ASSESSMENT OF URBAN DEVELOPMENT PRACTICES ON BUSINESS EXPANSION IN ETHIOPIA

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<tbody>
<tr>
<td>AGH</td>
<td>Agency for Government Houses</td>
</tr>
<tr>
<td>BOSC</td>
<td>Basti Basheer Odhikar Surakha Committee</td>
</tr>
<tr>
<td>BPR</td>
<td>Business Process Reengineering</td>
</tr>
<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>CMC</td>
<td>Cementisti Muratori Company</td>
</tr>
<tr>
<td>CSA</td>
<td>Central Statistical Agency</td>
</tr>
<tr>
<td>DDA</td>
<td>Delhi Development Authority</td>
</tr>
<tr>
<td>EC</td>
<td>Ethiopian (Julian) Calendar</td>
</tr>
<tr>
<td>ECA</td>
<td>Economic Commission for Africa</td>
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<tr>
<td>GIS</td>
<td>Geographic Information System</td>
</tr>
<tr>
<td>GoE</td>
<td>Government of Ethiopia</td>
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<tr>
<td>GRP</td>
<td>Gross Regional Product</td>
</tr>
<tr>
<td>GTP</td>
<td>Growth and Transformation Plan</td>
</tr>
<tr>
<td>HDB</td>
<td>Housing and Development Board</td>
</tr>
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<td>IHDP</td>
<td>Integrated Housing Development Project</td>
</tr>
<tr>
<td>IPPUC</td>
<td>Curitiba Research and Planning Institute</td>
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<td>Local Development Plans</td>
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<td>MDG-NA</td>
<td>Millennium Development Goals — Needs Assessment</td>
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<td>Micro and Small-scale Enterprises</td>
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<td>NGOs</td>
<td>Non Governmental Organizations</td>
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<td>NSDF</td>
<td>National Slum Dwellers Federation</td>
</tr>
<tr>
<td>ORAAMP</td>
<td>Office for the Revision of Addis Ababa Master Plan</td>
</tr>
<tr>
<td>PASDEP</td>
<td>Plan for Accelerated and Sustainable Development to End Poverty</td>
</tr>
<tr>
<td>PPP</td>
<td>Public Private Partnership</td>
</tr>
<tr>
<td>SPARC</td>
<td>Society for Promotion of Area Resource Centres</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses Opportunities and Threats</td>
</tr>
<tr>
<td>UN-HABITAT</td>
<td>United Nations Centre for Habitat</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
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CHAPTER ONE

INTRODUCTION

1.1 Background

With 17% (about 13 million people) of the country’s population living in urban areas, Ethiopia is among the world’s fast urbanizing countries. The capital city, Addis Ababa, has a population of about 3 million, close to one quarter of the urban population in the country. In recent years urbanization has attained unprecedented levels of growth with the development and expansion of Addis Ababa and other cities.

The Urban Development Policy and the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) strategy, have the objectives of promoting the role of urban areas in the overall national development. The policy and the strategy are further articulated in the Integrated Housing Development Programme (IHDP), which has multi-sectoral goals, viz., provision of affordable and low-cost housing, empowering urban residents through property ownership, job creation and income generation, and improvement of quality of the urban environmental, infrastructure development, etc. and the urban renewal programme.

The IHDP and the urban renewal programme have been implemented on a large scale in Addis Ababa and are being rolled out to major cities. The programmes are normally accompanied by massive infrastructural developments, particularly in Addis Ababa, to link the developed areas to the inner city. The process has been criticized for giving less consideration to business establishments along roads that have been upgraded and to those found in local area developments. Some preliminary studies indicate that many businesses have been casualties of the urban development programme.

Further stimulated by the Five-year Growth and Transformation Plan, urban growth and development in Ethiopia is expected to gain even more momentum; and it seems that small businesses would continue to be affected by this growth and development. If left unattended, this process may result in unwanted consequences, both for businesses and urban development. The high rate of population growth and rapid urban development, combined with the high prevalence of poverty, suggest a rapidly growing number of the
It is, therefore, vital and timely to seek appropriate strategies that lead to deliberate actions on the part of the public and the private sectors to properly manage the relationships between urban development and business expansion.

1.2 Objectives of the Study

This study is an investigation into the relationship between urban development and business expansion, in light of the IHDP. Its objectives are to:

- Gather quantitative and qualitative data on the impact of urban development on business expansion; and
- Identify business expansion constraints in the context of urban development and propose ways to reduce the constraints.

1.3 Methodology

The scope of the study includes a review of the initiatives taken by Ethiopia over the last ten years to promote urban development, in terms of their impact on business expansion, both in absolute terms and in comparison with Asian, Latin American and other African countries. The selection of countries with good practices is based on the similarity of slum neighbourhoods, availability of data and information as well as applicability of the lessons to the Ethiopian urban context.

The data collection and assessment employed two principal methods. The first is a review of international and local experiences from secondary data and through formal and informal discussions with relevant institutions and persons. The second is through the use of sample surveys of businesspersons in the selected areas of the projects.

The sample surveys focused on five sub-cities of Addis Ababa, namely Arada, Addis Ketema, Kirkos, Lideta, and Yeka. An overview of regional experiences was also conducted in three cities — Dessie, Mekelle and Adama. The cities and the specific sites were selected on the basis of the upgrading and/or redevelopment as well as the housing projects they have undertaken during the last decade. Specific site selection was made on the basis of purposive sampling techniques supported by discussions with the relevant public institutions in the cities.
In Addis Ababa, the focus was on the central areas’ renewal/redevelopment sites as they are the ones that involve relocation or eviction of businesses. Developments in the expansion areas are usually conducted on vacant lands, without the need for relocation or eviction, and hence generating less interest in the areas. The questionnaire in Annex I was translated into Amharic for the purpose of conducting the survey. Some 15 business actors from each regional city and about 20 business actors from each of the sub-cities in Addis Ababa were identified and interviewed based on random sampling techniques. In total, 145 businesspeople (45 in the regional cities and 100 in Addis Ababa) were interviewed to get their reflections on the existing situation and learn about their aspirations.

Discussions were also held using the appropriate forms with public sector officials primarily with those of the Agency for Government Houses (formerly Rental Housing Agency, Trade and Industry Bureaus) and business organizations. The collected data were then analyzed qualitatively and quantitatively using simple matrix analysis, brainstorming, and SWOTing.

The consultant had difficulty in getting concrete and reliable data on the number of businesses before and after the execution of renewal projects. In most cases, data on the size of previous businesses on the renewal sites were not available due to poor data management. Though attempts have also been made to identify the whereabouts of the businesses after renewal, it was impossible to get their sizes as they were dispersed to different localities. As a result, such findings have only been stated qualitatively.

It was again challenging to get balanced data among the sub-cities of Addis Ababa and the three regional cities using the developed form. Attempt has thus been made to get all the available data as far as they contributed to the core purpose of the study. As a result, one could observe varieties and imbalances in the magnitude and type of data among the sub-cities and the regional cities.

Federal and regional urban development policies and strategies such as the Urban Development Policy, PASDEP, Urban Planning Law, etc., were also reviewed to develop a framework. This set the basis for the identification of specific policies and measures fostering business expansion in the context of accelerating urban development.
1.4 Organization

The study is organized into four chapters. Chapter One provides the background, objectives, and the methodology used for conducting the study. Chapter Two discusses international practices in urban development and business expansion with focus on Latin America, South East Asia and Africa. Chapter Three presents the Ethiopian experience and details the findings of the sample surveys in Addis Ababa and three regional cities. Chapter Four dwells on the major findings of the study and forwards recommendations. The Annexes contain questionnaires used during the sample surveys and a list of key informants.
CHAPTER TWO

LITERATURE REVIEW ON GLOBAL EXPERIENCE

2.1 General Concepts and Definitions

This is an era of urbanization. More and more people are living in cities as economic activities increase in urban areas. By the year 2025, close to half of the population of the world is estimated to live in cities and towns. This high concentration of people in cities and towns implies that the economic contribution of urban regions to gross regional product (GRP) is becoming dominant. The economic potential of urban areas also suggests that proper approach to growth can bring real change in the economy and the benefits of development can be more widely dispersed. On the other hand, rapid urbanization is creating mounting pressure on infrastructure, service provision and management capacity of governments. As a result, more than a billion people — one-sixth of humanity — live in slums, and the figure is expected to rise to nearly one third in 30 years, according to UN-HABITAT.

Population growth and the expansion of cities bring about changes in the quality of life which in turn lead to demand for more goods and services. Population growth without corresponding business development is not sustainable. But how cities promote economic development varies. Some focus on attracting new businesses while others prefer to develop existing local businesses through redevelopment or expansion or some mix of the two approaches.

To improve the lives of people living in slum areas and to promote local economic development, local governments have been implementing urban renewal and upgrading initiatives. One core objective of the renewal and upgrading projects is local business improvement that forms the basis for local economic development. Urban development cannot be realized without business development.

European and North American experiences show that the public sector is the driving force in urban revitalization efforts, via specific policies, programmes and incentives that mobilize the involvement of other actors. Moreover, public sector financial contributions are essential in building the legitimacy of the
revitalization process. In planning, the trend is to produce and strengthen a more mixed-use urban environment in the revitalization process. The success of inner city revitalization requires that significant attention is given to the institutional setting and programme management aspects as a way to foster effective integration among sector policies and inter-agency co-ordination (Claudio, 1999).

In the last few years, the policy landscape for urban renewal, slum upgrading and affordable housing has changed markedly, funded by governments partnering with major non-governmental organizations (NGOs), banks, developers and foundations.

The term urban renewal emerged in the USA in the late 1940s as an attempt to revitalize city centres, and remained in practice until the 1960s. Urban renewal is of growing importance because urban areas are becoming larger and older and so more and more renewal of urban fabric has to take place. It is also needed because of the constant expansion of urban areas into agricultural hinterland, while large quantities of urban land and buildings are abandoned and left dilapidated.

**Definition:** Urban renewal is a process of remodelling older parts of urban areas, including their central business areas, by means of rehabilitation and conservation as well as redevelopment. It is also the displacement of an existing low-income population, creating space for more profitable office, commercial and luxury residential development or the provision of transport facilities.

**Basic Concepts**

- Urban renewal programmes are generally undertaken by local governments and other public authorities. The emphasis is on those parts of the urban area which have fallen below current standards of public acceptability (commonly termed as slums). These are usually to be found in the residential parts of the inner city and in the central business district itself.

- Key indicators for slum areas of inner cities are:
  - Inadequate housing, services and facilities;
  - Dilapidated buildings;
  - Environmental degradation;
• Presence of non-conforming uses;
• Traffic congestion; and
• Congestion of built-up structures.

General Policies and Approaches in Urban Renewal

The general policies and approaches utilized in urban renewal are the following.

1. Slum clearance: Demolition of dilapidated dwellings located in a slum.

2. Redevelopment: The demolition of existing buildings and their replacement by new buildings.

3. Rehabilitation: The repair and improvement of existing structurally sound properties.

4. Housing improvement: Improvements of dwellings by provision of essential basic amenities.

5. Conservation/Preservation: Keeping intact or unchanged.

6. Environmental improvement: Main emphasis is to improve environmental conditions.


The significance of urban renewal is also associated with the negative consequences of suburbanization. The anti-sprawl critique was raised by Jane Jacobs in the early 1960s, leading to a mainly negative image of suburbanization. While suburbs are still popular, the low density causes inefficiency on many levels: land use, water and energy use, public transport, car dependency, and so on.

Urban renewal is a complex task which is multi-dimensional and affects many interests. A successful renewal process requires an integrated intervention which aims at physical, economic and social revitalization of the area. These three aspects of a renewal project are interrelated. Neglect or deterioration of one aspect will inevitably lead to the deterioration of the others. The physical appearance and environmental quality of cities and neighbourhoods are highly potent symbols of their prosperity and of the quality of life and confidence of their enterprises and citizens. Run-down housing estates, tracts of vacant...
land, derelict factories and decaying city centres are the all-too-visible faces of poverty and economic decline. More often than not, they are the symptoms of decline or inability of a city to adapt quickly enough to rapid social and economic changes.

