

Addis Ababa: City report

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Contributors

This synthesis report on Addis Ababa was based on individual studies prepared by researchers. These studies and their authors are as follows:

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- **Housing** – Tilahun Fekade, Ethiopian Civil Service University and Ezana Amdework, Addis Ababa University
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Abstract

The African Cities Research Consortium's (ACRC's) holistic framework for urban development was used in Addis Ababa, the capital of Ethiopia. The framework has three integrated components – politics, city of systems and development domains. The study investigated the political settlement at national and city level, seven city systems, and the domains of housing, structural transformation and youth and capability development. Both qualitative and quantitative approaches were used in the study. Qualitative data were collected from relevant experts using semi-structured interviews. The quantitative data were collected from published sources.

The political settlements analysis showed that during the Ethiopian People's Revolutionary Democratic Front (EPRDF) period (1989-2019), the national political settlement was classified as narrow-concentrated, while during the Prosperity Party (PP) period (2019-present), power still remains concentrated, though it has been gradually dispersed. National elites dominate city-level elites in terms of power over

decisionmaking, including the implementation of mega projects. The city of systems section revealed that the services across multiple systems, including water, sanitation, energy, solid waste management, transportation, education, healthcare and finance are inadequate. Systems in the city are characterised by fragmentation and poor coordination and integration. In addition, some systems in the city are found to be exclusionary, due to poverty, spatial (geographic) location and technical reasons. Housing in the city is also inadequate, as manifested in huge backlogs and deficiency. In order to ease the problem, the government is currently implementing multiple modalities of housing provision. In the youth and capability development domain, it was found out that the youth (aged 15-29) has huge demographic weight (31% of the total population of the city) and a high level of unemployment (30%). The case studies on youth looked at different spaces – the informal labour market, feminised labour in industrial parks and adolescent sexual reproductive health. The structural transformation section found that only a small proportion of microenterprises successfully progressed from their initial start-up phase to various stages of development, with a lack of finance and work premises and marketing problems pinpointed as major challenges. With regard to large and medium manufacturing industry (LMMI), inputs were important determinants of total productivity, and firm exit and survival were affected by firm-specific factors, such as age, size and contextual challenges. Various ministries and institutions were involved in the formal governance, while informal state-business relations determine informal governance of structural transformation. The foregoing analysis showed that Addis Ababa is a contested city, characterised by the prevalence of informality, inequality and exclusion in the provision of services, housing and jobs. Gender disparity, finance and climate change were found to be relevant to different domains and systems.

Keywords: National and city level politics, contested city, system fragmentation, housing inadequacy, job creation, governance

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1. Introduction

Africa is experiencing rapid urban growth. For the past two decades, the rate has been 3.5% per year, and this is expected to continue up to 2050 (AfDB, 2012). Rapid urbanisation in Africa will bring opportunities for societal transformation. But the realisation of these opportunities requires proper developmental reform in the face of overwhelming challenges. These challenges must be understood within the particular political, social, economic and infrastructural context of each city. This report analyses and contextualises the challenges facing Addis Ababa.

Founded in late 19th century by Emperor Menilk and his wife, Addis Ababa (AA) is the capital city of Ethiopia. According to population projection, Addis Ababa hosts 4.02

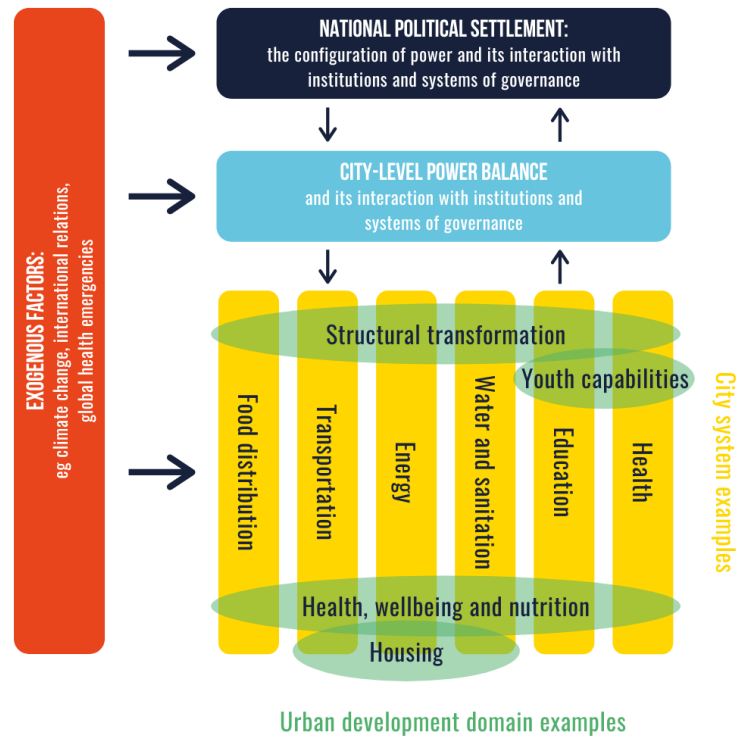
Figure 1: Map showing the geographic location of Addis Ababa



million people, which was 15.5% of the total urban population of the country in 2024 (CSA, 2013). Addis Ababa is experiencing an annual growth rate of 3.8% and is estimated to reach 4.7 million inhabitants by 2030. Addis Ababa is a national political and economic centre. It is the seat of the national government and is also a commercial and industrial centre. As the seat of the headquarters of the African Union (AU) and the UN Economic Commission for Africa (UNECA), Addis Ababa, is emerging as an international centre with diverse economic and cultural characteristics (Wubneh, 2013).

The African Cities Research Consortium (ACRC) goes beyond current approaches to urban reform, which are highly siloed and technocratic. The ACRC's holistic framework for analysing urban development in Africa has three integrated components – **politics**, **systems** and **development domains**. The politics component uses “political settlements” theory to model how power is configured at the national and city levels, and then analyses how these configurations of power shape (and are shaped by) urban development processes in the given city. The systems component analyses the functioning of the key systems (composed of physical infrastructure and people organised in various ways) that sustain and/or improve urban life in the city. The domains component looks at some of the distinct fields of discourse, policy and practice that have formed around complex, intersystemic development challenges in the city, and analyses how the actors (political, bureaucratic, professional and popular) engaged in these fields collaborate and/or compete for authority. Figure 2 gives an indication of how these three components come together.

Figure 2: ACRC's conceptual framework



The Addis Ababa team researched the political settlement at national and city levels; identified the configuration of seven systems that drive urban growth in Addis; and examined three domains: structural transformation, housing and youth and capability development. These studies employed both quantitative and qualitative approaches. Qualitative data were collected from relevant experts, mainly using semi-structured interviews. Quantitative data were collected from published sources to analyse firm dynamics in the city. The study also made use of published sources on different issues of concern in the city.

The ACRC's conceptual framework proved helpful in understanding the complexities of urban problems and the implications for urban reform. In general, it was found that the national-level political settlement has great influence over how the city is run. The Prosperity Party (PP), in particular, influences major decisions and development projects. It was also found that the city is highly contested, as it is both the capital of the federal state (designated by the Ethiopian constitution) and the capital of the Oromia region (designated by the regional constitution). Being surrounded by the Oromia regional state, Addis Ababa's geographic expansion creates tensions between different state authorities.

The city's systems are fragmented, in terms of regulatory institutions, services, actors and ownership regimes. Intersystem coordination and integration are also found wanting. While formal and informal systems operate separately, there are interactions and linkages between the two. But the services they provide often remain unaffordable for low-income residents, or do not reach low-income areas, particularly informal settlements, exacerbating health, education and income inequalities in Addis.

Informality and inequality are also prevalent in the domains. In the housing domain, there is a huge backlog in the face of high demand for housing, forcing many low-income households to transact land and property informally, which leads to tenure insecurity and poor living conditions, heightening socioeconomic inequality. In the youth domain, different narratives influence government policy and attitudes towards youth, and the working conditions (and by extension, the lives) of the youth labour force in industrial parks are shaped by the interests of global capital. Meanwhile, the informal labour market in which many youth seek a living is characterised by lack of policy coherence and consistency. The lack of policy coherence is manifested in the differential application of the labour law for workers going abroad and for those working domestically. In the structural transformation domain, most of the micro and small enterprises are not experiencing dynamic growth, while middle-sized and large enterprises show mixed patterns of growth. The formal governance of structural transformation is dominated by the various federal government institutions, while informal governance is characterised by the interaction of the political settlement with business interests. The business environment, or “deals space”, markedly varies within and across the three market segments of workhorses, magicians and brokers.¹

The report is structured as follows. Sections 2 and 3 present summaries of the political settlement and systems study. Section 4 features the summaries of domain studies focusing on housing (4.1), youth and capability development (4.2) and structural transformation (4.3). Section 5 highlights the overarching and crosscutting issues and Section 6 concludes and highlights implications for future research and interventions. The complete studies of political settlement, systems and domains can be found from the respective authors who worked under the Addis Ababa research team.

2. Political settlement

To understand urban development and prospects for developmental reform in Addis Ababa, we need to understand who wields power and how they use it.² City-level power dynamics do not exist in a vacuum; they are typically influenced by what we call the country's “political settlement”. A political settlement is a common understanding among a society's most powerful groups about the basic rules (or institutions) of the political and economic game. Those rules create opportunities or benefits for “insider” groups, often to the exclusion of “outsiders”.

¹ See the section on the governance of structural transformation for definition of concepts.

² This section is a summary of the ACRC study by Pellerin and Esayiyas (2023).

Political settlements can be analysed in a variety of ways, but we focus on two main dimensions: *power configuration* and *social foundation*.

The power configuration describes the relative strength of groups loyal to the leader (collectively referred to as the “leader’s bloc”) vis-a-vis groups that oppose the leader or are only contingently loyal. Crudely, where the leader’s bloc is strong, we say that power is “concentrated”. Where, by contrast, the leader’s bloc is weak, we say that power is “dispersed”. Power concentration, interacting with other variables, shapes the ability of the government to make and implement decisive, consistent urban development policy.

The social foundation describes the breadth and depth of groups that are “insiders” to the settlement.³ Where a relatively large proportion of the population are insiders, we describe the settlement as “broad”. Where, conversely, only a relatively small proportion of the population are “insiders”, we describe the settlement as “narrow”. The social foundation, interacting with other variables, will shape the degree to which governing elites are committed to “inclusive” urban development policy.⁴

The current political settlement of Ethiopia can be characterised as “narrow-concentrated”. Much political analysis to date has had a focus on the national rather than the sub-national scale. In this section, we analyse how this political settlement has historically shaped urban development in Addis, and shapes the city’s prospects for reform.

The political settlement study employed a qualitative approach to collect and analyse data. The main data collection tools were interviews, focus group discussions and workshops. In total, 66 participants – 54 males and 16 females, who were purposively selected to represent the broadest possible view on the Ethiopian and Addis Ababa political settlement and everyday politics – took part in the study. They were selected to represent a wide array of different groups with respect to their ethnic origin, age, class, religion and profession. Among others, research participants included civil servants, politicians, researchers, businesspeople, NGO workers, employees at international organisations and private sector employees. In addition, documents such as reports and statistics from public institutions, social media and blog posts, as well as newspaper articles, were consulted, in order to triangulate and add to the information collected from research participants.

³ To be an “insider”, a group has to satisfy two criteria: 1) it is potentially powerful enough, acting alone or with others, to make significant trouble for the leadership and/or significantly affect struggles between political blocs; and 2) the leadership chooses to manage this potential threat predominantly by “co-opting” the group, and thereby incorporate it into the settlement, by channelling benefits of some description to it. Groups that either lack the power to affect struggles in this way, or that are predominantly repressed by the leadership, are “outsiders” to the settlement.

⁴ For further details, see Kelsall et al. (2021).

2.1. City of Addis Ababa in the national political settlement and governance structure

2.1.1. *National-level political settlement*

Between 1991 and 2019, Ethiopia was ruled by the Ethiopian People's Revolutionary Democratic Front (EPRDF). The EPRDF was a coalition of four ethnic-based parties, claiming to represent the country's central regions. The agreement about the formal rules governing the country was enshrined in the 1995 constitution, establishing an ethnic-based federal state, guaranteeing substantive group rights and devolution of powers to ensure self-administration (Proclamation No. 1, 1995). While the ruling EPRDF was formally a coalition of equals, the political settlement was de facto dominated by the Tigrayan People's Liberation Front (TPLF), representing an ethnic minority in the country. Power was highly concentrated in the hands of Prime Minister Meles Zenawi. The EPRDF pursued an ambitious development programme, and elite commitment to economic growth and long-term productivity was high (Clapham, 2018). Despite its narrow social base, the EPRDF promoted the idea of inclusive growth as a form of political survival strategy (Meles, 2006). However, its capacity to implement development policies was mixed, given the low capacity of the Ethiopian bureaucracy (Altenburg, 2010; Midega, 2015), and growth remained exclusionary, favouring groups directly linked to the EPRDF, particularly the TPLF.

After the death of Meles Zenawi, power became increasingly dispersed and the political settlement was challenged internally by members of the ruling coalition, and externally by rising protest movements led by Ethiopian citizens. Popular protest movements denouncing the EPRDF's undemocratic rule and its inability to promote inclusive development spread countrywide, starting from the country's most populous region, Oromia, in 2014/15. The protest movements put pressure on regional governments to address citizens' grievances. This caused a split in the ruling coalition, with regional governments, particularly in Oromia and Amhara regional states, capitalising on the protests to push demands within the EPRDF. The protests forced the EPRDF to embrace reforms, effectively ending the TPLF dominance in the coalition and leading to the election of the first ever Oromo prime minister, Abiy Ahmed (Kelecha, 2021: 211).

Prime Minister Abiy Ahmed, from the Oromo wing of the EPRDF, spent his initial months dismantling the political settlement of the TPLF and cutting their lifelines: getting rid of their influence in key party and state institutions, changing the birr note into a new one, to limit TPLF's financial resources,⁵ and creating an alliance with the TPLF's historical enemy, Eritrea. His coming to power also saw the alignment and re-alignment of various groups that previously had been in opposition to (if not outright conflict with) each other, to oust the TPLF. The alignments were, however, short-lived, and fell apart with the weakening of the TPLF. Initially Abiy's period also saw numerous

⁵ TPLF was holding significant resources in cash. Changing the birr note required individuals and organisations holding cash to exchange old currency notes into new ones. Exchanging significant amounts of cash required providing information about its source, which discouraged exchanging cash obtained through illegal activities.

legal political reforms, including freeing political prisoners, opening the country to exiled political actors, making a peace deal with Eritrea, and relaxing civil society and media laws.

In a bold move in December 2019, the prime minister initiated EPRDF coalition members, as well as five other regional parties, representing Afar, Benishagul-Gumuz, Gambela, Somali and Harari, to merge into the Prosperity Party (PP) (Lyons, 2021). The TPLF did not join the party and heavily criticised what it perceived as a turn away from ethnic federalism. Nevertheless, within PP, different ethnic groups have their own PP branch (Oromia PP, Amhara PP, Sidama PP, Somali PP, and so on), testifying to the fact that ethnicity continues to constitute a key organisational principle (Lyons, 2021).

The TPLF challenged federal power in many ways, including conducting a regional election. A deadly civil war broke out between the central government and the TPLF, claiming the lives of many individuals. The war was fought until 2022, after which a peace agreement was signed between the federal government of Ethiopia and the TPLF.

Research participants argue that Prime Minister Abiy is at the centre of major decisionmaking. Moreover, they also note that Abiy did not follow a clear ideological line and instead catered to demands of different groups. He was, for example, found to argue for the importance of Ethiopiawinet (Ethiopianism) – a unified Ethiopia and a national identity – as well as to promote regionalism and ethnic identity (Pellerin and Esaiyas, 2023; Fletcher, 2022)

The national political settlement (PS) is characterised by instability and increasing power dispersion,⁶ as well as weak ideological foundations. This has given rise to violent conflicts. The current PS lies on the continuum between “challenged” and “semi-settled” (Pellerin and Esaiyas, 2023) and is constituted of three blocs: the leader’s bloc (LB), the contingently loyal bloc (CLB) and the opposition bloc (OB). Each bloc features powerful, somewhat powerful and less powerful actors and organisations. The leader of the LB is the prime minister himself and those closest to him, such as the Oromia regional president, Shemlies Abdissa, the former Amhara regional president, Yilakal Kefyalew, Somali regional president, Mustafa Omar, and the federal police commissioner, Demelash Gebremeskel. The army chief, intelligence and security heads and the central bank chief also belong to this bloc (Pellerin and Esaiyas, 2023).

The contingently loyal bloc are mainly groups who support Abiy’s vision of a unified Ethiopia. However, they would be willing to be swayed if a more aggressive Ethiopianist leader came forward. Parts of NaMA (National Movement of Amhara), business elites, university leadership and some diaspora groups that mainly support a

⁶ Despite increasing dispersion of power, it remains relatively concentrated, due to the history of strong centralised state power.

pan-Ethiopianist ideology are part of this group. The Oromo ethno-nationalists who support both PP as well as more Oromo nationalist parties are also in this group.

The opposition bloc (OB) constitutes, among others, the TPLF, Oromo Liberation Army (OLA), Baldaras, Tigray diaspora, parts of the Oromo diaspora and Amhara Militia and Fano, who recently joined this bloc. Recently, even parts of NAMA and Amhara PP and non-affiliated Amhara activists opposing Abiy's rule have joined the OB. This bloc in general is incohesive and opportunistic, rarely articulating a common agenda. While lacking organisation as a bloc, some of the constitutive groups are well organised, powerful and cohesive, such as the TPLF, the Tigray diaspora, the OLA and the Oromo diaspora. This bloc has shown a level of resilience to outside oppression.

