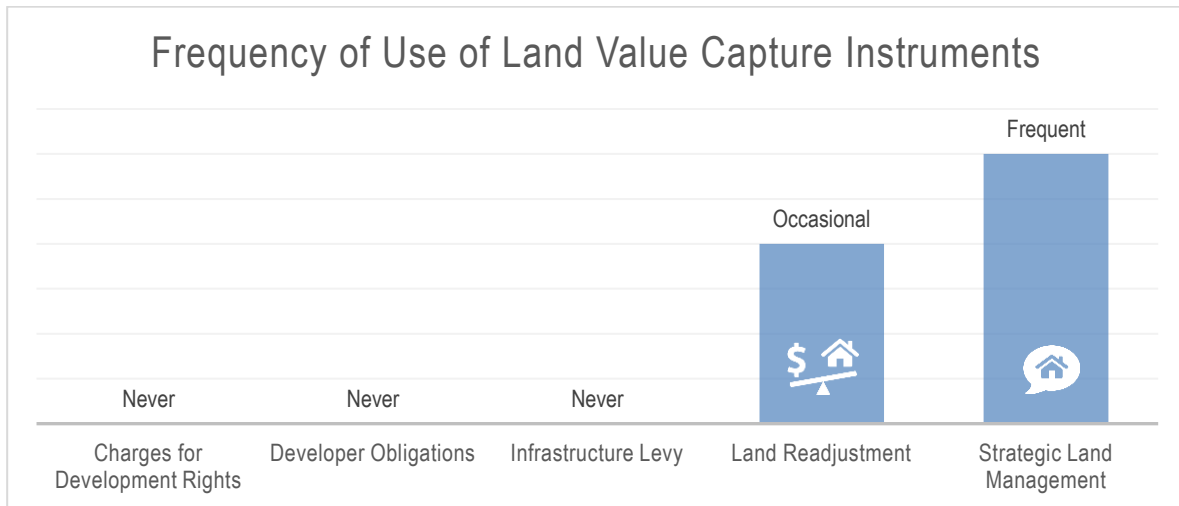


Ethiopia



The land value capture system is poorly developed in the country. The most prominent instrument is strategic land management, due to the land lease policy in place since 1993. Land readjustment takes place when the government initiates a redevelopment project. There is no legal framework for charges for development rights or developer obligations. Although national guidelines indicate that infrastructure provision must be based on the principles of cost recovery and cost sharing, further legislation on infrastructure levy has not been developed yet. The high level of land informality and the lack of administrative capacities constitute challenges to the use of land value capture instruments.

Main instruments

Instrument (OECD-Lincoln terminology)	Local name	National legal provision	Implementation	Use
Land readjustment	<i>Meret ye mastekakele (Land readjustment)</i>	Article 45 of Proclamation n° 574/2008	Local governments	Occasional
Strategic land management	<i>Ye lease awaje (Lease proclamation)</i>	Proclamations n° 80/1993, n° 272/2002, n° 135/2007 and n° 721/2011	National and local governments	Frequent

Note: Ministry of Urban Development and Construction officials do not consider the practice to correspond to land readjustment, but international practice recognises it as such (UN-Habitat, 2018).



Enabling framework

Ethiopia is a federation of multi-ethnic nations composed of 10 regions and 2 chartered cities (Addis Ababa and Dire Dawa) at the regional level and hundreds of local governments, which are called cities (*woredas*) and city administrations (OECD/UCLG, 2019, p. 55). In larger cities there are sub-cities, which are an intermediary administrative division between cities and city administrations. The regional states have their own constitutions, in which city governments are created (OECD/UCLG, 2019, p. 55).

The principle of social function of property states that the right to property must be exercised in a manner compatible with the rights of other citizens (Article 40 of the 1995 Constitution). The right to expropriate private property for public purposes is subject to payment in advance of compensation (Article 40 of the 1995 Constitution).

