupied by informal settlements. For a map showing large amounts of vacant, buildable land within the administrative boundaries of Addis Ababa, which could be developed, see Ethiopia Urbanization Review (2015).

Financial resources to support land production on a sustainable basis are inadequate. A very small amount of land (less than 10%) produced in GTP I realized open market prices for leasehold land at disposal and the substantive majority (more than 75%) was released to government users (including IHDP and MSE programs) with no cost recovery. More importantly, the current system of providing land below cost recovery for required infrastructure is financially unsustainable.

Figure 2: Benchmark prices for residential land in Addis Ababa (red) are less than cost of the most basic infrastructure¹⁰



Planning, zoning and building regulations¹¹ in some cities have inadvertently made housing less affordable. Ethiopia has made impressive progress in strengthening its spatial planning systems and has made admirable attempts to promote high density and multi-story living. However, some of its land use planning, zoning and building regulations are, in fact, constraining low income groups' access to land and affordable housing. For instance, in Mekele, the Directive of 2015 categorizes those with plot sizes less than 100m² and those with frontage of less than 5m, irrespective of plot size, as "below standard": this means they cannot be redeveloped. The owners of such "below standard" housing are left with limited options -- either two or more plot lease holders are willing to merge their plots or save enough to buy the new units when urban renewal projects are implemented, following the Local Development Plans approved by the city. However, in the latter case, the original owners are often forced to relocate as they cannot afford the new units in the multi-story apartment buildings or condominiums.

¹⁰ Olga Kaganova with Sisay Zenebe (2014), Land Management as a Factor of Urbanization, Ethiopia Urbanization Review Background Paper

¹¹ Minimum plot sizes are relatively small in Ethiopia compared with other countries in Sub-Saharan Africa. They are also accompanied by relatively high plot ratios. The minimum plot size for new housing development in Addis Ababa is 75 m². Old housing units and housing with 'proportional title deeds' may have plot sizes of less than 75m². The frontage requirement for new housing is a minimum of 7 m. In Mekelle, the minimum and maximum plot sizes for a residence are 140m² and 500m² respectively. However, in the recently developed cooperative housing the plot size given to each household is 74m². The Directive of 2015 sets minimum frontage of 7m and 10m for 1-3 and 4 and above story buildings, respectively. The Directive requires that all new plots should have a regular shape. In Adama the minimum plot size for new residential buildings is 105m². Source: Housing Sector Diagnosis Report, ICF, 2018.

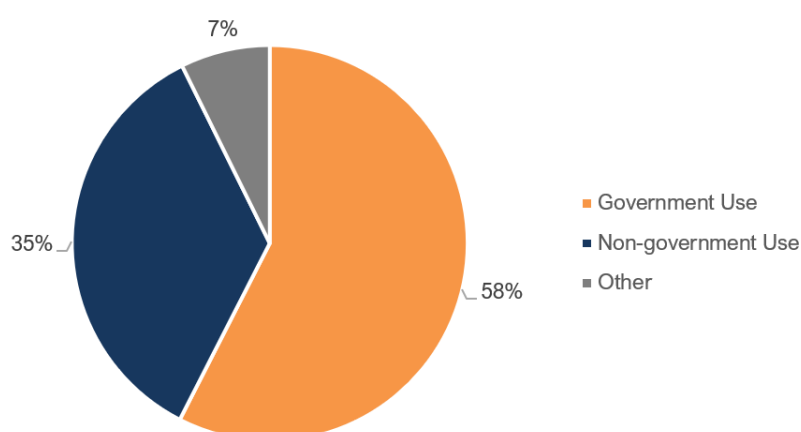
2.1.4 Land Transfer

The degree to which a public leasehold system¹² can support healthy and dynamic property markets, which in turn contribute to economic efficiency and social welfare, depends on (i) ways in which land use rights are allocated to diverse and changing demands by different individuals, groups, and private entities¹³, and (ii) lease conditions: the term, ability to renew, ability to realize land value, ownership of improvements, conditions on use, transferability, and right to judicial appeal.

Evidence of the way in which land use rights are allocated in Ethiopia indicates that the system is not demand-responsive. Even on the most basic level, there is no mechanism by which the demand for land from households, businesses and real estate developers can be identified or act as the main driver of land supply. Rather, land supply is wholly controlled by the state acting through urban local governments.

Focus Group Discussions (FGDs) with local government officials responsible for implementing the urban leasehold proclamation, private households, businesses and representative groups all yielded the same opinion: the leasehold system is not serving the general public. Participants in FGDs opined that the government's prioritization of its own programs (e.g. IHDP) over private sector interests is one of the root causes of the dysfunction. Indeed, this opinion is confirmed by the study's data: the majority of land use right transactions in the primary market are allocations to government or government's priority programs at no cost or below market levels. Only a small proportion of land parcels (in Addis Ababa, just 7%) are auctioned for land users in the private sector.

Figure 3: Land production in Addis, 2012/13-2016-17¹⁴



¹² Public leasehold systems exist in countries as diverse as the Australia, Netherlands, Sweden, China, Malawi, Ukraine, United States of America and Israel. public freehold and private leasehold systems can coexist in the same country for decades.

¹³ Urban land allocation in Ethiopia is a government process, implemented by city governments and consisting of two main types. Firstly, there is direct allotment of land parcels by city governments to land users from the public and private sectors. In this case a benchmark price is used. Secondly, there is auction.

¹⁴ In Addis Ababa, 88% (EFY 2005-2009) was allocated to government: 35% IHDP, 20% MSE/industry, 14% government, 10% construction, 10% relocation, 40/60, cooperatives, 5% lease auction, and 7% other.

Perhaps one of the most negative impacts of this dynamic is that the private sector's inability to access land is hampering business growth. A survey of firms in Addis Ababa by EDRI indicated that many firms failed to establish their operations because they could not obtain a land allotment¹⁵. Moreover, the shortage of supply to the private sector has inflated prices to levels that few businesses and residents are able to afford. (See affordability analysis in the housing section).

A number of factors in the secondary market inhibit transactions among lease and permit holders. These include:

a) **The slow implementation of the legal cadaster** limits the protection and transaction of lease rights as well as information and understanding of aggregated property market transactions (for details, see the Land Cadaster report).

b) **The lack of clarity on lease law limits the growth of a formal market.** Lack of clarity extends to the existing (2011) proclamation, touching on areas such as renewal and ownership of improvements, interest payments, payment periods, and judicial oversight. Moreover, the proposed new lease proclamation defines a set of uncoordinated provisions that do not cover typical situations, such as tenders, allotments, conversions of "old possession" holdings (both authorized and un-authorized), transfers from previous leaseholders, and renewals after expiration. Unambiguous terms are also lacking regarding key parameters of leases, such as the amount that a lessee is required to pay as "a lease price," the payment schedule, and interest on the outstanding balance of the lease price.

c) **Conditions in the lease law limit both the real estate market's growth, as well as the housing finance market's growth.** There is limited use of land leases as collateral to secure land or improvement. This is partly due to perceived risks by the banking sector on the value and transferability of leasehold titles.¹⁶ Banks have expressed concern about whether they can recover loans in circumstances where the land may be repossessed by ULGs when the lessee has not developed the land within the time required or made full payments. Furthermore, the draft new lease proclamation increases the power of the government in intervening lease transfers and gives rise to potential constraints for secondary transactions during a lease term.

A case in point is the introduction of re-pricing land leases at their transfer. Article 35.5 stipulates that when a lease is transferred from one leaseholder to another, the government will price it at the average lease tender price at the time of the transaction (or at the original lease price, if it is higher). This fundamentally undermines the government's clearly-stated commitment to make land leases fully transferable and could potentially lead to the freezing of private capital invested or strongly deter the investment of new capital. In either case, leasehold title does not currently represent an acceptable form of collateral and, as a result, ULGs are themselves, de facto, financing leasehold purchases.

d) **Complex lease pricing limits market entry and participation.** In comparison to the private sector's experience with land use rights held under the previous (and still widespread) permit

¹⁵ EDRI qualitative firm survey, 2017.

¹⁶ Other reasons relate to shortages of long term funds available for lending in the banking system, and the existence of lower risk short term financing opportunities such as bridge finance for importation of goods.

system, conversion to the leasehold system, a requirement for all urban transactions after 2011, is perceived to be - and is - expensive. The many flaws of the permit system are perceived in aggregate as less of a constraint than the cost of converting to the leasehold system. In part this may be due to the fact that the permit system has been in existence for many decades, as has the Civil Code (1965) on which real property transactions were based until the introduction of the new (2014) law on registration of urban landholdings. But the costs arising, and constraints provided in the leasehold law also have a negative influence. One of the unnecessary complexities is the concept and practice of interest accruing on the outstanding balance. As stated in the EUR (2015), such an approach is expensive to administer, beyond the capacity of ULGs, and would deviate limited governmental human resources from performing other functions. Most crucially, it would deter potential bidders from participating in the tender.

2.1.5 Land Management

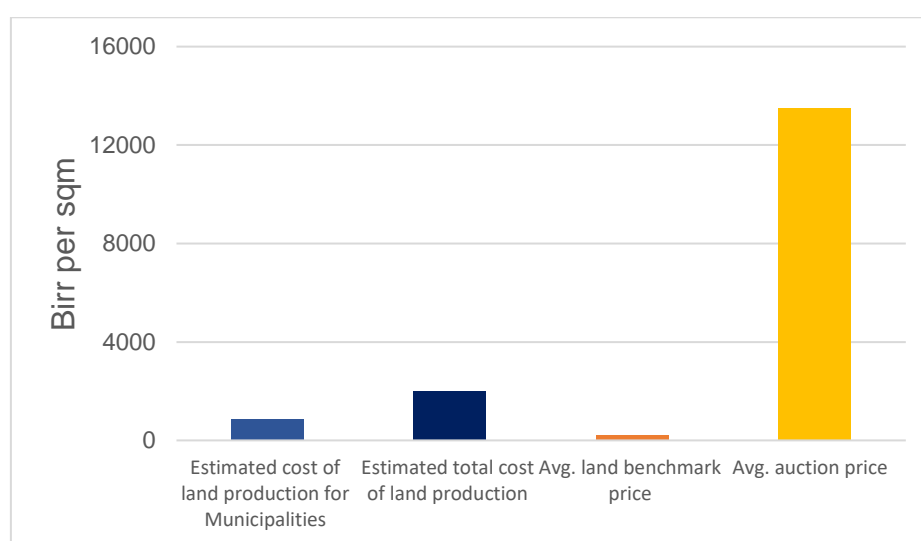
Urban land management has improved but more needs to be done. Land cadaster implementation is still in its early stages which limits land market performance. Box 1 below summarizes the main findings of the 2016 Review of the Urban Land Cadaster in Ethiopia.

Box 1: Main findings of the 2016 review of Ethiopia's urban legal cadastre

1. Local government's ability to deliver land is undermined by the absence of a comprehensive legal cadaster.
2. The government has developed an ambitious agenda of activities, including the adjudication and registration of 1.6 and 1.2 million landholdings respectively, across 91 cities in five years (2015/16 - 2019/20) – with 200, 000 adjudicated and 150,000 registered in just the first year across the identified 23 cities.
3. These goals are unlikely to be achieved without significant effort to design and implement successful, replicable and scalable pilots for Systematic Adjudication and Registration (SAR).
4. A number of pilot projects have been established – in Addis Ababa, Adama, Mekelle, Hawassa and Bahir Dar. These pilots have been slow to progress and have faced many challenges. The ability to complete and scale-up the current pilots remains a concern.
5. In the context of institutional, legal and regulatory frameworks, five key constraints are particularly highlighted:
 - Lack of standard operating procedures, supporting materials and strong project management,
 - Requirement for regularization to be completed prior to the commencement systematic adjudication and registration, with challenges presented by the separation of rights-creation and registration activities into two different agencies,
 - Poor quality parcel file information and file management,
 - Lack of clarity on institutional roles and integration/cooperation, and
 - Lack of clarity on the registration of condominiums, government and religious land.

Land production costs¹⁷ are not captured and analyzed by ULGs before, during or after expenditure is incurred.¹⁸ Only a small percentage of increases in value of lease land are captured, at conversion from rural to urban leasehold or when developed, over time. Based on detailed costs gathered on two projects in Addis Ababa, as well as the analysis of Addis Ababa City Government (AACG)’s municipal accounts, significant gaps exist between costs captured in ULG accounts and the estimated full costs at project level¹⁹. More importantly, land supplied at no cost or at a benchmark price (which does not even cover the cost of producing land at the urban fringe or for inner city redevelopment), has put ULGs on an un-sustainable path of urbanization.

Figure 4: Cost of Land Production, Avg. benchmark & Auction Prices in Addis Ababa (2013-2017)



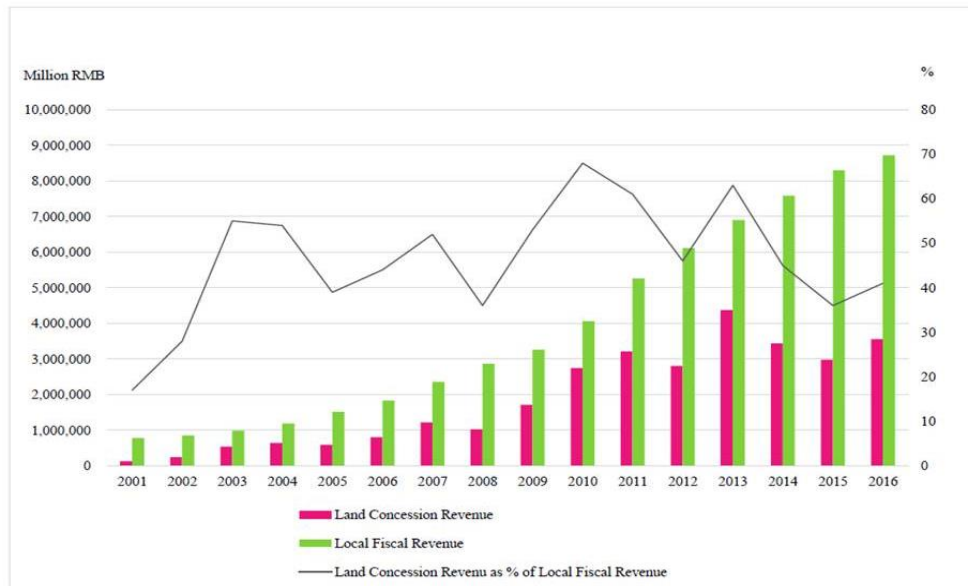
There are lost opportunities for generating lease revenues which could be used for funding infrastructure development. It is estimated that lost revenues due to allotment at no cost or benchmark prices amounted to about 206 Billion Birr annually in Addis Ababa between 2013 and 2017. This is about seven times of the city’s annual budget. This “forgone” revenue is equivalent of the cost of constructing more than 300,000 units of IHDP housing. Municipal revenue data from Addis Ababa, Adama, and Mekele have shown that land revenues are less than 10% of total city revenues – by comparison, in China land revenues provide between 20 and 67% of local revenues (see Figure 5 below).

¹⁷ Reliable data on the costs of developing urban land, in inner city and in expansion areas, has been a gap in previous studies on urban land development in Ethiopia.

¹⁸ Analysis of land development costs is a challenge: MoUDC Bureau of Land Development and Management state (November 2017) that they have no data on costs of urban land development in any city or town. Addis Ababa city were able to provide data from their accounting and budgeting system. An analysis of land development cost was completed in 2017 by the Project Design and Implementation Unit of the AACG Land Development and Urban Renewal Agency. We understand this is the first and only such analysis undertaken by AACG. But this is suitable for only very limited analysis as it provides no information on land uses, hectares developed, or households displaced. Adama and Mekele City Governments have data on compensation costs but none on costs of infrastructure and utilities which are provided by other state agencies.

¹⁹ The un-accounted for costs were in part due to off-site infrastructure provision.

Figure 5: Revenues from land concessions in China²⁰



Organizational capability is, generally speaking, adequate. But it is uneven across the different levels of government. Building capability has been a substantial GoE focus for more than 15 years. As a result, federal, regional, and local government inter-organization operations are functioning well, with an operationally sound and well understood consultative framework. However, the evidence indicates that ULG organizational capability is very weak in regional secondary cities and much stronger in Addis Ababa. This is partly the result of organizational capacity, partly because of organizational structure, and partly due to a lack of authority to manage all land production inputs and outputs. Addis Ababa's (and Dire Dawa's) greater capability stems partly from the ability to attract greater financial and human resources, and partly from the greater authority held by a "federal" city. The Ministry of Urban Development and Construction's capacity to develop and implement policy and law also has room to improve. The new lease proclamation, for instance, lacks a coherent conceptual framework that is grounded in a sound understanding of what makes a healthy and vibrant land market.

The real estate market (including real estate industry) is under-developed. There are very limited professional standards or practices. Reliable, comprehensive and up-to-date information about real estate transactions is limited, constraining rational decision making about property market transactions.

Policy Recommendations

Short-term and medium-term policy measures are recommended within the three areas of land supply: (1) production, (2) transfer, and (3) management.

²⁰ Zhi Liu, 2018, Reforming Land Policies in China: Key Issues and Directions. Lincoln Institute of Land Policy

2.1.6 Urban Land Production

Short Term

Establish an inter-Ministerial Task Force, to explore options and identify promising modalities for more inclusive rural-urban land conversion, drawing from international and local best practices and lessons learned. A review should be carried out which includes (i) experiences globally and locally with mechanisms for converting rural to urban land without having to resort to expropriation. Some promising options include “land readjustment” or “land pooling,” and other innovative alternatives (see Box 2); and (ii) detailed consultations with urban and rural authorities to determine practical and effective arrangements for balancing the interests of the state (for example in conserving high value agricultural land²¹) and the interests of rural inhabitants (compensation, access to land and services, livelihoods, etc.).

Land Pooling/Land Readjustment (LP/LR) is among the most promising solution to enable existing land lease or permit holders, such as farmers, to obviate the need for expropriation. In LP/LR schemes, the original landholders or occupants voluntarily contribute their land to the government or other project initiators. The government then plans out the whole area with roads, infrastructure, open space, and public facilities. In return, each landholder receives a serviced plot of smaller area, but often at a much higher value within the same neighborhood. This is because of the infrastructure and the fact that the plot can now be legally developed. Some parcels can be set aside for public auction and sold to recover the costs of developing infrastructure.

Box 2: Land Pooling/Land Readjustment^{22, 23}

LP/LR is a win-win situation in which the government can upgrade the area without having to use its power of eminent domain (expropriation), and the land holders can remain in-situ and enjoy better living conditions and an increase in the value of their real asset. It is particularly appropriate in peri-urban areas when land is being transformed from agricultural to urban use.

²¹ It is understood, for example, that “as a result of the difficulties with farmers/expansion, they have collected detailed information on where there is land for expansion, investment and which land is to be ring-fenced for agriculture. The data base on land to be developed in future has been identified for all 644 towns in Oromia. They have divided Oromia into 4 classes in terms of importance for agriculture and industry and initiated a 2 year study for every area in each of the 4 zones.” (ULD&MA, Oromia Regional Government. August 2017)

²² According to UN-Habitat (2018) ‘Global Experiences in Land Readjustment’ Nairobi, page 7, “Land Pooling and Land Readjustment are identical in design with the only distinction being in terms of the legal procedures involved. In land pooling, original land owners convey their respective titles to the development entity and receive new ones after re-parceling. In land readjustment, however, the original owners retain their individual titles throughout the process. The title is only modified at the project’s end to reflect the new designations.”

²³ Although widely regarded as an innovative land policy instrument, land pooling/readjustment was in fact initiated in 1791 by George Washington to acquire about 6,000 acres (24 sq.kms) of land for the new national capital city, Washington DC (Chandan, 2013). In the early 19th century, it was used in Germany at the edges of cities to consolidate and improve “undeveloped” land. More recently, it has been applied in many Asian countries, such as India, Korea and Taiwan. The success of the approach is exemplified in Japan – where one-third of the built-up environment has been created or recreated using this method.¹¹ Land readjustment was a crucial part of land management in urbanizing Japan throughout the 20th century. The case of Japan emphasizes that there is real potential in land readjustment if it can be done effectively and efficiently. The most recent, and largest, example of LP/LR to be proposed is in India, where it is the basis of the proposed new state capital of Andhra Pradesh, following the bifurcation of the state in 2014. In this case, an area of 217 square kilometers is involved, nine times that required in Washington DC.