Changes between the LB, the CLB and the OB testify to the unsettled nature of the political settlement and contribute to insecurity. Several major changes between the blocs have been witnessed since 2018. Following the peace deal between the federal government and the TPLF, the Amhara elites, who previously closely collaborated with the federal government to fight the Tigrayans, were aggrieved. The grievance was compounded by the decision of the federal government to disband special forces in all regions. Perceived as a move to weaken regions, particularly in Amhara, this triggered opposition, as the special forces played an important role in the civil war in Tigray, backing the federal government. The conflict between the Amhara PP and groups in Amhara opposing disarmament of regional special forces embodies the existing struggle over domination of regional and national politics (AFP, 2023). Communal conflicts occur in different parts of the country, signalling the fragility of the political settlement. The government seems to have little power to contain or prevent such conflicts from spilling over. This is compounded by the huge number of internally displaced people (IDPs) in the country.

Abiy Ahmed published the foundations of his political ideology, called *Medemer*, in 2019. Founded on the idea that compromises can be found, even where interests diverge, *Medemer* is supposed to promote unity and cooperation among Ethiopians (Ahmed, 2019). However, cadres appear to lack an understanding of the new ideological direction and *Medemer* does not seem to inform policies.

2.1.2. Addis Ababa: Its role in the national political settlement and relationship with the ruling coalition

Within the national political settlement, Addis Ababa occupies a central position as a seat not only of the Ethiopian government but also of the international community. Moreover, it plays a key role in the country's economy. With regard to domestic politics, many developments at the city level have implications for national politics. For instance, the 2014 integrated master plan for the city of Addis Ababa prompted huge opposition and protests. The protests in Oromia inspired protests in other regions and triggered two subsequent states of emergency. Eventually the ruling coalition (EPRDF) was forced to adopt internal reforms, bringing Abiy Ahmed to the fore as the new, and first ever Oromo, prime minister of Ethiopia (Pellerin and Esayiyas, 2023).

The city–national relations are characterised by asymmetric power. National elites have direct influence over city-level politics and decisionmaking. Given the capital's central role in Ethiopian politics and economy, national-level politicians keep a strong control over city-level elites and politics. Due to the ethnic makeup of the federal state in Ethiopia,⁷ regional political forces determine the national political settlement. Regional political parties determine who holds power and who enters national power structures.

Residents interviewed have strongly expressed their conviction that national elites dominate city elites in terms of power over decisionmaking in the capital.⁸ Examples mentioned by research participants concern, among others, the putting into power and removal of Takele Uma as a deputy mayor of Addis Ababa by the Prime Minister's Office (Addis Standard, 2019). Respondents explained that the federal government could influence who holds the post of mayor in the capital and trump decisions made by city-level politicians.⁹ Decisions taken by the mayor can easily be reversed at federal level. In a recent event, the city mayor was, for example, forced to pull the contested education policies when the Prime Minister's Office intervened (Pellerin and Esayiyas, 2023).

The new political settlement at national level also impacts the city level. Respondents feel, for example, that there is domination of the Oromo PP in public services employment, though it is hard to get exact statistics on the issue (Pellerin and Esayiyas, 2023). National politics and the national power configuration seem to play a role in providing a basis for interpreting changes in the city. For instance, house demolition in the city has become a political issue and has fuelled rumours about ethnicisation of everyday politics in the city.

2.1.3. City of Addis Ababa in the formal national governance structure and national development

Within the federal arrangement of Ethiopia, in which constituting units are organised around ethnicity, Addis Ababa is granted special status and the right to self-administration in accordance with the constitution and the Addis Ababa city government chartered proclamation. Accordingly, the city's administration is accountable to the federal government and Addis Ababa residents are represented in the House of People's Representatives. Since Addis Ababa is entirely found within the Oromia region, the constitution recognised the special interest the latter has in Addis Ababa, though the actual terms of the provisions are not defined. Conflicts occur between the federal government, the Addis Ababa administration and the Oromia regional government, regarding the boundaries of the capital and the respective roles and responsibilities (Abate, 2019; Záhořík, 2017; Zewdie et al., 2018). This conflict

⁷ Based on the principle of ethnic federalism, the Ethiopian federal states are supposed to create ethnically homogenous entities. Based on the principle of self-determination and decentralisation, federal entities are self-governing. Regional politics are thus controlled by ethnically based parties.

⁸ Research participants 22-27.

⁹ Research participant 42.

generates problems for the city, given its rapid growth. The recent establishment of the Sheger city by clustering six towns surrounding Addis into a single city with one administration is perceived by many of the city's residents as creating difficulty for Addis Ababa's growth (Pellerin and Esayiyas, 2023; Borkena, 2022).

With regard to the role of Addis in the country's development strategy, the city is a powerhouse for economic growth. It is a national hub for industrial development and accounts for a significant proportion of the national GDP. The Addis Ababa city development process is heavily influenced by the mega projects that have appeared in recent times. These projects involve parks, waterfront development, car parking lots, libraries, science museum, palaces, and so on. Financing is provided by international as well as Ethiopian sources. There is a feeling that these projects are targeted towards the Addis Ababa middle class, international residents and tourists, able to pay entrance fees to access the city's new recreational areas (Terrefe, 2020). On the other hand, the projects have led to displacement of individuals in informal settlements and from low-income households. According to study participants, though there is a project office at city level which is supposed to oversee the projects, the implementation of the project directly emanates from the Prime Minister's Office. This exemplifies the way national political structures and decisions take primacy over those of the city.

These projects serve multiple purposes, including showcasing the state's capacity, reinforcing government presence, and conveying the impression of continued engagement in significant initiatives. They also highlight a notable departure from their predecessors, the EPRDF, by demonstrating the ability to successfully launch and complete large-scale projects. This messaging is intended to resonate not only with local audiences but also with international observers (Pellerin and Esayiyas, 2023).

2.2. City-level power balance, governance and daily politics

2.2.1. *Key actors and blocs in the city*

The PP party is the ruling party in the city. Compared to the previous political settlement, the PP has a broad social base, including individuals from different ethnic and class backgrounds in Addis Ababa. These include low-income people who are beneficiaries of safety net programmes; groups who acquired land and property; politically connected businesspeople, who access government services on preferential terms; influential individuals and members of the Pentecostal church; and those Addis Ababans who believe that Abiy pushes for a unified Ethiopia and fights ethnicisation of politics (Pellerin and Esayiyas, 2023). Nevertheless, it is important to mention that a significant minority, around 45% of Addis, voted for different opposition parties in the 2021 national elections.

Within the city power structure, we can find a variety of different actors. The leader's bloc in Addis Ababa is rather small and mostly constituted of the city-level political elites, influential Pentecostal leaders and party-associated businesses. The bloc is fairly cohesive – which facilitates management and distribution of economic rents.

However, there exist some power struggles between Amhara PP and Oromo PP around decisionmaking and distribution of rents. Such struggles have become visible, for example, around attempts of the Oromo PP to change school legislation to introduce Afaan Oromoo into the school curriculum. Among the powerful individuals and organisations are the mayor, the leadership of the Addis Ababa City Land Development and Management Bureau and the president of the Commercial Bank of Ethiopia (CBE), as well as some big businesses. In the somewhat powerful group, one finds the Addis Ababa city council, the leadership of the Addis Ababa public service offices, middle-class business owners who lack direct access to public officials for protection but are well versed in navigating ethnic politics and public bureaucracy, PP-affiliated social media influencers, and relatives of politicians. Among the powerless in the leader's bloc are those who benefit from the system, youth and women who have access to government programmes, such as employment, food subsidies, healthcare and so on, and those lower-income classes who perceive PP as a pro-poor party. While the powerful actors have a lot of influence on decisionmaking, the somewhat powerful actors only have limited influence and the powerless nearly no influence. However, the somewhat powerful and powerless still benefit from their status in the LB, for example, for the distribution of rents.

Based on interviews conducted, it seems that a large proportion of individuals and organisations fall into the contingently loyal bloc (Pellerin and Esayiyas, 2023). They support PP as long as they benefit (directly or indirectly) or until a better alternative presents itself. The contingently loyal bloc is large and hence very heterogeneous. There is a lack of cohesiveness and no particular individuals lead the bloc. Powerful individuals and groups in the bloc include parties like NAMA and Ezema, who are allegedly (at least partly) co-opted. While opposition parties are not formally part of a ruling coalition, members of opposition parties assume government positions at city and federal levels. For instance, Girma Seifu (Ezema) was selected as commissioner of the Addis Ababa Investment Commission; Yousouf Ibrahim (NAMA¹⁰) was appointed as the head of the Addis Ababa Government Property Administration Authority; and Berhanu Nega (Ezema) holds the position of minister of education. The somewhat powerful groups are the middle class who support the idea of Ethiopiawinet, local bank owners and business owners. Among the powerless in the contingently loyal bloc are lower-income residents, mostly from the South and Amhara region, the collective of blue taxi drivers, merkato traders, migrants and informal settlers.

During the 2021 elections, the majority of Addis Ababa voted for the prime minister's Prosperity Party. Interviews suggest that the war on Tigray had a considerable impact on voter behaviour. Research participants reported voting for PP to support stability in the country, as no opposition party was believed to have enough political and financial capital to win the war. Addis Ababa voted PP for the house of representatives with all

¹⁰ Parts of NAMA are co-opted, whereas others are part of the opposition or even in prison for their anti-PP activism.

but one representative¹¹ and PP won all the seats in the city council. Despite this, however, a considerable number of residents (45.4%) voted for opposition parties. The northern and old parts of the city, such as Gulele and Yeka, seem to have slightly higher concentration of opposition voters, around 53%, compared to other areas. However, it seems that the opposition is dispersed all over the city and that the majority of the residents are either loyal or contingently loyal to the ruling party. Although no other party managed to get close to PP's election result, the sizeable vote received by opposition parties indicates that the support to the ruling party in the capital is relatively fragile.

Despite the opposition gaining a sizeable vote, it could not make a strong presence, due to a) the Ethiopian electoral system, which is first past the post, and b) the fragmented and weak nature of the oppositions.

2.2.2. *City-level governance*

The government of Addis Ababa is composed of the mayor (currently Adanech Abebe) and 24 heads of city bureaus and city managers, among others road and transport, labour and social affairs, education, peace and security, health, planning and land development and management. The mayor is appointed by the Addis Ababa city council. Given the dominant status of PP and its predecessor, EPRDF, in practice the party has appointed the mayor and the city council has formally approved the choice by vote. While the mayor nominates the Addis Ababa cabinet members, the city council has to formally approve the choice.

The Addis Ababa city council is constituted of 138 elected officials and is the city's legislative organ, tasked with making city-based laws, overseeing the executive and informing the public about city-level politics. The power of the mayor seems highly concentrated at city level.

The local administrative structures in Addis Ababa are divided into 11 sub-cities and over 110 woredas.¹² Service provision is decentralised. Woreda administrators are elected but there is no constitutional obligation to specify election periods. As a result, the government postpones local elections. For example, under the Abiye government, local elections have been postponed indefinitely by the Federal House of People's Representatives. The ruling party continues to exercise its influence over local administrative structures, in a similar way to its predecessor. This means that many important political decisions are taken at party level and communicated to government structures.

2.2.3. *Daily politics*

The national political settlement has an impact on the use of urban space and resource distribution in the city. Though the federal government does not own land in the city

¹¹ PP lost one seat because it did not field a candidate in that district. It implicitly approved of the independent candidate and the winner of the seat is an advisor to the prime minister.

¹² Administrative division of Ethiopia, managed by a local government.

and has no mandate over city-level politics, in practice, the federal government's power extends to the city's jurisdiction. Examples are the big urban renewal projects, like beautifying Sheger or Entoto park, which are nearly singlehandedly coordinated by the Prime Minister's Office, despite the fact that they are formally managed by the Mega Project Office and the Mayor's Office at city level. Research interviewees described this as "an imposition from above",¹³ "with nearly no accountability or possibility to contest any decision".¹⁴

Changes in the ethnic basis of the national PS have also affected city-level politics. This is related to politicisation and ethnicisation of the Ethiopian civil service, including in Addis Ababa. However, it is important to note that ethnicisation of politics is not new, rather the groups benefiting have changed. The last regime favoured loyalty to the EPRDF and particularly civil servants from Tigray were said to hold an important influence over public institutions (Pellerin, 2019: 111). The patterns have changed since 2018. Now it is alleged that civil servants loyal to PP and particularly Oromia PP are favoured.

The conflict between different ethnic groups in the national political settlement is also playing out at city level and affect politics in the city. The competition between Amhara and Oromo political elites is visible in the city council, with many of the Oromo pursuing a clear Oromo-nationalist agenda, which has been heavily contested by Amhara PP representatives (Pellerin and Esayiyas, 2023). NAMA, which is an opposition party, accuses the government of prohibiting ethnic Amharas from entering Addis Ababa (Addis Standard, 2023a).

Ethnicity and class are other factors which determine people's ability to navigate through the daily politics of the city. Ethnicisation and ethnic politics are reflected in the provision of public services. During the Oromo protests, Oromo farmers prevented, for example, garbage trucks from passing into Oromia regional state, where many of the landfills for Addis Ababa are located (Ahmed and Fortin, 2017). Such incidents demonstrate how struggle for political control in Addis Ababa has had direct impacts on citizens' ability to access basic services (Pellerin and Esayiyas, 2023). Similar ethnic elements were reported to have occurred in education and transport sectors, affecting the provisions of these services. Ethnicisation is observed even in the informal sector, where operators are mostly linked through ethnic affiliation to the ruling party.

Corruption in the city is also widespread, particularly in relation to land administration and transport services. While particularly visible in these sectors, corruption at all levels of the public sector has increased, including in public hospitals and clinics, public schools, government bureaus, and so on. Civil servants increasingly ask for bribes to provide services. While corruption at the lower levels of the civil service used to be highly controlled, this is no longer the case, leading to a quantitative and qualitative increase of bribes. Especially poor citizens unable to pay bribes suffer, as they have

¹³ Research participant 44.

¹⁴ Research participant 66.

more and more problems with accessing basic public services, for example, maternal health services during pregnancy and delivery.

3. City of systems overview

In the previous section, we examined how the distribution of power in Ethiopia influences development and the prospects for developmental reform in Addis Ababa; in this section, we add a more material dimension, analysing the systems by which various actors and agencies attempt to sustain and/or improve urban life.¹⁵ All of these “urban systems” depend on both physical infrastructure and human actors (but in more “social” systems, such as healthcare and education, humans play a more pivotal role in system functioning).

The partial dependence of all urban systems on physical infrastructure creates powerful constraints and path dependencies, and produces unintended (negative) externalities. We analyse how the externalities of systems (compounded by intersystem interaction¹⁶) and the scale of system failures/fragmentations add to the challenges that residents and enterprises face.

Since systems are also governed and resourced by numerous human actors (formal or informal, public or private actors – but usually a combination of these), their functioning is impacted by the political settlement described above, as well as by ideas deriving from developmental paradigms like modernism and neoliberalism. This means that systems tend to unevenly allocate goods and services, and may be used to extract benefits and secure political advantage.

The main systems reviewed in this paper are:

- water
- energy
- waste management
- sanitation
- education
- healthcare
- transportation

We examine how they function, how they support or hinder urban development, and how they may be improved. The systems study is based on qualitative data collected in two phases.

¹⁵ This section is a summary of the ACRC studies by Gebre-Egziabher, T (2023a), Lika, T (2023), Amdework, E (2023a), Amdework, E (2023b) and Gebre, A (2023).

¹⁶ Complex problems in African cities often involve multiple city systems that interact with each other; we will capture intersystem interaction in our third concept of “urban development domains”.

Phase I – Desk study: The desk study involved reviews of key official documents and academic, policy-related and grassroots data. The purpose was to produce a profile of each system that included the following aspects: coverage; ownership and governance; types and organisation; access; quality; history and record of contestation; relationship with political settlement; connections with other systems and climate- and disaster-related risk.

Phase II – Interviews: Key informant interviews were conducted with experts and key stakeholders who are knowledgeable about different systems in the city, using a semi-structured interview guide prepared by the study team. The key informants were drawn from public institutions (both federal and city level), NGOs and academic institutions.

3.1. Coverage and access

The population of Addis is growing rapidly. The last census put it at 3.8 million (CSA, 2013), but it is estimated to exceed 5 million (World Bank, 2015a). Since the city is growing fast, the population is likely to exceed these estimates. As a result, there is a huge demand for physical and social services. The current service provision, however, is inadequate. It is characterised by discontinuation and interruption (energy, water), unavailability (transport, sanitation) and low capacity (solid waste management [SWM], health, education).

In terms of energy, power outages and interruptions are common in the city. According to a welfare monitoring survey (CSA, 2016), 92% of households reported electric power failure in the week prior to the survey, with 75% reporting two or more interruptions (Gebre-Egziabher, 2023a). In a separate survey done in Addis Ababa, 26% of participants said that they experience more than six power outages in a week, while 40% said they experience up to four power outages in a week (Tesfamicael et al., 2021). Such interruptions prevent grid-connected households from achieving optimal service.

The transport service shows that the current transportation system capacities can supply only half of the daily journeys that are required inside the city (UN-Habitat, 2017). According to the key informant from the transport bureau, it is difficult to satisfy the current transport service demand, given the increase in population size and other related problems (Lika, 2023). The water service in the city is similarly plagued by shortages, such that certain parts of the city receive water on a shift basis. There are a number of pocket areas that receive water two or three days a week through the piped system (Amdework, 2023a). The disruption seems most severe at Gulele, Kolfe Keranio, Addis Ketema and Arada. Other areas, such as Kaliti Akaki and Lafto Nifas Silk also get water in shifts (World Bank, 2015b; Adane et.al., 2021). Disruptions of water supply are generally handled by providing water by tanker trucks. The Addis Ababa water and sanitation authority (AAWSA) has a fleet of 30-40 tanker trucks that can each serve about 130 households per day (Amdework, 2023a; World Bank, 2015b).

Improved sanitation in the city covers only 11.4% of urban informal settlement and 41.2% of the whole urban area of Addis Ababa (Amdedwork, 2023b). The majority of urban slums (88.6%) use unimproved sanitation facilities, including open field defecation (Abebe et al., 2016). The majority of the city's population has not been connected to the sewer system, 63% of the households use shared pit latrines, while 5% do not have access to any sanitation facility and openly defecate (Amdework, 2023b).