Urban renewal with on-site relocation has the following advantages:

- It preserves the existing economic system and opportunities for those in need, i.e., the urban poor;
- It preserves a low-cost housing system, usually in advantageous locations, thus enabling the inhabitants to retain maximum disposable income; and
- It preserves a community that has many internal linkages, thus safeguarding the interests of individual families.

The key determining factors for the success or failure of renewal projects are:

- Institutional arrangements and management during and after project implementation;
- Land and housing security of tenure, affordability of services to the majority of the project site residents;
- Level of actors’ participation from the beginning to the end of the project. There needs to be community participation in planning and implementation. The primary target groups of concern are low-income residents;
- Strategy for income restoration of the affected people, i.e., renewal programs should be executed in such a way that the affected communities are compensated for losses of income, share the benefits created by the project, and are assisted during the transition period between eviction and resettlement. Those who benefit from the development should finance the costs of relocation;
- Relocation/displacement should be avoided or minimized in carrying out renewal programs. If relocation is unavoidable, the distance between the departure and the relocation sites should be minimized. Moreover, the relocation sites should be equipped with infrastructure and services; and
- Planning should be seen as part of management, not as an isolated technical activity. There must be sufficient time between the decision to relocate and the actual relocation.
One major negative consequence of renewal projects is the displacement of existing communities to other locations. Displacement of communities results not only in disruption of the incomes and jobs of particularly the low-income group, but also in the disruption of their established social networks. To avoid these drawbacks of urban renewal, local governments have recently adopted the policy of on-site relocation.

2.2 Experiences of Developing Countries

With rapidly expanding urban population, many cities of the developing world are faced with the difficulty of accommodating the urban poor. Although this is not a new or unfamiliar problem, increasing commercial competition for urban land means that many low-income households living in settlements close to city centres come under extreme pressure to either sell up or relocate to cheaper locations, often remote from the sources of their livelihoods (Satterthwaite, 2008). Historically, poor neighbourhoods in centrally located areas have been bulldozed and their residents relocated to the outskirts of cities in order to make way for commercial development. While mass evictions are less frequent these days, they still occur in many cities and the development pressures that drive them are often followed by some form of gentrification which makes it difficult for poor communities to live in central urban areas close to where they work.

The main reason for this is that conventional approaches to poverty reduction – state-managed, professionally directed and sometimes funded by international donors – have not met the needs of large sections of the urban population. This can be seen in the very large number of urban dwellers who live in poverty.

2.2.1 African Experience

Unemployment and poverty are rife in many African cities. It is, therefore, widely acknowledged that there is a need for more housing, infrastructure and services. As commitments to reduce unemployment and poverty are the main objectives of many African countries, urban renewal and inner city regeneration projects and programmes are becoming the priority of most of the governments.

Labour-intensive infrastructure development programmes have indeed helped South African cities create employment and generate new demands for manufactured goods. Labour-intensive public work programmes in the 1960s also made valuable contributions to the economies of Morocco, Algeria, Tunisia, Ghana and Kenya.
Nevertheless, these efforts are usually detracted by lack of capacity and skills at institution, community and individual levels. According to Thwala, who in 2006 reviewed the urban renewal projects in Alexandra, South Africa, urban renewal and inner city regeneration have become serious issues for the South African government. Alexandra, one of the cities with renewal problems, had an estimated 34,000 informal houses. The unplanned population had overloaded the infrastructure such that water pressures were low and sewers frequently blocked and overflowed. Maintenance of such systems was very difficult because the high densities and congested nature of the backyard informal houses made access very difficult. In 2001, the State President announced a seven-year plan to redevelop Greater Alexandra. The estimated budget for the Alexandra Renewal Project was Rand 1.3 billion over the life of the plan. The project was one of the main vehicles through which the government implemented its objectives of sustainable development and poverty alleviation.

The desired outcomes for the Alexandra Renewal Project after the seven-year implementation period were:

1. Stimulating income-generating opportunities for the economically active population of Alexandra, so as to reduce unemployment;

2. Providing services that are appropriate and affordable and paid for;

3. Creating a safe and secure environment with sufficient policing, criminal justice and emergency services so that rates of serious crime are at least 50% below the starting levels;

4. Providing and ensuring the maintenance of local government services in a manner that is well planned, administered and accountable to the public;

5. Creating a clean living environment that creates a good quality of life for the residents of Alexandra;

6. Providing a choice of sustainable and affordable housing with secure tenure that is well regulated in terms of density and quality; and

7. Creating a healthy, empowered, self-sustaining community with access to integrated and effective social services.

But a review of the jobs created by the project at the end of 2006 showed that only 22% of the promised numbers of jobs were realized.
As regards improvements in service delivery and good governance in slum areas, important lessons can be learnt from Johannesburg. Johannesburg’s “City Level Comprehensive Development Framework and Slum Upgrading” programme was conducted to improve decision-making concerning budget allocation for service delivery in slum areas. The process was supported by a city-wide data base which used GIS in facilitating access to information for the public on service delivery.

Among the success factors listed by Thwala (2006) on the bases of similar programmes in Kenya and Botswana are:

- Good preliminary analytical work and thorough attention to technical aspects throughout the work;
- Pilot projects which tested all aspects (technical, administrative, institutional, etc.);
- Strong, yet flexible, institutions with good management systems;
- Extensive training;
- Long-term political support; and
- Long-term financial support.

### 2.2.2 Latin American Experience

Latin American cities have rich experience in urban renewal programmes. The urban renewal of Curitiba, Brazil, began with the *Plano Direktor* (Master Plan), approved in 1966, and the establishment of the Curitiba Research and Planning Institute (IPPUC). The full-fledged implementation of the programme began in 1971.

Curitiba had a population of about 1.8 million in 2007. Curitiba’s urban renewal has been characterized by a number of innovations; the most recognized being public transport in which the city has been a model for medium-sized cities. Although per capita ownership of automobiles in the city was among the highest in Brazil, nearly 75% of daily commuters used public transport.

The second group of innovations were related to environment. The former approach to flood control was replaced by one that has virtually eliminated the problem and, at the same time, vastly expanded recreational space such that it now greatly exceeds the UN per capita recommendations. Several
hundred thousand trees have been planted and garbage collection programmes instituted. These contributed to the separation of different types of garbage and helped obtain refuse collected from difficult-to-reach areas. Abandoned quarries, which were dangerous as well as eyesores, have been transformed into magnificent public sites. An important aspect of Curitiba’s success rested in the city’s accomplishments in infrastructure and the provision of services.

Since the initiation of the urban renewal programme per capita income in the city has risen from just below the national average to nearly 70% above it. The sustainability of what was achieved also depended on other factors, most notably the emphasis given to providing a solid economic base for the restructuring. The result has been an extraordinary private response to public initiatives, numerous factories, and billions of dollars of investment from outside the city, primarily from abroad. Also of importance in assuring sustainability was the attention given to environmental matters and the achievement of good governance.

2.2.3 South-East Asian Experience

The scourge of slums has long plagued India’s major cities. In Mumbai alone, six million people are slum-dwellers. Yet, the landscape for slum improvements has changed dramatically in the past years due to public policy initiatives, activities of the private sector and NGOs as well as policy initiatives and funding from international foundations and donors.

Although recent innovations implemented through the Slum Redevelopment Authority did not produce the hoped-for scale of slum improvements, they have proved more effective possibilities for the future. The institutional and legal frameworks provided opportunities for community-driven approaches by the Society for the Promotion of Area Resource Centres (SPARC), the National Slum Dwellers Federation (NSDF) and Mahila Milan (savings collectives formed by women pavement and slum dwellers). The Basti Basheer Odhikar Surakha Committee (BOSC), which was founded in 2000, provided the means by which the urban poor could put pressure on city and ward governments – and go beyond the conventional confrontational protests that had previously been the means through which the poor had sought to influence government.

Immediate benefits can be delivered by what is termed “co-production” of housing and services by organizations of the poor and the state. This can form the basis for a better citizen and local government relationship. Here, there is an interest in the relationships between low-income citizens and the
state within “co-production”. Obviously, this is influenced by the way low-income citizens organize themselves. This shift from protest to co-production describes the ways in which citizen groups formed by the urban poor have sought to change government policies over the last 40 years in India.

Equally important is the realization that even large coalitions or social movements of the urban poor have limited capacity to effect pro-poor change if both bureaucrats and politicians always see them as the opposition or troublemakers. What the National Slum Dwellers Federation and its partner federation Mahila Milan did was to offer government agencies (especially local government agencies) the knowledge, strengths and capacities of their members. This change in tactic by the federations has led to the implementation of many government-supported programmes by these federations and the Mumbai-based NGO, SPARC.

The federations are currently working with the Mumbai Metropolitan Region Development Authority in designing, building and managing hundreds of community toilets with washing facilities that will serve hundreds of thousands of low-income households. The federations in Mumbai are also working with the police to set up and manage police stations in hundreds of “slums” that work with and are accountable to community organizations.

The Delhi Development Authority (DDA), responsible for the relocation of Motia Khan and Peera Garhi (two inner city settlements in Delhi) to locations on the outskirts of the city, claims to have provided sufficient employment opportunities for those being relocated. Though quite large improvements have been registered, the experiences in Delhi continue to provide a reasonable degree of worrying evidence that city authorities in general persistently underestimate the potential negative impact that relocations can have on the livelihoods of urban poor communities. According to Kaskar, 1989 (in Merrill and Suri, 2007) urban renewal in Indian cities has three components: conservation, rehabilitation and redevelopment. A wholesale slum clearance is not considered as a solution for urban problems prevailing in Indian cities; rather, a combination of different interventions including slum improvement, preservation of existing stocks through public maintenance and selective slum clearance are pursued to address problems associated with urban dilapidation.
2.3 Lessons from International Experience

The table below shows the gradual global transformation in policy and approach towards the management of renewal projects.

Table 1: Changes in Eviction Process

<table>
<thead>
<tr>
<th>Early Stage</th>
<th>Later Stage</th>
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<tbody>
<tr>
<td>Resistance and confrontational protests</td>
<td>Alternative proposals</td>
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<tr>
<td>Forced eviction</td>
<td>Negotiation-based eviction</td>
</tr>
<tr>
<td>Manipulated/uninformed eviction</td>
<td>Informed residents and organizations</td>
</tr>
<tr>
<td>Varied and inconsistent procedures</td>
<td>Standardized procedures</td>
</tr>
<tr>
<td>State refusal to recognize neighbourhood organizations</td>
<td>Progressive acceptance of organizations</td>
</tr>
<tr>
<td>Exclusion of evictees from the renewal process</td>
<td>Inclusion of all players in renewal process</td>
</tr>
<tr>
<td>Owned and managed by government alone</td>
<td>Co-owned and co-produced</td>
</tr>
</tbody>
</table>

From Table 1 one can see that renewal approaches have gradually tended towards benefiting all stakeholders, including low-income evictees. The lessons of the foregoing experiences of developing countries can be summarized as follows:

- Leadership plays an important role in developing a vision and winning commitment to tackle the difficult and often expensive plans to solve environmental and economic problems. Without a vision for Curitiba, the Brazilian city would never have achieved the success it has in addressing serious environmental, land-use and transportation problems. Without strong governance, leadership and innovation, the modern Singapore city-state would never have solved its environmental and housing problems or transformed its economy to provide a more sustainable basis for development in the future.

- Local participation is critical; and the needs and aspirations of communities should be incorporated.

- The willingness of communities to embrace change has led to innovation in public administration, urban management and environmental design. The programme, designed to encourage community engagement in Curitiba, Brazil, led to changes in behaviour and support for urban improvement programmes.

- Both Curitiba and Singapore sought to leverage resources through various forms of partnerships in order to build infrastructure and provide housing as well as community facilities. In Curitiba, the multiple uses of facilities have reduced operational costs, freeing capital for the use of other priority projects.
The importance of urban planning, enforcement of construction laws and environmental policies as well as paying attention to asset management and maintenance have enabled the cities to maintain efficient urban systems, a high quality of visual amenity and liveability. The integration of residential, social, cultural and educational land uses with commerce, research and specialized, integrated low-intensity manufacturing highlights the importance of building urban places in which people feel comfortable to visit, work and live. The focus on integrated development has had a significant impact on improving the quality of life in all cities.