LP/LR projects are mainly undertaken by local governments. In a typical project, the authorized agency selects and designates the urban-fringe area to be developed and identifies the land parcels (and owners) to be included. A draft scheme is then prepared to plan, define and explain the project, and demonstrate its financial viability. The scheme is prepared in consultation with the landowners in the project area and in co-operation with the public utility agencies that will be involved in its implementation. It is prepared as a draft scheme and then presented for majority landowner approval and placed on public display. The approved final scheme authorizes and regulates the implementation of the LP/LR project.

The LP/LR agency then arranges a short or medium term loan to finance the implementation activities and works. Some of the building plots are sold in order to recover the project costs and repay the project loan. The remaining plots are transferred to each of the landowners in proportion to their share in the project. The landowners can then sell or build on (or simply hold) their new plots.

The attraction of LP/LR for landowners is that they can share in the land value gains from efficient development. For local governments, it ensures efficient urbanization of land at no cost because the project site does not have to be purchased and the cost of the infrastructure works and subdivision can be financed with a short/medium term loan and then quickly recovered through the sale of some of the new building plots. The main limitation of LP/LR is that the developments it provides may take many years to be built and occupied. The government's objective, meanwhile, is to achieve early development and a flow of revenues. Another limitation is that LP/R projects provide limited access to land for lower income groups since the original land-owners need an increased value for the smaller plot areas they receive after land subdivision and servicing.

The benefit of LP/LR in Ethiopia is that it enables existing land holders, such as farmers, to remain in the areas they have occupied for generations, obviating the need for relocation and its associated opposition.

Source: synthesis of various sources, including ICF's Ethiopia Urban Land Supply Diagnosis Report, 2017.

The inter-Ministerial Task Force should learn from countries with similar public land ownership regimes. These have been able to ease the tension arising from rural to urban conversion while diversifying and increasing urban land supply. For instance, in Vietnam, the land use rights of homestead land can be legally transferred between land users and developers from rural to urban sectors through negotiation. In China, draft amendments to the National Land Law and Real Estate Management Law are now under public consultation. These amendments will enable farmers to develop their collectively owned land into residential properties for leasing, provided that the proposed usage is compliant with the city government's urban plan and falls within a quota system.

Box 3: China: Integrating rural and urban land markets

In China, the Constitution establishes state ownership of urban land and collective ownership of rural land. The state possesses the power to control and regulate land use; only the state is given the power to convert rural land for urban use. Rural to urban land conversion is taking the form of eminent domain expropriation led by urban local governments.

Since the late 1970s, land has been an essential element in the government's overarching reform efforts to transit to a market-oriented economy. China's cities, with abundant cheap labour and land, good infrastructure, and competition among local governments to attract industry and investment, have created an environment that has been highly conducive to growth.

Land-based financing has fuelled much of the urbanization in China, providing infrastructure needed to sustain urban growth and industrialization. Municipalities, faced with severe fiscal constraints (no tax power, not allowed to borrow), have relied on land concessions, largely sourced from low cost rural to urban conversion.

However, as urbanization accelerated over the past decades, the shortcomings of China's dual track rural-urban land tenure system became more evident. One of the shortcomings was the low-cost taking of rural land. In China, compensation for expropriated land is based on the value of original use. Farmers displaced due to rural-land conversion often find themselves in hardship as the level of compensation is insufficient for re-establishing themselves in urban areas. Social tensions have been on the rise, and land-related disputes have become a threat to social stability in peri-urban of China. Across the country, more than 100,000 mass incidents (with more than 100 people involved) take place every year (Chinese Academy of Social Sciences, 2013).

To address the shortcoming above, in Central Document No. 1 of 2013, the Central Committee and the State Council jointly require that farmers' living standards be raised and their long-term livelihoods be ensured when their land is taken for urbanization or industrialization. The Central Government subsequently announced the need for establishing a unified construction-land market, and allowing the sales, leasing and demutualization of rural, collectively owned land under the premise that it conforms to planning. This policy directive has encouraged many provinces and municipalities to experiment with innovative land tenure arrangements. In 2017, the Ministry of Land and Resources and Ministry of Housing and Urban-Rural Development launched a pilot in 13 cities, including Beijing, Guangzhou and Shanghai, to the development of rental housing projects by farmers on their collectively owned rural land, with the vision of scaling up elsewhere starting in 2021.

Shenzhen, the first city to hold land auctions in China, has pioneered several of these concepts. For example, Shenzhen introduced a pilot for the marketization of collectively-owned rural land by enabling collectives' direct participation in land concessions to urban users. Concretely, the following steps were taken to achieve a win-win situation for both urban and rural citizens:

- Convert rural collectives to shareholding companies
- The first parcel of collectively owned rural land sold was designated for industrial use, with a site area of 14,600 m² that could be developed into 69,900 m²
- The municipal government claimed 70% of total sale proceeds, while the collective received the remaining 30% and an additional 13,980 m² of building space at no additional cost, which will continue to provide revenue streams in the years to come

Source: Multiple sources, including Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization. 2014. The World Bank and the Development Research Center of the State Council, The People's Republic of China.

Undertake an inventory of land in urban areas held by all levels of government and develop a strategy for better utilization. The purpose is to identify excess land that could be reclassified and released for development. Incentives to release land could be provided to relevant entities (e.g. eligibility for a share of revenues from auctioning the land for private development). Hawassa has performed this type of land reallocations, and its positive experiences could be leveraged elsewhere.

Review land use planning, zoning, building code and infrastructure standards with the aim of making access to land and housing more affordable. The GoE has made considerable progress in recent years in modernizing its land use planning systems to be “demand responsive”, as shown in the current Ethiopian Urban Plan Preparation and Implementation Strategy. However, more needs to be done to allow the creation of standards reflecting what ULGs and local residents can afford at a particular time within the paradigm of “fit for purpose”, as opposed to the current centralized standards that reflect a city’s size and grade but are still oriented toward international standards that are used in countries with higher financial and human capacities. The recommendation made in EUR (2015) on modifying and modernizing the system of urban spatial and land use planning, along with building standards, is supported.

Box 4: Why does Vietnam have so few urban slums?

Vietnam has enabled a flexible and pluralistic system of housing supply resulting in a very low incidence of slums for a country at this stage of development. As a lower-income and rapidly urbanizing country, why does Vietnam have so few slums? Vietnam has a permissive, accepting and sometimes proactive regulatory approach toward customary and affordable housing development. This, coupled with the innovative small-scale private housing construction and rental sector, have resulted in there being a very low incidence of slums in Vietnamese cities. The following policies have proven to be successful:

Tolerance of small plot sizes, which lets people trade-off location for floor space (floor spaces are as small as 25 m²).

1. A permissive attitude toward floor-area-ratio increases, which enables an increase in the supply of floor space without the need for more land.
2. The incorporation and densification of peri-urban villages into the urban fabric.
3. Investment in primary/trunk infrastructure near urbanizing villages (with communities then investing in incremental improvements within the village).
4. The dynamism of the efficient and entrepreneurial low-cost, self-help and small contractor construction sector

Additionally, the history of people-friendly socialist practices and widespread government subsidies for housing in the past, and ongoing incremental upgrading practices have helped bring about this situation.

Source. World Bank. 2011. Vietnam Urbanization Review, Chapter 3. Washington DC, USA

Medium Term

Pilot promising modalities identified by the Inter-Ministerial Task force for inclusive rural-urban land conversion in select localities. Urban and rural government entities, along with farmers and their associations, should be given sufficient room for innovation during piloting, as well as being tasked with identifying legal, regulatory, and institutional changes necessary for the successful pilots to be scaled up.

Change the planning conformity provision of the lease proclamation to allow faster systematic adjudication and registration of all land. The recommendation made in the Cadaster Review Report that “Requirement for regularization to be completed prior to the commencement (of) systematic adjudication and registration, with challenges presented by the separation of rights-creation and registration activities into two different agencies” be removed as a constraint, is supported.

Long Term

Revise rural and urban land rights in a way that harmonizes them. Upon review of the processes and outcomes of the pilots spearheaded by the Inter-Ministerial Task Force, policy, legal and regulatory changes can be initiated to expand the successful pilots. The necessary legislative and regulatory changes identified during the piloting process will then be introduced, undergoing extensive public consultation before formally adopted. The ultimate objective is to “unify” the dual markets underpinned by different rights associated with rural and urban land. According to best international practices, holders of rural land should be allowed to convert it into land for development in accordance with urban growth and infrastructure and service delivery plans. They, along with the community or government, must also be able to benefit from its increased value (in one form or another). There should be clear policy and legal mechanisms that automatically convert farmers’ legitimate rural land rights into urban land rights when urban expansion is planned in a rural territory.

2.1.7 Urban Land Transfer

Short Term

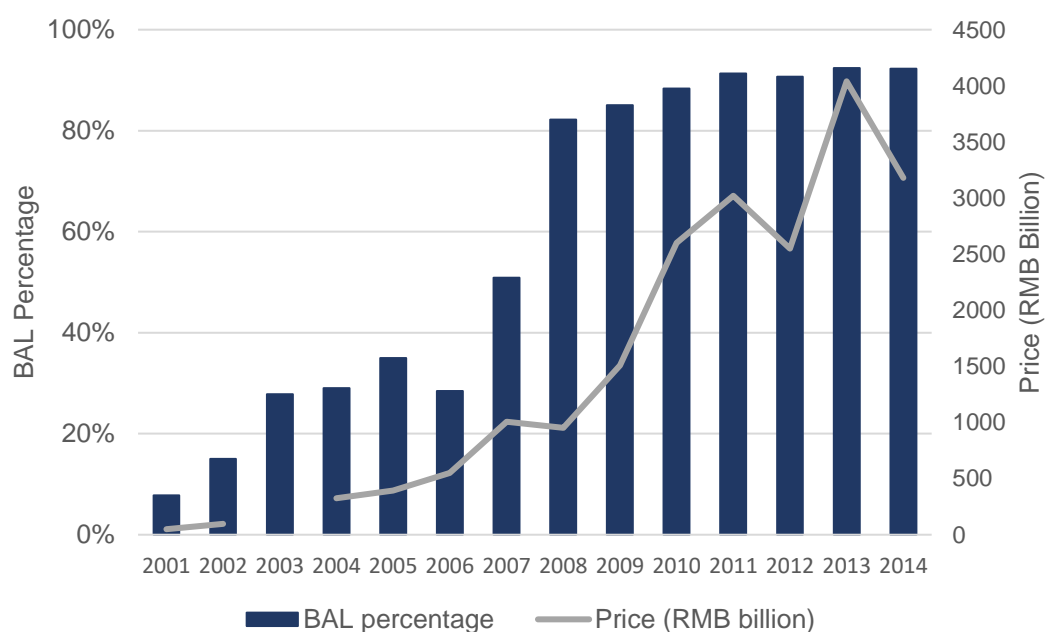
In the short term, government should enable the private sector to access land by increasing land auctions and use the auction proceeds to fund infrastructure and service delivery, as well as supporting a targeted subsidy scheme for low-income households. Specific recommended actions include:

- a) **In line with the intention of the leasehold system, government should move away from direct or administrative allocation to competitive allocation.** As Figure 6 shows, China had a similar predominance of administrative allocation in its early years (1980s-2000s) but moved decisively towards auctions in the 2000s. This move occurred as it became evident to policy makers and the public that auctions provide the best way of efficiently allocating land resources to more productive uses. However, acknowledging concerns that (i) tendering processes, if not well designed and managed, may be manipulated, and (ii) that the resulting prices may be unaffordable to low income groups and SMEs, it is recommended that the ULGs gradually increase the amount of land parcels to be tendered. The amount should be determined by a market demand analysis. This will enable the ULGs to better capture the increased value of land arising from rural to urban,

or from more productive land uses, and cover the costs incurred in expropriation and service provision, as well provide revenues to ULGs that can finance further land production and targeted support to housing.

- b) **Government should improve the auction process to ensure transparency and full competition.** The government should not shy away from auction on the basis of irregularities or speculative behaviors on the part of bidders or involved government officials. Rather, government should draw from lessons learned elsewhere and introduce best practices in designing and undertaking tenders to achieve optimal outcomes (e.g. Singapore, Hong Kong SAR, China).
- c) **Cost recovery should be the threshold.** All land provided through auction should have full cost recovery as a threshold. Any auction in which bidding does not reach the designated threshold should be cancelled.
- d) **Benchmark prices should be regularly updated to reflect market values.**
- e) **Government should** use revenues from land auctions to service land for ongoing land supply²⁴, as well as use land auction proceeds to capitalize a targeted subsidy scheme that will provide down payment subsidies to eligible households

Figure 6: China: Moving from administrative allocation to auction, 2001-2014²⁵



Ensure that the new land leasehold proclamation will maximize the “tradability” of urban land by clarifying and simplifying lease payments, as well as removing market-constraining terms and conditions. In particular, the following actions are needed:

²⁴ It is understood (MoUDC, LD&MB that revision to be made to the 2011 Leasehold Land Proclamation will require will require ULGs to put back 80 percent of lease revenue into land development.

²⁵ Liu, Shouying. Chapter 22: the structure of and changes to China’s land system in *China’s 40 Years of Reform and Development: 1978–2018*. 2018

- a) **Finalize a conceptual design of the lease system in substantive terms, before formulating the Proclamation and regulations.** Lease pricing should be carefully formulated for the entire set of typical lease origination cases, such as 1) tenders, 2) allotments, 3) conversions of “old possession” holdings (both authorized [legal] and un-authorized), 4) transfers from previous leaseholders, and 5) renewals after a lease expiration.
- b) **Move regulatory details out of the Federal Proclamation,** retaining the policy principles and operational framework and empowering regions and cities to provide regulatory details and guidelines.
- c) **Simplify and standardize land lease payments.²⁶ A two-pronged approach should be piloted and, if successful, be scaled up:**
 - Require 100% upfront lease payment for large land parcels auctioned to real estate developers.
 - For cooperative housing or sites and services schemes, allow a 20% upfront payment with the remaining balance to be paid over a limited period (the exact numbers should be determined based on a sound affordability and market analysis). This measure is particularly relevant for low-income or disadvantaged households and implies small land parcels with functional and flexible service standards.
- d) **Remove lease conditions that constrain the transferability of leasehold titles and dampen the potential value of land and property.** The lease re-pricing established in the draft new lease proclamation should be eliminated. A detailed review and consultation with the private sector (households, firms, and banks) should inform ways in which the leaseholds’ terms and conditions can be improved to enhance the ability of leasehold title to secure bank borrowings for the purchase of leasehold title and development of improvements to land.

Medium Term

In the medium term, government should limit administrative allocation to public infrastructure and facilities only and ensure cost recovery for non-government beneficiaries. Once auction mechanisms have been improved, auction will be the norm for land supply and administrative allocation or direct allotment should be limited to public infrastructure and facilities only. All land allocated to non-ULG uses (e.g., federal, regional and local government authorities, religious institutions, etc.) should be priced at cost recovery. Clear policy that outlines a transparent decision-making framework for granting exemptions should be developed, and could be executed by city officials. The exemptions on auction pricing for specific target groups such as charities, non-profits or religious organizations, can also be explored. Strategic investment projects might also receive preferential pricing.

Clarify and strengthen independent judicial oversight as described in the Proclamation for leasehold rights and responsibilities, as well as for expropriation and compensation law.

²⁶ For detailed rationale, see Land Deep Dive Report.

2.1.8 Urban Land Management

Short Term

Results from the study indicate that the priorities identified in the Review of the Legal Cadaster (2016/17) are supported and should be pursued in the short term. The establishment of a legal cadaster, consisting of the systematic adjudication and registration of all urban land (including public land) within a secure and reliable property registration system, is essential for effective land supply in Ethiopia's growing cities. Benefits include increased public confidence in land markets, decreased transaction costs, increased economic efficiency, and improved social welfare.

ULGs should begin introducing asset management systems to improve identification of the land and buildings held and analyze the costs and benefits of different land supply schemes and revenue generation options. The establishment of legal and fiscal cadasters should be expedited and leveraged to support real property and infrastructure asset management. As a first step, it is critical to capture full and accurate land development costs and revenues, and analyze these thoroughly, to ensure cost recovery, as well as enhance affordability and sustainability. Policy implementation should involve the introduction of project viability and management guidelines and accounting regulations for land supply. Project management and accounting systems need to be put into place that capture the cost, value and price data needed to manage land supply efficiently, effectively and sustainably.

The GoE should continue to support the introduction of property tax in the future, along with other land value capture mechanisms. The proposed real estate regulatory authority and information center (see recommendation below in this same section) could potentially support preparatory work to introduce a property tax. At the very least, it will help to make evidence-based policy surrounding property tax.

To effectively manage land and the proposed policy recommendations throughout this report, it is imperative that government improve organizational capacity at federal, regional, and local levels. The following institutional reforms are recommended for Addis Ababa City, medium to large regional cities, and the Federal Ministry responsible for urban land:

- a) **Regional cities** (medium to large): The most pressing need for improved organizational capacity is found in medium to large regional cities. These have inferior access to human and financial resources than AACG and much weaker organizational models. It is recommended that City Land Development and Management Bureaus be established (as in Addis Ababa) with the authority and ability to:
 - **Develop integrated infrastructure services and facilities.** For example, Bureaus should be able to give instructions to and ensure coordination of national, regional and local agencies responsible for roads, water, power, telecommunications and other utilities and services (education, health, community, etc.);
 - **Undertake financial and technical feasibility studies,** capture all land development costs, analyze these and prepare cost recovery, pricing, affordability, subsidy and financing proposals;

- **Recruit and manage high quality, specialized staff** including area-based project managers;
- **Carry out expropriation and compensation exercises** efficiently and effectively in a fair and community orientated manner, with critical support from community and elected/appointed councilors and mayors;
- **Communicate, consult with and advise communities and households** to garner public support;
- **Secure capital and operational funding to finance large scale land develop projects;** manage cash flows, etc.;
- **Identify full costs of land development**, carry out pre-project feasibility, cost capture, analysis and reporting during project management and financial assessment at completion to determine cost recovery thresholds per square meter.
- **Provide governance linkages and executive oversight** that ensure strong political ownership and support from city representatives (Mayor, councilors, and city managers), particularly to support sensitive activities such as expropriation, compensation and resettlement.

Several activities within these functions can be contracted out. It's crucial to note that the complexity and frequently political nature of land development operations requires very capable oversight organizations. This capability does not presently exist in the Mekelle or Adama Land Development and Management Bureaus. In these circumstances, it's recommended that a very substantially strengthened land development and management capability for cities of population of 100,000 and above be considered. For small cities it is recommended that a similar level of capability be created either for groups of "pooled" cities and towns at the sub-regional level (possibly at zonal administration level) or within the regional government

- b) Addis Ababa City Government:** land development and delivery should be maintained within one single organizational unit – a strengthened Land Development and Management Bureau - separate from property registration, planning, building and development control and land information. It should carry out detailed viability studies before initiating development, capturing all direct costs of development and applying a principle of full cost recovery that may include some serviced land disposed at market prices and some involving targeted subsidies. It would also be the authority that deals directly with a capital infrastructure fund using rolled over lease charge income. It is expected that a strengthened AACG Land Development and Management Bureau would have authority to borrow.

The revamped AACG Land Development and Management Bureau's management teams could be organized in two or more units responsible for specific, large scale, long term (10-20 year) development, expansion area development, etc. Major activities at the project design and supervision level could be contracted out; this would enable small numbers of staff to focus on procurement and contract management. Compensation activities may also be provided separately. Political oversight would need to be retained for good governance.

- c) Federal government** should improve human resources, particularly in areas pertaining to land economics and land law. Staff profiles should include both academic experts and people with

practical experience. It is also critical for federal government to institute more rigorous processes and frameworks for the drafting and implementation of new legislation.²⁷

Medium Term

In the medium term, once pilots have proven the model to be effective, government should scale up the use of land value capture mechanisms. Governments, for financial sustainability reasons as well as in the public interest when they are the “*manager*” of state land, should – at a minimum – capture the costs of expenditure in providing public services such as land acquisition, development and release. They should also capture increases in land value that arise as a result of conversion of land from rural to urban use, provision of public infrastructure and services, land use planning and good governance. The private sector also contributes to the increased value of urban land.