The existing SWM system in Addis Ababa remains inefficient and ineffective, as it is common to observe solid waste dumped in open spaces, rivers, drainages and marketplaces (Desta, 2022; Lika, 2023). It is estimated that nearly 65% of waste generated in the city has been collected and transported to the Repi disposal site, while the remaining 25% remains uncollected and dumped without proper sorting mechanisms (AACPPO, 2017; Lika, 2023). According to UN-Habitat (2017), the SWM system in Addis Ababa has a limited capacity in terms of collecting, sorting, processing, recycling and disposing of solid waste. The city's capacity for waste collection was estimated at 45% to 80% (WB and Cities Alliance, 2015 cited in UN-Habitat, 2017). Such limited capacity has a negative impact on the city's environment.

The social services, namely health and education, have better coverage. Concerted efforts have been made to respond to the healthcare demands of residents through building the capacity of health workers, providing supplies, enhancing communications and community engagement and enacting changes in service delivery modalities, among other things (Gebre, 2023). However, health facilities remain inadequate for the ever increasing population of the city. Most of the health facilities suffer from antiquated equipment and shortages of supplies (particularly medicines) (Gebre, 2023). There is a shortage of physicians, emergency assistance, psychiatric services and medications. Serious illnesses and injuries often require medical evacuation from Ethiopia to a location where adequate medical attention is available. In terms of health worker availability in the city, the number of doctors, midwives and nurses is nowhere near the well-cited benchmark of 2.28 per 1,000 population (Nyagero, 2009; Gebre, 2023).

The education system in Addis is stronger than in other parts of Ethiopia: literacy rates in the city are 80%, which is much higher than the national average (UN-Habitat, 2017), and the teacher-to-student ratio and enrolment at all levels have improved (Lika, 2023). The structure plan of Addis Ababa city (2017-2027) proposes to expand the coverage of public schools and improve educational qualities as overarching goals (AACPPO, 2017). In addition, the plan proposes to improve the distribution of schools; renovate existing schools; provide laboratory equipment, mainly to secondary schools; expand schools with limited plot size; ensure minimum standards for schools to be constructed; maintain school regulations; and provide capacity building for teachers (Lika, 2023). More specifically, the construction of 36 primary schools, five secondary schools, 12 preparatory schools and ten technical and vocational education and training (TVET) centres were identified as specific proposals in the structure plan of the city (AACPPO, 2017).

3.2. Ownership and governance

Systems are mostly owned and governed by state institutions, which set rules, policies and regulations. In some cases, central government is the major actor, while in most cases the local government or city administration (through its agencies) is the primary actor. The central government is involved in national-level electricity generation and distribution. The city government is not part of the generation and distribution, as both generation and distribution are coordinated at national level. The city administration is the main provider of water, sanitation, transport, health and solid waste services. Within the city government, decentralised units or sub-cities are empowered with full authority and responsibility for operational functions. In electricity generation and distribution, the central state-owned Ethiopian Electric Utility (EEU) company is the main actor. The EEU is not accountable to the city administration, but shares its plan and implementation report with the City Planning and Development Commission, the Addis Ababa municipal service and the infrastructure development committee.

Non-state actors are also involved in service delivery under different models. In the energy sector, private sector participation is allowed through a single-buyer model, in which the Ethiopian Electric Power (EEP) is the single buyer. In reality, the private sector participates in the construction of assets through engineering, procurement and consultancy (EPC) schemes (UN ECA, 2021). Private sector participation in transmission and distribution is limited by restriction of licences to private operators (UN ECA, 2021). The investment regulation has fully liberalised off-grid generation, distribution and sales, though to date there are very few mini-grid developers in the market (UN ECA, 2021).

In solid waste management, following the enactment of Proclamation No. 513 in 2007, mechanisms for public–private partnerships (PPPs) and micro and small enterprises (MSE) engagement were introduced (Hirpe and Yeom, 2021). At this point, it is worth pointing out that the revised MSE strategy issued in 2011 mentioned that to attract “vanguards into the party, there is a need to empower MSEs, to be leaders and mobilise others with their success” (FeMSEDA, 2011:6). Further, the government used the MSEs scheme as one way of mobilising the socioeconomically marginalised segments of society in urban areas (Gebremariam, 2020).

In 2020, out of the total collected waste, 66.75% was transported using public trucks, while the remaining 19.8% and 13.5% was undertaken through private and outsourced public trucks, respectively (Desta, 2022).

In the health sector, the private sector is visible across all levels of care in Addis Ababa, ranging from private pharmacies and drugstores to tertiary hospitals and specialty centres. The private sector serves mostly the high- and middle-income segments of the population and is relatively small and fragmented. It covers approximately 20% of the total market share, which is lower than comparator countries, such as Kenya (65%) and Democratic Republic of Congo (46%).

Educational institutions are mostly private: 76% of kindergartens, 61% of primary schools, 46% of secondary schools, 51% of preparatory schools, 85% of TVET and 91% of higher educational institutions in the city are owned, operated and managed by the private sector. This is a result of privatisation policies (AACPPO, 2017). Private institutions also work in sewage removal services. The city is serviced by more than 286 vacuum trucks, each with a capacity of 8-16m³, which are privately owned by 218 registered companies. These private entities offer desludging services primarily to households, businesses and hotel institutions throughout the city (AAIC, 2022). Informal actors operate in solid waste management, collecting, transporting and recycling waste as part of their livelihood.

3.3. History and record of contestation

The provision and running of services and systems is contested, as different residents will be affected differently by regulations, policies and standards put forward. In the transport sector, where the public and private operators are contenders for business, all are regulated by AARTA with regard to licences, fares and routes. These regulations, though considered a strength of the system and a sign of strong enforcement capacity at the local level, have been areas of contestation for a long time. For instance, transport tariffs, though not set by the city administration per se, have been a major area of contestation. While the government lifted subsidies on the basis of the rising cost of importing fuel, it has been claimed that such a policy will have a huge inflationary impact on the public, which is struggling with economic challenges. Similarly, in 2016, new regulations on route assignment and traffic controls have led to strikes by taxi drivers in the city. The recent banning of the three-wheeled vehicles in eight sub-cities has resulted in serious contestations with the city government, who justified its action as a means of improving standards, while “bajaj”¹⁷ owners and beneficiaries opposed the move.

The SWM system in the city has been governed under different arrangements that included and excluded different operators. Until early 2002, SWM was governed under a centralised arrangement, whereas between 2003 and 2005 a decentralised system was introduced and responsibilities were transferred to lower tiers, which allowed significant informal actors and private enterprises to join the system. Since 2005, the government has:

“shifted the focus of the waste collection, transportation and disposal activities towards government-affiliated cooperatives and micro- and small-scale enterprises (MSSEs) which are important for garnering political support” (Alemu, 2017: 54).

As a result, the informal actors were excluded and systematically evicted from their positions in the SWM system (Zelalem, 2006, cited in Alemu, 2017).

SWM requires collaboration among stakeholders if it is to serve as a source of legitimacy in keeping the environment clean and avoiding possible hazards. On the

¹⁷ A three-wheeled scooter used as a taxi.

other hand, lack of collaboration could result in disastrous outcomes, with wider social implications. In the city of Addis Ababa, SWM, along with the revised structure plan of Addis Ababa, was one of the major grievances that aggravated a social movement in the country in the last decade. This is related to the attempt that has been made to utilise the newly developed sanitary landfill site in the surrounding area of the city around Sendafa Town. The landfill site was made to stop operating following a protest by local farmers, who opposed the landfill, due to inadequate compensation they received and pollution concerns.

National-level policies and city-level measures in some sectors have been a source of contestation and disagreement. The education sector has seen changes in overall policy in the past decades, most recently with a curriculum change initiated in 2018 and approved in 2023. Two changes that were noted in the new policy were that, firstly, Grade 8 qualifying exams will be administered at national level instead of regional level; secondly, students, starting from as early as Grade 3, will study one national language in addition to English and their mother tongue. Both changes have raised concerns from different sides. With regard to the first, activists, opposition political leaders and regional states like Oromia and Tigray opposed it for being a breach of regional states' mandates, which are constitutionally guaranteed (Gershberg et al., 2023: 35). With regard to the second, the use of a multilingual curriculum ignited controversy in Addis Ababa, particularly with regards to the use of Afaan Oromoo as a medium of instruction in schools in Addis Ababa, and also the hosting of the Oromia regional state flag and singing of the Oromia regional anthem in schools. The issue was resolved with the adoption of Afaan Oromoo as a supplementary language, to be taught in all schools in addition to Amharic and English (Addis Standard, 2023b), and also the opening of 22 schools that use Afaan Oromoo as the language of learning and teaching (LoLT) (Ikome, 2019).

The health system in the city, which is confronted with limited resources, is also mired in conflict between patients and health providers, due to lack of communication between them, lack of adequate mental health services, and so on. The energy system is also contested because it is dominated by the federal-level public companies, with limited participation of the private sector in off-grid production and no involvement of regional and city government. This arrangement limits the space for the involvement of more actors in the system.

3.4. Risks and vulnerabilities

The (poor) functioning of systems in a city may pose risks and generate vulnerabilities. Improper management is one problem of system functioning in Addis. A typical case is solid waste management. Despite the city's effort to improve the SWM system, it remains inefficient, leading to inappropriate solid waste disposal in the drainage systems and open dumping in public and open spaces, which exacerbate risks of flooding, environmental pollution, landfill fires and related public health problems. These issues are particularly prevalent in informal settlements. Though SMEs are organised by the government to collect waste, residents of informal settlements still

tend to burn it and dump it in public places (Abnet et al., 2017). Poor SWM can even cause fatalities. A 36-hectare municipal landfill called “koshe” is a dumping site in Addis Ababa and a home for many dwellers in informal settlements. This site has been hit by a number of landslides, with the recent one in 2017 taking the lives of 116 people who were buried beneath the waste.

External factors also impact systems. Climate change, for instance, is one of the major factors affecting water supply systems in most urban areas in the world today. Addis Ababa is no exception to the impacts of climate change. On the one hand, there have been recurrent unprecedented droughts in the city in recent years, causing a decrease in river flows, reduced inflows into reservoirs, falling groundwater tables and increased evapotranspiration from the reservoirs (Worku, 2017). On the other hand, occasional climate change-induced extreme rainfall events (as well as human activities, such as farming, deforestation and so on in upper catchment areas) have been causing river overflows and flash floods (World Bank, 2015b). The city’s vulnerability to flooding is aggravated by the combination of poor drainage systems, a proliferation of poorly constructed informal housing in flood prone areas, improper solid waste disposal (as described above), and loss of green spaces and associated expansion of impermeable surfaces (Shouler et.al, 2021; World Bank, 2015b).

Climatic events like flooding and longer-term climatic changes like average temperature increases further cause damage to existing infrastructure used for urban water provision. Flooding damages pipelines and facilities, causes sedimentation of reservoirs and reduces reservoir capacity (Worku, 2017). Increases in temperature boost the growth of algae (which clogs equipment) and bacteria and fungi (which affect the taste and smell of water, increasing the cost of water treatment). In 2020, the maximum temperature increased by 0.9°C. Mean annual temperatures are estimated to increase by 1.5°C by 2050 and 2.1°C by 2080 (Adane et al., 2021). Climate change also causes atypical decreases in temperature during the months of October and December, which freeze the water pipes, leading to cracks and leaks in the water supply system (Worku, 2017). The urban heat effect is significant in Addis Ababa. It was shown that the land surface temperature in the urban centre was a mean of 5 K warmer than that in surrounding rural areas (Teferi and Abraha, 2017). (In addition to climate change, there is climate variability, which also affects systems. For example, the 2015/2016 El Niño caused a 1m depth reduction at Legedadi reservoir (Ewnetu, 2019)).

Droughts in Addis Ababa are also impacting the food system and the energy system (which is reliant on hydropower); and causing social and environmental problems related to the influx of drought victims from other urban and rural areas (Gebremichael et al., 2014).

Reliance on biomass energy for cooking by households in Addis has both environmental and public health risks. These include deforestation, CO₂ emissions and indoor pollution, to mention a few (UN-Habitat, 2017). Forests beyond the city

boundaries are being cut at a rapid rate to cover the urban biomass demand (UN-Habitat, 2017).

The consequences for one system from another system failing poses risks in the city systems. This is clearly seen in the health sector, which is heavily influenced by the water, sanitation and hygiene conditions of the city. Safe, reliable and easily accessed water and sanitation is crucial for the preservation of good health in urban areas. The water supply and sanitation situation in Addis Ababa is very poor. Most of the population do not have access to safe and adequate water supplies and sanitation facilities. As a result, three-quarters of the health problems in Addis Ababa are due to communicable diseases attributable to unsafe/inadequate water supply and unhygienic/unsanitary waste management, particularly excreta (Dinede et al., 2020). Diarrhoea diseases caused by improper management of water and sanitation are among the major causes of infant and child morbidity and mortality in Addis Ababa. The operation of city systems can also result in risks and vulnerabilities which might even involve human life. According to data from the Federal Road Transport Administration, pedestrians are affected by 60% of all serious crashes and 73% of all fatalities result from road traffic crashes. This is mainly due to the failings of the transport system. For instance, urban walking conditions are challenging and pedestrian-friendly uses of public places are uncommon. Addis Ababa's road network lacks pavements for over 65% of its streets (Lika, 2023).

3.5. Key issues, limitations and challenges

Clearly, urban systems in Addis Ababa face severe limitations and challenges, which we summarise here.

The first limitation is that systems are not equally accessible to residents across the city. Three key factors account for this. The first factor is affordability: poor residents in the city struggle to afford motorised transportation (and hence resort to walking on foot), private healthcare and electricity (since the tariff was increased in 2018). The second factor is topography: many informal settlements are located on hill slopes or in river valleys where it is difficult to build services infrastructures. The third factor is titling: informal settlers lack formal land title, which deprives them of services. Water and electric connections require formal title deeds, and solid waste collection requires a water connection, as the bills are combined.

The second limitation of systems in the city is their fragmented nature, in terms of regulatory institutions, services, actors and ownership regimes. The transport sector, which is organised by different institutions undertaking different aspects of transportation with little coordination, is a clear case of system fragmentation. The system is also fragmented in terms of service provision, since there is no integration between public bus systems in the city and the independently operated minibuses providers in terms of network coverage/routes, fares, schedules and facilities.

The third limitation is that, although systems operate at the interface between formality and informality, the latter is not recognised and made part of the

decisionmaking. A case in point is informal actors in SWM, who engage in solid waste collection, recycling and use as a means of livelihood, but are sidelined from the formal decisionmaking processes around the SWM system. In water provision, there are small independent water providers (SIPs) who operate besides AAWSA. These providers serve the low-income households that do not have private connections; households in informal and new settlements; and areas where there is interruption of water supply. They, however, remain separate from the formal system.

The fourth limitation is the lack of intersystem coordination and integration.

Though systems are often interrelated and the performance of one system depends on or impacts another, there is little integration and coordination among systems. As a result, failure in one system leads to inadequate service delivery in another.

The fifth limitation is that systems infrastructures are generally in poor condition.

This is particularly evident in the electricity, water, sewerage and sanitation sectors, where low efficiency and effectiveness are very much a function of inadequate or obsolete infrastructures.

4. Development domains

We have examined the political settlement and city systems; now, we analyse how these shape some of the development domains in Addis. A development domain is a distinct field of discourse, policy and practice that has formed around a complex, intersystemic development challenge in a city, in which various actors (political, bureaucratic, professional and popular) collaborate and/or compete for authority.

These development challenges usually fall under the remit of specific central and/or local government departments. In most cases, affected residents and civil society groups become involved in addressing them; experts (often constituting an “epistemic community”) also get involved; and ruling elites may or may not get involved, depending on the opportunities that these domains offer for asset accumulation, rent extraction and electoral success (through the representation of ideologies, demonstration of state capability or manipulation of voters).

In each development domain, particular ideas, practices and systems interoperate in ways that either sustain or reshape the power configuration in the city and country. If we wish to change the way a domain’s problems are framed and addressed, we need to understand its key actors and interoperating ideas, practices and systems. In this section, we generate such an understanding for the domains of housing, youth and capability development, and structural transformation.

4.1. Housing domain

The purpose of the study conducted on the housing domain in Addis Ababa has been identifying the major trajectories in the housing sector by taking stock of current housing-related initiatives against a backdrop of past housing-related policy

interventions.¹⁸ The study involved an extensive review of relevant previous research, policy-orientated documents and legal frameworks as well as in-depth interviews, further complemented by a case study approach. The in-depth interviews were conducted with selected key informants and stakeholders who have housing-specific expertise or expertise related to systems and domains that have linkages with the housing domain. The interview participants were from:

- Ministry of Urban and Infrastructure Development.
- Addis Ababa city administration: officials and experts from city-, sub-city- and woreda-level administrative bodies explicitly dealing with housing provision, land delivery, law enforcement, and so on.
- Individual house owners, including those renting their houses, as well as community leaders.
- Brokers engaged in the home sale and rental markets.

The case studies take up issues that can help reveal the contributions of some of the major actors in the housing domain, specifically with regards to 1) housing extensions being made by private house owners in response to the demand in the rental housing market; 2) voluntary initiatives in housing upgrading with immense potential to address the housing needs of vulnerable groups; 3) the procedures involved in selection of tenants for vacated government-owned public rental houses; and 4) finishing works on condominiums to be undertaken by unit owners involving hired contractors. The case studies identify entry points within both the housing domain and the city systems to leverage ongoing attempts by the city administration and other actors towards addressing the housing needs of the city's residents in a more inclusive and sustainable manner.

Furthermore, the study provides some reflections on the relationships between the housing domain, on the one hand, and the other domains and system-level studies, on the other, which shed light on key strategic issues to be addressed in order to achieve sustainability in the broader urban development of the city as well as its housing domain.

The final section highlights the recent policy reorientation regarding the housing domain.

