

An aerial photograph of Addis Ababa, Ethiopia, showing a dense urban landscape with a mix of modern high-rise buildings and traditional low-rise structures. A vibrant rainbow arches across the sky above the city, set against a backdrop of blue and grey clouds. The foreground is dominated by a thick canopy of green trees interspersed among the buildings.

THE STATE OF ADDIS ABABA

2017

THE ADDIS ABABA WE WANT

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FOREWORD BY UN-HABITAT



It gives me great pleasure to introduce the State of Addis Ababa 2017 Report – the first of its kind to provide a comprehensive assessment of existing socio-economic and environmental conditions in the city and to provide evidence-based policy recommendations for achieving more sustainable pathways of development.

The report is very timely, given Ethiopia's ongoing rapid urbanization and the growing economic, social and spatial transformations of the last two decades. Both the federal government and Addis Ababa's city administration have made significant progress in improving economic and social conditions for residents of Addis Ababa. At the same time, challenges remain for Addis Ababa to become a more inclusive, safe, resilient and sustainable city in line with the Sustainable Development Goal 11. Notably, urbanization has caused increasing pressure on the city's capacity for affordable and adequate housing, employment, and access to basic services, particularly for the most poor and vulnerable. Addis Ababa will also face additional challenges in facilitating access to housing and land, while ensuring that social networks are not lost, and addressing the growing desire of the citizens of Addis Ababa to participate in decision-making processes.

These issues are explored in-depth in the report, which are presented in the context of the New Urban Agenda, the outcome document of Habitat III, and its avenues of implementation by local authorities. It thereby provides tangible and practical

recommendations for building an Addis Ababa that can serve as an engine of prosperity, as well as a centre of cultural and social well-being, while protecting the environment.

UN-Habitat, the leading UN programme on sustainable urbanization with more than forty years of expertise and as a focal point for sustainable urbanization and human settlements in collaboration with other United Nations entities, is committed to support Ethiopia's sustainable urban development process.

A handwritten signature in black ink, appearing to read 'Joan Clos', written in a cursive style.

Dr. Joan Clos
Under-Secretary General of the United Nations
Executive Director UN-Habitat

FOREWORD BY THE ADDIS ABABA CITY ADMINISTRATION



The African Union Agenda 2063 spells out the aspirations to be a prosperous continent, with the means and resources to drive its own development, with sustainable and long-term stewardship of its resources. Structural transformation is a necessary condition to translate the region's recent impressive economic growth rates into inclusive and sustainable development. The agenda's realization is strongly linked to the way urbanization is managed, as cities are hubs of cultural and economic activities, and Africa is urbanizing rapidly, projected to becoming predominantly urban within the next 20 years.

In Ethiopia, the recognition of the “urban” potential for economic transformation translated into the National Urban Development Policy of 2005, and further into the Second Growth and Transformation plan (GTP II). GTP II aims to transform Ethiopia into an industrialised middle-income country by 2025 and mainstreams the sustainable development goals (SDGs), while pursuing the strategy of fostering the governance and management of rapid urbanization to accelerate economic growth.

Urban development strategies such as increased investment to improve urban infrastructure, housing development and job creation through the engaging the youth demonstrate the commitment of the city government to transform Addis Ababa as a hub of innovation, economic production, and as a culturally diverse and environmentally sustainable capital city.

I am therefore pleased to introduce the State of Addis Ababa 2017 report, which has been prepared under a Memorandum

of Understanding between the City of Addis Ababa and UN-Habitat who have agreed to collaborate in initiatives that make the city prosperous and liveable –socially inclusive, economically vibrant, environmentally sustainable and well managed.

The report is a result of a commendable effort of UN-Habitat to undertake in-depth data collection and analysis that give an overview of the current state of the city pertaining to spatial, socio-economic and environmental issues.

The city administration is determined to guide the growth of Addis Ababa towards a more sustainable path. I trust that this report will provide both the information and inspiration needed to continue transforming Addis Ababa into a role model for managing the rapid urbanization to unlock its potential for structural transformation in Africa.

A handwritten signature in black ink, appearing to be 'Diriba Kuma', written over a light blue circular background.