Governments have to balance their commitment to providing access to land with their desire to capture increasing land values. One way in which this can be done is to focus urban land policy on a combination of cost recovery and market prices that enable consideration of subsidies to finance increased affordability of access for low income households to land for housing. This approach implies that there are two main instruments for the state to capture increases in the value of land caused by its actions and investments:

- **At the point that land values change, and usually increase very significantly because land moves from rural to urban land use** and expenditures are incurred on expropriation, compensation, resettlement and provision of infrastructure. Value capture can best be achieved by disposal of urban land for development at market prices by public auction with a minimum disposal price based on a per square meter cost recovery threshold.
- **Following construction or improvements to land**, by capturing the incremental and often significant increases in value that arise as a result of the competitive locational advantages enjoyed by individual land parcels. Value capture can best be achieved at this point through the application of a land or property tax. These taxes are often significant municipal revenues and are sometimes linked to city budgets for recurrent expenditures on service delivery.

Box 5: Land Value Capture- International Best Practices

Land Value Capture refers to an array of public finance instruments and initiatives that enable communities to recover and reinvest land value increases resulting from public investment and other government actions. The most prevalent and effective of these include:

Property taxes: Annual imposition of taxes on the value of urban land and buildings. These taxes are among the main revenue sources for local governments around the globe.

Special assessment districts: New and special levies on properties that will benefit from the provision of new or upgraded infrastructure services (examples in the United States are the Portland streetcar system; South Lake Union streetcar system in Seattle; and the New York Avenue Metrorail station in Washington, DC).

²⁷ Berrisford and McAuslan. 2017. *Reforming Urban Laws in Africa: A Practical Guide*. RSA.

Tax increment financing: This approach dedicates future tax increments within a certain defined district to finance debt issued to pay for a project, which theoretically will create the conditions for future gains (used primarily in U.S. cities).

Transit-oriented development or joint development: Given that transit infrastructure plays a critical role in the end value of development projects, the capture of profits from activities associated with real estate development in and around transit stations may allow a transit agency to deliver an operating ratio in excess of 100 percent (as in the case of Hong Kong SAR, China, MTRC, other examples are the Land Transport Authority and SMRT in Singapore, BART in the San Francisco Bay Area, and the Transport for London Crossrail project).

Developer charges or development impact fees: A one-time and up-front charge requiring developers to make cash or in-kind contributions to on- and off-site infrastructure in return for permission to develop or build on land. The charges defray the cost of expanding and extending public services in a particular area.

Charges for Building Rights: Developers pay the municipality a fee for additional development rights, which funds infrastructure or other public improvements. In some jurisdictions, developers can bid to purchase building rights in the form of higher Floor Area Ratio ("FAR") from the city at auction (as in the City of São Paulo).

Inclusionary Housing or Inclusionary Zoning: Developers provide the municipality with a certain amount of lower moderate-income housing in exchange for the right to construct market-rate residential or commercial properties.

Source: Multiple publications of the World Bank and Lincoln Land Institute

- **Effective management requires public support. In the medium term, government should develop and implement a comprehensive urban land communication and consultation strategy** integrated at the federal, regional and city government level. It should be explicitly tasked with the removal of constraints and provision of incentives that secure public support. Suggested policy measures include:
- **Develop clear, communicable rationale for land pricing policies** founded on the principle of cost **recovery**, with market pricing for strategic business and housing sites, subsidized sites and services²⁸ for low income households, and access to un-serviced land for real estate developers.
- **Promote a strong short, medium and long-term communication and public education program** that builds knowledge and understanding of the rationale of urban land policies, land laws, land administration, and land management.
- **Develop an in-house knowledge base, as well as supplying information to the public about urban real estate markets.** This should be combined with greater transparency, formality and

²⁸ "Twenty years after the sites and services approach was largely abandoned by the World Bank, new evidence from India demonstrates that the projects were largely successful and achieved many sought after urban planning goals." Kathryn E. Owens, Sumila Gulyani, Andrea Rizvi. January 2018. Success when we deemed it failure? Revisiting sites and services projects in Mumbai and Chennai 20 years later. Elsevier, World Bank. Washington DC, USA.

professionalism of public and private sector stakeholders that facilitate urban property transactions.

As further discussed in the Housing Finance recommendations, government should create a real estate regulatory authority to increase confidence and transparency in the market. Such an authority would not only establish rules and regulations, oversee down payments, act as an arbitrator for dispute resolution, and ensure professional standards are applied, but it could also operate as an information center by providing market data to the public. Such an authority and corresponding regulatory framework would help to transform informal operators in the real estate market into more transparent, accountable and reputable private service providers.²⁹ Two international examples are provided later in the report: Thailand’s Real Estate Information Center (see Box 10) and India’s Real Estate Regulatory Authority (see Box 12). The proposal is that the authority created in Ethiopia would incorporate functions from both examples.

²⁹ There are a number of cases occasions that government has been forced to intervene in real estate scandals – *“Government Steps into Access Real Estate Scandal”* (November 2014)

3 AFFORDABLE HOUSING

Key Findings

3.1.1 Demand is Outpacing Supply

While there are no good statistics on new homes built or new residential building permits issued each year, our estimates suggest that demand for new urban housing – a function of new urban household formation and the need to upgrade the existing housing stock – far exceeds the current supply of housing.

Demand

Despite its low levels of urbanization, Ethiopia's urban population has grown considerably over the last decade and is expected to continue growing. The 2015 *Ethiopia Urbanization Review* indicates that annual growth rates between 2007-2012 were 5.8% while growth rates between 2012-2037 will be approximately 5.1%. These growth rates mean that the country will move from an urbanization rate of approximately 20.4%-22%³⁰ in 2017 to a 38% by 2037.³¹

Table 3: Comparison of Annual Urban Growth Rates

	1994-2007	2007-2012	2012-2037
	(%)	(%)	(%)
MUDHCo/ CSA ³²	3.8	4.0	4.4
World Bank Urbanization Review ³³	-	5.6	5.1
UNDP	4.4	4.9	4.4

Translating urban population growth into urban household formation, the number of new urban households will be approximately 4.0 million by 2027 and approximately 9.7 million by 2037, based on 2015 urban household estimates.³⁴ Assuming a one-to-one relationship, the growth in the number of new required dwellings, as per World Bank estimates, will average 381,000 per year between 2007 and 2037.³⁵

In addition to new urban household formation, the demand for urban housing is also determined by the need to replace and redevelop the existing housing stock. The National Urban Development Spatial Plan (NUDSP) estimates from 2015 – which include new urban household formation and the

³⁰ See CSA ICPS *Population Projection 2007-2037*, 2013, pp 28; MUDHCo, Cities Alliance and the Ethiopian Civil Service University, *State of Ethiopian Cities Report*, 2015, pp 13; World Bank, *Ethiopia Urbanization Review*, 2016, pp 128

³¹ Differences between CSA projections numbers and those of the World Bank can largely be put down to methodological differences in capturing population projections including (i) rural-urban migration patterns, (ii) upgrading of rural villages to towns, and (iii) expansion of urban areas. National population increases – which is primarily used in CSA estimates – are also captured as part of World Bank estimates although these increases only make up 35% of urban growth compared to 48% that is likely accounted for by migration. See World Bank Group. *Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia*, World Bank, Washington, DC, 2015, pp 127

³² MUDHCo, *State of Ethiopian Cities*, 2015, pp 7

³³ World Bank, *Ethiopia Urbanization Review*, 2015, pp 128; estimates are based on urban populations provided in the annex of the *Urbanization Review*

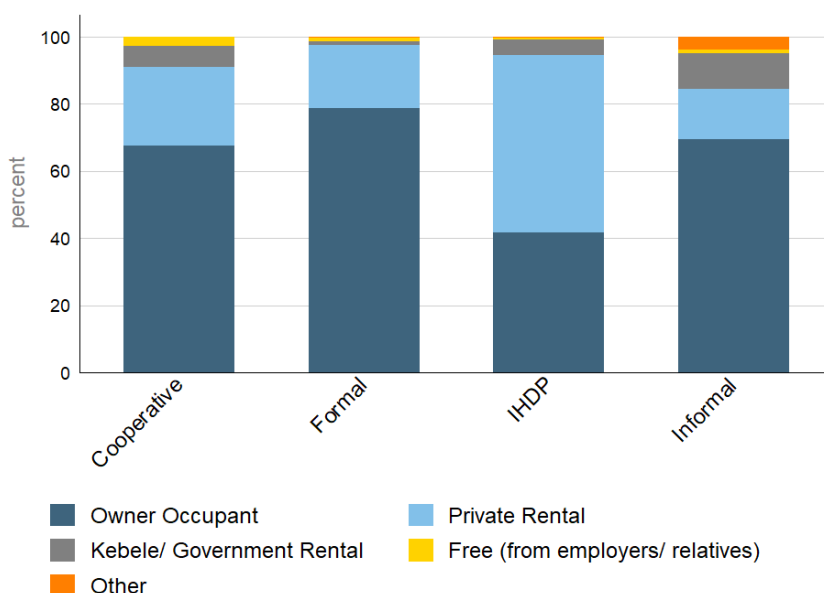
³⁴ MUDHCo, *State of Ethiopian Cities*, 2015, pp 13. The number of urban households are estimated with a decreasing household size; World Bank 2037 estimates are based on the average household size equaling 5.3 members. 8 million new households will live in urban areas in 2037, based off 2007 estimates, or at 11.4 million with a base of 2007, or approximately

³⁵ See *Ethiopia Urbanization 2015 Review* for a more detailed analysis of housing demand as well as the methodology.

redevelopment of existing units – highlight that the number of units that require redevelopment across urban areas will be equivalent to 900,000 units by 2025 and 2.1 million by 2035, using the 2015 housing stock as a basis for analysis.³⁶ **The combined demand due to new household formation and replacement of existing housing stock is therefore around 471,000 units/year till 2025 and 486,000 units/year on average till 2035.**

Demand for formal housing is strong, as evidenced by the high subscription rates for IHDP and other government housing, and the vibrant rental and secondary markets within IHDP blocks. Many IHDP beneficiaries rent out their units. Results from the World Bank Housing Survey indicate that there is a significantly higher proportion of private tenant households (53%) versus owners (41.6%) in IHDP compared to any other type of housing. The high demand for formal housing is also demonstrated by the premium households are willing to pay for an IHDP unit on the secondary market. Households will pay over five times as much as the original lottery winner when buying an IHDP unit.

Figure 7: Housing Tenure Profile, 2018



Supply

Data on the housing supply on a year-on-year basis is scarce, and little data is available regarding the different types of housing units constructed annually. **The estimated rate of annual housing supply (flow) is about 165,000 units nation-wide between 2007/2008 and 2013/2014³⁷.** This is outpaced by the estimated demand of 471,000 units/year till 2025 and 486,000 units/year on average till 2035.

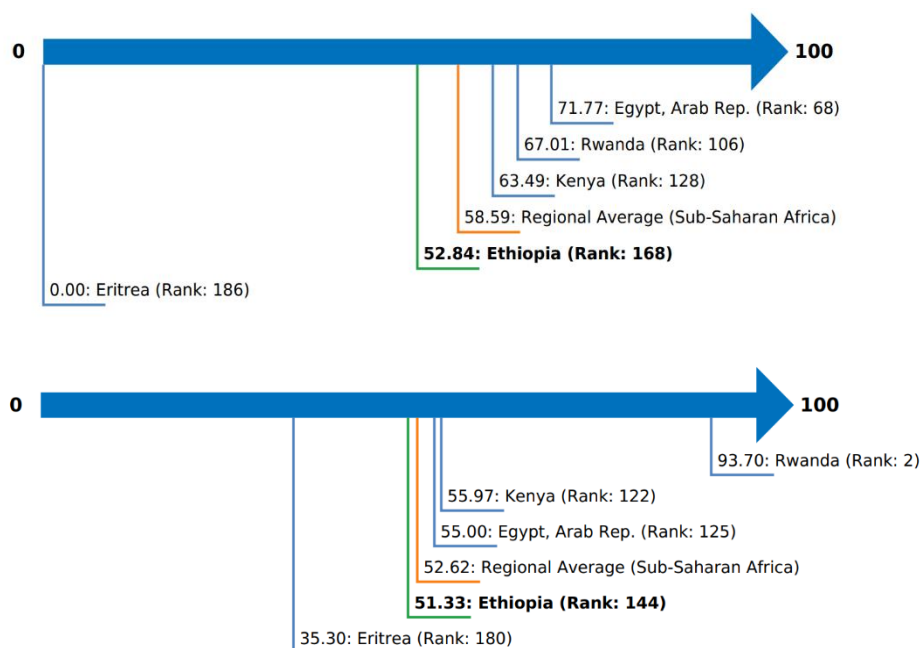
Data from the World Bank's 2019 Doing Business report indicates that the cost and time implications of real estate development in Ethiopia - in terms of both the ease of obtaining construction permits and of registering property - might deter the supply of new housing. Ethiopia ranks 144 out of 180 countries when it comes to registering property, and 168 out of 186 countries when it comes to dealing

³⁶ MUDHCo, *State of Ethiopian Cities*, 2015, pp 15

³⁷ Methodology can be found in the Housing Deep Dive report.

with construction permits. Although the length of time to obtain construction permits in Ethiopia is slightly superior to that of other sub-Saharan countries (134 days versus 145.7), the cost is comparatively high (14.4% of building value, versus 8.8% in sub-Saharan countries and 1.5% in OECD countries).³⁸

Figure 8: Dealing with Construction Permits (Top) and Registering Property Score (Bottom), 2019



Informally-constructed housing dominates the housing stock.³⁹ Estimates from the WMS/ HICE 2016 survey which indicates that approximately 72% of households in large cities live in dwellings constructed out of “wood and mud” (*chika*). Access to services in informally built housing is worse than in other housing options, which is especially true of informally constructed dwellings on the urban periphery. Moreover, incremental construction is a common feature of informally constructed dwellings.

Cooperatives have historically been the mainstay and primary form of non-government formal housing, although support has waned in recent years. Between 1996 and 2003 UN Habitat estimates indicate that 28.2% of Addis’ total housing stock is made up of cooperatives, while the World Bank put it at 50% of the formal housing stock.⁴⁰ However, rough estimations from the World Bank’s spatial analysis and household survey combined with WMS/ HICE 2016 estimates indicate that the proportion of housing made up by cooperatives has likely declined. Most cooperative housing is located in Addis’ peripheral areas (60% of land for cooperatives is located in the city’s expansion areas).

³⁸ Ethiopia Economy Profile, World Bank Doing Business Report, 2019. Pp 11, 22.

³⁹ Informally constructed units were identified using spatial analysis by ICF International; key features that were used to identify informally constructed units included their semi-regular plot distribution and irregular street patterns.

⁴⁰ UN Habitat, *Condominium Housing in Ethiopia*, 2011, pp 4-5

Cooperatives, nevertheless, primarily serve middle and upper income groups. Analysis of the World Bank housing survey reveals that 66.6% of residents (71.1% of households) currently living in cooperative housing in Addis Ababa, Adama and Mekelle are in higher consumption quintiles (Top 40%). This is likely driven by the need for residents to save and invest the full cost of housing up-front: 50% of the construction cost needs to be allocated in a blocked CBE account before registration for cooperative housing and 50% needs to be allocated before the land allotment and building permitting.⁴¹ In addition, cooperative housing tends to be of a higher quality, with better quality building materials and higher access to basic services compared to any other type of housing.

Despite the lack of policy attention, Ethiopia's rental housing market is large, with many secondary dwellings or extensions on existing plots filling the supply gap. Based on the WMS/HICE 2016 survey, the majority of households in large cities across Ethiopia are tenants. Tenants in large cities constitute 59.8% of households (this figure includes 20.4% kebele and government rentals), while owner-occupants make up 32.6% of households. In addition, our estimates suggest that up to 19% of households in Addis Ababa, Adama and Mekelle rent out a room in their dwelling to another household.⁴² We find that rents are significantly higher for formally constructed housing, compared to informally constructed housing. This reflects the variation in the quality of construction, access to basic services and the high demand for formal housing units.

Non-government constructed formal housing stock makes up a small proportion of the overall housing stock compared to the formal units constructed by government entities. As per MUDC estimates, individually constructed formal housing, cooperatives, and housing constructed by private real estate developers make up approximately 18.3% of the total housing stock across Ethiopian cities. The low proportion of housing provided by formal private real estate developers (0.3%) is reiterated by a World Bank assessment of housing from 2005, which estimates that private real estate contributes approximately 1.3% of the formal housing stock in Addis.⁴³ At the moment, housing constructed by private real-estate developers likely supplies the wealthiest households as formal housing sits at the top of the household consumption level and housing affordability pyramid (see Section 3.1.4).

3.1.2 Government Interventions in Housing

Government policy and interventions in recent years have focused on ownership and IHDP. More than 383,00 condominium units have been constructed and distributed under IHDP between 2004 and 2017/2018. Most of these units have been constructed in Addis Ababa (314,000) with the rest in other major cities (69,000). Of these units, more than 245,000 have been transferred to beneficiaries. Estimates put the number of IHDP households at 182,000 in Addis Ababa and 62,300 in other cities.⁴⁴

⁴¹ Addisu Tekalign, *The Transformation of Cooperative Housing and their Affordability*, 2018, pp 42. Also see Graham Tipple and Elias Yitbarek Alemayehu, *Stocktaking of the Housing Sector in Sub-Saharan Africa, Part 3: Ethiopia*, 2014, pp 45

⁴² This is likely underestimated due to difficulties during the fielding of the World Bank housing survey. Enumerators faced difficulties asking the primary household for information regarding the living conditions of sub-letters.

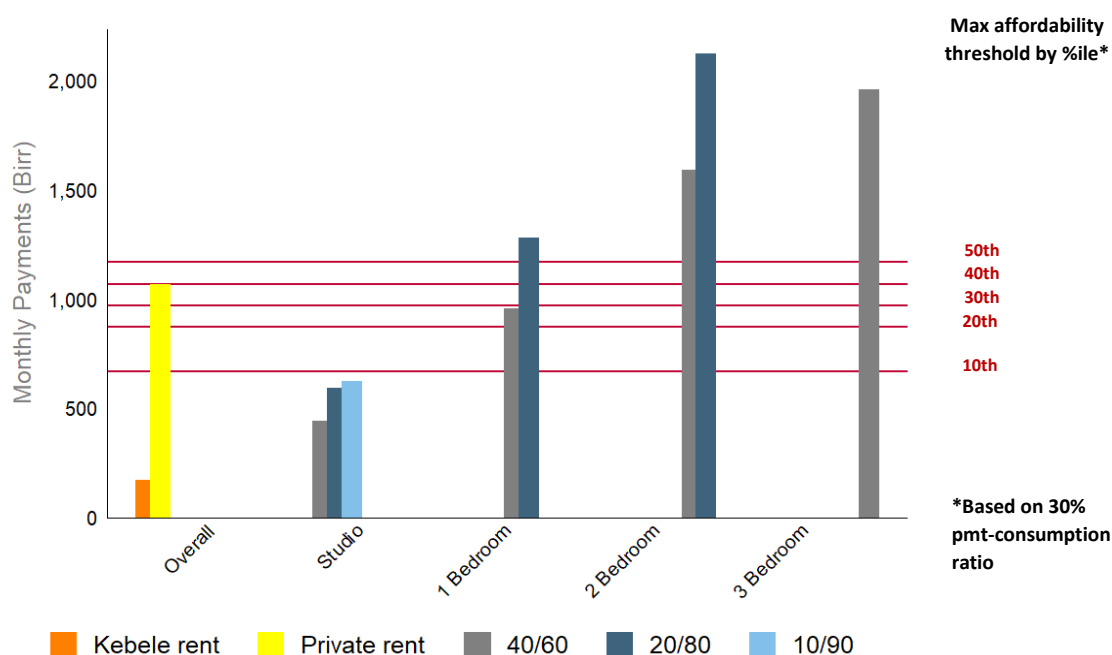
⁴³ World Bank, *Housing in Addis Ababa*, 2005, pp 7

⁴⁴ "Policy Proposals for Improving Ethiopian Housing Policies," Korean Konkuk University and HESPI, 2017/18

Despite the rate at which apartments are being built and transferred, supply is unable to meet demand. IHDP's impact in terms of number of units built is substantial⁴⁵, but sources indicate government's ability to produce approximately 25-35,000 housing units at a maximum per year means that it is unable to cope with demand, which was estimated at 1.2 million in Addis alone between 2013 and 2023. Given that between 2004 and 2016, 280,000 apartments were transferred, 28% of the demand, or just over 2% per annum, has been met.⁴⁶

Despite its aim to provide affordable housing, IHDP is likely unaffordable to poorer households. This is a consequence of two factors: (i) the high amounts households need to save to make down-payments and (ii) the high cost of paying back mortgages. Often the amount that needs to be saved to qualify for down payments exceeds a household's annual consumption many times over, while the monthly cost of paying back a mortgage exceeds a household's monthly consumption. Updating an analysis previously conducted in 2015 as part of the *Ethiopia Urbanization Review*, we find that the majority of households in Addis Ababa, Adama and Mekelle are likely to struggle with monthly payments. Assuming that housing costs – primarily rent – should not exceed 30% of household consumption, households below the 50th consumption quintile are unlikely to be able to afford two bedroom and three-bedroom IHDP units, while 1-bedroom units are likely affordable only under the 40/60 housing scheme, which requires a large down payment.