The national government is responsible for creating the legal framework of land value capture. The *Urban Development Policy* of 2013 makes reference to strategic land management. Even though there is no legal definition of land value capture, the *Urban Integrated Infrastructure Provision Strategy*, published in 2014 by the Ministry of Urban Development and Construction, mentions that financing infrastructure should be based on the principles of cost recovery and cost sharing.



Land readjustment

Local governments resort to land readjustment in urban renewal, urban upgrading and land reallocation to improve living standards and promote efficient land utilization. As a project that enables changes in the shape of land plots and infrastructure improvements, it serves for informal settlement upgrading. The Ministry of Urban Development and Construction nevertheless does not consider it to correspond to land readjustment as an official planning tool. Local governments make moderate use of land readjustment.

The land readjustment process, which is always led by public entities, must encompass public participation. A consultative meeting is announced, in which 3/4 of affected landowners, tenants and informal residents need to participate. If not, a second announcement is made and 1/2 of those affected need to participate. If failed, then a third announcement will be made, and the meeting will be held with those who are present. The project needs to be approved by all those who are present.

After approval, if landowners do not transfer their land willingly, their participation may be enforced through expropriation, and compensation will be due. Landowners rarely appeal against the requirement to pool their lands or against the compensation paid by the government.

A share of 40% to 80% of the readjusted plots is reserved for public improvements, such as affordable and social housing, public roads, public utilities, schools, parks and green space – from which landowners will benefit.

After readjustment, landowners will receive readjusted plots that may be located in different areas than the original plots. They cannot exchange reallocated plots for cash. A portion of land plots is reserved to future sales or leasing. Around 70% of the cost of public improvements is recovered through the sale or lease of readjusted lots.

The obstacles to land readjustment pertain expropriation and resettlement alternatives. Even though the expropriations are frequently carried out, they remain controversial and expensive. In addition, most land readjustment projects lack adequate resettlement alternatives for affected tenants and informal residents.



Strategic land management

The government carries out proactive land acquisition, banking and registration of properties for the purposes of urban renewal, land consolidation, market regulation and control of informal settlements. This practice is guided by the *Urban Land Development and Management Policy and Strategy* of the Ministry of Urban Development and Construction. Local governments frequently apply strategic land management, while the federal government's practice is restricted to land banking.

There are land banks for both federal properties and at city level. Land banks identify public vacant plots, make them ready for development and transfer them to potential developers. The Federal Land Bank and Development keeps records of lands occupied by federal public organisations and develops the underutilised portion of such land plots or renovates built up properties that have become obsolete.

Land is acquired mostly through expropriations. It is retained for 2 years in average while redevelopment projects take place. Typically, the government builds roads and public utilities in the area. However, this does not mean that all land plots must be developed, since some plots may be targeted for lease.

Public land leasing is a system of land tenure by which the right to use urban land is acquired under a contract of definite time. To lease public land, local governments need a general authorization from the regional council of the region. Local governments lease land with the goals of generating public revenues, providing land for real estate development and facilitating public development, such as social housing.

Lease length is determined by the permitted use of land. Typical length is 99 years for residential uses, science and technology development, administrative buildings, charitable organizations and religious institutions; 60 to 70 years for industry and commerce uses; and 15 years for urban agriculture uses.

Leases are granted via public tenders and allotment. Due to the uncertain frequency and the limited offer of lease tenders, the cumulative effect of this system was the rise of a monopolistic tendency in the urban land lease market, culminating in the exclusion of low-income and middle-income citizens. Moreover, lease transactions lack transparency and are far from being efficient and effective in supporting urban development.

The lease is paid through one upfront lease premium plus recurrent lease payments, with no periodic readjustments. Leaseholders are allowed to transfer the lease in a secondary market or sublease it. Exemptions and discounts to payment may be granted to non-profit entities or for projects with a public purpose, such as affordable housing.

Strategic land management is hampered by the low amount of public land available to lease, the lack of administrative capacities and the lack of co-ordination between the relevant public entities. In all, the revenues raised do not justify the costs of strategic land management operations.