4.1.1. Political and economic significance of housing

Housing in Addis Ababa has a huge political and economic significance. Though housing is a basic human need that must be provided in an affordable and adequate manner, the situation in Addis Ababa is far from this. It is characterised by huge backlogs, slum conditions in inner areas and squatter settlements in the periphery. More recent studies quantifying the backlog of housing are not available, whilst the housing sector study included in the city's Structure Plan Final Summary Report put the figure at 500,000 for 2013 (AACPPPO, 2017). As a result, fulfilling current housing

¹⁸ This section is a summary of the ACRC study by Fekede and Amdemeskel (2023b).

needs, replacing the existing dilapidated houses and supplying homes for a growing urban population are daunting tasks in the city of Addis Ababa.

Economically, housing is a major livelihood asset of urban dwellers who undertake home-based income generating activities (HBIGAs), which is an important component of the city's huge informal sector. Despite the scarcity of residential space in slum neighbourhoods, domestic spaces, including dwelling rooms, courtyards and adjoining neighbourhood streets, are utilised for HBIGAs. Housing provision in Addis Ababa, through the integrated housing development programme (IHDP), was taken as a deliberate strategy of generating employment and income as well as alleviating urban poverty and fostering livelihoods through labour-intensive construction technology. This reflects a broader social, economic and political goal of the programme, apart from providing shelter to low-income groups that were the majority in Addis Ababa. As the programme was initiated after the policy changes introduced by a government that experienced a serious election setback in urban areas, including Addis Ababa, the importance attached to housing changed with the dynamics of the political settlements.

For instance, it was initially integrated with the MSE development programme that the city government has been implementing. The aim of this programme was to generate employment for unemployed youth and women, and impart modern construction skills to be employed in similar housing programmes as well as houses to be constructed by individual households and private real developers.

Accordingly, during the initial years of the IHDP that started with the 10/90 and 20/80 modalities¹⁹, all categories of registered contractors (Grades 1-6) were given these public contracts, due to the then serious shortage of contractors. These contractors were also obliged to bring on board MSEs established by the city administration in the construction work. The government envisaged the MSEs would transform themselves into formal construction companies, and the pre-existing formal construction companies will bring them on board and develop their capacity. At the same time, the formal companies will also develop their own capacity that will enable them to eventually handle more complex construction projects in the domestic and international markets. As the implementation of the IHDP progressed, the height of condominium buildings to be built gradually increased to accommodate more condominium units per unit area, in consideration of the increasing shortage of urban land.

This was accompanied by first the abandonment of the 10/90 modality and then the move from the 20/80 to the 40/60 modality. In case of the 40/60 programme, which was introduced later and involved the construction of taller buildings, from G+8 to G+24,²⁰ the contracts were awarded to Grade 1 and Grade 2 contractors in response to issues of construction quality and safety. Furthermore, these contractors had more discretion to hire their own daily labourers, whom they were deploying to specific lines of

¹⁹ A modality of housing finance in which the individual pays a down payment of 10% or 20% of the cost of the house and the remaining 90% or 80% will be settled over a number of years, as per the mortgage contract with the government.

²⁰ Buildings with a ground floor and eight to 24 storeys above it.

construction work as they saw fit vis-a-vis employing government-minted MSEs. This also reflected the waning of government support that the MSEs had been enjoying during the previous years and hence the new political settlement that started to dissociate itself from the developmental state model and embrace more private-sector-driven development.

The level of housing construction employment generated as part of the IHDP varied with the amount of budget that could be allocated and hence the number of active condominium housing projects. The same has been true in more recent years, when construction firms belonging to higher grades have had more leverage in implementing housing projects for both government and private clients by hiring construction labour at magnitudes and timing that they deem profitable.

4.1.2. Actors and authorities in the housing domain

Housing is a multi-actor sector in which various stakeholders with varying powers and interests are involved. These actors are found at different scales, ranging from the federal to the city and sub-city levels. Depending on their power and interests, the actors can be categorised as follows:

High power, high interest actors: These have legislative or significant executive authority, shape laws and control essential resources, such as land and capital. Their actions have ripple effects, influencing numerous other stakeholders. Additionally, they demonstrate a direct interest in the provision of housing, which is strategic to their roles. This group includes legislative and administrative organs, as well as grassroots actors, such as brokers, who hold significant informal control over the housing market. The actors include the Prime Minister's Office (PMO), the Ministry of Urban Development and Infrastructure, the Federal Housing Corporation, the city council, the mayor's office, the Construction Permit and Control Authority, the Commercial Bank of Ethiopia, and informal brokers that are active in sales and rental housing markets. The PMO is perhaps the most powerful, considering the fact that Addis Ababa is the seat of the federal government and the city administration is answerable to it. Moreover, the city administration has been implementing the IHDP, which is one of the nationally sanctioned development programmes. On the other hand, the source of strong power for brokers lies in information asymmetry that is a typical feature of undeveloped housing markets, as is the case in Addis Ababa. The role of brokers – whether formal or informal – is indispensable in reducing transactions costs in the housing market, by availing information to buyers (about houses and residential land to be sold) and sellers (about potential house and residential land buyers). This has also to be seen in light of the highly segmented nature of the housing market, plus the uniqueness of each housing unit or residential plot in terms of housing typology, floor area and plot size, as well as its location in a particular neighbourhood with particular accessibility to jobs, local services and citywide services. Informal brokers also play a role in facilitating informal transactions in residential land in hitherto agricultural lands within the city's boundary and beyond.

High power, low interest actors: Despite their significant legislative, political and financial resources, the actors with high power but low interest do not consider housing as their primary concern. In fact, housing is only one of several sectors that attract their attention. Their power is often directed towards other objectives, with housing being of secondary interest. This group includes actors such as the National Bank of Ethiopia, the Land Management and Development Bureau, and international bodies like the World Bank and UN-Habitat.

Low power, high interest actors: Actors with low power but high interest perform duties directly tied to housing sector management and various housing sector initiatives. However, they have limited control over key resources, do not have power to take strategic decisions, and lack the financial capacity to significantly influence housing-related education and research. Despite these constraints, they hold high interest in the sector, due to the integral nature of their roles or operations. This group includes the Addis Ababa Housing Development and Management Bureau, the Addis Ababa Housing Development Corporation, housing cooperatives established under a newly introduced 70/30 programme,²¹ the Community Participation and Voluntarism Coordination Commission, professional associations, education and research institutions, private residential property owners, sub-city administrations, real estate companies, construction companies, Goh Betoch Bank, and microfinance institutions and media companies. Due to the focus of the 70/30 housing cooperative programme in the city on land-saving multistorey residential apartments (as per prototypes developed by the city administration), as well as the reliance on banks to provide the construction finance, and private construction companies (the city government would assist such cooperatives by providing free construction administration services), the housing cooperatives and, by extension, their members, will have limited agency and leverage in managing the pace of housing construction.

Low power, low interest actors: The low power and low interest actors have limited duties, control over resources or influence over policy directions. These stakeholders are primarily engaged in other sectors, making their interest in housing minimal. This does not, however, negate their potential indirect influence or the possibility of their interest and power shifting with changes in strategic focus or external conditions. This group includes the Addis Ababa Cooperatives Promotion Bureau and various NGOs.

4.1.3. Major components of housing supply

The housing study revealed that Addis Ababa has been the hub of housing policy interventions in Ethiopia. A socialist housing policy (1976-1991) left a legacy of mismanaged public housing stock and institutions geared towards nationalised houses and cooperatives. In 1991, a market-based macroeconomic policy was adopted, but housing was beset by a policy lacuna up until the launch of the Integrated Housing

²¹ Whereby individuals forming housing cooperatives are expected to complete 70% of the physical construction of multiple-unit residential apartments to be eligible for mortgage finance arrangements for completing the remaining 30%.

Development Programme in 2005. The continued public ownership of land, together with the developmental state model of the government, has enabled the public sector to be heavily involved in the national housing provision programme, IHDP.

Public sector involvement in housing provision

The IHDP is an integrated approach to urban housing delivery (UN-Habitat, 2011) which is run by city government. The latter invests directly in the housing programme by subsidising the provision of serviced residential land and mobilising the finance required for the construction of houses from the state-owned Commercial Bank of Ethiopia (CBE). The IHDP is focused on building condominium houses under the 10/90, 20/80 and 40/60 programmes.

Beneficiaries of the Integrated Housing Development Programme (the publicly managed condominium programme) would receive keys for their units after paying 10%, 20% or 40% of the administratively-set housing prices as an advance payment and entering mortgage contracts with CBE for the repayment of the remaining balance. Put differently, lesser amounts of upfront payments were required from those in the lowest income brackets that were assumed to go for the 10/90 programme, and relatively more in the case of the more affluent, as is typically the case for the 40/60 programme. The actual cost of condominiums is being continuously revised when they are transferred to winners of condominium lotteries, under a mortgage arrangement to be facilitated by the CBE. The government is subsidising the cost of land, infrastructure and project administration. The main political goal of the condominium programme is, in the main, to muster the support of low-income groups, by making them house owners and freeing them from the high cost of rent they pay to private landlords, as well as creating jobs for unemployed youth and women to be organised under MSEs.

Notwithstanding its contributions in terms of institutionalising housing as a distinct sector, making significant additions to the city's housing stock, changing the city's landscape as well as introducing new construction technologies and ways of life in a condominium setting, the condominium strategy comprising the 10/90, 20/80 and 40/60 programme has proven to be unsustainable and a "de facto subsidy for the rich", as it increasingly fails to address its intended target groups, with many being unable to afford the advance payments and mortgages. Under the condominium strategy, the city administration has managed to distribute about 350,000 condominium units since 2004, which only accounts for about a third of the original plan to construct 50,000 units per year.

This is reckoned to have far-reaching implications in terms of creating further congested housing environments in old settlement areas, proliferation of informal housing developments in the city's peripheral areas and, above all, in making housing less affordable, notwithstanding the stopgap effects of informal rental housing provisions by individual house owners. The government-designed, funded and managed condominium strategy has had a crowding out effect on the various non-government actors, and this can be considered as the main reason for the limited

attention to development of elaborated legal frameworks for regulating both the rental and sales market.

Private real estate developers

Since the enactment of the urban land lease law in 1994, the city has witnessed the rise of profit-oriented real estate development in housing in most of the newly developed parts of the city where the city administration was able to provide residential land under a lease arrangement. The developers target the high end of the housing market, though it is difficult to quantify the proportion of the housing market that they serve, due to the lack of comprehensive data on the number of housing units to be constructed in the city. The private sector's performance is affected, among other things, by limited access to construction finance, lack of coordinated delivery of infrastructure and shortage of construction materials. This in the main refers to the construction of both villa-type and apartment housing by formal real estate companies on residential plots that they acquire from the city administration and, in more recent years, from individuals possessing formal title deeds for larger residential plots. The lack of regulation is one of the major difficulties in following up the performance of the real estate sector, in terms of the number of houses constructed, their typologies, and so on.

The various problems have to do with the lack of consolidated legislation on real estate development and management. A real estate development and marketing proclamation was initiated as early as 2012 by the then Ministry of Urban Development and Construction (MoUDC), following the public outcry associated with the complaints lodged by the clients of the Access Real Estate Company. This draft proclamation was sent to the attorney general for review, and for recommendation to the council of ministers, which would eventually table it to the federal parliament for deliberation and enactment. The delays in the approval of the envisaged proclamation could be attributed to the high priority that the government had given to the government managed condominium programme until recently, instead of real estate development. Policymakers are also interested in making the proclamation more comprehensive and include legal provisions for the regulation of the rental housing market. The presence of vested interests from property developers that got access to subsidised land cannot be ruled out, though this would require further investigation.

Informal housing

Although the condominium housing programme promoted owner occupation by low-income groups, it has also fuelled informal housing arrangements, by crowding out non-state actors. Informal settlements in the city refer to unauthorised housing constructions that have taken place in the peripheral parts of the city, and are characterised by deficient infrastructure and lack of tenure security. There is no census to date recording the number of informally constructed houses in the city. According to World Bank (2005, cited in UN-Habitat, 2017), informal settlements and slums together constitute nearly 30% of total Addis Ababa housing.

In Addis Ababa, where land prices are rising, due to the limited supply of land by the city administration and severe competition among house buyers, the bulk of the demand for residential land, particularly by low-income households, is met through informal land transactions occurring mainly in the city's peripheries. This involves buyers, farmers selling their land-holding rights, and brokers who facilitate the informal land transaction. The land that changes hands is within the administrative boundary of the city. It was hitherto agricultural land serving as a source of livelihood to peasant households, and designated as the city's "expansion area" to accommodate new built-up areas. It was slated to undergo a formal land-use conversion, as per the city's master plan.

These informal arrangements offer peasant households a better option to compensate themselves than what they expect to obtain from the city administration, even under the updated provisions for compensation for their landholding rights.

Informal housing construction in these areas is undertaken in an incremental manner owing to multiple factors, including the shortage of construction finance, absence of basic infrastructure – including roads and utility lines for water and electricity – as well as (perhaps not less important) a lack of tenure security. Notwithstanding the presence of corrupt local officials that benefit personally from such transactions, it is through local government structures that the city administration takes demolition measures against such informal settlements. Despite the deployment of law enforcement officers at the *woreda* level to control, among other things, the illegal occupation of land and construction of housing without official permits, the process of informal development is still continuing in the city. Informal housing development continues to cater for the housing needs of those who could not get formal access to residential land as well as low-income households seeking cheaper rental housing, notwithstanding the presence of corrupt practices in land management that seem to have the upper hand during the post-2018 political settlement.

4.1.4. Key systems and systemic issues in housing

As the various subsections of this domain demonstrate, albeit implicitly, city systems pertaining to the availability of infrastructure and services, finance and construction materials as well as land and building regulations, have had their own effects on the performance of the housing domain, in addition to the overarching impacts of the political settlement. The availability of infrastructure, including access roads and utilities, has affected the pace at which the construction of housing could be completed and units could be ready for occupation in the different modalities of housing provision, even under the condominium project that got utmost attention between 2005 and 2018.

As the government owned the land, land availability and building regulations were not major constraints in the case of the condominium programme designed and managed by government. Rather, it was the non-availability of construction finance and challenges for the proactive delivery of basic infrastructure that proved to be the major constraints. Against this backdrop, the government decided to use the Commercial

Bank of Ethiopia as a policy bank to mobilise savings from households registered for condominiums and, more importantly, to provide loans to the city government in order to finance the construction of condominiums that were distributed to the lucky ones among those registered for the condominium programme. Inadequate budget had taken its toll on the proactive development of basic infrastructure (roads, water and electricity), and hence the pace of construction and habitability of condominiums. Yet, it is the shortage of construction finance faced by the programme associated with the city government's failure to repay its loans in time that had led to the abandonment of the 10/90 programme as well as the slow-paced implementation of the 20/80 and the introduction of 40/60 programmes. The city government's failure to repay its loans on time led to its constrained access to construction finance from CBE and hence the abandonment of the programme.

Similarly, it was the severe shortage of construction finance and infrastructure that affected the performance of the private real estate investors who enjoyed access to land under the lease arrangement during the 2005-2018 political settlement. On the other hand, it was the limited formal supply of residential land and housing under the slow-paced condominium programme that led to the expansion of informal settlements into hitherto agricultural land in the city's administrative boundaries and beyond, reflecting the demand–supply gap. Apart from leveraging their access to residential land, informality should also be seen as an avenue taken by households to exercise their agency in mobilising construction finance at their own pace and to build their houses incrementally.

The fact that construction finance is a systemic constraint is even more vivid in the 70/30 and public–private partnership (PPP) strategies being introduced under the post-2018 political settlements. Housing cooperatives, through their members' own savings, are required first to complete 70% of the construction of their apartment projects on land to be provided by the city government, before being eligible for bank loans to finance the remaining 30%. Similarly, private real estate developers have to fully mobilise construction finance, whilst the government's only role is to make land available and facilitate the provision of infrastructure under the PPP strategy.

4.1.5. *Housing finance*

A major challenge faced by the housing market in Addis Ababa is unaffordability, which is linked to the level of household incomes, the type of construction technology permitted by current planning and construction laws, and availability of construction and mortgage finance.

According to a previous study (Tesfaye, 2007), the housing cost to annual income ratio stands at 13.9 times for “*chika*” construction²² and 29.2 times for concrete block units, indicating an extreme affordability challenge. This ratio suggests that households need

²² “Chika” translates to “mud” in Amharic and Chika housing thus refers to traditionally constructed housing units with wooden walls plastered with mud mixed with cereal straw and typically with corrugated iron sheet roofing.

to save 14 to 29 times of their annual income to construct or purchase housing without long-term financing support (Tesfaye, 2007). In addition, even though the cost of house construction using *chika* is half that of using hollow concrete blocks, *chika* construction is not permissible within the context of official building regulations, which prescribe the use of manufactured cement-based construction materials. To all intents and purposes, the building regulation does not uphold the use of indigenous construction technologies (even though they are more sustainable, as they use locally available construction materials).

Furthermore, given the utmost attention given to the government designed, financed and managed IHDP, most housing development by individual households in the city has been financed outside the formal banking system. This was for the most part handled incrementally, using savings as well as utilising locally available construction materials and mobilising mutual labour during construction, even though the latter had become less important in recent years, due to the gradual dominance of the cash-based economic system. In more recent years, remittances from diaspora relatives residing in the Middle East, USA and Europe have become an important source of housing finance. As one of the case studies below demonstrates, advance payments from potential tenants is an additional source of finance for incremental housing (Case 2). As for the role of microfinance institutions, their shelter portfolio is very limited, due to their focus on financing micro and small enterprises.

Historically, the emergence of mortgage banking in Ethiopia dates back to the establishment of the Imperial Savings and Home Ownership Public Association (ISHOPA) in 1963, which was later nationalised after the adoption of state centred policies during the Derg regime²³ (1974-1991). The new bank – Housing and Saving Bank – was geared towards the provision of subsidised loans to housing cooperatives that were also enjoying preferential access to land and subsidised construction materials supplied by the government. Following the change of government in 1991, HSB was renamed Construction and Business Bank (CBB) and entered into universal banking service provision, and its capacity to provide housing loans has been very much limited. It is the Commercial Bank of Ethiopia (CBE) that has been assigned the task of mobilising savings from residents registered for the IHDP programme, as well as facilitating mortgage arrangements for those who win condominium lotteries. It was against this backdrop that the CBB was amalgamated with CBE in 2015.