Figure 9: Estimated Monthly payments of Kebele rent, private rent and IHDP mortgages in Addis Ababa, Adama and Mekelle 2016/2018



Overall, the government supply of formal housing through IHDP is unlikely to be serving lower income households. As highlighted by the World Bank housing survey, households in higher

⁴⁵ According to the Ministry of Urban Development and Housing, over 245,000 units have been transferred to beneficiaries. The average IHDP household size in the World Bank survey was 3.34 people, meaning that an estimated 820,000 people have benefited from the program.

⁴⁶ World Bank, *Stocktaking of the Housing Sector in Sub-Saharan Africa Part 3: Ethiopia*, 2015.

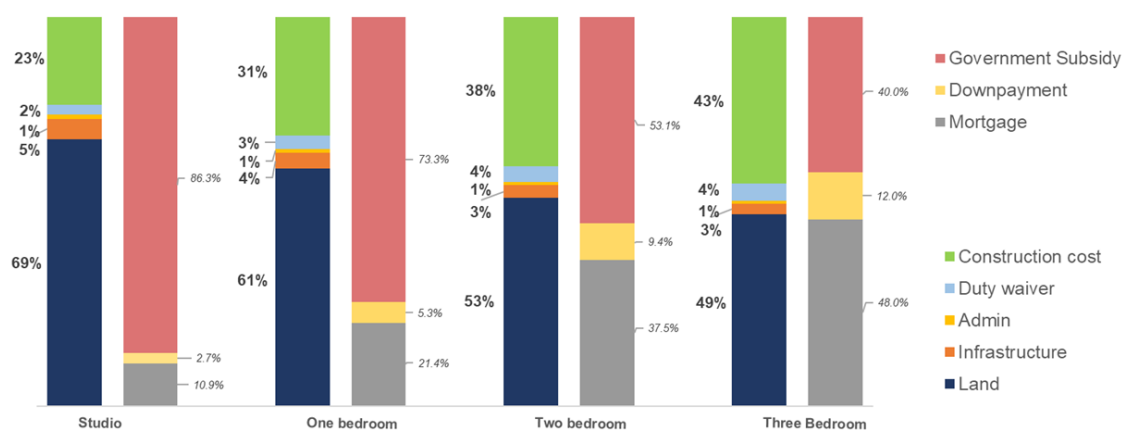
consumption quintiles are more likely to occupy formal, cooperative, or IHDP housing. Table 4 indicates that households in lower consumption quintiles are more likely to live in informally-constructed dwellings rather than in formal housing, while those in IHDP are more likely to be in higher quintiles (Q3, Q4, or Q5).

Table 4: Proportion of households by consumption quintile in Addis Ababa, Adama, Mekele (2018)

Household Consumption Quintile	Cooperative housing (%)	Formally constructed (%)	IHDP housing (%)	Informally constructed (%)
Q1 (Lowest)	5.5	12.4	8.9	22.3
Q2	7.7	12.8	11.6	16.8
Q3	15.6	16.7	18.4	20.7
Q4	22.4	21.4	23.6	19.4
Q5 (Highest)	47.8	36.6	37.6	20.7
Total	100	100	100	100

Evidence suggests that IHDP is fiscally unsustainable. As per our analysis, the average total cost to government to deliver one unit of IHDP – combining the cost of land, infrastructure services, construction, administrative cost, duty exemptions and so on - is 647,007 ETB (\$23,292 USD). This is equivalent to around 12,094 ETB (\$431 USD) per square meter. This brings the overall cost of IHDP construction to the government upwards of 247 billion ETB (approximately \$9 billion USD) since the inception of the program.

Figure 10: IHDP Subsidy Analysis under the 20/80 scheme⁴⁷



In addition, our analysis suggests that total government are both unsustainable and inaccurately targeted. Estimates suggest that a very small proportion of IHDP costs are recovered through the sale of IHDP: on average, the government recovers approximately 35% of the cost of producing an IHDP unit. If we assume the full average transfer price is recouped for all constructed units, the estimated total subsidies by the government for the 383,000 units built to date is approximately 150 billion ETB

⁴⁷ See Zelalem, 2018, and Ministry of Urban Development and Housing, 2017.

(\$5.3 billion USD) – this figure does not take the time value of money into account. Second, assuming that all IHDP owner occupants obtained their units via auction, we estimate that between \$2-3 billion USD could be misallocated to wealthier households in higher consumption quintiles (Top 40%), based on the proportion of households in upper quintiles currently living in IHDP as per the World Bank Housing survey.

In an environment of limited government resources, the subsidies used to construct IHDP housing are fiscally unsustainable. Housing projects (not including the 40/60 IHDP program) represented 3.4% (1.5 billion ETB, or \$54.5 million USD) of the city of Addis Ababa’s 2018 budget, and the outstanding balance on housing bonds (debt issued by the Addis Ababa City Administration and bought by CBE to fund IHDP construction) in Addis alone totaled \$11 billion ETB, or \$398 million USD, in 2017.⁴⁸ Demand-side subsidies that encourage private sector provision would share risk more widely and lessen the burden on government budgets.

3.1.3 Housing Finance System

Ethiopia’s housing finance system is underdeveloped both in terms of offering developer finance and offering housing loans to consumers.⁴⁹ There is a noticeable lack of developer financing on the supply side. This problem has been exacerbated since the Construction and Business Bank (CBB) was absorbed by the CBE. In addition, most housing mortgages are likely issued by CBE through the IHDP program.

Table 5: Housing Finance Institutions

	Supply side products & clients	Demand side products & clients	Average Rates ⁵⁰ and Terms
CBE	Construction finance for IHDP; no developer finance, no cooperative finance.	Mortgages for IHDP beneficiaries; no other mortgage product on offer.	IHDP mortgage 9.5%, between 10 and 20 years
Private Sector Banks	Developer finance on offer, but expensive and some banks apply a % completion criteria before lending. Construction loans to cooperatives on offer.	Mortgage products available, but unaffordable for average consumer.	17% for 10 years (for regular customers, preferential terms available for employees)
MFIs	Small-scale builders can access financial products.	Short-term housing loans on offer, compatible with self or incremental build.	14.30%, between 5- and 15-years max

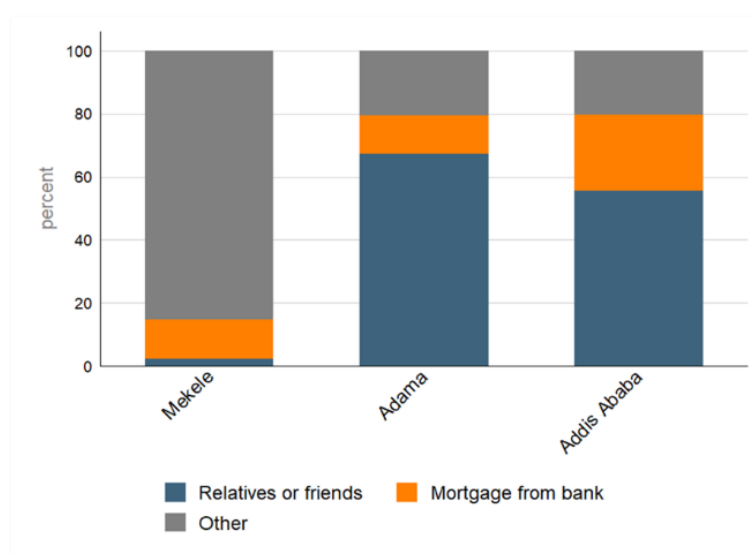
⁴⁸ Addis Ababa City Administration and CBE, 2018

⁴⁹ Mortgages represented 1.87% of GDP in 2014. As a point of comparison, mortgages represented 44.7% of GDP in the Euro area in 2014. Sources: HOFINET and HypoStat, 2017.

⁵⁰ With the exception of time deposits, NBE sets a minimum interest rate on all savings deposit accounts (7% as of July, 2018), but does not cap interest rates charged on credit (NBE Directorate Letter, July 2018).

The majority of housing is financed through informal channels. The World Bank household survey data indicates that most funding is provided by a combination of relatives/friends and savings groups. Of the 9.4% of homeowners who borrowed to purchase their house in Addis Ababa, Adama and Mekelle, the majority obtained their loan from “Relative or friends” (53.7%). There is a fairly even divide between households that obtained loans through “Mortgages” (23.3%), which includes IHDP mortgages, and households that obtain loans from “Other” categories (23%), which includes MFIs and savings groups. Irregular incomes are likely one of the major reasons for households seeking out informal sources of finance.

Figure 11: Source of Finance for those who borrowed by city, 2018



Source: World Bank Housing survey 2018

*Other sources of finance included loans from people, micro-credit institutes and savings groups

While banks are growing their loan books, they are still unable to offer affordable products to regular clients. The average rate and term for a private bank issued mortgage is 17% over 10 years. Banks cannot compete with the IHDP, which offers fixed rate loans at 9.5% for up to 20 years. MFIs, on the other hand, have made headway in housing loans and their rates are, on average, lower than Banks (14.30%). But their loan sizes are smaller, and the terms are shorter.

Table 6: Mortgage Market Overview

	No. of loans, 2017	OSB, 2017 (ETB)	Est Market Share (%)
Six Largest Banks	5,730	6,330,596,176	25
Five Largest MFIs	66,858	1,581,820,710	6
IHDP	N/A	17,620,530,000	69
Total		25,532,946,886	

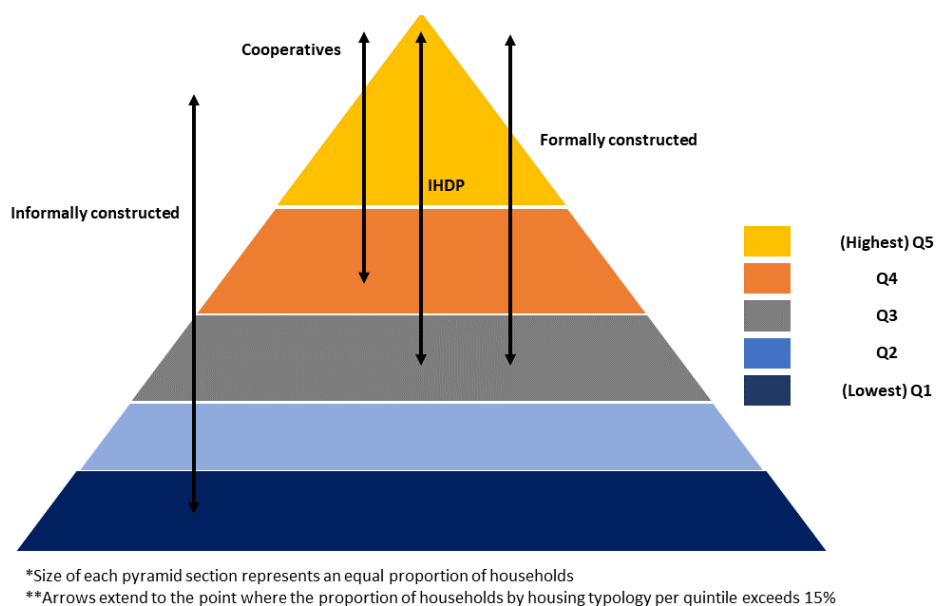
There are several reasons why the mortgage market is underdeveloped. Banks report a reluctance to extend mortgage loans for several reasons. These include (i) the regulatory burdens, (ii) a high interest rate environment, (iii) low levels of income, (iv) the high price of housing, (v) credit risk, (vi) lack of

housing supply, and (vii) lack of consumer financial literacy.⁵¹ IHDP's crowding out effect also discourages growth of the sector, as its subsidized mortgages make it difficult for private financial institutions to compete on pricing and terms. Access to long term funds is a key constraint meaning that banks and IHDP must rely on savings. Private banks' lending activity is further curbed by the requirement that 27% of their new loan disbursements be invested in low-yielding government bonds.⁵²

3.1.4 Affordability Gaps

Substantial affordability gaps exist for households living in formal housing. Currently, households in lower consumption quintiles (based on adult equivalence consumption) in Addis Ababa, Adama and Mekelle are more likely to live in informally-constructed dwellings rather than in formal housing, which consists of cooperative housing, formally constructed self-built housing and IHDP housing. By contrast, those in IHDP are more likely to be in consumption quintiles Q3, Q4, or Q5. Figure 12 while more illustrative rather than explicative, is based on analyzing the predominant housing type occupied by households in different consumption quintiles according to the World Bank Housing Survey.

Figure 12: Housing typology by Consumption Quintile



Estimates from national surveys indicate that housing related expenditures⁵³ for households in Addis Ababa are smaller in percentage terms for those in lower consumption quintiles (16% in Quintile 1) than for households in higher consumption quintiles (27% in Quintile 5). This indicates that poorer households are more constrained as to how much they can spare for housing. Breaking down rent shares by housing type, median rent shares as a proportion of household consumption for Addis Ababa

⁵¹ Based on World Bank survey responses from four banks, July 2018

⁵² NBE Directive No. MFA/NBE BILLS/001/2011.

⁵³ This includes rent or imputed rent.

tenant households are significantly lower for those in informally constructed housing (14.8%) compared to IHDP housing (52.4%). Similar increase in median rent shares between informal and formal housing can be found in Adama and Mekelle as well. This indicates a substantial increase in expenditure on housing should households move from informally constructed housing to a formal unit (see Table 7). In other words, for poorer households, the only affordable option is informally constructed housing.

Table 7: Median rent shares for tenant households by type of housing, 2018

	Addis Ababa (%)	Adama (%)	Mekelle (%)
Cooperative	56.2	39.3	20.8
Formal	45.3	24.0	14.2
IHDP	52.4	35.1	17.6
Informally constructed	14.8	5.0	16.5

Low household consumption levels, low payment capacities and the high cost of existing financial products constrain effective housing demand, i.e. the ability and willingness to pay for housing. Using estimates of household consumption and existing payment capacities, IHDP studio units are still beyond the reach of households in the first and second consumption quintile across cities in Ethiopia. These patterns are similar for households in Addis Ababa as well as households living outside Addis Ababa, although those living outside the capital consistently pay a smaller proportion of their overall consumption on rent. As highlighted in Table 9 and Table 8 below, most Ethiopians in large cities are unable to pay for formal housing supplied by the private market.

Table 8: Household consumption & affordable housing demand in Addis Ababa, ETB 2016

Source	HH Consumption quintile	Avg. monthly HH consumption	Actual monthly expenditure on housing		Term	Rate ⁵⁴	Loan Amount	Down-Payment (as demanded by lenders)		Affordable Housing price
Commercial	Q1	2,544	11%	280						
	Q2	3,372	16%	540						
	Q3	4,052	20%	810	10	18%	44,976	30%	19,275	64,251
	Q4	5,249	22%	1,155	10	18%	64,089	30%	27,467	91,555
	Q5	7,702	24%	1,848	10	18%	102,588	30%	43,966	146,554
CBE (IHDP)	Q1	2,544	11%	280	20	9.5%	30,022	10%	3,336	33,357
	Q2	3,372	16%	540	20	9.5%	57,880	10%	6,431	64,311
	Q3	4,052	20%	810	20	9.5%	86,941	20%	21,735	108,676
	Q4	5,249	22%	1155	20	9.5%	123,886	20%	30,971	154,857
	Q5	7,702	24%	1848	20	9.5%	198,307	40%	132,205	330,511

⁵⁴ The term and rate used for commercial lending are based on the prevailing practices of commercial banks interviewed for this study.

Table 9: Household consumption & affordable housing demand in large cities outside Addis, ETB 2016

Source	HH Consumption quintile	Avg. monthly HH consumption	Actual Monthly expenditure on housing		Term	Rate	Loan Amount	Down-payment (as demanded by lenders)		Affordable Housing price
Commercial	Q1	2,641	12%	317						
	Q2	3,878	13%	504						
	Q3	4,701	13%	611	10	18%	33,917	30%	14,536	48,453
	Q4	5,768	15%	859	10	18%	47,697	30%	20,442	68,139
	Q5	7,922	13%	1,030	10	18%	57,156	30%	24,495	81,651
CBE (IHDP)	Q1	2,641	12%	317	20	10%	34,000	10%	3,778	37,777
	Q2	3,878	13%	504	20	10%	54,085	10%	6,009	60,094
	Q3	4,701	13%	611	20	9.5%	65,563	20%	16,391	81,953
	Q4	5,768	15%	859	20	9.5%	92,201	20%	23,050	115,251
	Q5	7,922	13%	1,030	20	9.5%	110,484	40%	73,656	184,141

Policy Recommendations

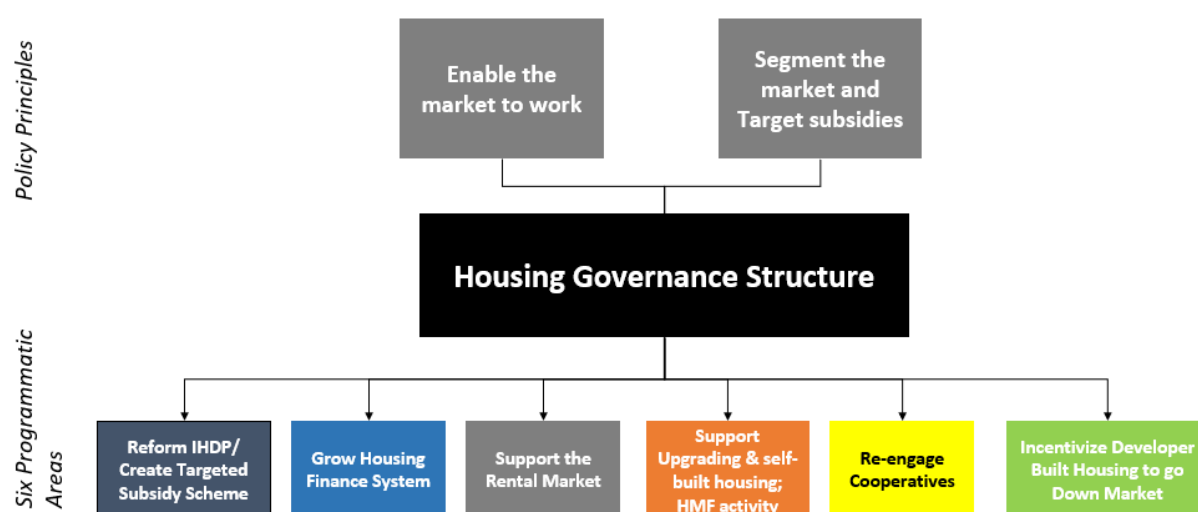
3.1.5 Policy Principles and Governance Structure

The study's main findings indicate that two principles should underpin GoE's housing strategy going forward: (i) Government needs to enable the housing market to work, and (ii) Policies and programs must be targeted to address a segmented market. These two principles are essential for the market's long-term growth and sustainability and should inform all policy and programmatic measures.

In addition, Government needs to define and institutionalize an appropriate housing governance structure that supports the implementation of these core policy principles. A market enabling approach that bears in mind market segmentations has several operational instruments at its disposal, on both the supply and demand side. Six programmatic areas are identified for Ethiopia (see

Figure 13) and should be overseen by a new housing governance structure that takes responsibility for the housing sector as a whole and works in conjunction with public agencies and financial institutions that are involved in other areas of the housing value chain (e.g. land, infrastructure, finance, construction and building material sector, etc.).

Figure 13: Recommended Policy Principles and Six Programmatic Areas



Enabling the Market to Work

Ethiopia needs to create a housing policy which enables and facilitates the private sector to deliver housing. There is no country in the world where the public sector alone can meet diverse and increasing housing demands without the private sector's involvement. IHDP may have increased the housing stock, but it did so at the expense of the development of the private sector, as well as housing cooperatives. Unlike the government's policy and programs to date (principally IHDP), which were comprehensive and costly, interventions should be limited, but critical and purposeful. The goal should always be to leverage limited public resources to the greatest extent possible, and to avoid distorting the market or crowding out the private sector.

An enabling approach moves the government away from direct provision of housing or slum removal and focuses its role on policy instruments that facilitate the private sector to deliver housing effectively. An effective enabling strategy addresses market failures directly and deals with the causes rather than the symptoms of housing problems. Providing supporting regulatory and investment activities will foster a level playing field for all actors to supply housing.