A significant amount of trial and error has occurred in all the cities to refine and develop approaches to good practice. Mistakes have been made and some things have worked better than others. However, the willingness to change, commit to new ideas, to try alternatives and test options make these cities different. These cities have understood that risks must be accepted if changes in community behaviour, technology, governance and approaches to urban management that benefit sustainability are to occur.

Land sharing is an agreement between the illegal occupants of a piece of land and their landlord. It essentially involves illegal occupants moving off high value land in return for being allowed to either rent or buy a part of the land below its market value. The advantage of such an agreement is that it allows the landowner to regain control of the site and realize higher commercial returns from the land without having to evict illegal tenants. In return, illegal residents gain legitimate tenure and are able to continue living close to their established livelihoods. Redevelopment through land sharing can be used to reorganize valuable urban space in inner city core urban areas in a way that satisfies not only the commercial interests of the private sector but also the social interests of poor urban communities squatting on the land.

Projects should be financially sustainable. They should not rely merely on one source of finance; rather they should promote the contributions of all actors.

A well defined institutional arrangement which gives technical, political and management autonomy to a locally-based organization capable of steering the process should be put in place. Scaling up requires appropriate institutions, structures and regulatory frameworks.

The level of services needs to be affordable to the community and to the local authority. Production of affordable development plans that address the urban poor can be achieved by closely working with the
community on the bases of what they can afford, rather than imposing arbitrary official decisions on standards and procedures.

- Targeted subsidies may be required to include the poor. More holistic urban developments are effective in creating a balanced community with cross subsidization mechanisms and with the application of a market-driven approach.

- There must be a strong and sustained political commitment throughout the life cycle of the project.

- Relocation should be discouraged and, if mandatory, take an in-situ approach.
3.1 Slums in Ethiopia

Researches indicate that the magnitude of slums in Ethiopia is one of the highest in the world. The revised Addis Ababa City Development Plan and the Millennium Development Goals Needs Assessment Study asserted that 80% of the housing in Addis Ababa is slum (ORAAMP, 2001; Solomon, et al. 2004). The situation in the other urban centres of the country is not different from the capital (CSA, 2005, 2007).

Though the contextual definition and the extent of Ethiopian slums might appear debatable, there is a general consensus on the poor conditions of housing, services and infrastructure in most urban neighbourhoods across the country.

The causes of physical deterioration of urban centres in developed countries are related to transport improvement, suburbanization, the withdrawal of large firms and higher income groups from city centres, and related emerging social problems due to the decreasing attractiveness of such centres for investment. These are not the causes of inner city deterioration in the Ethiopian urban context. Even though the physical condition of city centres in Ethiopia is deteriorating, the locations are still in high demand because of the limited improvement in transport, low level of suburbanization and the micro nature of economic activities. The social problem is not as such a push factor to leave the central locations.

The causes of physical deterioration of Ethiopian city centres are related to the way the areas were built – i.e., without proper planning, utilizing temporary construction materials and in rural tradition. The majority of the houses in the cities are similar to those in rural areas as they do not have toilets, bathing facilities and modern kitchens (CSA, 2005).

The other cause of deterioration is lack of proper management. Though the demand for central locations is very high, residents cannot make meaningful improvements to the housing units because they are predominantly publicly owned. Moreover, the majority of the residents are low income families.
Absence of tenure rights and low capacity are the limiting factors for market forces to operate and renew the area. Thus major renewal interventions have been waiting for government actions.

In the urban renewal of developed countries, there are possibilities for maintaining the central area buildings, upgrading and re-using them for better functions. The same is true with the already existing infrastructure. In the Ethiopian context, renewal may not have the comfort of retaining the existing structures and infrastructure network, except for some few historical buildings. Most of the inner city buildings and infrastructure networks have physically deteriorated and are unfit for living and working.

The Ethiopian urban renewal process is not a consequence of suburbanization as it was in the United States and in Europe. Though there are recent trends of high income real estate developments on the outskirts of cities, Ethiopian urban history has not come across suburbanization in the real sense of the term.

In previous times, physical urban development was basically carried out through expansion to the outskirts; and it is common to see the city center leapfrogging and expanding to intermediate and expansion areas without appropriate planning. This has now changed to renewal of inner city areas for two basic reasons. One is because of lack of expansion areas and the challenge of going indefinitely into agricultural land. The second is the need to renew the slum central areas of the city so as to boost the local economy, improve the efficiency of land use and improve the urban quality. As land for expansion has become scarcer and the cost of infrastructure has become very expensive, Ethiopian urban local governments have reverted to renewal approaches to meet their development goals and objectives. Thus it is no surprise that the government recently decided to redevelop the existing urban fabric and make maximum use of land, infrastructure and services which are already within urban areas. This, in general, is a commendable policy.

Though there were some renewal and upgrading attempts in Ethiopian urban centres, urban renewal/upgrading on a wider scale as a major urban development policy instrument is a relatively recent phenomenon. The Tekle Haimanot upgrading and Filwuha Area Resettlement projects can be cited as examples of the early upgrading projects in Addis Ababa. The recent renewal projects might have started with the development of Sheraton Hotel, Dembel City Centre and Casanchis Renewal Project. With the launching of IHDP and the growing attention of the government to urban development, the initiative has been extended to cover wider localities of Addis Ababa and
other secondary cities in the country with more vigour, especially during the last five years.

**The Legal Framework**

The issue of displacement and urban renewal have long been established in the legal framework of Ethiopia as indicated in the following laws.

- The 1948 Ethiopian Constitution;
- The 1952 E.C. Civil Code; Proclamation No. 47/67;
- The 1979 E.C. Urban Planning Law;
- The 1986 E.C. Federal Constitution (Article 17, 40/87);
- The 1986 E.C. Urban Land Lease Proclamation No. 80/86 (Article/11);
- The 1986 E.C. Proclamation No.7/86;
- The 1987 E.C. Addis Ababa Master Plan Regulation No. 3/87;
- The 1987 E.C. Regulation No. 4/87 of Addis Ababa;
- The 1994 E.C. Proclamation No. 272/94 Lease Re-enactment;
- The Addis Ababa 1994 E.C Proclamation No. 29 & 30/94 Lease and Eviction Appeals; and
- The 1997 E.C. Proclamation No. 455/97.

The recent and major urban development related policy documents are:

- **Urban Development Policy:** General directions with regard to the need for slum improvement actions are stated in this policy document. The document stresses the necessity of improving the life of the urban poor through integrating low-cost housing in urban development. Apart from this, the policy has also looked into the problem of squatter settlements and has given general policy direction on how to deal with them.

- **Urban Planning Proclamation:** In this proclamation, urban redevelopment, urban renewal, upgrading and land re-allocation have been given emphasis with a view to alleviating urban problems. In one of its paragraphs, the proclamation states that “improvement programmes will be undertaken to ameliorate the degraded and worn-out parts of urban centres”.
- **PASDEP, Urban Development Component**: A government policy document that gives more focus to urban development issues is manifested through the 5-year PASDEP (Plan for Accelerated and Sustainable Development to End Poverty). The three pillars of the urban development objectives, namely MSEs (Micro and Small-scale Enterprises) and Job Creation, Integrated Housing Development, and Improved Access to Serviced Land and Facilities, are all geared to the enhancement of urban upgrading and renewal programmes. In particular, the objectives and targets of IHDP focus on reduction of slums, integrated urban upgrading and regeneration.

- **Proclamation No. 455/2005 and Regulation No. 135/2007**. These are the most recent and currently used legal frameworks for redevelopment and compensation matters. The basic ideas of the Proclamation and the Regulation are expropriation of landholdings for public purposes, and they specifically state:
  - That power to expropriate land is given to woreda urban administrations;
  - The basis and amount of compensation for landed property and permanent improvements made on land held legally;
  - That property valuation is to be done by certified private or public institutions. Committees do the job for the time being; and,
  - That appeals may be brought to an Appeal Commission or Standard Court.

- **Directive Number 3/2010 of the Addis Ababa City Government**. This directive of compensation and relocation is related to Proclamation Number 455/2005 and Regulation Number 135/2007. The directive is advanced in terms of addressing the problem of formal businesses that could be affected by urban renewal. It has provisions that give a chance for tenants of business premises to get priority to lease plots of land in the same location. According to the directive, businesspersons that may not have the capacity and motivation to be involved in the renewal process can be given priority to purchase commercial units in condominiums.

In sum, the major policy objectives of urban renewal and urban development are:

- Improving the socioeconomic life of the urban poor (slum dwellers) through creation of jobs and income;
- Ameliorating the degraded and worn out parts of the urban centres, i.e., the reduction of slums;
Managing the shortage of housing through provision of low-cost condominium housing development; and

Encouraging the formation and growth of MSEs so that business is promoted.

3.2 Urban Development in Regional Cities

3.2.1 Dessie City

Dessie is the capital city of South Wollo Zone in Amhara Regional State. It has a population of about 160,000, according to the city government. The city centre of Dessie is typical of old Ethiopian city centres, with highly dilapidated housing and little or no infrastructure and basic services. The houses mainly made of mud and wood do not even have basic facilities. Some 75% of the houses in the central area were nationalized in 1974 and rented to tenants at very low prices by woredas.

The areas surrounding the city are rugged and not suitable for urban expansion. This has left the city without development alternatives other than central area renewals. To improve the situation the city administration embarked upon the task of urban renewal in 2003 focusing on central areas along the major routes. Before the redevelopment initiative, the city remained one of the stagnant urban centres in Ethiopia. Even if the business corridor along the main road of Piazza and Arada deteriorated physically, the location was in high demand, and the push and pull factors for redevelopment were mature. Plate 1 below shows the condition prior to the redevelopment.

Plate 1: Partial View of the Main Dessie Road before Redevelopment

Source: Dessie Municipality
According to the Arada Renewal Project Study Draft Report of 2002, the site selection criteria for Dessie renewal were based on the need to beautify the city and to maximize the underutilized land and infrastructure. The renewal management process gave due consideration to ease of implementation where woreda/kebele-owned neighbourhoods were targeted. Moreover, intensive discussions and encouragement to the business community as well as committed and sustained follow-up helped smooth implementation of the program.

By assessing the context, the municipality then drafted its own local policy. This document was later revised and adopted by the region as a directive. The policy considered renewal as the only way for future development of the city. To encourage the renewal process, lease prices were adjusted. Lease priority was given to occupants at a preferential rate. If the occupants declined, the plot was put on auction. Relocation was minimized as far as possible, and relocation of government housing tenants to public houses or provision of relocation plots was adopted. Private owners were compensated and provided with residential relocation plots and also given the freedom to redevelop the area. AGH house occupants were advised to buy the house from the agency and lease the land from the municipality.

Initially the business community resisted the idea of renewal because they feared eviction and loss of income. Nevertheless, the municipality committed itself and pressed on with the demolition of woreda-owned houses with the motto, “Make Dessie better!” Informally and formally they promoted the idea that the city was lagging behind, while others were developing. Later on, some investors took initiative. Observing the benefits for the initial developers, a sense of competition arose and the city renewal process started to accelerate.

Plate 2: The Main Road after Redevelopment
Currently, a new renewal project is in progress along the roadside from Piazza to Arada. The roadside is one of the commercial corridors of the city. The Arada Renewal Project study revealed that 30% of the demolished housing units were used for businesses and the majority of those were run in houses rented from public and private owners. Most of the businesspersons were willing to participate in the redevelopment and have already been organized into associations.

Though not attributable merely to the renewal process, there is a general trend of increment in the number of licensed businesses operating in the city.