Notwithstanding the role that CBE has been playing in the context of the IHDP, the current mortgage housing finance system in the country is underdeveloped and most of the banks operating in the city are commercial banks that do not provide long-term loans for house construction. The Goh Betoch Bank, which officially commenced operations on 25 October 2021, is the first and, to date, the only private mortgage bank in Ethiopia to operate in Addis Ababa. The major constraint for the development of the

²³ The Derg regime ruled the country during 1974-1991 and followed a socialist orientation that led to nationalisation of productive factors, including land and housing.

mortgage banking sector in Ethiopia has been the capacity to mobilise adequate funds for housing construction, due to the limited scope for mobilising savings.

4.1.6. Case studies

The housing domain researchers also examined four case studies, which are described below (Fekede and Amdemeskel, 2023b). Though exploratory in nature, these case studies demonstrate how political and systems challenges are impacting the performance of the housing domain. The two case studies on renovation of public rental housing units and the allocation of vacated publicly owned rental units show how political systems determine housing outcomes for the vulnerable groups of society, notwithstanding the effects of system-level constraints on the same. On the other hand, notwithstanding the effects of political settlements, the remaining two case studies on housing extensions by small landlords and finishing works by condominium owners demonstrate the effects of system-level constraints that pertain to availability of basic infrastructure, such as access roads, water and electric power, as well as building permit and taxation regulations.

Case 1: Processes involved in undertaking finishing works for condominium houses

This is an exploratory case study on finishing works undertaken by condominium owners in Addis Ababa. The study was undertaken in Aware 20/80 and Berchiko 40/60 condominium neighbourhoods. The case study focuses on various aspects of finishing works, including intention, extent and type, as well as aspects of building safety and regulation. It highlights that finishing works on individual condominium units involve tiling, room re-partitioning involving masonry works, sanitary and electrical installations, plastering and rendering of walls and ceilings, replacing of window and doors, and painting. The study found that these are largely left to the owners' discretion, occurring without formal regulations from building permit offices. Owners and construction workers engage in trial and error, learning through experimentation and benchmarking. Construction workers, often specialising in specific activities, influence concepts for unit re-partitioning, material selection and interior design. Hence, there is a need to enhance their efficiency through targeted training and certification. Condominium owners' associations play a crucial role in maintaining the integrity of common areas and mediating disputes arising from finishing works.

Furthermore, the study suggests a need for tailored technical support in designing finishing works to meet owners' specific needs and optimise material use. Currently, a lottery system for unit allocation limits proactive owner involvement, leading to inefficiencies and wastage during reconstruction. Introducing an integrated approach to managing construction waste and exploring reuse possibilities could minimise resource wastage. Ultimately, addressing these issues requires a comprehensive, integrated approach to construction management to mitigate wastage and resolve conflicts among condominium owners effectively.

Case 2: Housing improvement/extension works to be undertaken in private Holdings

This exploratory case study on housing improvement and extension efforts undertaken on privately owned property in Addis Ababa focuses on the motivation, financing, as well as manner of housing extension. It also looks at issues of accessing utilities, and other regulatory and service matters. The case study found that owners improve and make some extensions to their housing units either to create additional living space (that is, separate rooms or self-contained residential units) to accommodate a growing family size or grown-up family members, or to obtain rental income by subletting all or part of their houses. Despite the importance of building permit procedures, homeowners found them time-consuming, costly and unnecessary, leading to non-compliance and corrupt practices. The study found that house extensions take place in an incremental manner and that the major constraint for this is shortage of construction finance. Most commercial banks do not provide long-term construction finance, whilst their shelter-related portfolio of microfinance institutions is limited compared to their commercial portfolio. Moreover, the predominance of informally constructed houses and, associated with this, the absence of formal title deeds on the part of property owners due to lack of modern cadastral systems and sluggish regularisation efforts, are additional factors. Even individuals with title deeds may be reluctant to borrow money because they fear their property will be seized as collateral if they default on repayments. Hence, there is a need to create an enabling policy framework for shelter financing that should be complemented by innovative construction materials that can reduce the cost of construction. Decisions regarding housing extensions are influenced by family needs, resource availability and rental possibilities, yet complicated by government taxation policies like the wall and roof tax imposed by Addis Ababa's city administration, and rent control regulations.

Case 3: Kiremt voluntary service programme for Kebele houses renovation

The Addis Ababa city administration has been implementing a *Kiremt* (summer) voluntary service programme aimed at upgrading old public rental housing units inhabited by destitute families, by involving, among others, businesspeople, youth volunteers and community based organisations (CBOs.) The *Kiremt* season is selected for this programme because it is an extended period of more than two months when schools are closed for vacation, thus offering double opportunities. Firstly, students during this period are available to be mobilised as youth volunteers. Secondly, classrooms can be used as temporary shelters for households to be selected as beneficiaries of the programme, while their housing units undergo demolition and/or renovation.

The initiation of the *Kiremt* voluntary service is intimately entwined with Prime Minister Abiy's wider scheme of public mobilisation. Following his assumption of office in February 2018, he set out to employ voluntary service as a mechanism of contributing towards national development. Since then, PMO has been implementing several

rounds of annual housing renovation projects in a neighbourhood known as Abware, located near the palace and the parliament. This programme, which has gained momentum and recognition during the past couple of years, focuses on renovating dilapidated housing units of the “poorest of the poor”, thereby improving their living conditions. As described by the staff of woreda-level housing administration and public mobilisation offices, the process of selecting beneficiaries begins with woredas compiling a list of houses in need of renovation, and sending it to the sub-city administration. Subsequently, a sub-city-level committee conducts visits to the houses selected by the woreda, and undertakes its own assessments, considering criteria such as housing condition, economic capacity of tenants and their vulnerability, as preference will generally be given to pensioners and elderly residents, female-headed households, persons with disabilities, and so on. This committee then compiles a list of potential beneficiaries to be reported to the city administration for further consideration. This may be followed by a field visit by officials from the Addis Ababa City Voluntary Service Coordination Bureau, who conduct thorough inspections of the houses recommended by the sub-city. Their approval marks the green light for proceeding with the renovation. Resource limitations mean fewer beneficiaries can be selected, and this often becomes a source of dissatisfaction on the part of the destitute population.

The case study found that the *Kiremt* voluntary house renovation of *Kebele* houses received positive feedback from the beneficiaries. It generally succeeded in improving the living conditions of low-income residents, even though there were certain challenges, particularly related to temporary housing arrangements during the renovation. The programme mobilised financial and non-financial resources from the private sector, youth volunteers and government offices. Residents whose houses were renovated reported significant improvements in their quality of life.

However, challenges in resource mobilisation impacted the scope of house renovations. The involvement of public mobilisation committees and volunteers was crucial, yet clarity about their roles led to disruptions. Additionally, the turnover of local government officials hindered coordination and oversight, resulting in delays. Misunderstandings among beneficiaries regarding ownership rights over renovated houses further complicated matters, necessitating clear communication to manage expectations and prevent disputes post-renovation. Future iterations of the programme could explore greater community engagement in decisionmaking and consider holistic improvements to housing facilities to further enhance the overall impact of the initiative.

Case 4: Status of public rental (Kebele) housing units management in the city

Social housing in Addis Ababa refers to city administration-owned and woreda-administered rental housing units, which are provided at prices that were administratively set in 1975. These rental units are widely known as *Kebele* houses and date back to the nationalisation of all urban land and extra houses as per Proclamation 47/1975 as part of the then-socialist ideology. For most of the families currently residing in these *Kebele* houses, their tenancies date back to the time of their

nationalisation or they are the second or third generation descendants of the original tenants. However, new tenants will have to be accommodated when such units are vacated, as is the case when households residing in *Kebele* houses win condominium lotteries or manage to construct or buy their own houses. This case study investigated the effectiveness of current governance arrangements (structures and processes) for managing *Kebele* houses, which are crucial in ensuring predictability as well as transparency and accountability in the allocation of such units.

There is an intricate and time-consuming administrative process involved in applying for and receiving *Kebele* housing in Addis Ababa. The multi-layered system of selecting beneficiaries, spanning from block-level committees within a given *woreda* to the sub-city level, was found to create a complex web of decisionmaking that lacks transparency and raises equity-related concerns. The study highlighted that the final authority lies with the sub-cities, giving them significant power in determining the allocation of *Kebele* housing units when vacated. Unfortunately, this concentration of decisionmaking authority appears to perpetuate inequalities as the most vulnerable members of society are allocated dilapidated housing units, whereas those with better quality are often grabbed by individuals who are well-connected to the local political leadership.

Such decisions to allocate highly subsidised government-owned rental houses are often rationalised as mechanisms of improving the performance of civil servants and officials in leadership positions, who spend a high proportion of their meagre incomes on house rent to individual landlords.²⁴ But the lack of predictability in the allocation process adds to the overall lack of transparency and fairness. Efforts should therefore be made to involve stakeholders, including applicants and community representatives, in decisionmaking processes to enhance transparency and accountability. Additionally, establishing clear and objective criteria for beneficiary selection, as well as monitoring and oversight mechanisms, could help mitigate potential biases and improve the overall fairness of the allocation process.

4.1.7. Current and potential reforms/interventions

Most of formal housing construction in Addis since the launching of the IHDP in 2005 has been a government activity. Since the launch of the IHDP, the city administration, through its housing bureau, has taken the main responsibility for housing. The programme was undertaken at a larger scale and has enabled some coordination among the various government agencies, such as those supplying land, finance or construction materials. The action, therefore, has excluded other actors, such as real estate agents, NGOs, housing cooperatives, and so on, from actively engaging in housing coalition formation. As a result, the notion of reform coalitions (cf. ACRC's

²⁴ See [Fortune News](#), 11 February 2023 (accessed 4 March 2025).

definition)²⁵ may only apply to what is being witnessed in connection with the launching of the city-wide initiative for annual summer voluntary *Kebele* housing renovation, since it is bringing on board a wide range of community-based, private and governmental actors (Case 3).

The findings of the study have also revealed a shift by the city administration from the owner-occupied model espoused by the condominium programme, to one that embraces the multi-actor scenario, whereby the housing cooperative-based 30/70 and public–private partnership (PPP) models are given utmost attention, along with a renewed interest in public rental arrangements. This is in line with a broader policy shift by the federal government from leveraging the developmental state to more private-sector-led developmental aspiration.

The city administration under the new policy shift is abandoning the complete reliance on the owner-occupier scenario under the condominium strategy, in favour of a multi-actor scenario, whereby individuals previously registered for the 20/80 and 40/60 programme can now organise themselves under housing cooperatives (HCs) to jointly construct apartment buildings with the aim of owning their own units. This is a 70/30 scheme, whereby individuals forming HCs are expected to complete 70% of the physical construction of multiple-unit residential apartments to be eligible for mortgage finance arrangements for completing the remaining 30%. On the other hand, the city government is trying to maintain its social base (that is, low-income groups) by promoting the public rental option as well as adopting legal frameworks aimed at regulating the provision of rental housing by individual property owners – the majority of whom are “small landlords” who extend their housing units to create rental housing units. Accordingly, the city government envisages increasing its rental housing stock, both under the PPP arrangements, and by building condominiums with government budget. Both are meant to cater for the housing needs of low-income groups who might not be able to afford to own houses in either of the options. The government has also introduced laws aimed at controlling price hikes and evictions by private landlords, the majority of whose tenants are from low- and middle-income groups.

The city government is adopting a variety of initiatives to increase the housing stock, by constructing housing in different modalities. These new initiatives include: 1) the 70/30 programme, aiming to construct 100,000 houses through housing cooperatives (which would address about 20% of the total backlog of 500,000 applicants to the 20/80 and 40/60 programmes, who are still waiting for condominium units to be constructed and transferred by the city administration); and 2) the public–private partnership housing development, whereby the city government will avail residential land, whilst private real estate companies would mobilise construction finance and entirely manage the construction. Unlike the previous programmes directly managed by the city

²⁵ ACRC defines urban reform coalitions as “groups of diverse stakeholders... who perceive benefits in coming together... to achieve common goals”. See Mitlin, D (2023). “The contribution of reform coalitions to inclusion and equity: lessons from urban social movements”. *Area Development and Policy* 8(1): 1-26.

administration and that focused on owner-occupied housing, the new PPP initiative envisages 30% of the housing units to be handed over to the city administration to be part of the government-owned rental housing stock that would target low-income households. The PPP arrangement is already being rolled out by the city administration, as also evidenced by TV commercials by OVID Group that had already advertised its apartment units. OVID is an emerging real estate company whose PPP proposal has been accepted by the city administration, among a total of 68 shortlisted contractors and real estate companies.²⁶ Furthermore, the city government has a plan to construct 10,000 houses that would serve as public rental units, using prefabricated materials, of which 4,400 houses were near completion at the time of the study.

4.1.8. *Concluding remarks*

The housing domain study highlighted major housing-related trajectories in Addis Ababa by analysing 1) the interest and power of key actors in the housing domain, 2) the political and economic significance of housing, as it aligns with political settlements during different epochs, 3) the major components of housing provision over the past two decades, reflecting the impact of political settlements on housing policies adopted, 4) the identification of major system-level constraints in the housing domain, 5) case studies documenting how key actors within the housing domain are struggling to address system-level constraints and exercise their agency, and 6) current policy reforms and initiatives within the housing domain.

The study demonstrated that the government-designed, funded and managed IHDP was the major component of housing delivery that had enjoyed almost exclusive policy support during the past two decades, to the extent of crowding out the private real estate sector and fuelling informal housing developments. The study also identified the major system-level constraints within the housing domain that include limited access to land, finance and infrastructure, as well as inappropriate building regulations. The study also highlighted that current policy reforms and initiatives still focus on maintaining a strong role for the government by promoting PPP and allowing some space for the cooperative housing sector outside the self-help paradigm.

The four case studies demonstrated how system-level constraints affect the housing domain and the roles specific actors play in improving housing outcomes. They documented the household-level efforts to incrementally produce housing and make rental housing available, as well as the government's use of public housing stock to gain political support from residents and political elites. They also demonstrated that limited access to land and housing finance, along with inadequate attention to local construction materials, remain major bottlenecks to adequately address the housing needs of low-income households in the city. The study notes that the government remains the major powerful actor determining the nature of housing policy and its

²⁶ See [The Reporter](#), 22 July 2023 (accessed 4 March 2025).

outcomes. This is partly due to the absence of a reform coalition advocating for policy changes towards a more inclusive housing policy.

4.2. Youth and capability development domain (YCD)

This section is based on qualitative data – 69 in-depth interviews and five focus group discussions (totalling 34 participants) conducted between May and July 2023, as well as observations.²⁷ Various governmental and non-governmental documents, policy and legal frameworks, academic papers and grey literature were also reviewed to substantiate the findings and claims of the research.

Two workshops, at the beginning and end of the research, were organised. The first workshop, on 3 April 2023, gathered inputs from various stakeholders in the city on the research design, plan and selection of case studies. After the completion of primary data collection, the preliminary research findings were also shared with various governmental and non-governmental actors participating in the research in a second workshop on 5 September 2023.

The findings of this section are based on three case studies. The first case study involves young people in Addis Ababa who operate in the informal labour market (household helpers, small shop attendants and servers in small cafes/restaurants). The second case study examines the lives of primarily young female workers in the Bole Lemi Industrial Park, one of the largest industry parks in Addis Ababa. The third case study examines adolescent sexual and reproductive health provision in the city.

4.2.1. *Demographic and political significance of youth in Addis Ababa*

The significance of the youth domain in Addis Ababa can be clearly seen from the demographic dominance of the youth (15-29 years of age) in the city: they comprise 31% of the total population. Youth are a vital social group in shaping ruling elites' socioeconomic and political decisions. For example, addressing the challenges of youth unemployment and underemployment in the urban context (mainly in Addis Ababa) has been one of the fundamental concerns of consecutive Ethiopian governments. According to the 2022 urban employment-unemployment survey, 64.4% of the city's youth are economically active, but the unemployment rate among young people (aged 15-29) is 30%.

Politically, youth are targeted by political elites to secure votes through the provision of rents. Young people who might not have a feasible job opportunity or financial support for their small businesses or access to social rights (housing) get co-opted into the ruling party structure. The EPRDF had strategic goals of securing votes, generating legitimacy and broadening the social base (Di Nunzio, 2014; Gebremariam and Herrera, 2016; Gebremariam, 2018; Gebremariam et al., 2023; Kefale et al., 2023, Lavers, 2023). In addition, owing to the overall political developments characterised by

²⁷ This section is a summary of the ACRC study by Gebremariam et al. (2023).

ethnicisation and fragmentation of society, the youth in the city become both the perpetrators and victims of ethnically targeted vilification, harassment, detention and so on.

4.2.2. Actors and authorities in the youth domain

The youth domain in the city of Addis Ababa is influenced by several actors that affect its dynamics and shape young people's livelihoods. These are both government and non-government actors operating at national and city levels.

Federal government of Ethiopia

Though the central government is the most dominant actor in shaping young people's lives in Addis Ababa and across the country, its position and attitudes towards the youth group has changed over time. This is reflected in the policy and legal frameworks issued by the central government.

There has also been a shift in the government's perspective on youth over time. For instance, in the early 2000s, youth were conceived of and approached from a narrow perspective, in that the unemployed young people, especially in urban areas, were considered as sources of social problems (Mains, 2012; Gebremariam, 2017). Later, the EPRDF-led government started approaching young people in Addis Ababa as a marginalised political group, and issued an urban youth development package and the micro and small-scale enterprises development strategy.

Since 2019, following the change of government, there has been a shift from state-directed youth development to a more neoliberal policy. The latter is expected to create more economic opportunities and jobs for young people, with new players, such as local and international private-sector actors, gaining ground in shaping the youth and capability development domain.