Removing binding constraints along both sides of the housing value chain is a key part of a market-enabling approach. Factors that affect access to housing on the supply side of the value chain include the cost of land, infrastructure and housing development. On the demand side, housing affordability is a function of disposable income and the terms of financial intermediation.

Crucial to a market enabling approach is an understanding of the different roles of the public and private sectors. GoE should provide supporting infrastructure and serviced land and should expect to intervene in areas where there is not a strong incentive for the private sector to enter.

Figure 14: Removing Constraints along the Housing Value Chain

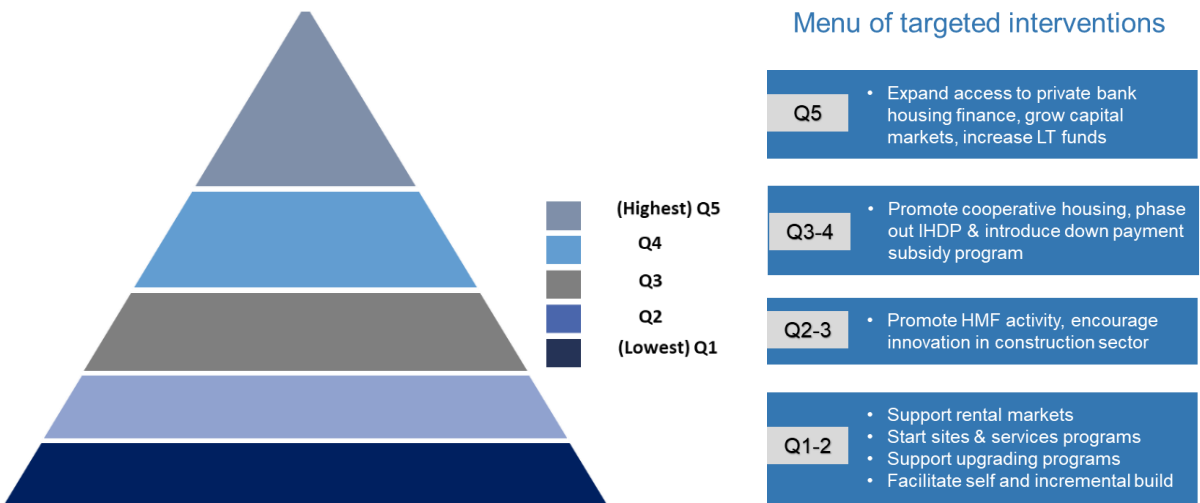


Segmenting the Market and Targeting Subsidies

Policy should take into consideration different market segments, without losing sight of the fact that the housing sector is a single market. Every housing market is naturally comprised of different actors, each of which has different financial capacities and needs. Segmenting according to income levels clarifies these different submarkets and allows for targeted, more effective programs. While the design of IHDP program is attempting to offer differentiated products, one single program cannot reach the various household incomes levels in the country. Nevertheless, interventions aimed at specific submarkets will almost inevitably affect the performance of other submarkets. Inclusive housing policies must therefore consider the entire market ecosystem to be effective.

There is a need for a nuanced and pragmatic view of affordability and a range of housing opportunities. The conventional assumption that all households can afford to pay 30 percent of income for housing is not grounded in reality. As shown in household surveys, the poorer a household, the larger the share of other priority expenditures becomes; food and transportation, primarily for commuting to jobs, is one example of this. Most households spend well below 30 percent of their income on accommodation. It is therefore important for the market to provide a range of housing options, so that as household incomes increase, poorer households may improve their living conditions by upgrading to a preferential living arrangement. Targeted support should be designed to help households climb up the housing ladder, while allowing households to choose housing and the bundle of services a neighborhood provides based on their preferences.

Figure 15: Targeted Support at Different Points of the Housing Pyramid



Governance Structure

Government needs to define and institutionalize an appropriate housing governance structure that supports the implementation of the two core policy principles (enabling the market to work and segmenting the market). Systems and institution need to be created, consolidated or simply strengthened for improved coordination and effective implementation of the new housing strategy, program and initiatives.

Box 6: International Example of Housing Governance Structure

Morocco's National Urban Strategy and Governance Structure

Morocco consolidated its housing sector in 2003, after insecurity in slums prompted King Hassan to establish a National Urban Strategy (NUS). The new housing strategy created an integrated governance structure based on a stronger partnership with the private sector and a range of direct (e.g. budgetary allocations) and indirect (e.g. provision of serviced land) public support. Under the direction of Morocco's Ministry of Housing (MoH), the NUS specifically sought to prevent or alleviate the proliferation and expansion of informal settlements through new affordable housing production, mainly via PPPs.

In addition to the MoH, Morocco in 2004 established Al Omrane Group, as a consolidation of over a dozen public construction companies, to act as the main government entity to implement Housing programs and coordinate a number of government entities. With 14 subsidiaries regionally, Al Omrane implements four main programs. These are the Social Housing Program (via PPPs), Villes sans Bidonvilles ('Cities without Slums') for slum upgrading, a program for very low-income housing (Logements a Faibles Valeur Immobiliere Totale), and the development of new towns.

Morocco funded the new strategy and governance structure with state resources and external support. The total amount of housing aid mobilized by the State and local authorities over the 2004-2015 period is estimated at MAD 115.8 billion (\$12.1 billion USD), which represents 5.2% of the state's tax revenue over the period. Financing was also obtained from the World Bank, European Union, European Investment Bank, and AFD.

Source : "Les Aides au Logement Pratiques, Efficacite et Recommandations," World Bank, 2018

Representatives of all steps along the housing value chain (e.g. land, infrastructure, construction and building material sector, finance, etc.) should be consulted in the design and implementation of a new strategy and governance structure. It is important that the private sector, as well as all levels of the public sector, are involved.

Box 7: International Example of a Consultative Process in Designing Housing Policy and Governance Structures

The National Housing Forum in South Africa

The National Housing Forum was a multi-party negotiating forum established in August 1992, which convened stakeholder meetings over the course of two years, towards the development of the National Housing White Paper which was then issued by the newly elected government in December 1994. The NHF involved stakeholders from the private and political sectors (but not the apartheid state), who negotiated positions among themselves around the breadth of topics comprising a national housing policy. Senior technical experts from the banks, building material and construction sectors and the mining industry negotiated with senior representatives of recently unbanned political parties (the ANC, IFP, PAC, AZAPO), civics, and unions, meeting every three weeks for an eight-hour, technical, Coordinating Committee meeting, and every week in smaller task teams around specific topics.

A consensus-based policy making process was chosen for a number of reasons – but critically, this was the first time that members of the private sector engaged substantively with the reality of the demographic profile of housing need in South Africa. It was supported by the Secretariat which had sector leaders who drove the background research in six key areas, which provided the content for discussion in the committee meetings, and resolution in the Coordinating Committee. Four times a year, the CEOs/ political heads of each member organization met to confirm and then ratify the decisions of the Coordinating Committee in a fully mandated Plenary. By October 1994, six months after the election of South Africa's first democratic state, the policy was ready for presentation at a summit where all the parties became signatories to a National Housing Accord. This paved the way for the Housing White Paper to then be issued with confidence, two months later, in December 1994.

This process took time and attention, operating at both a technical (substantive) and political (mandated) level to ensure focused attention to the issues and buy-in by all stakeholders. The work of the Secretariat, and the background research was funded primarily by the Independent Development Trust (an organization set up by a once-off line of funding from the state's sale of oil reserves), the Development Bank of Southern Africa, and the Kagiso Trust (with some funding from the EU). Participation by the stakeholders, and their own research inputs to the process, however, was funded by the stakeholders themselves.

Sources: The Centre for Affordable Housing Finance in Africa, Kecia Rust, 2019

A clear market overview, supported by reliable data, is essential for evidence-based policy making. Investment in the foundations of an effective governance structure should cover real estate information systems, a common targeting framework, and monitoring and evaluation standards for measuring the performance of public housing initiatives. Given the economic and social importance of housing, as well as the complexity of the housing system, policy decisions should be informed by an information system showing their broad implications and potential outcomes, and by the evaluation of the actual results of on-going programs. The usage of these tools and the application of standards should be introduced and tested in the short term and ramped up in the medium term.

Box 8: International Example of Government Promoting Free Exchange of Market Information

Thailand's Real Estate Information Center (REIC)

Established in 2004 as a resolution by the Thai Cabinet, the REIC is a part of the Government Housing Bank though directed by its independent Board of Directors. The REIC missions are to (i) become the Real Estate Industry's consultant center and knowledge base, (ii) develop housing and real estate research, analysis and forecasting capabilities, (iii) build tools and indicators that reliably forecast the Thai property market's demand, supply and price levels and (iv) disseminate relevant real estate information to both the public and private sectors. The REIC is funded primarily by the Thai Ministry of Finance (through the Government Housing Bank), although over the last several years, around 10 % of its budget has come from fees derived from services it provides to the private sector. It publishes a real estate annual report that includes data relating to home sales, housing starts, land allotment permits, building permits, housing transfers, housing completions, housing mortgages, a housing developer sentiment index and a condominium price index. Data is collected from Government ministries, primary housing starts and housing completion data from a set of key developers, and a quarterly consumer survey.

Source: "Vietnam Affordable Housing, a Way Forward," World Bank, 2015

3.1.6 Program Areas

The following section provides summaries and next steps for six program areas that aim to improve urban affordable housing. All of these policy areas impact each other and ideally would be administered as a whole. Individual recommendations within these areas are therefore allocated priority status (short term, medium term, and long term) in the ensuing strategic implementation plan. Any recommendations made for the medium or long term will need to be carefully explored with pre-feasibility studies to ensure that the expected costs of implementation are realistic in the context of a limited government budget. However, there is also a practical need to further prioritize among the six program areas, given the capacity constraints of the government. The immediate priorities are summarized in the Executive Summary.

Six Program Areas:

1. Reform IHDP
2. Housing Finance
3. Rental Market
4. Self-Built Housing; Housing Microfinance
5. Cooperatives
6. Developer Built Housing

Program Area 1: Reform IHDP

Despite IHDP's relative successes at increasing the formal housing stock, the government has acknowledged its shortcomings and is prepared to take decisive action. As the key findings section of

the study sets out, IHDP is no longer fiscally sustainable and is not reaching its target market. Furthermore, Ethiopia's housing need has outgrown the capacity of the government to supply, rendering involvement of the private sector an absolute necessity.

Government needs to gradually exit IHDP as de-facto “subsidy for the rich” on houses provided by the state, and gradually substitute it with a “subsidy for the poor” on houses provided by the private sector. Land reform- enacted through increased land lease auctions- must be linked to housing markets, and future government programs should build on the savings culture created by IHDP.

The recommendations below include short term and medium-term actions. A pilot program should be run initially, and the results should inform the design of a second, expanded program.

Short Term

Exit Plan

Before any significant changes are instituted, it is crucial that government assess its current commitments and carefully design an exit plan that takes into consideration the financial implications for CBE, regional bond programs, and impact on construction sector. The large number of people whose livelihoods depends on the program need to be given enough time and warning to adapt their business or find new employment, and government is obligated to ensure that existing registrants receive some benefit, especially those that have been diligently saving for many years. While the construction of new blocks should be terminated, completed stock should continue to be offloaded through lotteries. A joint task force, comprised of representatives from MUDC and MOFEC, should be responsible for designing the exit plan.

Pilot Land Lease Auctions

The proposed replacement program to IHDP is founded on the principle that Government needs to enable the market to supply housing comparable to IHDP by unlocking land supply. One of the key constraints facing private sector real estate development in Ethiopia is access to land. Land is also the largest line item on any development budget and therefore the largest subsidy provided by the State in the IHDP program. Among other factors, a shortage of available land and pricing distortions have led private sector developers to focus on building high end residential real estate, where better margins make the investment worthwhile. Middle- and lower-income markets have been largely unsupplied by formal development.

Government should design and pilot the land lease auctions, selling land use rights on plots previously earmarked for IHDP or otherwise controlled by the government. There are different ways of structuring the lease terms and conditions – from maximizing the potential proceeds by letting the developers to decide the unit mix and targeted markets, to requiring certain number of affordable units. The amount of land auctioned will need to be determined based on availability and a financial analysis that balances expected monetary returns with the projected number of households that will access a subsidy funded by the earned revenue. In addition, a widespread public awareness campaign should be conducted prior to the pilot.

Targeted Subsidy Scheme (TSS)

The proceeds of the auctions should be used to capitalize a “targeted subsidy scheme” to support eligible households to better access private sector supplied housing finance. Under such a scheme, eligible IHDP registrants will be able to withdraw their savings from CBE, as well as be granted a down payment subsidy that they can use to obtain a mortgage issued by a pre-qualified private sector bank. The mortgagee can then purchase whichever homes it likes on the open market. A select set of Banks that meet eligibility criteria in areas such as financial health (e.g. ability to meet capital requirements), technical capacity (e.g. adherence to adequate underwriting guidelines), and governance (e.g. strong, transparent management structures) should be determined before the program is launched. Access to the TSS should also be considered in the short term for participants in the proposed sites and services program (see Program Area 4 on Self Built Housing).

Although the price of the private sector supplied home will be more than the IHDP unit because the developer will have to bear the cost of the land, the benefit of the subsidy will help offset some, if not all, the cost increase to the household. More importantly, competition amongst developers and amongst banks will drive innovation as well as push them down market to where greater volume can be achieved.

Although it is likely that initially only middle to upper income households will be able to afford Bank loans, TSS will remove market distortion caused by IHDP and can eventually be adapted to cater to lower income households by adjusting subsidy levels according to need. Moreover, the study has shown that IHDP is not currently serving low income households, therefore a continuation of serving the same market segment should be tolerated for a limited period as the program is tested and the model is refined.

The TSS should initially be managed by the Addis Ababa Housing Development Bureau, as this is the agency that is currently running most of IHDP. Once the program has reached proof of concept stage in Addis Ababa, it can be introduced at a municipal level in other cities. Ongoing capacity building to ensure proper management of funds will be a key component of this program.

Medium Term

Several design features should be considered as the TSS evolves and expands.

Eligibility criteria should be fine-tuned to improve targeting, and broader swathes of society should be encouraged to save by opening the program up to participants in other contractual savings schemes. Eligibility criteria could include that beneficiaries have to have saved for a minimum number of years, or that they be first time homeowners. Lists of beneficiaries should be published publicly to promote transparency and accountability. Second, TSS can be expanded to give households and cooperatives that participate in contractual savings schemes at select banks and meet other eligibility criteria access to the down payment subsidy (see Box Below). The risk that demand for private sector supplied housing will dry up as households are committed to contractual savings schemes for a few years is mitigated by the backlog of IHDP registrants that, if deemed eligible, will be given the opportunity to access the down payment subsidy immediately.

Box 9: Contractual Savings Schemes; International Examples and the Case for Ethiopia

Contractual savings schemes (CSS) are dedicated loan-linked saving instruments. In a CSS, a customer agrees to save a specified amount over a prescribed period in return for loan commitment from the financial institution. The saver builds up equity and at the same time demonstrates its reliability and capacity to repay a debt. The loan is typically equal to the amount saved or a multiple of the amount saved. CSS are often characterized by below market deposit rates and a housing loan at a fixed rate, also below market. In the case of Ethiopia, the recommendation is not to subsidize interest rates, but for the government to provide a down payment subsidy for participating savers. The scheme is therefore referred to as the “Targeted Subsidy Scheme” (TSS).

CSS have been very effective housing finance tools in Continental and Eastern Europe, namely in Germany and France, and have been implemented with varying degrees of success in developing economies (e.g. Cameroon and Tunisia). The German Bausparkassen is a closed system, in which specialized institutions make loans funded by the contractual savings attracted from potential home buyers. The French l’Epargne Logement is an open system, in which banks offer loans funded by their overall deposit base.

The system offers a number of advantages, including its simplicity, a way to mobilize long-term liabilities, and, in the absence of credit scores or formal income, it can provide a lender with proof that the borrower is able to service a mortgage loan. The ability of the system to function within informal environments is particularly relevant for emerging markets. The commitment made during the savings phase and the deposit that is accumulated greatly reduce the credit risk of operating in environments without formal institutions providing credit scoring and credit histories. A final and important advantage of the system is that it can allow long-term fixed-rate loans to be offered, even in environments where long-term fixed rate funding may be unavailable. Ethiopia’s lack of capital markets and long term funds, combined with the savings culture promoted by IHDP makes it a good candidate for CSS. Nevertheless, CSS do come with risks in terms of liquidity and interest rates, both for the financial institution and the saver or borrower. These risks must be carefully weighed, and a program carefully designed to fit the Ethiopian context, before any program is launched.

Sources: “Housing Finance Policy in Emerging Markets,” Loic Chiquier and Michael Lea, The World Bank, 2009 and “Contractual Savings for Housing: How Suitable are they for Transitional Economies?,” Michael Lea and Bertrand Renaud, The World Bank, 1995.

The Real Estate (Regulation and Development) Act, 2016 and Wikipedia, <http://up-rera.in/pdf/reraact.pdf>

Banks can also be engaged earlier on in the program by encouraging them to finance land leases purchased through auction. Government can instill more confidence in the collateral by ensuring certain legal features are included in land lease agreements (e.g. long term, upfront payments, lessee able to transfer rights and must notify government but does not require consent).

An important feature of the program as it grows should be its ability to effectively target lower income segments of society. Although income verification is currently difficult in Ethiopia, other proxies or techniques can be used to make the subsidy regressive depending on the income of beneficiary. For example, the program could ensure higher support for low income households by

calculating subsidy based on parameters of the purchased house or a monthly repayment charge below a certain ceiling.

Box 10: Risks and Benefits of the Targeted Subsidy Scheme (TSS)

The proposed TSS is deemed appropriate for Ethiopia for several reasons, but most importantly that it allows government to leverage its greatest asset- land- and stimulates both private sector supply and financing of housing. Other benefits include:

- Government reduces its fiscal burden
- Developers and builders are incentivized to innovate, expand range of offering and move down market
- Open market: people can buy whatever type house they want, where they want it
- Program continues to promote savings culture, link to contractual savings schemes build credit history
- Down payment subsidy will make homes more affordable for households
- A lower LTV, increased savings deposits and new clients will be attractive for Banks
- Increased demand for mortgage products from Banks will grow housing finance market

It is unavoidable that there may be negative outcomes from the program. These should be pre-empted as much as possible, and include :

- Potential that only middle-upper income households will be able to afford Bank loans. In the short to medium term, this is acceptable, as at the very least the program removes market distortion caused by IHDP, which was not reaching low income households anyway. Program can eventually be adapted to cater to lower income households by adjusting subsidy levels according to need.
- Private sector supplied houses will be more expensive than IHDP units because developers will incur the cost of land. In mitigation, the down payment subsidy will offset the price increase and decrease affordability issues. There will be downward pressure on prices eventually as competition grows and supply increases.
- Risk that demand for new housing will dry up as households save up for down payment subsidy is excluded as backlog of eligible IHDP registrants will be actively seeking private sector supplied housing.

Program Area 2: Housing Finance

Government needs to create a market enabling environment to grow housing finance, and basic institutions need to be in place for the industry to manage risk and effectively price housing. Housing finance should be supplied by a multitude of actors that provide a variety of products designed for different market segments.

Short Term

Initial key measures include a functioning legal cadaster, and appropriate laws and regulation to support land sales. See the Land section for a more detailed analysis of key reforms.

NBE can support the housing finance market by expanding its oversight and activities; this will allow lenders to assess and take risk and for borrowers to make educated decisions. There are four key policy areas for NBE to further develop: (i) Banking Supervision, (ii) Conduct of business requirements, (iii) Consumer protection, and (iv) Consumer education.

In the short term, government should introduce measures to increase transparency and the flow of market information in the housing finance and real estate sectors, these include: (i) mandatory credit bureau reporting from all lending institutions including MFIs, (ii) encourage the private sector to establish valuable services for the housing industry such as professional property valuation companies, property management companies for the rental sector, an online multi-listing service for both sale and rental, as well as to introduce licensing requirements for realtors, and (iii) support the organization and founding of advocacy and industry groups by civil society and the private sector.

In addition, market interventions that build confidence in the construction sector need to be explored. Consumer confidence in developer-supplied housing, as well as banks' confidence in their collateral, can be increased by ensuring high build quality through the introduction of a **licensing requirement**. In the UK, builders pay a fee to the National House Building Council, which certifies that homes have met strict standards of construction. In exchange, consumers are protected by a 10-year warranty. Mortgage lenders require this certification.