Table 2: The Trend in the Number of Licensed Businesses in Dessie

<table>
<thead>
<tr>
<th></th>
<th>Budget year (E.C)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1998</td>
</tr>
<tr>
<td>New licences issued</td>
<td>617</td>
</tr>
<tr>
<td>Licences renewed for the year</td>
<td>1,888</td>
</tr>
<tr>
<td>Returned/revoked licences</td>
<td>198</td>
</tr>
</tbody>
</table>

Source: Dessie Municipality Business Promotion Office

With the idea of renewal, a number of real-estate developments are underway in Dessie; and it has, in a relatively short period, become one of the fastest regenerating cities in Ethiopia. Encouraged by the successes so far, the city Administration has plans to undertake more renewal projects in the slum areas.
Tossa Share Company: A Success Story

The Dessie Urban Renewal Programme has registered success stories. The Tosa Share Company formed by 84 business members evicted from the central area of Arada is an example of such successes. On clearing the land for redevelopment, the city administration allowed the businesspeople on the site to form associations and take part in the redevelopment programme. The members were organized into associations and later formed a share company named Tossa whose objective was to construct a business building on the same site from where they were evicted not only to maintain their livelihood but also to promote and enhance their businesses. The city administration was supportive of their intentions and allowed them to lease the land, provided that they build a business building to a standard demanded by the master plan and that they pay the preferential lease price. Each member started saving Birr twenty each month, and they gradually managed to raise the finance required to lease the land and build a G+4 commercial building (Tossa Number 1). The building was partially used by the members to run their businesses and they rented the extra floors to generate more income. In five years they managed to build another building, Tossa Number 2. The Tossa Share Company members took the redevelopment program as an opportunity and exploited it to change their existing conditions for the better. The success of the company could be attributed mainly to the creative and entrepreneurial vision of the members and the visionary support of the city administration.
The other notable experience gained from Dessie is the conduct of redevelopment on both sides of streets allowing balanced visual and functional intervention. The strategy has also enabled effective and economic use of infrastructure.

There are nevertheless some undesirable spaces created as a result of failure to integrate some existing buildings and functions. In some areas (See Plate 7), failure to integrate existing buildings with the new ones has created lack of functional and visual harmony and balance.
3.2.2 Mekelle City

Mekelle is the capital city of Tigray National Regional State. At present, the city is estimated to have a total area of 19,200 hectares and a population of 215,543.

Being the major strategic investment area of the region, Mekelle is a fast growing urban centre. Based on the structural plan prepared for the city in 2005, a number of inner city revitalization, infrastructure, housing and other projects as well as urban development programmes were designed and some of those are currently under implementation. Furthermore, the city administration has prepared 13 local development plans (LDPs) and regularization plans with the main objective of ensuring security of tenure for informal settlers, thereby boosting local economic development. Public discussion and consensus building, adjusting plans by incorporating public views and suggestions, and approval of the plans by the city council are among the major procedures adopted in the projects’ management.

Among the objectives of the programmes and projects is the need to convert the existing overcrowded and slum areas to healthy and environmentally sound living and working places. As a result of effective procedures and management, the implementation of the revitalization projects is moving rapidly. During the last five years, more and more investment projects have secured land and started construction activities. Some investments have already started production of goods and provision of services. Housing, business buildings
and infrastructure are among the major areas of interventions that are reported to have benefited the urban community, including the business community.

Plate 8: New Multi-Storey Buildings in Mekelle
Plate 9: Massive Slum Clearance to Make Way for Infrastructure and Services in Mekelle Central area

The main challenge the administration faced was in providing compensation for the land occupied informally. The amount of compensation for removal of existing houses and relocating settlers affects the budget allocation for infrastructure development and the financial capacity of the administration.

3.2.3 Adama City

Adama is the largest city in Oromia National Regional State. It has a population close to 300,000 and a land area of 16,000 hectares. In Adama the trade sector is the major employer after agriculture. The major business sectors in Adama are hotels, trade and industry. According to the city chamber, five to ten thousand people enter and leave the city each day. Both the public and the private sectors concur that business in Adama is growing rapidly.
One of Adama’s major inner city urban renewal interventions is the Gimb Gebeya. Although the city’s oldest central area market was demolished a year ago, its redevelopment is still lagging and no construction has started yet. According to the Housing Development Office, the city government is responsible only for the provision of infrastructure and facilitation of other activities. Even if a development plan of the site was prepared and given to the private developers, they could not develop the area due to organizational and managerial problems of their own, according to the city government.
City officials claim that the critical problem of business in the city is illegality and lack of awareness. Small shops and containers are placed in all corners of the city. There is also a problem of combining or mixing trade and dwelling quarters. By and large there is a tendency towards informal and illegal trade among the community. The city has a plan to bring some 1,900 illegal traders to formal and legal status this budget year (2010/2011).

The major complaint that comes from investors is concerned with the resistance of those to be relocated as a result of redevelopment. Slum dwellers are not willing to give up central areas although the administration provides appropriate relocations and compensations. It is natural that the previous settlers resist redevelopment projects for their livelihoods are expected to be affected. To alleviate this, the administration has prepared a commercial and market centre comprising small shops.

This commercial zone has been prepared for those relocated and other new entrants into business. The business centres built in different parts of the city at a cost of more than Birr 4 million have been organized into four zones. Even if 980 businesspeople have been allocated sites in these zones, they are not willing to leave their original locations. According to the municipality, the sites were planned in a customer oriented fashion. The business community, however, complains that the commercial sites are unplanned and inconvenient for business. The woreda shares the views of the business community. The observation of the team of the consultants which visited one of the sites is similar to the opinions of the woreda and the business community.

Plate 13: The Newly Built and Unutilized Commercial Centre in Woreda 12 of Adama City
The Adama municipality claims that it has gradually been improving its performance in meeting the needs of the business community and that it has good working relations with the Adama Chamber of Commerce. A key institutional problem of the municipality lies in the human resource manifested both quantitatively and qualitatively. High turnover in the municipality is reported to have aggravated the problem. Most of the officials are new and unaware of the activities of their predecessors.

According to the city’s chamber office, the business association had 870 members in 2008. In 2010, the number rose to 3,500. Understanding the benefits of the association to their businesses, new members were still joining the association.

The association has good relations with government offices; and hence it is well positioned to do advocacy work. It acts as a link between the business community and government offices, negotiating with both sides to improve the business situation. The association plays a vital role, particularly when the business community has major complaints. It intercedes on behalf of businesspeople to solve their problems. In one case, the administration had plans to relocate many garages in the city without the consent of the concerned businesspeople or the association. The association, therefore, intervened and as a result seven hectares of land has been allocated for those to be relocated and infrastructure is under construction. On another occasion, a sharp increase in the rent of public houses triggered a serious complaint among the community. The association again intervened and, after a series of negotiations, both parties (the city government and the chamber) agreed to make the increase gradual.

3.3 Urban Development in the Capital City (Addis Ababa)

3.3.1 General

About 3 million inhabitants of Addis Ababa live in some 500,000 housing units with an average density of approximately 6 persons per household. Low rise, and mud and wooden structures are the city's dominant features. Some 30% of the households live in informal settlements, and 5% are homeless, sleeping on the streets (commonly known Godana Tedadari). Worn out physical structures, high-levels of congestion, abundant solid waste and severe shortage of services and infrastructure facilities are the dominant characteristics of most neighbourhoods (CSA, 2005, 2007; ORAAMP, 2002).
More than 80% of the housing units are built from wood and mud. The majority of these housing units are mixed commercial and residential houses. It is rare to find a housing unit solely used for residential purpose in the old central parts of the city in particular. Usually, the front rooms are used for selling of goods and services, while the rear rooms and backyards are used for processing and production of goods and services and also for residential purposes.

The city has already used over 75% of its potential expansion area for development within its administrative boundary. According to ORAAMP (2002), the potential expansion area of 10,000 hectares within the city's administrative boundary was expected to get exhausted by 2010. As a result of natural population growth and the influx of population from the hinterland and the regions, the city is expected to grow markedly in the next few decades. Studies indicate that the city’s population will reach the 6 million threshold in 20 years, and the mega city level of 10 million in 40-50 years.

The city government has embarked upon a number of initiatives to act upon the deep-rooted housing problem and poor environmental quality of the city. In order to combat the housing problems and improve environmental quality, the Addis Ababa City Government launched studies, programmes and projects as part of the overall urban development and urban management initiatives. Besides the federal laws, the city has enacted its own regulations, directives and issued a manual on redevelopment management. With a view to utilizing urban land and services more efficiently and cost-effectively as well as minimizing the gap between supply and demand, the City Government issued the Condominium Regulation No. 12/2004.

A three-year Urban Development and Good Governance Plan (2004-6), which gave adequate focus to housing in tandem with the regulation, was also put in place. A target has been set to halve the then housing shortage or backlog (350,000 units), by constructing up to 50,000 housing units each year.

The city government has also approved a working manual on urban development and displacement management. According to the manual, legal property owners in the city centre, farmers in the expansion areas and informal holdings prior to 2005/2006(1988 E.C.) are qualified for compensation of land and financial payment for lost property. No compensation provision is made for loss of income to business operators and informal traders or for relocation of tenants in rented business premises.
IHDP and Urban Renewal Programs

The Addis Ababa City Government has embarked upon the IHDP, which aims at resolving the city’s housing shortage by focussing on the low-income community. The program encompasses job creation opportunities, facilitating the growth of construction industry, changing the slum image of the city and closing the gap in income disparities between the city residents.

The City Government has built close to 90,000 housing units through the IHDP program up to 2010. Attempt was also made to specifically integrate businesses within the residential neighbourhoods by reserving vacant land within blocks and the ground floors of condos for shops. Though the effort to integrate businesses in the IHDP is commendable, there are complaints from different sources that small businesses cannot afford either to purchase or to rent the spaces provided by the program. The table below shows the provisions of shops in some neighbourhoods of condominiums.

Table 3: Comparison between Condominium Residential Housing Units and Shops in Some Neighbourhoods of Addis Ababa

<table>
<thead>
<tr>
<th>No.</th>
<th>Condo Sites</th>
<th>No. of Blocks</th>
<th>No. of Residential Units</th>
<th>No. of Shops</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Iribekentu, Piassa, Arada</td>
<td>6</td>
<td>165</td>
<td>36</td>
</tr>
<tr>
<td>2</td>
<td>Balderas/Signal, Yeka</td>
<td>57</td>
<td>1,664</td>
<td>66</td>
</tr>
<tr>
<td>3</td>
<td>Near Magic Carpet School, Sholla Market, Yeka</td>
<td>7</td>
<td>168</td>
<td>12</td>
</tr>
<tr>
<td>4</td>
<td>Gerji Taxi terminal, Bole</td>
<td>30</td>
<td>834</td>
<td>52</td>
</tr>
<tr>
<td>5</td>
<td>Gerji, Imperial Hotel, Bole</td>
<td>10</td>
<td>270</td>
<td>30</td>
</tr>
<tr>
<td>6</td>
<td>Gotera Site, Kirkos</td>
<td>73</td>
<td>1,962</td>
<td>228</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>183</strong></td>
<td><strong>5063</strong></td>
<td><strong>424</strong></td>
</tr>
</tbody>
</table>

Source: Survey data, 2010

Currently, the City Government is undertaking a number of renewal projects in different parts of the city. Table 4 shows some of the major projects launched. Owing to the land use of these areas, it is expected that more businesses will come as a result of the renewal. There will be more shopping and other business spaces in the new buildings. The challenge however is whether the displaced small businesses can be accommodated in these new buildings.
Table 4: Summary of Urban Renewal Projects in Addis Ababa

<table>
<thead>
<tr>
<th>Project site/Name</th>
<th>Area covered (ha)</th>
<th>Number of houses to be demolished</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Public</td>
<td>Private</td>
</tr>
<tr>
<td>Sheraton Hotel Expansion (Kirkos Sub-City)</td>
<td>27</td>
<td>1,358</td>
</tr>
<tr>
<td>Sheraton Hotel Expansion (Arada Sub-City)</td>
<td>15</td>
<td>998</td>
</tr>
<tr>
<td>Meskel Square (Kirkos Sub-City)</td>
<td>3.2</td>
<td>172</td>
</tr>
<tr>
<td>E.C.A. Area (Casanchis, Kirkos Sub-City)</td>
<td>23</td>
<td>206</td>
</tr>
<tr>
<td>Wollo Sefer Area (Kirkos and Bole sub-cities)</td>
<td>9.8</td>
<td>324</td>
</tr>
<tr>
<td>Basha Wolde Chilot (Arada)</td>
<td>25</td>
<td>953</td>
</tr>
<tr>
<td>Lideta</td>
<td>26</td>
<td>1,134</td>
</tr>
<tr>
<td>Total</td>
<td>129</td>
<td>5,145</td>
</tr>
</tbody>
</table>