City government of Addis Ababa

The city government of Addis Ababa, during both the EPRDF regime and the current Prosperity regime, is under the direct political control of the ruling party. As a result, the policy orientations and priorities of the federal government are replicated at the city level. In fact, the city is considered a showcase of federal-level policy and legal frameworks. In the youth domain, during the EPRDF regime and in accordance with its developmentalist model, there were massive job creation opportunities in the city of Addis Ababa, such as the massive urban housing projects and road construction project. The MSE strategy and the youth revolving fund provided the necessary policy and legal framework, while the institutional framework was provided by establishing the Work Enterprise and Industrial Development Office (WEIDO). WEIDO emerged as a new actor in the YCD domain when the incumbent federal and city government extended the work of the Micro and Small-scale Enterprises Agency, leading to the government-sponsored youth employment creation programme during the EPRDF's tenure.

Other actors

Other actors with influence on the youth include CSOs, media, religious groups, political parties. The CSOs in particular act mainly as spaces that bring together various actors to shape ideas, policy and legal frameworks, and distribution of resources. CSOs engaged with the youth work in different thematic areas such as sexual and reproductive health, gender, youth unemployment, environmental issues and political participation. Young people are also engaged in media and religious groups, while political parties – both government and opposition – aim at the city's youth to gain more visibility and claim legitimacy, especially during elections and occasionally during major political incidents and crises.

4.2.3. Case studies

Case 1: Informal labour market

The informal labour market is one important space in which the youth of Addis Ababa find themselves. The informal labour market is composed of different actors within a complex web of relationships. Young men and women in the city's informal labour market are the primary actors. Youth in the city might operate from a position of power, vulnerability or resilience, depending on the spaces they operate in, the kinds of actors they primarily interact with, their socioeconomic status and their social network. Young male brokers who have migrated to the city are also important actors in the informal labour market. Brokers might be registered taxpayers or unregistered, signifying the importance of straddling between the legal and illegal and the formal and informal. Unregistered brokers serve as a link between young jobseekers arriving from rural areas and licensed brokers. The latter link the jobseeker with the employer, and even serve as guarantors for the young person in return for a commission of 20% of their salary. The city's informal labour market, dominated by young migrant labour, is a highly gendered space.

The government perceives the informal labour market as a threat and source of insecurity; hence, there are efforts to incorporate it into the formal realm and to make it disappear. But it is important to note that the informal labour market solves structural problems; it can help young people, especially migrants from other parts of the city, to overcome barriers and integrate into city life.

Case 2: Feminised labour force: Interplay of family and work in the lives of young people

The lives of young people in the city are shaped by the interests of global capital that benefits from their “cheap labour”. Different realities reflect the accumulation agenda of global capital. These include impediments to establishing a legally binding minimum wage, the government's reluctance to enforce available labour relations related to legal and policy frameworks, and the continued subordination of labour rights. The feminised labour force in the industrial parks constitutes an important example of this. Despite a

plethora of legal and policy frameworks targeting the female labour force, the implementability of these laws is limited, mainly because of limited interest on the part of the political elite and the virtually non-existent political power of young female workers. As a result, these workers in the Bole Lemi industrial park experience various forms of workplace inequality, oppression and exploitation, affecting their lives in their households and families.

The female labour force receives low wages that cannot sustain the social reproduction of labour. Thus, workers' livelihoods must be subsidised by various actors. One form of subsidisation is unpaid labour from close family members. Another is workers' children receiving government-provided free school meals and uniforms at public schools. Other female workers mentioned the financial support they receive from their husbands. Single mothers are the most disadvantaged in this regard. Female workers also live in unfavourable work conditions that disrupt their social life. The production line system forces workers to work overtime and on Sundays, since their absence can disrupt the production line activities. Labour unions, which could have been instrumental in resisting practices of exploitation, are less effective, due to the workers' youth.

Case 3: Provision of adolescent sexual reproductive health (SRH) services

Sexual and reproductive health-related issues are significant for adolescent youth because of teen pregnancy and sexually transmitted infections, often resulting from limited access to services and basic information. Adolescent and youth SRH is currently addressed through the adolescent and youth health strategy of 2021-2025.

Adolescent-focused sexual reproductive health programmes in Addis Ababa are designed to address three intervention areas. The first is creating demand for the services by raising awareness of SRH issues among adolescents and young people, using different approaches. The second intervention focuses on providing services to adolescents and young people. The government is the primary provider of health services in the country and in Addis Ababa. There are many private health facilities in Addis that adolescents and young people frequent for privacy and confidentiality. The third aspect of the intervention is creating an enabling environment for community organisations and non-governmental actors to advocate for a better SRH initiative from a policy and a programme perspective.

Issues emanating from the case studies

1. The informal labour market is seen as a political and security threat, since it is not totally governed by the bureaucratic and administrative powers of the city.
2. Despite continued efforts to formalise the informal youth labour market sector, the government and the political elites have never had a consistent and coherent policy framework. Instead, policy ideas and practices are fragmented, as manifested in the contradictions of the government's approach to defining the household within Ethiopia and the Gulf countries. Whilst the household in Addis Ababa is considered a private space, the household in the Gulf States,

where many Ethiopian young women emigrate, is considered a formalised workspace, generating foreign currency through remittance.

3. The youth domain in the city is affected by rural-to-urban youth migration, with jobseekers in both the informal and formal sector being overwhelmingly migrants. Migrants workers experience more vulnerability and marginalisation.
4. There seems to be little interaction between the health and education sectors in the context of sexual reproductive health. The education bureau is reluctant to incorporate contents related to sexual health in the curriculum, for fear of imparting wrong information, and due to cultural sensitivity.
5. It was found that the formal youth labour market (for example, in Bole Lemi industrial park) is part of the global economic and political processes of capitalist accumulation and distribution. The labour force has weak organisational and political power and the government has also limited capacity to enforce the legally binding laws that could address some of the basic problems of the labour force.

4.2.4. Key challenges within the domain

The case studies reveal that young people face challenges. In the informal labour market, the key challenges are inadequate recognition of the social and economic contributions of actors, the problem of being considered illegal and unlawful, and the dominance of securitisation and formalisation. The challenges are variously felt by young urban migrants from other parts of the country, mainly female migrants with low education status, employable skills and a limited social network.

In the case of formal labour (such as Bole Lemi Industrial park), the main challenges are minimum or inadequate recognition of the role of social reproduction for the well-being of the labour force, weak enforcement of existing labour codes and inadequate political attention to establishing a legally binding minimum wage. The problem is strongly felt, mainly by the young, feminised labour force in industrial parks across the country and other workers in almost every sector

In the case of adolescent-focused youth sexual reproductive health services, the key development challenges include limited coordination between education and health bureau to produce context-relevant sex and sexuality education material, limited human resources, support materials and a lack of friendliness on the part of youth centres.

4.2.5. Current and potential reforms/interventions

During the period 2004 to 2017, the central government initiated and implemented several legal and policy frameworks that significantly shaped young people's socioeconomic and political status and societal role. The policies included the Vagrancy Control Proclamation (FDRE, 2004), the National Youth Policy (2004), the Urban Youth Development Package (FDRE, 2006), National Development Plans (Growth and Transformation Plan I and II – 2010/2015) and the Youth Revolving Fund

(2017). Each of these initiatives had its own discourse in terms of framing the youth. It also recommended actions, policy proposals, institutions and responsible actors.

The Prosperity Party, with its changed political and economic orientations, is now espousing neoliberal policy. Its efforts to improve young people's lives conform to the priorities of the market. Hence local and international private sector organisations with different arrangements, such as venture capitalist and equity businesses and business incubation, are emerging. In addition, the direct involvement of international financial giants, such as Mastercard Foundation and the International Finance Corporation, are flourishing. These new attempts to open the economy to international actors are believed to create more economic opportunities and jobs for youth.

4.3. Structural transformation domain

4.3.1. *Nature and dynamics of enterprises in Addis Ababa*

This section attempts to understand structural transformation in the city, focusing on the growth, survival, productivity and employment of enterprises.²⁸

Secondary data were collected from the Addis Ababa Labour, Enterprise and Industry Development Bureau (AALEIDB), the Urban Employment Unemployment Survey (UEUS), the National Labour Force and Migration Survey (NLFMS) and the Large and Medium Manufacturing Industry (LMMI) survey, both conducted by the Central Statistical Agency (CSA).

The data were analysed using descriptive statistics for enterprise profiling and computing the location quotient for analysing the spatial distribution of economic activities. Moreover, econometric and survival models were employed to analyse productivity and enterprise survival. Specifically, production functions using OLS, panel fixed effect (FE), panel random effect (RE), Olley-Pakes and Levishon-Petrin estimators were employed. Cox regression analysis was used to study firm survival among large and medium enterprises in the manufacturing industry in Addis Ababa.

Sectoral and spatial distribution of enterprises

The economic dynamics and growth patterns of the city could be understood by examining the sectoral and spatial distribution of enterprises. According to the AALEIDB, there were 37,268 enterprises in the city in 2020, with ownership including partnerships (53.5%), individual ownership (41.5%), private limited companies (4.5%), cooperatives (0.43%), government-owned enterprises (0.02%) and share companies (0.02%). These enterprises are of different sizes: micro, small, medium and large, with the microenterprises forming the majority (79%), followed by small enterprises (15%), medium-sized enterprises (4%) and large enterprises (2%).

The sectoral distribution of firms in Addis Ababa reveals that approximately 40% of the enterprises are engaged in the service sector, which includes trade activities. The

²⁸ This section is a summary of the ACRC study by Tekleselassie (2023).

manufacturing sector and the construction industry each account for approximately 29% and 26% of the enterprises, respectively. The remaining 5% of enterprises fall under the category of urban agriculture.

Within the manufacturing category, most firms are engaged in textile and garment production, leather and leather product manufacturing, metal and woodwork industries, and food and beverage production. Although they constitute a smaller portion, pharmaceuticals and chemicals are also part of the manufacturing sector.

The size distribution of enterprises by sector reveals that across all sectors, microenterprises constitute the majority. However, their prevalence is particularly pronounced in the service and agricultural sectors (95% and 90%, respectively). In contrast, the manufacturing sector exhibits a relatively higher percentage of small, medium and large enterprises. This indicates the potential for growth, expansion and subsequent job creation within the manufacturing sector.

The spatial distribution of enterprises by sub-city highlights significant variations among the sub-cities. Yeka, Arada and Gulele sub-cities have the highest concentration of enterprises, indicating a larger presence of economic activities within those areas. On the other hand, the sub-cities of Bole, Lemi-Kura and Lideta have a lower number of enterprises compared to the others. The remaining sub-cities fall in the middle range in terms of the number of enterprises. The observed variations in enterprise distribution among sub-cities indicate differing levels of economic activity, business opportunities and housing costs within each sub-city.

A location quotient analysis reveals that Addis Ketema and Gulele sub-cities demonstrate a higher concentration of manufacturing activities. On the other hand, the inner sub-cities of Arada, Chirkos and Lideta, which are smaller in physical size, exhibit a lower concentration of the manufacturing sector. This can be attributed to factors such as the high cost of land in the central business district, which may discourage manufacturing activities in these areas. Consequently, these sub-cities have a relatively higher concentration of the service sector.

The outer and larger sub-cities of Yeka, Akaki-Kality, Bole and Lemi Kura display a higher concentration of construction sector enterprises. This observation aligns with the rapid urbanisation and expansion of Addis Ababa, with these sub-cities serving as outlets for such growth. The increased construction activity in these areas is driven by the need for infrastructure development and the construction of residential and commercial buildings to accommodate the expanding population.

Firm growth, survival and structural transformation in the MSEs

According to data from AALEIDB, for the period 2015-2020, the rate of growth for enterprises in Addis Ababa indicates that only a small proportion of microenterprises successfully progress from their initial start-up phase to various stages of development. Specifically, out of all microenterprises in the city, only 13% have managed to advance, while 87% remained stagnant. Out of this 13%, approximately 8% have demonstrated

initial growth, indicating positive signs of expansion and development. Another 2.5% of microenterprises are on the cusp of transitioning into the medium-sized category, signifying their potential for further growth. Lastly, around 2.5% have successfully completed the transition process and are now operating as medium-sized enterprises in the respective industry sector. Though MSEs are considered to be the main drivers of job creation by governments, the lack of significant growth in these enterprises poses challenges for job creation. Lack of access to finance is the most important barrier to MSE growth, followed by the lack of suitable working premises and marketing challenges, particularly a shortage of product demand.

On average, in the period 2015-2020, active enterprises in Addis Ababa started with 4.22 members per firm, but experienced a decrease to 3.7 members per firm. The decline in member size suggests a contraction in self-employment opportunities, underscoring the importance of addressing the barriers and challenges faced by MSEs in achieving sustainable growth.

Additionally, there is a notable gender imbalance in enterprise ownership, with men comprising approximately 63.2% of enterprise owners and women representing the remaining 36.8%, signifying the need for targeted efforts to enhance women's participation and empowerment in entrepreneurship activities in Addis Ababa.

In the face of the employment problem, the manufacturing sector stands out as a significant contributor to job creation. Despite its smaller share compared to other sectors, the manufacturing sector has accounted for approximately 43.5% of all jobs created by the currently active enterprises. This demonstrates that the manufacturing sector has relatively higher job generation potential, almost double that of the other sectors.

While the lack of enterprise growth is a key challenge in terms of job creation in Addis Ababa, firm exit (failure) is also a significant problem. According to data on 1,540 enterprises in the manufacturing sector, the average duration of operation for exiting firms was less than three years. Lack of finance was reported as the main reason for the business closure, as reported by approximately 38% of the firms. Other main reasons include lack of working space (20%), lack of demand (13%) and various other factors, such as non-compliance, personal reasons and changing business.

Productivity in the large and medium manufacturing industry (LMMI)

The trends in the LMMIs from 2013 to 2018 in Addis Ababa show that the number of LMMIs in the city stagnated between 2013 and 2016, but showed an upward trend between 2016 and 2018. The employment figures exhibited a similar pattern, closely following the trend in the number of enterprises. The total number of jobs created rose from approximately 76,000 in 2013 to 140,000 in 2018. The trend in average number of individuals engaged in each enterprise is U-shaped. In 2013, on average, each firm employed about 95 individuals, which decreased to 62 in 2015, but then the trend reversed in 2016, and continued to increase, reaching 102 in 2018.

Labour productivity trends in recent years have been U-shaped. On average, labour productivity declined between 2013 and 2016, and after 2016, it again started to recover and continued to increase. However, heterogeneity can be observed in labour productivity by firm size. The very large firms not only had the highest productivity rate, but also exhibited an increasing trend. The medium and large firms, on the other hand, showed mixed labour productivity trends. Labour productivity of the large firms showed a downward trend between 2013 and 2015, after which these firms showed a surge in productivity. The labour productivity of the medium-sized firms has been volatile, but showed minimal increase between 2013 and 2018.

Input elasticities and determinants of total factor productivity

The output of LMMIs exhibits responsiveness to inputs of capital, labour and materials. Notably, the response is particularly strong in relation to material and labour utilisation. Given Ethiopia's industrial policy focus on promoting labour-intensive sectors to absorb the workforce and utilise agricultural resources like cotton, hides and skins, the heightened sensitivity of output to labour and materials is both logical and expected. This implies that the availability of a well-trained labour force and quality raw materials at reasonable cost can be key drivers of manufacturing production and productivity in Ethiopia.

The duration of operational years (firm age) exhibits a positive correlation with high total factor productivity (TFP). The size of firms exhibits a positive and statistically significant correlation with their TFP. In addition, there is a significant variation in TFP across sub-sectors within the manufacturing industry. Firms engaged in sub-sectors such as basic metal, chemicals, fabricated metal and wood products, are more productive than those engaged in food and beverages. However, firms engaged in textile and garment, rubber and plastic, and furniture exhibit lower productivity.

Survival and growth of firms

The ability of enterprises to survive and thrive is crucial for enhancing productivity, fostering learning, generating employment and ensuring job security. High exit rates of firms could serve as indicators of underlying challenges that impede their survival.

The results showed that the risk of failure among large and medium industries is not significantly associated with measures of productivity, such as labour productivity or TFP. Firm-specific attributes that contribute to the risk of firm exit or failure include firm age, size and the specific challenges that each firm encounters:

- Older firms exhibit a reduced risk of exiting the market.
- There is an inverse relationship between firm size and the likelihood of firm exit.
- Firm-specific challenges, such as the scarcity and inconsistency of electric power supply, machinery breakdowns and a shortage of spare parts, are strongly associated with a heightened risk of business closure. Among firms grappling with challenges like insufficient product demand, limited access to finance (both working capital and foreign exchange) and unfavourable

government regulations, the likelihood of exit is present but lacks statistical significance. Conversely, firms confronting material-related challenges appear less prone to exit, although the statistical significance of this correlation is not robust.

Sectoral distribution and trends of employment in Addis Ababa

The service sector is the main employer in Addis Ababa, absorbing about 76% of the workforce. The manufacturing sector is the next biggest employer, but absorbs only 15% of the workforce. The construction sector employs about 8.5%; agriculture the remaining less than 1%. Between 2006 and 2018, the share of employment in services has increased from 70% to about 76%, while the share of manufacturing in employment declined from about 22% in 2006 to about 15% in 2018. The share of employment in agriculture in Addis Ababa has remained less than 1% throughout the period under consideration.

The proportion of employment in private companies has not shown any growth over the 15-year period. In 2020, the combined share of employment in private companies and the government sector accounted for 58% of the total, leaving the remaining 42% involved in informal occupations. Even among those employed by private companies, a notable portion is likely to be engaged in low-wage occupations, lacking job security and protection.

The foregoing reveals that from the point of structural transformation and through the lens of employment patterns, it is evident that Addis Ababa's sectoral employment remains biased towards services, which, in turn, are dominated by trade and informal services, rather than high-value IT and finance sub-sectors.