Banks and MFIs need access to long term funds to increase their lending capacity. Potential sources include pension funds, and instruments that convert short term savings to long term funds. Pension fund contributions represent long term assets that are currently exclusively invested in low-yielding government bonds. The funds should be permitted to invest these assets in more lucrative capital markets instruments, which then channel long term funds to banks. Government should relax control over pension fund investment portfolios and allow for a certain percentage of assets to be invested in capital market instruments such as bank bonds.

Finally, as mentioned in the previous section, government should also continue to encourage savings by allowing individuals and cooperatives participating in contractual savings schemes at qualified Banks to tap into the TSS.

Medium Term

Finalize the Real Estate Proclamation and developing implementation regulations, to protect the interest of consumers in the real estate sector and increase confidence and transparency in the market. This may include the creation of a Real Estate Regulatory Authority that establishes rules and regulations for the sector. Improper use of down payments from buyers is a frequently cited complaint in Ethiopia. A real estate regulatory authority could mandate that down payment funds are kept secure in escrow accounts until completion, as in the case of India's RERA (see **Error! Reference source not found.**). The fund could be used by developers as a source of collateral for a construction loan from a bank. The authority could also act as a real estate information center, similar to the one established by Thailand (see Box 8). In this way it would provide valuable market information and further promote transparency in the sector.

Government can continue to support the market in the medium term by encouraging the free exchange of information. Results from land lease auctions and housing prices, for example, should be published in the form of an online property history database.

Financial institutions will also continue to need support to go-down market. Banks and MFIs could be supported by a government-capitalized and managed loan fund or guarantee programs that cover a percentage of default, thereby encouraging them to lend to underserved markets.

Box 12: International example of a Real Estate Regulatory Authority

India's RERA Act

In May 2017, India launched the Real Estate Regulatory Authority (RERA) Act to protect home-buyers and encourage investment in the sector. RERA addresses issues like project delivery delays, property pricing, quality of construction, encumbered land, and title. It also establishes an arbitrating mechanism (Appellate Tribunal) for dispute resolution or in the event of default. The act makes it compulsory for all residential and commercial real estate projects (new or on-going) with a land coverage of over 500 sq.m. or eight apartments to register with the regulatory authority. These applications must be either approved or rejected by the regulatory authority within 30 days from the date of registration. Additionally, real estate agents who mediate real estate deals will also have to register with RERA. They will be issued a single registration number for each State or Union Territory and will be required to show this number during every sale.

In addition, RERA requires builders to create a separate escrow account in which 70% of the amount received from the buyers will have to be deposited at a bank. The withdrawals from the account will depend on the extent of completion of the work, and will only be allowed to cover the cost of construction and the cost of land. Furthermore, the project will be subject to certification from an engineer, an architect, a chartered accountant and a six-monthly audit. This is to avoid the diversion of the funds received from the buyers in other projects.

Sources: The Real Estate (Regulation and Development) Act, 2016 and Wikipedia, <http://up-rera.in/pdf/reraact.pdf>

Box 11: International example of a Guarantee Fund for Informal Sector Segments

Morocco's Fonds de Garantie pour les Revenus Irréguliers et/ ou Modestes (FOGARIM)

The Moroccan government set up a guarantee fund, FOGARIM, that provides partial credit guarantees on mortgages to households earning low and irregular incomes. The main eligibility conditions are the existence of a first mortgage, a monthly repayment charge below a certain ceiling (currently \$180 USD, and \$100 USD in the case of relocated slum dwellers), which is a proxy for a limit on home prices and incomes that are difficult to verify. Lenders can submit claims after 9-months in arrears, once the foreclosure process has been initiated. The guarantee covers up to 80% of the loss, and the premiums range from 0.25 to 0.51 percent per annum, depending on the LTV. FOGARIM supported 131,000 loans between 2004 and 2015, or about 20 percent of all mortgages in Morocco, while keeping NPLs at a reasonable rate despite the risk of the targeted segment.

Lessons learned from the program highlight the need for policy and procedures to be adapted to different market segments. As the program matured, it became clear that former slum dwellers display higher risk profiles, which was reflected in higher arrears within their credit portfolios. The non-slum dweller loans presented risk levels close to market.

Source: "An experience of guarantee scheme for mortgage credit: The Morocco FOGARIM," Olivier Hassler, May 2016

Finally, developers and contractors could be supported by a government-funded facility that provides development finance loans to small scale private sector developers undertaking affordable housing. Caps can be put on the unit selling prices to ensure lower income markets are effectively targeted. NURCHA in South Africa is an example of a successful government-funded facility that lends to developers. A loan fund along the lines of the NURCHA fund could also be used to encourage building material suppliers to offer credit schemes.

Long Term

The introduction of a **Mortgage Refinance Facility** (drawing on lessons learned from similar facilities in Nigeria, Tanzania, Kenya and WAEMU) or issuance of housing bonds can be explored once the primary mortgage market is more mature, to give Banks access to more liquidity and longer-term funds.

Program Area 3: Rental Market

Government needs to recognize the importance of the private rental sector, and to provide an enabling policy and regulatory environment to support affordable private rental housing in cities.

Short Term

In the short term, government could facilitate current “landlords” (land lease holders and permit holders) to build extensions to their homes for rental purposes, by streamlining approvals, applying practical standards (planning regulations and building code), providing technical assistance to MFIs to extend home improvement loans, and supplying a standard rental contract which balances tenant-landlord rights and interests. In addition, a clear rental law needs to be created to clarify the legal relationship between tenants and landlords and provide protection to both sides.

Box 13: Domestic example of an MFI Lending Scheme for Private Rental Development

The Industrial Park Development Corporation's (IPDC) Hawassa Microfinance Program

IPDC's flagship Industrial Park, Hawassa, has been experiencing a shortage of affordable housing for its workers. To increase supply, IPDC piloted a microfinance scheme for individual landlords (land lease title holders) in partnership with Hawassa City Administration and Sidama Microfinancing Institution in 2017.

The program provides local residents with capital and design plans to construct and rent secondary dwellings on existing plots. IPDC provided capitalization of the scheme, as well as guaranteed the repayment to Sidama. It was considered an advantageous approach because it did not require the allocation of new land, it has helped integrate workers into the existing social fabric of the surrounding neighborhoods, and it has allowed local residents to profit from the Industrial Park.

The scheme successfully created 536 rooms in its pilot phase but ran into various unforeseen challenges. First, the up-take is low: occupancy rate was only at 40%. Second, the rent was determined in the contract between home owners and city administration and that if some IP workers drop out from the scheme, will render the repayment at risks. Third, the rent is still not affordable for many IP workers. Other challenges included the fact that the program prescribed minimum living standards, but no compliance measures were instituted (manufacturers won't place workers in non-ILO compliant living conditions), sanitation facilities have been found to be below standard, and the high turnover rate of factory workers meant tenants needed to be replaced at short notice and with great frequency.

Source: "Housing Diagnosis for Industrial Parks," McKinsey, 2017.

Medium Term

Once the real estate market is more mature, government can stimulate large-scale rental housing production for low-income households by providing supply-side support to providers through infrastructure delivery and tax waivers. Private sector developers are often hesitant to enter the rental market as it involves high upfront costs and slower return than for-sale, which makes it difficult for them to cover the cost of production and management. Providing supply-side support will help reduce the cost of affordable rental production for target priority groups and help build a set of competent and rental housing actors. The idea is to bring down the owner's costs so that a lower rent can be charged without reducing the owner's yield.

Rent-to-buy schemes can also be explored and piloted. Lessons learned from the success and failures of previous programs that were undertaken in other countries (Thailand, UK, Kenya) should be applied, and the model could be adapted to the Ethiopian context.

Long Term

In the long term, **demand-side support mechanisms should** be explored including rental allowance or voucher programs for low-income households. Such mechanism requires sound methodology and administrative system to verify income eligibility.

Program Area 4: Self-Built Housing; Housing Microfinance (HMF)

Short Term

Sites and services schemes at suitable locations as well as upgrading are considered international good practices and should be piloted in Ethiopia (see Box 15). Sites and services projects typically seek to provide basic infrastructure services and/or core-housing units instead of finished units. In this manner, the serviced sites, with secure title or long-term leases, would provide households with an affordable foothold in the city. The upgrading should not only be focused on tertiary or secondary infrastructure, but also ensure linkages to primary infrastructure such as main transport routes to enhance connectivity or mobility for beneficiary communities. As mentioned earlier, eligible participants in these programs could also be granted access to down payment subsidies through the Targeted Subsidy Scheme.

Incremental build, whether part of a sites and services program or upgrading program not, can also be supported by the government by providing technical assistance to households. Design and construction materials, for example, are areas where professional advice can simplify DIY construction projects.

MFIS should be incentivized to increase lending for home improvement and extensions (HMF) by providing them access to technical assistance. Studies have shown that the promotion of HMF through the reduction of interest rates and cash subsidies is unsustainable. The development of Construction Technical Assistance (CTA) tools, however, has shown to be effective at making MHF products efficient and popular.⁵⁵ MFIs can also offer technical assistance to help borrowers manage administrative requirements (title and building permits), they can provide a list of approved builders, and they can disburse loans according to the progress and quality of construction. Habitat for Humanity has experience in other countries working directly with MFIs in this capacity.

⁵⁵ "Housing Microfinance; does it make any sense?" Victor Mints, Housing Finance International Journal, 2016.

Box 14: International Example of Sites and Services:

India's Chennai and Mumbai Sites and Service Programs

Between 1977 and 1997, the World Bank supported sites and services projects in 27 cities across India. In 2016, a study revisited 15 of the 28 sites developed in Chennai and Mumbai. It found that all but one of the neighborhoods were almost fully built out and built up; less than 10% of plots are vacant and most of the houses are 2-3 levels. The idea of incremental housing—where people would invest slowly, over time, at a pace that fitted each individual family's circumstances—clearly worked.

Four key technical features worked well at these sites:

1. Plots were tiny compared to those “standard” at the time. The smallest plot was 33m² in Chennai and 21m² in Mumbai, as compared to minimum plots of about 150-200 m² in other housing developments in these cities. The small plots were far more affordable and allowed lower-income households to enter the housing market.
2. The use of spatially-efficient site planning norms helped to lower the unit costs of developed plots while further increasing density.
3. A range of plot sizes was included to attract different income groups. The resultant neighborhoods are indeed mixed-income, with lower-income families occupying smaller plots, and middle-income and high-income families occupying larger plots.
4. The design aimed for mixed use by including commercial areas (shops), amenities (schools, clinics), and, in some cases, plots for light industry. As per plan, the current neighborhoods do have all of these types of businesses, services, and amenities.

Source: “Success when we deemed it failure? Revisiting sites and services 20 years later,” Sumila Gulyani, 2017

Government should create an enabling environment for self-built housing. Measures include expanding the supply of serviced land for allocation to self-built housing in economically viable areas and adjusting development standards to support self-built housing. Minimum plot sizes should be assessed to ensure that more households will be able to afford formal development. In addition, legal and administrative processes should be streamlined, and costly and time-consuming fees should be avoided so that households are not discouraged into informality. Although the length of time to obtain construction permits in Ethiopia is slightly superior to that of other sub-Saharan countries (134 days versus 145.7), the cost is comparatively high (14.4% of building value, versus 8.8% in sub-Saharan countries and 1.5% in OECD countries).⁵⁶

Medium Term

Community-based upgrading has been effective in other countries and can be considered for Ethiopia. Such programs offer many benefits, including preventing the need to relocate households, which can be disruptive and costly. See Box below. In addition, inclusionary redevelopment models with a mixed-income element can also be considered, to target households in slightly higher consumption quintiles living in informal settlements. The fact that these programs are targeted at informal settlement dwellers, however, may be a challenge to manage politically. Again, any

⁵⁶ World Bank Doing Business Report, 2019.

recommendations suggested for the medium or long term will need to be carefully assessed with pre-feasibility analyses before any work is started.

Box 15: International Example of Community-based Upgrading:

Thailand: The Baan Mankong 'Secure Housing' or CODI Program

Thailand's Baan Mankong 'Secure Housing' Program, introduced in 2003, is widely known for placing slum dwellers at the centre of planning and financing housing improvements. To date, the program has reached over 96,000 households in 1,800 communities (CODI, 2014), covering about 15% of slum dwellers in Thailand (World Bank, 2014; CODI, 2014).

The program starts with a survey of all poor communities in the city to understand their needs. After that, community networks along with NGOs, local government, academics and professionals plan and implement an upgrading program, including land tenure arrangements, to improve conditions for all communities within three to four years (Boonyabancha, 2005). Communities get secure land tenure or ownership with financial support from their savings groups and by accessing loans under the program. The program is characterized by its flexibility both in terms of the types of upgrading options available to communities and the tenure arrangements they can secure.

The cornerstone of the program is the principle of community-based financial mobilization enabled by savings groups. To access Baan Mankong loans communities are required to form cooperatives and develop housing in a collective way. They must save 10% of the amount they borrow in a community savings account to qualify for a loan. In addition, instead of delivering housing units to individual families, loans are extended collectively to the community cooperative.

The agency managing Baan Mankong, provides housing loans so they are extended to community cooperatives at 4% annual interest and allocates a grant to each community of 20,000 Baht (\$610) per family. Cooperatives then on-lend to members, usually adding a margin on the interest to create a fund to cover cases of unsteady loan repayments and to fund other community activities, expenses and some welfare programs. The government also provides infrastructure subsidies.

Source: "Community Driven Development in the Slums: Thailand's Experience," Overseas Development Institute, 2015.

Program Area 5: Cooperatives

In line with a market-enabling and segmenting approach, governments should re-engage with cooperatives and support their efforts. There are several existing blockages in the cooperative value chain that government should focus on removing. Several new policy instruments can be employed to increase cooperative housing.

Short Term

In the short term, government can support cooperative housing with the following measures:

- Government should revert to allocating serviced land to cooperatives, with attention to location.

- Land should be serviced with basic infrastructure, preferably at the time of allocation, or at the very latest, by the time ground is broken.
- Oversight of cooperative construction should be scaled back; (i) government should provide optional- not obligatory- architectural design plans and (ii) the deposit requirement should be lifted or lowered

Medium Term

In the medium term, government can support the cooperative supplied housing with the following measures:

- Guidelines and best practices on cooperative management, to encourage civil society engagement and to discourage cooperative dissolution, should be supplied by the government. See Box below.

Box 16: International Example of Cooperative Housing Civil Society Representation

Kenya's National Cooperative Housing Union (NACHU)

Kenya is home to a well-organized and well represented cooperative housing movement. The National Cooperative Housing Union (NACHU), a non-profit housing finance and technical service provider for housing cooperatives in Kenya, is a well-known player in the industry. As an umbrella organization representing housing cooperative throughout Kenya, NACHU performs advocacy work and provides technical support services, community mobilization programs, and loans to its member cooperatives. It also develops community housing projects as well as commercial real estate projects to supplement income. Over the last four years, NACHU has been able to complete 14 affordable housing estates comprising 1,573 units with an average price of Ksh 950,000 (\$9,200 USD) per unit.

NACHU provides access to finance to both Housing Cooperatives and individual members. In 2016, 545 housing co-operatives of the 934 affiliated to NACHU were participating in NACHU Housing Scheme, representing 12,312 active individuals participating in housing saving and loan program. 84% were low-income earners and 16% modest-income (Cooperative Housing International, 2017). The non-profit reported Ksh 974 million (\$9.4 million USD) in outstanding loans to Cooperatives on its 2016 financial statements. NACHU's activity in terms of savings mobilization is notable; members' deposits were reported at Ksh 540 million (\$5.2 million USD) in 2016. More than half of the savers are women.

Sources: "The Role of Savings and Credit Cooperative Organizations in Kenya's Housing Finance Sector," Centre for Affordable Housing Finance in Africa, Davina Wood, 2018 and "The Financing, Organisation and Management of Housing Cooperatives in Kenya", UN-Habitat, 2010.

- Government can provide further support by providing tax exemptions on both the supply side (waiving import duties on construction materials) and on the demand side (preferential tax treatment on financing obtained for the construction or permanent financing).
- Cooperatives should be granted access to the Targeted Subsidy Program when they participated in contractual savings schemes are select banks. How titles are managed by the Bank as collateral will have to be carefully examined before any loans are underwritten.

Program Area 6: Developer Built Housing

Government should introduce affordable housing requirements and strengthen existing incentives for developer built affordable housing. Market-based reforms that should be pursued are outlined below.

Short Term

Both local developers and foreign investors should be encouraged to participate in the market.

Allowing foreign companies to form joint-ventures with local developers or builders will provide technical capacity, external capital and increased output. The pressure on Forex will have to be taken into consideration when government considers this recommendation, however it is likely that regional developers (that might not demand dollars when repatriating profits) will be interested.

Although they must be carefully examined prior to being instituted, **tax incentives could be introduced to stimulate investment**, such as waiver on import duties or VAT on construction materials, or reduced land tax.

Inclusionary zoning (IZ) policy should be implemented. Under IZ principles, large scale developers are required to include a certain percentage of affordable units in each development that contains over a stipulated number of units. The recent La Gare agreement in downtown Addis Ababa provides an example of where this policy can be implemented in a mixed-use, mixed income development.

Private-Public Partnerships (PPPs) should be incorporated into government's affordable housing policy in the short run. When appropriately implemented, PPPs provide a balanced approach, in that they still grant the government some control over the process (site location, unit and targeted household mix, etc.), but market-based elements such as competitive pricing through bidding and enhanced technical capacity by specialized firms improve the overall quality of the project. PPPs also allow for risk transfer and shared responsibility amongst stakeholders.

Box 17: International Example of Affordable Housing PPP

Kenyatta University student housing PPP, Nairobi, Kenya

From 2012 to 2015, the IFC provided transaction advisory services for a USD 50 million PPP initiative to address Kenyatta University's student housing needs. The model used in this case was a build-operate-transfer PPP with technical assistance. When completed, the project will provide housing for 10,000 students in 6,000 rooms, including accommodations for undergraduate, graduate, and married couples.

The Kenyatta University student housing project has potential for replicability and adaptability to other target groups, such as workforce housing. This PPP structure provides economic incentives for private developers, and government has a long-term vested interest in the success of the project for when it eventually gets transferred back as a public asset.

Sources: "Housing the next generation of Kenya's leaders: A PPP that makes the grade," World Bank Infrastructure and Public-Private Partnerships Blog, 2015

Undertaking PPPs to supply housing to Industrial Parks is being considered and could serve as an excellent pilot for the programmatic area. Government should encourage PPPs for IPs, and carefully

track outcomes so that lessons learned can be applied to the broader PPP market. In the medium term, PPP activity should be scaled up.

To successfully implement a PPP policy, government needs to structure a clear and transparent framework for local governments to engage the private sector in affordable housing provision. This framework would outline the procedures (e.g. RFP design, competitive bidding, contractual agreements), and responsibilities (e.g. affordability levels, profit sharing obligations) for the private sector actor, as well as a public counterpart for affordable housing delivery in high priority areas (e.g. industrial parks).

Medium Term

In the medium to long term, Ethiopia should increase the IZ requirement and explore the introduction of alternatives for developers who prefer not to participate in social housing supply. These include payment in lieu of fulfilling the social housing requirement and transferrable development rights (TDR). A TDR system is a type of local zoning ordinance that allows legal manipulation of the zoning envelope. The owner of a property with considerable public amenity (infrastructure, low-income housing etc.) value can trade development rights from a designated 'sending zone' to a buyer for use in a designated 'receiving zone'. The land owner in the sending zone loses his right to develop but is compensated for the development potential of his land at market value. The buyer, usually a private developer, is given density bonuses to provide public amenities. Developers may also trade development rights in the open market.

Box 18: International Example of Transferable Development Rights

India Mumbai Urban Transport Project

In the India Mumbai Urban Transport Project, about 100,000 residents of urban slums and shanties have been resettled in high-rise buildings, as part of an approach that holds promise. The displaced persons (DPs) were living along railway tracks and roads that needed to be upgraded as part of the project.

To reduce the total cost of the resettlement program, the government helped establish a market in tradable development rights, which enabled builders who constructed buildings for resettlement at subsidized rates to construct additional commercial space, beyond what would otherwise be allowed under development regulations in other commercial locations in Mumbai.

Because of the success of this experiment, the Government of Maharashtra has been encouraged to follow a similar approach when relocating people from other slum areas in Mumbai to high-rise buildings, thus freeing up for redevelopment some of the most expensive urban land in the world.