Source: Addis Ababa City Administration Land Development, Renewal and Banking Project Office, 2010

3.3.2 The Sub-Cities Assessed in Addis Ababa

Assessment in Addis Ababa was conducted in five sub-cities, namely, Arada, Addis Ketema, Kirkos and Lideta (the central areas comprising the majority of the city’s slums) and Yeka. Arada Sub-City used to be the historical political and social centre of the city. Addis Ketema, commonly called Mercato, was founded to serve as a central market and residential quarter for the indigenous community during the Italian occupation. Kirkos has been dominating the expansion of the city during the last four to five decades, hence exhibiting ‘modern’ buildings. Lideta shares the characteristics of Mercato and Kirkos sub-cities, as it mixes commercial and ‘modern’ office buildings. Yeka covers part of the northern and eastern intermediate and expansion areas of the city. The majority of the city’s renewal projects are carried out in these four central sub-cities — viz., Arada, Addis Ketema, Kirkos and Lideta, where the population density is relatively high. The four central sub-cities account for 31% of the total city population on only 8% of the city’s surface area (See Table 5).
Table 5: Background Data on the Five Sub-Cities

<table>
<thead>
<tr>
<th>Sub-City</th>
<th>Population ('000)</th>
<th>% Population out of total city population</th>
<th>Area out of total city area</th>
<th>Made from wood and mud</th>
<th>% With pit latrines or no toilets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ledeta</td>
<td>202</td>
<td>8</td>
<td>2</td>
<td>85</td>
<td>65</td>
</tr>
<tr>
<td>Kirkos</td>
<td>221</td>
<td>9</td>
<td>3</td>
<td>77</td>
<td>58</td>
</tr>
<tr>
<td>Arada</td>
<td>212</td>
<td>8</td>
<td>2</td>
<td>82</td>
<td>54</td>
</tr>
<tr>
<td>Addis Ketema</td>
<td>255</td>
<td>10</td>
<td>2</td>
<td>89</td>
<td>66</td>
</tr>
<tr>
<td>Yeka</td>
<td>347</td>
<td>13</td>
<td>15</td>
<td>83</td>
<td>70</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>42 (31)</strong>*</td>
<td><strong>23 (8)</strong>*</td>
<td><strong>&gt; 80</strong></td>
<td><strong>&gt; 60</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled from Population and Housing Census, CSA, 2007.

**NB:** The total population of the city was 2.7 million, considering those living in conventional housing. Those in **lastic-bets** and sleeping on the streets were not counted.

*(31), (8): these are figures excluding Yeka.
Individual figures do not add up to the total as they are rounded to the nearest whole numbers.

Partly as a result of the shortage of vacant expansion area and partly due to the objective of renewing the slums in the central area, the recent IHDP is more focussed on the central areas of the city. The renewal program has multi-faceted socio-economic and spatial/physical objectives, of which demolition and reconstruction of the existing housing structures, boosting the local economy, changing the city centre’s image and densification are few. The demolition of the existing housing stock affects not only residential houses, but also business premises as most of such functions are found mixed with residential housing units.

*Figure 1: The Five Sub-Cities in Addis Ababa*
Lideta Sub-City

With about 17,000 legal traders, Lideta is the third largest Sub-City in terms of business activity, behind Mercato and Piazza, according to Sub-City officials. The majority of these traders are engaged in automotive spare parts businesses. The Sub-City launched a renewal program on 26 hectares of land in 2009. The objective of the Lideta Area Renewal Project is to contribute to improving the image of Addis Ababa and solving the housing and business problems of the locality. Some 1,473 buildings have been demolished as a result of the renewal project. Out of the demolished buildings 1,134 were publicly owned (woreda or ABG) and 339 privately owned. Of the total demolished houses, 14.4% were business units and the remainder residential houses. On the cleared site a total of 59 new apartment blocks are under construction (See Plate 16). The ground and first floors of these blocks are planned to be used for business activities. The Sub-City officials reported that the number of new businesses expected to be opened as a result of the project (over 500) will be more than double the previous number (212).

Relocated traders are split into two categories according to their tenure arrangements:

i) Those who conduct businesses in rented houses (from woredas or the ABG or from private owners), do not receive compensation for relocation. Those in public houses are said to have signed agreements with the government to leave the houses at any time when the site is earmarked for redevelopment. Since most of the houses in the Sub-City were publicly owned, and as the majority of the business people in the Sub-City run their businesses in rented public houses, it is not surprising that the business community would be affected during the redevelopment. The previous rental contracts of the business community with the woredas were terminated as soon as the project was launched.

ii) Those who conduct business in their own houses are paid compensation for the houses and allocated land for business in the expansion areas.

Compensation was given to private house owners. Those who could afford to build houses on the already existing plots have been given the opportunity to do so. But those unable to meet the requirements were given plots on the outskirts of the city. According to the Sub-City officials, though the community-run businesses in rented houses might have lost some income as a result of discontinued business, this is temporary. There may be some
short-term drop in business during the project, but it is expected to more than recover once the project is completed. The Sub-City hopes that Lideta will become one of the city’s core business centres as a result of the renewal project.

As a way forward in solving business problems, preparation was underway to organize business forums at Sub-City level soon. The forums planned to embrace the Sub-City business community are expected to be accountable to the respective Trade and Industry Offices, the woreda or Sub-City.

Plate 14: Partial View of Lideta Sub-City Redevelopment

Kirkos Sub-City

Kirkos is one of the central area sub-cities of Addis Ababa. The Casanchis/ECA Renewal Project was launched 10 years ago to clear and redevelop the city’s central area slums. The selection of the site was based on the fact that the area had less urban complexity and density than the other parts of the CBD (central business district). As part of the city’s revised Master Plan a detailed LDP was prepared in 2002 to assist the implementation of the project.

As per the project document, the objectives of the Casanchis Renewal Project were to:

- Develop the area to the level of the master plan requirement;
- Contribute to upgrading the level of the city to international city standards;
- Respond to the high investor demand for land;
- Ensure efficient utilization of under-utilized urban land and infrastructure;
- Improve the service conditions of the area; and
- Increase the gross population density from 165 to 400 residents per hectare.

As a result of the project, the previous dominantly single-storied buildings were fully demolished and replaced by new high-rise buildings, mainly commercial. Though reliable data could not be obtained as to the whereabouts and status of the businesspeople that lived in the area prior to clearance, it is obvious that the most affected groups in the site clearance process of the Casanchis/ECA project, in terms of income loss, were daily labourers, MSEs and private businesses, in that order (See Figure 3). The types of business activities in the area were retail trade and small services provision which are highly location and customer dependent.

**Figure 2: Income Source/Occupational Status of Casanchis Project Area Residents**

Source: AA City Administration Casanchis project study document
Two-thirds of the residents in the Casanchis/ECA project site used to run formal/informal business activities — daily labourers constituting over 22% of the residents. Some 26% of the housing units served mixed functions of businesses (trade and service), and residence. Figures 3 and 4 show the tenure and functions of the housing units.

Figure 4 is a typical indicator of city centre housing tenure in Ethiopia. The government owns the dominant share that accounts for 70%, indicating that the tenants in these public houses are not entitled to any compensation or support during the redevelopment and relocation process. Since the majority of the houses were publicly-owned and the privately- owned ones were rented to private businesses, it is logical to conclude that the most affected are those running businesses in rented houses (public or private).

**Figure 3: Casanchis Project Area House Ownership**

Source: AA City Administration Casanchis project study document
The primary trade sub-sector in Casanchis is the construction sector and it is specializing and growing. Restaurants, cafes and bars follow suit. The Sub-City believes that a big majority of those relocated have made substantial improvements. It is the small kiosks and supermarkets that are deteriorating, seemingly due to falling demand. In order to minimize the locational challenges facing small businesses, the Sub-City has planned to develop a market centre.

Source: Addis Ababa City Administration Casanchis project study document

Plate 15: Casanchis Redevelopment at Different Stages
Arada Sub-City

Arada is one of the central area sub-cities in Addis Ababa and is considered as the centre of the historical foundation of the city. The sub-city is subdivided into 10 woredas. Most of the buildings and structures are old and dilapidated, with little basic services and infrastructure. According to the Addis Ababa Master Plan study (ORAAMP, 2002), an urban renewal programme is considered indispensable and vital for the rehabilitation and development of Arada Sub-City. As part of the Master Plan Revision, Local Development Plans (LDPs) were prepared to assist the development of the sub-city.

The implementation of the programme required the active participation and involvement of different groups of society — residents, investors and other stakeholders – to integrate efforts. The need for such an integrated programme was recognized in 2003 and important steps and decisions were taken in the preparatory and pre-implementation phase. To make the programme successful, orientation and training programmes were conducted for residents and employees of the sub-city.

Following the introduction of the BPR (Business Process Reengineering) in the sub-city, actions were taken to implement the Arada Urban Renewal Programme. The programme includes the following project areas:

1. Basha Wolde Chilot and Parliament Area Project
   - Covers more than 25 hectares of land.
   - The urban renewal project has been partially implemented during the last five year. As a result of clearance of rights-of-way for the arterial road from Parliament to Merkato through Irri Bekentu, many businesses have been evicted (mainly butcheries, bars and restaurants). In total 1,295 housing units (953 public and 342 private) have been demolished. Compensation, demolition of houses and preparation of new plots of land, and other related activities are still underway.

2. Sheraton Area Expansion Project
   - The project is located in woreda 15/16 (former woreda 14 kebele 22) and covers an area of 15 hectares.
   - In total 1,303 housing units (998 public and 305 private) have been demolished. There is a requirement of 655 houses for the relocated community who will be provided with flats in the condos.
Regular meetings were held and the project objectives clarified to the residents.

**Addis Ketema Sub-City**

Addis Ketema is one of the 10 sub-cities of Addis Ababa with a population of 255,000. It is one of the most densely populated sub-cities (CSA, Housing and Population Census, 2007). Africa’s largest open air market, Mercato, is also located in the Sub-City.

Many infrastructural expansion and upgrading projects have been implemented in the Sub-City, particularly after 2002/3. Roads, schools, youth centres, libraries, sports and playgrounds, toilets and water tap posts have been constructed. Some of the recently completed projects include the Woreda 13/15 and Woreda 19/20 asphalt roads, and Woreda 16/17 bridge. Other recently completed and integrated projects include three G+4 Woreda administration offices, 3 youth centres, 1 library; a sports play ground, 5 food processing sheds, and 4 apartment buildings.

Three local area improvement and renewal projects have also been implemented with the approval and active participation of the community. In 2009, for example, the community raised more than Birr 1.2 million in 9 months to finance community managed infrastructure projects. In May 2010, the Sub-City Design, Construction and Supervision Office completed and inaugurated 20 projects that cost more than Birr 67.2 million.

A detailed LDP was prepared for the Mercato area as part of the revised Master Plan of 2002. Assisted by the LDP and because of the overall development pressure, the Mercato business community has been redeveloping the area through a block-based land clearance process. Many groups of traders and businesspersons are accordingly organized into associations to redevelop their business premises and activities. In addition to the completed and ongoing development projects, five sites with large blocks were subsequently identified and marked in the centre of Mercato to be demolished and replaced by newly constructed modern multi-storied shops.
The redevelopment process in Mercato looks smoother and better envisioned. The majority of the developers are the existing businesspeople who have formed associations/share companies. Different strategies have been employed to minimize disruption of business during construction. During the construction phases traders organize adequate spaces around the blocks to continue their businesses. They also demolish and construct on part of the existing site/block leaving some part of the site un-demolished. They share the un-demolished spaces with those whose rooms are demolished. This has helped avoid business disruption and to maintain the existing business and socioeconomic fabric intact. The other outcome of the process is the creation of more business spaces and rooms due to the vertical growth of the buildings.
Yeka Sub-City

Yeka Sub-City is predominantly in the intermediate and expansion areas of the city. Condos and other developments are thus built on new vacant sites without the need for clearance and relocation. As a result of IHDP in Yeka (Balderas/Signal and Sholla areas), 78 new business units are created. The major urban renewal and development projects in the sub-city are associated with road upgrading. Roads from Arat Kilo to Megenagna and to CMC and the road from Parliament building through Aware to Megenagna are such examples.