Challenges of manufacturing sector

The challenges that hinder firms from operating at full capacity during the period 2013-2018 include the scarcity of raw materials, inadequate product demand, unreliable electricity and water supply and a lack of financing (both working capital and foreign exchange). The distribution of these challenges in 2013, 2016 and 2018 (when the most recent survey was conducted, as far we are aware) follows a similar pattern, indicating a lack of significant progress in addressing the key obstacles that prevent firms from achieving their full capacity. Among the overall major challenges in 2018, the shortage of raw materials stands out as the foremost issue, with 23% of firms identifying it as their primary concern. Other significant challenges include a scarcity of market demand, worker-related issues and machinery-related problems, which were reported by 14%, 10% and 8% of firms, respectively. A notable observation is that only 17% of firms reported encountering no major challenges.

4.3.2. Governance of structural transformation

This section studies the governance of the structural transformation domain, including the ways in which national and city-level political settlements shape state-business relations and thus possibilities of structural transformation, and to identify the core

systemic factors that affect structural transformation in the city.²⁹ The formal governance of structural transformation in Addis Ababa takes place within the broader complex and contested governance structure of the city. While it is governed by a city council made up of elected officials who elect the mayor from amongst the council's members, the city is led by politically appointed deputy mayors, which the federal government has the legislative power to appoint (Weldeghebrael, 2022). The federal government and ruling party have therefore had control over the city's governance over the past couple of decades. The city's governance is further centralised through the appointment of party members to key decisionmaking positions at all levels of city administration, including lower administrative levels: the sub-city, woreda (district) and the Kebele (the lowest administrative unit in the city) levels. Within this broader formal governance structure, a key governance challenge for the city has been the alignment of policies, regulatory frameworks and spatial and development planning and poor vertical coordination between federal and Addis Ababa city, Oromia and Addis Ababa city, Addis Ababa city and the 11 sub-cities and 116 woredas.

In terms of state–business relations, EPRDF's developmental state had been characterised by a highly *dis-embedded autonomy*, where the state effectively and autonomously implemented its industrial policies and development programmes through coercive means rather than formalised collaborative relationships with the private sector (Pellerin, 2019). While this has carried over to some extent, the new Prosperity Party regime has opened up new deals spaces for the business elite to gain access to resources and opportunities through formal and informal arrangements, including fundraising and social entrepreneurial initiatives, but also, increasingly, corruption. In terms of core systemic factors, the efficiency and adequacy of key city systems, urban planning, policies and regulatory frameworks were found to facilitate and inhibit various facets of structural transformation. A range of productivity-enhancing policy reforms are ongoing. Overall, however, the key constraints remain access to finance, land and working space, corruption and some aspects of the regulatory environment.

The Addis Ababa structural transformation domain qualitative study consisted of 22 semi-structured interviews with key actors involved in the domain – private sector actors, state agents, local political leaders, civil society actors working on urban development issues, journalists, academics, retired bureaucrats and other policy actors. The Addis study further drew on 13 supplemental structured interviews with small, medium and large enterprises from across the city. An analysis of relevant policy documentation, policy research documents and advocacy material (produced in support of particular problem definitions and policy solutions) and related media coverage was used to support the thematic analysis of the key informant and enterprise interviews.

²⁹ This section is a summary of the ACRC study by Robi (2023).

Significance of formal and informal governance of the structural transformation domain

Addis Ababa accounts for 11% of Ethiopia's GDP; its GDP growth rate of 11.7% is much higher than that of other African cities (World Bank, 2021). It is the country's primary city, ten times as big as the second biggest city in the country, Dire Dawa, and it is the centre of the country's economic, political, diplomatic and social life. The contribution of Addis Ababa to the national economy is directly dependent on the city's productivity and its ability to create opportunities for its growing population. These factors are determined by the formal and informal governance of the structural transformation domain. In terms of politics, the domain has implications for the configuration of power at national and city levels; building legitimacy; and control of citizens.

Actors in the domain

Instead of attempting to draw up an exhaustive map of actors involved in structural transformation in Addis, which would require a more in-depth study of the complex entrepreneurship ecosystem in the city, this section strategically identifies key actors involved in existing government action aimed at supporting workhorses and magicians, which the deals and development framework identifies as the drivers of structural transformation (Pritchett and Werker, 2018).

Workhorses, which are firms in the competitive industries that serve the domestic market in Addis Ababa, are primarily micro and small enterprises, wholesale and retail traders and the informal sector. In 2018, these included 25,399 MSEs supported by the city administration alone (with an estimated total number of people engaged in them of 127,000, or 7% of the economically active labour force) (World Bank, 2018). Magicians, which are firms in the competitive export sector in Addis Ababa, are comprised of exporters of primary commodities like coffee and oily seeds, special economic zone-based foreign direct investment (FDI) manufacturers, local large and medium exporting manufacturing firms (LMMIs), and a small number of small to medium-scaled exporting manufacturers (which make up 5% of MSEs in Addis Ababa).³⁰

Several actors, both government and non-government, operating at national and city levels, are involved in providing a range of support mechanisms and services to both the MSEs and the exporting firms. The support includes policy and regulatory support, an improved business environment, access to finance, technical support, capacity building and so on. The actors include the Prime Minister's Office, the City Mayor Office, the Addis Ababa Labour, Enterprise and Industrial Development Bureau, woreda- and kebele-level enterprise development bureaus, the revenue authority, distributors, the Addis Microfinance and SACCOS, the Ethiopian and Addis Ababa Investment Commissions, the Industrial Park Development Corporations, multilateral and donor agencies (WB, UNIDO, ILO, Mastercard, UN-Habitat, GIZ). Membership

³⁰ No estimate for the number/proportion of the workforce employed by magicians is available.

organisations, such as the Ethiopian Chamber of Commerce, sectoral associations and investors' associations, are also involved in supporting the main actors.

Formal governance of structural transformation in Addis Ababa

The formal governance of structural transformation could be understood within the broader frame of overall governance in the city. As the city government is accountable to the federal government, the federal government and the ruling party exert heavy influence over the city's governance. In addition to the mayor, who is elected from the members of the city council, the city is run by deputy mayors, who are political appointees elected by the federal government. The city's governance is further centralised through the appointment of party members to key decisionmaking positions at all levels of city administration, including lower administrative levels (the sub-city, *woreda* (district) levels). As a result, political interference by the federal government and top-down decisionmaking characterise the city's development and spatial planning. The other feature of the city governance is the city's official position as the seat of the Oromiya regional government and its role as the federal capital. There is also the constitutionally enshrined "special interest" of Oromia over Addis Ababa, which yet has to be defined, but recognises the special interest of the Oromia region in Addis Ababa, further complicating governance of the city. These factors create difficulties in aligning policies, regulatory frameworks and spatial and development planning, and also result in poor relations between different bodies: Oromia region and Addis Ababa city, Addis Ababa City and the 11 sub-cities and 116 *woredas*.

The formal governance is influenced by the various federal government institutions, such as the Ministry of Industry, Ministry of Planning and Development and so on, and the autonomous plans and projects (urban, industrial and infrastructural) of the Oromia regional government. At the city and *woreda* level, formal governance is carried out through registration, licensing and taxation of firms by key government institutions, including the deputy mayor office and other pertinent sector-based offices. Infrastructural services in Ethiopia are predominantly governed and operated by state-owned enterprises that enjoy a monopoly, like Ethio Telecom and Ethiopian Electric Utility. This makes central government the main utility provider in cities for most services, including energy, water and telecommunications, while some services, such as solid waste management, are managed at sub-city level.

Informal governance of structural transformation in Addis Ababa

The informal governance of structural transformation or the informal state–business relations are formed by the interaction of the political settlement with business interests. The business environment, or "deals space", markedly varies within and across the three market segments of workhorses, magicians and brokers.

Workhorses

Workhorses are primarily competitive small and microenterprises, most of which are beneficiaries of the MSE strategies. Some major observations emanating from interviewees and discussion with participants regarding workhorses include:

1. Workhorses which provide political support for the ruling party are the main beneficiaries of the enterprise support provided by the government. Beneficiaries of this programme are likely to avoid graduating, in order to continue to benefit from the low rent of working spaces and other support services, including market linkages and government contracts.³¹ Research participants described beneficiaries of the MSE development programme as “dependents”³² and “pensioners”³³ of the party-state.
2. The ongoing reforms undertaken by the ruling party have created uncertainty for small and medium-sized firms. These include the demolition of enterprise sheds in the city in early 2023 (Solomon, 2023; Addis Insight, 2023), causing the displacement of many enterprises from workspaces that had formerly been allocated by the state. A shift from public housing provision to public–private partnership caused uncertainty among firms relying on public sector contracts, as these contracts had constituted a significant share of their revenue. A property tax reform also led to a rise in rental prices.
3. Existing practices, such as unpredictability of tax, hinder businesses from growing and running smoothly. They also force businesses to resort to bribes or to hire go-between agents to lower tax rates.

Magicians

As noted above, these are firms in the competitive export sector in Addis Ababa. While foreign firms receive the support of the Ethiopian Investment Commission (EIC) and Industrial Park Development Corporations (IPDC), domestic firms and diaspora firms are under the jurisdiction of the city administration. This has created a range of regulatory constraints in accessing finance, land, and customs and trade regulations. Amongst these regulatory constraints, the foreign exchange shortage and the corresponding foreign exchange policies have made profit-making from exports alone very challenging. Research participants stressed that the severity of the foreign exchange shortage was forcing a lot of manufacturing exporting firms out of the sector.

At the same time, preferential access to foreign exchange and credit provided to non-manufacturing exporters (primary commodities firms) is encouraging export/import trade as the country’s foreign exchange policy prohibits firms from utilising their foreign exchange earnings unless they import a list of goods related to their business. Also, the credit facility given to firms with an export licence has increasingly been subject to abuse by firms that take the loans based on exporting status and then reinvest the money in real estate development. This has led to the suspension of the credit facility since January 2023. While access to credit and working capital is not reserved for a

³¹ Enterprise interviews 1, 5.

³² Key informant interview A.

³³ Key informant interview D.

specific ethnic group, ethnic networks could be an advantage in sourcing commodities in some export sectors, like coffee.³⁴

Powerbrokers

These are firms that profit from anti-competitive practices and firm-specific discretionary government action in Addis; they cover a wide range of business sectors. The primary powerbrokers were found to be party-owned or party-affiliated enterprises and state-owned and military-owned enterprises. As a number of studies have shown, these entities – which blur party, state and business distinctions – form part of a complex mechanism through which the EPRDF party captured the economy (Abegaz, 2013; Geda, 2023; Hassan, 2019).

Party-owned and affiliated enterprises in manufacturing, transport, finance and trade sectors control the supply of key goods and services in the market. They receive preferential investment of capital, which distorts the business environment and shapes the sectoral distribution of non-affiliated firms. Crony relationships between key party leaders in charge of the quasi-public enterprises and prominent businesspeople take the form of various anti-competitive practices (Geda, 2023, Hassan, 2019). Such practices stifle structural transformation by creating barriers to entry for non-affiliated firms and by allowing for the allocation of resources to less efficient firms, rather than those with growth potential. Profits generated from these practices are primarily reinvested into non-productive sectors. Various studies have shown that the majority of domestic investment is going into non-productive sectors, because this is where the largest rents are being created, directly and indirectly (Gebreyesus, 2019; Geiger and Moller, 2015a).³⁵

Core city systems influencing structural transformation in Addis Ababa

Urban and spatial planning

Urban and spatial planning in Addis Ababa is highly fragmented and ineffective because of underlying political and governance challenges that remain unresolved. For instance, the Ethiopian government has attempted to boost productivity through integrated infrastructural development by developing industrial parks for FDI and cluster-based small and medium enterprise development; however, integration of these developments into wider city planning and development has lagged.

At the same time, the efficacy of existing spatial plans is also challenged by the ad hoc development of projects and the absence of collaborative cross-border planning frameworks for the city. The federal government/ruling party's direct control over the city's governance has allowed for the development and implementation of numerous megaprojects through the Addis Ababa Mega Projects Construction Office, overriding

³⁴ Over 50% of Ethiopia's coffee is sourced from Oromia, and new entry into sourcing coffee from this region requires accessing ethnic networks with the help of Oromo brokers.

³⁵ Generally speaking, monopoly rents are created by these practices. Cement and sugar have been notoriously monopolised, but we do not have details for other goods and services.

the city's formal plans. At the same time, city-level plans are prepared without mention of higher-level regional and national plans, due to the highly politicised nature of integrative planning. Partially as a result of this, as well as the political sensitivities that followed the protests around the 2014 integrated master plan, Addis Ababa's structural plan was prepared without consideration of developments beyond its administrative boundaries, and without a clear framework of coordination between Addis Ababa and the Oromia regional government in terms of land and resource management (Alem, 2021). This gap in land management in peri-urban areas has fuelled the rise of land speculation, which constrains structural transformation, as it channels investment into quick return land market schemes instead of productive sectors.

Infrastructural service provision

Infrastructural service provision systems in Ethiopia are predominantly governed and operated by state-owned enterprises that enjoy a monopoly, like Ethio Telecom and Ethiopian Electric Utility. This makes the central government the main service provider in cities, although some services, like solid waste management, are managed at sub-city level. The deficiency of the various infrastructural systems results in frequent power outages, inadequate transport, shift-based water provision, and so on. Power generation is severely impacted by climatic conditions, as 96% of the country's electricity is generated from hydropower. The city's transportation system, on the other hand, provides only 31% of residents with public transportation and its efficiency is challenged by high traffic congestion, low mobility, blockage by vendors, and limited parking. Finally, water provision for the city is threatened by cross-border resource management challenges.

Productivity-enhancing policy reforms and initiatives

The government has implemented a series of productivity-enhancing policies and regulatory frameworks at both the national and city levels to improve the business environment for different parts of the private sector, including the manufacturing sector. These include "Doing Business" reform initiative, a high-level ministerial initiative led by the prime minister himself. The initiative aimed to:

- Advance entrepreneurship and new startups;
- Formalise businesses;
- Boost competitiveness/productivity of local businesses;
- Attract and retain investment;
- Create better and more jobs;
- Enhance transparency and accountability in public service delivery;
- Make tax administration and domestic revenue mobilisation more efficient.

This initiative has resulted in eight new laws and 40 procedural and administrative reforms that address all ten of the World Bank's Ease of Doing Business Index (Djankove et al., 2004) criteria, being enacted over a very short period.

Another initiative is the Ethiopia Tamrit campaign, which was initiated in May 2022, with the aim of enhancing competitiveness in the manufacturing industry by strengthening the capabilities of manufacturers, broadening their market reach, boosting exports and fortifying import substitution. It also aims at encouraging collaboration among various stakeholders, including financial institutions (ENA, 2022). Other initiatives include an anti-corruption campaign, the revision of commercial laws, and so on.

Whereas these positive policy measures promise to improve the city's formal business environment, one of the main arguments of the deals and development framework is that their implications and outcomes have to be understood in light of informal economic governance mechanisms already in place and embedded in the city's emerging political settlement. These create the uneven playing fields that remain unaddressed by formal reform initiatives and campaigns.

Educational reform and technology accumulation strategies

Ethiopia has aggressively expanded its education system over the past two decades, expanding enrolment in undergraduate programmes by 1,200% within the span of a decade (Akalu, 2014). This breakneck expansion of higher education was also aimed at redressing regional disparities in rates of participation. The ideologically driven massification, implemented through the “command and control” political culture, was however accompanied by the collapse of quality assurance and the erosion of institutional autonomy (Semela, 2011). The expanding education system also remained unresponsive to labour market signals, resulting in a rapidly expanding unemployed educated class in cities where new universities were established.

Recently, the Ministry of Education has put in place several reform tools to improve quality; address maladministration issues and political interventions in higher education; and strengthen academic freedom. The reforms have exposed the poor state of the education system – their enforcement led to a very high failure rate in secondary school leaving exams. At the same time, reform of the education sector is included in the Addis Ababa structural plan, which aims to expand the coverage of public schools, renovate existing schools and improve education quality (Gebre-Egziabher, 2023b). In terms of TVET programmes, the Ethiopian Education Development Roadmap (2018-2030) aims at addressing the challenges faced by TVET, by standardising skills development training and improving coordination and the responsiveness of TVET training (MOE, 2018).

Key constraints on structural transformation in Addis Ababa

The major constraints facing firms in Addis Ababa include access to finance, access to land and working space, corruption and a difficult regulatory environment.

Finance: It was found that access to finance is a major constraint for 50% of microenterprises, 40% of small firms and 18.5% of medium firms. Further, only 3% of

small firms and 23% of medium-sized firms have a loan or a line of credit (World Bank, 2015c).³⁶

Land supply: Land for manufacturing and services has been stopped since 2015, while allocation for other sectors has become subject to long decisionmaking processes that have left firms waiting for land for up to between three and five years (World Bank, 2018). In the tender and purchase markets, domestic manufacturing firms are the most affected by the restricted supply of land. The unaffordable land prices threaten to eat up the starting capital of these firms. In the rental markets, medium, small and microenterprises (MSMEs) in all sectors are directly affected by exploding rental prices.

Corruption: The challenges around getting access to land, foreign currency, credit and unpredictable taxation are repeatedly cited as creating fertile grounds for corrupt and anti-competitive practices in virtually every sector. Pellerin and Esayiyas (2023) explain that the explosion of corruption at lower levels of the bureaucracy is demonstrated by the standardisation of bribe prices, and the steep rise of these bribe prices suggests that actors at higher levels of the bureaucracy also receive a share.

Regulatory environment: This is found to be unhelpful because firms are not given clear and comprehensive guidance on procedures, and are therefore forced to spend time gathering information on a range of procedures, documents, deadlines, fines and new practices.

5. Overarching and crosscutting issues

This report has shown how national and city-level politics, urban systems and particular configurations of actors, agencies, ideas and practices have shaped development in the domains of housing, youth and capability development, and structural transformation in Addis Ababa. It has also shown that developmental problems persist, affecting the wellbeing and life prospects of urban dwellers – particularly marginalised groups – and damaging the environment. The holistic analysis presented in this report enables us to identify the most pressing developmental problems in Addis, and the challenges that will likely be encountered in efforts to solve them in an equitable and (environmentally and fiscally) sustainable way. In these concluding sections, we sum up the main developmental problems, and propose suitable ways of addressing them in light of the described challenges.