Source: World Bank. 2004. Involuntary Resettlement Sourcebook. Page 288.

In addition, once the market is more mature, government should provide detailed guidelines and best practices around property management, especially for the rental market. These guidelines could be offered through a Real Estate Information Center or Regulatory Authority, as mentioned earlier in the Housing Finance recommendations.

4 IMPLEMENTATION ROAD MAP

The matrix below summarizes the universe of actions needed for the GOE to enable the market to increase the supply of urban land and housing in an efficient, equitable, affordable and sustainable manner. The set of policy, legal, regulatory, and administrative actions are organized by analytical blocks, with P representing policy actions, L for legal, R for regulatory, and A for administrative. The implementation time frame refereed are: short-term (1-3 years), medium term (4-6 years), long-term (7-10 years).

<i>Actions</i>		<i>Responsibility</i>
Land Production		
Short Term	1. Undertake an inventory of land in urban areas held by all levels of government and their entities and develop a strategy for better utilization to add to the supply to the land markets. (A)	MUDC, ULGs
	2. Review land use planning, zoning, building code and infrastructure standards with the aim of making access to land and housing more affordable. (A)	MUDC, ULGs
Medium Term	1. Establish an inter-Ministerial Task Force to explore options and identify modalities for more inclusive rural-urban land conversion. Pilot promising models identified by the Inter-Ministerial Task Force in select ULGs. (A)	MUDC, Ministry of Agriculture and Natural Resources
	2. Change the planning conformity provision of the lease proclamation to allow faster systematic adjudication and registration of all land. (P)	MUDC, legislative branch
Long Term	1. Revise rural and urban land rights in a way that harmonizes them. (P, L/R)	MUDC, MA, legislative branch
Land Transfer		
Short Term	1. Gradually increase land transfer by auction for private entities. Designate use of proceeds for infrastructure and service delivery, as well as use proceeds to capitalize a targeted housing subsidy scheme that will provide down payment subsidies to select households (see IHDP recommendations). (A)	MUDC, ULGs
	2. Ensure that the new land leasehold proclamation will maximize “tradability” of urban land by creating greater clarity, simplifying lease payments, and removing market-constraining terms and conditions, such as requirements on structure to be built, and re-pricing at transfer among private entities. (L/R)	MUDC, legislative branch
Medium Term	1. Limit administrative allocation to public infrastructure and facilities only and ensure cost recovery for non-government beneficiaries. (P, L/R)	MUDC
	2. Clarify and strengthen independent judicial oversight as described in the proclamation for leasehold rights and responsibilities, as well as for expropriation and compensation law. (P, L/R)	MUDC, MOFEC

Land Management		
Short Term	1. Expedite implementation of the legal cadaster. (A)	MUDC, ULGs
	2. ULGs to begin introducing asset management systems to improve identification of the land and buildings held, and to analyse costs and benefits of different land supply schemes and revenue generation options for municipal real property assets. (P)	MUDC, ULGs
	3. Continue to support the introduction of property tax and explore other land value capture mechanisms. (P, L/R)	MUDC, ULGs
	4. Strengthen land development and management capability at federal, regional, and local levels. (P, A)	MUDC, ULGs
Medium Term	1. Scale up successful land value capture mechanisms once pilots have proved the concept (P, L/R)	MUDC, ULGs
	2. Develop and implement a comprehensive urban land communication and consultation strategy (A)	MUDC, ULGs
Housing Governance		
Medium Term	1. Establish an inter-Ministerial Task Force, under the leadership of the Prime Minister's office to define and institutionalize a new housing governance structure; Initiate a consultative process with key stakeholders to craft a new housing strategy and policy (A)	PM's office; MUDC, MOFEC; Inter-ministerial Task Force
	2. Introduce mechanisms that provide reliable market data for evidence-based policy making; Develop program monitoring & evaluation methodologies (P)	MUDC, ULGs
IHDP		
Short Term	1. Create IHDP HFC Task Force comprised of representatives from MUDC, MOFEC, CBE, Addis Ababa Housing Development Bureau, Housing Development Project Offices in other cities where IHDP was built, and participating building contractors and suppliers; Design exit plan (P, A)	MUDC, MOFEC, CBE, AAHDB
	2. Pilot Land Lease Auctions to capture value for capitalizing the targeted subsidy scheme (A)	AAHDB, MUDC, MOFEC
	3. Design a targeted subsidy scheme; Conduct pre-feasibility and budget analyses. (A)	IHDP HFC Taskforce, AAHDB
Medium Term	1. Expand the targeted subsidy scheme, fine-tuning eligibility criteria to improve targeting and reach lower income households (P)	IHDP HFC Taskforce, AAHDB, MUDC, MOFEC, Banks, other municipal governments
Housing Finance		
	1. Expand NBE's banking supervision & consumer protection activities (P)	NBE

Short Term	2. Take measures to increase transparency & flow of information in the housing finance and real estate industries (P, L/R)	MUDC, MOFEC, ULGs
	3. Increase access to long terms funds. Allow pension funds to diversify away from T-bills and invest larger share of assets into listed banks or bond markets (P, L/R)	MOFEC
Medium Term	1. Finalize the Real Estate Proclamation and developing implementation regulations, to protect the interest of consumers in the real estate sector and increase confidence and transparency in the market. This may include the creation of a Real Estate Regulatory Authority and information center. (P, L/R)	MUDC, legislative branch
	2. Explore guarantee programs that cover percentage of default (P, L/R)	MOFEC
	3. Explore creation of a facility that provides development finance loans to small scale developers undertaking affordable housing development (P)	MUDC, MOFEC
Long Term	1. Explore issuance of housing bonds or creation of Mortgage Refinance Facility to provide more liquidity/long term funding (P, L/R)	MOFEC

Rental Market

Short Term	1. Encourage existing land lease holders to build “backyard” rental units through technical support and streamlined approval processes; Create clear rental law that balances tenant and landlord rights (P, L/R)	MUDC; legislators
Medium Term	2. Explore infrastructure delivery and tax waivers or other benefits for large scale private sector development of rental housing (P)	MUDC
	3. Explore rent-to-buy schemes (P)	MUDC
Long Term	4. Explore demand-side support mechanisms including rental allowances or voucher programs (P)	MUDC

Self-Built Housing

Short Term	1. Create sites and services program, create mechanism to allow eligible savers to participate in Targeted Subsidy Schemes (P, A)	MUDC, MOFEC, IHDP HFC Taskforce, AAHDB
	2. Provide TA on best practices for incrementally built housing, e.g. designs and construction materials (P, A)	MUDC
	3. Assist MFIs in developing Construction Technical Assistance tools to support Housing Microfinance (HMF) products (P, A)	MUDC, MOFEC
	4. Adjust development standards, streamline legal & administrative processes, remove fees etc. that encourage informality (L/R, P, A)	MUDC, ULGs
	1. Explore community-based upgrading programs (P)	MUDC, MOFEC

Medium Term	2. Introduce inclusionary redevelopment models with a mixed income element (P)	
Cooperative Housing		
Short Term	1. Revert to allocating serviced land to cooperatives, with attention to location. (P)	MUDC, Federal Cooperative Agency
	2. Expand supply of serviced land through auction (P, A)	MUDC, MOFEC
	3. Scale back oversight of cooperative construction- provide optional design plans, lift or lower deposit requirement (P)	MUDC, MOFEC
Medium Term	1. Provide guidelines on cooperative management best practices (P, A)	MUDC or to be formed Real Estate Regulatory Authority
	2. Provide or assess continuation of tax exemptions on both supply and demand side (P)	MUDC, MOFEC
	3. Grant cooperatives access to down payment subsidy program through contractual savings schemes at select banks (P)	MUDC, MOFEC
Developer Built Housing		
Short Term	1. Introduce incentives to encourage private developer supply of housing for all income levels, not just high end (P)	MUDC, MOFEC
	2. Introduce low-level inclusionary zoning (IZ) requirements (P, L/R)	MUDC
	3. Allow foreign companies to JV with local developers (P, L/R)	EIC, MOFEC
	4. PPPs: Engage expert consultants; Implement clear and transparent PPP framework; Identify priority areas for PPPs; Pilot Industrial Park PPPs (P, L/R)	EIC, MUDC, IPDC, MOFEC, PPP Task Force
Medium Term	1. Provide guidelines on property management, especially for rental market (P)	MUDC to be formed Real Estate Regulatory Authority
	2. Increase IZ obligations, introduce payment in lieu of fulfilling social housing requirement and TDRs (P, L/R)	MUDC
	3. Scale-up PPP activity (P)	PPP Taskforce, EIC, MUDC, MOFEC

ANNEX 1:

International Experiences with Land Development Corporations

Overview and Historical Context

This Annex presents historical background, international experience and positive and negative results when land development corporations (LDCs) are established. The annex specifically addresses land development corporations:

- **Established to develop urban land** – site specific, city or nation-wide; for a specific associated purpose such as housing, or to support urbanization and urban development; and
- **Initiated by and operated directly under the authority of the state**, either at local, regional or national levels. State owned urban land development corporations have in some examples entered into or otherwise initiated private public partnership arrangements, including joint ventures, and have in many cases been dissolved if the purpose for which they were created has been achieved or they become unsustainable for financial or other reasons.

Land ownership. Land ownership may be divided into the original or primary and secondary or subsidiary ownership rights. The primary rights are held in some, not all, countries by the state. These countries include Ethiopia, many countries in Africa and Asia, including China and Vietnam, and for example many cities in the Netherlands where the local (municipal) governments hold primary ownership rights. In some countries, primary ownership rights (sometimes referred to as freehold or absolute title) are held by non-state parties. This is the case in Uganda and Rwanda, the United Kingdom and many cities in east and southern Africa prior to independence in the 1960s. Leasehold title is the main form of subsidiary property right, but sub-leases, wayleaves and various other forms of property or land use right are recognized in different land law systems. State owned LDCs are more common where the state holds the primary land rights.

- **State owned urban land development corporations have two key roots.** One lies in state developmental priorities and policies that have sought to support urbanization and industrialization policies and the critical economic and social interventions by the state that arise as a result. The second lies in private initiatives, also linked to urbanization and industrialization. The earliest examples can be found in the late stages of industrialization in Britain.
- There has been a growing trend, particularly in the last 20 years, for governments to adopt many of the approaches and systems developed in the private sector for corporate governance and management in general and for land management (real estate development) and property asset management. Private sector corporate management approaches have also been widely introduced into state owned and operated land administration institutions.
- National, Regional and City-wide land development corporations

Urban state-owned land development corporations have usually been established to achieve a specific developmental aim, at the foundation of which lies the management of state land assets. Historically these developmental aims may be very broad. There are numerous examples of land development corporations being created by governments to:

- **Build new capital cities such as Islamabad (Pakistan), Canberra (Australia), Brasilia (Brazil), Lilongwe (Malawi), Dodoma (Tanzania), Abuja (Nigeria), and Gaborone (Botswana).**
- **Develop new towns** to support associated economic development such as mining, or new agricultural investment. In some cases, land development corporations have sought to develop new towns to spread investment nationally more evenly and reduce growth of large urban conglomerations, as was the case with Britain's development of new towns after 1946.
- **Redevelop surplus state land.** The Canada Lands Company acquires properties that are surplus to operational needs from Federal departments, agencies and Crown corporations and optimizes their financial and community value.
- **Support residential, commercial or industrial development.** LDCs have been established to support specific uses such as housing, industry or central business district development. An example is the Korea Land and Housing Corporation (See Box 1 below).

Box 19: Korea: Land and Housing Corporation

The Korea Land and Housing Corporation was established to spearhead the improvement of the quality of life and development of the national economy through the realization of stable housing for the country's citizens and the efficient utilization of the national land. Its main activities are to:

To construct and supply decent and affordable housing units to the vulnerable and to improve their residential environment, as well as to implement tailored residential welfare programs.

To develop housing land, new towns, Multi-functional Administrative City and Innovation Cities, as well as to execute projects aimed at regenerating cities in a bid to create comfortable residential spaces and urban environment.

To develop industrial and logistics complexes to boost national competitiveness and to create employment.

To perform land reserve and management, rental housing management, and land and housing information.

The Corporation has a legal capital of USD 31 billion and a paid-in capital of USD 25.8 billion. Its organization consists of HQs 8 divisions, 1 research institute, and 45 department, 12 regional HQs and 2 independent project divisions. It has 6,495 staff members.

Source: Korean Land and Housing Corporation website [<http://world.lh.or.kr>] December 2018.

Site-specific land development corporations

Examples include:

- **Urban development corporations.** The United Kingdom established 18 urban development corporations between 1981 and 2006 to initiate site-specific inner-city redevelopment. The Rotterdam (Municipal) Development Corporation (the Netherlands) carries out a similar mandate.
- **Industrial land development corporations.** In South Africa the Coega Development Corporation is the developer and operator of the Coega Industrial Development Zone. Established in 1999 and 11,500 ha in extent, it is situated within Nelson Mandela Metropolitan Municipality as a complex customized for heavy, medium and light industries, which includes a purpose-built deep-water port.
- **Urban regeneration.** Buffalo Urban Development Corporation (New York, US) is the City of Buffalo's not-for-profit development agency, reclaiming distressed land and buildings for future development. (See Box 2 below)

Box 20: US: Buffalo Urban Development Corporation, New York

Buffalo Urban Development Corporation (BUDC) is the City of Buffalo's not-for-profit development agency, reclaiming distressed land and buildings for future development. BUDC seeks to create an environment conducive to private investment, provide oversight and visioning for projects of regional significance, serve as a liaison among various public and private stakeholders, serve as a conduit for public funding of significant projects and serve as a real estate holding company for certain public-sector projects.

The mission of Buffalo Urban Development Corporation (BUDC) is to support the urban economic development efforts of the region through acquisition, remediation and management of distressed properties, and to engage in related real estate development activities for attracting and/or retaining new and existing businesses to the City as part of the region. The mission of BUDC also includes supporting the revitalization of downtown Buffalo by serving as the lead management entity for Buffalo Building Reuse Project (BBRP) initiatives, working in collaboration with the City of Buffalo; including the coordination of financial assistance for downtown adaptive re-use projects and public right-of-way improvements.

Source: Buffalo Urban Development Corporation. <http://www.buffalourbandevelopment.com/>

Regional and city planning and land development authorities

Following the establishment of national governments and to create a focus of urban development efforts, several countries, including India and Pakistan, established urban development authorities that responded to increasing urbanization. These were usually not strictly corporations in the sense that they fell under the national or state company or corporate law, but held mandates created by specific legislation. Examples include:

- **Kanpur Development Authority** (India) is the urban development agency of Kanpur metropolitan area, Uttar Pradesh, India. The development of infrastructure is overseen by Kanpur Development Authority, which comes under Uttar Pradesh state government – not the

city government and mayor. The development authority is also responsible for the city master plan.

- **The Mumbai Metropolitan Region Development Authority** (India) is part of the state government of Maharashtra responsible for the infrastructure development of the Mumbai Metropolitan Region. **Karachi Development Authority** (Pakistan) was established in 1957. It owns undeveloped land in the city and is responsible for planning, land development, housing (public and low-cost housing schemes), roads and bridges, redevelopment schemes, manufacturing of pipes, parks and recreation, computerization and archiving of land records and land acquisition.

Framework for Analysis of International Experience with LDCs

Three main institutional models have been identified⁵⁷ for management of land to support government's specific and general goals relating to urban development:

- By governmental departments / agencies themselves ("in-house")
- By a government-established company, often called "special purpose corporation," which handles some specific asset management tasks ("corporate model") and
- Through engaging the private sector within a public-private partnership (PPP) framework.

This annex is concerned with the corporate model, but it is recognized that international experience for all three models can overlap and the corporate model for LDCs can often include PPPs.

Kaganova's analytic framework commences with an illustration of LDCs internationally from a study of 10 examples: four from Canada, four from Singapore and one from each of South Africa and South Korea. The analysis of LDC characteristics is made under the following headings:

Company-type and ownership. Many LDCs are established as corporations or companies in terms of national legislation governing private corporate entities. This is, however, not always the case and there are many examples of land development authorities, agencies and boards, all of which are established by specific legislation defining their objectives, governance, functions, authority and operational specifics. The main characteristics are that LDCs are not government departments, bureaus or organs that report directly to elected or appointed executive authorities or are not necessarily subject to government staffing regulation, financial management or government budget systems. There are also many examples of privately owned and managed LDCs such as real estate development companies.

Organization / governance. Almost all LDCs have a Board of Directors which provides executive authority by setting policy direction, determining key operational parameters (and make key decisions in, for example senior staff appointments, approval of annual budgets, oversight of monthly/quarterly financial reports, etc. Because state owned LDCs:

- have functions and impact that affect government policies, communities, businesses and urban residents, many LDCs have political representation in the Board, very often as the

⁵⁷ Olga Kaganova. 2011. International Experiences on Government Land Development Companies: What Can Be Learned? Urban Institute, Washington DC, USA.

chair, as well as Board representatives from communities, businesses, women's groups, etc.;

- can involve political sensitive functions such as expropriation of land and payment of compensation, city level LDCs often include elected councilors;
- can involve development of national, regional and local utilities and handover for operation and maintenance of these items of infrastructure to local government and utility and infrastructure authorities responsible for maintenance, with some of these authorities often represented on the Board
- involve national, regional or city planning authorities these may also be represented on the Board.

Clearly, from a governance perspective, there are strong arguments for linking executive management of LDCs to local, elected representatives.

Objectives. As described in the opening section LDCs may be focused primarily on land administration, property asset management or urban development objectives. These objectives are different and for this reason it is preferable that the primary objective is identified as being in one of these three areas. In the case of urban development, the objective may be more focused, for instance on new town, capital city, housing, regeneration, CBD or industrial development.

Main function. This annex is focused on those LDCs whose main function is on urban development generally or on elements of urban development such as housing, industry, and inner-city regeneration.

Secondary function(s). Many secondary functions may be identified within the broad function of supporting urban development. In the case of land supply addressed in the ULS&AHS the main secondary functions identified are: land production (acquisition, expropriation and resettlement, provision of infrastructure and service), land transfer (transfer, disposal or auction of leasehold land use rights) and management of leasehold land use rights created.

Land / property ownership. There are examples of LDCs which manage state land held under absolute title and examples of state land held under leasehold title, principally those that involve development and management of state land that is unrestricted in its ownership by leasehold conditions (lease period, rents or other conditions). However, in Ethiopia and many international examples, state owned LDCs are involved in the acquisition or in facilitating transfer of rural land use rights and their replacement by urban land use rights. Where rural and urban property rights fall under the same (leasehold or other) legislation, the transaction process is easier and can, for example, be made directly between owners of rural and urban land use rights. This is not currently the case in Ethiopia. Intervention by the LDC may also take place in inner city regeneration or redevelopment where existing property rights are subject to expropriation by the state and new land use rights created and transferred by auction or administrative disposal.

- **Financial arrangements.** Most LDCs, whose main operational area is supporting urban development, are wholly or substantially self-financing. There are many examples, however, where this is not the case, for example the urban development authorities in India and Pakistan, some of which have been a substantial burden on state or local government budgets. In general, many areas of urban development can generate sufficient revenues to achieve self-financing. Indeed, this is one of the attractions of LDCs – taking the cost of land production off national, regional or local government budgets.

Critical factors identified from international experience are:

- **The ability of LDCs to secure short- and medium-term financing from capital markets –** bonds, loans, etc.
- **LDC revenue streams and financial engineering and management capability that provide assurance to lenders that capital investments will produce enough revenue** to fund repayment of loans or bonds. It is a possibility for LDCs to form joint venture partnerships which secure private sector equity funds.

Specifics of portfolios. Most LDCs have adopted computerized real property asset management systems linked to GIS/mapping and land registration records of property ownership title. Organizational efficiency requires that LDCs operate complex and technical advanced IT systems for managing land and building assets. These are usually linked to financial management and project or area management systems that enable identification of site-specific costs and potential market values of land and buildings. An argument for LDCs is that it may be better to establish these in a single dedicated organization as opposed to a government department (or series of departments) within, for example, a city government that has many functions.

Performance management. Most, but not all, of the international examples identified by Kaganova also have specific performance measurement and management (including reporting) systems. In some cases, these are linked to senior staff employment contracts. It is a key characteristic of effective LDCs internationally that these systems are effective, are open to public scrutiny and that evidence of results is clear. A further argument for LDCs is that it can be more effective to establish and drive organizational performance in focused operational entities such as LDCs, than is the case in large multi-functional government organs such as urban local governments or Federal ministries.