To implement these road projects, housing units were demolished and existing businesses along the roads evicted. Even those not evicted were functionally affected. They lost their markets because they were denied smooth access as a result of cutting and filling of earth during construction. After completion of the road projects, the existing businesses re-emerged and new businesses were also opened. The net effect is that the size of the business community is growing, following the improvement in road infrastructure. It is the service sector that is showing particular growth in Yeka Sub-City.

3.4 Sample Survey Results in the Regional Cities and the Sub-Cities of Addis Ababa

In order to garner the opinions of the business communities, sample surveys were conducted in the three regional cities of Mekelle, Dessie and Adama, and in five sub-cities of Addis Ababa, namely, Lideta, Kirkos, Arada, Addis
Ketema and Yeka. The questionnaire used for the survey is attached in the Annex. The sample covers a total of 145 randomly selected business owners in all the cities. The major findings are presented in the tables and charts below.

**Table 6: Sample Characteristics**

<table>
<thead>
<tr>
<th>Respondent No. of Years respondents lived in the city</th>
<th>Educational level</th>
<th>Age group</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;5</td>
<td>5-10</td>
<td>&gt;10</td>
</tr>
<tr>
<td>%</td>
<td>7</td>
<td>14</td>
</tr>
</tbody>
</table>

Source: Survey data, 2010

As seen in Table 6, a great majority of the respondents (79%) have lived in their respective cities for over 10 years, indicating that they have sufficient knowledge and experience of their respective cities and localities. Their educational level is also good since 61% of them at least completed grade 12. Moreover, the majority are in the mature age bracket, supporting the validity of the responses given for the questionnaire administered. The size of the young businesspeople (below 30 years of age) also indicates that the respondents are quite aware of the situation and are expected to be more optimistic and forward looking. It can thus be concluded that the respondents are in a position to provide accurate, reliable and rational data.

**Table 7: Sample Respondents’ Business Condition Characteristics**

<table>
<thead>
<tr>
<th>Respondent</th>
<th>Type</th>
<th>Year of establishment</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>Trade</td>
<td>Industry</td>
</tr>
<tr>
<td>76</td>
<td>2</td>
<td>22</td>
</tr>
</tbody>
</table>

Source: Survey data, 2010

Table 7 shows that most of the respondents are engaged in trade business. The fact that most traders were established during the last 10 years demonstrates that they have adequate experience in business.
There is a general understanding and acknowledgement that there has been a strong urban development in the last five years (See Figure 6). There is also a consensus among the majority that peace and security in urban centres have been improving. As per the opinion of the respondents, service provision and customer handling of public institutions are encouragingly improving, while complaint handling, equity and transparency are on the check. The respondents believe that propensity to corruption remains a critical challenge for business improvement.
Figure 7 shows that most respondents believe that new businesses are doing well as they are growing with the development of the city, while old businesses are less successful, growing and shrinking in about equal measures. While this may be an indication that new businesses are favoured more than existing ones, it is also an indication that the newer entrants are younger and better educated, with relatively better entrepreneurial skills.

Figure 7: Major Factors Contributing to Failure of Businesses

![Bar chart showing the major factors contributing to failure of businesses.]

Source: Survey data, 2010

Figure 8 depicts the overall views of the survey respondents about the most important factors responsible for the failure of businesses. In the opinion of the respondents, the major causes for failure of businesses are market forces, followed by poor management, the tax system and service delivery. Respondents are not comfortable with the management of the renewal process, particularly in relation to compensation, eviction and the short time span between notification and demolition. The impact of market forces is manifested mainly through competition. New businesses are created with more opportunities and more competitive skills than existing businesses.
Regarding compensation, site replacement and support, half the respondents have a negative opinion and only a third believe that proper relocation is undertaken. The major complaints are that the relocatees are either not adequately compensated, or the relocation sites are not convenient to their businesses, or they are simply evicted without any form of compensation. Moreover, long time is taken to allocate compensation sites, delaying the time for restarting their businesses.

The majority of respondents (57%) say that they were not informed of the intention of the municipality well ahead of relocation. As a result, they did not have adequate time to make preparations (psychological, technical and economic) to cope with the impacts of renewal. Support given to evictees is not adequate to sustain their existing businesses. Here again, the evaluation
on time and support provided to businesspersons indicates that the development management of municipalities is a crucial area of attention.

**Figure 10: Rating of Problems Related to New Businesses**

- Poor working space/land provision: 58%
- Market forces: 15%
- Tax system: 9%
- Poor service delivery: 5%
- Other: 13%

Source: Survey data, 2010

The majority of the respondents believe that lack of land/working space is the determinant problem for new entrants to business. Most respondents complain about the escalating price of rental housing. The challenges posed by market forces, capital and personal efforts have also been observed to have mild impacts on creating new businesses.

**Figure 11: Ranking of the Underlying Factors that Help Business Expansion and Facilitate New Entry**

- Good urban renewal and expansion management
- Good service delivery
- Fair and transparent tax system
- Market forces
- Others (personal effort, capital, etc.)

Source: Survey data, 2010
Regarding factors for expansion and success of businesses, a big majority believe that personal efforts and capital are the major determinants followed by market forces and good management.

Other problems indicated by respondents in relation to business expansion are increasing number of unregistered traders, frequent change in city management, leadership problems arising mainly from corruption and weak capacity, high tax burden, higher rents for working premises, higher commodity prices, slow decision-making process, lack of vision and strategy of specific businesses and lack of support and incentives for new project ideas.

Below is a summary of key measures suggested by respondents, businesspersons and officials to improve business conditions.

**On the Part of the Government**

Respondents believe that the government has to:

- Improve the efficiency of land supply in appropriate locations, particularly for evictee businesspersons and construct working premises for rent by lower level business operators in appropriate locations;

- Review and reduce the current tax levied on small businesses;

- Assign strong and committed leaders (educated and having real concern for development of the city) in order to improve service delivery system, effect fast decision-making and transparency;

- Manage and control illegal trading that affects the performance of registered traders;

- Provide balanced support to small businesses (fair attention to small, medium and big business companies), and avoid unfair differentiations when undertaking urban development and redevelopment projects;

- Inform relocatees and evictees well ahead of time when the renewal projects are planned;

- Re-orient the current compensation concept. Compensate the business community who run businesses in rented houses as well, not only the house owners;
Provide fair and efficient mechanisms for service delivery, fighting corruption and encouraging transparency when undertaking urban development and redevelopment projects. This is believed to help sustain the current urban development and also improve the corresponding businesses;

Encourage and support the creation of common forums of discussion and dialogue to ensure trust between the public and the private.

**On the Part of Business Associations**
Respondents also stated that Chambers of Commerce and Sectoral Associations should:

- Embrace small and medium businesses, and provide the necessary support;

- Act as a true and genuine representative of the business community and serve as appropriate bridge and mediator between the government and the business community. This, it is believed, helps the Chambers play their role and apply the required influence in urban development and renewal processes;

- Hold regular discussions with the business community and provide awareness creation and capacity building training for the members;

- Conduct project studies to support and strengthen business organizations. One of the major shortcomings of small businesses is their inability to prepare proper feasibility studies.

**On the Part of the Business Community**
Respondents have indicated that businesspeople should:

- Pay taxes and contribute their share of responsibility for the development of the city;

- Support each other and form associations/share companies to bring together their potentials and create pressure through active participation. They should also raise problems and discuss them openly with the relevant government institutions;

- Become active member of the chambers of commerce;

- Understand the role of the public sector, appreciate the urban development and renewal programs and play a cooperative role in the process;
- Promote saving culture to expand investment and to cope with the challenges of renewal and urban development. Promoting creativity, having business plans and feasibility studies also help in expanding successful businesses;

- Get the necessary training on business, and apply knowledge to the changing business conditions. Urban development and renewal are indispensable phenomena and the business-as-usual approach may not be an option for the future.

### 3.5 Summary of Local Experience

#### Good Practices

The good practices and experiences of the three regional cities and the five sub-cities of Addis Ababa are summarized hereunder.

- Addis Ababa and the three regional cities are all showing progress in development, particularly with respect to buildings and road infrastructure. The assessment and survey results also revealed that businesses are also showing a trend of growth that corresponds to urban development.

- The provision of shopping spaces on ground floors of condominiums in the IHDP is commendable. It creates opportunities for medium businesses.

- In addition to the overarching major policies issued by the federal and regional governments, local governments (Dessie and Addis Ababa) have developed their own local regulations and manuals to ease the management of renewal projects. These are commendable experiences that could be replicated in other cities.

- Small local business developments are crucial for boosting local economic development. As in Dessie, giving priority to organized associations/share companies to redevelop their neighbourhoods not only improves the physical condition of the neighbourhoods, but also the socioeconomic conditions of members and their families. One can also learn from Dessie’s experience that small traders can be transformed into real estate developers if they are provided with the required regulatory framework, managerial and administrative support.

- Small business communities are much stronger when they act in unison. By mobilizing their limited resources and voices as a group, they become strong enough to influence decisions and make
meaningful contributions to the economic development of their localities. The Tossa Share Company was, for instance, formed because the members were forced to leave their working space for investment. As a result of their strong, organized voice, they were able to lease land on a new site from the municipality.

- Pilot projects and case studies have big impacts on urban development projects. Showing practical results creates a sense of confidence, provides reassurance and draws more investment.

- Development along both sides of major roads helps to bring integrated neighbourhood development. Focussing only on one side of a major street (as in Casanchis) creates a negative effect on the other side of the street.

- The redevelopment in Mercato is block-based. This approach, as opposed to plot-based piecemeal approach, brings about an integrated development and gives an identity to a particular neighbourhood and ensures an effective and economic use of infrastructure and land resources.

- The redevelopment process in Mercato, which incorporates the existing businesspeople and the arrangement for organizing adequate spaces around the blocks to continue business during the construction phase, is another good practice that could be shared.

**Limitations**

Some of the major limitations observed in the cities and sub-cities are:

- Though the overall business trend can be described as positive, small businesses are negatively affected by the renewal process. As a result of the renewal and the consequent evictions and relocations, many small businesses have been unable to earn their previous level of incomes.

- The IHDP makes provisions for businesses on ground floors. But these are not suitable to small businesses evicted from central slums as they cannot afford to buy or rent these shops.

- Lack of integrated and holistic city markets is vivid. The new working spaces created by real-estate developers are not fully occupied, even though the rental prices are not so high. In Mercato, for example, the upper floors of the multi-storey market centres are not efficiently and effectively utilized. Similar small shops are opened on every floor without any specialization of each floor. Shoppers are thus less
inclined to climb stairs to higher floors. It is also common to see many rooms on the third and fourth floors being used as storerooms. As a result, there is a growing risk when more and more new multi-storey buildings with multi units are coming to the market.

- In many instances, there is lack of integration between planning and implementation. As a result, odd and unused spaces have been observed between new buildings, creating wastage of land. Public owned buildings are also left between new developments without due concern for harmony, thus creating poor scenic environment. Moreover, many developments that are carried out without local development plans (LDPs) fail to integrate socio-economic conditions and have little or no regard to the spill-over effects such as mobility, parking, etc. Development is usually plot-based, not block-based.

- The other issue lacking due consideration in the regional cities and parts of Addis Ababa is infrastructure. While the municipalities encourage and push investors to undertake development, they neglect the crucial role of infrastructure that should proceed in parallel with the construction work.