5.1. A contested city

Addis Ababa is a contested city because of its designation and location. It is the national capital with its own elected council and representatives in the House of

³⁶ Part of the problem is excessive collateral requirements by banks and burdensome regulation on the private banking sector (World Bank, 2015c). These problems disproportionately affect small firms (employing at least ten but less than 50 workers), as they do not meet the very high collateral requirements and also because they often lack long-term relationships with banks (Manyazewal and Shiferaw, 2016).

Representatives – the place where most of the nation's political developments surface and where decisions are made. National ministries and organisations and international institutions are found in Addis Ababa, and they influence the city with their programmes and activities. On the other hand, the city is designated as the capital of the Oromia National Regional State, and houses the regional government office and the various regional bureaus. Such dual designation affects the city's relations with the federal and Oromia regional governments, both claim space for different activities that can affect city plans and structures and, in some cases, this results in a misalignment of policies, programmes and activities. A case in point are public health services that may serve people from the surrounding area as a requirement of by the Oromia regional government, while the city administration has to bear the cost of providing the service.

The other form of contestation is due to its location. The city is entirely surrounded by the Oromia region. This forces the city to negotiate with the region regarding its horizontal expansion into the surrounding areas. For instance, the 2014 integrated master plan for the city of Addis Ababa prompted strong opposition from the surrounding areas, which quickly spread to the rest of Oromia region. Recently, the establishment of the Sheger city by clustering six towns surrounding Addis Ababa into a single city, with one administration, is perceived by the city's residents as creating difficulty for its horizontal growth (Pellerin and Esayiyas, 2023). Owing to the location of Addis Ababa within the Oromia region, the Constitution grants the latter a special advantage over Addis Ababa, though this is not clearly defined. As a contested city, Addis Ababa has to entertain different interests and motives, which will impact its trajectory of development and growth. For instance, the Sendafa Sanitary Landfill project in Oromia, which was supposed to serve Addis Ababa, was stalled and closed because of the protests of local people around pollution concerns and inadequacy of compensation.

5.2. National, city- and domain-level interaction and its influence on city development

Power and politics at the national level hugely influences city-level decisionmaking and development. This is partly because the city is accountable to the federal government. A typical example in this regard is the putting into power and removal of Takele Uma as deputy mayor of Addis Ababa by the Prime Minister's Office (Addis Standard, 2019). The city is under the influence of the Prosperity Party (PP), which is the national ruling party. This is due to the fact that not only did the majority of Addis Ababans vote for the PP in 2021 election, but also the opposition is fragmented and weak, and unable to make a strong presence in city development. The exception in this regard is the willingness of the ruling government to share government positions with the opposition, resulting in the appointment of Girma Seifu from Ezema opposition party as commissioner of the Addis Ababa Investment Commission, and Yousouf Ibrahim from the opposition party NAMA as the head of the Addis Ababa Government Property Administration Authority. This type of cooperative move between the leader bloc and

the opposition bloc in the political settlement can enable the leader bloc to garner sympathy and support and strengthen its standing.

Mega projects in the city involving parks, waterfront development, car parking lots, a library, a science museum and a palace are initiated and implemented by the Prime Minister's Office, with funding coming from external sources.

In the structural transformation domain, informal state–business relations are formed by the interaction of the political settlement with business interests. Most of the small and microenterprises are beneficiaries of the MSE strategy, which was developed by the EPRDF regime as one of the chief instruments used to win the loyalty of the youth (Kefale et al., 2023).³⁷ The scheme was massively expanded after the controversial election of 2005, and tens of thousands of young people were given training, loans and market access (Kefale et al., 2023). MSEs that are affiliated to the ruling party continue to benefit from low rent of working spaces and other support services, including market linkage and government contracts (Robi, 2023). On the other hand, the demolition of enterprise sheds in the city in early 2023 (Solomon, 2023) caused the displacement of many firms, and this has created uncertainty for small and medium-sized firms.

5.3. Informality

One of the crosscutting features of city development in Addis Ababa is the prevalence of informality across city systems and domains. In many situations, the informal system exists side by side with the formal system. The informal sector emerged in order to fill the gap left by the formal sector in fulfilling the various needs of poor households. In the housing sector, for instance, the limited supply of land by the city administration causes land prices to soar, pushing poor households to transact land informally with farmers in the periphery. Informal water delivery caters to those who cannot afford formal connection in the city, and even to those who are well off, due to shortages and inconsistencies of formal water supply.

The informal sector also provides income and livelihood activities for most residents in the city. Many urban youth find a space in the informal labour market. In the case of informal labour market, it is important to recognise the presence of a web of relations as multiple actors are involved in the operation of the labour market (Gebremariam et al., 2023). The informal labour market provides a space for young people, especially migrants from other parts of the country, to easily integrate into city life. On the other hand, informality is perceived by the government as a threat, since it is not governed by the bureaucratic and administrative powers of the city. Hence, efforts are made to incorporate it into the formal realm or make it disappear. The recent demolition of informal business premises in the city of Addis Ababa attests to the city government's intention of wiping out informality from the city.

³⁷ Note, although ST is about promoting large, productive firms, SMEs are part of the ST strategy because it is only when SMEs graduate into medium and large industries that ST can be realised.

It is important, however, to realise that the informal sector serves the formal sector. A vivid case is that of the informal waste pickers who supply their products to the formal sector to be used in plastic and metal recycling factories. This implies that the informal sector has different roles and functions from different perspectives. For the informal actors involved in product market, the sector is a source of livelihood, although the income derived is irregular and low with poor working conditions. For the formal business elites who make use of products from the informal sector, it is a source of inputs. The government views the sector as a sector out of the tax net and not easily controllable. In the service sector (for example, informal water provision), the informal sector provides for poor households. This implies that wiping out the informal sector is not the best option for the economy.

5.4. Inequality and exclusion

Poverty reduction is high on the Ethiopian government's agenda. Government reports indicate that at national level, poverty has declined significantly, from 44% in 1999/2000 to 23.5% in 2015/16. Similarly, the poverty level in Addis Ababa has declined from 36.1% in 1999/2000 to 16.8% in 2015/16 (CSA, 2015/16). While such achievements are significant, a huge population in the city finds itself below the poverty line and excluded from services and infrastructure. In terms of income, according to a 2015/16 HCE survey, nearly 40% of households have an annual per capita expenditure of 15,109 birr or less (equivalent to 690 USD, using the exchange rate at the time of writing).³⁸ In some sub-cities, the proportion of households with this level of annual per capita expenditure is higher. For instance, the proportion is 52.8% in Lideta sub-city and it is 48.9% in Akaki Kaliti sub-city (CSA, 2015/16).

For many low-income households, basic services are not affordable, particularly transport, private healthcare, energy and water connections. The reason is mainly related to their low and irregular income, which does not allow them to pay for the services. Low-income households also live in dilapidated kebele houses or resort to informal settlement because of their inability to afford decent housing. These low-income households, which disproportionately include members from marginalised groups (the elderly, persons with disability, and so on), experience delays in getting access to public rental housing, due to the absence of an objective and transparent targeting system, as well as the priority given to political leadership and government officials (Fekede and Amdemeskel, 2023a).

The city government has resorted to some pro-poor initiatives, such as the voluntary housing upgrading programme (which focuses on renovating dilapidated houses) and school feeding programmes to support children from low-income families. Such initiatives will assist low-income residents, but need to be sustained and scaled up to meet the huge need in this regard.

³⁸ Household expenditure is used as proxy for income. This is because in many less developed countries, it is difficult to get actual income data from respondents. It is therefore advisable to use household expenditure, which is fairly adequately reported to imply household income.

5.5. Lack of structural transformation

Structural transformation is the process of change from low to higher value added industries and services, such as finance, insurance, ICT and so on. Cities around the world tend to drive economic development and structural transformation, but evidence shows that Africa's fast urbanisation is not matched by structural transformation (World Bank, 2018).

The Ethiopian government has prioritised structural transformation and industrialisation since 2010, with its Growth and Transformation I (GTP I) and Growth and Transformation II (GTP II) national plans. The Ethiopian economy, however, has not undergone structural transformation, as the sectoral distribution has changed little, and the contribution of the manufacturing sector to GDP growth and employment has remained limited.

Addis Ababa is an industrial hub of the country and it dominates the national industrial capacity in almost all branches of light manufacturing, such as textile and leather, wood and paper, metals, machinery and others (World Bank, 2018). Despite this, the enterprise sector is heavily tilted towards microenterprises (79%), with heavy dominance of the service sector, while other categories, such as small (14.8%), medium (4.3%) and large (2.1%) enterprises, are limited in their number (Tekleselassie, 2023). The lack of structural transformation within the microenterprises is noted, as the majority of them (87%) showed no growth, and the average membership size also declined for the period 2015-2020 (Tekleselassie, 2023). Labour productivity in the large and medium manufacturing sector declined during 2013-2016 and then showed a recovery.

Cities which house enterprises with low growth and high exit rates cannot create jobs sustainably and undergo structural transformation. Challenges mainly related to the business environment, such as lack of access to finance, operational premises, and inputs, as well as regulatory uncertainties, have a constraining effect on enterprises.

5.6. Crosscutting issues: Gender disparity, finance and environmental challenges/climate change

The domains and systems studies revealed that there are many crosscutting issues that are important for city development in Addis Ababa. The main ones are gender disparity, finance and environmental challenges. Gender disparity refers to differences between men and women in access to services and livelihood activities. In the structural transformation domain, it was found out that enterprise ownership in the city is heavily biased towards men, who comprise approximately 63.2% of enterprise owners, while women comprise only 36.8%. Such a glaring difference in ownership has its roots in the lack of economic empowerment of women in the city. In the education sector, although the city has achieved gender parity at first and second cycle elementary education, the completion rate for girls after grade 5 is 79%, compared to 89% for boys (UN-Habitat, 2017). This implies that girls participate less after grade 5, though the reasons for this are not clear. Industrial park employment is biased towards

women, though they suffer from inequalities and low wages, because policies and legal frameworks are not properly implemented.

One of the issues that appeared particularly relevant for the domain analysis in Addis Ababa is a general lack of finance. Finance is a major input that enables city-level activities. In the housing sector, a lack of financial options is the single most important challenge. People have to save many times their annual income to be able to construct a house, and they can rarely even afford to extend their houses (Fekede and Amdemeskel, 2023a). Housing mortgages are very limited or unavailable, despite the presence of many private and government banks. In the enterprise sector, firm exit (failure) was found to be a significant problem among microenterprises, with less than three years being the average duration of operation for exiting firms. Lack of finance was reported by 38% of firms to be the main reason for their closure. In the education sector, which particularly concerns youth, financial constraints are also present. Education uses up between 5.5% (2016/17) and 10% (2020/21) of the city's budget, but this is not adequate, and so the public budget is complemented by community contributions and assistance from international development partners.

Environmental and climate changes have negative influences on the city's systems and some domains. Water provision is heavily impacted by various climate stressors. Addis Ababa relies heavily on surface water and springs for its supply, and these are impacted by a reduction in seasonal rainfall, and an increase in intensity of rainfall and temperature (FDRE, 2015). A realisation of this fact has led the government to prioritise the expansion of climate-resilient potable water supply systems, and ensure the sustainability of existing potable water supply facilities, in its ten-year development plan. The electricity sector in the city also heavily relies on rainfall for hydropower, but future hydropower availability is subject to increased uncertainty, due to climate change (Cities Alliance, 2017)

Surface and river flooding that results in loss of life and damage to property is a major environmental challenge in the city of Addis Ababa. The main cause of flooding in the city is extreme rainfall events, in addition to land use changes and informal settlements. Climate change projections also indicate that flood risk is likely to increase in the future.

Some other systems are not so much impacted by climate change as contributors to it, as well as to general environmental pollution. In the transport sector, where the average age of an automobile is 17 years, between 25,000 and 32,000 tonnes of hydrocarbons and 49,000 to 58,000 tonnes of carbon monoxide are released annually into the city's air by the 275,500-vehicle fleet of Addis Ababa (UN-Habitat, 2017). In the solid waste sector, the city uses an open dump system. Repil landfill, which is the largest open dump site, causes greenhouse gas emissions. It is estimated that the Addis Ababa city landfill's methane emissions account for about 18% of the total country emissions per year (Fitaw and Zenebre, 2003).

6. Conclusion and implications

6.1. Conclusion

This study set out to examine development in Ethiopia's capital, Addis Ababa, using the ACRC's holistic approach for understanding complex urban problems, which departs from the conventional siloed and technocratic approach. The findings from the different components of the study showed that Addis Ababa is urbanising fast, but is faced with numerous challenges in terms of shortages, scarcities and lack of coordination. Its highly contested roles further complicate matters, as different interests and demands emerge, which affect its development trajectory. This trajectory is affected by national-level decisionmaking as well as regional-level decisionmaking, in addition to the city's own decisions. The city is therefore the centre of national, regional and city-level politics and their interplay affects city development. Despite reforms to overcome problems, public services, housing and jobs are still wanting. With regard to the economy, the city is not experiencing structural transformation, which is much needed to address the pressing problems of unemployment and youth development. The city's youth, which has demographic, economic and political significance, finds itself constrained both in the informal and formal work spaces – the former is viewed suspiciously by the government, and the latter is unable to address young people's needs, because of a lack of regulatory and policy frameworks to institutionalise a living wage and address youth empowerment, as well as a lack of proper implementation of existing labour laws.

6.2. Implications for the conceptual framework

The Addis Ababa studies reveal that the city's development processes are majorly influenced by the national political settlement. National elites dominate the city in terms of de facto decisionmaking. They can also reverse decisions taken at city level. As a contested city, Addis is also affected by horizontal political claims of the Oromia region, which is accorded special interest status by the constitution.

The city of systems analysis shows how Addis does not conform to the "modern infrastructural ideal", as it lacks universal coverage by centralised networks, and is instead characterised by system fragmentation, in terms of regulatory institutions, services, actors and ownership regimes. Most systems also operate at the interface of formality and informality, with the latter playing important roles in the delivery of some services in the city.

The domain studies reveal that operators and actors are influenced by national political settlements and national-level policy shifts. For instance, MSEs operating in the city continue to enjoy the various supports provided by the government, so long as they remain aligned with the ruling party. Policy shifts, such as the introduction of PPP and new 70/30 models regarding housing provision, have impacted how the city delivers houses. National elites frame the youth in different narratives that underlie national

policies. The same framing and policies serve as guiding principles for youth-related activities in the city of Addis Ababa.

All of the above findings are indications of the usefulness of the ACRC's conceptual framework for understanding city development. The approach can be more effective if the macro-level analysis is supplemented by a domain-specific analysis with respect to the national- and city-level political settlement and city-level systems analysis. We have gone some way to elaborating the politics of housing provision, structural transformation and youth development; however, there may be merit in deepening and extending this analysis.

6.3. Implications for future research and interventions

6.3.1. *Future research*

Addis Ababa is already the industrial hub and economic and political centre of Ethiopia; and it is facing an urban explosion. Amid such growth and dynamism, development policies need to be guided by careful research.

Governance of the city

The way cities are governed and how different interests and values are reflected determine the overall city development process. In the case of Addis Ababa, it is important to identify the interests of the federal government, the Oromia region, the city administration and the citizens over the city and how these interests overlap. It is important to investigate the extent of policy alignment across the different actors, and how to harmonise the different interests and principles in a way that maximises citizens' welfare.

Evaluation of reforms and trends

The studies revealed that various reforms and trends are evident in the different spheres of city development. In the housing sphere, current reforms embrace a shift from condominium housing to multi-modal approaches involving public-private housing programmes, the joint venture programme, public rental housing programmes, and so on. There is a need to research whether such shifts are warranted and whether they have a better outcome compared to the previous approaches. The youth domain study revealed new neoliberal policies that open up the economy for international actors and create economic opportunities for the youth. Whether this new trend really creates opportunities or integrates the youth into the capitalist accumulation needs to be understood and researched.

Role of the private sector

The state and its agencies have dominated urban development in the city. A clear example is the housing sector, in which the state was responsible for coordinating and supplying housing in the city. But it was unable to completely address the problems. A realisation of this has led the city government to open up and attempt multiple

modalities, as illustrated above. The systems study revealed that the private sector plays a crucial role in service provision, formally and informally. The involvement of the micro and small enterprises (formal) in solid waste management, the involvement of water vendors, including truck pumps (informal), in water provision, and the involvement of private education and health institutions (formal) in education and health attest to the significance of the private sector in urban development. It is therefore important to learn from existing practices, and identify the challenges and opportunities, in order to forge ways forward.

6.3.2. Interventions

The study has highlighted deficiencies and challenges within systems and domains that could pave a way for interventions. Among the different interventions that may be applied to systems and domains, the following stand out most.

Coordination and integration

One of the observations that emanated from city of systems is that there are relations among systems. The health system, for instance, is heavily influenced by availability of clean and adequate water, since most diseases in the city are waterborne and related to water deficiencies. Failure in one system can lead to inadequate service delivery in another. There is also a lack of coordination among different sectors working on the same issue. For instance, there is a lack of coordination between health and education bureaus in addressing the issue of adolescent-focused youth sexual reproductive health services. The city government therefore needs to establish mechanisms of coordination among sectors and bureaus, for the purposes of improving efficiency and effectiveness in the city.

Improving youth agency

Young people have demographic and political significance in the city but lack organisational and political power. As a result, they have limited capacity to address the problems they are facing, both in the formal and informal labour market and in accessing services and housing. Though the government can assist the youth through policy and provision of support, young people need to be empowered, so they can exercise their own agency in advancing their interests. Such agency can be strengthened through encouraging and facilitating youth platforms.

Enabling job-rich city development

The demand for jobs in the city is very high, in large part due to increasing migration, as Addis Ababa is perceived to be the safest place in the face of conflicts and war in different parts of the country. The city has one of the country's highest unemployment rates, particularly among the youth. Job creation should thus be one of the key concerns of the city, and this could be achieved by speeding up structural transformation with the necessary support for enterprises.

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