Transparency and reporting. International experience with LDCs is that, establishment of an LDC, either using the private corporate model or the specific legislative framework enables the introduction of monitoring and evaluation, performance management and financial management (including budgeting and audit) systems, as well as representation in executive boards and public or community consultation and participation requirements, that support a much more effective level of transparency and reporting than can be found in government organizations.

Private Sector Participation. Many of the international examples of LDCs described involve a high degree of public participation. This takes three forms of various importance and impact:

- **Operationally.** Substantial public participation is a critical factor in the key operational areas addressed by LDCs: land acquisition involving expropriation and resettlement, provision of infrastructure and services and in transfer or disposal of land for residential, commercial, industrial or other purposes.
- **Outsourcing.** In adopting a corporate organizational model, LDCs have a choice as to the extent to which different operational processes may be outsourced.
 - **Expropriation and resettlement.** There are few examples internationally where expropriation and resettlement arising from inner city redevelopment and particularly urban expansion are outsourced. Most examples come from high income countries where expropriation and compensation systems are well understood. Britain's Urban Development Corporations (1981-2006), for example carried out expropriation of

privately-owned land. The substantial change in land values that can arise, and the political and administrative impacts of land expropriation make this activity difficult to complete quickly whether undertaken by LDCs or government authorities. This is one reason that land pooling and land readjustment schemes have proven to be useful in some countries in leveraging land values for development in an inclusive, efficient and transparent way on the urban periphery of cities – the expenses and difficulties for government authorities of expropriation and costs of compensation and resettlement are avoided.

- **Provision of infrastructure and services.** Many of the processes involved in provision of infrastructure and services can be outsourced to design and supervision consultancy and construction and survey contracts. Critical are the existence of: i) clear and detailed infrastructure, utility, planning and building standards, and ii) procedures for handover of completed infrastructure and services to those organizations responsible in the long term for operation and maintenance, including operation and maintenance operational responsibilities.
- **Land transfer.** A number of land transfer processes can be outsourced although the extent is dependent on the standardization of leasehold title conditions and processes for auction or administrative allocation.
- **Land management.** Long term management of leasehold titles created will be closely linked to land administration processes and can, at least in part, be outsourced.
- **Public private partnerships.** These vary from the current experimentation in China and Vietnam with formal frameworks enabling rural land occupiers (farmers) to pool resources and benefits (inputs of land and finance with revenues from urban land values, housing, etc.) that enable efficient conversion of rural to urban land use, to more conventional and formal joint ventures, equity sharing arrangements between state owned LDCs and large (pension funds, banks, insurance companies) and small private investors. Outsourcing described in the previous section is a more tentative form of public private partnership but can very effective in reducing LDC staff and operational costs.

Issues of concern. The main issues of concern Kaganova identifies are:

- **Oversupply of land** that occurred for example, as a result of the operations of the Korean Land and Housing Corporation. Fluctuations in demand can be externally (nationally or internationally) or internally (poor analysis of future demand) determined. Oversupply may result in financial constraints, in the worst-case causing bankruptcy.
- **Financial risks** related to real estate market or financial sector (sudden rises in interest rates, etc.) fluctuations, or poor financial analysis.
- **Government monopoly over land resources** – resulting in distortions of land supply and in property markets,
- **Operational conflicts of interest** that arise when, for example, land registration or spatial planning functions are combined with land production and transfer functions.
- **Potentially negative environmental impacts** arising from poor land development or land management.

Many of these problematic issues can arise in private or governmental land development operations. The critical factors in mitigating these risks are effective and efficient executive and administrative management and systems which can be found in the best examples of corporate model but are lacking in some international examples.

Lessons from International Experience

The advantages, disadvantages and key aspects of eight organizational elements of the corporate model for land development corporations are now briefly examined:

External governing framework

Does the organization have a clearly defined institutional (policy, law and regulation) framework that defines its purpose and identifies the operational framework capable of achieving that purpose? An advantage of LDCs is that they are created by specific legislation that clearly identifies their authority, functions, operational requirements, resource provision, etc. This clarity can also be provided to LDCs created in terms of existing company law. Establishment of a unique organizational mandate for a specific purpose, brings greater clarity to executive direction, operational objectives and performance, enables greater transparency and access to financial and human resources. Much depends however on the detail in enabling legislation – and its consistency and clarity. The fact that LDCs are usually semi-autonomous authorities means that they are, to a greater or lesser extent, distanced from political and executive governance. This is often an advantage and occasionally a disadvantage. Very careful thought is required in determining the external governance framework, not least in access to financial resources and public accountability.

Inputs and resources

What are the resources available to the organization? Are they sufficient to meet its strategic targets? The sources of funding (equity versus borrowings, state versus private), level of financial autonomy, ratio between equity and borrowings, relationship between operational revenues and management costs, expenditure, budgeting and pricing policies and financial management, audit and reporting systems are important. How land and built assets are acquired, accounted for, managed and disposed of is also critical. International standards of corporate financial and asset management can work effectively but are costly and complex to put in place and operate. The capability and capacity of capital markets (equity and borrowings) to support LDCs financially is a further critical factor in the ability of LDCs to operate effectively.

Strategy

Does the organization have clear direction, regularly updated, with clear short, medium- and long-term targets/results/outcomes/impacts? Good corporate governance for LDCs implies that they establish long, medium and short (annual) term strategies that are well developed, well executed and are publicly transparent and identify accountability for specific performance of outputs and impacts. These systems have been introduced throughout federal, regional and local governments in Ethiopia, but creation of LDCs will require these systems to be detailed and operated at a higher level than they are at present within government. Failure to do so is likely to result in far greater financial and operational risks than can be supported by semi-autonomous LDCs at city, regional or national level.

Culture

What aspects of Individual or group behavior affect the performance of the organization and the performance of its staff? It is usually expected that the creation by governments of semi-autonomous state owned corporations to fulfill essential public sector delivery of public goods and services is justified because the introduction of “corporate culture” will bring increased benefits in terms of staff working conditions and benefits, improvement in a wide range of systems (, greater focus on results, and reduced political interference in day to day operations. These benefits are possible but require considerable time and effort to achieve and depends on many factors not least effective leadership, good management practices and adequate financial resources.

Human resources.

Does the organization have sufficient quantity and quality of staff? Are they committed / motivated?

One of the most common arguments used to support the creation of LDCs is their ability to operate outside government staffing conditions and salary scales. Many of the most effective LDCs employ executive and managerial staff for limited periods (3-5 years) on performance linked contracts with benefits linked to performance. Staff salaries and benefits (mainly employer pension contributions), are set at rates competitive with the private sector. Recruitment is by open public invitation and on merit. Human resource and individual performance management systems are effective and gender neutral.

Systems

What management systems are in place? Are they fully operational, achieving objectives, clearly documented? Land development corporations require a large range of internal management systems that reflect international standards for corporate management as well as those specifically for land management. Many of these will be interlinked and IT based and would include high level decision-making, strategy formulation and planning, management systems, financial management, external audit, and performance management.,

Structure

Is there a clear structure with minimal number of management levels, decentralized decision making and reasonable spans of control? Organizational structure of LDCs that have adopted the corporate model and perform at a high level outsource all non-strategic functions where these services can be secured by open competitive tender from a capable service provider. Full time permanent staff (pensionable) form a compact organization with minimal accommodation costs, high productivity, in a flat organization with clear lines of accountability and responsibility, short managerial spans of control and high levels of motivation.

Performance and outputs

Is the organization achieving a performance that will enable it to fully meet its targets and produce the results expected? Individually? As a whole? Effective LDCs have fully operational performance measurement and management systems that extend from the whole organizational level, through senior management to individual staff. High performing LDCs have key performance indicators – both financial and technical – that measure outcomes as well as outputs. All effective LDCs maintain

accounting systems that contain asset management components that meet international accounting standards, and which enable accurate up-to-date information to be provided to managers on a monthly basis and to the Board and the public on a quarterly and annual basis. These accounting systems include capability to up-date fixed asset values annually to market value.

Conclusions

Internationally, there are examples of land development corporations that are efficient and effective and those that are inefficient, heavily subsidized and overstaffed bureaucracies. There are also examples of efficient and effective in-house local government (and national) land development organizations. In all cases critical factors are:

- **the framework of policy and law** plus external linkages and access to resources, particularly financial resources,
- **the ability to set strategic direction** and manage achievement of strategic goals effectively,
- **the capability of human resources,**
- **comprehensive and effective systems** including financial, land and human resources management,
- **an effective lean organizational structure,**
- **a customer orientated organizational culture,** and
- **the performance management** and outcome measurement systems.

Accountability and performance can sometimes be better achieved in a government organization that has some degree of independence, as can tailor-made financial management and accounting systems that capture fully the costs of land development activities and have better access to specialized land development professions and access to capital funding. However, the high political profile of land development, particularly expropriation, often requires close political and executive oversight and support.

The corporate model allows a combination of private-sector efficiency with public-value goals. On the efficiency side, the corporate model enables:

- **Establishment of incentives** for the company to make operations cost-efficient and self-sufficient;
- **Streamlining and acceleration** of all processes;
- **Flexibility and entrepreneurship;**
- **Financial management that identifies costs** and allows assets and liabilities to be managed year on year based on balance sheet statements;
- **Attraction and retention of private-sector experts in real estate, finance, PPPs, etc.** For example, compensation packages for top management and technical staff (salaries and bonuses) like those paid in the private sector.

The corporate model can provide some level of protection of strategic land management and long-term planning from political interference to which land can be subjected when managed by government directly. This is an important constraint on public ownership of corporate entities.

The corporation can be a source of revenues to government. For example, Malawi Property Investment Company paid dividends to government, interest on loans, property taxes to the city council, corporate taxes and finally provided revenues when government sold its remaining shares in the operation.

The corporate model allows separation of real estate and land development activities (land management) from the regulatory and planning roles of the government (land administration and planning), thus avoiding a potential conflict of interest or the perception of such. The corporation can initiate changes—such as changing land use parameters and preparing land for investors —without potential government conflicts of interest. Land development corporations can stimulate local economic development and regeneration of declining areas within cities through targeted development projects.

In the Ethiopian context, the level of organizational capability required to establish effective LDCs to the standard of those that operate efficiently and effectively internationally, will require a substantial strengthening of the external framework, inputs and resource access, strategic goals, organizational culture, and human resources, systems, structure and performance. **The existing organizational effectiveness of the Addis Ababa City Government’s Land Development and Management Bureau is closer to the organizational effectiveness of LDCs internationally,** but there is still a substantial gap in capability with that, for example, of Ethiopian Airlines or standard practices and operational capability of LDCs internationally.

It is unlikely that regional or regional city level LDCs could be established to the level of the well performing international examples without very substantial effort, substantial financial resources and international recruitment.

Where LDCs are created to replace in-house government land delivery organizations, it is recommended that LDCs be created at the city level with the authority and ability to:

- **Develop integrated infrastructure services and facilities.** i.e., the ability to give instructions to and ensure coordination of national, regional and local agencies responsible for roads, water, power, telecommunications and other utilities and services;
- **Undertake financial and technical feasibility,** capture all land development costs, analyze these and prepare cost recovery, pricing, affordability, subsidy and financing proposals;
- **Recruit and manage high quality specialized staff** including area-based project managers;
- **Carry out expropriation and compensation exercises** efficiently and effectively in a fair and community orientated manner, with critical support from community and elected/appointed councilors and mayors;
- **Communicate, consult with and advise communities** and households to secure public support;
- **Secure capital and operational funding to finance large scale land development projects;** and

- **Identify full costs of land development**, carry out pre-project feasibility, cost capture, analysis and reporting during project management and financial assessment on completion to determine cost recovery thresholds per square meter.
- **Provide governance linkages and executive oversight** that ensure that there is strong political ownership and support from city representatives to support sensitive activities such as expropriation, compensation and resettlement.

ANNEX 2:

Guided Land Development: Is it suitable for Ethiopia?

GLD is a land management tool for guiding the conversion of land in the urban periphery from rural to urban uses. It uses the provision of infrastructure as a mechanism to guide urban development and has been implemented widely in Pakistan, India, Egypt and Thailand. By planning ahead, municipalities can “guide” expansion, deterring settlement in certain areas that are too environmentally sensitive or inappropriate for development. At the same time, other areas deemed suitable for human settlement can be prepared in advance. Acquiring rights of way for roads as well as other infrastructure helps ensure that roads—especially secondary roads serving urban communities—are not undersupplied. Moreover, it makes sense to acquire these rights of way and prepare basic infrastructure investments while land prices are still relatively low.

To finance the scheme, a loan is initially taken out to build the infrastructure, which may be repaid at least in part from betterment levies provided by landowners either on annual instalments or in lump sum if they sell the land. Variations of GLD have been implemented in Bangkok and Cairo, tried on a more limited basis in Guinea, Ethiopia, and have been proposed but not fully implemented in Indonesia and Ecuador.

GLDs are best used in locations where urban areas are expanding into areas of privately-owned land and where government is not able to control the process of land transformation from rural to urban use. By installing public infrastructure in areas where government considers growth can best be channeled, GLD can encourage landowners to realize the increased value of their land resulting from its subdivision and servicing by either selling it to a developer or subdividing and developing it themselves. The approach requires that land administration agencies and service providers act in a coordinated manner. One caveat is that there is no guarantee that landowners will act as envisaged.⁵⁸

A quasi-GLD approach has been piloted in Adama, Bahir Dar, Hawassa and Mekele under the Urban Expansion Initiative. However, in these cities, although the new city boundary and expansion areas are defined, the city government did not have enough funding to acquire all the land from the farmers within the new city boundary by expropriation which is the only means allowed in Ethiopia for rural to urban land conversion. Only arterial roads have been provided or simply marked. Interviews with key informants suggested that the newly expanded boundary has raised expectation of urbanization and encouraged informality as farmers start illegally subdividing their land and selling or renting them out for different uses.

Unlike in countries where land is privately-owned, farmers can benefit from GLDs from increased value when they subdivide and sell it to developers or individuals. In Ethiopia, regardless of the increase in intrinsic locational value of the land in peri-urban areas, farmers are not allowed to sell their old processions/permits in the open market, and their compensation is not based on market value of the

⁵⁸ World Bank, 2011. ‘Memo to the Mayor’ Washington DC.

land, but the replacement value of their structure, among others (X number of years of crop yields, for instance). Therefore, farmers cannot benefit from GLD formally, but they do realize the increased value of the underlying land in an informal and illegal manner in the context of Ethiopia constitution.

In sum, GLDs in Ethiopia are not working towards their intended purposes given the public land ownership regime, dual property rights entrusted in urban and rural areas, and the government's expropriation and compensation policy.

5 REFERENCES

- Addis Realign, *The Transformation of Cooperative Housing and their Affordability*, 2018
- Alebel Weldesilassie & Berihu Assefa Gebrehiwot, *A Critical Assessment of Urban Land Leasehold system in Ethiopia*, EDRI, presented at 2017 World Bank Conference on Land and Poverty, 2017
- Berrisford and McAuslan. *Reforming Urban Laws in Africa: A Practical Guide*, 2017
- Bourassa, Steven C. and Hong, Yu-Hung eds., *Leasing Public Land: Policy Debates and International Experiences*. 2003. Lincoln Institute of Land Policy, 2013
- Centre for Affordable Housing Finance in Africa, *Housing Finance Yearbook*, 2017
- Addis Ababa City Administration, *Details and Analysis of the Cost of Land Rehabilitation*, June 2017
- Finmark Trust, Annual Report, 2009
- Federal Democratic Republic of Ethiopia, AAHB, Presentation on *Major points of Housing Development Project Office*, 2017
- Federal Democratic Republic of Ethiopia, MoFEC, *AACG Audited Accounts 2003/04-2016/17*
- Federal Democratic Republic of Ethiopia, CBE, *CBE Loan Bond and Deposit*, supplied in July 2018.
- Federal Democratic Republic of Ethiopia, CSA *ICPS Population Projection 2007-2037*, 2013
- Federal Democratic Republic of Ethiopia, CSA *ICPS Population Projection 2007-2017*, 2013
- Federal Democratic Republic of Ethiopia, CSA, *Household Consumption and Expenditure Survey 2015/16*, 2016
- Federal Democratic Republic of Ethiopia, CSA, *Welfare Monitoring Survey, 2015/16*, 2016
- Federal Democratic Republic of Ethiopia, MUDCo, Cities Alliance and the Ethiopian Civil Service University, *State of Ethiopian Cities Report*, 2015
- Federal Democratic Republic of Ethiopia, MUDCo, *Urban Housing Provision Strategic Framework*, 2013
- Federal Democratic Republic of Ethiopia, MoFED, *Ethiopia: Sustainable Development and Poverty Reduction Program (SDPRP)*, 2002
- Federal Democratic Republic of Ethiopia, NBE Directive No.MFA/NBE BILLS/001/2011
- Federal Democratic Republic of Ethiopia, NBE Annual Report, 2016/17 and 2015/16
- Federal Democratic Republic of Ethiopia, NBE Directorate Letter, July 2018

Federal Democratic Republic of Ethiopia, ORAAMP, *Structure Plan Housing Component - Improvement and Development Strategy: Guidelines, Regulations, Norms and Standards*, 2001

Federal Democratic Republic of Ethiopia, ULD&MA, Oromia Regional Government, August 2017

Franklin, Simon, *Slums to Failed Estates? Evidence from a lottery for low-cost housing in Ethiopia*, 2018

Gumbo, Trynos, "Microfinance Institutions and Urban Housing in Addis Ababa: Challenges and Prospects for Sustainable Poverty Alleviation," *Journal of Business and Administrative Studies* 2, no. 1, 2010

GTZ, MWUD et al., *Integrated Housing Development Program, Volume I - Management Manual*, 2006

Global Findex Survey, 2017

Global Economic Governance Program, *Developing Countries Navigating Global Banking Standards*, <https://www.geg.ox.ac.uk/project/ethiopia>, 2018

Hailemariam, Alemayehu, *Secondary Dwelling Units' Extension: The case of residential houses in Woreda 2, Akaki-Kality sub city, Addis Ababa*. Master's thesis, EiABC, AAU, 2015

HOFINET (<http://hofinet.org>) and HypoStat (<https://hypo.org/ecbc>)

Kaganova, Olga, and Sisay Zenebe. *Land Management as a Factor of Urbanization*. Ethiopia Urbanization Review Background Paper, Washington, DC: World Bank. 2014.

Korean Konkuk University and HESPI, *Policy Proposals for Improving Ethiopian Housing Policies*, 2017/18

Land Equity International. *Review of the Legal Cadaster of the Government of Ethiopia, Issues & Policy Recommendations Report*. World Bank. November 2016

Lesilla TB and Kuhil AM, *Are Regulatory Measures Influencing on Bank Performances? The Ethiopian Case*, *Arabian Journal of Business and Management Review*, 2018

Tipple, Graham, *Extending themselves: User-initiated transformations of government-built housing in developing countries*, Liverpool University Press, 2000

World Bank, *Doing Business 2019: Economy Profile of Ethiopia*, 2019

World Bank, *Ethiopia Urbanization Review: Urban Institutions for a Middle-Income Ethiopia*, 2015

World Bank, *Housing in Addis Ababa: Background Paper*, 2005

World Bank, Memo to the Mayor. 2011.

World Bank, *Stocktaking of the Housing Sector in Sub-Saharan Africa, Part 3: Ethiopia*, 2014

World Bank, *Operational Policy 4.12 and Involuntary Resettlement Sourcebook*, 2014

World Bank and the Development Research Center of the State Council, the People's Republic of China, *Urban China: Toward Efficient, Inclusive, and Sustainable Urbanization*. 2014.

UN Habitat, *Situation Analysis of Informal Settlements in Addis Ababa: Addis Ababa Slum Upgrading Programme*, 2007

World Bank, *Success when we deemed it failure? Revisiting sites and services projects in Mumbai and Chennai 20 years later*, 2018

UN Habitat, *The Ethiopia Case of Condominium Housing: The Integrated Housing Development Programme*, 2011

UN Habitat, *Global Experiences in Land Readjustment*, 2018

Liu, Shouying. Chapter 22: the structure of and changes to China's land system in *China's 40 Years of Reform and Development: 1978–2018*. 2018

Liu, Zhi. *Reforming Land Policies in China: Key Issues and Directions*, Lincoln Institute of Land Policy, 2018

Zelalem, N.A, *Subsidies and Targeting of Condominium Housing: The Case of 20/80 Condominium Houses in Yeka Abdo, Yeka Sub City, Addis Ababa*, Master's Thesis, EiABC, 2018