- No safety net provisions are made for the affected small traders and service providers who fail to participate in the renewal process. A number of small traders fail to take part in the redevelopment process, mainly due to their inability to raise the minimum required capital. Small traders and service providers who run businesses in government rented houses are paid no compensation and no replacement plot is provided. For example, the Tossa Share Company was established by 84 members, of whom 20, i.e., 24%, were evicted as they were unable to maintain their membership.

- There is also management problem with regard to bridging the time gap between demolition and reconstruction. Delays in land allocation are common even after the demolition of existing premises. These cause extended business disruption, resulting in loss of income and even at times the business itself. The case of Adama where the evictees of Gimb Gebeya are not yet provided with proper relocation business sites may be noted here. Turnover of senior management staff of municipalities is also believed to be one of the main factors for delays in decision-making.

1 Block is a plot/s of land in a neighborhood defined by roads all around.
Table 8: Gaps Identified between Global Best Practices and Ethiopian Experience

<table>
<thead>
<tr>
<th>Global Best Practices</th>
<th>Ethiopian Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong leadership, governance and institutions, as in Curitiba and Singapore</td>
<td>Low capacity</td>
</tr>
<tr>
<td>Land sharing options</td>
<td>Limited practice (as in Mercato and informal housing upgrading areas), though the tenure arrangement is different</td>
</tr>
<tr>
<td>Negotiations with slum associations</td>
<td>No slum associations</td>
</tr>
<tr>
<td>Early information on eviction programme</td>
<td>Sometimes no adequate time gap</td>
</tr>
<tr>
<td>Strong data management system</td>
<td>Poor data management system</td>
</tr>
<tr>
<td>Strong public awareness and willingness for change</td>
<td>Low level of awareness</td>
</tr>
<tr>
<td>Strong partnership with the private sector, NGOs and community associations</td>
<td>Weak partnership</td>
</tr>
<tr>
<td>No relocation or in-situ relocation</td>
<td>Mainly relocation to other areas</td>
</tr>
<tr>
<td>Integrated socioeconomic and spatial/physical planning</td>
<td>Less integrated planning</td>
</tr>
<tr>
<td>Financially and technically sustainable</td>
<td>Sustainability is questionable</td>
</tr>
<tr>
<td>Services should be affordable to local community</td>
<td>Services sometimes inaccessible to the local community</td>
</tr>
<tr>
<td>Targeted subsidy for the poor</td>
<td>The poor are often the most severely affected</td>
</tr>
</tbody>
</table>
CHAPTER FOUR

CONCLUSIONS AND RECOMMENDATIONS

4.1 Conclusions

Ethiopia needs large-scale urbanization and development that corresponds to its population and its planned economic development. It is also true that the level and quality of its urbanization should conform to an international standard. In order to ensure the realization of the GTP (Growth and Transformation Plan) that the government has endorsed recently, more vigorous urban development programmes and projects will be required. As discussed in the preceding chapters, the leading urban development strategy in the country currently is the urban renewal approach by which the majority of the existing structures are demolished and newly reconstructed.

The assessment of developments during the last ten years has shown that businesses have been growing and developing in parallel with urban growth and development. There is a general understanding that business development goes hand in hand with urban development. Officials in the surveyed cities claim that they strongly promote growth and development of businesses in line with their urban development agenda. Business improvement and development can only be conceived in the realm of sustained urban growth and development. The renewal practices to date have shown remarkable achievements. There have, nevertheless, been some flaws that have affected particularly the lower level business community.

Urban renewal programmes have in most cases been conducted without a long term vision and strategy. Failure to have a long term vision and city-wide strategy may lead to unintended outcomes. The consulting team has not come across a city-wide renewal strategy document in any of the Ethiopian cities studied.

The overall outcome of Ethiopian urban development seems to favour business in general while low-income business communities are negatively affected, particularly by the IHDP renewal programmes. When such major urban development programmes are implemented the low-income businesses are unable to cope as they do not have safety-nets. Banks are not willing to give them loans, nor do they have strong institutions that coordinate and
integrate their efforts. They, therefore, are highly vulnerable to forces of urban development, and are too weak to resist them or to absorb the shock.

Small businesses are not only vulnerable to public sector actions, but are also affected by the actions of large businesses. The large private enterprises usually seek economies of scale and they pressurize and influence public decisions in favour of large enterprises. Following redevelopment one serious problem for small traders is that they are not able to afford facilities in the newly redeveloped buildings. Small businesses, which used to run their businesses mixed with residential units prior to urban renewal programmes, will not have this comfort anymore as the specific units on ground floors are meant only for business.

It is observed that condominiums constructed as a result of the redevelopment programme have created growth of businesses in some areas (e.g., in Iribekentu, Arada and Balderas, Yeka), while they have diminished the number of businesses in other areas. For example, many small businesses have vanished after renewal programmes (e.g., Cazanchis), but managed to reorganize themselves in available private rental spaces around their previous locations (e.g. Gimb Gebeya in Adama and Somali Tera in Addis Ababa). In most cases it has been difficult to identify the whereabouts of the displaced business community.

The government, the chamber, and the business community have identified informality and illegality as serious challenges that affect the performance of businesses. For example, some 2,800 (47%) of the 6,000 business operators in Dessie are not licensed. This reveals the level of illegality/informality. Similar patterns are observed in Addis Ababa and other big cities. The business community demands the removal of Sunday Marketers because of the unfair market competition such an arrangement brings. They also complain that illegal trade proliferation and organizational support given for directly competing MSE’s are affecting the formal traders.

On the other hand, small businesses (formal or informal) account for a large proportion of businesses in Ethiopian urban centres. They employ the bulk of the urban labour force and greatly contribute to reducing unemployment and poverty. Moreover, they provide affordable goods and services for the majority of urban residents (the low income group). The contribution of small businesses to sustainable urban growth and development is thus immense. In order to resolve this seemingly contradictory dichotomy, appropriate measures should be taken to register the informal and illegal traders and support them to function in the legal environment.
In line with the country’s ambition to become a middle income country in a very short time and considering the GTP, it is imperative that small businesses are given appropriate attention. Though the overall policy and intentions of urban development are pro-poor and pro-small businesses, existing urban renewal approaches and strategies seem to favour large businesses, with little concern for small ones.

It is logical to conclude that the future policy orientation of urban development has to give greater emphasis to the potential development and growth of low income business communities. Their potentials need to be harnessed and exploited; and hence appropriate strategies need to be drafted to support their growth and development.

Major Challenges of Business Expansion

The major challenges of business expansion in the above context are the following.

1. Lack of attention to small businesses while conducting renewal programmes of IHDP and other projects. The business community is not adequately consulted with regards to the objectives of the projects and the implementation processes. There is lack of awareness that urban development is synonymous with business development, particularly small businesses in the Ethiopian urban context. There is little recognition regarding the role of small businesses in meeting the socioeconomic needs of the society by creating the bulk of employment and income, thereby facilitating the success of the GTP. There is failure to link the pro-poor policy intentions with the programmes and projects through which the policy intentions are implemented. Consequently, renewal projects usually result in unintended outcomes that harm small businesses in contravention with the policy objectives.

2. Lack of integrated and holistic objectives and strategy is the other challenge. The main focus of renewal projects seems to be targeted at improving the physical condition of the neighbourhoods with little concern to the socioeconomic impact. There is lack of clear strategy and roadmap to address the problems of small businesses associated with slum renewal. Renewal is thus associated with relocation or eviction of small businesses usually without compensation for the loss of income. When businesses are closed without proper strategy of addressing the associated problems, the likely conclusion is that some are going out of business adding to the unemployment level with a consequence of piling up problems for the future.
3. Public agencies responsible for carrying out redevelopment projects have low institutional and human resource capacity. Moreover, no proper data is acquired, organized, analyzed and kept on the number, size and type of businesses prior to launching and after implementation of projects. Lack of strong and proper organizational set up that could represent the business community for negotiations in renewal programs and projects is also a major drawback.

4. Small businesses (relocated, evicted or new) face the challenge of acquiring appropriate working spaces. Central areas are too expensive and the sites on the outskirts are not convenient to run small businesses. The newly settled expansion areas (new condominium sites of Gotera, Mekanisa, Gofa, Kolfe, Ayat, Jemo, etc. in Addis Ababa) are good venues for new businesses as new demands are created in these neighbourhoods. But the challenge for small businesses is that they do not afford the expensive rental prices of the ground floor shops of the condos.

5. Institutional culture and public tradition is also a challenge. Renewal poses new dimensions and approaches that were against the old traditions, and ways of doing things for the public institutions, the staff and the community.

4.2 Recommendations

4.2.1 Recommendations for Conducting Feasible and Sustainable Renewal Projects

Though the income of Ethiopian urban residents is generally growing, the disparity in income among the residents also seems to be growing. As a result of relocations that follow urban renewal, the livelihood of a number of people is threatened. This is in contravention with the intentions of Ethiopia’s overall development policy, which is pro-poor and directed at ensuring a happy and sustainable society. In line with the policy intentions, urban renewal programmes should therefore be reoriented at minimizing the negative impacts on the poor by devising appropriate pro-poor strategies.

From the foregoing analysis and the conclusions reached, the following are the recommended approaches for conducting feasible and sustainable urban renewal projects that promote smooth urban development/business relationships.
1. Adoption of In-Situ Relocation and Accommodative/Inclusive Approach

- Rather than displacement, adopt the concept of urban renewal which aims at redevelopment of physical, social and economic situation of the area. This is not merely suitable for remodelling the old areas and bringing new structures, but gives chance for existing residents and businesses to modernize the areas so that business is not damaged by urban development.

- In-situ integration or relocation as opposed to displacement or eviction preserves the existing economic system and opportunities for growth, preserves the social fabric and values of the community. In situations where it might not be possible to adopt on-site relocation, maximum effort should be made to conduct relocation on nearby sites of similar neighbourhoods. It seems wise to relocate businesses along with neighbourhoods so that income and businesses are retained in the new areas. This will help small businesses survive with the result that development will benefit all.

2. Adoption of a Holistic and Integrated Planning Approach in Urban Renewal Areas

- Designing slum intervention programmes holistically with the overall city development strategies (policy framework, city-wide land use development plans, socio-economic and institutional interventions, etc.) is mandatory.

- Urban renewal programs and projects should balance physical and socioeconomic objectives of the neighbourhoods. Physical improvement without the corresponding socioeconomic growth does not lead to sustainable development.

- Apply balanced and mixed planning to incorporate small businesses in projects. To make cities inclusive living environments in line with the policy direction, strategies that integrate the needs of the small business community need to be encouraged in inner city areas.

- The notion that mixing business with residence is illegal or wrong needs to be revisited. In most poor third-world countries like Ethiopia, the mix of functions is not a matter of choice but of necessity. A mix of such functions is rather to be encouraged for the socio-economic contributions they have on the wider societal set-up. Renewal should not be managed to lead to segregation of small businesses. Moreover, diversity is a social value that should be preserved in the Ethiopian urban context.
- Small businesses that do not affect the health, sanitary and environmental situation of their neighbourhoods could be mixed. Such functions as small shops and services like hair dressing, etc., can be mixed with dwellings, provided they have adequate partitions for convenience.

- The design of multi-storey shopping centres also needs attention. Shopping centres with multi units of functions may be designed to have G+1 or G+2. In cases where higher floors are needed, they should be used for offices, restaurants, etc., not shopping. Single large department stores may have higher floors, provided that they have elevators and escalators.

3. Create Strong Public Private Partnership (PPP)

- Taking into account the contribution of the private sector in alleviating unemployment and poverty through the provision of urban housing, infrastructure and business development, cooperation with the private sector is increasingly seen as a necessity and not just an option to ensure sustainable urbanization. The business community must be fully engaged in urban renewal projects from planning throughout implementation activities.

- To tackle the challenges of partnership and cooperation in later stages of the programmes, partnership should be successfully built into sustainable and replicable institutional frameworks.

4.2.2 Measures that Facilitate the Implementation of the Recommendations

Though urban renewal strategies have the objectives of overall urban development and business expansion, there are certain unintended outcomes which particularly affect small businesses. In order to manage the unintended outcomes of these urban development activities and to minimize their impacts on small businesses, the following measures are recommended.