Diriba Kuma
Mayor of Addis Ababa



ACKNOWLEDGEMENTS

This report was prepared under the leadership of Dr. Mathias Spaliviero, Senior Human Settlement Officer at UN-Habitat. He was assisted by Prof. Fantu Cheru, Senior Researcher, African Studies Centre, Leiden University, and Senior Advisor to the UN-Habitat Ethiopia country office. The research team was composed of experts from social, economics, and urban environment backgrounds. The core team that undertook the research and drafted the report comprised Dr. Meseret Kassahun, Assistant Professor, School of Social Work, College of Social Science, Addis Ababa University; Dr. Belay File, Assistant Professor of Development Economics and Urban Development Expert, Department of Development Economics, Ethiopian Civil Service University; Marjan Kloosterboer, M.Sc, PhD Student at the University of Glasgow in Urban Studies; and Dr. Linda Zardo, Department of Civil, Environmental and Mechanical Engineering, University of Trento, Italy. Aklilu Fikreselassie, Habitat Programme Manager Ethiopia at UN-Habitat, played a crucial role in coordinating the research process and providing relevant contextual feedback.

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The report was reviewed and edited by Prof. Fantu Cheru and Dr. Joseph Maseland, Human Settlements Officer at UN-Habitat, in close coordination with Katharina Rochell, International Consultant, Regional Office for Africa, UN-Habitat, who was also responsible for proofreading and the overall coordination of the production of the report with the assistance of Jessica Mundia, Intern in the Programme Division at UN-Habitat. Marcia Guambe, Urban Planning and Mapping Analyst at UN-Habitat in Mozambique, was responsible for providing GIS support and producing maps for this report.

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Finally and importantly, the contribution of renewal induced relocatees and condominium housing unit owners was absolutely crucial to this report.

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Executive summary

The *State of Addis Ababa 2017* report presents a critical assessment of the city's historical, demographic and urbanization processes *vis-à-vis* its current socio-economic and environmental conditions within the city's dynamic urban governance structure, system and practices. Specifically, the report sheds light on the impacts of Addis Ababa's ongoing urbanization on its economic development, social services delivery, access to affordable housing for the poor and the urban environment. It provides recommendations to enhance the city's liveability, productivity, competitiveness and sustainability.

This report is based on extensive research, including:

- a. A survey involving 1,315 individuals out of which 323 former inner city residents relocated as part of a massive urban renewal strategy and 992 condominium winners;
- b. Interviews with key officials from the Addis Ababa city administration; and
- c. Secondary data from city government departments and the Central Statistical Agency (CSA).

The quantitative and qualitative data has been integrated with critically reviewed literature and is presented as a set of coherent and evidence-based findings. In the overall drafting process, cross-comparison and triangulation by data source has been applied to ensure consistency, credibility and reliability of the findings.

Indeed, the economic, social and spatial transformation of Addis Ababa over the past fifteen years has been more than dramatic. The economy is booming; new manufacturing firms are mushrooming; fiscal infrastructure has improved dramatically, aided by federally funded mega projects; the provision of basic services such as water and electricity is improving though not at a scale needed; an attempt to engage citizens more in decision-making is seriously being debated though progress is far from being fully realized. These positive developments should, however, not be interpreted at face value that all is well in Addis Ababa. The

recommended, hence avoiding the over-concentration of capital investment, businesses and population in Addis Ababa, by establishing a system of cities composed of different important urban centres and poles of attraction well-distributed across the country and inter-linked through development/transportation corridors. Both federal and regional governments are urged to develop and implement national and regional spatial plans and support their implementation through well-coordinated investments, and to establish a system of cities able to sustain the national territory, with the required services and factors of attractiveness, providing valid alternatives to Addis Ababa's current primacy.

Over the past twenty years in particular, Addis Ababa has experienced rapid economic development. Despite the efforts of the federal government and the city administration to diversify the economic base of the capital, the service sector remains dominant while the pace of manufacturing growth has remained slow though improving in the past five years. Although the city government has taken significant effort to enhance local economic development through micro and small enterprise (MSE) development, it has yet to demonstrate the potential of MSEs in producing broad-based inclusive sustainable economic growth. Consequently, the urban economy does not offer a sufficiently broad spread of job opportunities for different skill levels. Addis Ababa, therefore, registers persistently higher unemployment rates than the national average. It is imperative that Addis Ababa's economy needs to transform significantly and become more competitive in order to attract investment, manufacturing in particular, that would generate employment opportunities.

Addis Ababa's revenue raising capacity needs to better match the urban economic activity. Evidence shows that the city faces critical challenges in raising the municipal (own) revenue to finance its public expenditures. The city's current public expenditure relies

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