I. Measures to Be Taken by Government

- Draft holistic and integrated urban renewal strategies at federal and local levels. The federal government may provide a long term strategy (20 years) for urban regeneration or redevelopment programmes. City governments can also draft short and medium term local strategies (5 and 10 years) that could be translated into annual programmes and projects. These strategies should promote the concept of inclusiveness and show the interpretation of the pro-poor policy in programs and projects.
• **Develop business development strategy.** The crux of such a strategy will be to understand that urban development is synonymous with business development. Business loss and income loss by the community should not be by any means a by-product of urban development or renewal. The relocated or evicted business community should be better off and not worse off as a result of the implementation of urban development and renewal projects. The strategy may help to understand the backward and forward linkages between small and large businesses and facilitate small businesses’ rapid growth and graduation into medium and large businesses.

• **Look for income generating activities in the new sites, and organize open and semi-open markets in central areas.** This could serve as a compromise between the conflicting demands of affordability for citizens and the cities’ development needs. It is true that there is a low-level business community to serve the majority of the public; and it is the small businesses (including *gulits*) that are most accessible to the poor community. These centres may be better places for the Sunday Marketers and *gulits* (small informal open markets). As in other African countries, e.g., Tunisia and South Africa, areas may be organized with shades and stalls and equipped with services and facilities such as toilets. Provision of such places in the new relocation site will give a venue for small and informal old businesses in the new context. They know how to do business, what they need is the venue. This approach also serves to create a favourable environment for small businesses, lest they go illegal or informal.

• **Organize the low income business community in advance of a renewal project.** One flaw that undermines the urban renewal process is the lack of advance preparations. If early preparations are made and the business community is organized into associations and starts to make contributions, affordability will be less of a reason for failure to be accommodated in-situ. The members of Tossa Share Company are living proof that this approach can work.

• **Focus support to small businesses during renewal process.** The core objective of IHDP and urban renewal programs is to improve the life of urban residents and the business community currently on the site. The current compensation concept should emphasize on income continuity and include small business community who run businesses in rented houses. Currently there is a growing tendency to incorporate traders into condominiums, and provide them with land within their neighbourhoods at an affordable lease price. Although this has its own limitations, this progressive shift
of policy is encouraging as it promotes on-site relocation and eases the challenges of the lower-level business community. So it should be strengthened and scaled up.

• **Provide alternative accesses during major constructions.** Many businesses are affected during infrastructure development and extension (particularly road infrastructure). The damage is severe when the infrastructure development is extended over a long period. Well thought alternative access roads (de-tours) should thus be provided prior to the disruption of existing accesses.

• **Build a minimum institutional capacity.** The new approaches of IHDP and renewal programs cannot be managed and carried out within and by the institutional arrangements that used to do normal business. The policy objectives can only be achieved and the problems of small businesses mitigated only if there is a capable institution to implement the programs and meet the objectives.

• **Put proper data management system in place.** Data management (data acquisition, updating, storage, dispatch) is an important component of the management of programs and projects designed to satisfy the intended goals. There must, therefore, be a city-wide data base that uses GIS to facilitate access to information for the public.

• **Encourage and strengthen the ongoing urban forum.** The current attempt by Ethiopian cities to meet annually on “Ethiopian Urban Day” is a good start for city marketing and stimulating cities for development. These forums could serve as platforms for experience sharing on the good practices of urban development and business expansion and as a means to learn from others’ mistakes.

**II. Measures to be taken by Chambers of Commerce and Sectoral Associations**

• **Promotion of a genuine public-private partnership spirit.** Chambers should commit themselves to cooperate and work with public institutions. The government’s plan to organize business forums at sub-cities and woredas is an opportunity to be exploited by chambers to meet the demands of city businesses. Chambers may serve as a bridge and mediator between the government and the business community.

• **Widen their sphere of influence by incorporating medium and small businesses.** Chambers should embrace small and medium-sized businesses, not only the large companies; and act as a true
and genuine representative of the business community in general. The side effects of redevelopment could be used as pull factors to bring the victims/would be victims on board.

- **Conduct awareness creation campaign regarding the role of small businesses.** There is a strong need to create awareness that small businesses are the foundations of growth and guarantors of success as they provide employment and income to the majority of the urban citizens.

- **Build capacity of small businesses.** Conduct project studies to support and strengthen business organizations, and conduct capacity building training for key stakeholders to enable them to cope with the new environments of renewal.

### III. Measures to Be Taken by the Business Community

- The business community should create strong associations to coordinate its efforts and energy. Such associations may be under the umbrella of, or in cooperation with, the chambers of commerce. Organizing into associations will also help create pressure through active participation of members. The associations could be used as a means of pulling capital and to enable members become actors in the urban renewal and IHDP processes, rather than their victims.

- The business community should promote a saving culture to expand investment. In the existing system, the victims are those who do not have capital at hand. Strong capital base is a means to be part of development.

- They should understand that having a business plan before investing is a necessary step for success of business. They should be aware that getting training on business and applying knowledge to the changing business conditions is a road to becoming a good entrepreneur.


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CSA (2005), *Ethiopian Statistical Abstract*.


Roberts, B. and Kanaley, T. eds.(2006), Urbanization and Sustainability in Asia: Good Practice Approaches in Urban Region Development.


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UN-HABITAT( 2008), Business Partnership for Sustainable Urbanization, Nairobi.
ANNEX I: Sample Survey Data Collection Form

This questionnaire is designed to collect data for conducting a Study on the Urban Development Patterns on Business Expansion in Ethiopia. The objective of the study is to come up with policy and other recommendations that could improve the urban management and business expansion relation in the country. The study is being conducted by MATHEWOS Consult with the ownership of Addis Ababa Private Sector Development Hub, Addis Ababa Chamber of Commerce. We highly appreciate your unreserved support and cooperation in this endeavour.

1. Personal data
1.1. Age of the respondent ______________
1.2. Sex, M _____ F ______
1.3. Marital status: Single _____ Married ____ Divorced _____ Widowed ____
1.4. Respondent is education level: Illiterate ____ Read & write (literate _____
    Elementary _____Secondary _____ College and above ______
1.5 Year of residence in the town ______

2. Business
2.1. Business type: Trade _____ Industry _____ Service ______
2.2. Year of establishment ______ Registered Capital (Birr) ______
    Current Capital (Birr) _________________________________

3. Opinion on the of the past 5 years developments

<table>
<thead>
<tr>
<th>Types/ Areas of Change</th>
<th>Level of change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Deteriorating</td>
</tr>
<tr>
<td>Overall city development trend</td>
<td></td>
</tr>
<tr>
<td>Development management condition of the administration</td>
<td></td>
</tr>
<tr>
<td>Service provision condition</td>
<td></td>
</tr>
<tr>
<td>Customer handling attitude of the employees</td>
<td></td>
</tr>
<tr>
<td>Complaint handling mechanisms</td>
<td></td>
</tr>
<tr>
<td>Corruption situation of the administration</td>
<td></td>
</tr>
<tr>
<td>Equity situation of the administration</td>
<td></td>
</tr>
<tr>
<td>Transparency situation of the administration</td>
<td></td>
</tr>
</tbody>
</table>
4. Urban development and business sector condition

4.1 Relation Condition

<table>
<thead>
<tr>
<th>Type of business</th>
<th>With the development of the city</th>
<th>majority of the businesses are</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dead/ going out of business</td>
<td>Shrinking</td>
</tr>
<tr>
<td>Existing business</td>
<td></td>
<td></td>
</tr>
<tr>
<td>New business</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The underlying causes of the old businesses for dying/ going out of business or Shrinking (Rank 1-5):
Poor urban renewal and expansion management___. Poor service delivery___. Tax system problem___ Market force ____ Others (indicate) ____

Are displaced businesses because of urban development projects fairly compensated?  Yes___ No____ I don’t know____

Are displaced businesses because of urban development projects provided proper relocation site on time? Yes ___ No ____ I don’t know____

Time and support provided for displaced businesses were:
Very poor____ Fair___ Good___ Very Good___

Your estimation of the number of businesses that died/went out of business or shrinking because of urban development projects____

Problems related to new businesses are:
working space/land provision___ Poor service delivery____ Tax system ____ Market force ___ Indicate others__________

Your estimation of the number of old businesses that expanded because of urban development projects____

Your estimation of the number of new businesses created and expanded because of urban development projects____

The underlying factors for the business expansion and new entry (Rank 1-5):
Good urban renewal and expansion management___. Good service delivery____. Fair and transparent tax system ____. Market force _____. Indicate others ______

5. Which Businesses (Sector and size) are most affected by urban development projects? __________________________________________________________________________________________

6. Other problems related to business expansion. __________________________________________________________________________________________
7. Improvement measures you suggest to be taken.

7.1. By the Government _____________________________________________
______________________________________________________

7.2. By the Chamber of Commerce ____________________________________
______________________________________________________

7.3. By one’s own effort ____________________________________________
______________________________________________________

8. Opinion of the Expert. __________________________________________
______________________________________________________
______________________________________________________
ANNEX II: List of Persons Contacted

1. Abayneh Ayele, President, Chamber of Commerce, Dessie
2. Abdulwehab Temam Abdulkadir, Process Owner, Trade and Licensing, Adama
3. Amanuel Welde Gerima, Head, Urban Planning Department, Mekele Municipality
4. Antehneh Abate, Investment Promotion Officer, Dessie Municipality
5. Anteneh Amare, Legal Trade Promotion Officer, Trade and Industry Office, Dessie
6. Asabech Ayele, Training and Business Development, Small and Micro Enterprises, Arada Sub-City
7. Asefa Moreda, Trade and Industry Officer, Yeka Sub-City
8. Befekadu Assefa, deputy General Manager, Addis Ababa Integrated Housing Development Project Office (IHDPO)
10. Buzuneh Welde Yohannes, Studies, Planning and Budget, Office of the Manager, Arada Sub-City
11. Fekade Haile, General Manager, Addis Ababa City Roads Authority
12. Firew Lemma Urban Renewal & Redevelopment Coordinator, Lideta Sub city, Girma Mengesha, Secretary, Chamber of Commerce, Adama
13. G/ Meskel Bahta, Housing Transfer and Administration Section Head, Mekelle City Administration
14. Hailay Gebre Hiwot, Head, Monitoring and Evaluation, Infrastructure Department, Mekelle Municipality
15. Hailay Kidanemariam, Head, Infrastructure Department, Mekelle Municipality
16. Hassen Oumer Mohammed, General Manager, Tosa Share Company Number 2, Dessie
17. Hussein Safano, Evaluation and Follow up, Trade and Industry, Adama
18. Hussen Said, Board member, Chamber of Commerce, Dessie
19. Ato Kebede Wolde Rurfael, Board member, Chamber of Commerce, Dessie
20. Ketema Bekele, Urban Planning Office, Kirkos Sub-City
21. Mekonnen Masa, Investment Promotion, Coordinator, Mekele Municipality
22. Muhammed Kemil, Businessman, Dessie
23. Mulugeta Tadesse, Deputy Manager & Trade and Industry Head of Lideta Sub-City
24. Nesrudin Shaffi, Trade and Industry Head, Kirkos Sub-City
25. Seife Tafesse, Officer, Studies, Plan and Budget Process, Finance and Economic Development Office, Addis Ketema Sub-City
26. Shewangizaw Elfineh, Woreda 8 Land Holding Officer, Lideta Sub-City
27. Sholla H/Giorgis, Land Administration Kirkos Sub-City
28. Shumi Bira Mojo, Housing Development Office Head, Adama
29. Solomon Gebre Egziabher, Small and Micro Enterprises, Mekele City Administration
30. Tilahun Fekade, Director, Urban Planning Institute, Civil Service College
31. Yesuneh Mengesha, Trade and Industry, Adama
32. Yosef Zeleke, Studies, Planning and Budget, Office of the Manager, Arada Sub-City
33. Zegeye Faris, Councillor and businessman, Dessie Municipality
34. Zewdu Bekele, Head, Trade Registration and Licensing Sub Process, Bureau of Trade and Development, Addis Ababa City Administration